# State of IoT - *Accelerating the Impact of Digital Transformation*


IoT is emerging as the critical last mile to digital transformation. As businesses hone process, focus on customer experience, and build digital ready infrastructure, specialized OT providers and traditional IT solution providers alike stand prepared to deploy the solutions necessary to build smart cities, create new markets and unleash commerce through data analytics. As aspirational as it sounds, it's not the future – it's happening now.

According to IPED's most recent ***"State of IoT"*** study, 54% of solution providers polled have sold IoT solutions. The respondents consisted of both IT Partners as well as OT partners. From a profile standpoint, an interesting contrast emerged. While the IT partners predominately identified themselves at VARs (35%), the OT partners self-identified more as Consultants (32%), revealing a fundamental difference in the way these partners think about themselves and how they service their customers.


**of Solution Providers have sold IoT solutions.**

**IT Partners: a traditional mix IT solution providers including VARs, MSPs, and Consultant/SI**

**OT Partners: a blend of engineering consulting firms, HVAC and Electrical Contractors, and both Device and Master Building Integrators**

While more than half of partners have successfully sold IoT solutions, there are challenges to overcome even for those who are currently investing. Partners state that IoT sales cycles can be longer than traditional IT sales cycles and efforts are further hampered by lack of skilled delivery resources. Compounding this is the lack of clarity on the customer side. Partners struggle with a lack of vision from customers as to how they can leverage IoT as a reason why demand for solutions that can be implemented today is not fully materializing. This, of course, is an opportunity for the services led business savvy solution provider to generate consulting revenue.

That said, IPED believes that we are fast approaching the tipping point for IoT within the solution provider community.

## Key Findings

One of the more interesting findings was in the demand for IoT solutions.  For those selling IoT, 78% are finding their opportunities within existing client relationships. IoT becomes a way of expanding, going deeper and broader with existing customers.  Only 14% of partners who are selling IoT claim they are actively conducting outbound marketing.

By contrast, the number one reason given by partners not selling IoT, for the reason they are not, is lack of customer demand.  While one set of partners sees demand without outbound marketing, the others are not seeing demand enough to drive them to make investments. This likely has to do with the relationships partners selling IoT have with their customers.  Partners who are trusted advisors for customers are more easily making the transition from the data center to a line of business conversation where IoT is happening.  It also may be the line of business selling aspect of IoT.  Traditional OT partners are more accustomed to executive level selling and tend to be closer to their customers business operations.

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## Key Findings (continued)


### The IoT Opportunity

No vertical industry has emerged as dominant today for IoT solutions, but there are trends. For example, Healthcare appears as a top three industry target for both IT and OT providers. While Healthcare is number one on the list of industries where IT providers are successful, Manufacturing is the leader for OT providers.

From a use case perspective, IT and OT partners differ as well. While developing an IoT security strategy is the number one opportunity according to IT providers (41%), energy and utility monitoring is in the lead for OT providers (45%). Both asset and inventory management appear high on the list from both partner types.

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For the core technologies used in solutions, however, OT and IT partners have more in common, which is expected. Networking and wireless are the top solution components for both but with OT partners tending to leverage application development skills more often in developing solutions and IT partners more often providing IT security expertise.

**Healthcare is the #1 industry target for IT Partners.**

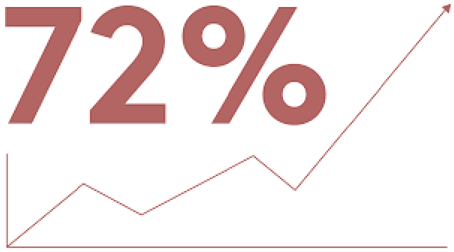
**Manufacturing is the #1 industry target for OT Partners.**

## Key Findings (continued)

### Profitability

Profitability is also a story of contrast for OT and IT providers. OT providers are seeing 31% of their total gross margins in IoT coming from the Industrial segments, while that segment is negligible at 7% for IT providers. IT providers on the other hand drive more of their overall gross margin (24%) from Networking and Security solutions.


As for overall margins, 72% of respondents see gross margins increasing over the next 18-24 months, with ¼ of partners believing margins will increase by as much as 25%, and 10% think these increases in margin will be even more significant. We'd expect these margin increases to drive additional investments on behalf of IoT providers to capture this growth in profit. We also see process improvement – getting better at selling and delivering – as a reason behind these improved margin expectations.

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### Vendor Support and Inhibitors

Since the market is still emerging for the channel, it's no surprise that the most significant area of assistance partners are requesting is in the field of awareness. Partners ranked assistance with education and awareness around the value of IoT as the top support need from vendors by a ratio of 2 to 1 over the next most cited response which was conducting design and architectural training and mentoring. In fact, the top 4 requests for vendor support all focused on some aspect of education and training for either their staff or their potential customer base.

The other big theme regarding vendor assistance was centered around vendors nurturing the IoT ecosystem. Since the skills to implement successful IoT solutions often span across the IT and OT spectrum, partnering between partners is not only desirable but in many cases essential to winning business and successful implementation. When asked about

## Conclusions


what activities vendors should pursue to promote more collaboration between OT and IT vendors, some of the top answers were; hosting activities/events where partners can meet each other, providing teaming agreements and co-selling templates, creating a directory of skills so partners can find each other and proactively driving collaboration between IT and OT partners the vendors sees as complimentary. With few partners being able to provide soup-to-nuts solutions for IoT, its critical to any vendors success to build these partnerships quickly, to remove any friction or inhibitors for their components to be built into a part of a larger IoT solution.

**IoT is as much a build-in/design-in play for vendors vs. a traditional resell transaction. Many partners collaborate for a total solution.**

### Conclusions

IoT opportunities are here today. Specialty providers with a legacy background in Operational Technology are seeing high demand from their existing customers and IT providers know that they can leverage their networking and security expertise as a way into deals. The key for vendors is to raise awareness, foster collaboration, and to understand that even more so than any other space, IoT will be a solution area where each vendor is a small piece of the larger puzzle and that new and perhaps unlikely partnerships and models will need to evolve.

To learn more about how your team can start leveraging Channelytics contact:

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