Case Study: IoT/Consumer Goods

Home goods provider unlocks growth with IoT technologies

Our strategic consulting engagement identified five key insights for integrating internet of things technologies to transform business models.

An industry-leading home goods manufacturer recently engaged Cognizant for a comprehensive strategic consulting project to identify near- and mid-term opportunities to drive increased revenue by integrating IoT technologies into its products.

Our in-depth assessment included the identification of digital synergies across the manufacturer’s product portfolio and engagement with potential consumers of its products to get a firsthand feel for high value use cases. This culminated in the creation of a robust business case and strategic vision to guide our client’s IoT investments over the coming years.

As a part of this engagement we identified five strategic insights applicable to any organization considering opportunities enabled by integrating IoT technologies into its products.

1. The early bird catches the worm. As we’ve seen in everything from ecommerce (Amazon) to smart home...
speakers (Amazon, again), the pioneer who’s first to market in a new product segment ends up dominating that market in terms of market share, product capabilities and partner ecosystem. Companies that wait for new market segments to mature often struggle to catch up with the incumbent. Even when innovative products aren’t an immediate success, manufacturers gain invaluable insights that enable the success of future products.

2. **Look beyond a one-year payback period.** While manufacturers typically expect a one- to two-year payback period on new products, we helped our client understand that the rules of the game have changed. When creating a new digitally enabled market, the payback period for new products will often be multiple years. Key early market indicators for the success of a new IoT-enabled solution include: positive industry response, number of downloads of applications that interface with the product, growth of the partner ecosystem and market adoption compared to competitive offerings. Products with strong initial results in these areas frequently drive overall revenue and company valuations for years to come.

3. **It’s all about the data.** The ability to collect data from fielded sensors in real time and to derive innovative insights from them is fundamental to “smart” solutions (including smart home, smart grid and smart city). This data is often core to enabling key new outcomes and frequently drives more revenue than the initial product sale. Examples of data being monetized range from **insurance companies discounting premiums** based on safe driving habits detected via in-vehicle sensors to **smart TVs sold at a discount** thanks to the manufacturers’ ability to monetize user data. Another example is the **free Google Home Hub for users who sign up for Google’s Rush Hour Rewards program**. Not only does user data enable manufacturers to provide more personalized offerings, but it also helps to reduce the price of connected solutions, facilitating market adoption.

4. **You don’t need a large in-house staff focused on IoT initiatives to bring IoT-enabled products to market.** In fact, doing too much in-house actually increases the initial investment while delaying time to market. Prior to Cognizant’s engagement, this client estimated that it would need as many as 15 employees dedicated to developing smart products and 18 months to roll out its first smart products. Cognizant identified opportunities for the client to bring its first smart product to market with the equivalent of five full-time employees in as little as six months by leveraging strategy partners and technology vendors.

5. **A customer-facing app provides an important direct interface between manufacturers and consumers.** By including a customer-facing app as a part of the manufacturer’s connected solution, we showed our client how it could establish an important direct interface with the consumers who use its products. This unlocks the potential for upselling, cross-selling and a variety of manufacturer-to-consumer direct sales activities.

### Results

Our client has a broader view of the market opportunities enabled by integrating IoT-enabled technologies into solution offerings. The implementation blueprint and business case we created also provides guidance on funding future technology initiatives. Our work with this home goods manufacturer is increasing its potential for IoT innovation, broadening the range of value creation opportunities, and identifying ways to reduce the cost of innovation by leveraging strategy and technology partners.

Learn more at www.cognizant.com/iot.

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