How to Turn Your APIs into Direct Revenue

> **APIs are products in their own right. Now is the time to monetize them.**
>
> *- Jamie Burg, Senior Sales Engineer @ Rapid*

Introduction

Think about who you were in 2019. To that person, the state of business today would likely be unrecognizable. Interest rates have put a financial squeeze on companies that were high on the hog a few years ago. The growth-at-all-costs model has rapidly given way to an expectation, among investors, of real revenue and profit. Acclimating to, and thriving in, this new environment will require businesses to diversify their revenue streams, leaving no stone unturned.

This is where API strategy and monetization come into play.

What if instead of spending months reinventing your product offerings, you simply capitalized on the gold mine – data – you already have? APIs are essentially new, monetizable products in their own right and should be treated as such. They are no longer a means to an end, they are now the "thing," and in very high demand. Partners and customers expect to be able to integrate your data seamlessly into their applications and vice versa. We work with Fortune 500 companies all day, every day, and the conclusions are clear: Organizations can't thrive without a robust way to manage APIs.

The bad news is that many organizations are either ignoring, or unaware of, their opportunity to create value through APIs, ceding ground to competitors who have a mature API strategy. The good news is that, if you can meet this partner and consumer demand, it will have a drastic impact on loyalty and "stickiness." And those that are seizing those opportunities gain plenty of benefits:

- They leverage a robust, searchable API marketplace, making it easy for partners and customers to find, access, and monetize APIs.

- They avoid inefficient partner and customer onboarding processes that drain precious resources and frustrate API consumers.

- Managing customer expectations and feedback can be made easy, without wasting valuable time for both API providers and consumers.

- Legal and regulatory considerations (e.g., privacy, data security) are easier to address and stay on top of.

- API governance and managing access, plans, and usage to APIs are streamlined.

- They can easily access the analytics necessary to choose which APIs to invest in or deprecate, avoiding disparate and unusable analytics.

- They don't have to struggle to balance resources for building out API services while also maintaining a platform to expose APIs to their partner ecosystem.

- Ever-evolving scalability and infrastructure requirements are easier to address.

In short, monetizing your APIs is critical – but doing so requires getting inventive and taking the right kind of action. The purpose of this article is to help you do that, so you can unlock new revenue opportunities within your organization.

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How to Build an Effective Program to Monetize Your APIs

Choose the Right Model

Here are the most common models for establishing terms and conditions for sharing your APIs with your partner and customer ecosystems:

- **Transactional:** Users are charged based on the volume of API requests they make or the resources they consume. This model allows for flexibility and scalability, aligning costs with actual usage. It can be organized according to subscription-based, pay-per-use, or tiered pricing systems.

- **Value-Based Pricing:** Instead of charging based solely on usage metrics, some companies implement value-based pricing models. This involves pricing the API based on the value it delivers to the customer's business, such as increased revenue, cost savings, or efficiency gains. This model emphasizes platform expansion, ecosystem growth, and driving indirect revenue.

- **Hybrid Model:** Some companies combine both strategies to meet the needs of both the business and API consumers. For example, start with strategic partners and value-based pricing and then expand to a transactional model once usage patterns become clearer. Or on the flip side, you could start with transactional tiers that lead up to enterprise agreements for your highest-value partners.

Understanding the needs and use cases of those consuming your APIs will allow you to put together agreements that benefit everybody.

Know Your Consumer Audience

Most API consumers fall into one of two categories:

- External partners, customers, and vendors who rely on your data to integrate into their product offerings and workflows.

- Internal developers who share APIs across teams or divisions of an organization.

In the latter case, there's often a lack of transparency regarding how APIs are being consumed, so many organizations are starting to monitor this usage and considering chargebacks to different teams accordingly.

Follow Best Practices

Depending on the maturity of your partner ecosystem and API program, it might be in your best interest to start with a subset of APIs and partners or customers first. Once you learn from this initial pilot, you'll be well equipped to expand your offerings confidently. Either way, consider these best practices when getting started:

- Identify valuable APIs within your ecosystem and treat them as products.

- Understand the needs of partners and customers and how they're using APIs.

- Streamline and automate the onboarding process as much as possible. Minimize the time from sign-up to API use.

- Make APIs easy to find and understand. Have robust descriptions and understandable categories to ensure effective searches.

- Have simple ways for your partners and customers to give feedback and get support. Ideally, go one step further and allow them to interact with each other as an API community.

- Create compelling API documentation and developer resources to allow for successful and optimal use of APIs.

- Build strong developer relationships and foster community engagement.

- Track and monitor API usage to understand trends, top APIs, top consumers, etc.

- Monitor API execution, including latency and errors, to get on top of issues before they impact the ecosystem.

- Track API search results to understand what search terms and discovery methods your partners and customers are using and what functionality they are looking for. Alter your categories, descriptions, API prioritization, etc. accordingly to increase effectiveness.

- Implement effective API management and security measures.

Industry Trends and Opportunities

Different businesses add value through APIs in different ways, but the opportunities are truly endless no matter what industry. The term "open API" has been a trending initiative in which companies are starting to realize the immense potential of opening up their data and services to align with third parties and drive win-win scenarios.

Certain industries have become innovators when it comes to embracing this new era of API monetization and openness. Let's break down the value APIs are unlocking in these industries:

- **Telecommunications:** APIs play a crucial role in enabling service providers to offer value-added services, enhance network capabilities, and improve customer engagement. Monetization opportunities include selling access to APIs for SMS messaging, voice calling, location-based services, and network analytics. Telcos may also offer APIs that enable integration with IoT devices, virtual assistants, and other connected services.

    Monetizing 5G networks has been a top focus in the telecommunications industry for the last few years. After Mobile World Congress 2024, Ferry Grijpink, Partner at McKinsey & Company, was asked, "What's the story on 5G? How is that evolving? Or are we already on to 6G?" His response: "Let's not talk about 6G yet, because we first want to make some money out of 5G. The operators put about a trillion dollars into their infrastructure to get 5G, and they haven't seen any return. The hope is that APIs will give them access to 5G's capabilities and developers can build new applications. A profit will finally be made, which they can then use in five to ten years and invest in 6G."

- **Insurance:** Monetization strategies include charging for APIs that allow for claims processing, risk assessment, fraud detection, custom-tailored offers, point-of-sale embedding, and enhanced customer service, as well as compliance and regulatory services to ensure adherence to strict, ever-evolving regulations.

    Data exchange and integration with third-party partners are crucial parts of any modern insurance company. From the rise of insurtech startups to supporting digital innovation for existing channel partners to giving customers the best possible experience, integration is not a nice-to-have, but a necessity. Joris Lochy, a Product Management Consultant at Capilever, summarizes this industry transformation perfectly: "Ultimately insurers should shift from building full end-to-end insurance solutions to assembling best-of-breed insurance services tailored to meet the customer needs. This means that the traditional product-centric distribution should be transformed to services providing deep financial insights and integrating services of other sectors. This can only be achieved by creating an open API ecosystem, which is beneficial for all involved parties."

- **Travel and Hospitality:** Monetization strategies in this sector include charging developers for access to APIs for flight and hotel booking systems, destination content, itinerary planning, and loyalty program integration. Additionally, travel companies may offer APIs that enable integration with transportation services, tourist attractions, and local experiences.

Between airline alliances, airport management, third-party booking portals and aggregators, and credit card rewards programs, travel and hospitality companies are more reliant on APIs than ever. At the 2023 International Air Transport Association (IATA) World Financial Symposium (WFS) and World Passenger Symposium (WPS), the word "interoperability" was the most used word in nearly every presentation and discussion. One speaker bluntly stated, "Don't build your systems unless you can also build with your partner's system."
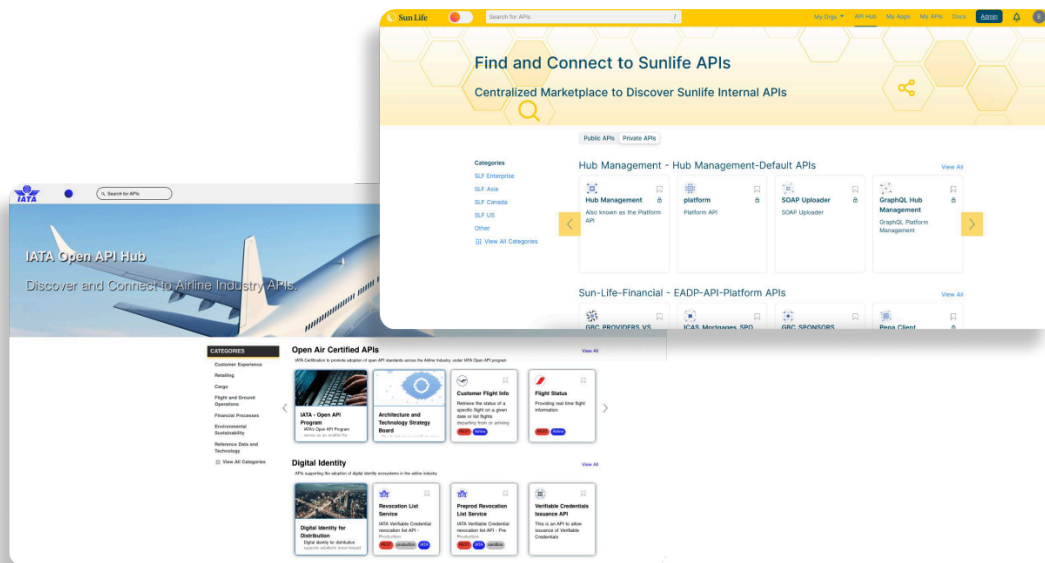
Conclusion

Your existing and future APIs can provide enormous and unique value to your partner and customer ecosystems, creating a monetization opportunity that organizations ignore at their peril. The industries mentioned in this article are just examples – virtually all industries see great potential for API revenue and leverage. Through the implementation of API monetization best practices and understanding the common challenges you might face, you too can realize this API potential within your organization and both create and expand this emerging revenue stream.

Recap:

- API monetization has become a critical source of new revenue for organizations in today's economy.

- Partners and customers are expecting to integrate your data into their applications seamlessly.

- A great API experience is a necessity for partner and customer stickiness and loyalty.

If you're interested in learning about the world's leading API marketplace trusted by Fortune 500 companies across industries, reach out to Rapid's API revenue experts to start planning and implementing an effective API monetization strategy.

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