APIs – The Heroes of Digital Business

*Why you should have an API strategy
and where to pay attention to …*

APIs are the connective fabric in today's digital ecosystems. For companies who know how to develop an API strategy and implement and leverage them, they can cut costs, improve efficiency - and open new pathways to growth and innovation!

APIs likely to become core to your Digital Strategy

APIs have been around for many years, but until recently they have largely been treated as IT artefacts and a niche interest to programmers. In fact, APIs are one of these key foundational technologies that makes digital business possible and prosperous.

Early movers in several industries are successfully using APIs to create new services, businesses and channels. Within the car industry, for instance, APIs are used to embed efficiency data, traffic information and alerts into the dashboard. Some retailers are using APIs to set up shopping platforms, manage orders and track inventory, even helping customers to find stores. Telecom operators are partnering with financial services companies, to provide APIs that help to avoid fraud with credit cards. APIs have made it possible for services like Google Maps or Facebook to let other apps 'piggyback' on their offerings. Twitter, credit card processing, shipping calculators, and many more open services would not be possible without APIs.

To get some context for the widespread use of APIs today, consider the following:

- Netflix is able to stream to over 200 different device types thanks to its API
- 60% of eBay's listings are done through their API
- 50% of Salesforce transactions are done through their API
- Twitter receives over 13 billion API calls daily

Above companies made huge investments in their open API strategy and are now reaping the rewards. Others will find it easier to do new things, like rolling out innovative IoT-services or creating voice interfaces for new devices, like Amazon's Alexa.

The value at stake is significant:

- We estimate that the number of public APIs will triple over the next 12 months. APIs will enable more next gen services, such as boosting usage of digital wallets and crypto-currencies, as well as AI and machine learning to deliver more advanced and cost-effective operations.
- A recent Forrester survey indicated that a structured API management process improves massively the time-to-market for new revenue-generating applications. Results also showed an astonishing 97%(!) time improvement to deploy apps that require integration with multiple data sets - from 90 days to three days. Moreover, survey participants reported a 275% ROI on their API management tools and a payback period of only 12 months.

However, the number of companies with a structured API program is still pretty small. Most have just a bit more than a handful of APIs which is not sufficient for a solid API portfolio. The majority does not have a well-defined API strategy, is unclear about the true value APIs could bring to the business and feels uncertain about how to set-up and run a program that maximizes business impact.

API Strategy: Much more than a tactic move!

APIs are likely to have such a transformative impact on many businesses that their use needs to be central to corporate strategy and hence should infuse corporate's digital strategy at a deep level. Arguably they should be at the core of most companies' entire digital strategy. As the number of devices explodes and integrations become paramount to partners and customers, APIs will become the key channel through which transactions are executed and digital assets are distributed. Company strategy really becomes driven by how to channel transactions to an API from a wide variety of sources. This will be the key goal of most digital business strategies going forward – any companies that don't plan for this are likely to get rapidly bypassed in the market.

And it's not just big players being active in the API game. Companies of all sizes and across all sectors are creating APIs. Companies that carefully consider a business-backed API strategy and monetization model, establish the right governance, and implement structures, processes and platforms to effectively support internal and external developers can create powerful venues for revenue and value growth.

Satisfied customers, more revenue, accelerated growth, becoming faster… that sounds all great! Well, before you now jump into building your APIs, please consider the following:

APIs are enablers and products – treat them as such!

It's time to get past the technology corner and start thinking about APIs as enablers <u>and</u> products – as enablers for creating new products and services to customers, as a product towards the developer community. All technical capabilities needed to create a holistic API strategy for companies trying to win with software are meanwhile available. But as for any good strategy you need to articulate a clear intention and objective, a definition of value, trust zones and access limits, and of course a product management, product support, revenue targets as well as a portfolio strategy.

Based on mobileVision's extensive project work in supporting companies from multiple industries in scoping and implementing their API strategy, here are our Top-8 recommendations you should pay attention to:

1. **Develop an API strategy with a clear business focus** – If you are more opportunistic to API development you will hardly create value long-term. Take time to think first about your business priorities and what results you want to achieve with your API program.

2. **Understand clearly the true value … and prioritize** – Sophisticated players analyze carefully where value can be destroyed or created, then they size the potential impact in terms of revenue, customer experience, and productivity. They systematically analyze customer journeys, leverage their deep understanding of data environment and back-end systems and follow a disciplined evaluation process along strategic value and realization complexity taking into account potential privacy, security, regulatory and technical issues.

3. **Treat your APIs as a marketable product and developers as your customers** – Understand that the developer is king, particularly with respect to open APIs, and in this fast moving and highly competitive environment the key proposition should be to accelerate the time to market for your enterprise apps via the developer community.

4. **Define a clear approach to monetization** – Become very clear what your underlying data or service is worth - and to whom. Than explore the right monetization model in line with your overarching strategy. Be it a 'revenue share model' where the API user gets paid for incremental business triggered for the API provider, a 'fee-based model' where API user pays for API usage, or a 'freemium-model' based on volume, time, or some combination.

5. **Implement a dedicated API governance** – Application manager responsible for APIs and integration must treat APIs as products with an accompanying product life cycle to increase the chances of digital business success. Creating the role of a dedicated API product manager or even a Center of Excellence is key to managing this project/product dichotomy. Even if you have already experience with APIs, publication and management of external APIs as well as dealing with external developers requires new capabilities and a different kind of thinking.

6. **Provide a set of tools for partners and other 3rd parties** – Developers do not want to be hassled with complex registration processes or have to learn your business process in order to use your APIs. If you have a real complex business process, you need to figure out how to turn that into a modern API interface. Tools and processes that effectively support development, testing and management of APIs are crucial for success.

7. **Promote actively new APIs to the developer community globally** – If you want your API to be consumed, API marketing is not something you can ignore. There are millions of developers in the market and you need to stand out from the noise of a never-ending stream of new APIs coming to the market. It's important to find pilot partners who have an appetite for innovation and are willing to invest the time.

8. **Constantly monitor and analyze performance of your 'assets'** – Rigorous, ongoing performance measurement should focus on relevant usage and traffic metrics, such as the number of registrations, the percentage of users by customer type, and the number of requests over time. This provides teams with the insight needed to make targeted improvements in order to achieve best operational efficiency as well as continuously developing your API portfolio. And yes, this needs to happen on multiple levels: Developer & Partner level, Operations & Administrator level and with respect to your marketing performance and business model.

Conclusion

APIs are a driver of the digital platform economy and one of the key strategic digital assets of every company on its path to digital transformation.

Through APIs, you can leave behind traditional business models and break-up value chains in order to adopt a B2B2X model and deliver digital services to any number of users of any kind.

You will be able to reduce cost and ensure faster time-to-market for new services and products, you can more quickly launch your own digital services and provide integration with any partners, creating a wide network of partnerships, and finally: tap into new sources of revenue.

But harvesting the full potential of APIs requires a new way of thinking about partnerships, a new way of business and technology working together, and a new pace of development, funding, and coordination. Be aware that this also comes with new challenges to data privacy and security.

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