

The ABCs of APIs

by Paul Bonanos Posted 07:28 EST, 30, Nov 2007
Reprinted from the Deal.com

When **Google Inc.** took aim at **Facebook Inc.** by launching its OpenSocial initiative last month, the search giant did not send its vaunted programmer army into battle. Tellingly, Google used the affections and attention of the Web development community itself, using intermediary code to encourage programmers to write third-party applications that would work on rival social networks.

The battleground for social networking has become an arms race involving application programming interfaces, or APIs — bodies of code that allow developers to synthesize their own applications from information available within one or more sites. Google's move reflected Palo Alto, Calif.-based Facebook's own strategy; many observers believe that the upstart network's smartest move was opening its own API during the summer.

The idea of opening code to outside developers isn't new, but the importance of APIs has never been greater. Whole businesses are now devoted to managing APIs and syndicating the third-party applications that run on them, and venture investors have begun to take notice.

"It's become more expensive, and more difficult, to drive traffic to Web sites on your own, so companies are looking for a new set of distribution channels," explains Clint Chao, a founding general partner at **Formative Ventures LLC**. In September, Chao led the first institutional round for **Mashery Inc.** of San Francisco, which manages delivery, documentation and reporting for other companies' APIs.

Mashery takes its name from "mash-ups," the term for applications that combine data from different sources, for example, adding Craigslist real estate listings to Google Maps. "APIs are a way to take the best of what everyone has to offer," adds Chao.

Other applications, called "widgets," are built to interact within other Web sites via their APIs. Social networks and blogs are increasingly inundated with widgets that allow users to flip through photos, share videos and more.

In the case of social networking, the importance of third-party developers is not lost on either Facebook or Google. Both have launched venture funds to support continuing development of widgets: Facebook joined its own investors, **Accel Partners** and the **Founders Fund**, in creating the \$10 million fbFund, while Mountain View, Calif.-based Google created Google Gadget Ventures in June.

In addition, **Bay Partners** of Menlo Park, Calif., has also pledged to back as many as 50 widget makers through its AppFactory program. And at least one "widget syndicator," **Clear-spring Technologies Inc.** of McLean, Va., has attracted \$7.5 million in two rounds from investors including **Novak Biddle Venture Partners**, **ZG Ventures LLC** and America Online founders Steve Case and Ted Leonsis. Clearspring also plans to launch an advertising network that will operate via widgets.

Mike Brown, a principal with **Foundation Capital** who invested in widget developer **RockYou Inc.** while he was employed by **Partech International** of San Francisco, says that although widgets have proven especially popular with social networking, the idea of having reusable code embedded in multiple sites isn't new.

"Social applications are just the first ones to make it to the finish line in Web services," he says.

Brown pointed to **Aggregate Knowledge Inc.** of San Mateo, Calif., which tracks individuals' online behavior and delivers relevant search results, and international shipping logistics company **Vine Global Solutions Corp.** of Fresno, Calif., as examples of companies using APIs for e-commerce. (**Kleiner Perkins Caufield & Byers** of Menlo Park and **DAG Ventures** of Palo Alto recently led a \$20 million second round for Aggregate Knowledge, while Vine Global has yet to announce funding.)

Still, the most popular and influential APIs remain in the social-networking sector. Chao says that while some startups previously risked their fates on the plight of a single company such as Facebook, recent developments in the social-networking sector have made it easier to diversify an offering so that it addresses multiple sites. Google's OpenSocial consists of four APIs that are used on a variety of networks, essentially allowing widget makers to syndicate instantly.

Will the popularity of APIs expand into sectors beyond social networking? Possibly. "We have all these silos of information and a large audience of people who want access to all sorts of things," says Chao. "Once you supply the tools to work with all that information, I think anything can happen."