

lendio

WHAT YOUR CUSTOMERS WANT: UNLOCKING NEW REVENUE STREAMS WITH EMBEDDED LENDING



Welcome to the new frontier of integrated financing.

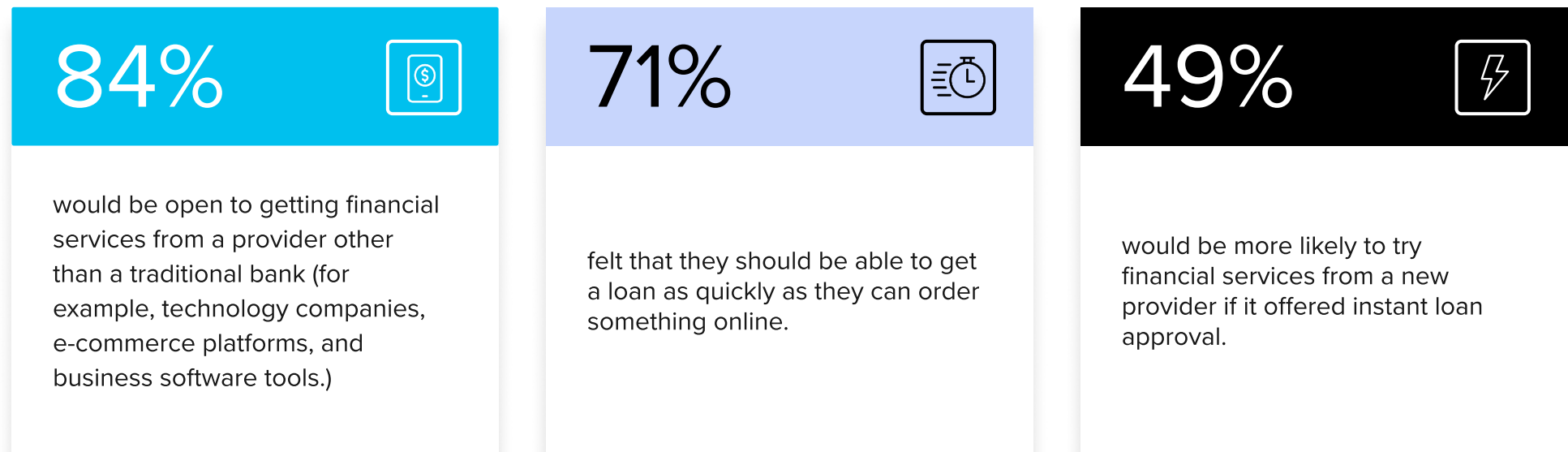
Small and medium-sized businesses (SMBs) are turning to a new wave of business financing solutions, shifting away from traditional brick-and-mortar lenders. With only 31% getting all of their financing needs fulfilled by traditional outlets, a new breed of financial providers is stepping in to fill the gaps. Who are these providers, what's driving this shift, and how are they doing it?

Ecommerce platforms like Shopify have a deep understanding of their users' daily store activity and can reliably forecast future sales as well as their ability to repay an extension of credit or capital. This makes it possible for them to provide instant low-risk financing offers to their users natively within their own user-interface. Similarly, processors like Square are able to see their merchant's daily card transactions and power underwriting models in order to provide timely capital offers within their own merchant portal.

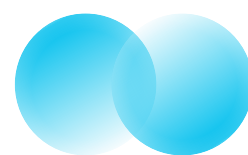
The types of companies who can enhance their product suite and deliver native access to capital extends beyond those who gather financial/transactional data from their customers to any platform where their users are engaging with their product on an ongoing basis.

Are SMBs actually open to non-traditional lending?

Yes. Shopify's data alone tells us that customers who have received capital from their platform have an average of 36% higher sales. In addition to the efficacy of embedded financing, SMBs are actually demanding this type of experience.



There is no shortage of compelling feedback signaling end-user demand for alternative avenues of business financing. A study conducted by Bain Capital revealed that “end users increasingly prefer the convenience of using payments, lending, insurance, and other financial services embedded in their day-to-day software, rather than accessing standalone services from traditional financial institutions.”



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—Bain Capital

Why isn't everyone building their own lending platform?

Sixty two percent of non-financial service providers plan to explore offering credit and lending to their customers, and 80% of U.S. companies say financial services are essential to their future success or rank among their top strategic priorities. Nevertheless, many companies are hesitant to launch their own lending platform due to several critical reasons:



So what can my business do now?

Consider your suite of service options that you currently provide—there is close alignment if you are a vertical SaaS provider, merchant processor, marketplace, or adjacent financial services provider. The research and data above tells us that your customers would love for you to provide this solution so it's seemingly only a matter of when and how. If speed-to-market, cost effectiveness, and/or categorical expertise are important to you, you may look to partner with a provider who offers turnkey solutions for embedding business lending. The benefits associated may be:

- **Accelerated speed-to-market:** Depending on your brand requirements and desired customer experience, there may be lighter integrations to get you to market in weeks instead of months.
- **Lower engineering costs:** Partners who provide these services have taken on the brunt of development work required to launch a lending product.
- **Multiple loan options out-of-the-box:** You aren't limited to revenue-based products or single loan types. Not all businesses are created equal; neither are the loan products in-market.
- **Marketing best practices:** Partners have done this before. They are buttoned up on the value props and positioning this type of service needs to maximize adoption.

This category is still nascent and there will certainly be first-mover advantages of providing this service sooner than later. Experts predict the embedded finance category will grow by over 500% by 2026 with conservative revenue estimates coming in over \$1.3 billion. If you'd like to further explore embedded lending options, you can reach out to the team here at Lendio—we'd love to chat.



About Lendio

Lendio is the nation's leading small business financial solutions provider. With its diverse network of lenders, Lendio enables small business owners to apply for multiple business financing options with a single application. To date, Lendio has facilitated more than 330,000 small business loans for more than \$12 billion in total funding, including \$9.8 billion in PPP loan approvals as part of government COVID relief. In addition to creating access to small business capital, Lendio offers time-saving financial SaaS products designed to streamline business operations. Lendio is a values-driven organization striving to provide equal access to capital to underserved communities and America's smallest businesses. For every new marketplace loan Lendio facilitates, Lendio Gives—an employee contribution and employer-matching fund—provides a microloan to low-income entrepreneurs worldwide. In addition, Lendio ranks on Fortune's Best Workplaces in Financial Services & Insurance and Inc.'s Best Workplaces three years in a row. More information about Lendio is available at www.lendio.com/partners.

¹ <https://www.fedsmallbusiness.org/survey/2022/report-on-employer-firms>

² https://assets-global.website-files.com/613a0c11c446a1558ce5db7e/633b3fbd3c68511ed781cf42_the-state-of-business-finances-research-report-october-2022.pdf

³ <https://www.baincapital.com/sites/default/files/Embedded-Finance-What-It-Takes-to-Prosper-in-the-New-Value-Chain.pdf>

⁴ <https://9129231.fs1.hubspotusercontent-na1.net/hubfs/9129231/Embedded%20GTM%20Files/Galileo-Juniper-Research-ebook-2022.pdf>

⁵ <https://www.forbes.com/sites/forbesfinancecouncil/2022/05/25/embedded-finance-can-be-a-game-changer-for-nonfinancial-businesses/?sh=35aa722046b0>