



## Data Practices that Build Customer Trust

🔗 marketing customer service data privacy

**Summary:** Most customers want personalized experiences, which require CFIs to collect data. But customers are also becoming increasingly concerned about how their data is being used. We discuss best practices around how institutions can collect and use data to gain and retain their customers' trust.

Until recently only the figment of science fiction and Harry Potter books, the concept of [an invisibility cloak may now not be too far from reality](#). The Canadian company Hyperstealth Biotechnology has developed a material that bends light, making any objects behind it invisible and undetectable.

The various ways in which our data is managed and used online can also sometimes feel obscured. Given the swathe of high-profile cybersecurity incidents in recent years, it's not surprising that data privacy is a growing concern of consumers — 86% of them, to be exact. In addition, more than two-thirds say they are worried about how much data is being collected, and [40% don't trust companies to use their data ethically](#).

This presents a challenge but also an opportunity for community financial institutions (CFIs) to differentiate themselves from the competition and build more long-lasting, open, transparent, and trust-based relationships with their customers.

### Leveraging the Data Transparency Opportunity

Hyper-personalized customer experiences, which require CFIs to collect and analyze large quantities of customer data, continue to be a key differentiator for financial institutions (FIs): according to research by Capco, 72% of customers say that personalization in banking is highly important. In fact, most customers are willing to [share their personal data in return for more personalized offers](#), competitive prices, and more efficient financial services.

That said, Capco's research also shows that 75% of consumers cite concerns about fraud as a key reason to switch banks. This suggests that if a CFI can demonstrate that it can safeguard its customers' personal data and be transparent about how that data is used for the customer's benefit, then customers will be more receptive to sharing that data in the first place. If a CFI's customers do share enough data, the CFI will be able to leverage the data opportunity and build greater trust and deeper relationships with those customers.

### Understanding Data Protection Regulations

In contrast to the EU's comprehensive General Data Protection Regulation (GDPR) privacy law, the US doesn't currently have an overriding federal law governing how organizations in general should collect, store, or share customer data.

There are of course some laws specific to the financial services industry, including:

- The Gramm-Leach-Bliley Act (GLBA), which requires FIs to explain how they share data and give customers the option to opt out.
- The Fair Credit Reporting Act (FCRA), which limits who is allowed to see a credit report and how credit information is obtained.

What's more, some states — California, Virginia, and Colorado — have comprehensive consumer privacy laws that give people living in those states a certain amount of control over their data. CFIs must, of course, abide by these laws for any of their customers living in those three states, irrespective of where the CFI is located.

In addition, some states have laws pertaining to specific aspects of data privacy. For example, the Illinois Biometric Information Privacy Act (BIPA) gives individuals the rights over the use of their biometric data, including for fingerprint and facial scanning. Large corporations such as Facebook and Google, which use facial recognition technology to identify individuals in photos stored in their platforms, have class action lawsuits filed against them for misusing biometric data.

All these different laws can complicate how a CFI collects, manages, and protects its data — particularly if it operates across different states. However, ultimately, customers need to feel confident that their data is not going to be shared without their consent, will not be used in ways that violate their privacy, and that they have the right to opt in or out of sharing information. They also need to know an institution will only collect the minimum amount of data necessary and won't discriminate against those customers choosing not to share their information.

### How CFIs Can Manage Data To Build Customer Trust

1. **Be open and transparent.** Explain your data privacy and security policies simply and clearly so customers always know how your institution is collecting, using, and securing their data. It's important to note that since this policy information will likely be fully accessible to the public, it will also be available to cybercriminals, so be sure that cybersecurity experts review your policy to redact any sensitive details before it's distributed.
2. **Focus on the benefits.** Make sure to demonstrate how customer data is being used to deliver personalized and meaningful customer experiences and how customers benefit from this.
3. **Manage data effectively.** Invest in technology and talent to ensure your institution is maximizing the use of customer data, while keeping it secure and abiding by relevant regulations. While regulatory oversight of data sharing exists, it's important to make sure your data privacy practices are always up to industry standards.
4. **Put customers front and center.** Ensure your data collection practices are aligned with customers' needs, that you only collect necessary info, and that your data is sourced through the customer through their interactions with your banking services, not through third parties.

There's no doubt that customer data can enhance the customer experience, making it more personal and reinforcing their ties to companies, as long as those companies have the customers' best interests in mind. CFIs can help build customer confidence and trust by demonstrating competence, integrity, and humanity when it comes to how they collect, use, and secure their customers' data. Leveraging the data transparency opportunity to improve customer experiences can help CFIs stand out in the marketplace, win new customers, and strengthen existing relationships.

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## ECONOMY & RATES

Rates As Of: 08/30/2023 07:25AM (GMT-0700)

<b>Treasury</b>	<b>Yields</b>	<b>MTD Chg</b>	<b>YTD Chg</b>
3M	5.56	0.01	1.14
6M	5.52	-0.01	0.76
1Y	5.36	0.00	0.66
2Y	4.86	-0.02	0.43
5Y	4.25	0.07	0.24
10Y	4.11	0.14	0.23
30Y	4.23	0.22	0.27
<b>FF Market</b>	<b>FF Disc</b>	<b>IORR</b>	
5.33	5.50	5.40	
<b>SOFR</b>	<b>Prime</b>	<b>QBFR</b>	
5.30	8.50	5.32	

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