



Accelerating the future of the used car market



How Plaid is helping make the company's vision a reality

To live up to its promise of being a better way to buy a car, online used automotive dealer Carvana needed a financial technology solution to modernize and simplify its digital payment process. After extensively researching the market and even considering a DIY approach, the Carvana team selected Plaid for its ease of integration, superior usability, and projected cost savings.

The hassle of routing numbers

In allowing customers to browse, finance, and trade in cars exclusively through its website, Carvana offers a whole new way to shop for a vehicle. The company's rigorously inspected and reconditioned inventory comes without the haggling, middleman markups, or time commitment associated with traditional dealerships. What's more, Carvana's unique business model puts control in the hands of customers. Individuals can trade in a car, closely examine Carvana's extensive selection, secure financing, and complete a purchase any time of day or night, on any device, and from any location. And unlike many of its analog competitors, Carvana offers home vehicle delivery or Car Vending Machine pickup and a seven-day money-back guarantee on all purchases.

But despite its many advantages, prior to 2017, Carvana's payment process needed improvement. Up to that point, the then-four-year-old company had relied on traditional ACH to clear down payments. That meant customers had to first locate their personal checkbooks and then figure out how to input their correct routing and account numbers into Carvana's system. Customers found the experience cumbersome and inconvenient, and they often made mistakes and typos that invalidated payments.

ACH also resulted in inefficiencies for Carvana's operations team. In many instances of ACH payments, Carvana was required to hold three-way calls with customers and bank representatives to prove sufficient funds. The calls could last up to 30 minutes and had to be scheduled during standard bank hours, which many customers had difficulty accommodating in their schedules. As Carvana grew to about \$900 million in revenue, the simple act of verifying balances required an unsustainable allocation of resources.

"Plaid gives us more confidence in the documents we ask customers for, so we don't have to request W2s as often as we used to."

WYLIE KYI,
Senior Product Manager,
Carvana

Instant verification for the win

In response to its escalating inefficiencies, Carvana considered building its own processing platform but ultimately decided that it was beyond the company's in-house expertise. Turning to the fintech industry for a solution, Plaid emerged as Carvana's first choice.

Today, Plaid's Identity, Balance, and Transactions products fuel Carvana's market-leading usability.

“Everything is perfectly laid out, and any engineer, whether they’re junior or senior, will go into it and be able to understand how to hit these endpoints. Even I can do it.”

WYLIE KYI,
Senior Product Manager,
Carvana

“With Auth, customers who opt to pay digitally through their bank don’t have to reference their checkbooks or try to interpret which is a routing number and which is an account number,” said Wylie Kyi, senior product manager at Carvana. “They can sign in with the same bank username and password they use every day and then select which account to use to pay their down payment. That’s a huge win for our customers.”

For Carvana, Plaid also comes with many non-public-facing advantages. With Plaid Balance, for example, Carvana instantly knows if a customer’s available funds are enough to cover down payment, preventing overdrafts and costly NSF fees.

“Plaid lets us perform real-time funds verification,” said Kyi. “It gives us a lot of checks and balances before we ever move the vehicle.”

With Plaid Transactions, Carvana has access to the 60-day transaction histories of customers who opt to finance through Carvana. This enables the company to more easily confirm the stability of a customer’s income, reducing what was once a three-day approval process to two days.

“Plaid gives us more confidence in the documents we ask customers for, so we don’t have to request W2s as often as we used to,” said Kyi.

Driving profitability

Plaid also benefits Carvana’s bottom line. According to Kyi, preliminary models show that the company stands to save a significant amount of money within one year of its transition to Plaid.

For Kyi, that impact is especially impressive when he considers the low cost of setup and how easy it was to configure Plaid to Carvana’s platform.

“The technology is simple and gives us so much more velocity,” he said. “It took only about a month for basic implementation and another two months to really use the full suite of products, because we took our time experimenting to understand how Plaid was affecting our customers.”

When asked what advice he would give to others considering Plaid’s API for their products, he offered:

“I’d say just look at the documentation. Everything is perfectly laid out, and any engineer, whether they’re junior or senior, will go into it and be able to understand how to hit these endpoints. Even I can do it.”

plaid.com

info@plaid.com

Plaid is a technology platform and data network that enables applications to connect with users’ financial accounts. We focus on lowering the barriers to entry in financial services by making it easier and safer to use financial data. Today, we support developers across North America and Europe.