

Survey: For companies unsure on how to monetize IoT, revenue-building options abound





Executive Summary

Lured by the huge potential of IoT, companies are either actively researching or piloting IoT, according to a new survey of IT executives.

Global spending on IoT will climb by a 17-percent annual rate to nearly \$1.3 billion by 2019, research firm IDC predicts. To better understand what companies are expecting in return for their IoT investments, Capgemini recently commissioned IDG Research Services to poll IT leaders about the specific goals fueling their IoT plans, as well as the potential of their IoT projects to generate revenue.

The IDG survey finds that while IoT is certainly a top-of-mind business issue, most companies are uncertain about how to use IoT to create new revenue streams. In other words, IoT presents a variety of “good news/bad news” scenarios for most companies, which are examined below

The survey finds: Companies are actively researching or piloting IoT projects.

- **The good news:** Companies are investing in IoT, and spending is accelerating at an annual rate of 17 percent.
- **The bad news:** Companies only in the piloting stage are already way behind their competitors – especially the emerging players disrupting their markets.

The best news: Companies can outcompete their traditional and disruptive rivals by capturing, analyzing and leveraging the data from their connected devices – and as a result, make better informed business decisions that ultimately lead to new revenue-building opportunities.



The survey finds: 65 percent of companies are allocating budget to IoT over the next 12 months.

- **The good news:** Two out of three companies are spending significantly on IoT.
- **The bad news:** Companies are focusing primarily on conventional monetization strategies. For example, many are leveraging IoT machine sensors and predictive analytics to keep manufacturing machines up 99 percent of the time.

The best news: Implementing traditional monetization strategies makes good business sense because the strategies have been proven to drive operational improvement results. But companies willing to take risks and change or disrupt their business models will ultimately create more business value from IoT. For example, manufacturers are leveraging actual product-use

information to cross-sell and upsell new, related customer services.

The survey finds: One in five IoT projects are aimed at revenue creation.

- **The good news:** Improving operational efficiency is a top IoT priority for companies today.
- **The bad news:** For all but 20 percent of companies, their IoT strategies don't consider using IoT to transform their business models and create new revenue streams

The best news: By rethinking traditional business practices and transforming existing business models, companies can not only drive operational efficiency but also create ways to improve their customers' experiences with their products and the company. For example, creating new business models such as product sold as an outcome-based service or monetizing information surrounding the use of the product.

Figure-1: Four types of Digital Maturity



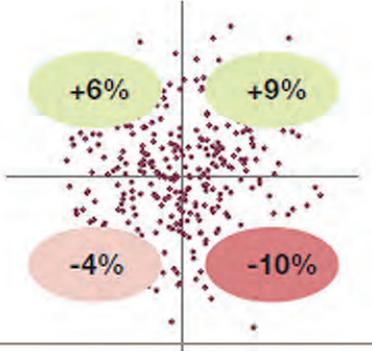
“The Digital Advantage: How digital leaders are outperforming their peers in every industry” – a landmark survey conducted jointly by Capgemini Consulting and the MIT Center for Digital Business that included 391 large companies across industries around the world – found that organizations with well-defined digital strategies for building new revenue streams for IoT invariably outperformed their industry rivals:

REVENUE GENERATION

Companies with stronger digital Intensity derive more revenue from their physical assets

Basket of indicators:

- Revenue/Employee
- Fixed Assets Turnover (Revenue/Property, Plant & Equipment)

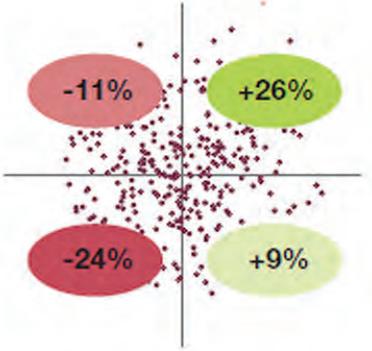


PROFITABILITY

Companies with stronger transformation management intensity are more profitable

Basket of indicators:

- EBIT Margin
- Net Profit Margin

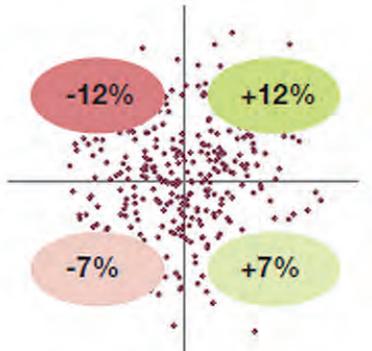


MARKET VALUATION

Companies with stronger transformation management intensity achieve higher market valuations

Basket of indicators:

- Tobin's Q Ratio
- Price / Book Ratio



The survey finds: Asked to identify the top challenges they face in realizing the full potential of IoT, 67 percent of companies named security, 56 percent listed integration with their existing systems, and 50 percent named ROI/ making the business case.

- **The good news:** Organizations understand that the roadblocks to gaining value from IoT are formidable – but not insurmountable.
- **The bad news:** No magic bullet currently exists to realize the full potential of IoT, which means that organizations must build the business case in order to fully recognize the revenue potentials

The best news: Collaborating with experienced and trusted partners, established companies can strike the right balance with security and system integration issues, and create strong business cases for IoT.

The survey finds: Companies that have not yet launched IoT projects are struggling to find the right people and skills sets to drive their success.

- **The good news:** People are out there to help, but maybe not in the way many established companies think.
- **The bad news:** IT professionals in today's workforce prefer to program for "cool" companies like Amazon and Apple over established organizations that are not known for innovation.

The best news: Working with experienced third parties, companies can solve the people issue while they build out their organizations with the right fit and skills.

IoT and the Roadmap to Revenue

The multi-trillion-dollar potential of IoT has captured the attention of companies across the world – but many have yet to derive significant commercial value for their IoT projects. Organizations seeking a magic formula to IoT success won't find one, if for no other reason than because the needs of different companies vary hugely. Gaining business value from IoT means tearing down silos, embracing new business models, taking risks, and most importantly of all, understanding – and outperforming -- the competition. In short, to realize the huge potential of IoT, companies must be ready, willing and able to embark on a digital journey.

To guide your company on the path to digitization, Capgemini has developed a unique methodology to start from anywhere on your IoT journey. From strategy to implementation, our digital transformation experts offer real-world solutions using a nimble, accelerated approach built on "test and learn." By leveraging our global expertise and nine Applied Innovation Labs to enable you to design a tailored and effective roadmap, Capgemini can be your trusted partner to unlock the revenue-building opportunities that IoT offers.



For more information about our FAST IoT assessment and PoC offer to accelerate your business outcomes:

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