

Privacy Programs for Small Businesses

By *David W. Koch*

With reports swirling of data security breaches, consumers worry about identity theft and businesses brace for potential legal claims. Franchise networks add a layer of complexity to these worries. Franchise companies and franchisees share a brand, but may not follow the same privacy and security practices. A breach anywhere in the network may be a risk to the entire network.

Fortunately, help is available from a variety of sources. This article describes just one of the sources, but a very good one: the Council of Better Business Bureaus. The CBBB offers two programs to help businesses with their privacy practices.

The first CBBB program is a “privacy seal” designed to give consumers confidence in the online privacy practices of participating companies. The second, newer program is perhaps of even greater interest to the franchising community, because it is specifically geared to small businesses, which includes most franchisees and many franchise systems. The program consists of a 22-page guide, titled *Security & Privacy—Made Simpler*, along with “tool kits” and other materials for small business, all of which went live on the CBBB’s Web site in early 2006.

BBBOnLine Privacy Seal

“The BBBOnLine Privacy Seal program lets your customers know that you treat their personal information in accordance with the high standards set by BBBOnLine,” says Gary M. Laden, director of the BBBOnLine Privacy Program. BBBOnLine is the Internet arm of the Better Business Bureau system, which includes 130 local chapters and the national organization linking them, the Council of Better Business Bureaus, Inc. located in Arlington, Va.

The program works like this: A company that



wants to apply for the Privacy Seal must be a member of a local BBB chapter (or a “national” member at the CBBB level if the company is doing business in multiple locations). Membership fees vary by chapter, but usually are based on the number of employees in the company. The company must have been in business for at least one year and have no outstanding complaints with the BBB.

After checking these prerequisites, the BBBOnLine staff sends the company a questionnaire about its information practices. Based on the responses, BBBOnLine assesses whether the company’s practices satisfy the standards required for the Privacy Seal. For example, the company must have posted a privacy policy on its Web site and a link to the policy must appear on every Web page where the company collects consumer information.

According to Laden, less than one-half of the applicants meet the program requirements on the

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first try. BBBOnline staff works with the company by telephone on the changes needed to meet the standards. The changes may range from simple tweaking of the company's privacy policy to implementing new business processes such as encryption of data.

Once BBBOnline is satisfied that the company meets the program standards, BBBOnline electronically issues the Privacy Seal and the company signs a one-year license agreement permitting display of the Privacy Seal on its Web site. The company pays BBBOnline a fee based on its annual sales, starting at \$200 for companies with sales under \$1 million. "Displaying the Privacy Seal gives potential customers and incentive to deal with you," says Laden. "It boosts their trust and confidence, because it tells them that your online privacy and security practices have been reviewed by an independent organization."

There's an added benefit for participating companies. Once in the program, they have access to the BBBOnline staff for unlimited free counseling on their online privacy practices. Suppose, for instance, that a participating franchisee begins collecting a new type of customer data or a participating franchise system strikes a co-marketing deal in which it intends to share customer data with the partner. The franchisee or franchise company can call BBBOnline for guidance on conforming these changes to Privacy Seal standards.

Laden considers the educational-counseling aspect of the program to be nearly as important as its enhancement of consumer confidence. While the seal itself applies only to the participant's online business, the company can apply what it learns about privacy standards to all of the company's information practices.

Currently, 690 companies have the right to display the BBBOnline Privacy Seal. Companies must renew the Privacy Seal annually. BBBOnline sends a renewal notice 60 days before the anniversary date, and the company either certifies that there have been no changes in its online privacy practices or submits the changes for review. The CBBB has an active trademark enforcement group that monitors misuse of the seal, as well as other BBB marks.

Security and Privacy Made Simpler

The CBBB's new online resource center is tailored specifically for small businesses and is available to anyone, whether or not a member of BBB. Franchisees looking for a "how-to" reference on privacy issues would do well to visit the www.bbb.org/securityandprivacy Web site.

A 2005 study by the Small Business Technology Institute reports that more than one-half of all small businesses in the United States experienced a security breach in the last year. "Small businesses aren't quite in step with their larger industry counterparts in addressing data security," CBBB President and CEO Steve Cole said. "They often believe they're better protected than they really are, because they don't have in-house experts to advise them.... It's difficult for them to know where and how to access support."

The Web site and guide are designed "to demystify the complexities of data security and give small businesses a non-technical roadmap to securing their customer data," according to CBBB. The CBBB partnered with two outside privacy-security experts to create the free, easy-to-read materials available at the Web site, including the guide and a customer data toolkit (a separate Employee Data toolkit is expected to be released this fall).

"Small business owners are focused on running their businesses, but all it takes is one data breach to damage customer relationships and impact their bottom line," according to Dr. Alan Westin, professor emeritus at Columbia University and founder of Privacy and American Business, who worked with the CBBB on the initiative. Sponsors of the program include IBM, Visa USA, Equifax, Verizon Wireless, the Wall Street Journal, and eBay, all of which were urged to distribute the toolkit to their small-business customers. Similarly, the CBBB hopes to see franchise companies distribute the toolkits to franchisees in their networks.

The information available at www.bbb.org/securityandprivacy emphasizes the importance of a comprehensive security and privacy plan addressing both online and offline practices. The materials remind small-

business owners that simple steps like shredding documents are just as important as new security software. Illustrations of low-tech and high-tech data theft, from dumpster diving to "phishing," which Internet.com defines as "brand spoofing or carding," are accompanied by steps for prevention. The site also contains a "Current News" page and a "Horror Stories" page where small-business owners can exchange anecdotes and learn from one another's experience.

Potential legal theories of franchise system liability for franchisees' security breaches have not yet been tested. Nevertheless, enlightened franchise companies will lead their systems in this area through advice and education, just as many franchise firms did when the Americans With Disabilities Act arrived several years ago. But many franchise systems may not be up to speed on the issues or confident in their capacity to give sound advice. For them, the CBBB's Web site neatly fills the void. It gives franchise firms a ready-made package to educate franchisees. Better yet, directing franchisees to a third-party resource should make it clear that the franchise company is not holding itself out as an expert on which franchisees should rely.

There are numerous sources of assistance for franchise systems and franchisees on privacy and security issues, including other privacy seal programs and the Federal Trade Commission's helpful Web site at www.ftc.gov. But given the small-business focus of the CBBB's online resource center and the Security & Privacy-Made Simpler guide, the franchising community might especially want to consider the CBBB's Web site as a reference. ■



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