

# Delivering a Rewarding Customer Experience...



## One Click, Swipe – and Wave of your Smartphone – at a Time

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**W**ould you like to catch a glimpse of the future of buying a car? Check your smartphone – because consumers have been checking theirs.

During the automotive industry’s steady climb out of the recession, the world of automotive retailing changed dramatically and so did the way consumers shop for vehicles.

As a result, there are far fewer dealerships today to serve far more consumers – and the shopping behaviors and expectations of those consumers are far different than the car shopper a decade ago.

Consumers shopping for a vehicle or walking into a dealership today now compare the experience of buying and servicing a car to a set of standards created by *other* retailers. They expect a rewarding, personalized retail experience that helps them find *their* car, not just *a* car.

Those consumers also are increasingly using mobile devices to shop and select their vehicles online – and find the retail experience they’re after. According to McKinsey, consumers now physically visit only 1.6 dealerships on average; that number used to be five.

With mobile devices in hand, those consumers also are becoming “hyper-engaged” online, no matter where they are. Millennials are arguably the most “connected” demographic. They now are also the *biggest* generation, outnumbering Baby Boomers by nearly 10 million – and counting.

Diane Swonk, chief economist at Mesirov Financial, points out that “our whole consumer model” has been based on the Baby Boom generation and demographic. But now, the coming generation of Millennials (ages 18-34) is “setting up a whole new consumer model.”

One dimension of that new consumer model led by Millennials is the expectation for convenient payment options for any retail transaction – online, in-store, and smartphone – which helps define a rewarding, retail-friendly experience.

- Millennials already are early adopters of “mobile wallets.” More than half of the people who use “mobile wallets” are in the Millennial demographic.

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- *Business Insider* reports that mobile in-store payments will reach nearly \$190 billion in the next five years – a compound annual growth rate of more than 150 percent.
- By then, nearly 90 percent of U.S. retailers also are expected to have implemented a mobile (portable) Point of Sale system, adding even more efficiency and flexibility for the retailer – and convenience for the consumer.
- Apple Pay likely will bring mobile, in-store payments to the mainstream, based both on a consumer “trust factor” of the Apple brand and features in Apple Pay that address security and privacy.

Consumers across all demographics increasingly expect convenient choices for when and how they pay for products or services. It’s one more dimension that helps define a rewarding, retail-friendly experience – including the dealership experience.

Dealerships that don’t offer a mix of payment options for consumers immediately create a point of friction for the consumer.

- Why can’t I put down a deposit on the dealer’s website for the car I want to buy?
- Why can’t I review my vehicle’s service invoice online and pay directly from a link in the service email the dealership sent me?
- Why can’t I pay using my smartphone’s “mobile wallet” app the way I can at other retailers?

As dealerships become even better at retailing – at creating a complete “retailing engine” throughout every touchpoint between the dealership and the consumer – electronic payment options can help fill a business and consumer gap across every retail interaction.

But adopting those payment options can be easier said than done.

Here’s what you need to know – and do – to add secure, electronic payment options in the dealership.

### **First, deliver a full range of options for customers.**

Aim for the broadest mix of electronic payment options that will deliver the smoothest retail experience with the dealership. That mix should include physical credit and debit card transactions, online transactions, electronic funds transfers, and mobile applications of “virtual” credit and debit cards.

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**...those payment activities should function as an essential, integrated part of the dealership management system (DMS)...**

**It takes the right technology and the right technology partner to make electronic payment options effective...**

That mix should also allow consumers the choice of how and when to pay, in the form and the place that's most convenient for them: in the store, online, over the phone, or on a mobile device, and with cash, by check, with a credit or debit card, or with a mobile wallet.

Accepting payment in a full range of online and in-store options can provide a more consistent and frictionless retail experience across all channels, regardless of where – and how – the consumer interacts with the dealership.

### **Second, make electronic pay options central to your business – not an afterthought.**

To gain the expected business efficiencies and consumer benefits from electronic payments, those payment activities should function as an essential, integrated part of the dealership management system (DMS), with any payment activity automatically recorded one time in the DMS without additional keystrokes.

This level of integration and connectivity can help save time and steps for dealership employees, making their activities more productive and less prone to error. It will also add more flexibility and convenience for consumers.

Too often in the past, the limited payment processing options and infrastructure in a dealership were disconnected from the DMS.

With the right level of DMS integration, dealership personnel can notify consumers by email that the service or repair for their vehicle has been completed – and how to pay online or at the dealership.

- Payment receipts can be sent back to the consumer by email.
- Alerts can be added to the service and parts invoicing to indicate an online payment has been submitted or completed.
- And customers can even pay while sitting in the dealership's customer lounge, once they receive their electronic notification that the vehicle service or repairs are complete.

### **Third, start at the back, not the front.**

The back-end payment processing technology and infrastructure are as important as the front-end consumer experience and convenience. It takes the right technology and the right technology partner to make electronic payment options effective – delivering an optimal consumer experience and gaining the best benefits for the dealership's operations.

**... many dealers already are preparing to move to newer, safer, and more effective payment technologies.**

With new rules on protecting credit card transactions (by adding “smart chips” to the cards) set to take effect later in 2015 in the U.S., many dealers already are preparing to move to newer, safer, and more effective payment technologies. (The new rules also include language about “liability shift” that are worth noting and understanding.)

Dealers preparing to move to these newer payment technologies should ask their technology provider about security features to help meet compliance with regulations across payment channels and about safeguards for protecting consumer information and dealership operations.

When working with your technology provider, consider the following technology and security options:

- “Point-to-Point Encryption” adds a layer of protection for point-of-sale terminals to “mask” credit and debit card information.
- “Tokenization” is a second layer of protection at the point of sale to further “mask” card information.
- Embedded chip technology is the next step in the evolution of security for physical credit and debit cards and is a more common choice outside the U.S.
- And “cashless transactions” with a “virtual” credit card, such as Apple Pay and Google Wallet, are one more evolution from physical plastic.

### **Delivering the future in the dealership – on a smartphone, tablet, or desktop online.**

In the changed world of automotive retailing, dealers are facing pressures to operate more productively and efficiently, yet deliver an even more retail-friendly, frictionless, and rewarding experience to their customers – whose shopping expectations and behaviors are continuing to change.

Consumers want to be in charge of the payment experience; they no longer want to hand credit cards to a cashier. They prefer to keep the card in their possession and swipe or insert it into the payment terminal, or pay online and store the card for future use as they do with Amazon and other online retailers.

Electronic payments are one step in developing a complete retail ecosystem in the dealership – and in meeting the expectations of today’s consumers.

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With the right electronic payment processing technology, dealers can offer consumers more convenient, secure purchase options in the store, online, over the phone, and on mobile devices.

At the same time, electronic payments can improve the efficiency and effectiveness of dealership personnel.

Check your smartphone again – and welcome the future of buying a car.

Visit [www.reyrey.com/whitepapers](http://www.reyrey.com/whitepapers) to read more about how the automotive industry is changing.

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