



APPLICATION PROGRAM INTERFACE

The strategic value of APIs when building your
digital application

Stephen Marshall

The Strategic Value of APIs When Building Your Digital Application

We often hear about the use of API's (Application Program Interface) in today's technological world, but do we know its meaning and its future power in business.

Meaning

An API is a tool (digital program) that allows businesses to utilise data through an interface with other applications and/or data.

Imagination

Business opportunities start or can be improved through the sharing of data, systems or operations which an API can facilitate. For instance, why develop an accounting system when one already exists. Businesses might find it better to develop a sales platform (ecommerce) for selling and then through an API link the sales to their accounting system and delivery departments.

An API can act as the link between a ready-to-go component (piece) of an application you are developing. This link between programs, which has already been developed, allows you to cut down on development time and cost. The work needed to design, develop and test that component has already been undertaken for you by other developers.

An API can also outsource some other ongoing facets of an application such as security or certification requirements by allowing you to store data with or use services of the API provider. In doing this the compliance burden can be shifted to them enabling you to focus on your core business. An example of this would be to house credit card numbers with other parties who have significantly higher levels of security as that is their core business.

You may also elect to provide an API to your own clients as part of your products which would allow your customers, and potential customers, to realise the benefits of integrating some of the data from your platform into their own systems. This may encourage them to use your products instead of developing something of their own.

Reality

Today, a firm without application program interfaces (APIs) that allow software programs to interact with each other is like the internet without the World Wide Web.

APIs — specifications or protocols for how to exchange information or request online services from an organisation — are allowing companies to grow businesses at unprecedented rates by sharing services with external firms.

Harvard Business Review

The instances of revenue generation from API's are becoming more commonplace. For example, Salesforce claims to be generating 50% of its revenues through APIs but participation starts with organisations first building the interface into their systems. Obviously some do and some don't, but as time moves on we see the demand for API's grow and companies becoming more open to the idea. Parties see the value of collaboration because they don't then need to redevelop parts they don't have. When parties get this right the final product should be more useful, easier to use and cost less than alternatives. The measure of it fitting all the right criteria will be seen in whether it is taken up by the wider community.

Having said that, if, for example, you build the best mouse trap in the world nothing will happen unless you tell people what you have built (commonly called marketing); but that is not what we are discussing in this report.

Today there are generally accepted standards for API's and their communications, which means that developers are likely to be familiar with their operations and integrations, further reducing the amount of work required to deliver your product or to connect with new customers.

Advantages

Simply put, by using computers you are automating functions that you and others have developed and through this automation you are making the process cost less. Your App or digital platform can either access data or deliver services or information quicker and with greater flexibility than manual alternatives.

Higher efficiency leads to greater profits or at the very least allows you to remain competitive with your rivals.

Additionally, your API may allow you to personalize data or services to customers.

Examples of interacting through an API:

- a) Customer sales - by analyzing what customers are buying you can make special offers to them.
- b) By interfacing scripts on file at your pharmacy you can provide an App which not only tells customers the rewards they have earned but also what scripts are on file and when they need to replenish them.
- c) If your business has a number of retail outlets then you can attach a GPS location to the loyalty platform showing the nearest store where rewards can be redeemed and so on.

Strategy

A key consideration when using the API feature is offering something the consumer actually wants or is willing to pay for. Valuable API's provide the ideal solution for businesses that wish to either reach new consumers or wish to offer existing customers new services and/or engagement.

You need to clearly understand what your specific business goals and objectives are and then use them to drive the design and interface process of the API. For example, if you are chasing revenue then it is API applications that allow ecommerce to flow seamlessly. If you wish to support sales then you look to provide information on your goods and services; e.g. special offers.

You also need to consider reach, engagement, innovation and integration. You will soon come to realize that business makes more money from sharing technology than controlling it. Control and ownership in a digital environment can soon lead to you being obsolete. If you engage with others you use your resources more effectively because you don't have to build every element.

Stephen Marshall
Director

July 2019