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# Ayla Networks Evolves Strategy to Focus on IoT Business in Underserved Enterprise Segments

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Acknowledging that enterprises are more prepared than consumer device companies to adopt IoT technologies, Ayla has its eyes set on enabling IoT outcomes for traditionally tech-laggard enterprises like quick service restaurants, with a focus on improving customer experience, reducing costs and accelerating digital transformation initiatives.

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### Introduction

Since 451 Research last covered Ayla Networks, the company has evolved its strategy from a sole focus on device connectivity offerings for the smart-home consumer IoT segment toward enterprise segments, with a focus 'higher up the stack' on data management, algorithms and end-to-end technology. Like many of its peers, Ayla realized that enterprises are more ready and willing than firms in the consumer device segments to adopt IoT technologies to improve customer experience, reduce costs and accelerate digital transformation initiatives.

Despite the ongoing pandemic, enterprises have fast-tracked their technology investments to better prepare for the future. According to 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey October 2020, 60% of respondents agree that COVID-19 will accelerate organization-wide technology investments. Recently, Ayla has seen promising traction at large enterprises in the QSR (quick service restaurant) and ISP markets, where it has uncovered latent demand for its particular capabilities.

### 451 TAKE

Despite the pandemic, Ayla was able to find its stride in 2020 delivering excellent business results driven by a refined strategy building on its foundation of consumer IoT connectivity and device management to extend its reach into higher-growth IoT data management and analytics for underserved enterprise application segments. Ayla has found that its focus on the higher-value functionality around IoT data management and manipulation has legs and latent market demand. One of the keys to its success has been its approach to choosing its enterprise market segment pursuits. With the help of some savvy sales leaders, Ayla has identified a handful of underserved segments where its technology can generate significant ROI, such as the QSR/food services market, or with ISPs, where its technology can offer a low-investment/high-return solution to tackle nagging operational challenges such as customer support costs. To continue to grow, Ayla will need to build on these initial successes by developing more go-to-market expertise in its chosen markets and increasing its ability to consultatively sell business outcomes, thereby optimizing its channel reach and creating repeatable technology blueprints and business models.

### Details

Silicon Valley-based Ayla Networks aims to enable customers in the consumer and enterprise/ industrial product segments to create connected experiences leveraging its IoT platform, which spans embedded software and hardware, APIs, cloud-based management platforms, IoT data analytics and implementation/consulting services.

Despite the overall disruption brought on by COVID-19 in FY 2020, Ayla experienced very little disruption to its business, increasing its billings by 68% YoY and revenue by 24% YoY. In addition, the company provisioned five million active IoT devices on its platform in 2020, representing a 100% increase YoY, and is targeting double-digit millions of devices by the end of 2021.

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Beginning in 2019, Ayla began a fairly radical strategic shift from focusing on the consumer smart home market to the more lucrative enterprise/commercial segment. Despite customer wins with firms such as Hunter Fans and RemoteLock, the company was quick to point out that the B2C IoT market is extremely price sensitive, fragmented and often struggles with establishing ROI. While Ayla will maintain an ongoing presence in the B2C segment, the majority of new business activity has occurred within the enterprise/industrial vertical, which now makes up 80% of total customer activity.

As a result, the company has continued to build on its foundational capabilities of connectivity and device management while increasing investment in to end-user application delivery and data management. This move aligns with Ayla's GTM pivot from a 'platform based' approach to an 'outcome based' model, one that prioritizes customers' business results through attainable and measurable success metrics and KPIs.

As part of the company's GTM efforts, Ayla is also planning to equip its sales and marketing teams with vertical market expertise, starting with the food services segment. Despite being a \$500bn industry in the US alone, the QSR segment has several common operational challenges, not least of which are razor-thin margins, stiff competition, and high asset maintenance and service costs.

Ayla has a vision of the 'connected store,' and believes that its IoT technology can help restaurants and enterprises solve for these thorny issues. It targets four key areas of opportunity: predictive maintenance and equipment failure detection, faster recipe and menu rollouts, food safety and preparation monitoring, and energy reduction and management.

A review of our enterprise-wide survey topic aligns well with Ayla's focus (see Figure below). Our Voice of the Enterprise (Vote): IoT, Workloads & Key Projects 2020 survey shows that 66% of respondents plan to use data from IoT endpoints to optimize operations, which include performing preventative/predictive maintenance, reducing downtime, and managing factory/field equipment.

Ayla's IoT platform is able to connect any food services asset – whether kitchen equipment, HVAC system, coolers or digital signage – over a variety of network protocols (including Wi-Fi, BLE, Zigbee, cellular and industrial ethernet), migrate data to Ayla's IoT Cloud for analysis, and help customers generate valuable insight and visibility into important operational metrics via its dashboard application.

Ayla accomplishes this through a three-pronged approach that involves working with customers to develop a game plan and connectivity framework based on existing devices and equipment, leveraging partners to provide a unified view into business operations, and integrating data into a 'single pane of glass' view to better inform decision-making.

Ayla is also pursuing an adjacent business opportunity with ISPs at the intersection of device virtualization and management, IoT data analytics and insights, and predictive analytics. ISPs are faced with a core set of challenges including low ARPU, high customer churn and unsustainable costs associated with customer support services.

Ayla is leveraging a long-standing North American Tier 1 ISP relationship, and has diligently put its expertise in IoT data mining and device behavior to work. In this specific case, it is helping solve difficult operational challenges and customer experience killers around issues such as STB/internet modem reboots. Ayla has been able to virtualize the environment and analyze the relevant factors on both gateway and downstream connecting device data, identifying anomalies and recommending fixes such as preemptive reboots during off hours, proactive alerting or device upgrade.

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The company's major selling point is providing help to solve these issues with a very small up-front investment and limited integration with legacy systems. With this ISP customer, the whole project was up and running in a matter of days, and was run for a period of three months. In the end, Ayla was able to identify 11 service-impacting issues that, once fully rectified, will save the customer up to \$75m per year in direct costs through reduced call center interactions, truck rolls and device swaps, while also improving CX.

### How Enterprises Leverage Data Gathered From IoT Endpoints

Source: 451 Research's Voice of the Enterprise: IoT, Workloads & Key Projects 2020

Q. Does your organization use any of the data gathered from those connected endpoints to do any of the following? Please select all that apply.

Base: All respondents

