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April 12, 2005

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Jaikumar Vijayan

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Friday, June 16, 2006

STRIPES

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By Leo Shane III, Stars and Stri
Midwest edition, Thursday
WASHINGTON

SECURE THE TRUST OF YOUR **BRAND**

Assessing the Security Mindset of Consumers

As the business-consumer relationship becomes more digitally dependent, successful information security management is becoming a critical determinant of brand trust, confidence and reputation.

This report details consumer insights and attitudes toward security issues and their effect on brand loyalty.

It is the first in what will be an ongoing, comprehensive study of the impact of security on corporate brands.

A CMO Council research initiative in collaboration with Emory University/Zyman Institute of Brand Science and Opinion Research Corporation.

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CONTENTS

Introduction	4
Key Findings	6
Conclusion	16
Sponsors	17
Research Partners	18

Secure the Trust of Your Brand: Assessing the Security Mindset of Consumers is a CMO Council/ BPM Forum report underwritten by Symantec and Factiva in association with research partners the Zyman Institute of Brand Science at Emory University and Opinion Research Corporation.

“ Today, companies need to take security very seriously because the expectations of customers, and the marketplace in general, are on the increase. Companies that do not take it seriously do so at their own peril. ”

— Secure the Trust of Your Brand Task Force Member

INTRODUCTION

Where large sums of money are concerned, it is advisable to trust nobody.

— Agatha Christie

Now that’s a statement that no business would ever want to hear from its customers. Yet in 2005, more than 52 million account records were lost or stolen because of inadequate security by companies whose job it is to safeguard the data.

According to the US Federal Trade Commission, about 10 million Americans each year become victims of ID theft, with the annual loss per victim at \$5,885. Total loss from identity fraud per year rose from \$53.2 billion in 2003 to \$54.4 billion in 2005. And that is just the financial scorecard. It takes about 30 hours, on average, for victims to resolve these identity fraud claims. And then there are the horror stories of some identity fraud victims taking months, even years to resolve their cases and re-establish their reputations—and credit ratings.

According to USA TODAY, 2005 was the worst year for information security breaches and failures, significantly compromising hundreds of companies and customer relationships. A scan of notable breaches so far in 2006 reveals that we could be on the way to another banner year:

- **Jan. 12:** People’s Bank loses a computer tape containing names, addresses, Social Security numbers and checking account numbers of customers. Number: 90,000
- **Feb. 9:** Hackers expose and steal debit card accounts from banks (including CitiBank, Bank of America and Wells Fargo) and credit unions. Number: 200,000
- **Mar. 23:** A stolen laptop of a Fidelity Investments employee contains names, addresses, birth dates, Social Security numbers and other information of 196,000 Hewlett Packard, Compaq and DEC retirement account customers. Number: 196,000
- **June 1:** An Ernst & Young employee’s laptop containing data of Hotels.com customers is stolen in Texas. Number: 243,000

That is just a small sampling, yet the numbers are mind boggling. Until now, there has been little research into how broadly such incidences are eroding consumers’ trust in brands. This is the impetus for **Secure the Trust of Your Brand™**, a major thought leadership initiative fielded by the Chief Marketing Officer (CMO) Council and the Business Performance Management (BPM) Forum. This comprehensive research effort is designed to better understand the degree to which information security, business continuity, and infrastructure integrity is shaping and determining brand assurance, confidence and value among consumers. The study includes insights from C-level executives and senior marketing decision makers and delivers the first 360-degree view of the impact of digital security and infrastructure integrity on corporate reputations. It also points out what companies can and should do to protect and enhance their brands in this digital world.

INTRODUCTION

This initial report looks at the issue from the consumer perspective, utilizing data collected in the U.S. and Europe (U.K., France, Germany, Spain and Italy) via surveys conducted by Opinion Research Corporation from April 25 to May 7. These audits polled consumers on their level of information security concern, which security issues matter the most; their own experiences with security breaches; and more.

Among the key findings from the consumer audits:

- Security concerns among consumers are rising—particularly among those who have experienced breaches firsthand.
 - **65 percent** of European and U.S. respondents, on average, have experienced computer security problems such as viruses and spyware
 - **one in six** respondents have had their personal information lost or compromised
- Consumers aren't taking these incidents lying down.
 - **40 percent** of respondents have **actually stopped a transaction** online, on the phone or in a store due to a security concern
 - **Over a third** say they would **strongly consider taking their business elsewhere** if their personal information were compromised
 - **25 percent** would **definitely take their business elsewhere** if their personal information were compromised
- U.S. consumers are particularly worried about identity theft and fraud, which top all security concerns, even personal safety and terrorist attacks. Concern about identity theft ranks significantly lower among Europeans, however
- For the most part, companies have yet to break through on using security as a competitive advantage in the marketplace: A minority of consumers—on average about a third—rate companies highly on how effectively they communicate regarding issues of security
- There's definitely room for companies to literally make a name for themselves with this issue: Few respondents could name a "most trusted" brand in terms of security, or for that matter a "least trusted" brand

These findings should serve as a wake-up call to business-to-consumer companies (and even those once-removed from the consumer) that have yet to take steps to shore up their information security practices and response strategies to security incidents.

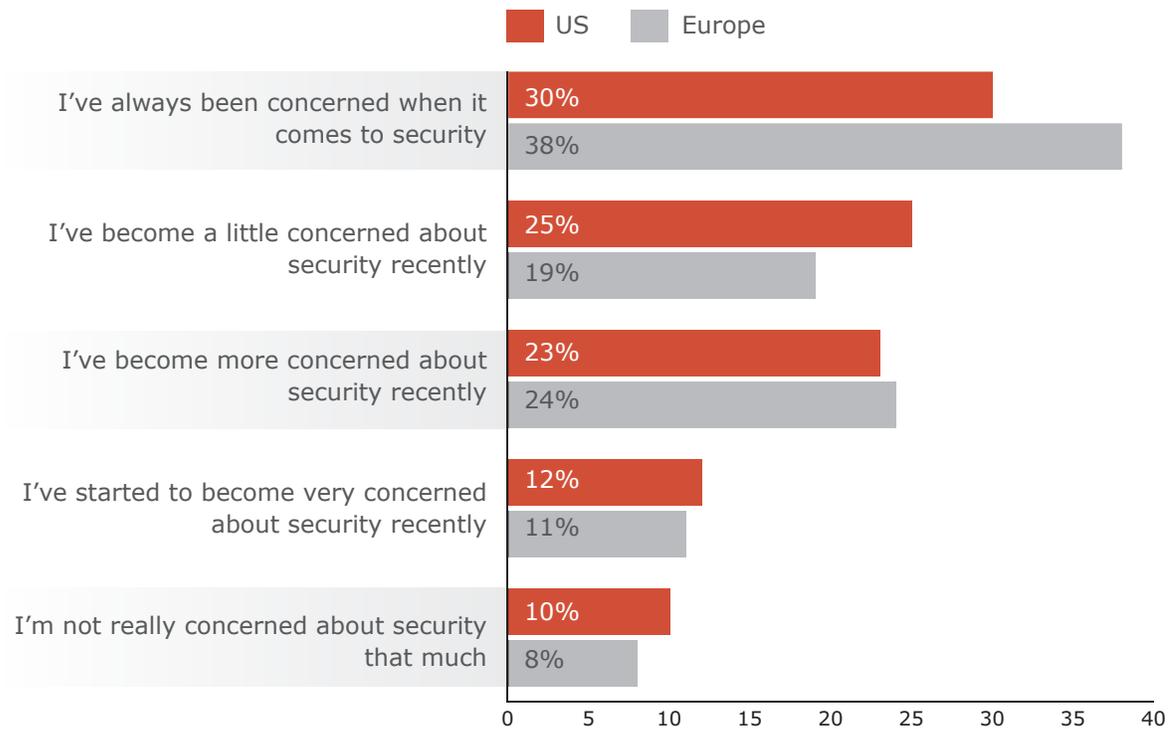
KEY FINDINGS

Security Concern is Increasing

Feelings about Security Overall

A whopping 90% of survey respondents reported they were concerned about security. Only about 10% remain unconcerned about security. While about a third of consumers overall say they have always been concerned about security, over half say their concerns have been increasing recently, and about 1 in 10 have become very concerned. Almost half—42% in the U.S. and 49% in Europe—say they are starting to or have always been concerned about security. In addition, an average of about 10% of men, those living alone, and those with no children in the household, are more likely to not be concerned.

Please select the one statement that most closely represents your feeling about security overall.



Methodology: From April 25 to May 7, 2006 a total of 1,037 surveys were completed in the U.S. and 1,203 in Europe (UK 235; France 238; Germany 242; Spain 245; Italy 243).

The statistical confidence interval for the U.S. and the European results is plus or minus 3% at a 95% level of significance.

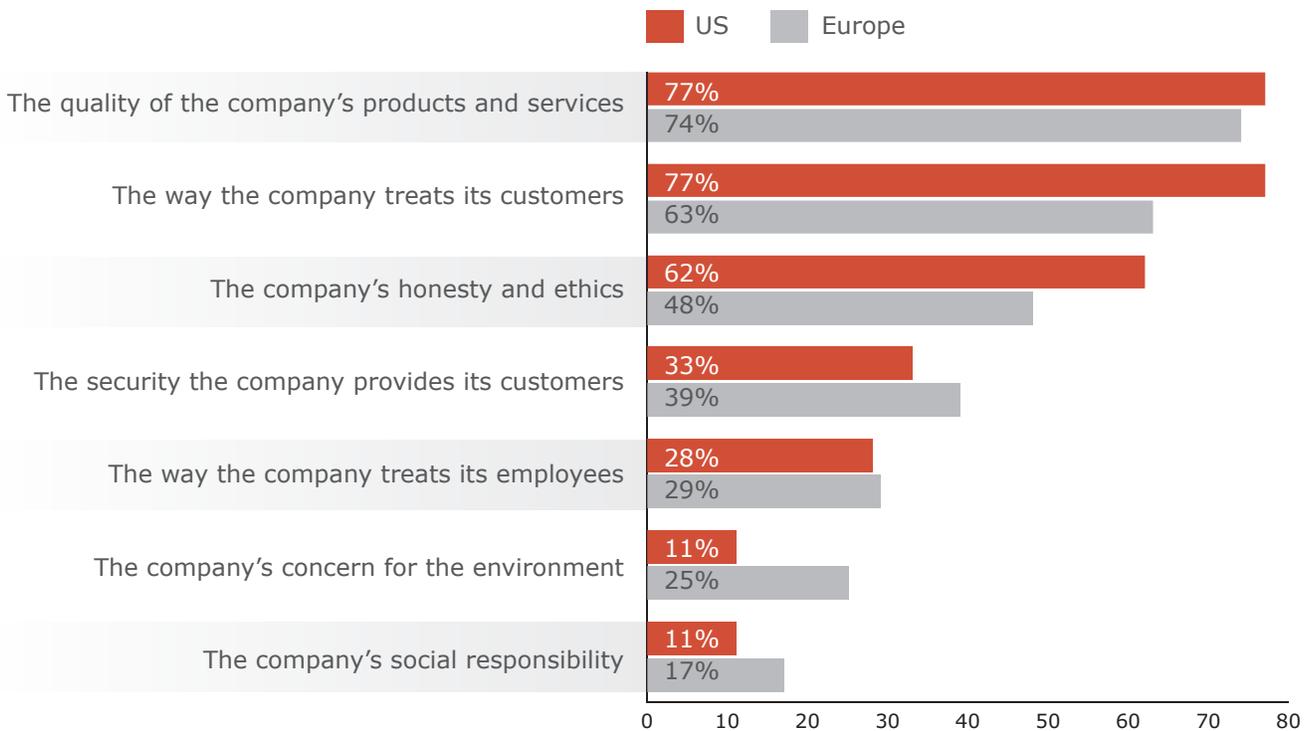
KEY FINDINGS

Security Is Not Yet the Most Important Consideration for Consumers

Security does not yet top the list of concerns—that spot still held by the quality of a company’s products and services. But security is one of the top three concerns among a third of U.S. consumers and somewhat more than that (39%) in Europe. Number two on the list is how a company treats its customers. Overall, the security that a company provides its customers is a key issue among some consumers but is not often the most important issue considered when doing business with a company.

Only 6% of those in Europe and 5% of American respondents rank customer security the No. 1 consideration when doing business with a company.

Thinking about all the things that can make you want to use a company and its products or services or not, please rank the following considerations from the most important to you to the least most important to you.

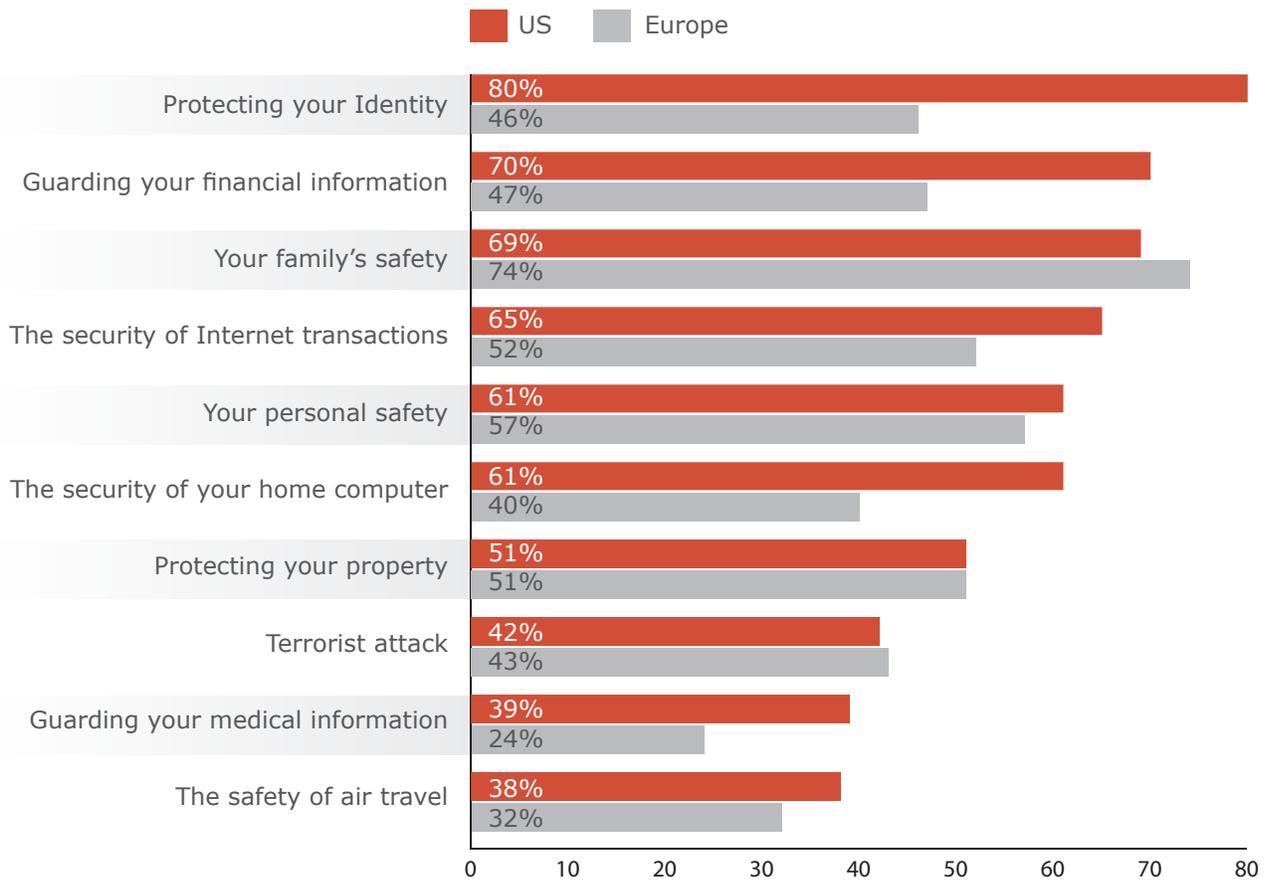


KEY FINDINGS

Identity Protection is the Top Security Concern for Consumers

Identity protection is one of the security issues most on the minds of consumers. This is not surprising given the increasing number of high-profile information security breaches. In the U.S., identity protection is the one security area most often mentioned as a concern—even more often than personal safety, the safety of ones family and worries about terrorist attacks. This differs in Europe, where identity security is mentioned less often, much less than family safety, for example, which is most-mentioned security concern there. Women and those living alone are more concerned about identity protection. Overall, personal experiences with security problems drive increased concern with many of these security issues.

When it comes to security issues, which of the following areas are you most concerned about?

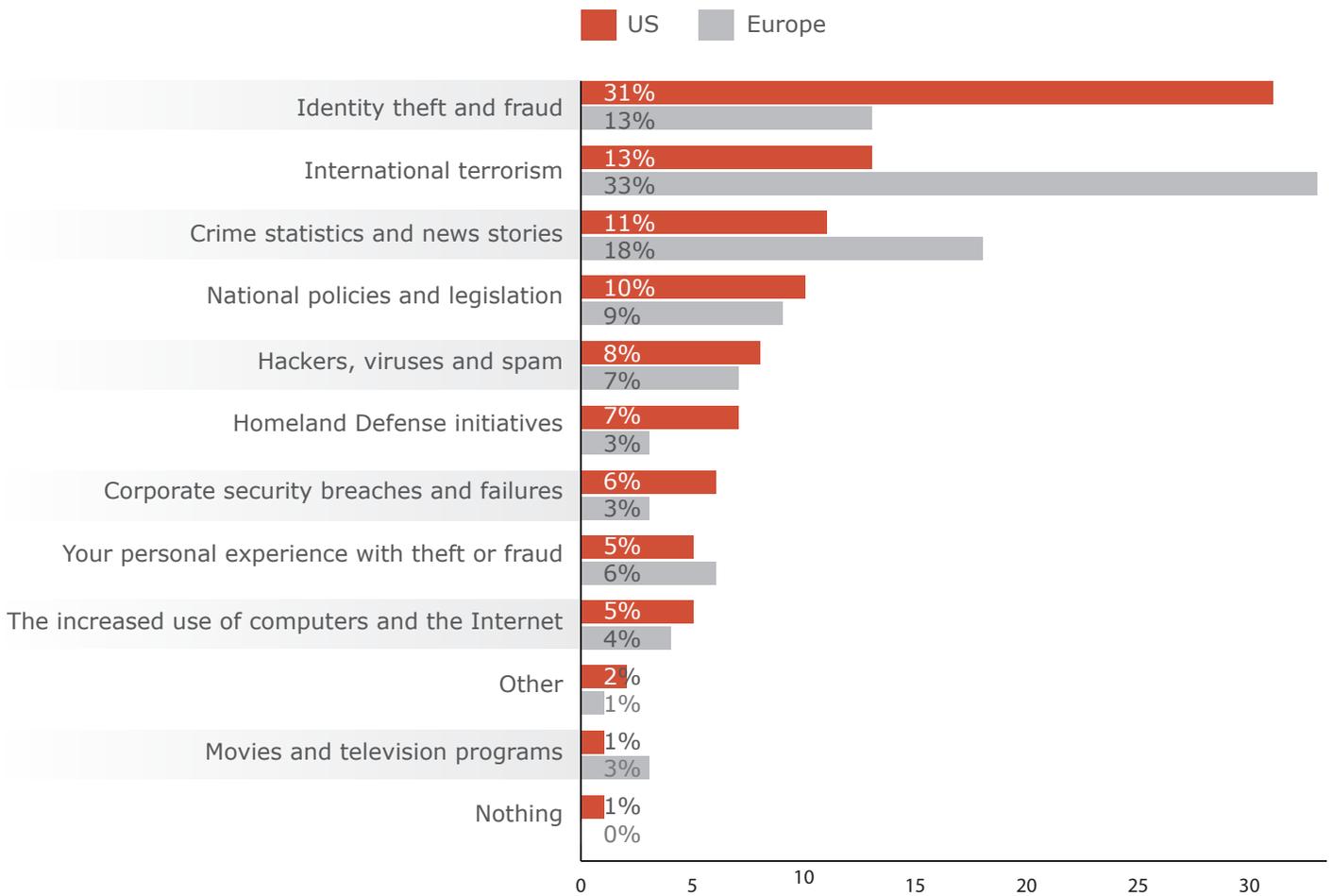


KEY FINDINGS

Media Coverage of ID Theft Greatly Impacts U.S. Consumers

U.S. consumers' worries over ID theft and fraud are confirmed by the high impact of recent news coverage on the topic. Once again, the impact of these articles outweighs coverage of international terrorism and Homeland Defense. On the other hand, Europeans count international terrorism coverage as having the most impact on their security concerns.

What topic being covered by the media has the most impact on the way you think about security?

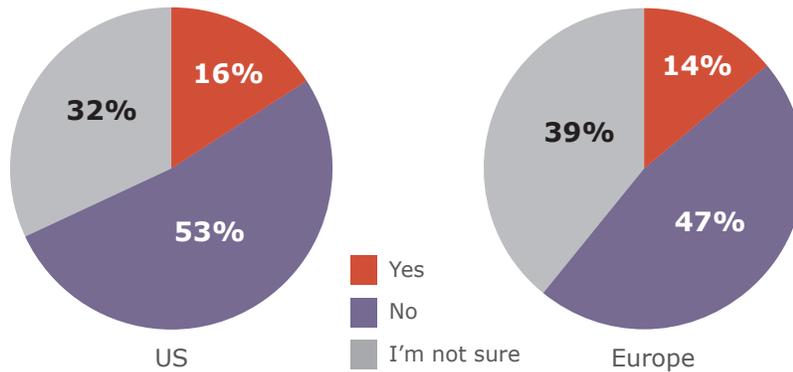


KEY FINDINGS

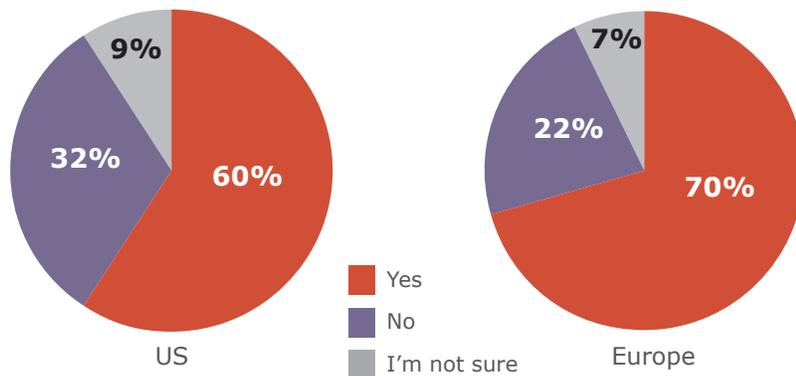
High Levels of Personal Experience with Security Issues

About one in six respondents say that a company has lost or compromised their personal information. Meanwhile, computer-related security problems are much more prevalent, with Europeans more likely to have experienced a computer security breach: 70% vs. 60% in the U.S.

Has any company ever lost or compromised your own personal, financial or medical information?



Have you ever experienced any computer security breaches, intrusions, hacking, or other disruptions at home, such as viruses or spyware?

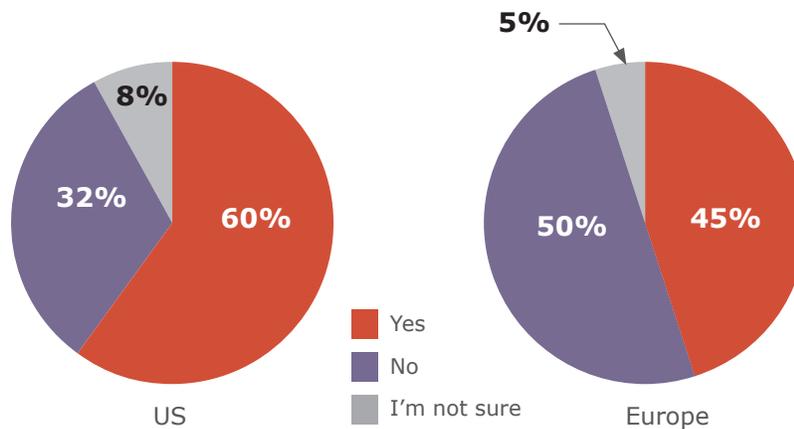


KEY FINDINGS

Fraudulent E-Mails More a U.S. Phenomenon

“Spoof” e-mails purporting to be from a financial institution are much more likely to have been received in the U.S. than in Europe. As might be expected, those with higher incomes are more likely to have received this type of e-mail but, interestingly, the results also revealed that about 6% more men, those living alone or with no children in the household, were also more likely to be the targets of phishing attacks.

Have you received any e-mail pretending to be from one of your financial institutions that attempted to steal your personal financial information from you?

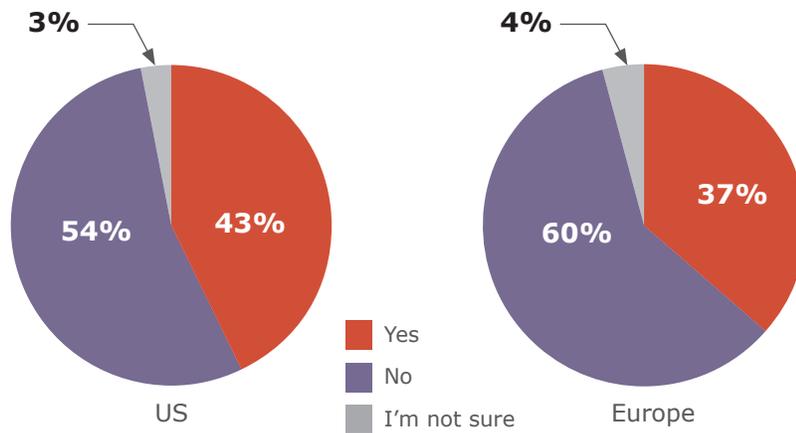


KEY FINDINGS

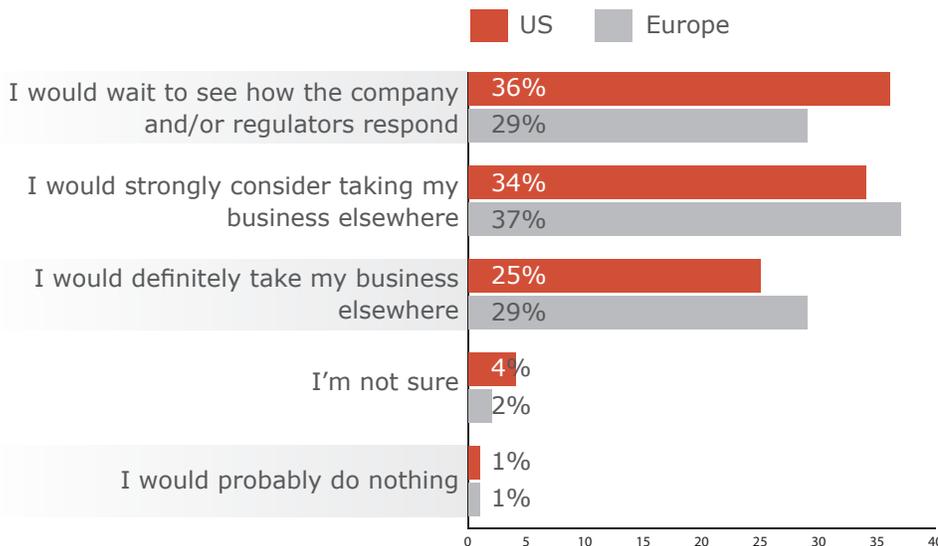
Consumers Take Action

Over a third of respondents have had to stop a transaction online, on the phone or in a store due to security concerns. A full one quarter of those in the U.S. and more in Europe say they would take their business elsewhere if a company compromised their personal information. Additionally, 70% of consumers who have actually ended a transaction because of security concerns are more likely to take their business elsewhere.

Have you ever stopped a transaction online, on the phone, or in a store due to security questions or concerns?



How would you react if a company with which you do business suffered a serious security breach that compromised your personal information? Please select the one statement that best applies.



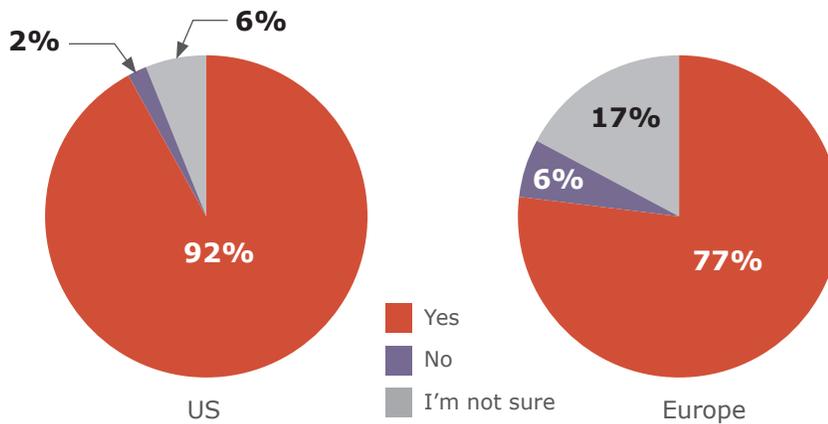
KEY FINDINGS

Levels of Trust and Confidence

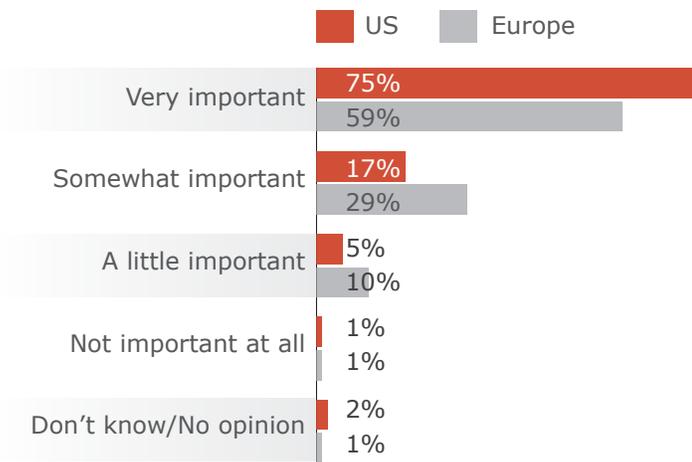
Corporate Responsibility

The vast majority of respondents believe that companies have a responsibility to provide complete, end-to-end security protection. They also feel that companies need to make their security practices clear and understandable. The U.S. appears to be more demanding of corporations on both of those points.

Do companies have a corporate responsibility to their customers and suppliers to provide complete end-to-end security protection?



How important is it to you for corporations today to have clear, visible and understandable descriptions of their security practices?

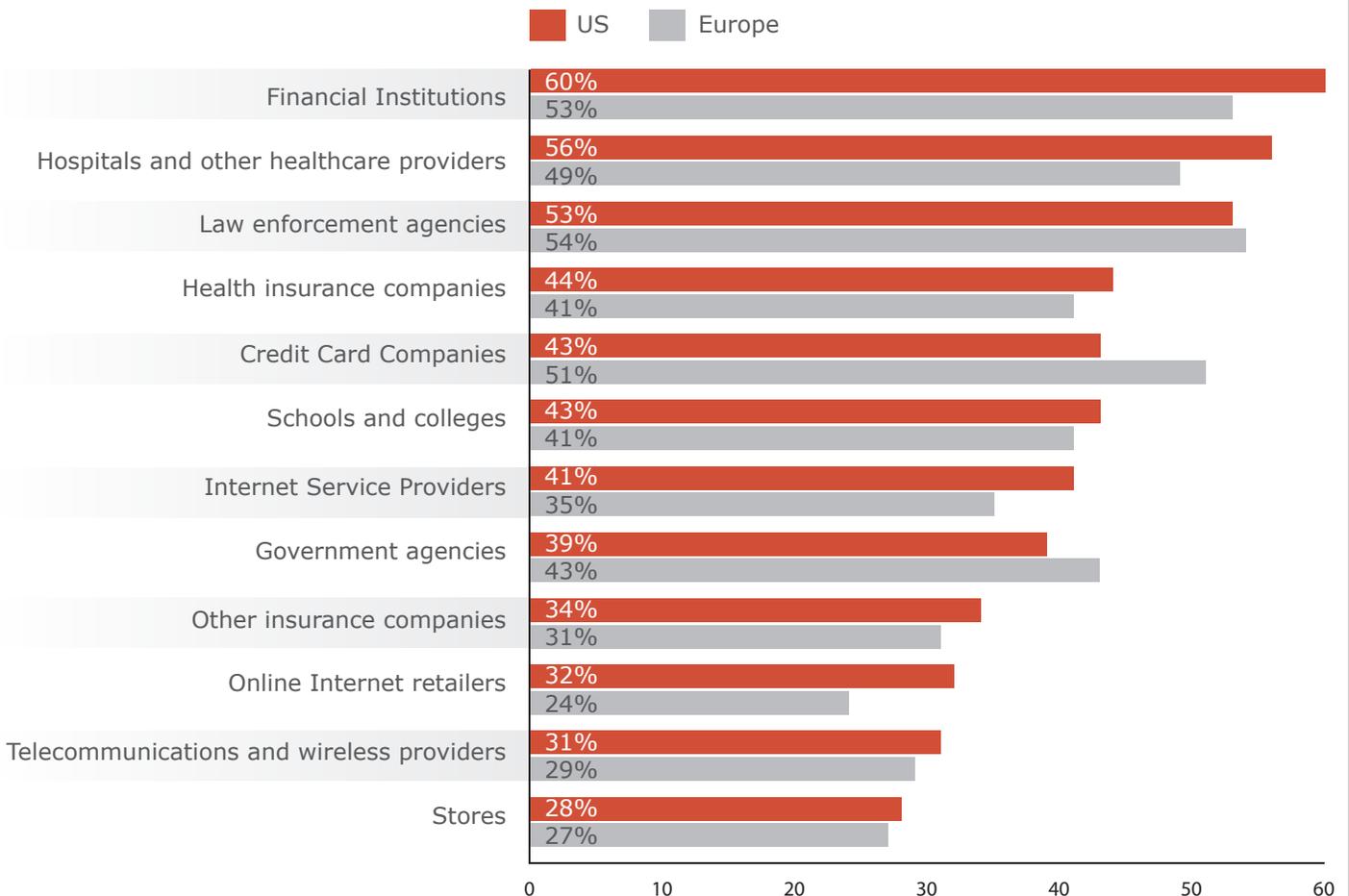


KEY FINDINGS

Retailers Lag in Trustworthiness

It is rare for more than half of consumers to consider any entity highly trustworthy in safeguarding private information. Financial institutions, healthcare providers, and law enforcement agencies are overall most trusted to safeguard private information. Retailers—both online and brick-and-mortar—are the least trusted. Financial institutions, online retailers, healthcare providers and ISPs are more trusted in the U.S., while credit card companies are more trusted in Europe. Telecommunications and wireless providers are among the least trusted organizations.

Please rate each of the following organizations with regard to their trustworthiness in safeguarding private information.

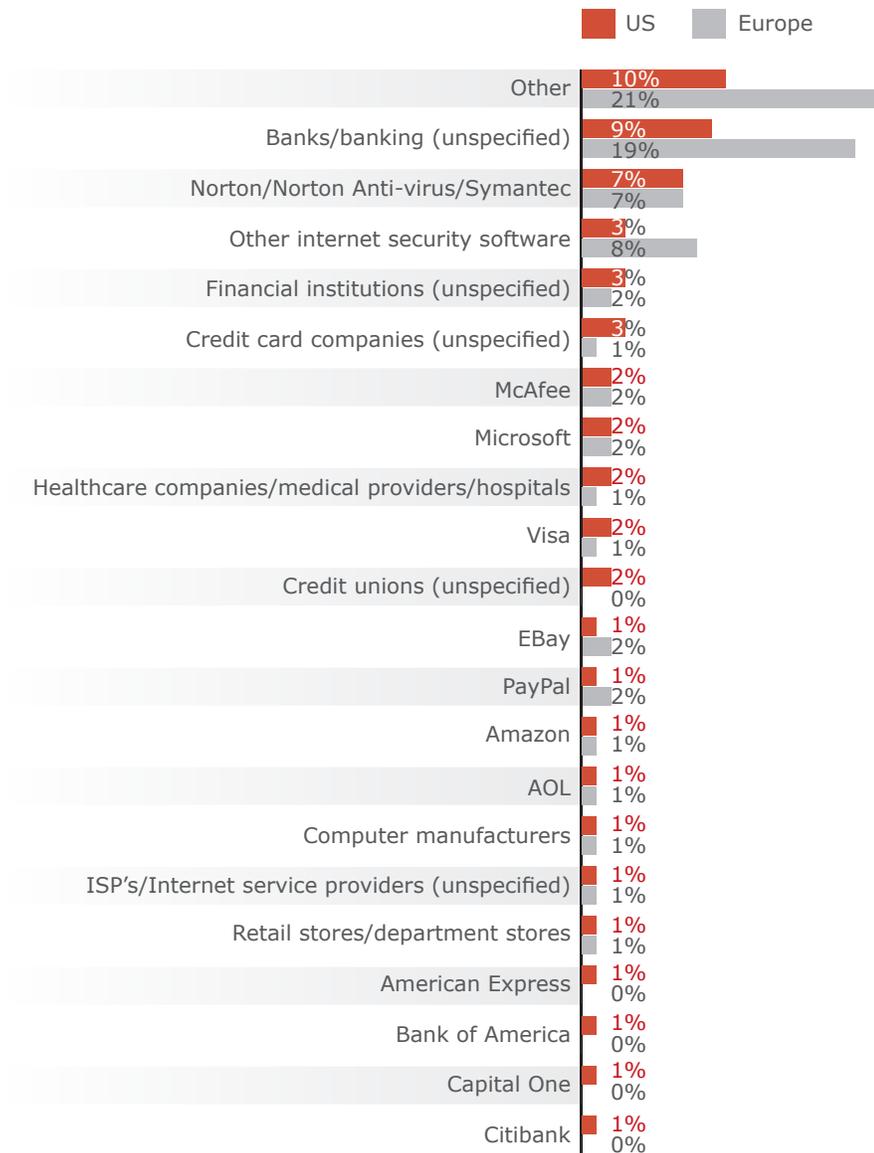


KEY FINDINGS

Most Trusted Brands for Security? Answers Vary Widely

Consumers' answers varied widely on their "most trusted brand" in terms of security, indicating ample opportunity for industries and companies to improve brand trust through robust security policies and response strategies. The company/brand most often named by respondents as "most trusted" for protecting its customers' security was 'Symantec/Norton'. The industry most often named by respondents was 'banking'.

Which product or service brand do you feel has the most trusted reputation for protecting its customers' security?



CONCLUSION

Findings of the Secure the Trust consumer audit may be seen to resemble the rumblings of an active volcano. As the number of security breaches such as ID theft, computer spyware and viruses, and e-mail scams increase worldwide, the more consumer frustration—and pressure on business to respond—builds. It’s only a matter of time until a fissure opens up separating customer and corporation. Unless businesses respond to this pressure in timely and positive way, there will be an eruption of major proportions.

And make no mistake, although consumer trust is at the “simmer” stage just below the surface, the temperature continues to rise. As our results show, a significant number of consumers—many of them having already experienced a security breach—are more than willing to stop a transaction and take their business elsewhere if a security issue rears its ugly head.

Another pressure point: Media coverage and scrutiny of security and business continuity failures will grow in quantity and intensity. As consumers hear more about security problems through the media, they become ever more worried. The importance of carefully monitoring media coverage cannot be overstated. How companies respond to such coverage, and of course how they respond to individual corporate security breaches, will differentiate them from the competition.

For example, in 2005 database company ChoicePoint was the subject of intense security scrutiny. Criminals posing as legitimate businesses gained access to various ChoicePoint databases, which contain a variety of consumer data, including names, addresses, Social Security numbers, credit reports and other information. The number of consumers affected: 162,000.

Even though ChoicePoint is a business-to-business company once-removed from the consumer, it didn’t react as such. The company took decisive steps on behalf of the affected consumers, including the establishment of an Identity Theft Resource Center—offering one year of free credit monitoring, a free credit report and \$50,000 in identity theft insurance. James Lee, CMO of ChoicePoint, succinctly summed up their relationship with consumers by saying “What we learned is this: We don’t get to decide if we have a relationship with consumers. Consumers decide that.”

Indeed, corporations should never take the consumer for granted. Businesses must implement effective security policies that fully comply with a myriad of government regulations at all levels. They need to establish responsible data and records management practices, privacy assurance, and in the event of breach, a comprehensive action plan to regain the trust of their consumers.

If the number of security breaches continue to climb into the stratosphere, just how far can unease rise until consumers, to paraphrase Ms. Christie, “trust nobody”? Businesses should act now so that question will never have to be answered.

The final **Secure the Trust of Your Brand** report, available in September 2006, will include the revealing ChoicePoint case study that details the company’s response to the crisis. Also slated for inclusion in the report are insightful qualitative interviews with company executives from a cross-section of industries; quantitative surveys of brand marketers and business executives for their views on security and trust; media and business analytics around security breaches; a Brand Security Trust Model based on the research findings; and much more. **For more information on Secure the Trust, visit www.cmocouncil.org.**

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