

# The new 'smart' car: An introduction to connected car payments

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## **The what: What are connected car payments?**

Connected car payments are a subset of connected car technology. Connected cars are vehicles with technology integrated into the user's daily life that allow the vehicle to communicate with other, external tech. Connected cars have been around for years. For example, a vehicle with a built-in navigation system linked to external GPS is a connected car.

[Connected car payments](#) integrate traditional payment methods, like credit cards, into a connected car, thereby allowing the user to access surrounding commerce without ever leaving the vehicle.

## **The why: Why you should care about connected car payments**

At first blush, connected car payments may seem redundant. Why would I want to pay for anything through my car? Wouldn't it be more convenient to pay with my smartphone or even my smartwatch?

Though connected car payments are still in their infancy, big name brands in the payments space, **Visa** and **Mastercard**, and the auto space, **General Motors** and **Honda**, are investing in connected car payments. Public prototypes of in-vehicle payments technology are still geared to the way most people use their cars in 2021. This means the tech focuses on paying for gas without having to touch a grimy keypad at the local filling station — a concept that, though more appealing now due to the pandemic, still makes a mundane chore only slightly more interesting.

The real future for connected car payments expands with the advent of mainstream self driving or fully autonomous vehicles. When I can send my vehicle out to grab coffee for me, or activate my car to make money for me by operating as a taxi while I work from home, that is when connected car payments will be crucial.

## **The how: How are connected car payments made?**

Bringing connected car payments into the mainstream requires both hardware and software.

Hardware includes the tangible items that allow the vehicle user to link with the in-vehicle payment system. This may include a retinal scanner in the vehicle's dashboard or a one-touch fingerprint scanner in the center console that allow the user to log in to their accounts.

The software must simply allow the user to send and receive payments via the vehicle's user interface. The simplicity of this requirement is what makes it so enticing. The possibilities for multilayered partnerships between and among the vehicle manufacturer, payments providers, and external merchants open new revenue streams and connect industries that otherwise lack an opportunity to integrate.

At its core, connected car payments require at least one party with a deep understanding of how payments move, such as payment rails, clearance and settlement. In the United States, payments systems are currently modernizing to allow for "real-time payments," which enable the movement of funds in a faster and more secure manner. This may open opportunities to more participants in the payments industry.

Another core aspect of connected car payments will be user privacy and customer identification. Ensuring data privacy and protection will be a top priority as this product emerges. Layered on top of data privacy concerns are more traditional customer identification concerns, such as: How do I ensure that my child can't send the car out to grab dinner without my consent? These are all key points of consideration in the development of in-vehicle payments systems.

#### **Takeaways: Connected car payments offer exciting opportunities**

Connected car technology and in-vehicle payments systems are poised for growth. Partnerships between car companies, payments providers, and merchants offer enormous opportunity for creative collaboration and revenue expansion. This innovation will be a top trend for the auto industry and payments providers to track in coming years.

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