Industrial Wearables Business Model Assessment Case Study

Consumer device company seeks support developing strategy to enter the industrial wearables space with a new product concept

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Background and Objectives

The Corporate Incubation team of a leading audio device manufacturer had identified Oil and Gas and other heavy industrial markets as a potential new market opportunity. As the client moved into prototyping, it was confronting questions around the business model for the industrial market. While the client was confident that their value proposition is aligned with customer needs, it was less clear on how to deliver and monetize this value. Channel partners such as Schneider Electric or SAP could be necessary to integrate the client's wearables with back-end systems, but a direct model may be viable and potentially more attractive from a margin perspective. Additionally, the client needed to understand the viability of a hardware plus SaaS model in industrial markets.

The client asked BCE to evaluate industrial wearables business models and assess the industrial wearables market size and growth potential to help drive a decision around go-to-market approach.

Approach

BCE leveraged phone-based interviews with >85 market stakeholders to drive this analysis. This process was broken into three parts:

1. **Industrial Wearables Market Diligence** – BCE assessed the total addressable market size (actual and potential) for the client's concepts across top four segments (Oil and Gas, Chem, Power, and Food & Beverage) and forecasted growth in wearables adoption rates over the next five-years, by industry segment. We develop a market sizing model and collected data inputs from a range of available sources, including direct interviews with market stakeholders. We modeled multiple scenarios for the client, each linked to a business model or product decision.

2. **Business Model and Channel Analysis** – BCE conducted direct interviews with customers and channel partners to evaluate the viability and relative attractiveness of potential channels to market for the client's range of potential solutions. These included industrial product/system OEMs (e.g. Schneider Electric), business systems and applications vendors (e.g. SAP), networking vendors, niche players, and direct.

3. **Strategy –** BCE analyzed the trade-offs of direct and partnership models, and the implications of these decisions for the client's monetization strategy (hardware and software). We ultimately recommended a business model for the client to pursue and identified associated investments required for success.

Recommendations

BCE first established the target market for the client solution, identified the key value drivers and the most viable use cases and form factors to narrow the range of possible solutions and markets. We then identified requirements for success, and associated channel needs. Through our conversations with potential channel partners we also identified those who would be viable and interested in supporting such a solution, and what they would expect from the client. We ultimately identified a first and second choice business model and laid out the pros and cons associated with each.