

SELLING BEYOND YOUR SITE:

Five Key API Strategies for Retailers

Introduction

eTailers have enjoyed a record 2009 with the holiday season reaching a 15.5% sales gain and annual online sales rising 11% in 2009. Many leading publications and industry headlines boldly proclaim that 'IT' (the recession) is over. But those who stop to bask in the glorious rays of an economic rebound will be missing an important new wave in digital commerce. Consumers are adopting new devices like iPhones, Blackberrys, GPS devices, web-enabled gaming consoles and connected Blu-Ray players at dizzying speeds. Product announcements like the new Droid have next-generation consumers lined up –literally- to buy the latest gadget.

For retailers, these new online access methods equate to the opening of various new channels- extensions to current customer bases and the potential to tap into the new. Those with nimble methods for extending catalogs, content and even shopping carts to these new formats will best be able to respond to rapidly changing market conditions

Often thought of as a scary technical term reserved for those with T's in their titles (CTO, IT etc.), the decision to build an API has become a key business strategy. As a matter of fact, if you're thinking "WOAH - API...? - this paper is too technical for me" and tempted to stop reading- then this paper is precisely for you.

WHAT'S AN API?

Traditionally, databases, product catalogs or content servers are programmed to talk to a single system- say your website. Efforts to allow other systems (say an iPhone app) to talk to something like your product catalog require one-off efforts of intense programming. An API allows you to open up - or expose - your data in a way that makes it accessible to any number of devices outside of your website or even rich internet widgets within your existing website. In effect, an API becomes the key to a one-stop shop enabling you to explore any number of emerging channels without repeating efforts.

This white paper is intended to introduce you to the opportunities that APIs offer and key strategies for optimizing the effectiveness of an API program.

An API (Application Programmable Interface) allows you to grant access to your digital content such as product catalog, inventory, shopping cart, product reviews, images and other data to selected developers (internal, partner or even new) of other websites and applications.



Tapping the Untapped Potential

The opportunity for retailers is to be there when they are ready. An API partner program makes that possible, turning third-party sites into virtual "branch outlets" for online stores. Unlike an affiliate link or a banner ad that drives traffic to your site, an API program actually enables the transaction to be initiated in the venue of the consumer's choosing. Examples might include buying a book using Amazon's "buy button" on a book review site or downloading a ringtone from Yahoo! that is in fact sold by Thumbplay.com.

Retailers are starting to recognize the potential for expanding their online channels and increasing revenue and ROI through APIs. If that occurs, the percentage of retail sales online stands to rise sharply.

Many retailers are already using APIs in a variety of ways to plant their business around the web and generate sales beyond their own websites. They have harnessed the ingenuity of independent developers to engage customers in imaginative, unpredictable and often unique ways. While the applications may be as varied as the developer universe itself, there are five consistent strategic guidelines that retailers should be aware of when evaluating an API program.

Technology research firm Gartner expects to see 25% to 30% of the top-tier retailers implementing API practices in the next few years.

1. Align your API strategy with your business strategy.

The API is a new distribution channel for your business. Its purpose is to extend your business model, not create a new one. If you target a particular demographic through your physical or online store, you will seek ways to target that same demographic through your API program. If your success is built around customer loyalty and repeat business, your API program should be, too.

Netflix, which took the wide-selection video store model online, depends entirely on subscriptions for revenue. While much of its marketing effort is focused on enlisting new subscribers, retaining the customers it already has is equally important. Netflix uses its API program to give partners the ability to develop content that engages its customers outside of its own site. Its partners leverage Netflix account information to create engaging customer experiences. For example, instantwatcher.com lists Netflix titles that are available for instant watching, categorized and augmented with links to reviews. A third-party developer created SmartFlix, which has extended the reach of Netflix to BlackBerries. There is even a dating site built around Netflix movie preferences. By creating a sense of belonging and a satisfying user experience around the brand, Netflix enhances its value in its customers' lives, engendering loyalty and reducing attrition rates.

2. Do try this at home.

Some retailers have found that publishing an API is a way to stimulate creativity on the part of their own programmers and develop exciting applications for their own web sites. As a robust yet easy-to-use toolkit with development parameters and guidelines, an API streamlines the development process and speeds application time to market. It makes sense that it would have as much value internally as it does to external marketing efforts.



When electronics retailing giant Best Buy opened its API, it unleashed the ingenuity of its 17,000 "Geek Squad" employees, who used it to create their own online support community. The "help me choose" product comparison application on the Best Buy website was built using the API as well. Allowing internal access to the API is a way to generate ideas from within your own talent pool to enhance the user experience and drive sales. Easy access to new pieces of catalog, content and data gives your internal teams the ability to accelerate planned projects, rapidly deploy rich internet applications or even integrate legacy data (like in-store inventory) into your existing online presence. In the process, you gain experience as to what works and what doesn't before migrating the program out into the development community.



Best Buy's GPS Discovery Tool, a feature on its website, was created by an external developer using the retailer's "Remix" API.

3. Incentivize your developers.

Developers range from individuals working out of the proverbial garage to Fortune 1000 companies using APIs to power large partnerships. As in the case of Best Buy, developers might include employees and in-house technical experts. Others include firms or individuals in the business of creating mashups that leverage multiple APIs or their own offering. For example, an independent developer created a Netflix-New York Times "mashup" that matches NYTimes.com reviews with the ability of Netflix customers to add movies to their queues.





MOVIE REVIEW

Short Circuit 2 (1988) Review/Film; More Adventures of a Robot

By VINCENT CANBY Published: July 6, 1988

LEAD: "Short Circuit 2," a sequel to the 1985 comedy that became a best seller as a video cassette, is about the mechanically cute robot, now named adventures in a big unnamed city tha It opens today at the Criterion and ot

"Short Circuit 2," a sequel to the 1985 a best seller as a video cassette, is about cute robot, now named Johnny Five, a big unnamed city that is, in fact, To at the Criterion and other theaters.

People looking at New York Times movie reviews online can add movies of their choice to their Netflix queues with the click of a button, thanks to this mashup using components from both the Netflix and NYT sites.

Sure, there are also developers who just love to "build cool apps" and are thrilled at the prospect of having them used by thousands of people. But if you want to attract great talent and leverage it to accomplish your objective of increasing revenue, you need to give them proper incentives – typically financial.

In the retail world, that usually means a commission on each sale that comes through the developer's application. Percentages may vary depending on pricing and volume, but it's invariably a lower cost than having a product sit idle on a stockroom shelf oreven worse- losing a sale to the competition.

This developer incentive could come from the API owner. Thumbplay, an online distributor of applications for mobile platforms, pays a "bounty" to its developer partners for visitors that come via their applications. Alternatively, the incentive can be a percentage of a download cost, as is the case when an app is purchased from Apple's

There are non-financial incentives as well. Developers are attracted to API programs that provide support, so their investment in time and effort will pay off in successfully distributed applications. Part of the API service provider's role is to serve as an intermediary between the development community and the retailer, fielding and fulfilling support requests.

There may always be developers who enlist in a program, then produce nothing of value. Fortunately, that costs you nothing. Part of the appeal of an API program is it is all upside potential with virtually no downside risk. By opening an API, you tap into



a vast reserve of development power you do not have to pay for until it succeeds in delivering sales – at which point developer compensation is far outweighed by the additional revenues.

4. Embrace openness...but maintain control.

Open is good. Getting comfortable with that idea is the first step towards realizing value from APIs. Open your API to developers, and you open your catalog to potentially thousands of new customers beyond your own site.

Does that mean allowing anyone to use your content in any way they choose – possibly in ways that don't serve your objectives? Of course not. It is not enough to simply publish an API. It also has to be managed. You need to be able to know who wants your data, why, and how it is to be used. You can be as selective as you want to be in designating partners and granting access to product-related data on your website.

The costs and commitment of IT resources required to manage an API program internally are daunting to most companies, which is often a barrier to implementing an API strategy. The answer is to turn the management over to an independent specialist who already has the necessary infrastructure, tools, experience and economies of scale to manage the program cost-effectively. The service provider will help determine the terms and conditions of access, connect you with partners that fit your strategy, manage developer access keys and report on all activity, freeing you to focus on your core business.

5. Put your buy button where your customers are.

Best Buy is an example of a retailer that has been very strategic in determining where to open its physical stores. Its brick-and-mortar strategy is referred to as "densification," or locating stores in places where data indicates a large number of potential customers. Now, through its "Remix" API program, Best Buy is applying the same strategy in the virtual world. Instead of just having one giant online store, and investing in efforts to lure people to it, the retailer is able to open "branches" on sites likely to attract a large number of shoppers for electronics products.

Influencer sites are at the right place to provide the information and insights shoppers need to make the right decisions for themselves. By collaborating more effectively with digital influencers via your API development partners, your brand becomes more visible and relevant to online shoppers – and better positioned to close a sale.

Open First

Traditional marketing organizations are often reluctant to undertake a new initiative without an analysis that includes a projection of potential returns under different scenarios. To attempt that with an API program, however, is to delay or miss an opportunity.

It is important to understand – and accept – that the case for an API program does not include projections of results. At the same time, it does not require an upfront investment in talent or infrastructure. Rather, the whole idea is to bring in smart, qualified

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developers, give them your tools and incentives to use them, let them loose and see what they produce. Your retail business benefits from their creativity. Many are likely to apply your content and services in ways you've never imagined. You won't know the results until you start seeing them – and anything that produces results is a win-win.

The move from brick-and-mortar storefronts to online retailing was momentous. Today, by taking advantage of new technologies, venues and shopping patterns that have emerged over the last decade, retailers have the opportunity to further extend their marketing channels across the Internet and drive sales beyond their own sites.

The single-site online retail model is rapidly giving way to a new model of virtual branching via APIs. Companies that capitalize on this trend stand to gain a pre-emptive advantage over competitors – while those that don't may find themselves playing catch-up. With an effective management gateway, you can get an API program up and running quickly and confidently, striking the right balance between creativity and control to achieve your objectives.

Selling Beyond Your Site: Five Key API Strategies for Retailers



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