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IBM to Invest $3 Billion in 'Internet of Things' Unit

IBM to invest $3 billion in new 'Internet of Things' unit to scoop, crunch data on devices

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IBM is investing $3 billion to build an "Internet of Things" division aimed at harnessing the massive trove of data collected by smartphones, tablets, connected vehicles and appliances and using it to help companies better manage their businesses.

IBM estimates that 90 percent of all data generated by mobile and "smart" devices is never analyzed. The Armonk, New York, company hopes to change this by teaming up with companies like Twitter and the Weather Co., the owner of the Weather Channel, and developing cloud-based data services and tools for app developers.

IBM is training more than 2,000 consultants, researchers and developers to help businesses come up with new ways to use the vast amounts of data that are now available, said Glenn Finch, Big Data and Analytics Lead at IBM Global Business Services. This could mean combining Twitter data with economic and weather data to predict what someone might be interested in buying. The new business unit is part of IBM's shift away from hardware toward spending billions to focus on analytics, cloud computing, mobile services and security.

IBM plans to launch an online service that helps insurance companies extract insight from connected vehicles, to create new pricing and services customized to individual drivers. Meanwhile, the Weather Co. plans to shift and integrate its massive weather data operation into the IBM Cloud, so that insurance providers could send policyholders text messages alerting them to impending hailstorms and vehicles could be moved before being damaged, for instance. It could also help determine exactly how many people were hit by a natural disaster so insurers could respond to claims faster.

"Most people, most businesses, most governments wait for weather to happen to them and react to it rather than anticipate what it will do to them," said Mark Gildersleeve, president of the Weather Co.'s WSI division. The IBM partnership "aims to help governments and businesses essentially serve their end users better by making decisions earlier," he said.

Privacy and security remain big concerns when it comes to Internet of Things products and services. Users of smart refrigerators, for example, may not necessarily want to share with companies how often they run out of cake frosting, mayonnaise or beer. Smartphone owners might not want to share their location with third parties.

"(Internet of things) has pretty grave security and privacy implications," said Joseph Lorenzo Hall, chief technologist at the nonprofit Center for Democracy and Technology in Washington DC. "Privacy

especially, because a lot of these appliances are going to be in places that are going to be assumed private."

For example, a temperature sensor near your alarm clock might be able to tell if it's "hot and heavy" in your bed, he pointed out.

Companies investing in Internet of Things, Hall said, need to invest in privacy and security protections around it as well.

"Companies that are going to do a better job and not have the IoT equivalent of Exxon Valdez are going to be the ones that are (taking) longer to be responsible about how they use IoT technology," he said.