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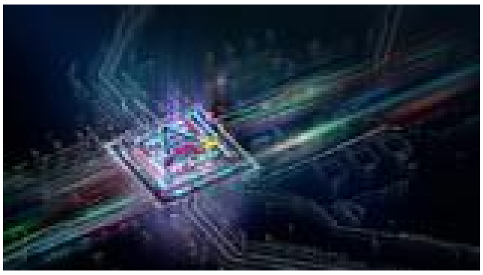
Why the Future of Automotive Data Privacy Mirrors the Stringent Measures in Finance and Healthcare

By: Karl Falk



As data breaches and cyber threats become more prevalent than ever in the automotive industry, the importance of data privacy and the sense of urgency of implementing solutions cannot be overstated. Industries like finance and healthcare have long understood the critical need to safeguard sensitive information, and they have established strict guidelines, laws, and mandates to protect consumer data.

The automotive industry, however, is only beginning to catch up. Despite the introduction of new laws and mandates, such as the Safeguards Rule under the Gramm-Leach-Bliley Act, there remains a significant gap in how automotive dealers perceive and implement data privacy measures. The automotive industry must move beyond its current approach and adopt data privacy practices akin to those in finance and healthcare.

The State of Data Privacy in the Automotive Industry

Historically, the automotive industry has not been at the forefront of data privacy. Unlike finance and healthcare, which handle highly sensitive personal and financial information, the automotive industry has primarily focused on selling vehicles and providing related services. However, with the increasing digitization of the automotive ecosystem, ranging from connected cars to online sales platforms, the amount of data generated and collected by auto dealers, lenders, and manufacturers has grown exponentially. This data includes not only basic customer information but also financial details, driving habits, and even biometric data in some cases.

In response to this growing data landscape, regulators have introduced new laws and mandates aimed at enhancing data privacy in the automotive sector. The Safeguards Rule, for example, requires financial institutions, including many auto dealers and lenders, to develop, implement, and maintain a comprehensive information security program. However, these regulations are relatively new to the automotive industry and are still in the early stages of implementation. As a result, many auto dealers and dealerships continue to operate with a reactive mindset, dealing with data privacy issues only when they arise, rather than proactively implementing robust security measures.

A Wake-Up Call: The Ransomware Attack of Summer 2024

The automotive industry's complacency regarding data privacy was starkly highlighted during the ransomware attack that recently occurred. This cyber event, which affected multiple dealerships and lenders across the country, served as a major wake-up call. The attack not only posed a serious threat of compromising sensitive customer data, but also disrupted business operations, leading to significant financial losses and reputational damage.

This event underscored the urgent need for the automotive industry to prioritize data privacy and cybersecurity. It also exposed the vulnerability of dealerships and lenders who had not invested adequately in data protection. For many, the incident was a stark reminder that data privacy is not just a regulatory requirement — it is a critical component of business resilience and customer trust.

Learning from Finance and Healthcare: The Case for Stricter Guidelines

To address these challenges, the automotive industry must look beyond its traditional boundaries and learn from industries that have successfully implemented strict data privacy guidelines. The finance and healthcare sectors, for example, have long been subject to rigorous regulations such as the Health Insurance Portability and Accountability Act (HIPAA) in healthcare and the General Data Protection Regulation (GDPR) law in finance. These regulations have established clear standards for data protection, including requirements for encryption, access controls, and regular audits.

In addition to regulatory compliance, companies in finance and healthcare have adopted a proactive approach to data privacy, viewing it as a core business function rather than a legal obligation. This mindset shift has enabled these industries to build robust data protection frameworks that not only comply with regulations but also anticipate and mitigate emerging threats. The automotive industry stands to benefit greatly from adopting a similar approach. By embracing stricter data privacy guidelines, auto dealers and lenders can enhance their ability to protect sensitive information, reduce the risk of data breaches, and build greater trust with customers. Moreover, adopting best practices from finance and healthcare can help the automotive industry stay ahead of evolving regulatory requirements and avoid the costly consequences of non-compliance.

Breaking the "Auto-Focused" Mindset: A Fresh Perspective on Data Privacy Solutions

One of the key challenges facing the automotive industry is the belief that only companies with deep automotive expertise can provide effective data privacy solutions. This mindset has limited the industry's ability to explore innovative approaches and learn from other sectors. The reality is that many of the data privacy challenges faced by the automotive industry are not unique. Other industries, such as finance and healthcare, have already developed effective solutions to similar problems, and their experience can offer valuable insights.

For example, financial institutions have implemented advanced encryption techniques to protect customer data in transit during transactions, while healthcare providers have developed sophisticated access controls to ensure that only authorized personnel can access sensitive patient information. These solutions can be adapted and applied to the automotive industry, helping dealerships and lenders to strengthen their data protection measures.

What’s more, collaborating with companies that have established themselves as leaders in data privacy — regardless of their industry — can bring fresh perspectives and new ideas to the automotive sector. By breaking out of the "auto-focused" mindset, the industry can leverage the expertise of companies in finance, healthcare, and other regulated sectors to develop more comprehensive and effective data privacy strategies.

This mindset is particularly needed for the topic of data in transit, where dealers, dealer salespeople and customer service agents often work with car shoppers during sales transactions or service repairs, and work to obtain personal information from customers in ways that reduce friction in the process. This sometimes takes the form of a simple text exchange of a driver’s license between a customer and a salesperson. However, this also means the data in transit is often unsecured.

Many auto dealers continue to operate on legacy philosophies, and with an “I’ll deal with it if I have to” mindset when it comes to ensuring data privacy compliance. Because of this, many are lagging in creating effective data privacy strategies, particularly concerning data in transit during customer transactions. It’s important that dealers understand a new concept called secure digital transport (SDT), why it is essential, and why dealers must prioritize these strategies to protect their customers and businesses.

Understanding Secure Digital Transport (SDT) of Data

Data in transit refers to data actively moving from one location to another, such as across the internet or even through private networks. This data is often transmitted between devices, systems, and applications. Ensuring the secure transport of data involves protecting it from interception, unauthorized access, and tampering during its journey. It can simply be defined as the difference between “sharing” and “sending.” Sharing implies traditional logins, passwords, pins, apps and software to download, increasing friction for customers and employees. Conversely, “sending” can eliminate all those issues, more synonymous with packages that are mailed. “Sending” is the underlying concept of how SDT works.

SDT can be achieved through various methods, including:

1. Secure Protocols: Using secure communication protocols like HTTPS, SSL/TLS, and VPNs helps protect data during transmission by providing a secure channel.
2. Integrity Checks: Implementing integrity checks, such as using checksums or digital signatures, ensures that data has not been altered during transit.