

## **Data Security as a Competitive Advantage**

Many companies understand value of good customer service, and the risks involved in mistreating a customer. They are sensitive to the fact that a customer treated badly may leave them for one of their competitors, and even worse, share their bad experience with their family and friends. Now consider the customer relations fall-out of suffering a data breach. A breach will get much wider coverage than friends and family, as it will likely be in all the media; television, print, radio and the Internet.

**By Philip Alexander**  
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One of the hardest things to do in the field of information security is to convince executive management to spend money to safeguard data. While companies will spend a great amount of time and resources trying to come up with new products that will draw customers into their stores, convincing the powers that be to spend millions on security is a tough sell. The reality is that the savvy executives are starting to realize that information security in and of itself can give their company a competitive advantage.

The American consumer can go to any number of companies to get a mortgage, apply for a credit card, or open a checking account. Companies will spend millions in research and advertising to find ways to put a slightly different spin on their financial products to try and attract more customers. With the growing awareness of identity theft and other data security issues, a company that can say they're secure would have a huge marketing bonanza on their hands.

To illustrate my point, let's look at some of the features available today from any number of companies selling mortgage products. The offerings includes things such as; lender paid appraisals, no cost refinancing if rates drop, no closing costs and more. With the advent of the World Wide Web, traditional institutions are also competing with a slew of Internet-based mortgage lenders. The competition is very keen, which of course is good for the consumer. It also means that the gimmick that your company is using to try and attract customers is being offered by any number of your competitors as well.

### **Security Sells**

Consider the marketing value in espousing how your company protects the privacy of your customers' personal financial information. Data security in the 21st century has as much marketing value as providing excellent customer service did in years past. While customer service is still very important, if you think consumers are unforgiving if treated rudely, how understanding would they be if you lost their data? A person that gets bad customer service may leave your company, and tell their circle of friends about the experience as well. Now, consider that potential customer loss with your company's latest data breach being featured on every television news channel and in every major newspaper across the country. A single data breach incident can reach millions of your customers because of the press coverage it will garner. A single bad customer service experience doesn't even come close.

Consider the market advantage for the financial institution that can go on television and tell the American consumer that the protection of their sensitive data is job one. What would be the potential benefit of an advertising campaign stating that your company doesn't send any customer data overseas? People know that the information security measures in countries such as India, Pakistan and Russia are not at the same level as those here in the United States.

Financial institutions should also consider the risk of conducting business with domestic companies with lax security controls. Do not accept millions of dollars of risk by sending sensitive information about your customers to a company with poor data security practices. Whether located here in the United States, or overseas if a potential service provider doesn't have stringent data security practices, walk away.

Don't be penny wise and pound foolish by sending sensitive customer information either overseas for the low cost labor, or to a domestic company with poor security practices.

### **Trust - The Most Important Service Offering**

The single most important commodity that companies such as financial institutions sell is trust. Arthur Andersen, a very old and well established accounting firm went out of business because they acted in a way that cost them the trust of the American consumer. While their demise was not due to a security breach, it does illustrate the importance of trust. How many data breaches could your company suffer before a loss of trust precipitated an exodus of your customers? Is what pushes your customers over the trust precipice the number of breaches, the size of the breach, or the appearance of poor security practices? The truth is that nobody can answer that question with a high degree of certainty. What is known is that companies that don't take the security of their customers' sensitive data seriously do so at their own risk. Data security is important, and lost trust is very hard to regain.

*Philip Alexander is the author of the book [Information Security: A Manager's Guide to Thwarting Data Thieves and Hackers](#) published by Greenwood Publishing*