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R E S E A R C H

WHITE PAPER

On Behalf of **Dell**

Financing IoT

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SUMMARY

For many companies, the Internet of Things (or IoT) has the potential to transform their businesses in exciting and profound ways. However, companies first have to deal with the practical issues surrounding IoT projects—notably, how to best pay for them. Given the complex combination of products and services typically needed for an IoT deployment, it makes sense to look at consumption models that can turn what are typically seen as capital expenditures, into operational expenses. It's also important to work with financial partners who have experience creating flexible consumption models that are optimized for businesses who want to deploy critical new technologies into their organizations. One good example is Dell Financial Services (DFS).
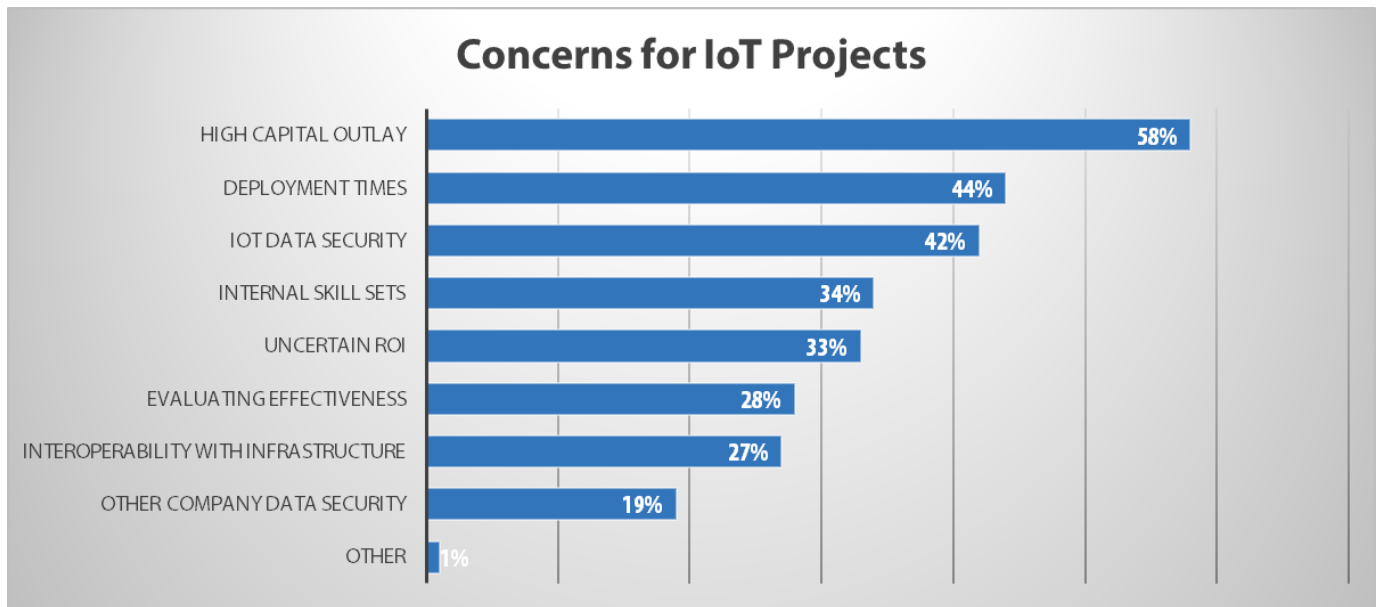
> "Given the relatively complex nature of IoT projects, traditional financing partners may not be the best choice. Instead, organizations should look to companies who understand not only the technologies and products involved, but the process of how IoT works and how it gets deployed and maintained over time."—Bob O'Donnell, Chief Analyst

INTRODUCTION

Getting the technology right is an important part of any Internet of Things (IoT) solution, but there's an equally important, but often overlooked, aspect to a successful deployment: paying for it. While that may seem obvious, IoT solutions often involve many different parts and, in some cases, many different people, so the financial side of IoT isn't always as simple as it may first appear.

In fact, when 620 US-based IoT professionals in medium and large-sized companies from a wide range of industries were recently asked about some of their top concerns when it comes to IoT in their organization, financing was at the top of the list—even above data security. Specifically, the survey by TECHnalysis Research found that High Initial Costs/Capital Outlays was the highest rated challenge for their company's IoT plans.

The chart below highlights these top issues.

Concerns for IoT Projects

Concern	Percentage
HIGH CAPITAL OUTLAY	58%
DEPLOYMENT TIMES	44%
IOT DATA SECURITY	42%
INTERNAL SKILL SETS	34%
UNCERTAIN ROI	33%
EVALUATING EFFECTIVENESS	28%
INTEROPERABILITY WITH INFRASTRUCTURE	27%
OTHER COMPANY DATA SECURITY	19%
OTHER	1%

The simple truth is, as exciting and potentially transformative as IoT-related projects may be, there can be serious dollars involved. Plus, in most situations, the expenses aren't one-time, equipment-only purchase costs. Typically, there are ongoing costs that have to be considered as well. In fact, most IoT projects involve relatively complex solutions that include a wide range of different hardware and software products, as well installation, maintenance and consulting services.

On top of that, many IoT projects span across multiple divisions within an organization, from operations to IT to business strategy and even marketing. In some cases, these groups may not be used to working directly with one another and each may bring very different financial perspectives to the table. For example, while the operations group in a business may have certain approved partners and certain procedures when creating ongoing service contracts, the IT group may have completely different partners and different procedures.

As a result, it's important to think through all the potential financial issues for IoT projects and develop a strong story that will help ensure executive buy-in. While smaller projects may not require high-level approvals, some IoT projects are seen as strategic company initiatives that can easily extend up to (or be driven down from) the C-suite. Either way, working through the financial issues will be essential if an IoT project is to move forward and to succeed.

TRANSITIONING FROM CAPEX TO OPEX

One of the key financial issues that tends to come up with IoT projects revolves around capital spending versus operational spending. As mentioned, most IoT projects involve multiple components and multiple departments. On their own, some of the products used in an IoT solution are typically considered a capital expense. Similarly, many of the organizations internally involved with IoT projects may think of themselves traditionally as drivers of capital purchases.

However, in the context of a more complex solution that's expected to extend many years into the future, most businesses are likely to find that IoT projects make more sense from an operational expense perspective. Whether it's because of the wide range of different products and partners that need to be brought into a solution, the high initial capital outlay required, the financial and organizational structure of a business, or any of a number of other potential reasons, IoT should be thought of as an operational expense.

Even if a particular project doesn't entail extended service contracts or other types of ongoing costs, it may still make sense to turn some, if not all, of the upfront expenses into a stream of smaller payments in order to ease the impact on quarterly-focused budgets.

In order to address either of these types of scenarios, it's important to look at the available consumption models, understand what each one offers, and work with the accounting department early in the process to determine the right model that will qualify for Op Ex. Given the relatively complex nature of these projects, traditional financing partners may not be the best choice. Instead, organizations should look to companies who understand not only the technologies and products involved, but the process of how IoT works and the consumption model that can be the best match for how it gets deployed and maintained over time.

DELL FINANCIAL SERVICES

One company that meets these requirements is Dell. Not only does Dell Technologies offer a number of components and services specifically targeted at IoT applications, Dell Financial Services (DFS) offers a wide range of consumption options for different needs and different types (and sizes) of businesses and channel partners.

In fact, Dell Financial Services (DFS) has a great deal of experience creating offerings that are designed to ease the process of incorporating important new technologies into today's businesses. For example, it developed and offers a number of flexible options through its OpenScale Flexible Consumption portfolio that address the full end-to-end solution, from client to data center, including cloud-based solutions.

As with those cloud-focused offerings, DFS' financing options for IoT include the ability to finance not only Dell, EMC, and VMware hardware, software and services, but non-Dell parts of the solution as well. Given the wide-ranging and often complex nature of IoT projects, no company today has all the pieces necessary for a complete IoT solution, so when it comes to financing, it's essential to have an offer that lets you mix and match hardware, software and services from a variety of different vendors. Plus, Dell understands that some components of the solution may be sold directly to a customer, while others may be fulfilled through channel partners. The DFS offerings cover those scenarios as well, and they're available to global customers and partners operating in multiple regions around the world.

Even better, because Dell, and DFS by extension, "gets" IoT, they've developed financing solutions that can take into account the unique challenges and potential complexities that IoT projects can raise. Whether you're a rapidly-growing mid-market company with technology needs that outpace your current budget or a global entity seeking to establish a pay-per-use environment throughout your datacenter, the DFS portfolio of OpenScale Flexible Consumption options can help meet business challenges head on.

- **Pay As You Grow**
  Acquire all assets up front with payments that scale to match your forecasted business growth.
- **Provision and Pay**
  Acquire technology over time with recurring plan, deploy, pay cycles.
- **Ready Capacity**
  Acquire base and buffer capacity now while deferring buffer capacity payments until it is activated or nine months have elapsed.
- **Flex on Demand**
  Acquire base and buffer capacity now. Make a set minimum payment for base capacity and pay for buffer as you use it.

- **Datacenter Utility**
  Establish a pay-per-use environment across your entire IT infrastructure.
- **Cloud Flex**
  Evaluate the feasibility of an on-premises hybrid cloud product.

CONCLUSIONS AND RECOMMENDATIONS

The Internet of Things (IoT) is poised to dramatically reshape business of all sizes across an enormous range of industries. From streamlining processes to reducing costs to generating new revenue streams, IoT has the potential to drive simple or even dramatic strategic and operational improvements to the companies who choose to deploy it.

Before the potential impact of this groundbreaking technology can be truly achieved, however, businesses have to deal with the practical financial issues that surround IoT. Step one is to determine the technology needed to deploy a successful IoT solution. Step two is to determine the consumption model that best fits those technology needs. Companies need to find financial partners who understand the technology and how to transition the acquisition of that technology from Cap Ex to Op Ex.

Dell Financial Services has thousands of conversations with companies and channel partners every year who want to integrate critical new technologies into their organization. With their new OpenScale Flexible Consumption offerings optimized for IoT projects, they've positioned themselves to be a great choice for businesses who need financial flexibility and backing to make their IoT projects succeed.