

## 49%

Percentage of R&C executives surveyed that think the increased risk environment has elevated the role and importance of the information security function.

## 65%

Percentage of R&C respondents that say their organization does not have an accurate inventory of locations where their privacy-related data is stored.

## 73%

Percentage of R&C respondents that are adopting a recognized security framework as a means of preparing for upcoming regulatory requirements.

## 81%

Percentage of R&C executives surveyed who say that increasing the protection of data is an important strategy for continuing to meet security objectives in this harsher economic environment.

# What global executives expect of information security – in the middle of the world’s worst economic downturn in thirty years

## Surprising results

As in almost every industry, executives in the retail & consumer (R&C) industry are cutting costs, laying off personnel, and reconsidering spending priorities. These actions are taking place across the enterprise and across all functions – including information security and privacy. Or so we thought it safe to assume before the results of the 2010 Global State of Information Security Survey emerged.

What the survey reveals is surprising. Security budgets appear to be less vulnerable to cost-cutting – **as if executives were protecting them**. Yet responses also reveal that security investments are under enormous **pressure to “perform”**.

Moving from 2009 to 2010 may turn out to be a high-stakes “coming of age” – a litmus test for a multi-year investment – both in the function itself and in a new generation of security leaders. Why? Consider the survey’s key findings.

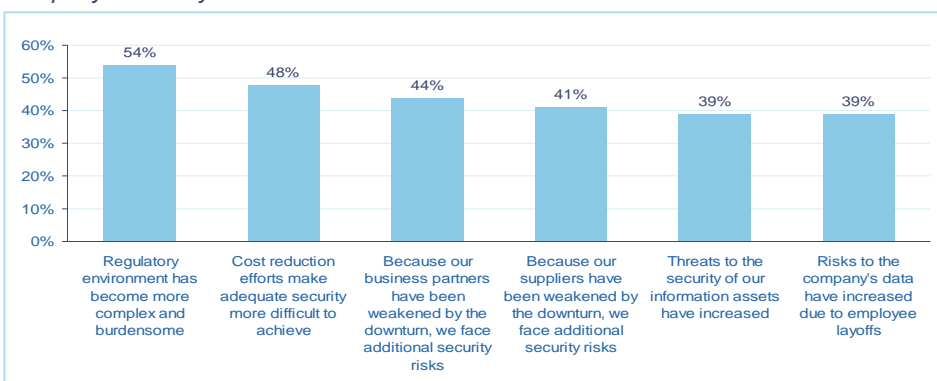
## Spending: A decline in growth rate

- This year, the leading driver of information security spending in the R&C industry were the increased risks associated with the **economic downturn**, according to 41% of R&C respondents.
- Interestingly, 63% of respondents expect security spending to either *increase* or *stay the same* – in spite of the worst economic downturn in decades and a litany of budget pressures.
- Survey results also show that R&C executives are **reluctant to cut too deeply into security** – and may, to some extent, be protecting this investment. Although seven in ten R&C respondents think that cutting spending is important – through cancelling, deferring or down-sizing security-related initiatives – *fewer than half are actually taking action*.

## Mounting pressure: Impacts of the economic downturn

Although given a reprieve of sorts from budget cuts, the **information security function is under pressure to “perform”**.

Figure 1. Question: “What impacts has the current economic downturn had on your company’s security function?”



## Methodology

- The Global State of Information Security 2010, a worldwide study by PwC, *CIO Magazine* and *CSO Magazine*, was conducted online from April 22 - June 15, 2009.
- This is PwC's 11th year conducting the online survey, 7th with *CIO* and *CSO Magazines*
- Respondents included readers of *CIO* and *CSO Magazines* and clients of PwC from 130 countries
- Included more than 7,200 responses from CEOs, CFOs, CIOs, CSOs, VPs and directors of IT and security on more than 40 questions on topics related to privacy and information security safeguards
- Thirty-two percent (32%) of respondents are from companies with revenue of \$500 million+
- R&C respondents total 839.

## Breaches at prior year levels

- Security incidents reported this year shifted only slightly from 2008, and are very close to those reported in 2007 – **revealing that the full impact of the economic downturn isn't yet evident.** We should note that we are beginning to see a shift in blame away from current employees to former ones – *rightly or wrongly* – consistent with the higher security risks associated with layoffs and terminations.
- When looking to the business impact of these incidents, R&C respondents actually **reported fewer business consequences as a result of security incidents.** Does this reflect a more effective security capability? Perhaps. But given the high numbers of respondents who don't know the number, type, nor source of incidents, these numbers may not only be understated – but also probably do not reflect the full security consequences of the downturn.

## New security advances will be key this year

Survey results reveal that R&C companies have made strong advances in four critical areas over the last 12 months:

- **Leadership and strategy:** 60% have an overall strategy, up from 52% last year.
- **Training and awareness:** 42% require employee training on privacy policies and practices, up 11 points from the prior year (31%).
- **Identity management:** Automated account provisioning rose from 36% to 46%.
- **Third party security:** 46% of those surveyed said their company requires third parties to comply with privacy policies, up from 29% last year.

## A crucial year: Security at an important threshold

In short, the R&C information security function and its leaders are encountering a powerful combination of factors this year:

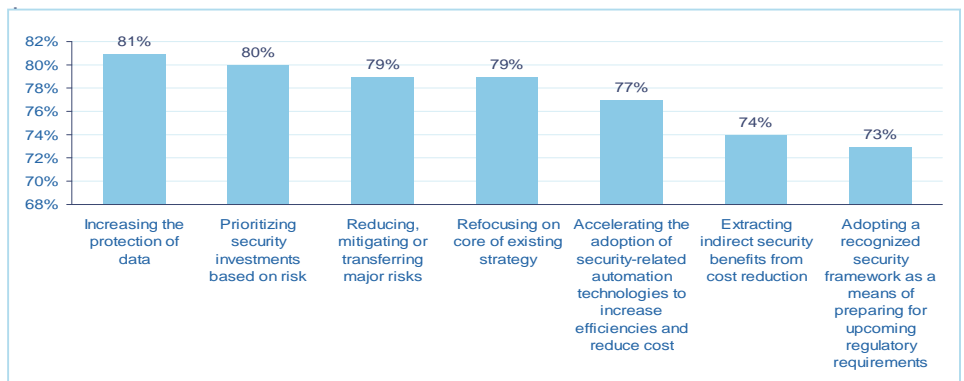
- The greatest economic turmoil in decades.
- High levels of concern about risks and the impact of the downturn on the company.
- Breach-related evidence that doesn't reveal the "full picture" of these impacts and downturn-related consequences.
- A multi-year investment in the "building blocks" of an effective privacy and information security program – that whether or not it has reached "critical mass" – has yet to show a compelling ROI.

**This results in enormous pressure (and opportunity) now to deliver concrete, measurable business value.**

## What this means for your business

As a result of this mounting pressure, R&C security executives are increasingly trying to tighten the alignment of security's contribution with the business.

Figure 2. Question: "To continue meeting your security objectives in the context of these harsher economic realities, how important are the following strategies?"



To learn more about the survey or about how PwC helps companies address security & privacy issues, visit: [www.pwc.com/giss2010](http://www.pwc.com/giss2010) or contact:

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Sensitive data is increasingly at risk, and data protection is now in the spotlight at arguably the most critical time:

- R&C respondents that say their organization has **Data Loss Prevention (DLP) capability leapt this year** – from 27% to 41%. In addition, 69% consider pursuing more complete configuration of DLP tools to be “important” – which suggests the adoption rate will increase again this year.
- **Location mapping needs to be a priority**: 65% of R&C respondents say their organization does not have an accurate inventory of locations where their privacy-related data is stored.
- The industry continues to make steady advances in **prioritizing data and information assets** according to their risk level – from 56% in 2007 to 68% today.
- **Risks are rising from “compliance fatigue”** driven by regulatory changes, particularly with respect to privacy and the Payment Card Industry (PCI) standard.
- **Ensuring oversight** and integrating different compliance activities into a common Governance, Risk & Compliance (GRC) framework will be a key priority.
- Social networking and other **emerging business models will continue to challenge the R&C security mission**.

These priorities highlight the need for many R&C companies to hasten their migration away from ad hoc, periodic focuses on security-related crises to **a formal, properly funded and monitored information security program**. Furthermore, these trends are consistent with PwC’s long-standing view that pursuing a strategic, risk-based approach to security – rather than a compliance-focused one, for example – represents the best way to manage, mitigate and transfer security-related risk.

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