

**Deloitte.**

## How franchisees can put your brand at risk

Mishandling customer  
information could make you the  
next newspaper headline



## Taking control of customer privacy

Franchising is widespread in industries like real estate, automotive, food and retail, and offers a range of potential benefits and synergies for both the franchisee and franchisor.

Technology transformation and disruption has meant that many of these sectors increasingly collect customer data in order to deliver personalised marketing or cross-sell financial services, yet the disaggregated nature of franchising means that customer data privacy, governance and culture needs increasing attention and oversight.

Recent incidents illustrate some of the inherent risk and governance challenges with the franchising model and the scope for the behaviour and practices of individual franchisors to cause material impact to the broader 'umbrella brand'.

### Privacy trust is a baseline expectation

Automotive franchise dealerships collect a wealth of information that is attractive to identity thieves. For example, a major area of growth in dealerships has been the focus on selling finance or leasing packages alongside the vehicle itself. This also means that dealerships often collect a wide range of information on a customer to ascertain their financial circumstances and satisfy the 'know-your-customer' requirements of the financial services regulator.

In the US, a number of car dealerships have felt the impact on their brand after failing to effectively protect their clients' data. Poor security protocols and a lack of awareness could lead to reputational damage and financial losses. An annual survey<sup>1</sup> in the US found that "84% of consumers would not go back to buy another vehicle from a dealership after their data has been compromised".<sup>2</sup> Further, in Australia, a recent survey conducted by Deloitte identified that 93% of consumers took action after experiencing a privacy issue.<sup>3</sup>

After having a privacy issue with an organisation:



Deloitte, Privacy Index 2016

### Disaggregation of systems, processes and culture

Disaggregation varies widely within franchising, which presents risk management and governance challenges. In sectors such as retail, there are typically common platforms deployed to each location and centralised marketing functions. However, in sectors such as real estate, the individual franchisees often have localised instances of CRM systems and processes, which presents a different risks for the franchisor, as it means that customer information can be sitting across a wide range of platforms with widely varying levels of control.

### Privacy framework

Franchisors need a process of handling customer information and mechanism to ensure an organisation maintains consumer trust to protect the brand from a breach. A privacy framework will set the standards for vendors and franchisees from the start. This may require an initial investment costs to conduct a privacy health

1 Total Dealer Compliance "2016 Survey Results"

"<https://www.dropbox.com/s/xrz1doi2awf2ag1/TDC%20Compliance%20Infographic.pdf?dl=0>"

2 Auto Remarketing, "84% of buyers would shun their dealership after data breach" 20 June 2016,

<http://www.autoremarketing.com/trends/84-percent-buyers-would-shun-their-dealership-after-data-breach>

3 Deloitte Australian Privacy Index 2016.

check to identify gaps, however the long term benefits will assist in the longevity of your brand and customer confidence and loyalty. Organisations that have a framework have a system that can be relied upon in the event of an incident and a way to respond in the event of an incident.

### **Do right by your brand**

As a franchisee, there is an obligation to act in good faith to a licensed owner. Without the right education, poor behaviours lead to poor practices, and this may put the private and confidential information of your customers at risk. Further, it is likely to lead to long term brand and reputational damage. By developing and applying a centralised framework across the brand, businesses can rest easy knowing dealerships and franchises have taken necessary steps to protect customer's private information. Dealerships and vendors are more likely to successfully implement this framework if it is provided by the franchisor rather than creating an ad hoc system as gaps appear. A centralised framework will also allow franchisors to manage risks consistently.

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**94% of people say that trust is more important to them than ease of use of a website, app or device.**

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*Deloitte Privacy Index 2016.*

Implementing, and monitoring privacy controls is a proactive way of ensuring that you are complying with Australian and global regulations as well as protecting your brand. Compliance will also assist in mitigating the reputation damage provided a set of standards have been provided to franchisees, which tend to have little experience or recourse, to introduce and implement these practices.

## How well do your franchisees protect your brand?

Use this checklist as a reference to consider how your business can comply with the Australian privacy obligations:

### **Governance**

- ✓ Do your franchisees have a privacy framework for your franchisee to protect your brand?

### **Assess**

- ✓ Is your customer information stored locally or by franchisors?
- ✓ Is this information shared with third parties such as software vendor?
- ✓ Do you know how customer information is used internally and by your vendors?
- ✓ Do you enforce any processes to protect customers' data?

### **Protect (Be secure)**

- ✓ Do you train your staff on privacy and how to handle customer information?
- ✓ Have you conducted a privacy health check to determine what privacy compliance gaps you and your franchisees have?
- ✓ Do you have a breach response plan?
- ✓ Do you have a strategy to protect access to customer information?

### **Monitor (Be vigilant)**

- ✓ Do you audit how personal information is being used by your vendors and franchisees?
- ✓ Do you regularly review your privacy policy as new customer information is collected or used for a different purpose?
- ✓ Do you monitor and report on privacy breaches in your organisation?

### **Respond (Be resilient)**

- ✓ Do your employees understand what a data breach is and what to do in the event of one?
- ✓ Is there a protocol in place to inform customers and other third parties about privacy breaches?
- ✓ Do you monitor local and global regulatory changes in the data protection and cyber areas?



## Contact us



**Sydney**  
**David Owen**  
**Partner**  
**Cyber Risk Services**  
+61 2 9322 7000  
dowen@deloitte.com.au



**Sydney**  
**Marta Ganko**  
**Privacy and Data Protection Lead**  
**Cyber Risk Services**  
+61 2 9322 3143  
mganko@deloitte.com.au

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