

APIs: THE NEW LANGUAGE OF BUSINESS COLLABORATION

57%

of the Fortune 500 companies in 1995 had dropped off the list by 2015. The average lifespan on the Fortune 500 now is 15 years instead of 75.¹

Digital transformation is one of the key technology goals of companies.

Red Hat® 3scale API Management Platform is recognized in the Gartner Magic Quadrant as a leader among API management services.²

3scale API Management Platform provides an entire ecosystem, from developing APIs to deploying and maintaining them throughout their life cycle.



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EVOLVE TO GROW

In Darwinian evolutionary theory, natural fitness and the ability to adapt ensure the survival of a species. The evolutionary approach applies to business as well. There is no “past success” in business; the fitness and adaptability of the business relate to its continued and sustained growth. Businesses can stagnate, not because of a lack of ideas, but because of an inability to act on industry changes, competition, and new ideas.

A business can survive when it can extend its core competencies in new ways. Increasingly, one of the paths to innovation lies with application programming interfaces (APIs). APIs allow a business to take traditional revenue (and traditional customer and partner interactions) and carry them into a different technological foundation – like cloud, mobile, big data analytics, and social computing. This does more than replicate an old business model; it finds new customer and ecosystem relationships that can monetize the organization’s core assets. That leads to sustained growth and new value and revenue streams.

CREATE OPPORTUNITIES FOR DISRUPTION

Even organizations born in different eras of digital transformation (mobile, internet-based, and client/server) are successfully using APIs to achieve disruptive growth in their respective industries.

- eBay was born during the height of the internet era. As of autumn 2016, over 25% of eBay’s global listings were made through an API.³ eBay has invested heavily in its internal service-oriented architecture (SOA) platform, as well as in its external-facing API program.
- The PayPal API is heavily used and well-supported across thousands of websites, mobile apps, and devices.
- Expedia Affiliate Network (EAN) runs its looking and booking methods in conjunction with its affiliate program. In 2013, the affiliate network totaled over \$39.4 billion in gross travel bookings.⁴
- USA TODAY, originally a print media company, is seeking to re-invent itself to stay relevant. APIs power USA TODAY’s popular iPad, iPhone, and Android news apps. Beyond news articles and headline resources, USA TODAY has released APIs for U.S. Census data; book bestseller lists; book, movie and music reviews; and sports salaries.
- For the mobile era, online transportation network company Uber achieved a valuation of \$62.5 billion in 2015 – within its first six years in business.⁵ Theoretically, this would position them in the top 20% of the Fortune 500 list, above well-established, long-standing household names such as GM, Texas Instruments, or HP. Uber is disrupting a \$100 billion global taxi market.

1 https://www.gartner.com/imagesrv/cio/pdf/cio_agenda_insights_2016.pdf

2 <https://www.redhat.com/en/about/press-releases/red-hat-named-leader-gartners-2016-magic-quadrant-full-life-cycle-api-management>

3 <https://go.developer.ebay.com/2016-fall-update>

4 <https://www.statista.com/statistics/269386/gross-bookings-of-expedia/>

5 <https://www.bloomberg.com/news/articles/2015-12-03/uber-raises-funding-at-62-5-valuation>

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Red Hat is the world's leading provider of open source software solutions, using a community-powered approach to provide reliable and high-performing cloud, Linux, middleware, storage, and virtualization technologies. Red Hat also offers award-winning support, training, and consulting services. As a connective hub in a global network of enterprises, partners, and open source communities, Red Hat helps create relevant, innovative technologies that liberate resources for growth and prepare customers for the future of IT.

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BUILD PARTNER ECOSYSTEMS

A key ingredient for the massive success of these companies is that they build and provide platforms open to their partners, suppliers, vendors, or consumers. This allows the ecosystems around those APIs to be more powerful and relevant. Collaboration is the new maxim.

In their book *Platform Revolution*, Geoffrey G. Parker, Marshall Van Alstyne, and Sangeet Paul Choudary discuss the shift from traditional “pipeline” businesses that follow the sequential value chain (as proposed by Michael Porter) to “platform” businesses. This also allows for co-competition. A great example is the Red Hat and Microsoft collaboration announced at the end of 2015 – partners and even competitors become allies in creating new technology solutions. The convergence of mobile, social, cloud, and information (big data) is a key driver for the new way of business. But underlying all these forces is one important ingredient: standard interfaces that actually enable integration and collaboration. That is, APIs.

To stay competitive, CIOs and their businesses need to rethink their strategies. In a pipeline way of business, the main strategy was to build barriers to shield the core knowledge or product from competition. With the new platform business model, barriers discourage collaboration. APIs offer potential partners a way to tap into a company's data and services in ways that are controlled, predictable, and reliable.

FIND NEW REVENUE CHANNELS

The benefit of APIs is that the type of platform access is defined via the API design. API management solutions provide the necessary control, security, and visibility that both developers and business strategists can use to ensure that they are designing APIs that meet both their business vision and their partner needs.

A well-designed API ecosystem can help an organization extend its core revenue and customer channels by:

- Building active and self-reinforcing ecosystems around its platforms by including different types of stakeholders.
- Using networks to increase the reach of information and content distribution.
- Improving the rate of innovation by enabling external access to a company's data in a controlled way (also known as *open innovation*).
- Implementing omni-channel strategies (serving websites, web apps, mobile apps, and Internet of Things systems) more effectively and avoiding channel-specific silos. All channels can be developed on a common platform using common interfaces.
- Charging for access to their platform, which is referred to as *API monetization*. There are several different business models for this, such as “freemium,” where access to basic data or services is free, and access to higher-value data or services requires a fee.
- Increasing agility by using and re-using the platform and its APIs internally within the company and externally with partners. The response time to changing requirements can be reduced significantly by relying on the interfaces of a solid, proven platform.

COLLABORATE TO TRANSFORM

Since the earliest web technologies, the deciding line between an organization's success and failure is not the abundance of ideas or quality of core services. Instead, it's the ability to implement those ideas and to innovate based on strengths. APIs provide a means to tap into the energy and knowledge of an ecosystem of partners, customers, and developers. This can allow an organization to design and control its own path to innovation. APIs are the language of collaboration.