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A GUIDE FOR DIGITAL FINANCIAL SERVICES PROVIDERS

How to Engage Third Parties with Your Open APIs

Michel Hanouch, Claudia McKay and Aiaze Mitha

June 2020



Introduction

Why?

The digital financial services (DFS) industry continues to evolve. [DFS providers are opening up APIs](#) to third parties to stimulate innovation, create new revenue streams, lower costs, and support their broader digital transformation ambitions. The ability of third parties to engage with and leverage these APIs is a critical step for growing DFS ecosystems.

However, opening up APIs is only a first step. The experiences of several DFS providers suggest that systematic engagement with third parties is crucial to drive awareness and ensure active use. DFS providers also need to balance efforts to achieve long-term objectives to expand their ecosystems with short-term efforts to increase traction on their platforms.

What?

This highlights deck aims to drive awareness and use of APIs. It seeks to help DFS providers understand the differing needs of third parties across different segments, identify engagement activities that can address those needs, and start to think about an engagement strategy that is aligned with internal priorities and capacity. It will help DFS providers balance their short-term and long-term goals. It is based on a longer engagement strategy deck that provides additional detail and examples from industry to help DFS providers craft their own engagement strategies. CGAP commissioned Dalberg to do this work.

Who?

This deck targets CEOs, API product managers, and API sales and community engagement leads within DFS providers. Operational teams will want to refer to [“CGAP Background Document: How to Engage Third Parties with Your Open APIs”](#) for additional guidance and insights.

CGAP’s work on open APIs

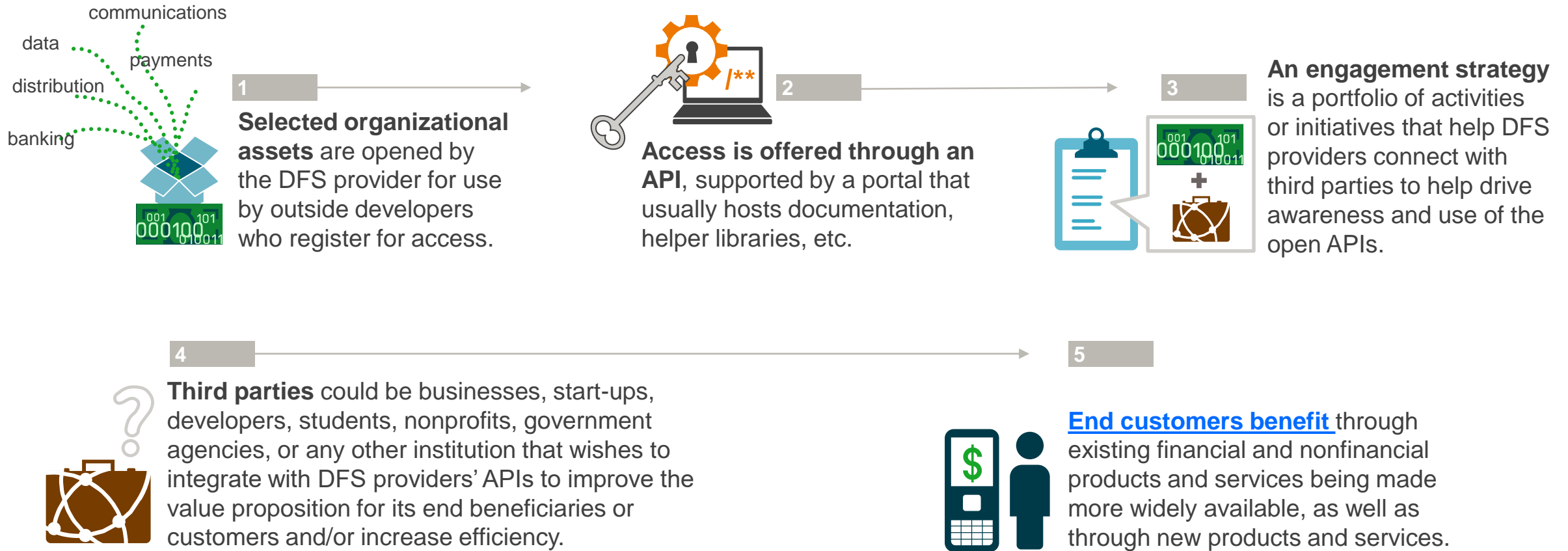
CGAP is working to understand how open APIs can benefit DFS providers while advancing financial inclusion. Drawing on best practices in other industries and support provided to several DFS providers actively working to open APIs, we are developing a suite of resources to help providers create and implement a successful open API strategy. Our resources include compact guides, case studies, blogs, and [videos](#) that address the what, why, and how of open APIs for DFS providers. See our [dedicated collection of API resources](#), and [sign up for our API newsletter](#).

“CGAP Background Document: How to Engage Third Parties with Your Open APIs” can be found at:

<https://www.findevgateway.org/slide-deck/2020/06/how-engage-third-parties-your-open-apis>

An engagement strategy determines how a DFS provider draws in third parties to use its open API platform

Open APIs have the potential to generate revenue for the provider and accelerate innovation by third parties that benefits end customers.



DFS providers need to answer five key questions to formulate a third-party engagement strategy

- I What is the business rationale for opening APIs?
- II Who is the target third-party segment?
- III What are the core needs of the targeted third parties at each step of the engagement journey? What activities or initiatives are needed to meet those needs?
- IV What kinds of resource strategy and capabilities are needed to execute?
- V How should success be measured?

What is the business rationale for opening APIs?

The engagement strategy should be anchored in the overall business goals of the open API program.*

CGAP's "[Digital Rails](#)" (Morawczynski, Vaughan, Hanouch, and Faz 2016) identified five possible business goals of opening up APIs for a DFS provider:†



Revenue: Grow revenue through customer acquisition, more revenue per customer, and monetization of assets previously unavailable to third parties.



Reach: Connect with more customers directly and indirectly.



Engagement: Create a more engaged third-party community to help build the DFS ecosystem, improve customer satisfaction, and reduce churn.



Innovation: Accelerate delivery of new innovations, products, and services.



Number of integrations: Increase the number of integrations by increasing speed and lowering cost.

Three common factors that influence the choice of business goals:

Market position of the DFS provider: Market share of the DFS provider for its traditional (telecom or financial) services, which could range from dominant to emerging, may determine the attractiveness of third parties and the degree of leverage the DFS provider has over them. Small players may need to differentiate themselves, whereas dominant players may be searching for new opportunities for growth.

Competing open API platforms: Prevalence of competing open API platforms and need for differentiation to enable third parties to switch and choose the provider's platform.

Maturity of the innovation ecosystem: Presence of businesses (early-stage and growth-stage start-ups or large enterprises) that create new products and services, and other actors who support such businesses (funders, accelerators, innovation hubs etc.), affect the requirements of different third parties and the level of effort required to reach the long tail.

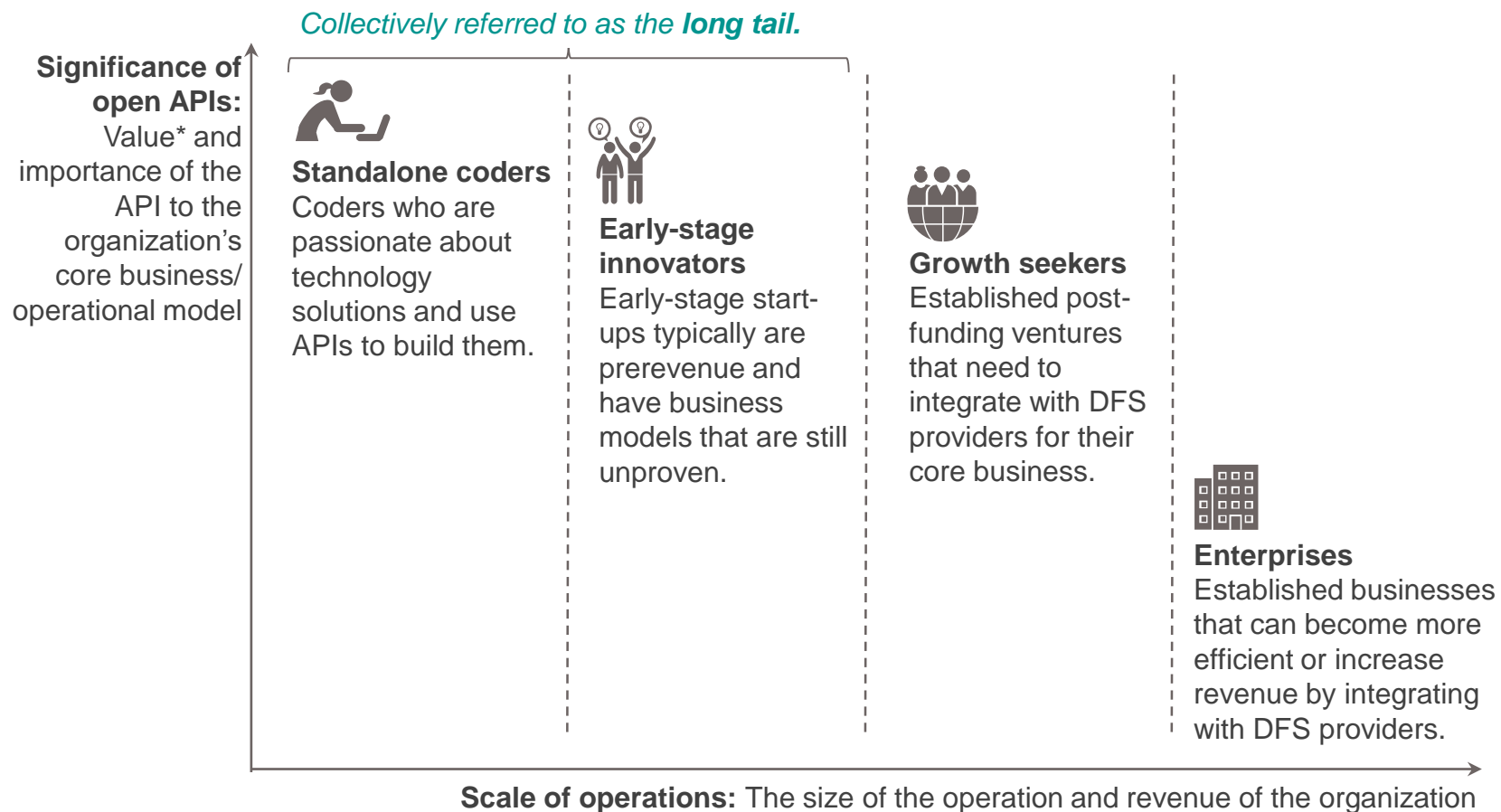
Who is the target third-party segment? (1/2)

Third parties could be businesses, start-ups, developers, enterprises, or any other institution that wishes to integrate with a DFS provider's APIs to improve the value proposition for its end customers and/or increase efficiency. Several factors will influence the priority third-party segments.

Attractiveness of long-tail segments increases as the market matures and/or the DFS provider business increases.










Mature DFS providers typically have integrated the larger organizations—growth may need to come from elsewhere. Further, mature providers have the headspace and budget to promote innovation that often comes from the long tail.

Less mature DFS providers often focus on larger businesses to generate revenue and transactions in the short term. This typically has less impact on innovation and number of integrations.



Who is the target third-party segment? (2/2)

The priority third-party segments will be determined, in part, by the business goals of the open API program.

	 Revenue	 Reach	 Engagement	 Innovation	 Integrations	
 Standalone coders			✓	✓	✓	Embeds the DFS provider in the innovation ecosystem; provides early access to potential disruptors of tomorrow. Builds advocates who are likely to influence future employers to integrate with open APIs.
 Early-stage innovators		✓	✓	✓	✓	
 Growth seekers	✓	✓		✓	✓	Likely increases the DFS provider's customer base, market share, and revenue by serving companies who drive a large volume of transactions as they solve marketwide/regional problems.
 Enterprises	✓	✓			✓	Translates to additional revenue stream for the DFS provider by driving large volumes of transactions and seeking efficiency through API integration.

Opening up removes the need to cherry pick upfront.

What are the core needs of the targeted third parties at each step of the engagement journey?

Four key steps constitute the engagement journey of a third party.*



Awareness

Third parties need to understand what APIs are being offered and the benefit they deliver.



Consideration

Once aware, third parties will want to explore and experiment with integrating APIs. This will help them compare the DFS provider's APIs with other options (including screen scraping and competitors' APIs) to determine which ones to use.



Onboarding

After choosing the DFS provider's APIs, third parties need to complete their KYC and onboarding process to go live. They will need guiding resources and support to troubleshoot.



Use and Growth

After going live, third parties need on-the-go support and scaling up support to grow and increase use of the DFS provider's APIs.

* See "[Technology Building Blocks for an Open API Strategy](#)" (Vaughan, McKay, and Hanouch 2020), which aims to bridge the gulf between business leaders responsible for overall open API strategy and technology decisions they need to make. It focuses on the technology building blocks DFS providers should prioritize to ensure third parties progress swiftly through each phase.

A range of initiatives can address the needs of third parties along their journey

AWARENESS

Advocates: Advocates let others know about the DFS provider's APIs, get comfortable with the APIs, and thus encourage them to use the APIs. Advocates can influence standalone coders and early-stage innovators in their communities and the enterprises that they work for.

Events: Events help the DFS provider engage with standalone coders and early-stage innovators and create a space for them to come together, learn from each other, and build products that leverage the DFS provider's APIs. Events also give the DFS provider an opportunity to get feedback on its APIs.

Media outreach: Mailing lists, press releases, and other types of push marketing can let everyone know about the open APIs.

One-on-one engagement: These usually are pitch meetings set up by the DFS provider's sales and business development team with

growth seekers or enterprises, to understand their needs, pitch the value proposition of open APIs offered, and build an integration roadmap.

CONSIDERATION

Developer portal: Channel by which DFS providers can reach third parties so as to communicate the functionality provided by APIs and the business value that APIs bring. Enables third parties to discover, explore, test, register for access, and use the APIs.

D.I.Y. tools: Allow third parties to self-serve and onboard smoothly. Might include tutorials, a developer forum, SDK plug-ins, get-started guides, videos, and mini case studies.

Robust sandbox: Ensure developers are able to test their solutions before going live.

Integration assistance: Offered to businesses that do not have internal technical capabilities to

leverage and integrate APIs, either directly or through certified developers.

Standardized documentation and APIs: Consistent API design that applies industry style guidelines to ensure ease and simplicity of using the API. Documentation following industry standards to help experienced developers rapidly understand the APIs and their features.

Suite of pricing options: This gives standalone coders and early-stage innovators the flexibility to choose a pricing option that aligns closely with their cash flows, while enterprises and some growth seekers might be willing to pay more for additional features.

Customized pricing: Pricing that accounts for the scale of volumes that the enterprise has to offer (e.g., through volume-based discounts or fixed payments for access).

ONBOARDING

Tiered access: A tiered KYC requirement that is proportional to the risk posed by a third party. Lowers burden of documentation leading to simpler and quicker onboarding.

Business registration: Help the long tail understand legal business structures and guide them through the processes involved to register their business.

USE AND GROWTH

Acceleration support: This typically includes support needed by the long tail to create a viable business model around their product and to successfully grow marketing, leadership, accounting, and stakeholder management, for example.

Business advisory: Growth seekers primarily need advisory-type support when they enter a new market or launch a new product. For example, support to leverage

the DFS provider's presence and network in a new geography to build and execute a go-to-market strategy (e.g., customer base, brand, and channels).

Dashboard: To provide third parties with information about their business, API activity, and billing and settlement activity.

ALL THROUGH

Transparency in process: Detailed process maps for each product, outlining the process of accessing and using the sandbox, completing KYC, onboarding, and going live.

Effective support: Support team should be well versed and adequately trained on the types of APIs available, their use cases, value-add to third parties, limits or challenges that may be faced during integration and how to solve for these challenges. Third parties also can support each other through well-managed and monitored community forums.

What are the core needs of third parties at each step? What is needed to meet those needs?

Across the third-party journey, there are several potential activities that address different needs. DFS providers must focus on the activities most important to their target segment/s.

Steps	Need	Activities/Initiatives			
1 Awareness	<ul style="list-style-type: none"> Understanding what is being offered and how it benefits me 	Advocates	Media outreach	Events	One-on-one engagement
2 Consideration	<ul style="list-style-type: none"> Technical tools and support materials Standardized documentation and APIs Help to build out the integration roadmap A way to test Affordability Customized pricing 	Developer portal	Robust sandbox	Suite of pricing options	Customized pricing
		Standardized documentation and APIs		Integration assistance	
3 Onboarding	<ul style="list-style-type: none"> Easy onboarding. Support in business registration 	Tiered access	Business registration		
4 Use and Growth	<ul style="list-style-type: none"> Business support Performance data and analytics 	Acceleration support	Business advisory	Dashboard	
All-through	<ul style="list-style-type: none"> Process simplicity and transparency Effective support 	Transparency in processes	Effective support		

An engagement strategy targeting the long tail should enable self-service, make access and use affordable, and support business success



Given the many third parties in these segments, a DFS provider is unlikely to engage with them one on one. It is important to enable self-service and equip these segments to fully understand, evaluate, test, troubleshoot, and integrate with the APIs without direct engagement with the provider. Events with a large reach can be an effective awareness strategy.

These third parties have nascent business models, and affordability is key given that this segment does not yet have a proven business model (or even a revenue stream in many cases). It is imperative to make access and use affordable through a suite of pricing options that helps them get started.

These segments are worth supporting and tracking because a select few will become the future disrupters in the long run. Thus, there is a need to provide broad (rather than deep) acceleration support that goes beyond API integration support—potentially through partners. To aid onboarding, DFS providers may need to offer tiered access and business registration support because many developers in this segment may not have the necessary documentation or a legal business structure.

Easy access to documentation, do-it-yourself tools, a robust sandbox, and effective support is required—though the support will need to be limited and strictly defined, given the need to limit one-on-one engagement. They also rely on advocates and a peer support group (delivered through a community forum) to “problem solve” any challenges they might face during the integration.

Must have  Some relevance

Awareness	Advocates	Media outreach	Events	One-on-one engagement
Consideration	Developer portal	Robust sandbox	Suite of pricing options	Customized pricing
	Standardized documentation and APIs		Integration assistance	
Onboarding	Tiered access	Business registration		
Use and Growth	Acceleration support	Business advisory	Dashboard	
All-through	Transparency in processes	Effective support		

Examples: Third-party engagement strategies focused on the long tail @MTN and @Stripe



Open API business goal	Revenues Reach Engagement Innovation Integration	Revenues Reach Engagement Innovation Integration
Market position of the DFS provider	Emerging Dominant	Emerging Dominant
Maturity of the innovation ecosystem	Nascent Mature	Nascent Mature
Open API business strategy overview	<p>Deep penetration of MTN MoMo creates a robust demand from third parties to use its APIs.</p> <p>Many of the large businesses were already integrated, so MTN focuses on engaging the long tail through its open API platform to foster innovation and further use of MTN MoMo in the long run, in line with its vision of being a core enabler at the center of the digital ecosystem.</p>	<p>Stripe entered the market later than some of its peers. To differentiate itself, it started with a specific focus on developers and start-ups as opposed to the business owners and large businesses that its competitors targeted.</p> <p>Over time, it diversified to focus on B2B partners that help acquire new third parties.</p>
Target third-party segments	<ul style="list-style-type: none"> • Standalone coders • Early-stage innovators • Growth seekers 	<ul style="list-style-type: none"> • Standalone coders • Early-stage innovators • Growth seekers • Enterprises
Engagement strategy overview	<ul style="list-style-type: none"> • MTN's engagement strategy focuses on making the API easy to use and self-serve. • This included hiring a local developer to test and enhance the APIs, design the developer portal and related documentation, provide in-person training, and provide API libraries in the most popular languages used by developers. • MTN also is working with local universities to help close the training gap on the use of APIs in Uganda. 	<ul style="list-style-type: none"> • The Stripe platform focuses on programmer needs, such as clear and detailed documentation, easy-to-use SDKs, and superior customer support. • It created innovative solutions to engage with third parties, including a 2-minute onboarding option and a portal for third parties to register their businesses. • It offers business support, marketing, and technical services to help scale its B2B partners' programs.

To target growth seekers, DFS providers should offer a smooth integration experience and create a tailored value proposition



Growth seekers

In line with their ambition to “hack” growth, growth seekers want sharp turnaround times on API integrations and more broadly on product development and iterations. Thus, the strategy should focus on easing and hastening integration through a developer portal and providing standardized documentation and APIs.

The maturity of their product/service combined with their high customer acquisition rate gives them strong market power. They also often consider open APIs to be interchangeable components and thus evaluate and possibly switch to the offerings of other DFS providers. The strategy should create a tailored value proposition by enabling one-on-one engagement, relationship management, specialized content (standardized APIs, functionalities, dashboards, etc.), and sometimes customized pricing. The volume of their resulting transactions should justify the increased expense of this type of engagement.

In addition, business advisory support is valued when growth seekers strive for growth in areas in which the DFS provider has experience or a presence (e.g., geographic expansion). Third parties that are expanding geographically also value tiered access and standardization of APIs across countries. They also require transparency in processes, access to effective support, and performance analytics on a dashboard to help accelerate the use of APIs.

	Must have			Some relevance
Awareness	Advocates	Media outreach	Events	One-on-one engagement
Consideration	Developer portal	Robust sandbox	Suite of pricing options	Customized pricing
	Standardized documentation and APIs		Integration assistance	
Onboarding	Tiered access	Business registration		
Use and Growth	Acceleration support	Business advisory	Dashboard	
	Transparency in processes	Effective support		
All-through				

Enterprises need a compelling reason to shift to open APIs

Enterprises







Given the established nature of enterprise business operations, targeting them requires a proactive business development approach that helps create long-term value for them. APIs often are ancillary to their business model, and enterprises may feel little pressure to move away from a business-as-usual approach. Thus, the engagement strategy should offer a compelling reason to shift from existing means, which can be done through one-on-one engagement. Specifically, providing customized pricing helps generate efficiency gains as enterprises operate at scale and would likely seek financial pay-off if they shift to a new system.

Customized integration assistance would help to overcome the barriers to shifting. The DFS provider will need to work closely with the enterprise to pitch, create an offering (including APIs, pricing, technology support, etc.), and closely oversee execution. Transparency in processes also will reduce barriers to shifting.

To maintain the relationship and ensure a large share of their transactions flow through the APIs, the DFS provider will need to have periodic performance updates, likely through a dashboard, and ensure consistent engagement through effective support. Enterprises also may value additional control (e.g., to understand and resolve errors), which a dashboard can help provide.

	Must have			Some relevance
Awareness	Advocates	Media outreach	Events	One-on-one engagement
Consideration	Developer portal	Robust sandbox	Suite of pricing options	Customized pricing
	Standardized documentation and APIs		Integration assistance	
Onboarding	Tiered access	Business registration		
Use and Growth	Acceleration support	Business advisory	Dashboard	
All-through	Transparency in processes	Effective support		

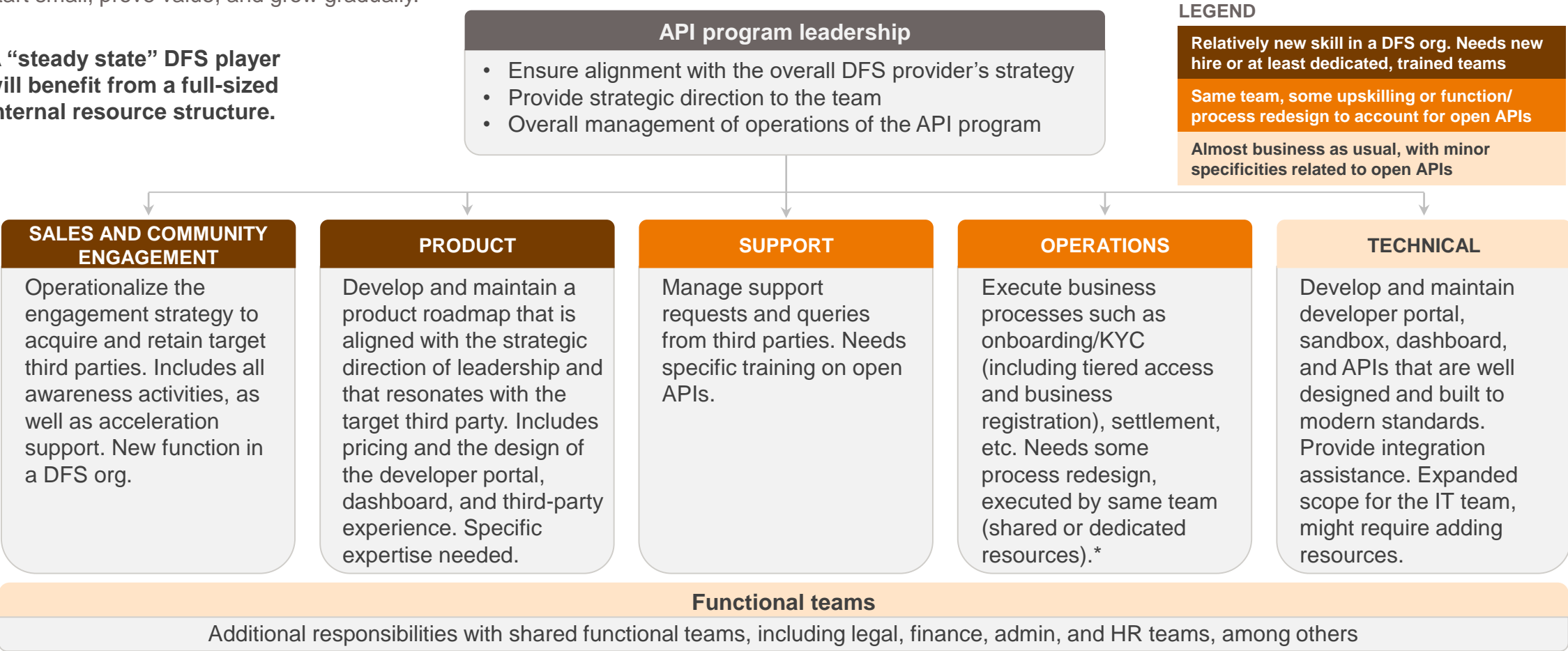
Examples: Third-party engagement strategies focused on large businesses @WeBank and @Apigate

	<div> <div>WeBank</div> <div>  </div> </div>	<div> <div>Apigate</div> <div>  </div> </div>
Open API business goal	Revenues Reach Engagement Innovation Integration	Revenues Reach Engagement Innovation Integration
Market position of the DFS provider	Emerging  Dominant	Emerging  Dominant
Maturity of the innovation ecosystem	Nascent  Mature	Nascent  Mature
Open API business strategy overview	<p>As a recent entrant into the financial services industry in China, WeBank follows a differentiated open banking business strategy.</p> <p>It focuses on embedding banking/fintech services through use of open APIs in businesses that have a large customer base. Such third-party integrations serve as a B2B2C strategy to acquire new WeBank end customers and to generate revenue.</p>	<p>Axiata’s vision was to establish a global API business ecosystem, and open APIs were one of its core digital offerings. It spun off a wholly owned subsidiary—Apigate—to aggregate APIs of various MNOs onto a single platform.</p> <p>Its initial API customers were large businesses (typically growth seekers). Over time, it diversified its target segment to include the long tail in line with its overall vision.</p>
Target third-party segments	<ul style="list-style-type: none"> Enterprises 	<ul style="list-style-type: none"> Standalone coders Early-stage innovators Growth seekers Enterprises
Engagement strategy overview	<ul style="list-style-type: none"> To engage prospective third parties, it scouts for partnership opportunities. Internal teams conceptualize, shortlist, and build products that are pitched to potential third parties. Once the partnership is formalized, WeBank acts as an extended product team for third parties and handles the development and integration of products on their behalf. 	<ul style="list-style-type: none"> To target growth seekers and enterprises, it goes beyond API access to plug and play technical products and business support in service of the third parties’ strategic objectives. To target the long tail, it eases access through an extended range of technical tools that accelerate integration and offers tailored business support to a few high-potential organizations/developers.

What kinds of resource strategy and capabilities are needed to execute?

Executing an engagement strategy needs dedicated leadership, supported by product, technical, sales and community engagement, operations, and support teams. Some of these already are in place in a typical DFS team structure and may need only upskilling or focus on open APIs. However, since APIs are a different kind of product to those DFS providers are used to, and they require specific skills, some new resources may need to be hired. API teams may need to start small, prove value, and grow gradually.

A “steady state” DFS player will benefit from a full-sized internal resource structure.








Organizations can opt for different team structures and hierarchies. However, it is imperative to be clear how activities across these functions will be delivered and who will be responsible for each of them. Activities performed within these functions can vary based on the target third-party segments.

*It is important to manage the risks that come with opening APIs. One way to do this is through the use of fair, standardized legal contracts with partners and third-party providers. See CGAP’s Guidance Note “[Key Considerations When Developing Legal Terms and Conditions for Financial Services APIs](#)” and the associated [API contract template](#).

How should success be measured? (1/2)

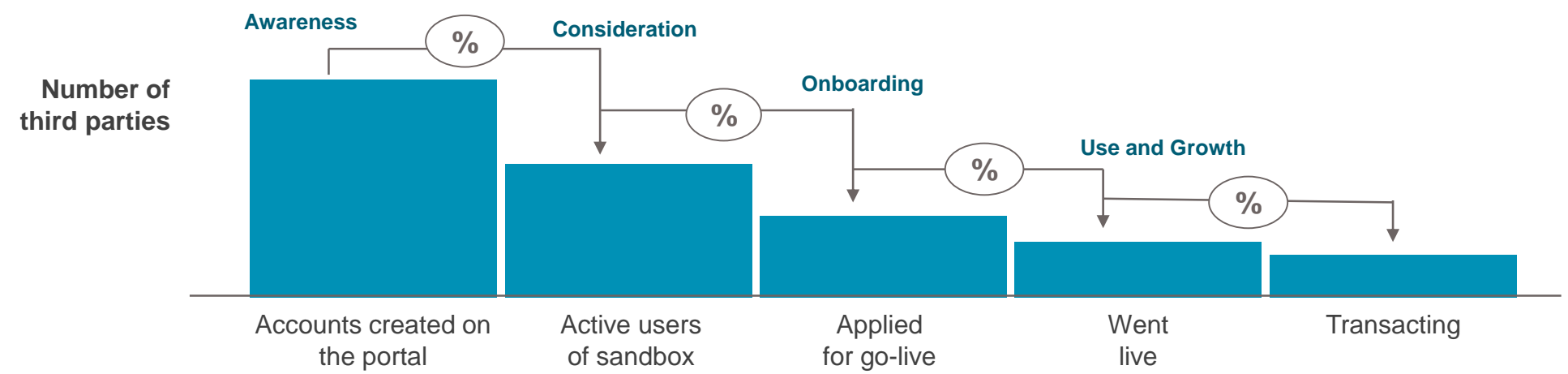
Depending on your business rationale for opening APIs, you may focus on different KPIs.

	 Revenue	 Reach	 Engagement	 Innovation	 Integrations
KEY KPIs	Total revenue per API	Number of API calls (sandbox and production) Most active third parties	Effective support—time to resolve queries	Number of verticals covered	Number of third parties at each stage of the engagement journey (see next slide) Average time to integrate with the APIs (measured through third-party feedback and portal statistics)
OTHER KPIs	Revenue per product category	Number of end customers	Uptime percentage and/or percentage of failed transactions (sandbox and production) NPS of end customers	Number of products available	

V

How should success be measured? (2/2)

At the operational level, all providers will want to track the flow of third parties through the different stages of the engagement journey.



Tracking the flow of third parties through the engagement journey allows DFS providers to identify the biggest drop-offs (and related obstacles) and focus resources on alleviating those.

Thank you

For more details, please refer to the full slide deck at:

www.findevgateway.org/slide-deck/2020/06/how-engage-third-parties-your-open-apis

