

The Scary Statistics

Behind Third-Party Cyber Breaches

When it comes to your business, there's really nothing spookier than the idea of your vendor experiencing an operational disruption, data breach or suddenly being in a situation where they must discontinue a product or service offering.



Cybersecurity Data Breach Risks

53% of organizations have experienced one or more data breaches caused by a third party, costing an average of

\$7.5 million to remediate.

91% of businesses have suffered at least one business disrupting cyber event in the past 24 months.

The average size of a data breach is **25,575 records**.

60% of hacks target small businesses.

Big doesn't mean safe

Data breached

Yahoo — **3 billion records**
Target — **41 million records**

Adobe — **152 million records**
Facebook — **540 million records**
Marriot International — **500 million records**

Reputational Risks

Publicity around regulatory violations or sanctions for failure to implement guidelines can have the following impact:

36% of the cost of a data breach comes from the loss of business stemming from loss of customer trust.

80% of consumers will defect from a business if their information is compromised in a breach.

60% of small companies close within 6 months of being hacked due to reputational issues and customer loss.

The Cost of Customer Loss

Ineffective third-party risk management could cost you one of your most important assets: your customers and their trust. By failing to protect the sensitivity and privacy of your client information, you could risk the continued business of your valued customers, which the longevity of your organization relies on.

Consider this:

- The **average customer lifespan** is 10 years.
- If an organization generates **\$2,000 each year per customer, and it costs \$500 to acquire them, the organization's customer lifetime value (CLV) would be \$2,000 x 10 - 500 = \$19,500**. In this scenario, for every lost customer, it's not simply the immediate product or service deficit that's concerning... it's the long-term impact of the lost CLV, which would be \$19,500.

How to Avoid Becoming a Scary Statistic

By investing in proper third-party risk management, and taking the appropriate steps to continuously vet and monitor your vendors, you can help avoid becoming one of these statistics.

1

Know your vendors.

Doing your vendor due diligence, both upfront and on a continuous basis, will help keep you from getting a frighteningly risky surprise, and perhaps keep you from becoming a segment on the evening news. A huge part of your due diligence is ensuring your vendor's cybersecurity is solid, which can help eliminate becoming victim of a data breach and increased reputational risk.

2

Remember, SOC reports give valuable insight.

Reviewing vendor SOC reports and performing a thorough assessment will help keep you on track! You don't want to get locked in the tomb with the mummy of due diligence past. SOC reports will give you additional insight into your vendor's cyber hygiene and controls, and perhaps keep you from the pit of doom.

3

Key performance indicators (KPIs) are important and assist with maintaining service level agreements (SLAs).

Aligning your organization's vendor management KPIs with the SLAs in all your vendor contracts will give you great insight into vendor performance and keep you safe from the scary non-performing vendor monster that keeps coming back sequel after sequel.

4

Don't forget that business continuity counts.

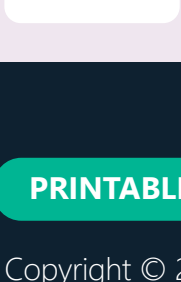
The need to keep up with the Joneses is causing customers that already have too many choices, to constantly look for better alternatives. Third-party ghouls with inadequate business continuity plans can cost you customers very fast.

5

Collect financial statements.

Financial risks associated with third-party risk management are often overlooked or, worse, still treated as a check-the-box exercise. Make sure to include this as part of proper and comprehensive due diligence.

Having a comprehensive third-party risk management program is crucial when it comes to protecting against threats of cyber, privacy, data breaches, reputational risk and more which all have the potential to critically affect the health and longevity of your organization.



Download free samples of Venminder's vendor Control Assessments and see how they empower third-party risk professionals in mitigating risks.

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