

Telco APIs: The network is a gold mine

Telco APIs promise operators a new route to growth by shifting the way customers, whether enterprise customers or software developers, engage with telecom services and assets. In this article, we lay out the different roles players can take in the ecosystem to monetise these APIs using the analogy of the network as a gold mine.

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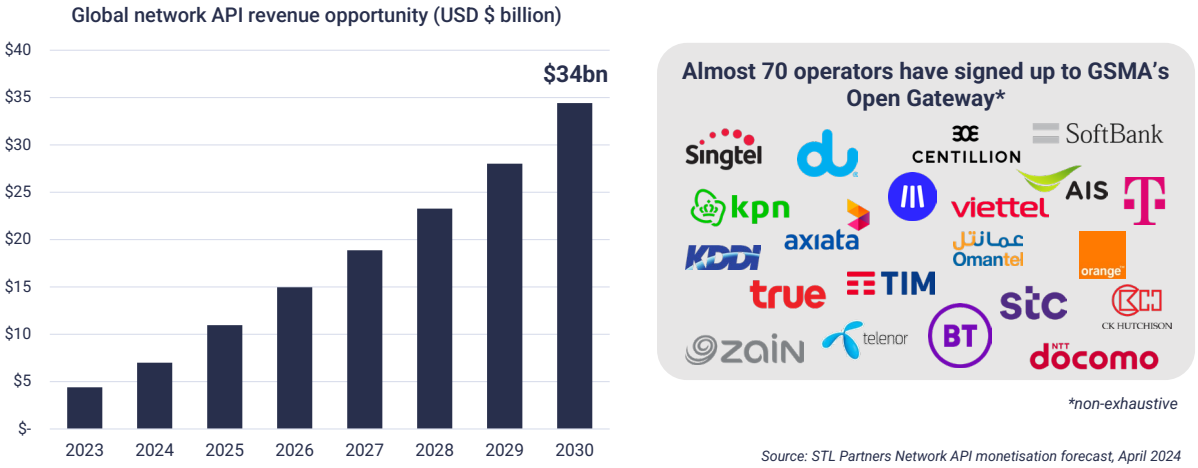
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Telco API market growth

STL Partners, along with other analyst firms, is forecasting growth in the telco API market. We forecast that by 2030, the total addressable market for telco APIs will be c. USD $34 billion. This varies depending on the analyst firm or consulting firm that you go to and, of course, each has different methodologies and different scopes for what's included. But generally, we're all agreeing on growth and that telco API monetisation is an opportunity for the telecoms industry.

Telco API monetisation remains a hot topic in the industry



Source: STL Partners Network API monetisation forecast, April 2024

Alongside the analyst predictions, on the operator side, more continue to join Open Gateway and look to build out CAMARA compliant APIs - at the time of writing, we noted almost 70 operators that had signed up to the Open Gateway initiative (not that this has translated into all operators commercially launching CAMARA APIs).

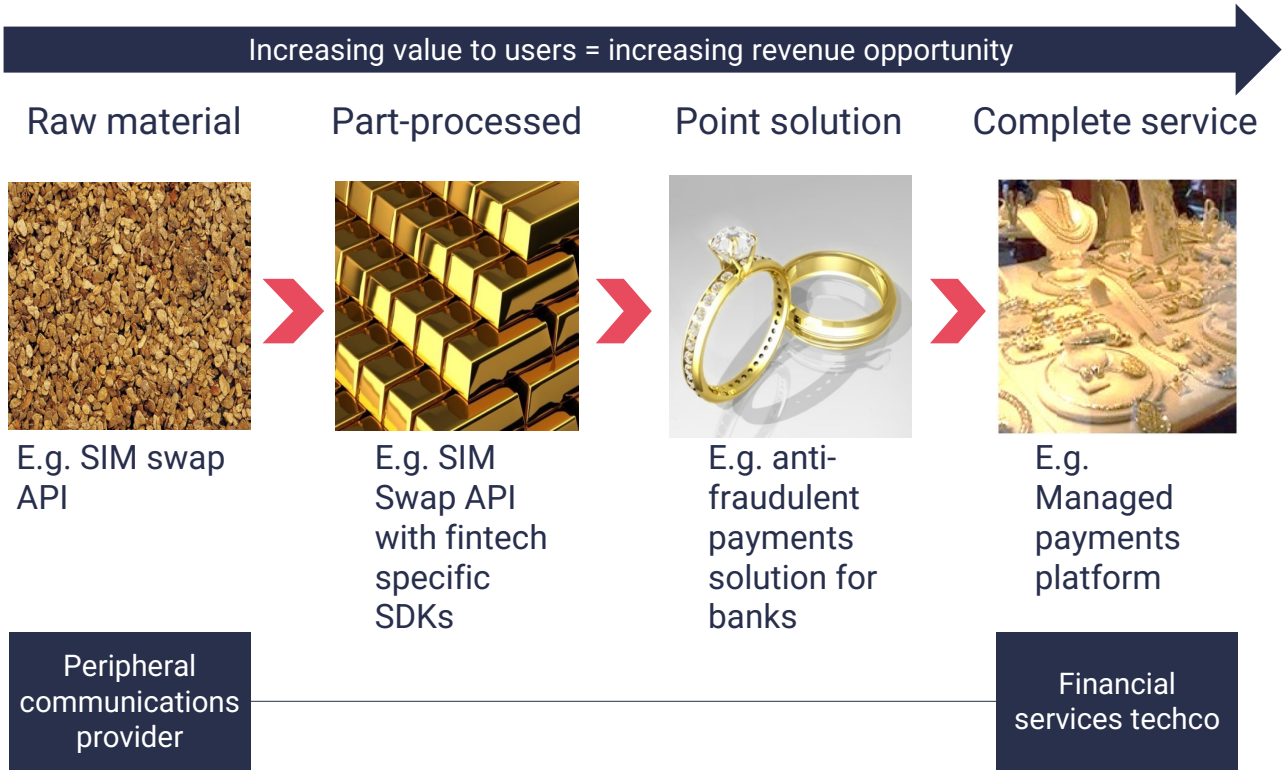
However, from our conversations with operators and the ecosystem of aggregator and distributor partners, it's clear that challenges still remain around the commercial models for API monetisation and, particularly, the different roles that players can take on in the ecosystem.

We've therefore repurposed a (very) old slide that Chris Barraclough (CEO at STL Partners) made about 15 years ago when talking about the platform business model/two-sided business model for telcos to help bring a different perspective to the monetisation of telco APIs.

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Telco API: why the network is a gold mine

In this analogy, imagine that the network is analogous to a literal gold mine… and in this instance, the API (in this specific example a SIM Swap API) is the raw material. It's the gold ore that is "mined" from the network and sold as the sole product.



Selling gold ore: monetise telco APIs as the infraco

There is money to be made in mining gold ore (aka mining and selling APIs as products) and we would equate this to the infraco model on our telco to techco matrix. Here, success is all about how automated the network is, how effectively operators can onboard and sell (wholesale) through a diverse range of distribution channels/partners, and how cost effectively telcos can extract and expose quality APIs. This is akin to operating a gold mine - you need to think extraction processes that provide quality of gold ore, drive cost efficiencies on a low margin, and effectively get the ore into the distribution channels and the supply chain.

Operators are somewhat protected from competition in this model by owning the network – not everyone can build and operate a network and similarly not everyone has the resource or availability to spin up a gold mine… However, if there are other players extracting and exposing the same network API (which there are) it's primarily a battle around cost as there is little differentiation in selling only the gold ore. So, operators that can operate at lower cost and still retain a margin (i.e. are heavily automated and cloudified – the infraco) are the ones that will be able to compete in the more commoditised market of selling raw ore in a wholesale model.

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Selling gold bars: add a use case specific wrapper to telco APIs

So, we talk and write about operators moving up the value chain and starting to process that raw material. In the analogy, we are moving from selling the gold ore to part processing and selling a gold bar or ingot. In the example case, instead of selling a SIM swap API only, it's a SIM swap API but with lots of specific SDKs and clarifying documentation and "how to" videos and forums of how to apply this API within the fintech/financial services industry for an anti-fraud payments use case.

We've now added some level of a wrapper around that API. It's no longer just wholesaling it through an aggregator and leaving it them to do the education, the awareness building and the use case building – we're actually providing some of that upfront. The impact of this is in two dimensions. The first is on demand – it makes it easier to adopt APIs by partners and developers so volumes can scale. The second is on pricing – there's a more developed wrapper and this creates stickiness and a higher willingness to pay for developers and customers.

Selling the Rolex: monetise telco APIs as the serveco

Then take the gold bar and let's say we refine this into jewellery now… I like to use the example of a Rolex watch although in the original slide it's a gold ring. The reason for that is because gold watches to me all feel and look the same... there is some difference I'm sure in the quality of gold used and the aesthetics of the design but, more importantly, providers like Rolex have a **brand** with their customers that provides competitive differentiation. It's very close to the end customer and it's protected not just because of the quality of the Rolex watch and not just because of the price of the Rolex watch, but because of the brand that it has built as a premium solution in the market. This moves away from the infraco model of selling the raw material towards the idea of being a **servco**.

So, continuing the example case, we can take the SIM swap API and package that with other APIs, whether that's number verify or device location verify, and building them into an anti-fraud solution for payments that can be sold into banking customers. In the analogy, could this be akin to the other APIs being other metal ores or even gem stones refined from the network and moulded in to augment the gold?

However, at the moment most operators are wholesaling their identity APIs (e.g. SIM swap, number verify) to aggregators and other players (e.g. Infobip in Brazil) are the ones coming in and actually packaging that into the Rolex-like solution. This is because they have the customer relationships, internal capabilities and brand to do that packaging and go-to-market.

So, while anti-fraud solutions may not therefore be the best opportunity for telcos to shift up the value chain, there may be other use cases in other verticals where the telcos are the ones with the customer relationships/reach or the vertical strength… and in these cases operators could drive a more direct to enterprise model rather than relying on wholesale aggregator channels. A prime example of this could be TELUS Health in healthcare, or Elisa in Manufacturing – these operators have real strengths and customer touchpoints in these verticals, and could look at how to package APIs into API-driven solutions that work for their customers and help build the servco brand.

Running the jewellery store: monetise telco APIs as the platform orchestrator

The final step we call the complete service or owning the jewellery store. In the specific case above the operator might run a "managed payments platform"… bringing in other providers and vendors to sell in their 3rd party solutions and APIs (which may compete directly with the operators own solutions). It's part marketplace offering but also bringing in the tooling to make it easier for developers and other partners to take modules of the operator platform and use that to build their own solutions (which might then still be sold through the jewellery store). In this instance, operators are essentially orchestrating part of that ecosystem.

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To be clear, **what we're absolutely not saying** is that all operators should aim for this jewellery store model... I think there are some operators that may have capabilities and vertical strengths to do it, but there will be others that have a lot of strengths to play successfully as the infraco and not at all as the platform orchestrator.

So, our recommendation is that operators pick and choose their battles and understand how, in some cases, they may be able to move beyond selling the raw material and can monetise part processing or refining the gold ore into something with a greater revenue, margin, and competitive differentiation opportunity. Not every operator will be willing or able to make this jump, and they will continue to work with aggregation/distribution partners (who should also consider what part in the gold processing journey they want to play) but for those that can identify opportunities to move up the value chain there may be longer term, protected growth in the B2B2x and API driven market.

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