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## Clear link between data breaches and share price dips, customer churn: Centrifly

August 29, 2017 | Richard van der Draay



Reported data breaches can cause an immediate slump in share prices and increased customer churn, according to a new study released by Centrifly.

Centrifly said the report was of particular significance to Australia where mandatory data breach notification legislation will kick in from February 2018. "The study shows that after a publicised data breach, share prices can drop immediately by five per cent and not recover for months while as many as one third of customers may look for a different supplier," it added.

The survey of 749 Australian IT professionals, marketers and consumers showed how data security breaches negatively impacted an entire organisation, from sales and marketing to shareholders. It found that the stock value index of 113 randomly selected global companies dropped by an average of five per cent on the day a data breach was disclosed and experienced a customer churn rate of as much as seven per cent.

In addition, one third of Australian consumers impacted by a data breach reported they had discontinued their relationship with the organisation that experienced the breach. Forty per cent of Australian IT practitioners responding said their organisation had experienced a data breach involving the loss or theft of more than 1,000 records containing sensitive or confidential customer or business information in the previous two years.

"This report serves as a wake-up call to every organisation that security isn't just about protecting data, it's about protecting the business," said Centrifly CEO Tom Kemp. "Data protection is no longer just an IT problem. When a breach can decimate your valuation and decimate your customer base, it must be elevated to the C-suite and boardroom because it requires a holistic and strategic approach to protecting the entire organisation."

"No one wants to be the next Yahoo, which after suffering two massive data breaches affecting one billion accounts saw a \$350 million reduction in the company's sale price to Verizon," added Kemp. "The bottom line is that security is a core business concern which demands the attention of the CEO, the C-suite and the board of directors. The fact is a breach can damage a company's image for good."

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