Getting Started:
API PRICING FOR DIGITAL FINANCIAL SERVICES PROVIDERS

10-11 a.m. (US ET)
May 9, 2019
Speakers

Claudia McKay
Senior Financial Sector Specialist
CGAP

Michel Hanouch
Senior Financial Sector Specialist
CGAP

Martin Janzen
Managing Director, Cairo Office
Simon-Kucher & Partners

Cedric N’guessan
Group Head of MFS Strategy and Products
MTN
<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:00</td>
<td>Introductions</td>
</tr>
<tr>
<td>10:05</td>
<td>Three Goals of an API Pricing Strategy</td>
</tr>
<tr>
<td>10:20</td>
<td>Views from a Pricing Expert</td>
</tr>
<tr>
<td>10:35</td>
<td>MTN’s Experience in Uganda</td>
</tr>
<tr>
<td>10:45</td>
<td>Q&amp;A</td>
</tr>
</tbody>
</table>
Why are open APIs important for digital financial services?

Digital financial services (DFS) providers often have limited ability to innovate directly, and they face challenges integrating with third parties who are developing innovative products.
DFS providers are using open APIs to adopt a ‘payments as a platform’ approach.
CGAP’s work in open APIs
Importance of an “API as a product” mindset
A DFS provider’s API pricing strategy should achieve three goals:

1. Help the DFS provider to achieve specific business objectives

2. Generate business value for each target segment of third-party API consumers

3. Align with (or successfully modify) market expectations and norms for pricing
Goal 1

Help the DFS provider to achieve specific business objectives
Goal 2

Generate business value for each target segment of third-party API consumers
Identify consumer segments

- Creators
- Enhancers
- Aggregators
- Efficiency Drivers
Goal 3

Align with (or successfully modify) market expectations and norms for pricing
Examples of pricing models for different types of APIs

**Transactional value charged**

Help me get paid

- **Money Movement**
  - Fee per API call as standalone API
  - Confirm identity of customers and merchants or KYC
  - Authenticate movement of money/transactions

- **Consent / Identity**
  - Fee per API call as standalone API
  - Manage individual customer data such as credit score

- **Ecosystem Expansion**
  - Third party origination—account creation or loan origination
  - Revenue share

- **Data**
Views from a Pricing Expert

Martin Janzen
Managing Director, Cairo Office
Simon-Kucher & Partners
## Three-step pricing framework

<table>
<thead>
<tr>
<th>Price Strategy</th>
<th>Market Intelligence</th>
<th>Price Optimization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What do we want to achieve?</strong></td>
<td><strong>Where do we stand?</strong></td>
<td><strong>How do we play?</strong></td>
</tr>
<tr>
<td>Underlying commercial model</td>
<td>Audit value chain and competitive position</td>
<td>Define value proposition</td>
</tr>
<tr>
<td>Align commercial direction with corporate strategy</td>
<td>Research customer behaviour and needs</td>
<td>Determine product packaging</td>
</tr>
<tr>
<td>Define pricing goals</td>
<td>Conduct consumer segmentation</td>
<td>Specify price structure</td>
</tr>
<tr>
<td>Define pricing direction and principles</td>
<td>Establish internal cost structure</td>
<td>Set price levels</td>
</tr>
</tbody>
</table>
## Price Strategy – what do you want to achieve?

<table>
<thead>
<tr>
<th>Main motive</th>
<th>Description</th>
</tr>
</thead>
</table>
| Revenue increase     | FS player provides products via APIs through 3rd party channels and receives:  
  ▪ Sales commission  
  ▪ Revenue share                                                |
| Volume increase      |                                                                                                                                                                                                            |
| Innovation           | FS player provides data for FinTechs and incorporates solution into own portfolio; it may receive an API access price and pays a fee for the solution’s result.                                          |
| New revenue          | FS player provides raw/aggregated/analysed client data to 3rd parties given clients’ consent thus opening a new revenue stream from data monetization                                                                 |
| New business model   | FS player uses direct customer contact and client base to create a marketplace platform selling 3rd party products, thus creating a new business model                                                                 |
## Price Optimization – What is the right price metric?

<table>
<thead>
<tr>
<th>Metric</th>
<th>Packaging</th>
<th>Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>API Call</td>
<td>Subscription fees</td>
<td>Direct to developers</td>
</tr>
<tr>
<td>Computing power provided</td>
<td>All-you-can-eat</td>
<td>Integration into ‘mid-ware’ solutions</td>
</tr>
<tr>
<td>Revenue generated</td>
<td>Good-Better-Best</td>
<td>Own/external marketplace</td>
</tr>
<tr>
<td>Value of insight/Access</td>
<td>Unbundled offer</td>
<td>Two-sided market</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

### Direct Monetization
- Cost reduction
- Product and portfolio enhancement
- Customer acquisition
- Sale of insights from API usage
- Product improvement through API insights
- Adjacent services, e.g. implementation consulting

### Indirect Monetization
## Price Optimization – How to set the right price levels?

### Observation

- **Price experiments**
  - Test markets
  - Temporary or selective price changes
  - Price wargaming

- **Market data**
  - Econometric analyses of historic market data/client data
  - Peer pricing

- **Expert judgment**
  - Expert panel/survey
  - PriceStrat
  - Van Westendorp
  - Expert Pricer

### Survey

- **Direct surveys**
  - WTP measurement
  - Price
  - Van Westendorp

- **Indirect surveys**
  - Choice modelling
  - Conjoint

---

### Traditional pricing methods

### Modern value-based method
Price Optimization – how to plan the entire journey?

APIs will less and less be priced according to a single framework but move into a dynamic pricing journey.

Platform Adoption

- **Sandbox**
  - API and service accessible to selected group of developers (beta testers)
  - Users test functionality of API and develop initial solutions to opt in, supplier may not guarantee stability
  - Data availability limited to dummy input

- **Growth**
  - Initial adoption phase with live connections and real data
  - Developers deploy live solutions
  - Functions are continuously enhanced and made available

- **Maturity**
  - Solution technically matured
  - Supplier guarantees stability and reliability
  - API’s broadly incorporated into 3rd party solutions

Development

- API and service accessible to selected group of developers (beta testers)
- Users test functionality of API and develop initial solutions to opt in, supplier may not guarantee stability
- Data availability limited to dummy input

Price Model

- **Sandbox**
  - Free demo for developers during development and testing
  - Free access usually limited to demo data and basic API functions

- **Growth**
  - Mostly single pay-per-use model
  - Rebates/discounts to facilitate adoption among solution providers

- **Maturity**
  - Price model differentiated by usage behaviour
  - Mostly tier-based transaction prices
MTN’s Experience in Uganda

Cedric N’guessan
Group Head of MFS
Strategy and Products
MTN
MTN’s Experience in Uganda

Power your apps with our MTN MoMo API

Learn the basics of MTN MoMo API, view available resources and join a community of developers building with the MoMo API.

Get started with our API

Documentation
Read the developer's guide to the MoMo API to get started on your integration.

API Sandbox
Find specific information about the different features of the MoMo API.

Support
Access the MoMo API community and support team to ensure your success.

https://momodeveloper.mtn.com
For more information

• Visit our collection of API resources and sign up for our newsletter: www.cgap.org/topics/collections/open-apis

• Download our API pricing paper: www.cgap.org/research/publication/api-pricing-digital-financial-service-providers-getting-started
Thank you

To learn more, please visit www.cgap.org