Digital River®

The Commerce of Things Gold Rush

A checklist for monetizing the IoT for profit

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Monetizing the Internet of Things by infusing value into a connected device through first-rate services (also known as the Commerce of Things) is where the real gold mine of revenue exists. It is also where the real challenge exists for businesses facing the rapidly changing landscape of ecommerce.

"Without a business plan based on the monetization of the IoT, all you have is a gadget with a short shelf life and lots of competition. What starts as the absence of connectivity can quickly fall victim to the 'Abandonment of Things'—the land where smart devices that were not monetized properly go to die."

– Gold Rush: Staking your claim in the commerce of things, Digital River white paper

Use our checklist to evaluate your CoT business strategy and prepare for the next evolution of ecommerce.

Develop and deliver your business case...

☐ Research, research, research. Understand who is doing what in the marketplace, and more importantly, who is doing it well. For those who are finding success, obtain a deeper understanding of their technology, monetization models, infrastructure, data collection, storage, usage, etc.

☐ Evaluate your opportunity in the marketplace by conducting a gap analysis. Do you have a consumable product, device or service that will compel consumers to modify their behavior in order to obtain or use it? If yes, clearly articulate the reasons why consumers would embrace the new product, device or behavior.

☐ Understand if participating in the CoT makes sense operationally within your business (i.e. if you have the right technology, infrastructure, data systems, etc. in place). Determine where your business's strengths and weaknesses are and be realistic in solving for limitations.

☐ Gauge your consumer's level of brand loyalty. Sticky brands fare better in the CoT. If loyalty to your brand is moderate or weak, deploy efforts to boost consumer satisfaction, trust, esteem and the perceived quality and value of your brand.

☐ Embrace the mindset of your target demographic. Execute focus groups and give prospects and consumers a voice for feedback, requests and articulation of pain points they have experienced in their connected customer journey.

☐ Create a strong value proposition for your product, device or service. Design a low friction, easy to understand and intuitive product with a clear benefit solving the consumer need.

☐ Develop and launch tightly scoped pilots that support objectives with clear metrics and KPIs.

☐ Share research findings with all key stakeholders and leadership. Educate them on what competitors are doing and the role your business can play in the CoT.

☐ Deliver clear business objectives and a proposed model, and back them with proof from consumer engagement and pilot programs.

☐ Develop and share a timeline for deployment, iteration and expansion.

...based on the monetization strategy that will work best for your business.

☐ Create a strategy with long-term success as the end goal; build for change and futureproof the solution.

☐ Ensure that your business is able to support multiple models to test other options.

☐ Determine which of the leading monetization pricing models works best for your business:

Pricing Models for Products & Services	Example	Monetization Model
One-time Charges	The customer pays a one-time fee for purchasing the offering. This model is largely used with products, though it can be used with services too.	Hardware Premium + Service/Data Revenue
Pay-For-Results	Allows customers to pay only for realized results from the IoT offering—a strong value-based model where the customer can see the RoI directly.	
Freemium	Allows organizations to attract customers that are not convinced of the value of the offering.	
Subscription	Offers customers the flexibility to customize service options and the duration of the service.	Service/Data Revenue
Usage-Based	Allows the customer to pay according to the actual usage of the service.	
Microtransactions	Allows subscribers to purchase digital content on demand, and it is these "impulse" buys that hold the key for expanding revenue streams in the connected device market.	

Pricing Models for Ecosystems	Example	Monetization Model
Fixed-Fee Model	Customers pay a fixed-fee for using the platform.	Platform Services
Transaction-Based Fee	Customers are charged by the platform provider for every transaction carried out over the platform.	
Revenue Share	Customers pay a share of their revenues to the platform provider in exchange for using the platform services.	

Build the right infrastructure

☐ Build a robust and intelligent infrastructure that can be easily engaged, managed and can handle massive traffic and quick growth.

☐ Choose cloud technology to reduce complexity and provide the agility and flexibility you will need to execute the monetization model you select. Consider the following:
- Can pricing be changed in days, not months?
- Can you move from one basic unit to another?
- Can you handle renewals, upsells and down sells?
- Can you display international pricing?
- Can you support multiple payment methods?

☐ Create a disaster recovery plan that enables seamless delivery no matter what the situation may be.

☐ Build adequate storage capacity where data will sit until it is analyzed and utilized.

Minimize data privacy and security risks

☐ Understand all information that your device collects: where it comes from, how it is used, with whom it is shared and for what purposes.

☐ Conduct a privacy impact assessment to identify privacy risks, and consider ways that the risks can be addressed or managed.

☐ Become an expert in the data protection laws in all countries the device will be offered.

☐ Consider whether any other laws could apply to the device, people or industries that will be using the device.

☐ Understand the device's technical limitations that may impact security.

☐ Identify and prepare for an existing threat environment.

☐ Limit collection and retention of information to what is reasonable and necessary to operate the device.

- [ ] Describe personal information handling practices in a simple and clear manner, and obtain consent.

- [ ] Ensure that any collection, use or disclosure of personal information for "secondary" purposes (such as marketing or targeting) is optional.

- [ ] Implement appropriate security controls, keeping in mind the nature of the device and the information collected, how information is stored and identified threats.

- [ ] Engage experts in de-identification of personal information to ensure it is done effectively.

- [ ] Regularly review existing security measures and update in light of changes to the threat environment or industry standards.

- [ ] Review privacy policies and consent language regularly, and any time a change is made to the device or applicable data protection laws.

STEP 4

Move to subscription marketing

- [ ] Focus on people, not products; success will be measured by how many customers you can reach and retain.

- [ ] Understand that just as your services need to be flexible, your marketing needs to be agile as well. You need a marketing plan that can be easily modified—from what you offer to how you price it—since change will be constant.

- [ ] Build a B2Any marketing plan by building the company around your customers. Be prepared to talk to enterprise prospects all the way to an individual consumer—often with a single campaign.

- [ ] Highlight your product's/service's value that customers cannot get elsewhere. Your success is built on owning your customer.

- [ ] Understand businesses and consumers will pay for something if they see a compelling value in upgrading. Offer an aspect of your product or service for free to build a loyal base of subscription customers. The base you build will tell you a lot about what your customers want, how to best deliver it, and ultimately, what they will and won't pay for.

In order to be a player in the CoT, brands need to be on their feet, figuring out how to connect their previously 'dark' objects to the IoT with the end goal of building services into their offerings that connect holistically with people's everyday digital lives. Connecting will drive optimization of the profitable passive purchasing models that are set to become the new norm in ecommerce.

Get ahead of the curve by evaluating the ways your business can interact with consumers, monetize products and services, manage ecommerce supply chain infrastructures and prepare for increasingly complex regulatory considerations. If you do it right, you will be ready to stake your claim in the Commerce of Things and tap into a veritable gold rush of revenue.

We're all-in, fully committed to each facet of your ecommerce business, including monetizing the IoT for profit. Give us a call.

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