

# Royal Bank of Canada Makes Privacy a Competitive Advantage

Report by Peter Cullen

**C**ANADA'S PERSONAL INFORMATION Protection and Electronic Documents Act came into effect on January 1st 2001. While it applies initially to federally regulated industries such as banks, telecoms and cable companies, it will have an impact on virtually all organisations over the next three years.

For one Canadian financial institution, preparing for the new legislation has put a spotlight on its "business as usual" practices. *Privacy Laws & Business* spoke to Corporate Privacy Officer Peter Cullen, of the Royal Bank of Canada (RBC), to learn of initiatives over the past few years that further integrate privacy management into its business strategies and operational plans.

Royal Bank of Canada is a diversified global financial services group. It is a leading provider of personal and commercial banking, investment and trust services, insurance, corporate and investment banking, online banking and transaction-based services, including global securities services. The group's main businesses include Royal Bank, Royal Investment Services, RBC Dominion Securities, RBC Insurance, Global Integrated Solutions and, in the United States, Security First Network Bank, mortgage originator Prism Financial Corporation, Liberty Life, Liberty Insurance Services and securities firm Dain Rauscher. The group employs 50,000 people who serve 10 million personal, business and public sector customers in some 30 countries.

## MANAGING CUSTOMER INFORMATION AS A KEY BUSINESS PRIORITY

"The management of customer infor-

mation is key to our ongoing success," said RBC's Cullen from his office in Toronto. "The Group has a goal of securing a long-term relationship with 10 million clients and to be in a position to offer them products and services of value over the course of this relationship." RBC has developed and implemented extensive customer relationship modelling techniques to better understand customer needs. Clients are scored on a variety of behavioural and profitability metrics. This data is used to offer new services and provide actionable information to its sales force – all on a one-to-one customer basis.

In addition, customers want access to many financial services in a way that is convenient for them, either in person, at an automated banking machine, by telephone or on-line. These services may be provided by different business units, which make up a diversified financial group.

Central to delivering these value-added services is the use of customer information and customers' trust in the responsible use of that information. "We believe our customers have entrusted us with their personal information to be used for their benefit," said Cullen. "To achieve this trust requires an extensive and integrated approach to the privacy of our customers' information."

## PRIVACY MANAGEMENT STRATEGIES AND TACTICS

There are two key parts to the RBC group's approach to the management of information. The first is its Privacy Code. This code, originally established in 1987, sets out policies and practices to be followed by all parts of the organisation. It also establishes key responsibilities for privacy management right from senior executives to front-line staff. This Code was updated in 1996 to mirror the Canadian Standards Model Privacy Code, which was the basis for the new Personal Information Protection and Electronic Documents Act.

The second part is RBC's Privacy Management Committee (PMC). This team is made up of senior executives and is chaired by the Senior Vice-President, North American Markets and Senior Vice-President, E-Business. Its mandate in part is to capitalise on the opportunities that privacy management presents. "The heart of RBC's approach lies in our belief that privacy management is a competitive differentiator," says Cullen.

As part of RBC's recognition of the importance of privacy management, it formally created the Corporate Privacy Officer position in July 2000. This position is responsible for overseeing and directing the implementation of privacy management throughout the

financial group operations in Canada and the United States. The CPO also coordinates the activities of the PMC.

Managing privacy across a diverse group of companies and consistent with the group's strategy is a challenge for RBC. Each PMC member plays a key role in ensuring privacy management is fully integrated.

#### **ROLE OF PRIVACY MANAGEMENT COMMITTEE**

Core activities of the PMC in managing privacy risks and opportunities include:

**Ensuring the Privacy Code becomes operational** – all staff have undertaken extensive internal awareness and training, tying privacy management to key strategic objectives and integrating these to existing daily activities. This ensures that privacy management becomes part of the way RBC does business.

**Annual assessments** – all business units conduct regular internal assessments to ensure operational compliance with the Privacy Code. These assessments are championed and led by the PMC member for that business. Opportunities are identified, action plans put in place and progress is monitored at the individual business level and by the PMC.

**Customer awareness** – the root of RBC's strategy is notice, consent and customer choice. Information practices are prominently featured in every client agreement and are set apart from any other text through shading, boxing or bolding. Customers are informed of what information RBC collects, what it is used for, the value this brings to the customer and the choices available to the customer. These choices include advising RBC that the customer information cannot be used for marketing purposes, or shared among other group members. Every piece of direct mail that is sent to customers reminds them of this choice. In addition, customers are also reminded of these practices and their choice through regular communications. RBC's strategy of securing a long-term relationship with its clients is contingent on using

the customer's information for mutual value – and showing the customer the benefits. This has led to RBC enjoying the consent for information use from every one of its 10 million clients.

**Updated website information** – while RBC has been recognised as having an extremely comprehensive website on its privacy policies, it recently updated this information. RBC felt that it needed to be even more explicit and comprehensive about its policies and practices. This new site includes specific information on how electronic information is collected and used. It also includes information on other areas, such as the electronic monitoring technique referred to as "cookies." This section not only provides the reader with an informative definition and understanding of cookies but also details how RBC does and does not use them.

**Consumer education and awareness** – believing that it has a responsibility to inform consumers, RBC regularly publishes information on privacy. In 1998 it made available a publication, *Perspectives on Privacy*, through its branch network, national magazines and on the website. This informative document describes how privacy developed and is designed to provide the reader with a thought-provoking look at privacy issues. RBC also publishes a pamphlet, *Straight Talk on Privacy*, which profiles the organisation's policies and practices.

**Integrating customer awareness into sales routines** – in addition to these ongoing processes to inform customers about information collection and use, and to seek their consent, RBC has recently started changing its sales process to provide new customers with an even greater understanding of information use. Cullen says, "this means that when an account is opened, the sales person will have an explicit discussion with the customer to ensure that the customer understands RBC's practices, the value this brings to the customer and the choices available."

#### **INITIATIVES UNDERWAY**

RBC has a number of privacy initiatives underway. Currently, customers have control over the use of their information for marketing. Soon they will be able to exercise even more choice and control – for example, over who contacts them, by which channel and for which product. These choices will be made available in a self-serve format and, for certain customers, will form part of an annual review. RBC believes that continuing to reinforce its information use practices with its customers will continue to help the organisation earn their trust.

RBC recently made a number of significant business acquisitions in the US. Cullen says, "our strategy for our US affiliates is no different. Our goal is to leverage customer information to build long-term relationships, offering a wide selection of financial services and products. Central to this is effective information management practices. Our US affiliates are governed by the group-wide Privacy Code which allows for a consistent set of operating principles. At the same time, the Code reflects the differences between Canadian and US legislation. In part, we manage this through a US based PMC represented by each business."

The key to RBC's success with privacy management can be summed up simply. Information protection and management is viewed as a fundamental part of the organisation's overall customer strategy. It reviews every chance to integrate information management, and embeds and integrates opportunities across all business units. While this sounds simple enough, it requires an ongoing process, discipline by senior management and the integration commitment of everyone.



*Peter Cullen can be contacted at  
peter.cullen@royalbank.com  
For information about privacy  
policies in particular, visit  
<http://www.royalbank.com/privacy>*