BLOG

SELL IOT SOLUTIONS AS A SERVICE OR PRODUCT?

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Those who design and develop devices, tools or services that fit the functional principles of the Internet Of Things (IoT) are aware of the scale of the technology wave in the business fabric which forms the world's economy. The ongoing expansion of the application area of this concept is responsible for the triggering of the numbers of enclosed and connected devices.

To get a clearer picture of the expression which will come to the market, market research and consulting firm, International Data Corporation (IDC), predicts that by 2025 there will be 41,6 billion connected devices.

The growing emergence of IoT solutions in the global market will be naturally selected by potential customers as it is the process of choosing a product or service that can match their needs. As professionals responsible for selling these solutions, our primary mission is to understand and help the customer to realize what their real difficulty is and how it can be solved.

Many of your future customers have heard the term "IoT", but because they don't always fit into the technology business, most probably don't know what defines this concept or what practical application it might have in their business. This lack of knowledge can be a hurdle to capturing future customer interest in our solutions. For that matter, it is understandable that the customer feels curious and has many doubts that he wants to see clarified before even thinking about hearing about the products we have to offer.

IOT SOLUTIONS – SERVICE OR PRODUCT?

The distinction of IoT solutions into sales categories as services or products depends on the application appropriate to the customer case. It is not a question of defining a way to turn the solution more profitable for the manufacturer but adjusting the solution as best as possible to the future customer's business profile. **It is important for the customer to feel and realize that they are investing in something that translates into just one thing – improved outcomes.**

As IoT solution providers and customers, understanding the difference between contracting a service or marketing a product is critical to the goal we want to achieve and how it engages with customer needs. A product is something tangible, evident. That can be touched and felt by the customer and installed on a factory floor or on any part of the customer's infrastructure. It will always be an object acquired to perform a singular task. However, when the same physical product is traded as a service, its perception as an object for the customer is no longer present because it is not transparent as tangible and touchable. It is common to associate a service with a subscription translated into contractual monthly payments.

It is mandatory to realize the difference between these two business components. As a service, the IoT solution will sell a result. Whether it's a reduction in a machine downtime, an automatic ordering system in a gas station, ensuring that the hospital cold system keeps vaccines at the right temperature, etc. In opposition, selling the same solution as a product leads the customer to buy only hardware and software. Questions such as technical features, technical support, maintenance and licensing can be raised by the customer. It's a natural behaviour that concerns to the transaction of a physical solution.

Looking at a practical model, a fully functional predictive maintenance solution, will not allow the production equipment to fail, so production levels are consistent, and uptime is high. Ironically, this level of fulfilment with the productive process can lead the customer to consider if the installation of the service was necessary since the machines would not fail. This is where understanding the benefit of installing the solution as a service or product is not measurable. Your insight is achieved by analysing reduced maintenance costs and reducing operating costs for the organization.

Regardless of the solution outlined as ideal for the customer organization's ecosystem, there are differentiating parameters in purchasing services or products that go through issues such as financial availability and support guarantees that are agreed between the customer and the vendor. In the end, the return is positive for both parties:

- **Budget management**

Buyout IoT solutions as a service or product enables you to more effectively manage associated expenses. The final cost of the product is more accurately calculated;

- **Customer/supplier relationship**

Whatever the type of solution presented as the ideal solution, the proximity created with the constant monitoring of the customer and satisfaction of the needs is manifested by the reinforcement of the commercial ties between the two parties;