## Case Insight 5.1: 3scale

Manfred Bortenschlager, API Market Development Director

Hi, my name’s Paul Baines, I'm Professor of Political Marketing at the University of Leicester, and co-author of the fifth edition of *Marketing* by Oxford University Press. In this clip, we talk to Manfred Bortenschlager, API Market Development Director at 3scale, and he talks about how the company competes in its market place.

Hi, my name is Manfred Bortenschlager, I work for 3scale and we’re providing API management solutions. At 3scale, my role is API Market Development Director and that means basically that I help growing 3scale into different markets by thought-leadership pieces, and by establishing new and exciting partnerships.

So 3scale is an internet technology company and we are in the business of selling an API management product on the internet. So API stands for Application Programming Interface and it’s essentially a software technology which allows companies in a novel and very effective way, to distribute and leverage their digital assets.

A good analogy would be for instance, a security door to a building which also some security mechanisms like for instance, chip cards which only allows authorised personnel to enter the building and that’s essentially the same what APIs are doing and you can see the building as a company for, for example which offers services which could be as an, as an example, e-commerce. So in a way, APIs enable this use case of e-commerce, for example.

So the benefit of an API is it provides a very clean interface to a company’s digital assets. Traditionally, companies, they have their source of information, they have the digital assets and then they build some sort of channel on top of it. This channel can be, for example, a website, another channel can be a mobile application or a second mobile application or a third mobile application and all those channels, directly access this data, this company data. And the more applications, the more websites a company has, the more complex it gets to maintain this entire infrastructure.

The beauty or the elegance of an API is that you build this API on top of the, the company’s data and then the various channels like websites and mobile applications, they access the API and not the data itself, so the whole thing becomes a lot more manageable, becomes more effective and also cheaper for the organisation, that’s the benefit of an API.

So the, the founders of 3scale are Steve Wilmott and Martin Tuntall, they founded 3scale in 2007. This was basically the consequence of a fairly big European research project and they noticed that there is a certain need for APIs but there was nothing similar in the market, so they decided to spin out the company out of the university that was the University of Barcelona.

The original idea was actually a marketplace which allows API providers and API consumers to match-make their services, so this was the original business model that lasted for a short while and then they did a pivot and decided to provide this, this current API management product which basically adds management capabilities to an API.

So basically 3scale has three main competitive differentiators, the first one is a very technical competitive advantage which is that the 3scale product, inside the way it’s built is very modular and for some of those modules, we are using cloud technologies and it’s up to the customer and the customer’s requirements to use cloud technologies or also use the 3scale product on premise and with that, we provide unmatched flexibility, scalability and availability for the customer.

A second competitive differentiator is that 3scale has the shortest time to value in the market compared to all our competitors. We have a very strong self-service model so basically customers can sign up for the product on our website and then go through the whole integration process all by themselves and really quickly, so this is a matter of hours or days, depends on how complex the, the infrastructure is.

And the third competitive advantage is that we have very transparent and fair pricing model, this is a so-called freemium subscription model, which means it starts as a free base plan where customers get some basic services and the more services they require, the more expensive the product gets and that’s always based on a monthly subscription. So there are no surprises and the customer gets exactly what they want and it scales up and down, the way they need it and pricing is fairly competitive compared to the other main players in the market.

There are probably different phases so the whole market of APIs is still very small and very new. At the beginning one threat we had was it was a new idea so organisations, customers didn’t necessarily understand the benefit of it, so our job was basically to help customers understand and then eventually adopt this idea, so there was a lot of market education which needs to be done.

I think we’re still in that phase in a way but we have, I think, achieved a critical mass so for example, we have, we are the biggest player in the market, we have 700 customers, there are four or five other competitors which have similar amount of customers, so I think we have critical mass achieved, so I think we have overcome this threat.

Now a new threat since this idea of APIs is, has been established more and more, is that now bigger players coming to the market so those, those players like Intel, IBM or Microsoft and of course they’re a lot, they have different financial resources than we have and they could basically just push it out of the market.

We are seeing this a little bit but I think our benefit is that we have a fairly strong position in the market, as a first mover and also our brand is fairly established and well known in the market so that’s the benefit we have and I think we are in a fairly solid position there.

Yes, so the marketing problem was that that’s related to competitive threat, so we all know Amazon, which started out as an online bookshop but now they are disrupting to other areas in different markets as well and one good example is Amazon Web Services, AWS, which provides, as a product, cloud infrastructure or cloud technologies and in July 2015, Amazon decided to launch a product where a lot of the observers of our market in the API space, thought that they could disrupt this market as well. This product is called Amazon API Gateway, so that was the competitive threat and a lot of our competitors, a lot of the observers and analysts thought that this would disrupt our market quite strongly.

So after Amazon launched their Amazon API gateway, basically we had three options, one option was to compete with Amazon, the second option was to find ways to collaborate with them or a third option would be just to do nothing and see what happens and in fact, some of our competitors have chosen some of those options, we immediately after the product was launched, we, we analysed the product and we actually found out there is a lot of opportunity for us in actually collaborating with Amazon.

We saw that the Amazon API Gateway product has a couple of really strong features which aren’t that strong in our product and on the other hand, there are some other features which we’re lacking. So we decided to, putting those two products together, integrate the products and then go to market together with Amazon, so that was our plan.

We built a technical integration fairly quickly, so within a week we had a first minimum [inaudible 00:09:31] product ready, which we presented to Amazon staff, which was very well received I have to say and then after a couple of weeks later, we had an integration ready and with that we went to market together with some co-marketing campaigns, together with Amazon.

So I would say there are, there are three benefits of this joint launch together with Amazon. The first one was we got a lot of publicity, so a lot of press, a lot of positive press, a small player like 3scale partnering up with Amazon, so that was for us very strong and helped us also in terms of brand awareness.

The second benefit of course was our product was adopted more often so we gained more customers through this project and I think a third benefit was that it strengthened our relationship with Amazon, so we are now a advanced technology partner of Amazon, so we are in a partnership with Amazon which means that whenever they have future similar initiatives I'm sure we will work together with them and that’s for the future, for us, very powerful.