

Cloud Elements

BUILD PLATFORMS NOT PRODUCTS



USING THE FOUR SUPER HEROES
OF THE NETWORK ECONOMY

INTRODUCTION

Today's most successful software companies have made the leap from selling products, to selling a platform. And the appeal of such a move is understandable, since software products generate only a single revenue stream, while platforms—by connecting different groups of users and services—can generate many revenue streams.

These innovative companies are making integration easier by shifting the burden of integration off of their customers. This shift propels companies into the "Network Economy" which is fueled by "Network Effects" —the phenomenon whereby goods and services become more valuable when more people use them. In turn, there is a relentless focus on building as large a network as possible.

In this ebook, we explore the four themes, or what we call Super Heroes, of the Network Economy and provide you with the steps (the how) to becoming a platform.

**Software
is eating
the world.**

Marc Andreessen

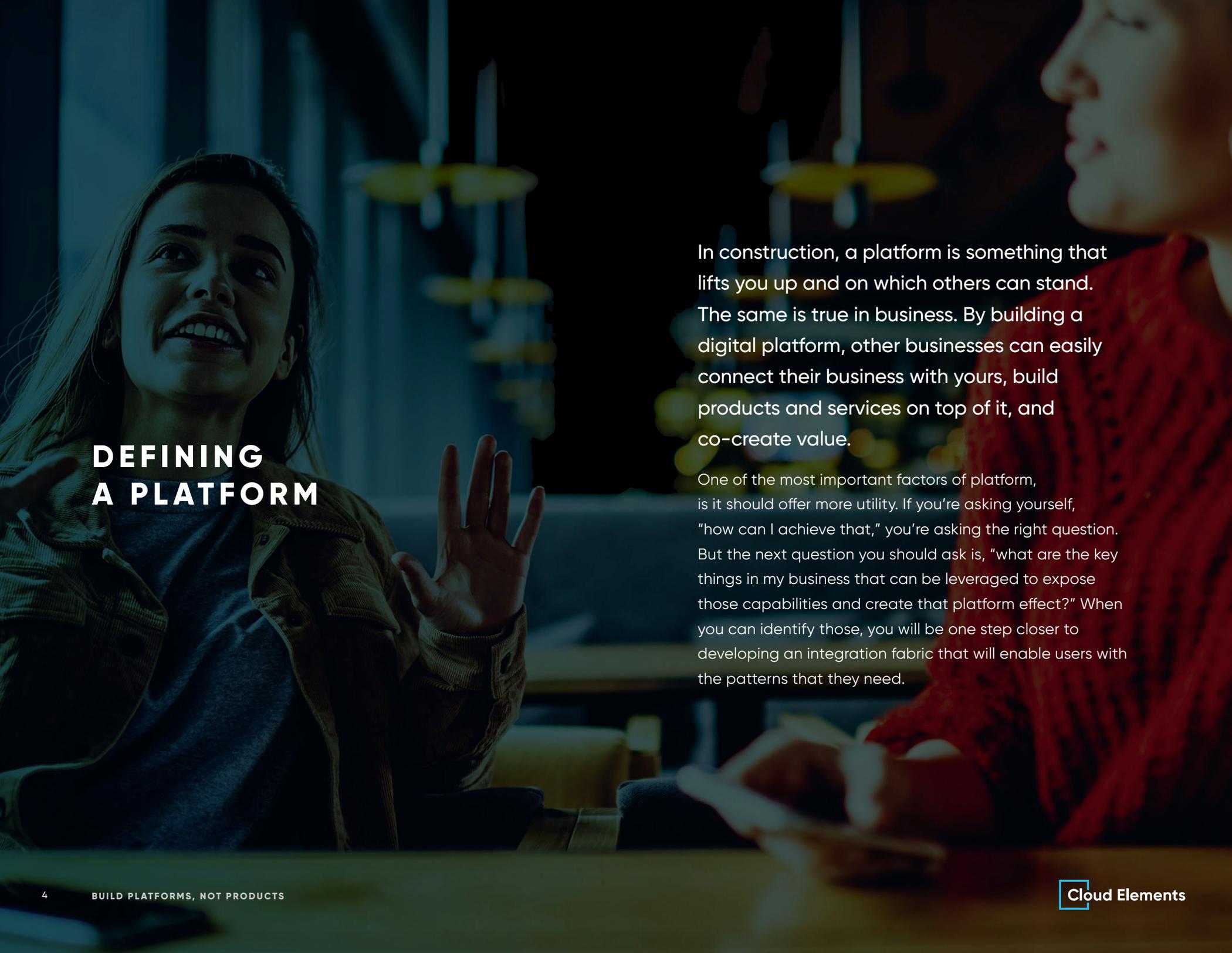
Wall Street Journal

WSJ

8X

**INCREASE IN APIS
FROM 6 YEARS AGO**

This means integration has become a problem that's relevant to everybody, and we have to think about how we deliver integration or make it more accessible to everyone - not just developers. To be a platform, you need to offer new experiences on top of your API. The world of software today: proliferation of the API that many of those software products now expose.



DEFINING A PLATFORM

In construction, a platform is something that lifts you up and on which others can stand. The same is true in business. By building a digital platform, other businesses can easily connect their business with yours, build products and services on top of it, and co-create value.

One of the most important factors of platform, is it should offer more utility. If you're asking yourself, "how can I achieve that," you're asking the right question. But the next question you should ask is, "what are the key things in my business that can be leveraged to expose those capabilities and create that platform effect?" When you can identify those, you will be one step closer to developing an integration fabric that will enable users with the patterns that they need.

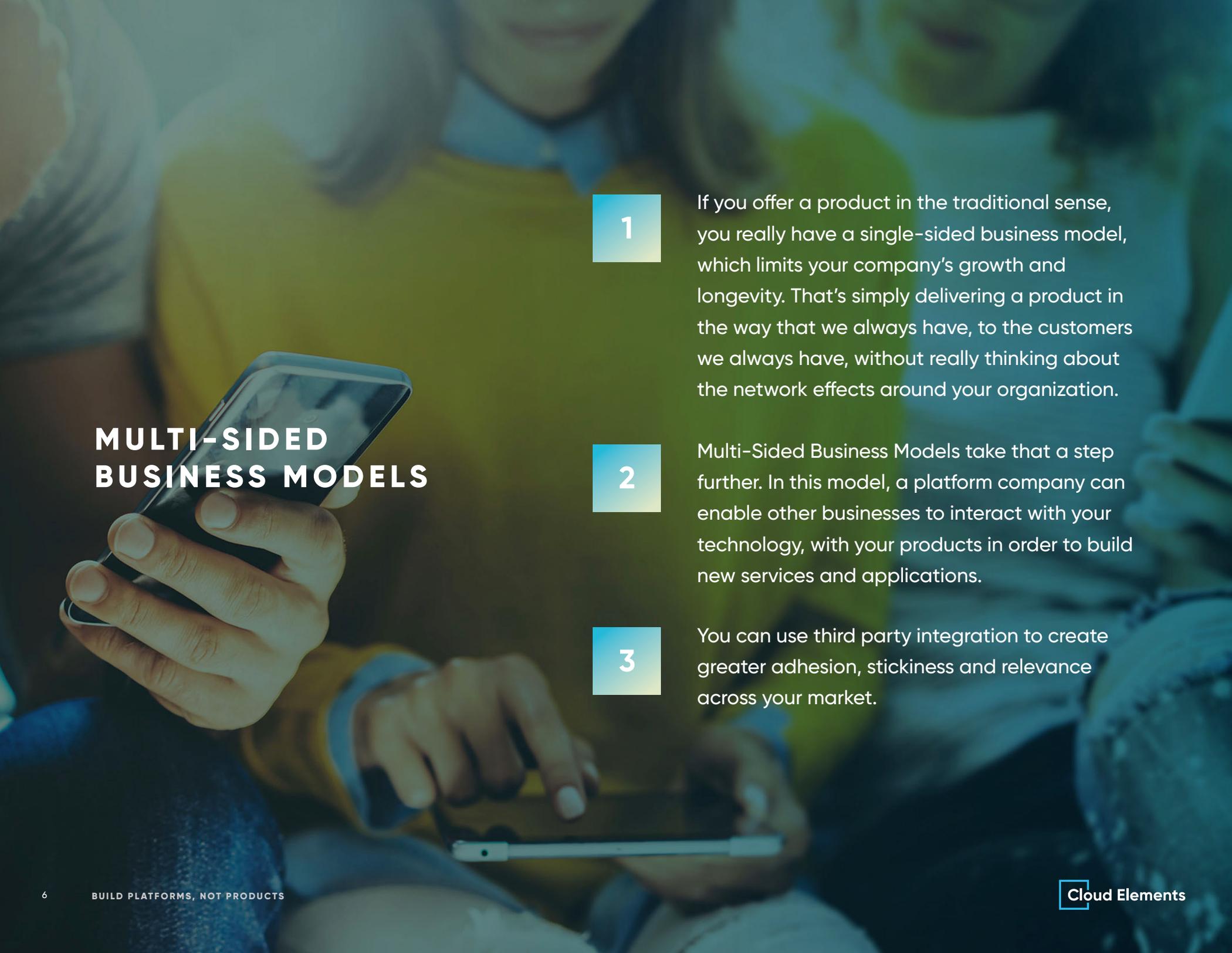
“

A platform is something that lifts you up. Building a platform allows other businesses to interact with your business more easily and create value based on the combination of our product and those around you.

”

Ross Garrett

Head of Product Marketing
at Cloud Elements



MULTI-SIDED BUSINESS MODELS

1

If you offer a product in the traditional sense, you really have a single-sided business model, which limits your company's growth and longevity. That's simply delivering a product in the way that we always have, to the customers we always have, without really thinking about the network effects around your organization.

2

Multi-Sided Business Models take that a step further. In this model, a platform company can enable other businesses to interact with your technology, with your products in order to build new services and applications.

3

You can use third party integration to create greater adhesion, stickiness and relevance across your market.



PactSafe™

PLATFORM COMPANY HIGHLIGHTS

It can help to see this concept in action with a successful example. Take, for example, PactSafe, a company that empowers businesses to publish or send contracts for signatures or acceptance in any way imaginable.

Eric Prugh, Co-Founder and COO at PactSafe, shares how becoming platform through integration has transformed his business. He states, "Integration is a core part of the PactSafe business that we're building and that we've applied. Integration and using data from other systems to contracts to make them more data driven, more personalized to the individual has been paramount to enabling our customers."

"When considering a provider with the various integration points required, we were fortunate to find Cloud Elements to help us. We've realized that the platform can make a huge difference, not only in customer satisfaction, retention, driving stickiness of a product within an organization but also can have a huge impact on company evaluation and overall perceived value of your solution."

Something interesting is happening in the market...

“

Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate.

”



INTRODUCING THE NETWORK ECONOMY

Platform and the network economy go hand in hand. A core component of the network economy is a phenomenon known as, Network effects, whereby goods or services become more valuable when more people use them.

As a result, network effects are truly defining the way platforms are built and are causing a relentless focus on building as large a network as possible.

The truth is, a platform on its own is not that important. The desired outcome for most businesses is the network effect that matches the platform reach that you have to offer.

When building a platform, there are four key features that should be considered. We like to call them “super heroes.” When these superpowers are used, you are more likely to go down the path of building a platform that will actually deliver and value in this network economy.

And what are these acclaimed super heroes?

01 / MAGNETIC

02 / INFINITE

03 / REAL-TIME

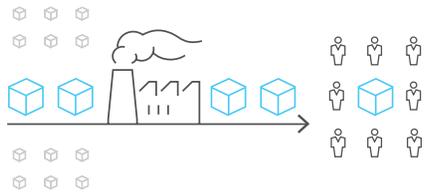
04 / INTIMATE

01 / MAGNETIC

The Magnetic feature of the platform is really about understanding even the smallest units of value in your organizations. This might be a piece of data, it might be business logic, it could be services amongst your organizations or some other capability that enables your business today.

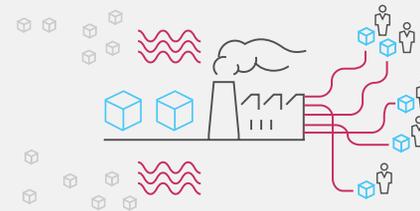
Networked companies are able to detect, organize, and expose very small units of value. Their competitive advantage is to deal efficiently with billions of small transactions and to capture value created outside their walls. Magnetic also refers to integration, and the binding effect between partners in the network economy i.e. if your API integration or contract is broken, the magnetism between organizations goes away.

Providing a point solution is infinitely more valuable if you can find those magnetic opportunities that are driven by your market and driven by your customers. And by gravitating towards those integrations, you can and will drive more adoption and stickiness within your own customer base and ultimately, drive growth within your own business. That can be through APIs or through productized integrations as well.



STANDARD ECONOMY

Companies will take raw materials or their own inputs or ideas and create the entire finished product sold to their customers without really engaging partnerships or external influences.



NETWORK ECONOMY

To be magnetic it means as we said to identify and abstract value. It wouldn't matter how small. Allow it to interact with other partners, customers and producers in your ecosystem. You're redistributing this value across consumers and producers as well as enhancing your own product offering at the same time.

MAGNETIC EXAMPLE

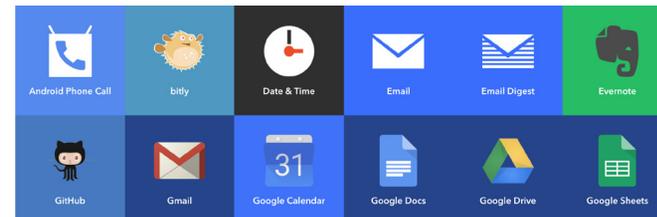
*Use other's APIs
to benefit from
externally-
created value*

IFTTT

IFTTT is a free platform that empowers people to do more with the services they love. We work with over 400 apps, services, and devices including Facebook, Twitter, Telegram, Philips Hue, Dropbox, Amazon, Apple, Google, Nest, Fitbit, BMW, and Slack with Applets. Applets bring these services together to create new experiences of all types, from automating simple tasks to transforming how someone interacts with and controls their home.

Helping the smaller units of value across a variety of products and services come together. The integration that they've enabled is really the magnetic effect that we're talking about.

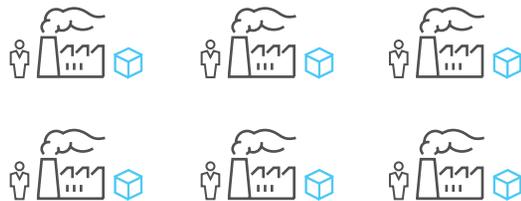
IFTTT really made a business from helping the smaller units of value across a variety of products and services come together. The integration that they've enabled is really the magnetic effect. For example, we've got the most basic thing of being able to turn on a light bulb or capture the recent weather data from API and building a workflow that derives greater value with the combination of those two things. So I can have my few light bulbs turn on blue in the morning when it's snowing, for example.



02 / INFINITE

Infinite is another characteristic of a desirable platform. In this sense, the competitive advantage is speed of scale and profitability. Companies who achieve this use highly scalable software and services to achieve near zero cost delivery. They can grow indefinitely in revenue with minimal impact on costs.

While most companies want their growth to be infinite, it is also important to identify and work within your company's limits - where the knowledge of the experts ends and the value from others within your ecosystem begins. There are two types of limitations in the platform economy that we will explore.



STANDARD ECONOMY

Company's growth is very much limited by their own production capacity. They have all of the ideas themselves. It's very hard to remain relevant and sticky in that model.



NETWORK ECONOMY

Companies can reach new customers delivering new value connecting with new use cases, with almost no additional costs. Leveraging the power of the crowds to bring new ideas, new use cases to market rather than having to build everything in house.

INFINITE EXAMPLE

*Use other's
APIs to become
scaleable and
benefit from low
marginal costs*



Stripe is a platform to accept payments online and in mobile apps from anywhere for any kind of business. When implemented, Stripe's API allows business to adopt a powerful and scalable payment method where they can effectively handle the responsibility of storing cards, processing subscriptions, billing clients, offering coupons, or anything related to payments. It also provides a secure way to accept payments from nearly any country in the world, on any channel, at a very low marginal cost.

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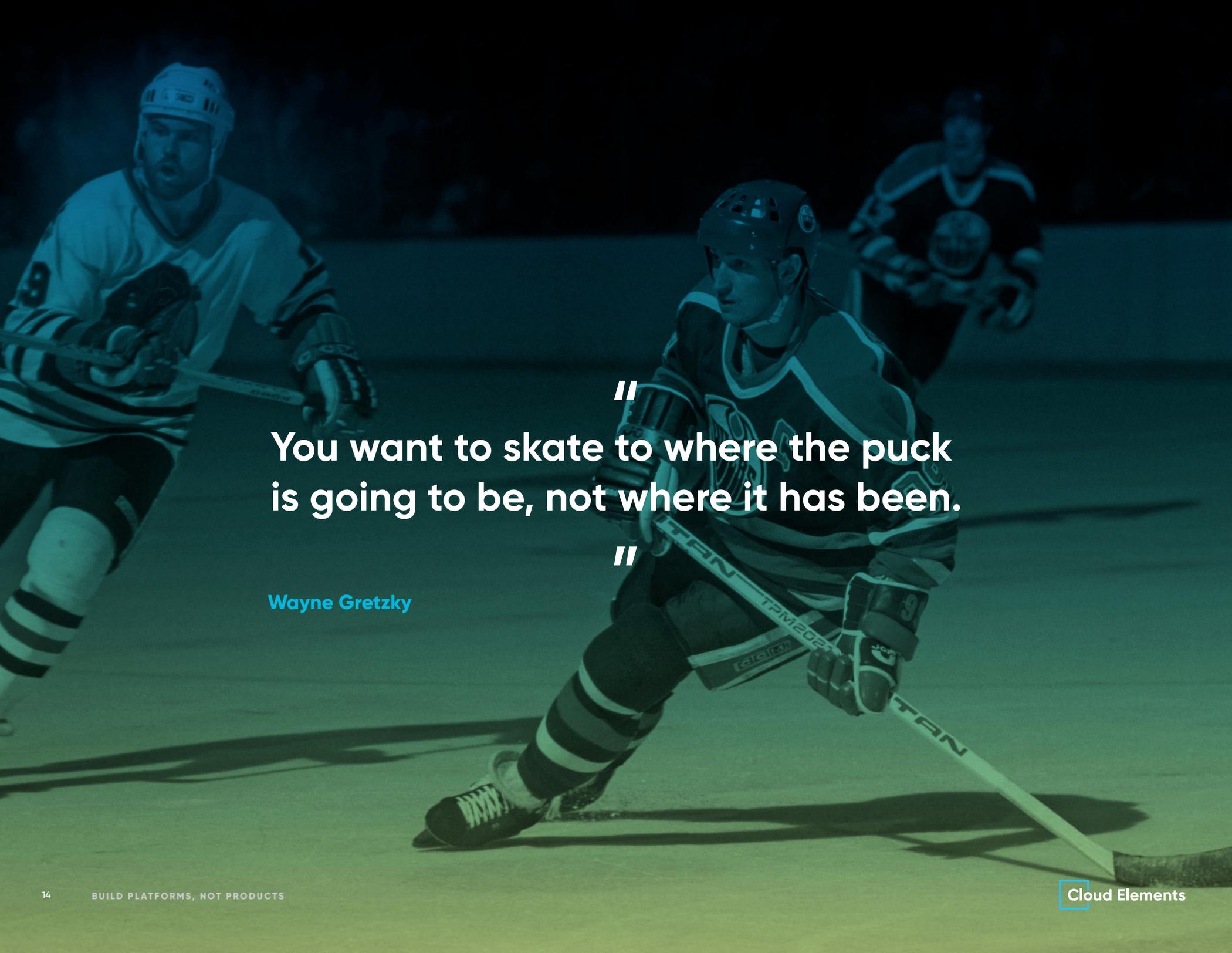
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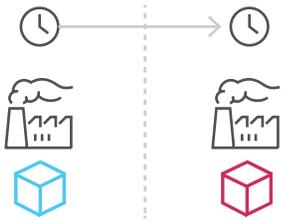


“
You want to skate to where the puck
is going to be, not where it has been.
”

Wayne Gretzky

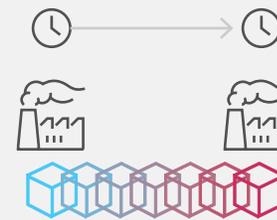
03 / REAL-TIME

Networked companies use real-time data feedback to instantly optimize market fit and improve product value. Thus, their competitive advantage is being a first mover with quick time-to-market.



STANDARD ECONOMY

Companies are producing and delivering products on a very slow, intrusive time frame. So this might be once a year, twice a year, every other year even. That's not going to create any adhesion. Knowledge on how customers interact with their products is very limited in the standard economy and companies are unable to respond to new customer demands.



NETWORK ECONOMY

Encompasses the idea of interacting and engaging with customers, and understanding their behavior in near real time. Consider how those customers are using the new products or how they interact with your competitors.

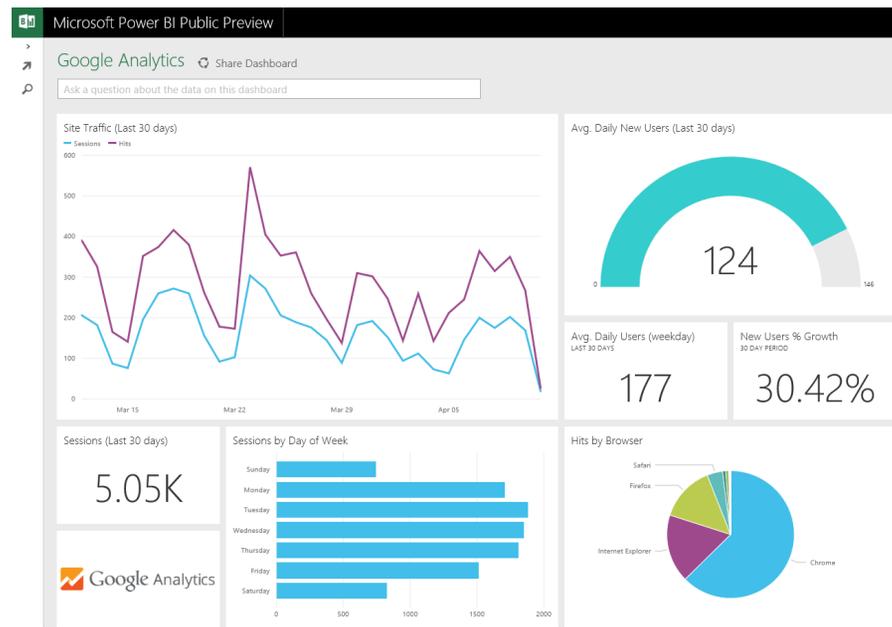
REAL-TIME EXAMPLE

*Use other's API's
to understand
and adapt to
the market in
real-time*



Through its APIs, Google Analytics lets businesses understand their customer's journey across channels. Through a comprehensive set of dashboards, businesses can track their performance and adapt their strategy in near real-time to improve their reach or increase their conversion rates.

For example, Google Analytics improved National Geographic's CTRs by 21% for content promotions.

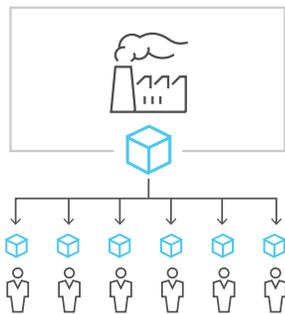


04 / INTIMATE

In this sense, intimacy is about adapting and personalizing service to different personas or even to individuals. This drives a far more valuable and sticky relationship with customers.

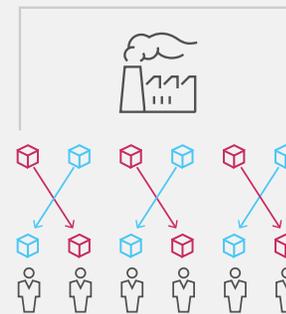
When companies adopt this, their competitive advantage is customer engagement and loyalty. Networked companies use customer knowledge to fine-tune and personalize the experiences they deliver to each customer.

Platform companies that offer third party integration, leveraging a multi-sided business model, are able to deliver adhesion across products and relevant experiences that are personalized to each customer, product, and device.



STANDARD ECONOMY

Companies produce the same product for everyone, despite the channel, segment or persona. Personalization is entirely removed in this model.



NETWORK ECONOMY

Companies in this model tailor their product offering based on differing personas and individuals. This is what fosters the intimate and long lasting experience that customers seek and what derives greater value for your organization.

INTIMATE EXAMPLE

*Manage API
experiences
for different
constituencies*

NETFLIX

Netflix is a great example of a company that leverages intimacy and personalization as a competitive advantage. If you have ever used Netflix, you know that they share recommendations for other shows or movies based on the media you have already watched.

While many companies can get away with the “one size fits all” approach to integration, this approach did not work for them. The reason being their customers utilize a variety of different devices with varying requirements. Instead, Netflix introduced an experience layer (a.k.a. Mediation layer) between the core Netflix platform and both the devices and end users that interact with it. In the end, they have developed a model that ensures they offer the most personalized experience possible for each of those apps or devices.



”

At PactSafe, we knew there were a handful of people who were looking for a more simple integration and the ability to send and retrieve those who have accepted or signed a contract. To accommodate, we created a dedicated API that we call our “activity API” and provides lightning quick responsiveness, thus tailoring our product to customer needs.

As we’ve grown, we’ve fundamentally built the business using an API-first approach. As such, we have worked with our customers to identify the key integrations that we can use to connect our APIs to third party systems, including productized integrations, like Cloud Elements.

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Eric Prugh

Co-Founder and COO
at PactSafe

CONNECTIONS ARE EASY. INTEGRATIONS ARE HARD.

BEYOND CONNECTIONS

APIs offer an easy way for companies to establish these essential connections. APIs enable any business to connect to other businesses in order to give each other access to information, customers, or products.

HOW TO CREATE THE NETWORK EFFECT

APIs offer an easy way for companies to establish these essential connections with customers and other businesses. Exposing an API and saying that developers will figure it out is an easy approach. It's the easy way out. We're starting to see that this method doesn't deliver the network effect that we actually want. Here are three key ways that your company can become a platform:

01 / FLEXIBILITY

02 / LONGEVITY

03 / INTEGRATION

01 / FLEXIBILITY

This is all about adapting. By allowing the multitude of companies to leverage your platform for a variety of use cases, your company can open the door to a larger market segment.

Think about how your customers or product teams consume your API. What level of burden are you forcing upon your customers? Would better documentation allow people to integrate with your business better?

One of the biggest mistakes you can make is assuming your API offers all of the utility that every persona might require. In fact, in our State of the API Integration Report, we found that API providers openly admitted to missteps or shortcomings of their API, including security, documentation, and discoverability. It's important to focus on the requirements of your largest segment and work other characteristics into your solution as your user base grows.

02 / LONGEVITY

Platforms are often deeply integrated into the infrastructure of businesses and want to have a setup that enables long-term success.

52%

of the Fortune 500 have merged, acquired, gone bankrupt, or simply fallen off the list since 2000.

When it comes to integration, many times, a longer commitment is required up front. This, added to the flexibility, means that businesses can generally stick around and adapt the platform to their needs over time.

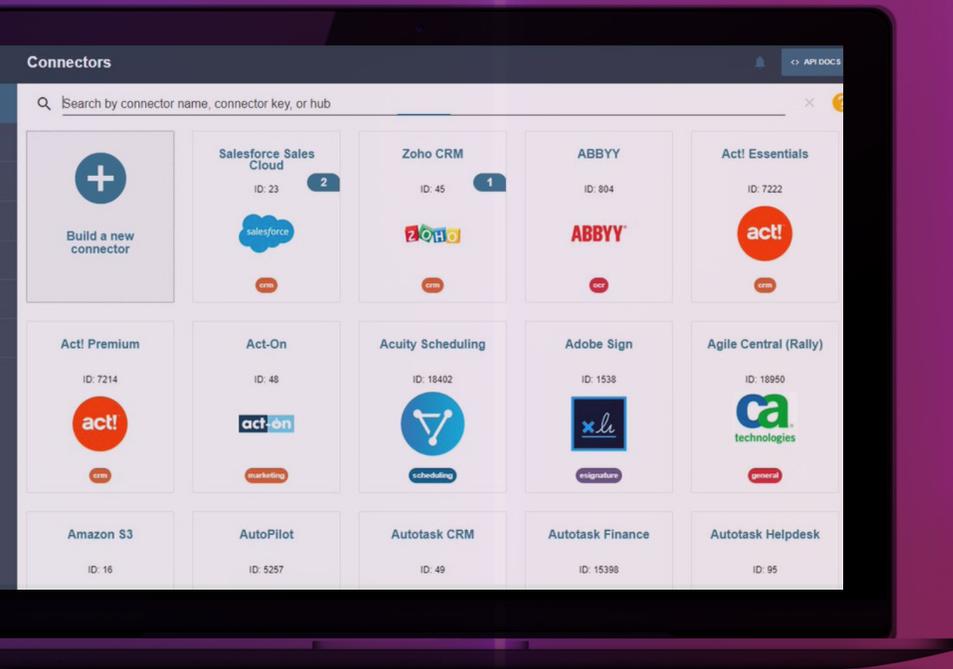
To set yourself up for success, it is important that your supported use cases are wide. The narrower your supported use case, the less likely your company will last in an ever-changing environment. As use cases and needs change, it is important that your company has a wide enough lens to adapt in real-time. The best way to widen that lens is learning from the ecosystems and the partners that you do business with.

According to Constellation Research, 52% of the Fortune 500 have been merged, acquired, gone bankrupt, or simply fallen off the list since the year 2000. This is really because digital disruption, this dis-intermediation is real. In order to survive in the network economy; you have to think about your longevity.

Another good example here in the world of integration is what happens if an API changes. Some connection, a driving value from a partnership but there's a new version of their API so that has broken my network. That's a disrupt of that magnetic force between our two businesses.

03 / INTEGRATION

Understand the value of your network and where that value flows in and out of.



In many cases, the value of a platform is directly proportional to the number of people who use the platform. To drive people to use the platform, companies need to focus on setting the proper integration foundation. Here, the power of the crowd, or the number of people on your platform, is key.

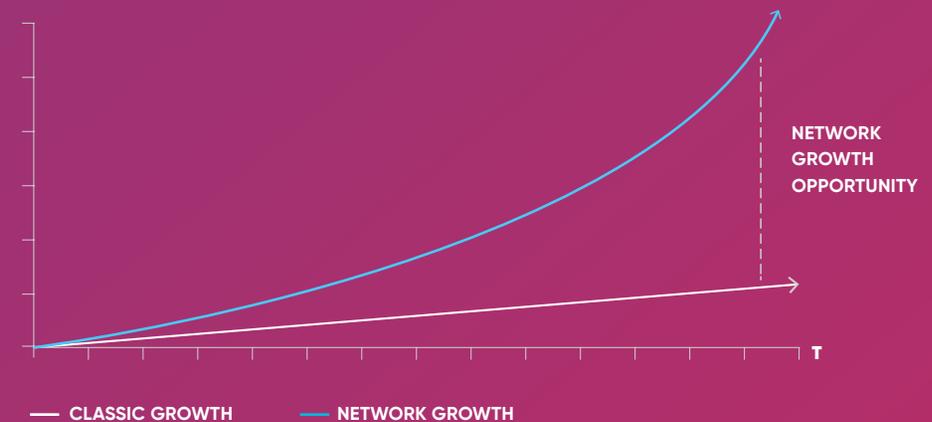
Integration will define how people are brought to, and stay with the platform. Once the crowd has come, leverage its power. Set the fundamentals, like security and government, and make it easy for users to do business with you.

For example, allow users to easily get their data out of the platform and then exchange the data with partners.

CONCLUSION

Platforms are no longer just for developers. Businesses can leverage platforms to drive various competitive advantages and achieve long-term success. Building that platform can be challenging, but there are resources to help.

Just remember, it is important to consider how your company interacts with all segments of your customer base. Reach more people and take advantage of the power of the crowd. And ultimately, you will ride the wave of network economy growth.



CONTRIBUTORS



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Bringing 10+ years of industry experience across Europe, Asia, and North America, Ross currently leads Product Marketing at Cloud Elements. He helps drive business and product strategy, corporate development, strategic alliances and analyst relations.



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As the Co-Founder and COO, Eric's responsibilities center around everything customer facing and the overall operations and strategy of the PactSafe product, customer success and marketing. After being a fast-growing leader at Indianapolis's most successful technology company and exit (ExactTarget was acquired by Salesforce in 2013), Eric is excited to contribute to the next big successful tech story at PactSafe.

ABOUT CLOUD ELEMENTS

Ready to level up your
integration strategy?
Contact a Cloud Element
API Expert.

cloud-element.com

Cloud Elements is a cloud API integration platform that enables developers to publish, integrate, aggregate and manage all of their APIs through a unified platform. Our leadership team has experienced the proliferation of APIs first hand and has come to Cloud Elements with passion for the API consumption problem we are solving.

Cloud Elements is purpose built for developers to help organize their world of APIs through a 'one-to-many' approach. Our clients include API providers and publishers who want to provide their customers with more integration options, faster and for a fraction of the cost. Our awesome team is rapidly building connections to the most popular cloud applications that your customers are using.

Named APEX Technology Startup of 2013, Cloud Elements has been included on Outside Magazine's 'Best Places to Work' annual list two years in a row! Cloud Elements is based in Denver, Colorado, but reaches customers worldwide.