

APIS: ARE THEY REVOLUTIONISING THE DISTRIBUTION OF INFORMATION AND SERVICES?

EXPERT'S OPINION

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Not a week goes by without news of companies “that launch their API” and having done that, decide to make available to a third party, data and applications originally developed for their own needs. This movement, which began in the early 2000s, is becoming so popular that offering services in the form of API is becoming as essential as having a website ... Why this infatuation? What is there to gain from this new distribution mode and who stands to gain?

In the early 2000s, major players in online business had the idea to leverage their presence on the Web by allowing others to use some or all data from their product catalogue. No one imagined at the time that by opening their API (Application Programming Interface), these operators would be the precursors of the movement that is completely reshaping the patterns of development and distribution of application services.

Basically, an API is nothing but a piece of code that allows access to certain features of an application (web or otherwise) in order to integrate them into another application, saving the need for redeveloping them. In itself, this objective is not new. What is new is that companies in all sectors are beginning to publish the API for accessing content and services they previously used for their own needs. The movement is catching on: if only 32 public API were available in 2005, the inventory was 1000 in 2008, and nearly 2500 by the end of 2010¹ - the most popular by far being Google Maps API, which allows more than 150,000 sites worldwide to provide Map Display services or more sophisticated mapping applications.

¹ <http://www.programmableweb.com>, December 2010

A CONTAGIOUS PHENOMENON

The giants of e-commerce have been, as mentioned earlier, pioneers of the publication of API. Since then, the twin phenomenon of publishing and using API (content or services) has spread to many sectors, contributing to the development of a myriad of services and uses totally unimaginable a few years ago.

The largest contributors today are undoubtedly the media and social networks - Flickr, Twitter, YouTube and other Web 2.0 players like Google

which use APIs to extensively increase their traffic and establish their brand in the digital world. The online shopping service relies more than ever on API to facilitate, expand and accelerate its activities. Thus, opening up access to product databases of big services such as eBay, Amazon or BestBuy has greatly facilitated the explosion of “electronic franchises» allowing anyone with a website to relay offers and receive a commission on sales initiated on their website. Further down and at the periphery of the sale, it is also in the form of API that a company like PayPal distributes its distance payment services and carriers such as DHL, UPS and FedEx provide delivery tracking services. Telcos are also in the game.

The giants of Web 2.0 are spearheading the API movement. They use them extensively to increase their traffic and impose their brand in the digital world.

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An API of Orange for example, enables professional software publishers to integrate features for sending SMS in their applications. The administration (Open Government Data Initiative in the United States, for example) or even the energy sector (API Google PowerMeter) are other sectors where API are increasingly becoming important; the challenge for them is to make data accessible to users and improve the quality of the relationship.

TREMENDOUS ACCELERATION OF INNOVATION

The growth of API is causing a disruption in the process of developing offers, distributing and accessing third party services. Launching an API can greatly accelerate the creation of new services by using external companies, but most importantly, by using the energy and creativity of developer communities. Thus, six months after launching its API platform, PayPal had rallied 25000 developers and 100 new applications or services using its API that were already in operation... This power of innovation is not commensurate with what the company could do alone.

Appealing to the creativity of developer communities can accelerate innovation enormously. It is imperative to succeed in mobilising them and to motivate their involvement.

With millions of members, the potential of the developer communities is enormous. It is imperative to be able to interest them and to stimulate their desire to contribute. To maintain the mobilisation and emulation around its API, PayPal holds innovation contests with \$ 150 000 in prizes.

A growing number of software and API publishers are using these means, which are much less expensive than strengthening their R & D, and much more efficient. Indeed, many developers are passionate about playing the game "just for fun". "The prospect of seeing their application rewarded pushes them to excel – as much in the hope of being compensated for their efforts by pocketing a prize, as for increasing their reputation in the community.

WHAT BUSINESS MODEL?

While most API are now free for the public, the ability to monetise the service has become a central issue in the B2B segment, knowing that the stakes for publishers of API differ materially from those for integrators.

The API potentially open new sources of revenue for some as for others, but this emerging market is still seeking its model, alongside the traditional model of selling / buying a licence. In a Web world where 'free of charge' is the norm, the freemium type approach gives the publisher

the ability to monetise his service without sidelining the small integrators (small sites or amateur sites): the API is free and the service integrator is charged only beyond a volume of consumption / usage previously fixed.

Freemium, free of charge, pay-per-use ... The publishers of API keep resolutely away from the sale of licences.

For payable API, the usage-based billing (Pay-Per-Use) becomes the most common model, the difficulty being that the cost to the integrator should accurately reflect the value added or, at least, the publisher's costs for providing the service. Payment API or those for sending SMS fall typically in this category. In general, the approach of imposing the payment of an entrance fee on the integrators meet with little success and is prohibitive for «philanthropist» developers and volunteers. The principle of subscription can however make sense when the volumes of data or services are considerable.

ANOTHER VISION OF INTELLECTUAL PROPERTY

Google in the field of mapping, Amazon in e-commerce or Facebook in social networking are powerful examples of the potential of API. By disseminating their services and their brand on thousands of sites, by converting them into "partners», these players have made themselves indispensable and have put themselves almost beyond the reach of their competitors. Beyond these iconic figures, a very large number of companies are affected by the API movement. All the service companies that have information, data or dematerialised services for sale are potential publishers of API. Who will be their customers? All the companies that want to enrich their services and offers quickly and at least cost: professional software publishers, websites, service operators...

For a company that wants to position itself in this market, the biggest challenge is certainly to clarify the pursued objectives and to understand the concepts of intellectual property and intangible capital from another angle. Incorporating the API in its strategy is indeed part of an overall trend that seems difficult to reverse: the growing separation, between the producer / owner of data or services, and, the one who transforms and distributes them. For this reason, the model, of a number of sites and software publishers, will become more and more akin to an iceberg whose submerged part forms the API ...

R.C.

Rémi Claudon, Manager, has 10 years of experience including eight in consulting.

He helps companies in many sectors - telecom and media, financial services, postal operators - in their major transformation program through projects of design offers, marketing innovation, commercial efficiency and performance of distribution networks.

His operational experience has enabled him to take, from start to finish, projects of designing and launching products and services in the e-banking sector.

ABOUT KEYRUS MANAGEMENT

Keyrus MANAGEMENT, Management Consulting arm of **Keyrus** Group, is unique in its innovative approach in order to face the increasing difficulties of mobilisation and collective and continuous efficiency of human resources towards well-understood and shared objectives, which prevents organisations from exploiting completely their potential.

Founded by experienced professionals from the consulting world, **Keyrus** MANAGEMENT follows an innovative step in all of its varied expertise – Consulting in Human Resource, in strategic Marketing / Sales, in performance of financial functions, purchases and Information Systems – and domain-wise competencies (Financial Institutions, Processing Industries, Energy, Service and Public Sector enterprises).

Keyrus MANAGEMENT finds in its long term knowhow – command over processing and analysis of the information resulting from “Business Intelligence” activities, agile method, short cycle and collaborative Web world – enrichment of its competencies which make it unique in the consulting domain.

An approach adapted to leverage organisations and recreate agility

The consulting approach of **Keyrus** MANAGEMENT is based on four pillars, indispensable and decisive success factors and timely completion of projects, irrespective of its nature:

- **Analysis** : This phase, which is an integral part of all the projects, has to be reinforced strongly, focusing on data contained and properly understood by the corporate stakeholders, in a way that will completely take into account the findings and objectives in a clear and objective manner in the eyes of competitors.
- **Mobilisation**: Planning for projects, assuring better understanding of the acceptance and mobilisation of the market players. The “change management” starts right from the first day of the project which is a prerequisite.
- **Governance** : To strengthen the rules and the organisation, its roles and responsibilities, its systems, indicators and monitoring the projects and taking initiatives, in relation to global corporate governance and in such a way so as to transfer them at the earliest to operational teams and assuring sustainability. The mission of consulting is not set to last for the longest time, but to be accomplished in the shortest possible time period!
- **Developing a competitive culture**: To encourage integrated work system, to create and lead projects reuniting collaborators from all professions and all places, to share proactively the good practices, to give importance to matrix operations and multicultural environment. ...are some of the indispensable factors to the success of the enterprises. However, this may cause a lot of inconvenience to collaborators, often trained in hierarchical and isolated functioning modes.

For more information please log on to: www.keyrusmanagement.com