



NEW PRIVACY RULES FORCE FOCUS ON DATA

The EU's GDPR creates new risks and opportunities in the auto business



Information has become the new currency of business – and it is about to get even more valuable and complicated. About 90 percent of today’s data did not exist two years ago, and information coming from today’s connected cars will soon be adding a lot more of it, generating gigabytes of data every hour. From May 2018, however, consumers will “own” much of that information. The EU’s General Data Protection Regulation (GDPR) gives consumers the right to access personal data that companies have collected about them, compel the companies to delete it, and share it with rival businesses. Companies that do not comply could be fined up to 4 percent of global turnover.

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Beyond compliance, a lot of business is at stake, as many of the new opportunities in the auto sector depend on gathering and analyzing consumer data. Automakers are increasingly emphasizing the customer experience of car ownership, for example, which means gathering data on preferences, while data on how people drive will help make roads safer. As a result, customer data will become a major asset as well as a liability, increasing the importance of smart, innovative uses of information and practices that instill trust. That means auto-sector players need to radically rethink their data management, focusing on the new risks and opportunities thrown up by the GDPR.

Some strategic opportunities will come in areas long assumed to be the domain of human interaction, such as sales. An automaker that knows a customer’s product preferences can propose the car model and configuration they are most likely to buy. It can also use the information to suggest new products and services when a driver takes a car in for maintenance. Aggregated, this kind of data will help forecast demand in various locations, so an automaker can produce the right models and configurations for the market. (See Exhibit 1.)

COMPETITION INTENSIFIES

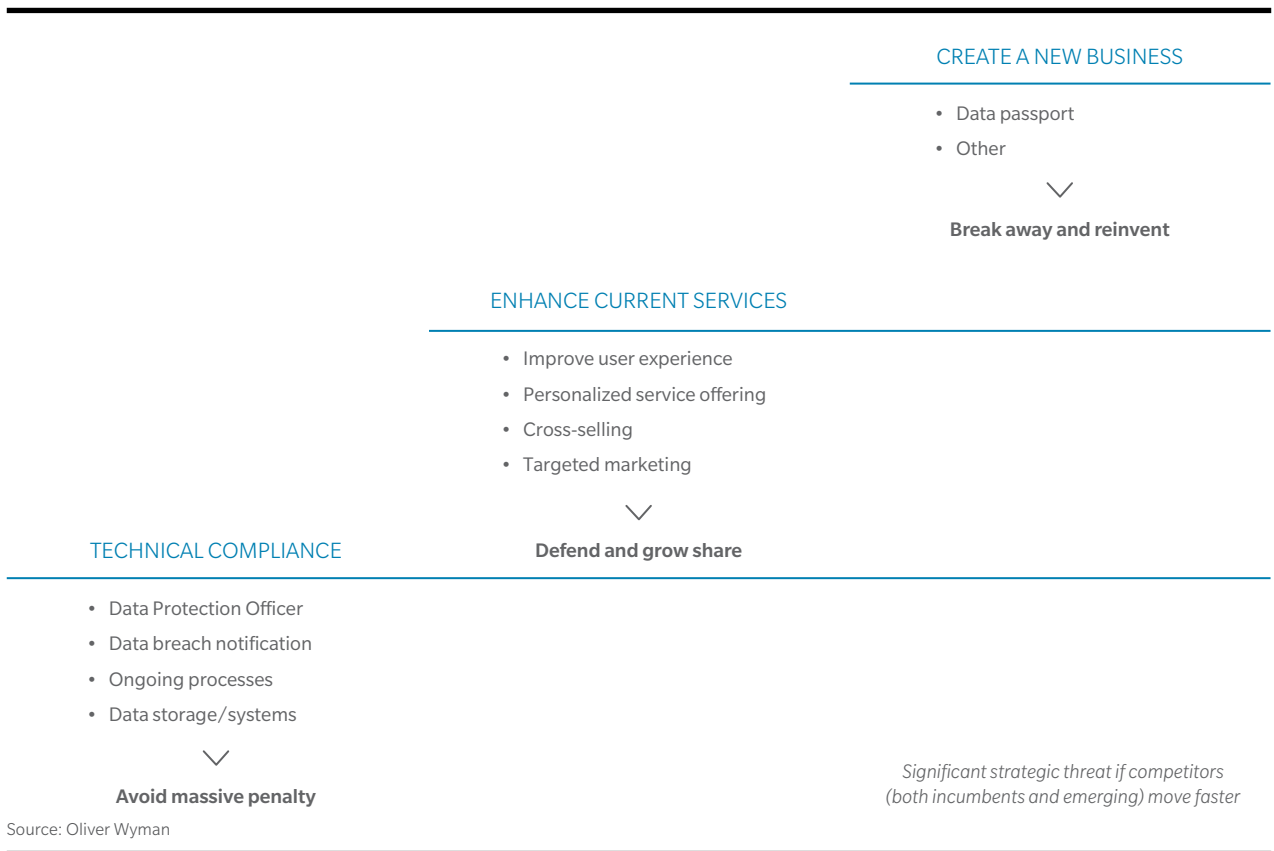
One application already being rolled out is customized insurance. If customers agree to let some insurers use telematics to check whether they are driving safely, they are offered a discount. Information on driving habits is likely to increase in value to insurers, as it enables them to predict the likelihood of an individual being liable for damages incurred in an accident. Inexperienced drivers, in particular, could face sharply different prices for premiums depending on whether or not they share their driving data.

However, by giving customers control over their data, the GDPR will effectively demolish barriers to entry by new market entrants, enabling small, nimble tech-based insurers to proliferate. That could set off a competition among insurers to gather data from different drivers.

The GDPR could also encourage the porting of data between sectors. A car insurance customer might receive a premium reduction for sharing their bank or supermarket data with the insurer; the insurer in turn might be able to use it to develop a

EXHIBIT 1: STRATEGIC PLAYBOOK

Companies need both to ensure short term compliance and also to address the medium term strategic opportunities and threats



Source: Oliver Wyman



more robust risk profile of the customer. Plus, that information may be applicable to other kinds of insurance coverage, making it easier for car insurance incumbents to branch out into adjacent fields: They might develop a comprehensive new risk insurance model that covers consumers' cars, homes, pets, travel, electronic gadgets, and perhaps even health. Beyond insurance, the GDPR could lead to the birth of data passport services that aggregate certain types of information, making it easy for consumers to share their data with various businesses.

TIME TO GET ORGANIZED

How auto-related companies approach the GDPR will have a big impact on their prospects. The first imperative is technical compliance to avoid financial penalties. They will need to ensure that customer requests to access, delete, or transfer data are dealt with efficiently – including online identifiers and genetic information, which the GDPR counts as personal information. If asked to delete certain customers' data, the company should consider ways to retain some of the information in anonymized form so that it can contribute to generalized analyses and insights.

Companies must also make themselves an attractive place to store information. If consumers do not trust a firm or it does not provide enough incentive for them to hand over personal information, they will not bother – or they might decide to put their data elsewhere. To improve user experience and personalize offerings, companies should find new data-driven ways to enhance their current services or come up with new business propositions. For example, data gathered from a car's sensors

could inform a driver of the right time to get some maintenance done and suggest value-added services during the pit-stop.

Implementation will require that a group of executives be responsible for the task. Companies handling consumers' personal data will need to appoint a dedicated data protection officer to be in charge of conducting an audit on data processes according to GDPR requirements. The data protection officer will determine what customer data currently exists, how and where it is being stored within the organization, and what data processes are required for compliance. At the same time, firms will need to boost their broad data capabilities by recruiting analytics engineers to develop high-value new services.

Above all, automakers need to recognize that the value and risks related to data are changing rapidly. Their most important task is to identify the strategic opportunities and threats that lie ahead. ●