Knit

ROI Calculator

The ROI of Unified API

Why building integration in-house is not good idea for SaaS business

As integrations gain more popularity and importance for SaaS businesses, most companies focus on the macro benefits offered, in terms of addressing customer needs, user retention, etc.

However, having integrations translates to a tangible impact on a company's bottom line which must be captured. In this whitepaper, we will discuss the top metrics that companies can track to measure the ROI of product integrations and attribute revenue value to them.

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Additional Value Unlocked with Each New Integration

When a new integration is added, it opens doors to new customers who are loyalists with the product being integrated. This leads to new revenue which can be added.

To calculate the revenue add:

> 1. Number of customers with the partner X (% of these customers who could potentially become your customers/100) = Total new opportunities
>
> 2. Total new opportunities X (Your average close rate/ 100) = Estimated new customers
>
> 3. Estimated new customers X average annual revenue per customer = Additional revenue generated via integrations

Taking a few assumptions such as:
Your average close rate = 5%
Average revenue per customer = $5000

Additional revenue with each integration can be:

10,000 X (1/100) = 100 new opportunities
100 X (5/100) = 5 new customers
5 X USD 5,000 = USD 25,000

Each new integration has the potential to unlock ~USD 25K or more to your revenue base each year.

Accelerated Sales Cycle and Revenue Realization Time

Next, you need to calculate how integrations impact your sales cycle and revenue realization timelines.

Compare how long it takes for your sales team to close deals when integrations are involved versus when there is no integration requirement or you don't have the requisite integrations.

Suppose if you are able to close the deals with integrations 3 weeks faster, then the ROI translates to:

No of weeks saved X annual customer revenue/ 52

= 3 X (5000/ 52)
= 3 X 96
= ~USD 280/ customer

If you build integration in-house, the delay in deal completion due to the longer integration launch time can cost you ~USD 300 per customer.

Retention and Renewals

Integrations directly have an impact on customer retention and renewals.

If you offer mission critical integrations, chances are your recurring revenue from existing customers will increase.

To calculate the ROI and revenue addition from this angle, you need to: Capture the renewal rate of customers using integrations.

Let's say renewal rate is 20% higher than those who don't use integrations, then the ROI becomes:

> Number of customers renewing without integrations: 100
> Number of customers renewing with integrations: 120
>
> Additional revenue due to integrations: Average revenue per customer X Additional customers due to integrations
>
> =5000 X 20
>
> =~USD 100,000

Total Cost Saved with Unified APIs

Once you have a clear picture of the revenue derived through integrations, let's look at how unified API makes this revenue realization faster, greater and better:

Note: Typically, it takes a SaaS developer 4 weeks to 3 months to build and launch just one API integration — from planning, design and development to implementation, testing and documentation. The number can be as high as 9 months. For the sake of simplicity, we will take the most conservative number i.e. the minimum it would take you to launch one customer facing integration – 4 weeks.

Assumptions:

Salary of a developer:	**USD 125K**
Average time spent in building one integration	**4 weeks**
Average time spent on maintaining integrations every week:	**10 hours**

For the sake of simplicity, we have not considered the fees many systems charge for using their APIs

ROI attribute	DIY/ Build In-House	Unified API
Cost associated with building integrations. (per integration)	**{No. of developers X No. of weeks spent in (building integrations + iterations + shipping) X (Average annual salary/52)}** Cost of building 1 integration in-house = {1X (4+1+1) X (125K/52)} =~USD 15K/ integration	Knit is available at $999/ mo for all available connectors i.e., 40+ integrations. The basic plan with all available integrations starts only at $249/ mo Pick a customized plan
Costs associated with managing integrations. (weekly)	**No. of developers involved in maintenance X No. of hours spent on maintenance X Average weekly. salary/40** Weekly cost of maintaining integrations in-house =1 X 10 X (2400/40) =~USD 600/ week	Nil, Knit unified API takes care of maintaining the health of all integrations
Additional cost of scaling integrations	**No. of integrations needed X Cost of building one integration.** Cost of 15 integrations (average needed by any company) = 15 X 15K =~USD 225K	No additional cost. By connecting once with Knit, you get access to all present and future integrations supported by Knit. Plus, you can request new integrations free of any charge.
The total annual cost of building and maintaining integrations	**(Total number of integrations needed X Cost of one integration) + (Weekly cost of maintenance X 52)** = (15X15K) + (600X52) =~USD 250,000/ yr	The monthly cost of integrations X12 =999 X 12 =~USD 12,000/ year

From a simple cost perspective, the ROI of using a unified API vs a DIY approach translates to 15X cost savings in direct monetary terms.

Other RoI Metrics

Some of the other areas to gauge the increase in ROI with unified API include:

Assumptions:

Annual revenue per customer:	**USD 5,000**
Minimum average time spent in building one integration:	**4 weeks**
Average annual revenue of a big deal:	**USD 70,000**
Average time spent on maintaining integrations:	**10 hours/ week**

ROI attribute	DIY/ Build In-House	Unified API
Time to market annual revenue. (Assuming revenue from day 1 after you hit the market with 10 customers)	**(52- Number of weeks spent in building and managing integrations) X (annual revenue per customer/ 52)** With ***only one*** integration needed, the revenue based on TTM becomes. =(52-17) X (5000/52) =~USD 3,365/ customer	Unified APIs only take hours to connect. Revenue based on TTM for a year. =USD 5,000/ customer
Revenue from big deal closure (Assuming the customer needs 5 custom integrations and revenue inflow starts once the integration process is complete)	**Realized revenue =** {(52- Number of weeks spent in building integrations) X (average revenue for a big deal/ 52)} {Cost of building 1 integration X No. of additional integrations needed} = {(52 - 6) X (70,000/52)} - {15000 X 5} = {62000} - {75000} = ~-USD 13000 for the first year	Realized revenue = Average revenue for a big deal (No extra time or cost spent on adding new integrations) = ~USD 70,000

Each new integration has the potential to unlock ~USD 25K or more to your revenue base each year.

It is evident that both from a cost and income lens, a unified API brings along significant ROI which reflects tangible impact on the business revenue.

Note: We have taken a very conservative measure while choosing average time to build integrations, average developer salary and number of people associated with building integrations.

In reality, one integration can take up to a quarter to build one integration, the average annual compensation package of a developer can be up to $250,000 and along with one or more developer(s), a single integration also requires the bandwidth of

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