



CAPE CHAMBER

OF COMMERCE & INDUSTRY

THERE'S MONEY IN CONNECTIVITY

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There's money in connectivity

Certain instances aside, such as when you're driving with your spouse, it's nice to know how you're performing. The ubiquity of digital media has provided us with a treasure chest of data allowing us to 'see' what's happening when we're nowhere near what's happening. This has brought a new value proposition to the fore where the modern paradigm for making money lies in the information. Data is literally money.

The reason digital can transform

There are three things that make digital technology transformational. [1]

Firstly digital signals, unlike their analogue brethren, can be transmitted without any loss in fidelity – your Facebook looks the same in Cape Town as it does in Mumbai. Secondly, digital signals can be replicated indefinitely – a billion people can check my page without any degradation (unlike You magazine pass-along readership), and thirdly, incremental costs are virtually zero – once you've set up content, the marginal cost of another 1,000 'friends' seeing it is, apart from the time invested, is virtually zero. So here we have a fertile setting for a change in game plan.

General Electric – anything but general



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The last thing GE wants to be is a supplier of machinery. The real business lies in a new value proposition away from just the reliable machine to selling better performance and lower maintenance costs. In a nutshell – more value. The veritable gold is the data that the machines actually provide. And with the proliferation of digital sensors and ‘the internet of things’, it is no stretch of the imagination to appreciate how the data of distant performance can reach your digital device.

GE is now adding digital sensors to its machines that allows for constant monitoring of usage and performance. In jet engines that means the company can now offer less downtime (you know exactly when it needs attention) which results in more kilometres flown which results in more money for the airline. Although not unique in this endeavour (many modern jet engines are monitored remotely today), they did make \$800m from their value-add strategy as way back as 2013. [1]

This remote recording function was recently in the news with the report that the missing Malaysian Airline flight 370 was transmitting engine data to Rolls Royce after it disappeared from radar. Although this is an interesting development that adds to the mystery, it appears to be unfounded. [2]

Google builds a nest

Taking the above into consideration, one can understand why Google shelled out \$3.2bn for Nest – a supplier of thermostats and smoke detectors. The catch is the data and its connectivity. The thermostats don’t just turn on and off, but actually learn over time what you prefer and what’s good for the environment through a combination of sensors, algorithms and cloud computing. It even displays a leaf icon as a reward when you’ve set the temperature to a more energy-efficient setting. Not to mention the fact that it connects to your Wi-Fi, giving you control anywhere at any time.[3]



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You could virtually take the temperature of a neighbourhood to build an aggregate picture of what's happening in terms of energy (and smoke). However, Nest makes no secret of the fact that it's not about thermostats and smoke detectors, but to take all the technologies we have in our homes and make them smarter and more valuable. They call it the conscious home.

Google has been great at knowing what we do when we've got a screen in front of us. It knows our online behaviour and now with Nest it closes the loop: it will know what we do when we're away from the computer. Although the information is private and can't be shared with Google, even anonymous data will give Google a leg up to gain insight into what we do in our physical world – and they will no doubt figure out a way to leverage the data so it can get back its \$3.2bn investment – and then some.

Embracing ubiquity

A business model is essentially defined by two things: how you create value and how you capture that value. Digital changes things slightly. When GE partnered with the energy giant E.ON, the classic role would be for GE to supply more turbines, allowing E.ON to produce more energy. However that's not what transpired. GE ran the data and found that, instead of adding more turbines, if you connected all the turbines through software and devices (that GE supplied), you could get dynamic control which could meet the required demand. So from becoming a seller of equipment and servicing them, they migrated to using data to provide for better decisions to leverage greater value. [1]

In previous years it was all about 'having'. Today it's all about 'knowing'. So if knowledge was power before, it has certainly become profit today.

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About the author

Sid Peimer is the Executive Director of the Cape Chamber of Commerce & Industry. His book 'The Clear Win: Pitching for new business – the strategies that work; the myths that don't' can be found on Amazon [here](#)

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