Business model for IoT Startups

How to define it?

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Spoiler alert!

Starting an IoT initiative requires **significant** upfront investment.

IoT spans across multiple domains

Required competencies:

- Connectivity and IoT Backend infrastructure.

- End-user Software and Backend.

- Hardware and Firmware.

- Security.

Those skills are mandatory but **costly** when you outsource them.

time = money

Done! I've got an exciting hardware prototype!

Spoiler alert!

Hardware units are expensive before you reach a **substantial scale**.

Once you cover
the initial expenses…

You need to predict the
operational costs!

IoT operational costs:

- Connectivity.

- Cloud resources.

- End-user support.

- Consumption model.

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hard to predict

IoT Startups
Business models.

Business model options:

    - Fixed-price for the IoT-enabled product.

    - Subscription-based offering.

    - Value-added services.

Fixed-price:

   - The end-user covers the connectivity fees.

   - Limited backend expenses.

   - Self-service support.

We initially earn but lose money in the long run.

*) How do you get people to buy new products?

Subscription-based:

- Connectivity fees (typically) included.

- Variable backend expenses.

- Support tiers.

We need to keep inventing to retain customers.

Profitable in the long run.

*) Provided that our cost estimations are correct!

Value-added services:

- Fixed-price + subscription.

Multiple one-time purchases and/or subscriptions.

*) It may or may not require the initial payment.

Important assumptions

Security/privacy incident
kills your brand.

*) Trust is priceless.

Every sold product/service maintains or increases **your margins**.

*) Design for scale.

Rebuilding infrastructure is more expensive than a solid initial design.

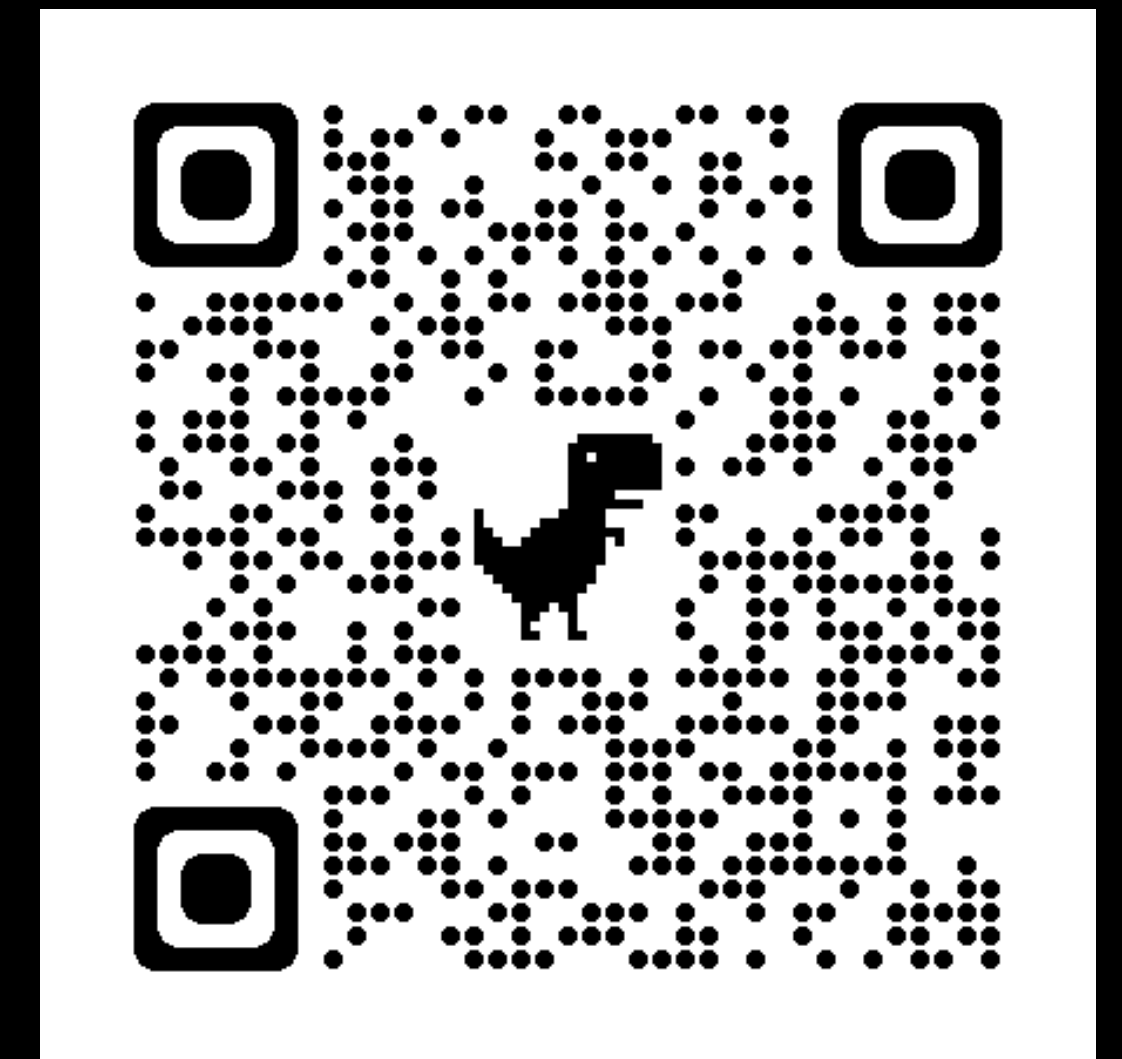*) Strong foundations pay dividends.

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Q&A / Thank you!

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Internet of Things Advisor and Trainer

Services:

- business case definition

- architecture design/review

- training