

move from one-off API integrations to an iterative process of building open APIs, in which continual learning generates new revenue opportunities and helps third parties to develop products that bring more people into the financial system.

Getting Started: How to Implement

You do not need a completely worked out API strategy at the outset. Start small by creating a limited number of APIs based on existing partners' needs. Provide these APIs to third-party businesses in a secure manner, learn from their user experiences, and iterate. It is essential to build the foundations first and gradually expand in partnership with external parties who can help you identify business opportunities and market value for future API product releases. As you observe what partners build, you can test business models and pricing strategies. The initial goal is to engage a group of businesses whose leaders and developers are eager to build commercial applications with your APIs. As all of this implies, APIs are not just a technical issue. Moving from integration-only APIs toward a more open approach means engaging developers and start-ups as an important new type of business partner and, in some instances, customer.

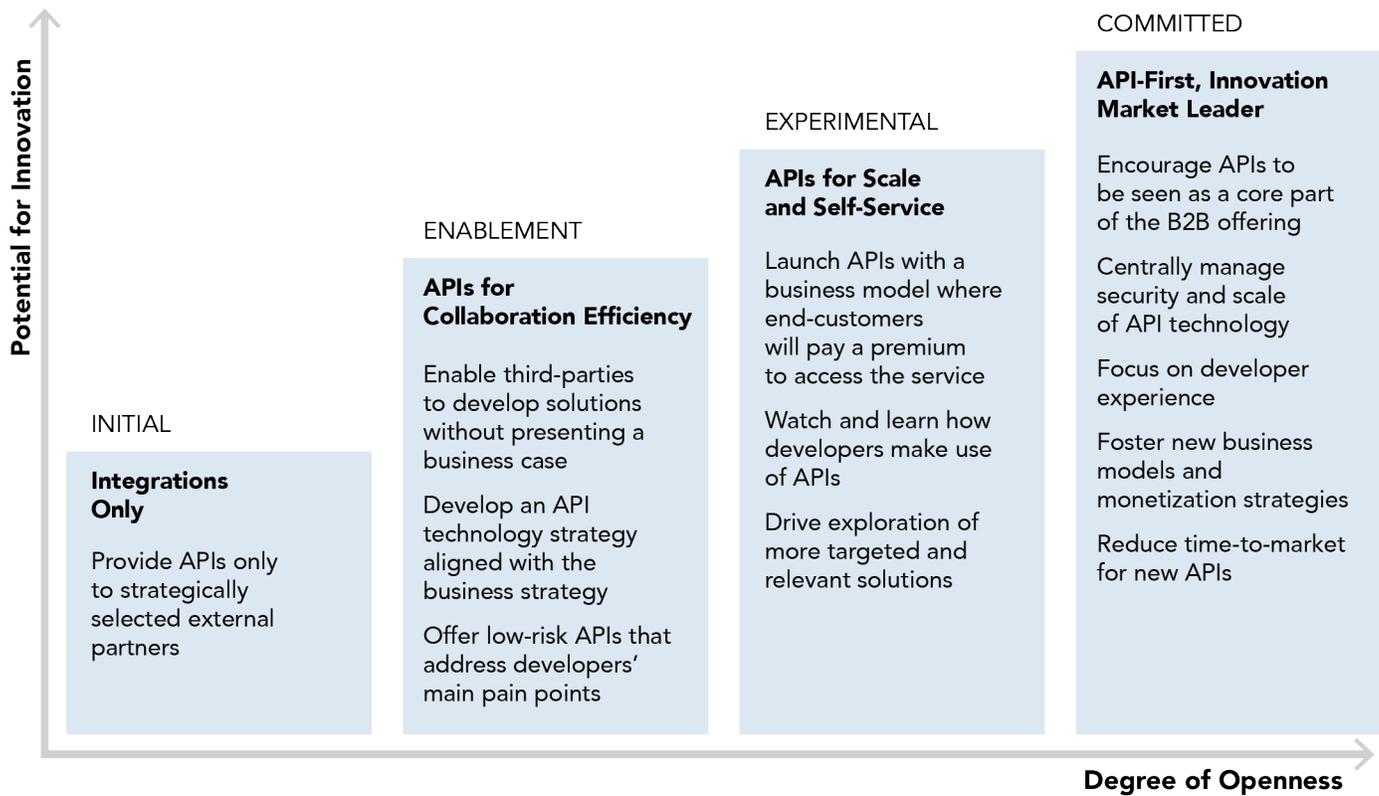
Five Actions to Take Early in Your Open API Journey

1. **Get management's buy-in.** The C-level and lines of business managers need to understand the potential of open APIs to transform business processes and to create new products and revenue streams.
2. **Appoint an API team.** Your API team should include a product manager as well as business, IT, and risk management leads. Having a product manager is critical, otherwise your API efforts are likely to stagnate. He or she will work with a technical lead to identify and prioritize business use cases for APIs, and to clearly communicate them to the internal development team responsible for building your APIs. A product manager should also encourage the API team to consider additional business model opportunities as external businesses begin to use the APIs.
3. **Learn from developers.** Talk with third-party businesses and their developers to learn which APIs they need to build innovative solutions for existing and new customers.
4. **Build an inventory.** Identify low-risk capabilities that have value for third-party business partners and could be opened via APIs. Reach out to early adopters of your APIs to get a better sense of what they want to build and which APIs they will need in the future. These developers are co-creators who can help you identify your APIs' business model and revenue opportunities.
5. **Address technology gaps.** Consider conducting a technology gap analysis to determine the minimum requirements to open low-risk APIs to external third parties, such as a minimum viable product developer portal.

From Integrations to Innovation: Creating reusable building blocks

An API evolution model can help DFS providers to move quickly from one-off integrations to a steady process of opening new APIs gradually and monitoring the market's reaction. There are four stages of growth in this model:

Figure 1: API Maturity model for DFS providers



Initial. The DFS provider builds APIs over and over again for each of its individual partners. The inefficiency of this approach often causes bottlenecks in processing partnership agreements, resulting in a long list of partners waiting for the APIs. Costs pile up because the provider plays a significant role in each new onboarding project.

Enablement. The DFS provider shares a standard, secure set of APIs with its partners. Partners bear the costs of integrating with the APIs, and because it is in their interests to do so, they work quickly to integrate the APIs into new products. Some may be willing to pay a transaction fee immediately for business routed through the API. Others may want to experiment with product and service integration ideas to gauge their custom-

ers' reactions before paying a fee. Partners are often open to discussing the options at this stage.

Experimental. The DFS provider works with external developers to turn its APIs into full-fledged market products with a monetization strategy. It scales open APIs as part of a catalog of new products.

Committed. The DFS provider puts in place the final arrangements for its new APIs, including partnership agreements confirming the availability and performance of APIs and clear monetization and revenue sharing models. It starts to build a roadmap of other APIs that developers in third-party businesses may need. New APIs are introduced that repeat the enablement and experimental phases.

Who is Doing This Well? Examples from Industry

Safaricom: In Kenya, Safaricom's processes for onboarding API partners were for a long time neither efficient nor transparent. The huge demand for the company's APIs resulted in a significant backlog.² Because of the impact one-to-one integrations had on Safaricom's ability to build an ecosystem of product partners, the company moved to an open API model, offering certain low-risk-high-revenue-potential APIs. Safaricom initially offered open APIs in beta (early release) format to see how external businesses engaged with them and later upgraded the offering.³

BBVA: In Spain, BBVA Bank started by creating a suite of APIs that were accessible in a self-service portal. The APIs were free of charge in a sandbox (testing only) environment. The bank has since commercially deployed a rich set of product APIs, including a data API that allows third-parties to review aggregate transactions made in a given ge-

ographic area, by industry sector and consumer demographics.⁴ This API is now helping businesses decide where to build stores and has stimulated the tourism industry by giving it a deeper understanding of travelers' expenditures and demographics.⁵

MercadoLibre: In Latin America, e-commerce platform MercadoLibre has provided APIs to third parties who offer services like accounting, delivery tracking, analytics, and marketing to businesses in 19 countries. In Argentina, this has allowed small business lending FinTech [Moon Money Online](#) to lend to small businesses that have not been able to get credit from larger financiers.⁶ Using MercadoLibre's open APIs (after gaining a small business' consent), Moon Money is able to mine the business' transactions on the MercadoLibre platform and calculate a credit score. This is a win-win: Moon Money reaches new customers and small businesses get access to credit so they can grow.

DFS providers should assess their own strategic efforts against the API maturity model above:

- What is the current cost of individual integrations? How long is the onboarding queue?
- Can a productized approach to opening APIs create something useful for most third-party partners?
- Can a conversation with business partners and developers help identify which APIs would enable them to become ecosystem leaders?

2 <http://www.cgap.org/blog/just-how-open-safaricom%E2%80%99s-open-api>

3 <https://developer.safaricom.co.ke>, viewed 9 January and 9 April 2018

4 <https://bbvaopen4u.com/en/actualidad/apis-are-driving-digital-transformation-banking>, viewed 9 January 2018

5 <https://bbvaopen4u.com/en/actualidad/bbva-data-analytics-and-carto-present-urban-discovery-study-commercial-activity-madrid>, viewed 9 January 2018 and <https://www.bbvadata.com/data-helps-mexican-tourism-grow/>, viewed 9 January 2018

6 <https://apps.mercadolibre.com.ar/moon-money-online>, viewed 9 January 2018

And as the businesses sell more products, MercadoLibre receives higher sales commissions and sees an increase in buyers visiting their platform.

Implications for DFS providers

Speed is market share. The API landscape for payments and mobile money in emerging markets is changing rapidly. DFS providers who do nothing with APIs risk being left behind in this new competitive landscape.

Third parties will create innovative applications with the API platform they are most comfortable using and that gives them the greatest potential customer base. Yet as more and more DFS providers start offering APIs, providers will have to compete to onboard the most innovative API partners. Third parties who are already using one provider's APIs will hesitate to move to a new supplier. Early movers have the opportunity to learn first, gain traction, and build long-term relationships with partners.