Companies are joining the API Economy because there is money to be made. As with most profit-generating business models, there is plenty of interest, but many organizations with traditional roots struggle to envision, justify and implement an API Strategy. API-as-a-Service lowers the barrier by making it easy, fast and secure to begin playing in the API game.
API as a Service

FAST TRACK TO THE API ECONOMY

WHY API AS A SERVICE?
Companies are joining the API Economy because there is money to be made. As with most tech-enabled business models, early entrants are from high-tech and media companies. As with most profit-generating business models, there is plenty of interest from organizations with more traditional roots. This is where API-as-a-Service comes in. APIaaS, as unwieldy an acronym as any invented in the cloud world, puts the power to monetize data into the reach of any organization.

WHAT IS API AS A SERVICE?
API-as-a-Service is a fully managed solution that allows an organization to expose select information assets through web-facing APIs. Fully managed means pre-built, pre-hosted and pre-integrated—in other words, turnkey. Enterprise-focused API Management companies, like Apigee, Mashery and Layer-7, began using the term several years ago but found little traction because their solutions are geared toward managing APIs that must be built by hand. These offerings are more properly called API Management-as-a-Service.

WHAT MAKES API AS A SERVICE ATTRACTIVE?
The ultimate goal of an API Strategy is to generate new revenue from existing information. There are many ways to achieve this goal directly and indirectly with some value propositions being clearer than others. Media companies, for example, exist solely to monetize their information assets (think: audio/visual files) and have little difficulty in grasping how APIs can extend those assets to new consumers. The obviousness of the proposition led to early experimentation and broad adoption on the back of costly custom development work. Rather than a radical shift in business model, these companies are simply establishing a new route to an existing market.

More traditional companies also have high-value information assets, but the path to monetization is less clear. When the path to revenue is less clear, successful companies seek to "fail fast, cheap"—to experiment with quick, inexpensive pilots to prove or disprove the accessibility of new revenue streams. APIaaS is the "fail fast, cheap" route to monetizing pilots because it plugs-in quickly and unobtrusively, appeals to an existing pool of developers and works out of the box with many prebuilt "apps". These factors make a tire kicking effort painless and potentially profitable.
ENTERPRISE API AS A SERVICE USE CASES

Consumer: Recipe and Coupon API promoting Consumer Food brand

APIs can be used to both expose existing data and collect new data. One consumer food conglomerate, call them Good Foods, is creating an API, leveraging both an APIaaS and a Backend-as-a-Service (BaaS) to store and socially share recipes. As new recipes are added to the database, ingredient key words are replaced from the generic to the Good Foods branded equivalent. So, “one cup of white rice” becomes “one cup of Good Foods Famous Rice.”

Third-party developers are working with the beta version of the API to build a recipe-trading app for iOS and Facebook. The iOS app includes a weekly meal plan feature that allows users to assign a favorite, random or recently shared recipe to a day of the week. The app automatically assembles a shopping list (including Good Foods branded ingredients) from the selected recipes. Users can walk through a grocery store and check off ingredients as they collect them.

A planned expansion of the API will allow Good Foods to generate manufacturers’ coupons automatically, based on the list of ingredients, past user behavior and a user location. The app will be expanded to present the coupons to the shopper when they arrive at the store to reinforce the selection bias for Good Foods products.

Good Foods plans to further monetize their new Couponing API by allowing other food companies to add coupons to the shopping list for a transaction fee paid for each presentation or coupon redeemed. By moving first in their space, Good Foods is securing their future by becoming not just a consumer staple, but also a platform for the entire consumer food industry.

Healthcare: Getting more out of Salesforce.com with Lead Share API

APIaaS can be exploited to expose both data and processes in unique ways. One large healthcare provider, call them Helpful Medical, collects data about prospective patients using Salesforce.com CRM. Helpful Medical already analyzes the data to identify the top 10% of potential leads based on profitability and risk profiles. Previously the company simply discarded the remaining 90%.

With the help of APIdata for Salesforce, Helpful Medical is opening up their leads data and exposing the unmonetized 90% through an API. Regional competitors are using the API to search for patients that they can profitably serve. In order to get access to the details behind leads of interest, the competitors pay a transaction fee to Helpful Medical.

Using APIflow, Helpful Medical is executing business processes via an API that enroll new bidders, complete transaction billing and orchestrate the engagement of the patient; collecting permission to share information for example. Externalizing these processes allows Helpful Medical to remain in compliance with HIPAA regulations and ensures that the new revenue stream runs automatically.

A planned expansion of the API will create a marketplace for leads data that allows competitors to bid for the best leads and contribute their own lead information to the exchange hosted by Helpful Medical. By being the platform provider for the exchange, Helpful Medical expects to gain significant value directly from transaction fees and indirectly from greater data visibility. By being the first to move, Helpful Medical is setting itself up to be a market-making powerhouse.
HOW DOES API AS A SERVICE WORK?

API-as-a-Service is a turnkey solution that levels the playing field in terms of speed to market and ability to scale. APIaaS providers will generally offer a SaaS solution with the following three characteristics:

- Managed platform: most processing resources, administration and support are supplied on cloud
- Predesigned APIs: calls that address a specific asset class or domain of interest are standardized with nouns and verbs to make interactions consistent and code transportable
- Prebuilt integrations: integrations that can push/pull data should be supported as a product where industry-standard systems of record are used as sources though custom integrations may also be possible

HOW DO YOU IMPLEMENT AN API AS A SERVICE PILOT?

- Identify the information assets with most potential for monetization. A consulting engagement may be desirable to help analyze candidates and create a roadmap prior to initiation of a pilot. Information assets are often "Rembrandts in the attic"--unrecognized, undervalued sources--and may require a third-party perspective to identify hidden value.
- Select an API-as-a-Service vendor that supplies a prebuilt API to address the selected asset class.
- Configure prebuilt integration by providing server details and credentials to be used. Some vendors may provide an on-premise agent to make transactions through the firewall more secure or to enable more advanced integration capabilities like active directory integration.
- Configure your domain registry to refer API calls from corporate subdomain (e.g. api.yourco.com) to the vendor’s hosted IP address.
HOW DO YOU RAMP-UP A SUCCESSFUL API AS A SERVICE PILOT?

APIs are only valuable if end-users are consuming them. End-users consume through compelling apps. Compelling apps are created by engaged developers. The easiest way to engage developers is to employ them directly by building the first application yourself. This approach gives full control to the APIaaS adopter and can subsidize API exploration by tapping budget for related corporate initiatives for engaging customers, partners and employees.

Though the control and comfort that may come from 'eating your own dog food' first is appealing, internal resources (of both cash and people) cannot compete in volume or quality with an actively engaged community of independent developers. Third-party developers will bring their own connections to end-users and can react quickly to changing demands. Independent developers also have the scope and creativity to combine your newly exposed data with data from other API providers to create novel, multi-dimensional experiences.

Building and managing a dedicated development community is a discipline in itself and can be undertaken once the success of the pilot is assured. By adopting an APIaaS solution, companies gain a ready-made development community that is already familiar with the details of the API from similar initiatives with other API providers. Existing apps can usually be adapted quickly to address your new data source from apps previously written against the same APIs for similar data domains. By encouraging the community to leverage existing code, an APIaaS adopter can see results far faster than with handcrafted APIs.

CONCLUSION

Companies that have unique data, processes or files can find audiences willing to consume these assets and new revenue sources through the use of APIs. The development of a long-term strategy for APIs should start with a practical pilot program that establishes the market profitability before justifying further investment. API-as-a-Service vendors offer many advantages to companies launching these pilot programs by minimizing the investment and speeding the time to market. By decreasing the cost in infrastructure, time and intellectual activity, APIaaS makes it feasible for any company to afford a pilot initiative.

With creative companies in all industrial segments making moves toward securing their future in the API-driven marketplace, it is imperative for companies of all sizes to join the API Economy.