



Excerpt

IoT Business Potential

Factors of success and entry strategies



Munich, October 2016

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Introduction



Target group and content



The study at hand is dedicated to give manufacturers valuable recommendations and guidelines for the successful launch and operation of IoT offers

Target group

- **Manufacturers**
- Companies with **B2B Focus**, but **B2C resembling user groups** (e.g. craftsmen, mechanics, medical personnel, tradesmen, etc.)
- Study **not focused** on Industry 4.0, Smart Factory or 3D Print

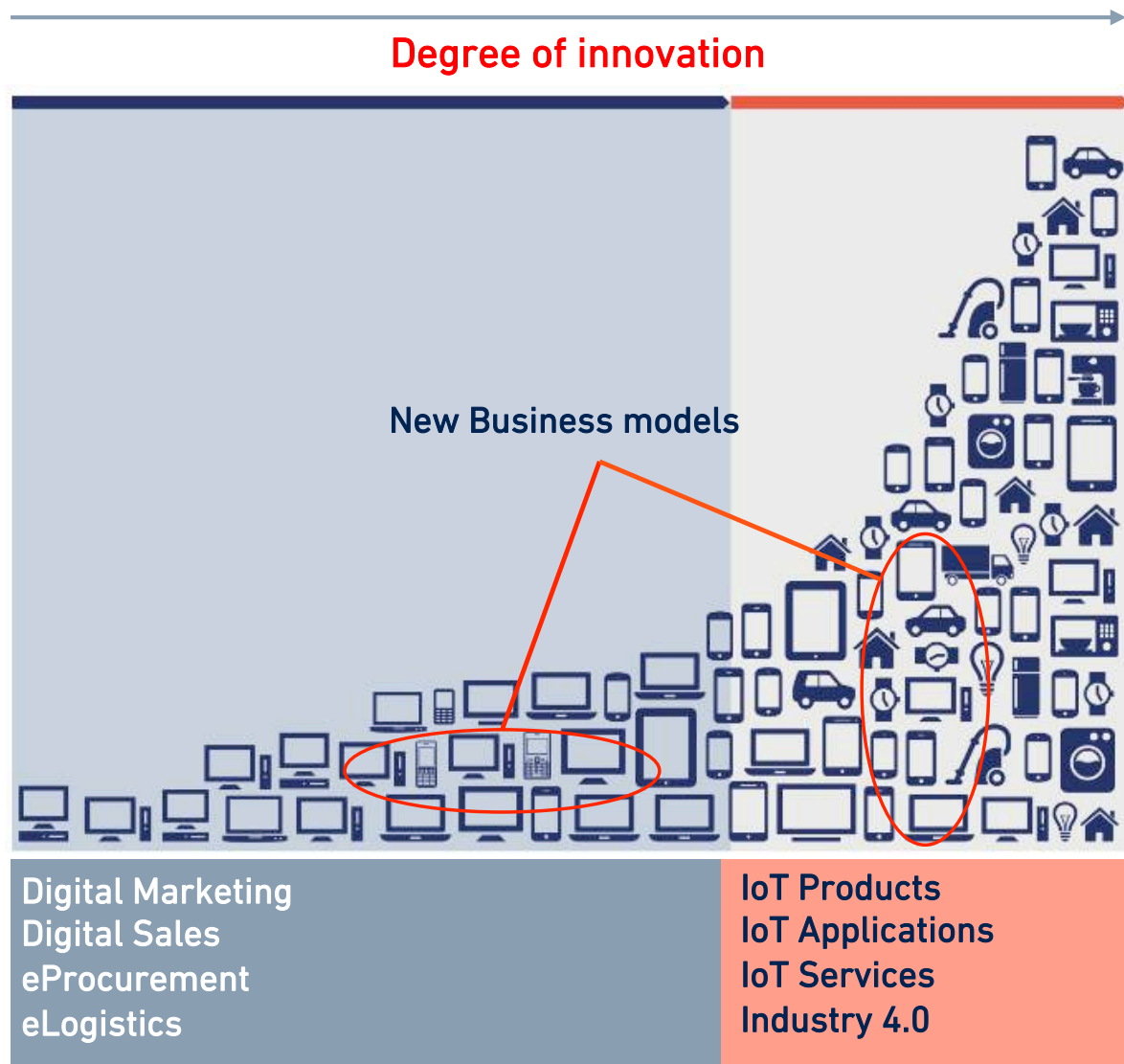
Content

- **Summary of success factors:** iq! has compiled the learnings from numerous IoT projects in a set of success factors along the IoT user value chain
- **Overview entry strategies:** there are several roles that a company can resume entering the IoT market, each of them with individual advantages and disadvantages
 - iq! presents the most important strategies summarizing them
- **IoT checklist:** the introduction of IoT offers concerns the majority of company units, that means a lot of strategic decisions have to be made
 - iq! brought together the most important topics necessary to consider in an extensive checklist

The innovative power of the Internet (of Things)



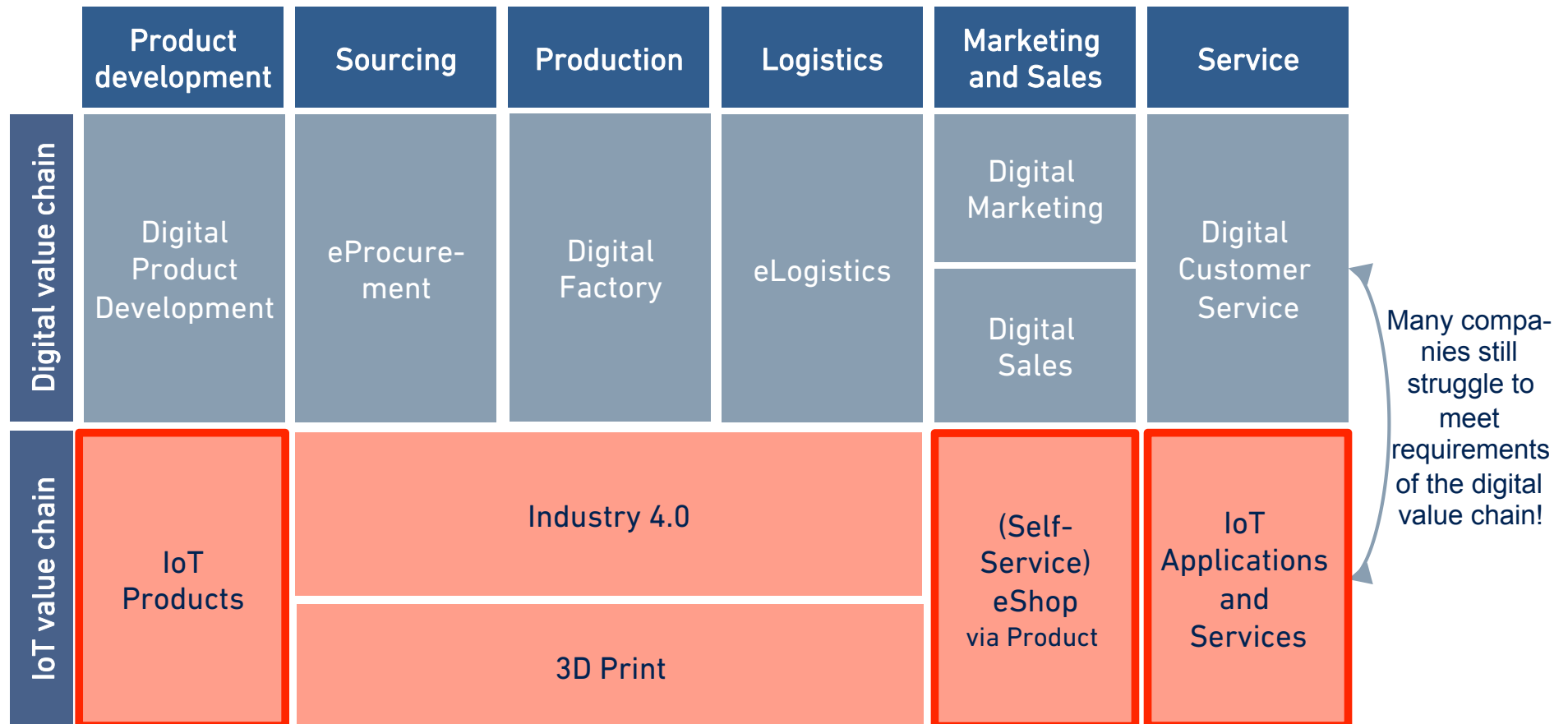
The Internet (of Things) connects Marketing and Sales as well as the world of products and services and has the innovative potential to change market structures fundamentally



- The number of connected products and services will grow considerably during the coming years, decouples the Internet from digital devices and introduces it just everywhere in the everyday life of users
- Most companies have responded to the challenges and chances of the digital world
- After adding digital marketing and sales channels and introducing eProcurement and eLogistics processes, now follows the advent of Internet-enabled products
- Digitization always has brought up new business models, new players and modified market structures – with the advent of IoT, most markets will be whirled around again

The digitization of the value chain

Digital topics can be arranged along the value chain – the study at hand is especially focused on the upcoming of IoT products and services

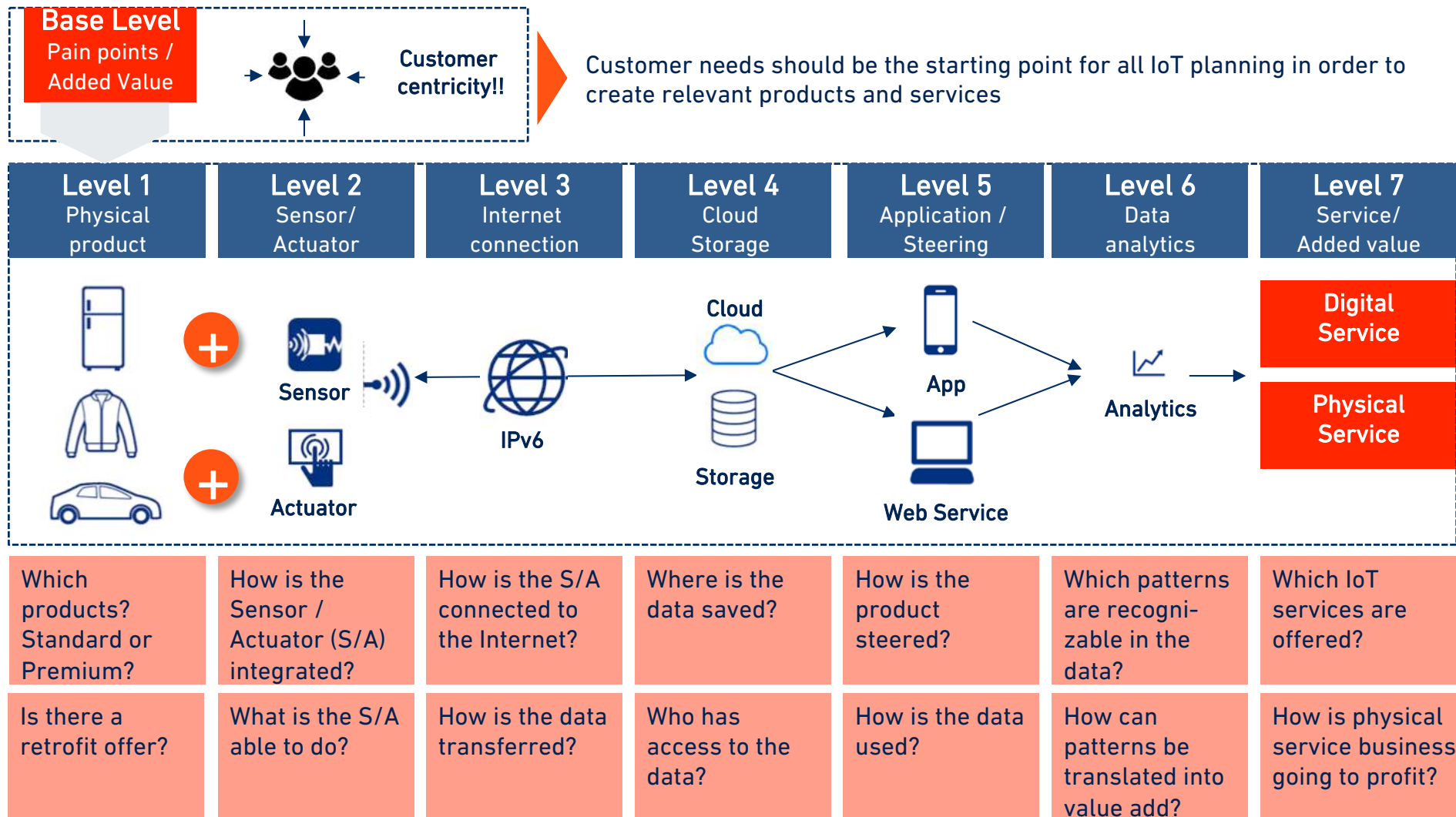


Digital innovation concerns the whole value chain and requires change throughout the company

Internet
 Internet of Things
 Focus of the study

How does IoT work?

The IoT “Usage” value chain contains several, equally important components



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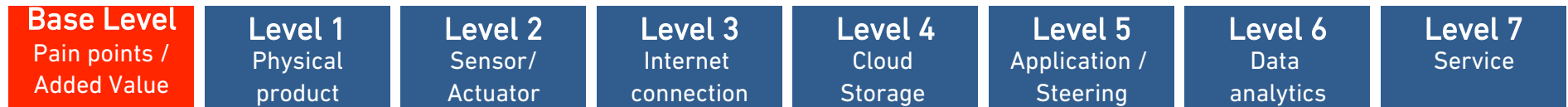


Factors of Success and Best Practices

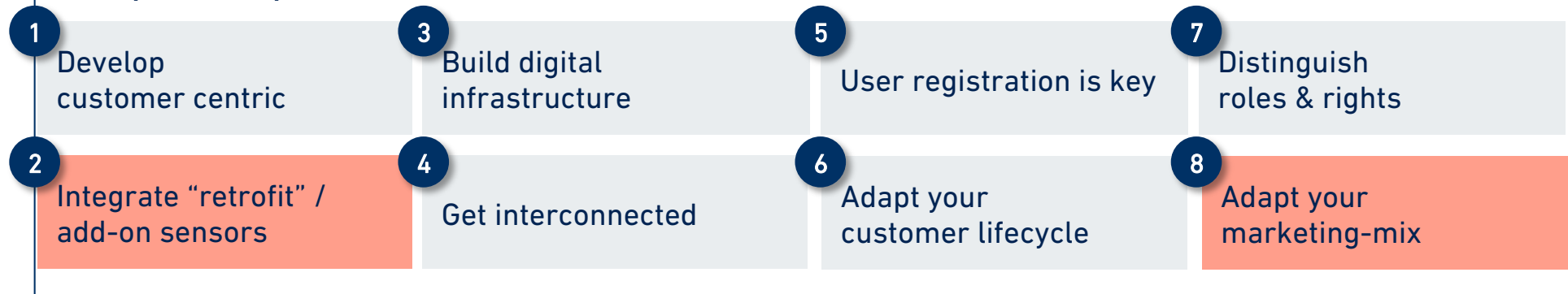


12 Success factors – factors 2, 8 & 10 detailed

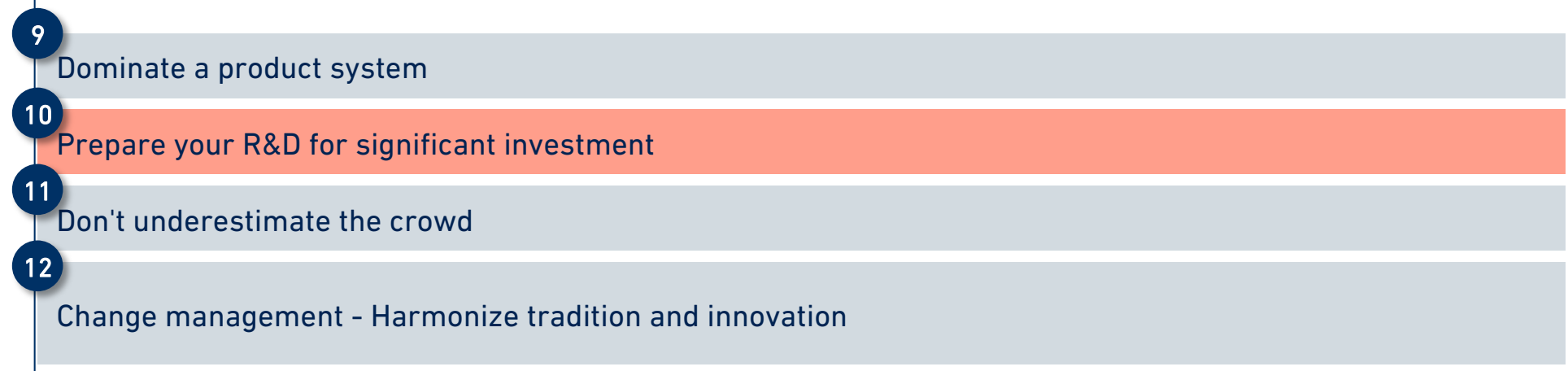
iq! identified various crucial factors of success along the IoT “usage” value chain



Set-up of IoT operations



IoT roll-out





2. Integrate „retrofit“ / add-on sensors

In contrast to their competitors, our client is digitizing all of the disinfection dispenser products and not restricting the service to new launches

CASE EXAMPLE

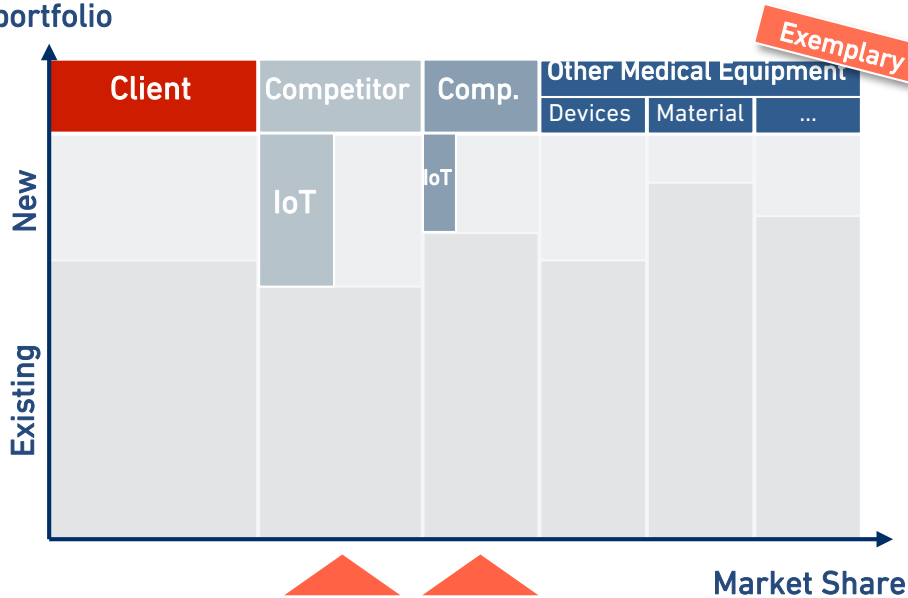
Launching new IoT products



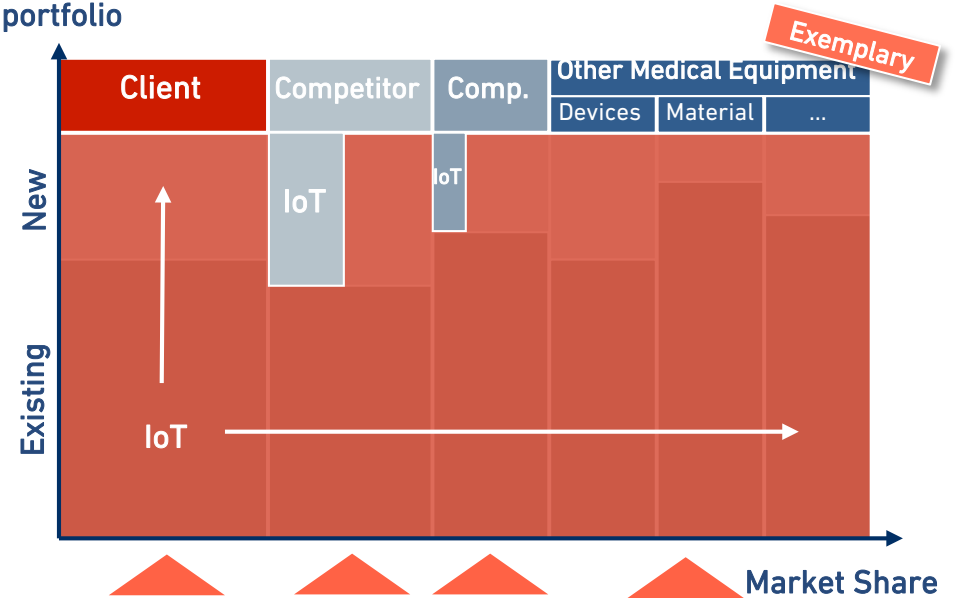
Launching IoT retrofit / add-on solution



Product portfolio



Product portfolio



Source: Company information, iq! analysis



2. Integrate „retrofit“ / add-on sensors

Gain reach by creating options to convert all products into IoT products, including those of competitors

Why retrofit sensors?

- Many companies launch IoT strategies **equipping only THEIR OWN NEW products with sensors** – thus it takes a very long time to gain significant IoT reach
- In contrary to this approach, it is important to **build up IoT reach fast** and to base it on an **own IoT infrastructure** (e.g. a cloud solution, a steering tool, etc.)
- Therefore it is recommendable to offer **“add-on” sensors for OLDER products and products of other brands, too**

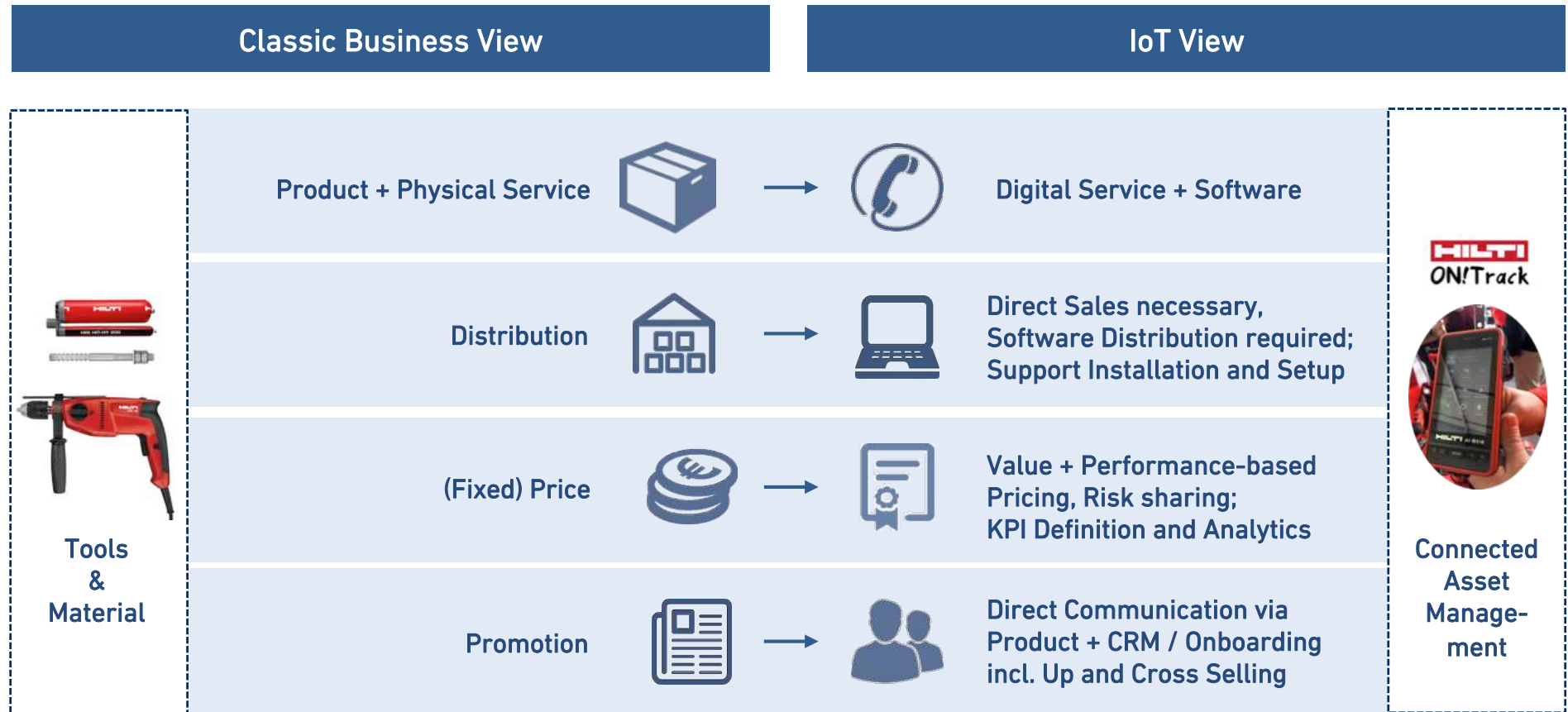
What is CASE EXAMPLE doing right?

- **Reach building:** IoT offer is disconnected from new product launches and can be introduced immediately
- **Digital infrastructure:** the system has the potential of building a digital infrastructure ideally suited for rolling out a wide set of IoT applications
- **Customer centricity:** the system will track every product usage – the potential of improving usage rates and creating other relevant customer services is immense



8. Adapt your marketing-mix

Offering connected products means entering a direct-to-consumer sales and marketing world including selling software and services or offering performance-driven price models



Adapt marketing-mix to software-driven and service-oriented IoT business

8. Adapt your marketing-mix



Connected products change the requirements of a successful marketing-mix completely

Why
adapting?

- Connected products come with **software** (that needs to be installed) and **digital services** (that need to be explained and sold)
- IoT offers **connect manufacturers to end users** – this channel is new for most of them and **direct marketing and sales mechanisms** have to be integrated in the organization
- Fixed prices are substituted partly by more **flexible pricing models**, based on **usage or performance** of the IoT products and services – a whole set of **KPIs** is required in order to set and monitor pricing points
- With a direct connection to customers, media loses its importance; **direct and personalized communication** and **CRM campaigns** directed towards **up- and cross-selling** gain weight

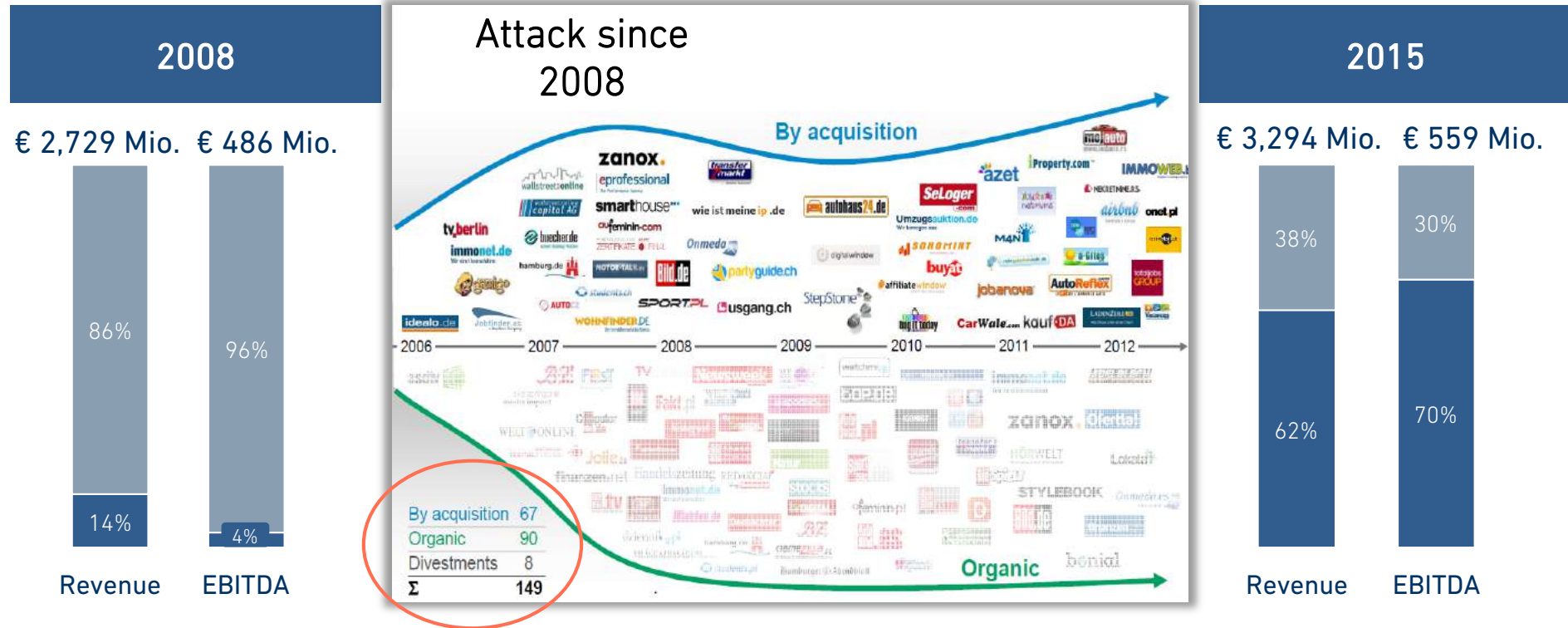
What is
HILTI
doing right?

- **Software & Sensors connecting all products:** IoT system “OnTrack” is building an overall digital infrastructure on the client’s site
- **Dedicated Sales & Support teams:** Hilti built a whole new unit occupied with selling and installing the system as well as accompanying the usage
- **Tapping the full potential:** Hilti is charging a periodical license fee and creating a tremendous potential of adding very valuable services at additional cost for the client
- **Understanding the client:** by connecting every item on the client’s site, Hilti is able to identify the right topics for up- and cross-selling offers and simultaneously improving efficiency and cost structure for the customer



10. Prepare your R&D for significant investment

Axel Springer showed how to assume digital business in a very successful way within only a few years



Prepare your R&D and M&A for 100's of new IoT Services

10. Prepare your R&D for significant investment



The generation of relevant IoT turnover is based on massive steps of investment

Why massive investments?

- **Internal efforts are not enough:** gaining significant reach and turnover in the digital area in most cases includes considerable M&A activity
- **Sky-high start-up valuation:** market valuation for start-ups tends to be already high in a quite early foundation stage; strong competition for promising ideas and teams aggravates the situation
- **Extensive transformation needed:** Digitizing products, business models and sources of income requires high monetary and man-power efforts

What is Axel Springer doing right?

- **Early enough attack:** Axel Springer recognized the landslide shift towards digital media right on-time
- **Good balance between organic change and M&A:** Axel Springer is not only adding digital business models to its core business, it was transforming the whole organization
- **Strong orientation to core business:** The transformation strategy of Axel Springer stuck to the core elements of a media house: advertising, classifieds, jobs, real estate, local news, etc.

03

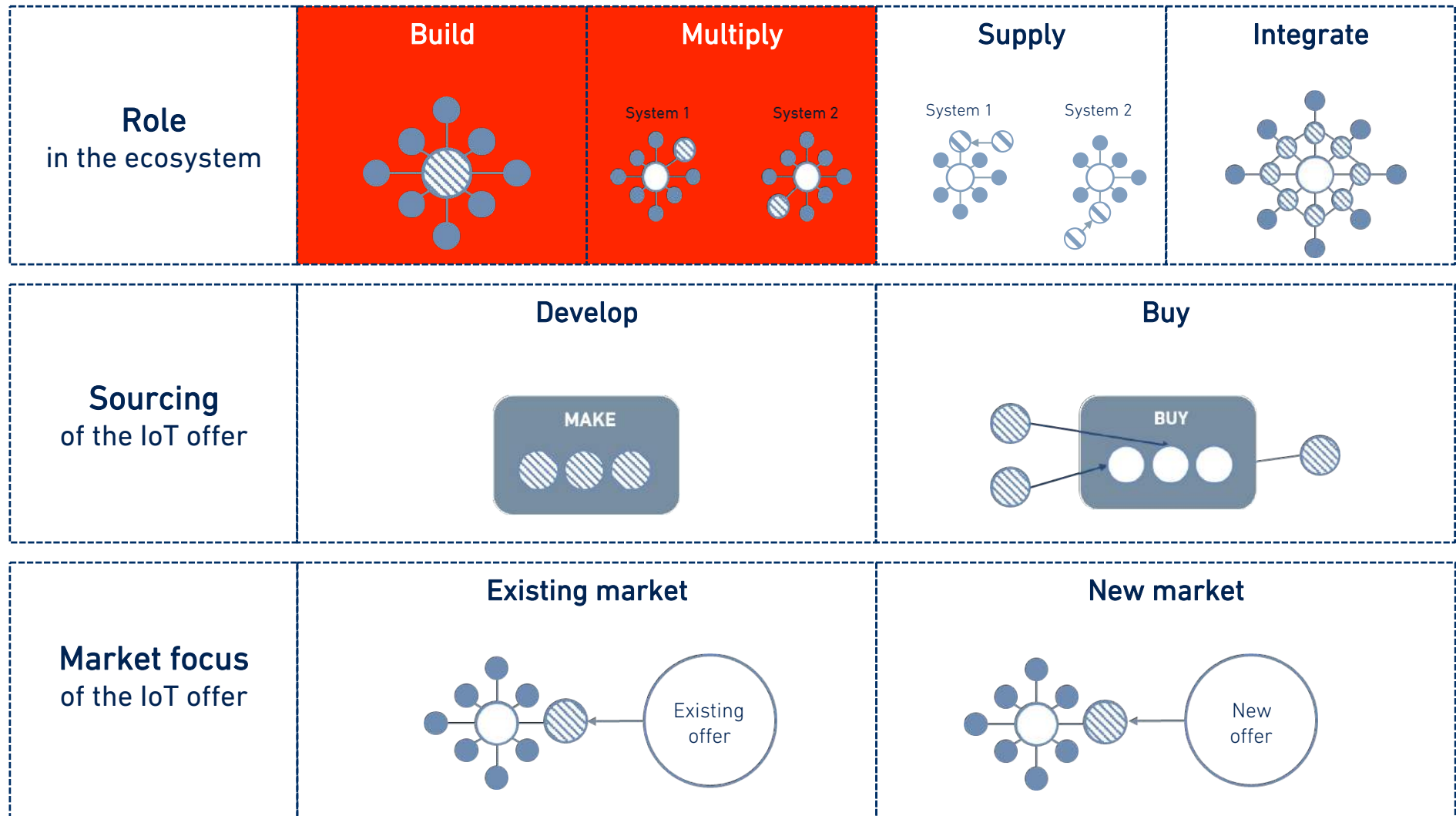
Entry strategies



Entry strategies

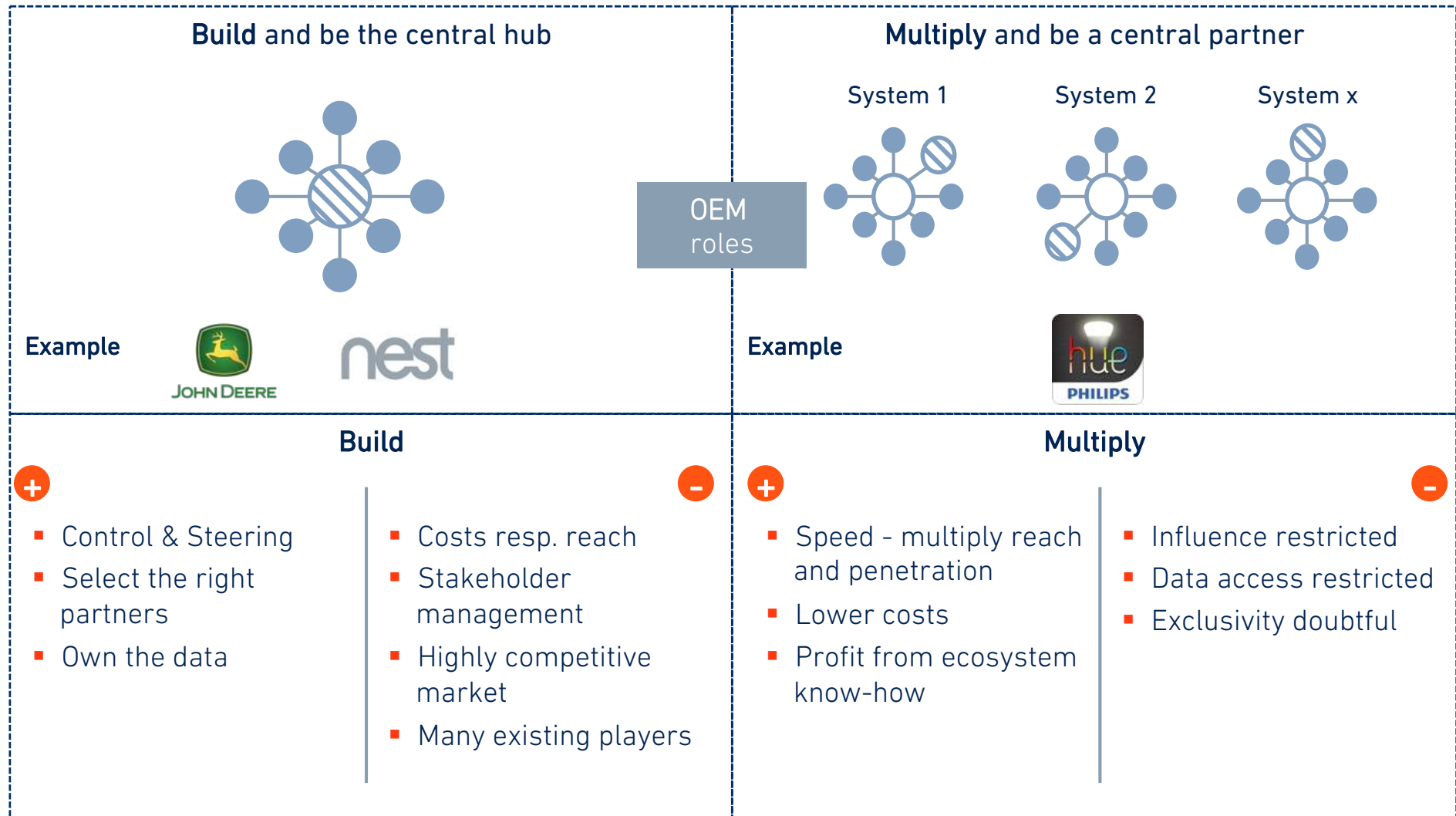


Entering an ecosystem requires answering three important questions in advance



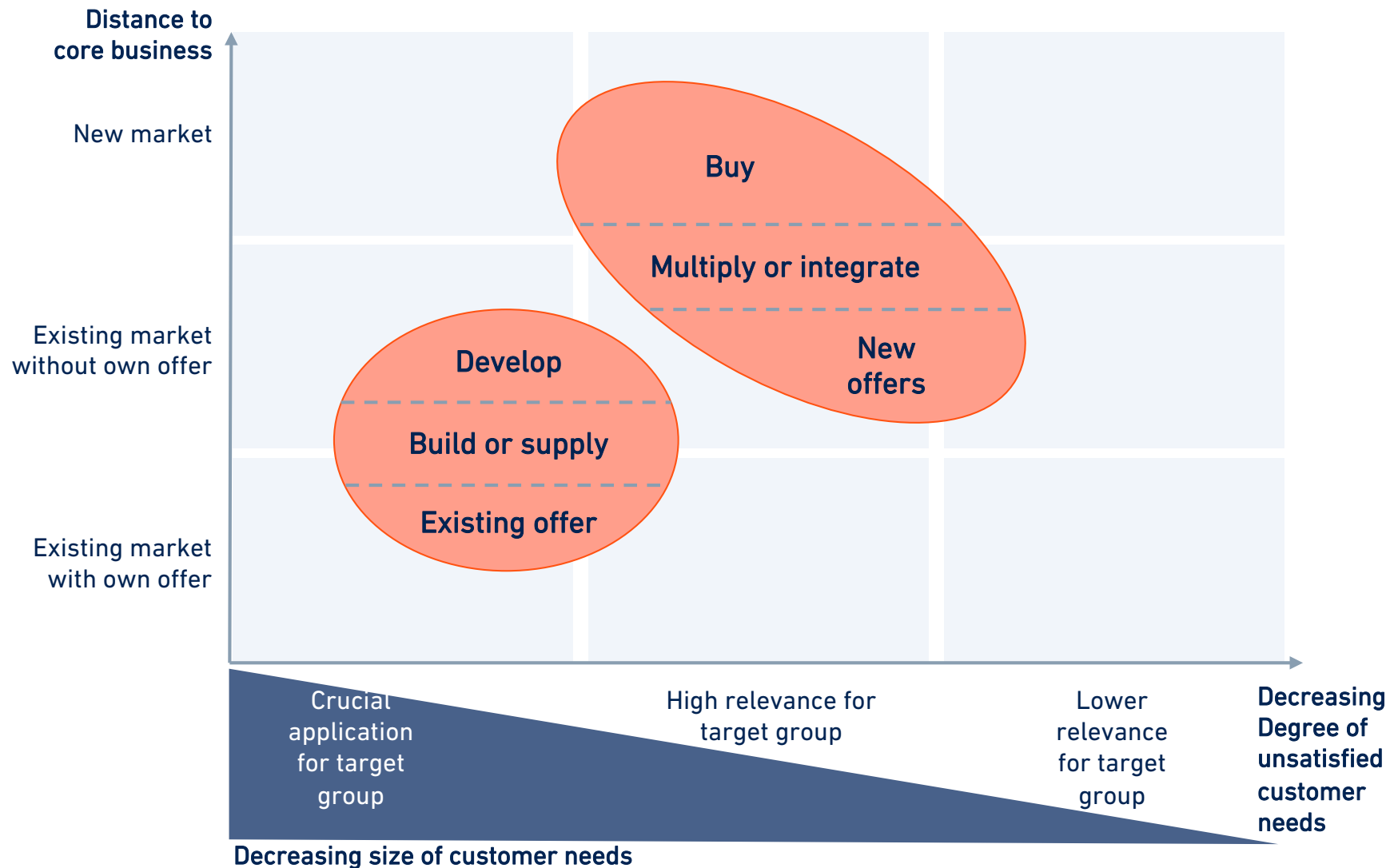
A. Role in the ecosystem – OEM roles (excerpt)

Basically there are four entry options in an ecosystem



Strategy matrix 1: Market evaluation

The two factors distance to core business and degree of unsatisfied customer needs provide strategical decision support



04

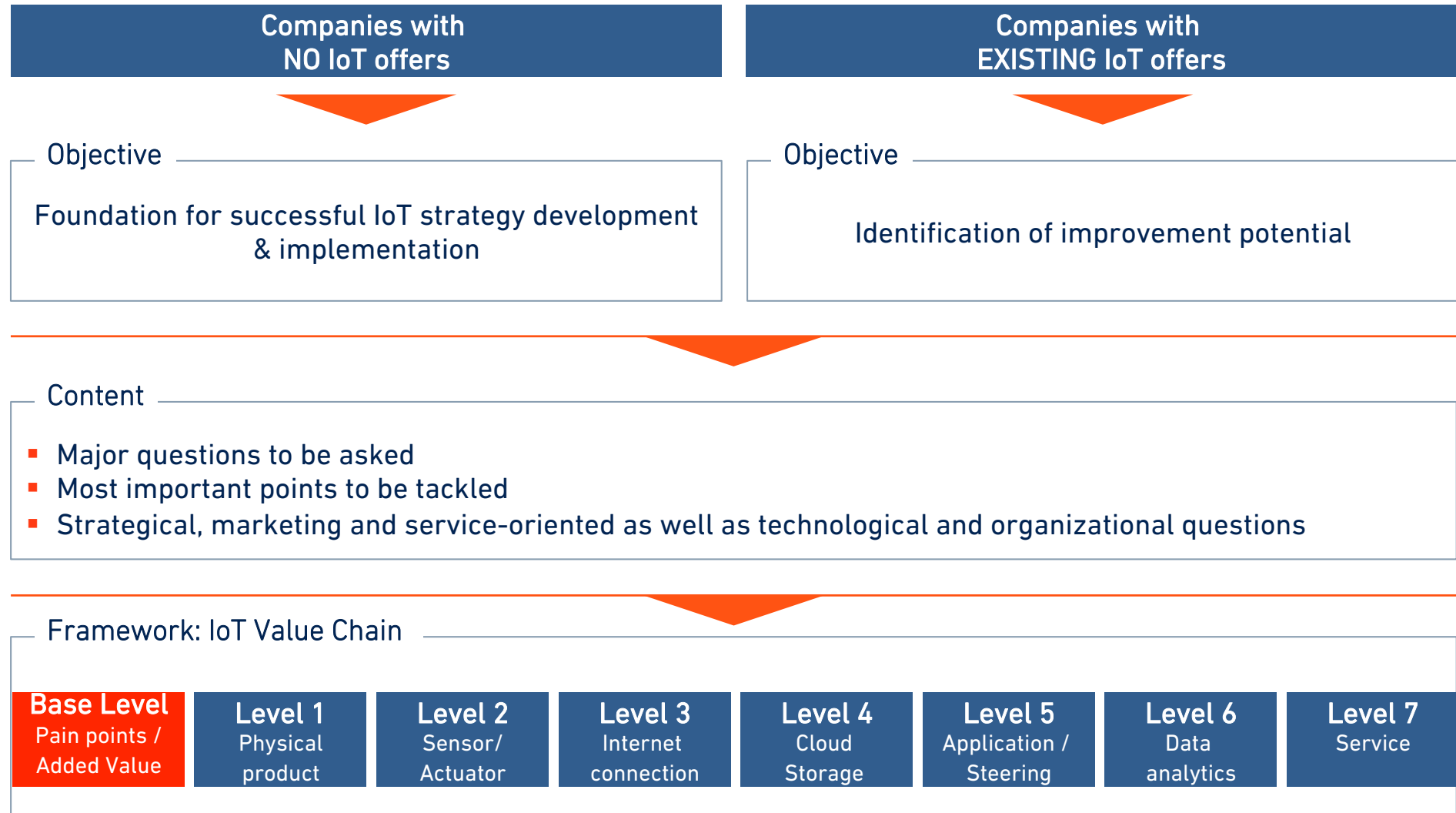
IoT Quick Check



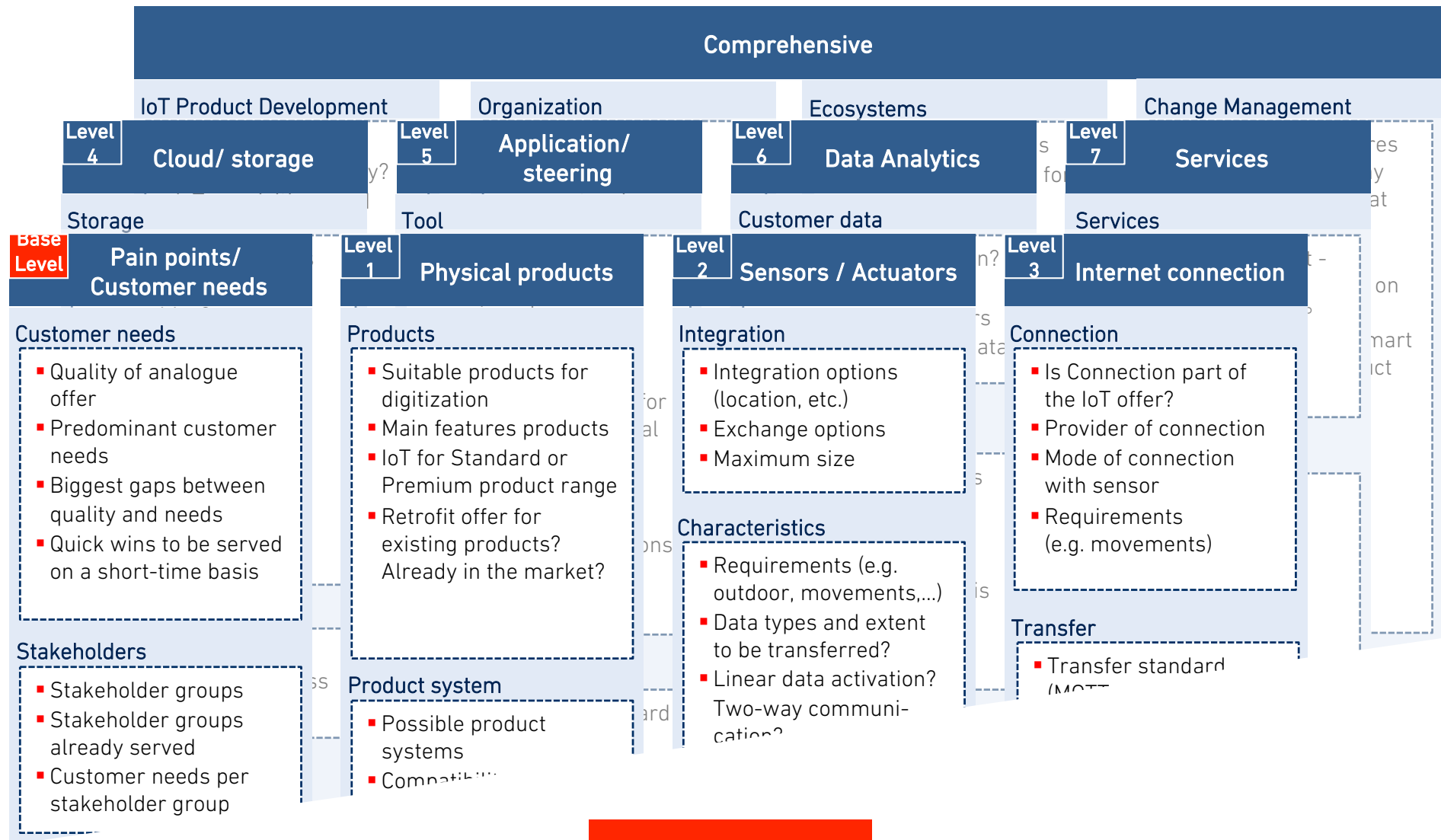
iq! check list IoT development



iq! developed an extensive check list in comprising all relevant strategic points along the IoT value chain



iq! check list IoT development



Excerpt

05

Conclusion





Conclusion

Stepping in the IoT business requires a thorough preparation and the knowledge that the whole company has to change

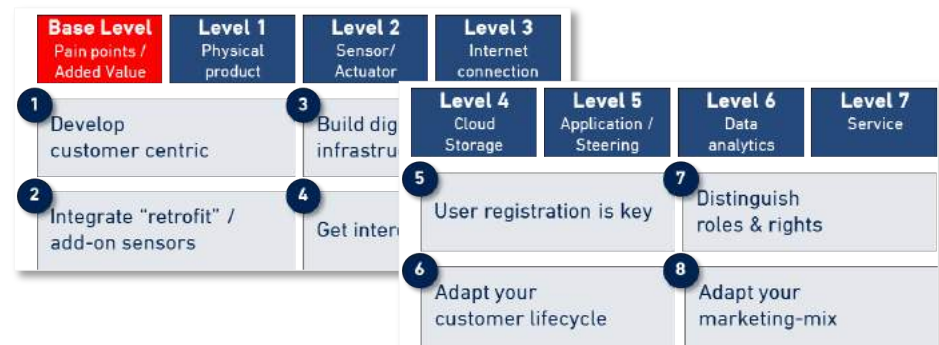
- Entering the IoT world is not only “**launching another product**” – it **requires change** in many company units (e.g. marketing, sales, customer service, IT, finance, etc.)
- An IoT offer comes along with a **whole digital infrastructure** including interfaces to existing systems
- Succeeding in the IoT segment requires a **considerable investment** in
 - Building up **know-how and expertise**, inside the company and from the **outside**
 - **Changing the mindset** of the company
 - **Adapting company structures and processes** to the requirements of the IoT business
- Accessing the IoT market should be accompanied with an **elaborated entry strategy** that is supported by the whole company, it is very important to **define the role** the organization seeks to play in the IoT ecosystem landscape
- Before directing its efforts towards the IoT business, a company should ensure that it **completed all tasks in the digital world** like for example having integrated digital channels in the marketing-mix, offering digital customer service options or operating a considerably successful eShop or Online Community – these are valuable prerequisites for succeeding in the field of IoT

Introductory offers by iq!

Based on the analysis at hand, iq! offers different workshop formats in order to immerse the IoT positioning and strategy of companies

Workshop I
Set-up of IoT operations

Shaping of IoT products, services and operations based on success factors 1-8



Workshop II
(Strategical) roll-out IoT

Discussion of IoT strategy with regard to ecosystems, R&D as well as Change Management based on success factors 9-12



Workshop III
IoT Audit

Analysis of IoT status quo in all relevant areas



06

About iq!



Our Mission



We Transform Innovation Into Business

iqi is a management consultancy and implementation partner for digital marketing, digital commerce and the internet of things

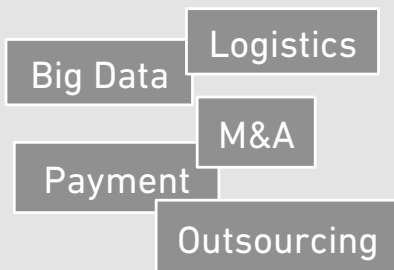


Our team structures are agile



iq! is working in interdisciplinary teams that consult, if necessary, additional technical-, industrial- and market- experts

Topic-experts
e.g.



Highly efficient at identifying and implementing trends and innovations

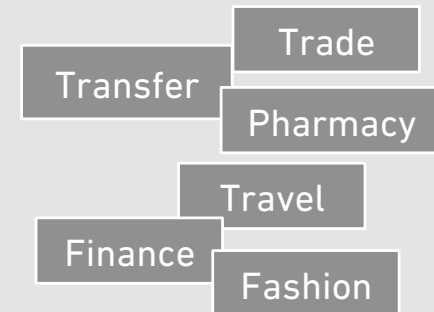
Interdisciplinary core team with methodological expertise



Country-experts
e.g.



Industry-experts
e.g.

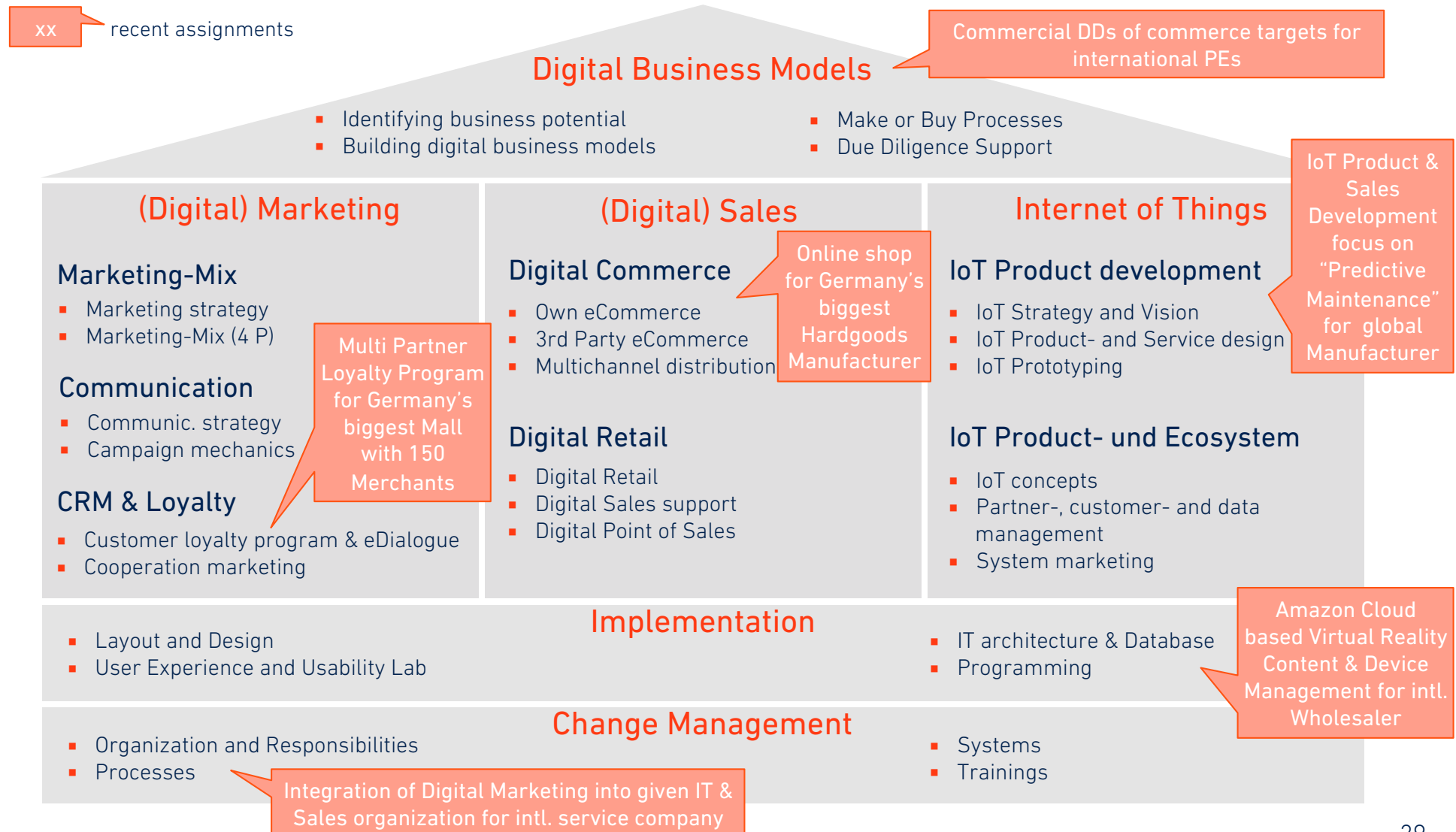


Customers individually compiled project teams optimize the project results

Our expertise



iq! offers a comprehensive expertise and support in the areas of (digital) marketing and sales, as well as, the Internet of Things



Access to the study



If you are interested in learning more about our IoT learnings, we are pleased to provide you with a full copy of the study by request



For the full copy please contact:

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