

# Best Practices For Monetizing Your APIs



## “ Monetize APIs in Just 5 Days! ”

We were soon able to start billing our customers for the API usage and it quickly became a revenue generator for us.

- Paul Fung, GM of Developer APIs, NexHealth

## Why Monetize?

Usage-based billing enables you to achieve the real business value of your APIs. If you're following the traditional way of billing for API usage, then you're leaving money on the table.

### Prepaid

- Most common model for SaaS and enterprise software companies.
- API vendors get cash upfront before services are rendered, increasing instant cash flow.
- Provides spend predictability, reducing processes involved for procurement.

### Postpaid

- Extending line of credit to customers.
- Simplifies consumption-based models by removing guesswork out of usage.
- Can be abused by customers, and may raise cancellation rates as users may opt for more expensive products than they truly need.

## Monetization Models

## Tiered Pricing VS PAYG Pricing

- Allows for a "good," "better," and "best" selection.
- Traditional, enforces a minimum and predictable spend.
- Users often exceed one quote limit, not all. This can make the next tier an undesirable and costly solution.

### Tiered

- Metered plans based on chosen usage-based metrics
- Can be cheaper to implement, but more expensive in the long run due to not being usage-capped.
- Requires users to be alerted around quota limits to avoid surprise bills.

### PAYG

It's so easy to implement through our API Gateway partners or directly with our SDKs.

## Implementing Usage-Based Billing

## Consumption-Based Value Metrics Table

| NAME               | EXAMPLE                              | WHEN TO USE  |
|--------------------|--------------------------------------|--|
| Transaction Volume | Number of API Calls, Messages Sent   | APIs and Event-Based Platforms Such as SMS and Analytics         |
| Revenue/Cost Share | Percent of Revenue, Transaction Fee  | Platforms Focused on Money Such as Payments or Expense Reporting |
| Data Volume        | Gigabytes Sent, Minutes Made         | Platforms Focused on Data Such as Logging or Storage             |
| User-Centric       | Monthly Unique Users that are Active | A Modern Version of Charging Per Seat or Per User                |
| Resource           | Compute Units, Active Hours          | Compute Infrastructure such as a Database or Virtual Machine     |



## “ 2x Faster Time to Revenue! ”

With Moesif, Okra was able to speed their customers to revenue twice as fast as before.

- Fara Jituboh, CEO, Okra