3 Key Themes from Industry of Things World USA 2016 Conference

An Overview by
Hubert Selvanathan, Principal
February 2016

Attendees at the Industry of Things World USA conference, which was held February 25 and 26 in San Diego, hailed from 28 different countries—a sure sign that the Internet of Things (IoT) is gaining momentum across the globe. We were able to speak with and hear from a diverse set of participants, ranging from technology providers and vertical industry practitioners to academics and government representatives. For those who were unable to attend, following is a quick summary of the conference's key themes:

1. **Manufacturers of highly engineered products are shifting their IoT focus from internal operational efficiency to external monetization to drive new revenue streams.**

   Manufacturers have historically been focused on using IoT internally within their factories, plant floors, and supply chains to increase operational efficiency. However, it was evident from the conference's keynote sessions, breakout groups, and hallway discussions that their focus has shifted to the different ways in which IoT can drive new revenue streams. Manufacturers discussed being at the beginning stages of determining how to turn product data into insights and insights into new offerings. John Deere took the stage to discuss its 'smart' farm offering. This innovative offering leverages the data collected by its field and equipment sensors, augments it with external datasets such as weather and financial data, and then analyzes the collective data to prescriptively advise farmers on optimal locations to plant specific crops. Along with the challenges of driving new revenue, it was equally apparent that manufacturers are grappling with the associated business model changes that are necessary to drive success in their new revenue streams. We found this to be very consistent with Waterstone's perspectives on the challenges of launching smart connected products.

2. **The Cost of Developing and Deploying IoT Solutions Continues to Decrease.**

   In the last several years, IoT deployments have largely been isolated and small in scope, oftentimes run as a pilot. The footprints of those same, albeit evolved, IoT deployments are finally starting to substantially expand. These expansions are due to both the availability and proliferation of IoT technologies as well as the decreasing unit costs of the underlying components. Several scaled cloud providers have jumped into the IoT fray, including Amazon AWS, Microsoft Azure, Salesforce IoT cloud, etc. The wide reach of these providers is starting to have an effect on the ease of access to IoT technologies. Further, the unit costs of sensors, storage, application development, etc. has continued to decrease in the last few years. As a result, conference participants are optimistic about rolling out more and wider scale IoT pilots in the near- to mid-term future.

3. Scaling the Business of Smart Connected Products Is Not Easy.

Providers of smart connected products and services are grappling with a handful of challenges as they look to scale past the initial base of early adopters. Two such challenges that are top of mind are distribution and ongoing product development. The main distribution challenge lies in being able to successfully shift the mindset of the traditional dealer channel from selling equipment and products for upfront fees to now selling products and services with subscription pricing and limited to no upfront fees. On the product development front, while smart connected products are producing an enormous amount of data, only a small portion of that data is actually being analyzed. This is driven largely by capability gaps in data science in most organizations. As a result, providers are being hindered in their ability to generate insight from their data and to rapidly evolve and appropriately price their offerings in the market.

There is clearly a lot of buzz around smart connected products, both from manufacturers looking to expand their offerings as well as those that are just starting their journey. Regardless of where they are in their evolution, it is becoming clear that in addition to solving the technology challenges of assembling an end-to-end IoT solution, providers need to pay careful attention to the business and operating model challenges that must be navigated to realize value in IoT.

If you would like to discuss these themes in greater detail, feel free to contact me at hselvanathan@waterstonegroup.com, or find me on LinkedIn at www.linkedin.com/in/huberts.