

Pipe Capital

Embedded Capital Playbook for Vertical SaaS Companies

Introduction: The evolution of embedded finance



Embedded finance is transforming financial access by allowing software platforms to integrate solutions like working capital. This not only helps small businesses access funding more efficiently, but it also creates new revenue opportunities for platforms.

For Vertical SaaS providers and payment processors, embedded capital is a particularly powerful tool. With deep customer insights and first-party data, they can offer tailored financial solutions that increase customer loyalty and drive revenue growth—turning their platforms into indispensable hubs for their industries.

In this playbook, we'll break down key considerations for launching embedded capital, including:

Risk management

Capital markets and liquidity

Go-to-market strategies

Building vs. partnering with a fintech provider

But first, let's start with why embedded finance matters—both for small businesses and for platforms looking to grow.

If you've grabbed this guide with one particular topic in mind, feel free to use the contents below to jump straight in, or keep reading to see how it all fits together. Before we dive into the how, we'll start with why: Why 2025 is a pivotal year in embedded finance, why Vertical SaaS and payment processors are uniquely positioned to capitalize on it, and why it matters to the small businesses that make up the core of our economic engine.

Why launch embedded capital?	3
Embedded capital as a revenue growth engine	4
Step 1: Secure the \$\$\$	5
Step 2: Get the underwriting right	9
Step 3: Build your go-to-market playbook	12
Should you build a capital product or partner with fintech?	14
How Pipe helps vertical SaaS companies scale embedded capital	16

Why launch embedded capital?

The problem in numbers:

77%

of SMBs worry about access to capital

53%

of SMBs report having no current access to credit
(PYMNTS Intelligence)

One of the biggest challenges for small businesses is securing capital. Traditional lending relies on outdated credit models, long approval times, and rigid requirements that don't fit many modern business models.

Embedded capital removes these barriers by integrating funding directly within the platforms SMBs already use—offering faster, more flexible financing based on real-time business performance rather than outdated credit scores or collateral. By underwriting based on transactions, embedded capital can make funding available to a wider range of businesses—including smaller and woman- or minority-owned businesses that are often underserved by traditional finance—while eliminating most of the legwork of manually applying for financing.

This is not just a customer benefit. Platforms that integrate embedded capital position themselves as critical growth partners for their customers while unlocking a high-margin revenue stream.

Key Takeaways: Closing the capital access gap for SMBs



SMBs struggle with financing. Traditional lenders rely on outdated credit models, leaving many small businesses without access to capital.

Embedded finance removes barriers. By offering financing directly within software platforms, SMBs get faster, more flexible funding.

Real-time data improves access. Instead of rigid credit scores, financing is based on actual business performance.

The need is urgent. 77% of SMBs worry about access to capital, and 53% report having no current access to credit

Embedded capital as a revenue growth engine

Adding embedded capital to a platform isn't just about solving a pain point—it's a strategic business move that increases revenue and strengthens customer relationships.

Higher customer lifetime value (LTV)

Offering capital or financial services makes your platform stickier, reducing churn and increasing engagement.

New revenue streams

Embedded offerings like payments and capital can drive significant additional revenue with minimal overhead.

Deeper customer integration

When your platform powers core financial operations, customers rely on it more—boosting retention and expansion opportunities.

Monetizing embedded finance is just the first step. To scale efficiently, platforms need to think about liquidity, risk management, and whether to build their own financial products or partner with a fintech provider. In the following sections, we'll explore three key steps to launch a capital offering on your platform.

Key Takeaways: Embedded capital as a revenue growth engine	
It's more than a value-add. Embedded finance is a high-margin revenue driver for platforms.	Expand your ecosystem. Financial tools turn a SaaS platform into an indispensable hub for customers.
Boost customer lifetime value (LTV). Offering financial services makes platforms "stickier," increasing retention and engagement.	Partnerships accelerate growth. Fintech providers allow software companies to integrate finance without building from scratch.

Step 1: Secure the \$\$\$

For those building their own embedded financial products, access to capital markets is a critical growth enabler. By leveraging debt financing, platforms can scale their offerings without carrying the full financial burden on their balance sheets. However, navigating the capital markets requires careful planning, strategic alignment, and a solid understanding of available financing options.



Key considerations for capital market alignment

When securing debt capital, it's crucial to align your chosen instrument with your business's liquidity requirements, growth trajectory, and risk tolerance:

Liquidity requirements

Platforms offering embedded finance need to be able to meet customer demand quickly. For high-volume origination, warehouse facilities provide the liquidity needed to scale quickly and efficiently.

Growth projections

Predictable growth calls for scalable solutions. Forward flow agreements, for instance, grow in tandem with your platform's origination activities, ensuring that your financing evolves alongside your needs.

Risk tolerance

Different debt structures carry varying levels of risk. Fund structures may offer stability but come with stringent covenants, while corporate revolvers require disciplined cash flow management to avoid liquidity crunches.

Reporting requirements

Platforms must maintain accurate financial records, compliance reports, and key performance metrics to ensure regulatory adherence and investor confidence, which can be a significant task.

Step 1: Secure the \$\$\$

Matching the right debt instruments to your needs

Choosing the appropriate type of debt capital is essential to aligning financing with your platform's growth goals. Here's a breakdown of common debt instruments and their applications:

Debt instrument	Primary use case	Advantages	Potential risks & considerations	Best fit for
Corporate revolvers	Short-term liquidity, managing operational cash flow	Flexible access to capital, reusable credit line	Often comes with covenants and variable interest rates	Platforms needing short-term working capital
Warehouse facilities	Funding loan origination activities	Provides immediate liquidity backed by collateral	Requires asset-backed structure and ongoing compliance	High-growth platforms issuing loans
Forward flow agreements	Ensuring steady liquidity for loan origination	Predictable funding, offloads credit risk to investors	May involve pricing constraints and investor dependency	Platforms scaling embedded finance programs
Fund structures	Long-term stability for financing activities	Enables institutional capital access, scalable	High setup costs, regulatory and compliance complexity	Mature platforms seeking sustainable financing

Step 1: Secure the \$\$\$

Avoiding common pitfalls

Selecting the wrong debt instrument can lead to misaligned expectations, increased costs, and operational disruptions.

For example:

- A platform relying on a corporate revolver during rapid growth may quickly hit its credit limit, stalling operations.
- Conversely, securing a warehouse facility could ensure sufficient capital to meet high demand, supporting both customer satisfaction and business expansion.

Building relationships with capital providers is key to securing favorable terms and aligning financing with your goals. It's important to choose a capital provider with a good reputation who understands your business model and is willing to support your long-term objectives. Transparency during due diligence is an important starting point to building trust with your capital provider, which will not only make it easier to work together but also allow you to better negotiate terms that minimize hidden costs and prioritize scalability and flexibility.



Step 1: Secure the \$\$\$

The path to scale

By aligning your embedded finance offerings with the right debt structures, you can scale your platform efficiently while maintaining financial stability. Leveraging external capital markets allows you to expand your product ecosystem, deepen customer engagement, and unlock new revenue streams.

Securing the right capital is only half the equation. To maximize success, platforms must also develop robust risk models that accurately assess borrower eligibility. Traditional credit scoring isn't enough—modern embedded finance solutions require real-time, data-driven underwriting to minimize risk while expanding access to capital. Let's break down how smarter risk models drive sustainable growth



Key Takeaways: Secure the \$\$\$



External funding enables scale. To grow a capital program without taking on too much balance sheet risk, platforms must tap into capital markets.

Align financing with business needs. Each debt instrument suits different liquidity, risk, and growth profiles—selecting the right one is critical.

Choose the right structure. Debt financing options include corporate revolvers, warehouse facilities, forward flow agreements, and fund structures.

Miscalculating can be costly. Poor capital alignment can cause higher costs, credit constraints, or operational slowdowns.

Step 2: Get the underwriting right

Historically, lending to SMBs has favored large, well-established businesses, leaving younger companies with limited financial history struggling to secure funding. Traditional underwriting relies on financial statements and bureau data, which:

- Prioritize businesses with robust accounting infrastructure, excluding many early-stage SMBs.
- Offer only a static, point-in-time view of financial health, rather than real-time performance.
- Rely heavily on personal credit scores, creating barriers for entrepreneurs who already face high credit utilization.

As a result, many small businesses are caught in a cycle where their lack of credit history prevents them from accessing the capital needed to grow.

The early wave of fintech innovation after the 2008 financial crisis sought to solve this problem by utilizing bank cash flow data along with traditional credit data for their underwriting algorithms. While this approach improved access for some, it still had critical limitations:

- It continued to rely heavily on traditional bureau data, limiting access for businesses with low credit footprints.
- It depended on direct channels for customer acquisition, increasing cost and fraud risk.
- It lacked the data granularity to give pre-approved offers, leading to too many disqualified, and ultimately dissatisfied, customers.

The best customer experience comes from pre-approved capital offers which require real-time revenue data, reducing friction for businesses and increasing access to capital. This is one of the biggest advantages for vertical SaaS companies looking to embed. Your first-party transaction data can be the foundation of a whole new level of financial access for your customers.

Grow your business instantly with up to \$50,000 in capital

Take advantage of every opportunity and keep your business running smoothly with [partner name] Capital. Use what you need, when you need it.

Unlock Capital



Step 2: Get the underwriting right

Striking the balance between accessibility and profitability

By providing funding within the digital ecosystem SMBs already use, embedded capital products can rely on your cross-sell motion, reducing CAC, improving conversion rates with real time offers, and reducing risk—benefiting both businesses and providers

- More accurate risk modeling based on actual business performance.
- Simplified access to capital, with offers based on as little as 6 months of revenue rather than years of credit history.
- Higher approval rates, since underwriting models adapt to each industry's unique financial patterns.



Step 2: Get the underwriting right

Pre-approved vs. pre-qualified

A modern underwriting approach doesn't just expand access to capital—it also improves the quality of funding offers. By leveraging real-time transaction data instead of static financial statements or credit scores, embedded finance providers can move beyond pre-qualified estimates to pre-approved offers that are faster, more reliable, and more attractive to customers.

Traditional underwriting relies on manual reviews and outdated financial reports, leading to slow approvals and inconsistent funding decisions. Pre-qualified offers—based on limited financial data—often require further verification, resulting in higher customer drop-off rates.

By continuously analyzing transaction data, embedded finance providers can often pre-approve a larger percentage of customers, making capital available with minimal friction. This approach streamlines the funding process while ensuring offers are accurate, actionable, and aligned with business performance.

Why pre-approved offers benefit vertical SaaS companies and their customers

Frictionless customer experience

- **Faster funding:** Offers are ready when customers need them, without lengthy applications or delays.
- **Higher confidence:** Businesses know their offer is real, eliminating uncertainty and reducing frustration.

Increased revenue and scalability

- **Higher activation rates:** Pre-approved offers drive 30-50% higher activation than pre-qualified ones, since there's very little friction in the process.
- **Automation-first approach:** Data-driven underwriting can eliminate many manual checks and allow fully-automated approvals for many customers.

Key Takeaways: Get the underwriting right	
Traditional underwriting doesn't work for SMBs. Credit scores and static financial data exclude many viable businesses.	Better risk models attract more capital. Investors prefer data-driven credit decisions over traditional lending criteria.
Embedded finance enables pre-approved capital offers. Platforms can offer capital based on real-time transaction data rather than outdated reports.	Pre-approved > Pre-qualified. Pre-approved offers have higher conversion rates and lower friction, leading to greater customer adoption.

Step 3: Build your go-to-market playbook

As we navigate 2025, platforms have more embedded finance options than ever—ranging from payments and banking to payroll and capital. However, the key to success isn't just choosing the right financial products to embed. It's crafting a Go-to-Market (GTM) strategy that ensures product adoption, customer satisfaction, and sustained growth.

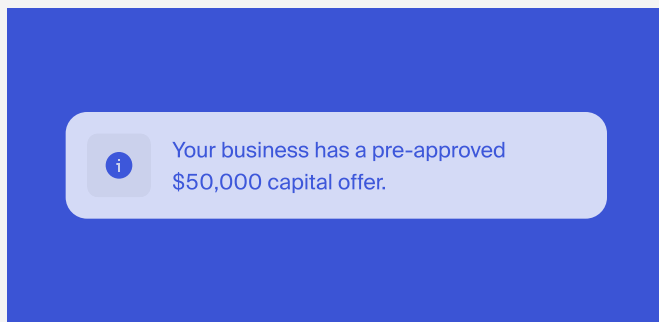


Creating a tailored go-to-market playbook

A one-size-fits-all approach doesn't work. Each platform and its customer base are unique, which is why a tailored GTM playbook is essential.

The first and most crucial step in this process is deeply understanding your customers. This means identifying customer segments, analyzing their pain points, and learning how they interact with your platform. With this foundation, you can create educational content and assets that resonate with end-users, and messaging and tones designed to prompt action from SMBs.

Monitoring metrics like Net Promoter Score (NPS) at launch provides real-time feedback to refine your approach and address issues proactively. By creating a flexible, customizable playbook, you'll be better positioned to meet customer needs and adapt to changing dynamics.



Embedded marketing for embedded products

The best approach varies, based on how your customers use your product and where they spend their time. In-product messaging—like tooltips, banners, and pop-ups—can drive awareness and engagement. Multi-channel marketing efforts, including direct mail campaigns and outbound call support, amplify this impact, especially if your users don't visit in-product pages or dashboards on a daily basis.

Step 3: Build your go-to-market playbook

Supporting sales and customer success

Providing a human touch is crucial for embedded finance adoption, particularly for complex offerings like capital advances. Personalized support can double average funding amounts and improve trust. While self-serve onboarding creates a streamlined experience, some will seek more personalized assistance.

At Pipe, approximately 30% of customers have been sales-assisted. For those customers, we’ve found they’re mostly looking for an extra boost of confidence that they understand exactly what to expect and that they’re making the best possible choice for financing. When those customers reach out and have a revenue associate to speak to, it results in a 2x higher average advance compared to self-serve customers.

2X

Higher average advance for sales-assisted customers compared to self-serve customers.

No matter how good your technology is, it’s crucial to have the right people as well. This is especially true when you’re serving smaller businesses, as they may be less familiar with high-tech solutions and may not have dedicated technical or financial staff to bring their questions to.

If you’re building an embedded solution in-house, make sure your staff is ready to provide this level of support. If you’re partnering, consider the importance of support as part of the package. By providing this hands-on support, you can drive higher conversion rates and customer satisfaction.

Beyond assisting with onboarding, Pipe offers comprehensive support for partners, including training their teams, acting as an extension of their customer support, and re-engaging users who drop out of the funnel.

As you consider your GTM strategy for embedded finance, remember that a tailored, adaptable playbook can make the difference between an average launch and transformative success.

Key Takeaways: Build your go-to-market playbook	
Customer education is key. Platforms must explain the benefits of embedded finance to drive adoption.	Multi-channel strategies work best. Combine email, SMS, and outbound calls to maximize conversion.
Use in-product messaging. Tooltips, banners, and notifications increase visibility and engagement.	Sales assistance increases adoption. At Pipe, sales-assisted customers take 2x larger advances than self-serve users.

Should you build a capital product or partner with fintech?

Building an in-house capital solution may seem attractive, but it requires deep expertise, regulatory compliance, and significant resources—challenges that can slow time-to-market and increase costs. To succeed, a capital product requires:

Seamless customer access

Targeting the right businesses at the right time, with low acquisition costs and high conversion rates.

To succeed, a capital product requires:

Proven risk models

Reliable underwriting requires years of historical data and iteration to optimize for both accessibility and sustainability.

Access to capital

The ability to fund capital at scale depends on executing all the above successfully, so you can access external capital instead of carrying everything on your balance sheet.

Consistent and structured data

Underwriting small businesses is challenging due to fragmented and inconsistent financial data.

Operational efficiency

Automation is crucial to keeping overhead low, as margins in capital and lending can be thin.



While vertical SaaS companies have an edge in customer access and data quality, they often lack underwriting expertise, operational efficiency, and access to external capital markets. Even large financial platforms with significant resources have struggled to build these functions in-house.

For most software companies, the question isn't just "can we build?" but rather "should we?"—especially when strategic partnerships offer an alternative path to success.

Should you build a capital product or partner with Fintech?



Partnering for speed and success

Rather than building a capital product from scratch, software companies can partner with Fintech providers to integrate embedded capital seamlessly. The benefits of working with the right fintech partner include:

- A pre-built embedded finance solution allows you to launch capital products in weeks, not months or years.
- Fintech partners specialize in risk modeling, enabling pre-approved offers based on live data rather than outdated financial statements.
- Capital markets expertise ensures access to funding at scale, allowing you to provide competitive financing to your customers.
- Embedded finance providers offer various integration options, so you can match your needs and resources.
- Some solutions allow full branding control, ensuring a native look and feel without the burden of in-house development.

Key Takeaways: The build vs. partner decision



Building is complex. A capital product requires risk modeling, underwriting expertise, compliance, and capital access.

Consider branding and control. Some fintech partners offer white-label solutions that maintain platform identity.

Partnerships speed up time-to-market. Established fintech providers allow platforms to launch in weeks, not years.

The right choice depends on resources. Platforms with strong in-house financial expertise may build; others benefit from turnkey solutions.

How Pipe helps vertical SaaS companies scale embedded capital

At Pipe, our focus is on building embedded capital and other financial tools for SMBs that are easily embedded into the software they use to run their businesses. By partnering with Pipe, you can launch a capital product in as little as a few weeks without building from scratch.

It starts with your first-party data, securely shared through a seamless integration, which allows capital offers to be created for your customers before they take a single step to apply.

Pipe's evolved underwriting models are designed for SMBs and can be tailored specifically to your industry, optimizing the offer size and cost of capital for your customers. With funding in place to originate up to \$1 billion in advances, and an expert capital markets team, you'll never need to identify funding sources or risk funding from your own balance sheet.

You can surface capital offers directly in your software—through a Capital tab inside your product or a banner on the screens your customers see most often—and increase visibility and activation through a tailored Go-to-market plan, including emails, SMS, direct mail, and more.

Beyond activation, our embedded unbiased support team is available to train your team on Capital or offer white-labeled chat and phone support. While most embedded capital providers offer only email support, testing has shown that when customers can get their questions answered by a real person, they're 30% more likely to utilize your capital product and take offers as much as 2x larger.

Ready to transform your platform with embedded capital? Contact the Pipe Partnerships team today to explore seamless, scalable solutions tailored to your industry.

