

# Auto Byte

Assessing Digital Personal Data Protection Act's (DPDPA) influence on the automotive industry

November 2023



# Gearing up for the DPDPA

DPDPA, 2023, commonly termed the 'Privacy Law' or the 'Data Protection Law', marks a significant step towards safeguarding privacy and managing personal data within India. As the automotive industry embraces digitalisation and connectivity, this Act holds profound significance towards addressing the complexities of data privacy and security in the era of connected cars and smart mobility solutions.

In recent years, the automotive industry has undergone significant transformation with the integration of advanced technologies such as connected vehicles, autonomous driving systems and vehicle-to-everything (V2X) communication. The industry is witnessing rapid technological advancements, from the integration of the internet of things (IoT) and telematics to the growth of electric mobility and connected car solutions, transforming mobility from ownership to mobility-as-a-service.

The efficient and innovative use of data has been a key enabler in driving these innovations and enhancing customer experience (and personalisation), improving fuel efficiency, promoting sustainability and supporting related services within the automotive ecosystem (such as insurance), among others.

**Notably, personal data is shared at various stages of the manufacturer and customer journey, and the Act empowers both customers and automakers by establishing clear guidelines for collection, storage and sharing of data.**

## Evolving role of data

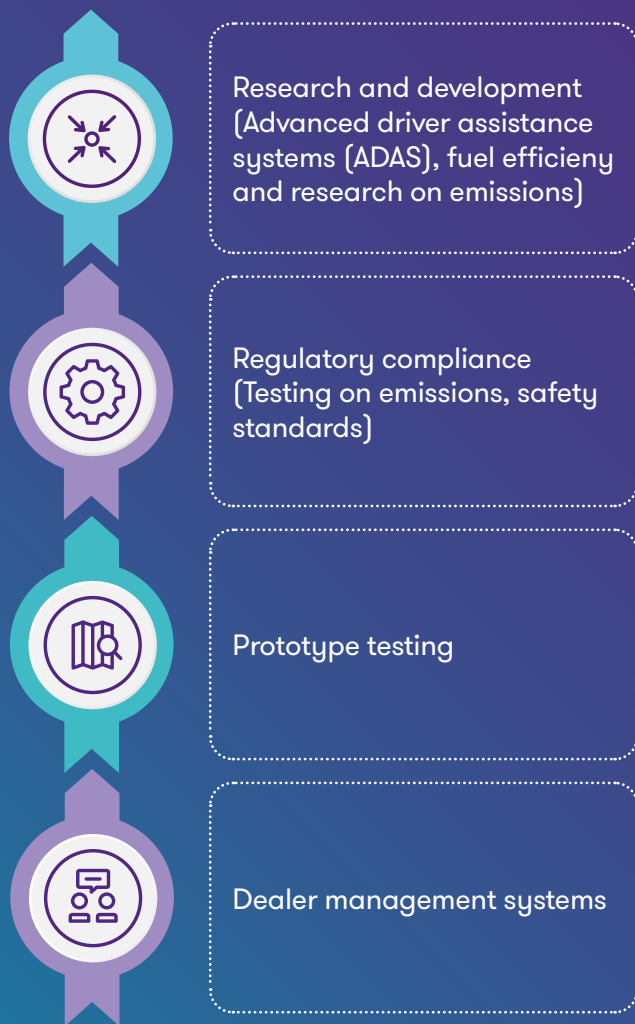
The industry is undergoing a transformative revolution driven by evolution of the use of data.

Businesses are expected to handle personal data responsibly, ensuring data security and obtaining customer consent wherever required.

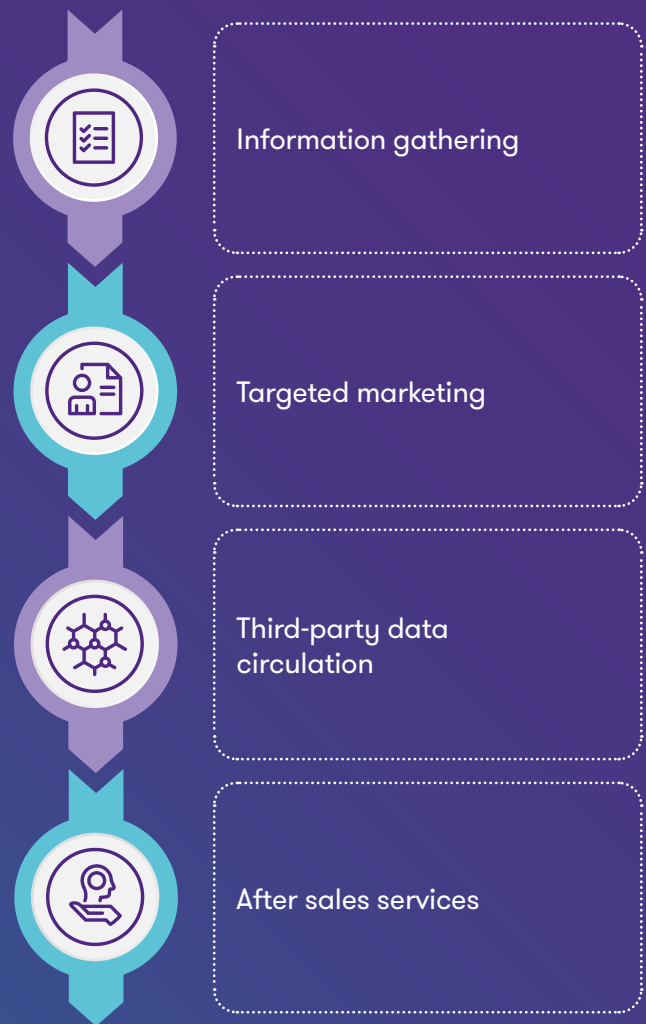


# Gathering and usage of data within the upstream and downstream automotive value chain

## Upstream value chain



## Downstream value chain



# Impact of DPDPA on key stakeholders

## Original equipment manufacturers (OEMs) and supply chain

Automobile OEMs collect driving data from their vehicles in a variety of ways, including through sensors, onboard diagnostic (OBD) systems and telematics devices. This data can be used for a variety of purposes, including improving vehicle safety and performance, developing new products and services, providing personalised customer experiences and generating revenue by selling driving data to third-party companies, such as insurance companies, fleet management companies and traffic data providers.

Furthermore, OEMs also use dealer management systems (DMS) to manage their relationships with their dealerships and to track sales, inventory and service data. DMS typically include a variety of features, such as:

- Customer relationship management (CRM) tools
- Vehicle inventory management tools
- Sales tracking tools
- Service scheduling tools
- Financial reporting tools

DMS contain large amount of sensitive data, such as customer personal information, vehicle sales data and financial data. This data is a valuable target for hackers and other cybercriminals. Automotive companies must have strong security measures in place to protect DMS data from unauthorised access and use. They need to be compliant with the DPDPA, which requires companies to obtain consent from individuals before collecting or using their personal data and to give other individuals control over their data. Also, OEMs often share DMS data with third-party vendors, such as marketing companies and credit bureaus. It is pertinent to vet third-party vendors before sharing data with them and to have processes in place that protect data confidentiality and security.



## Dealerships and aftermarket

Automotive dealers and aftersales service providers use customer data for enhancing the following:

### Customer experience

To personalise sales and service experience, such as sending targeted marketing messages, recommending vehicles based on past purchase history and scheduling service appointments at convenient times

### Sales

To identify and target potential buyers and track the effectiveness of marketing campaigns

### Operations

To identify trends and inefficiencies and make better decisions about inventory, staffing and pricing

An analysis of the customer journey can provide an overview of personal data collected at each stage:

## Data gathered at each stage



# Analysis of impact on key stakeholders



## Data principal

- Automakers to obtain explicit consent for data collection and processing
- Enable transparent and customer-centric services



## Data fiduciary

- Must obtain informed and explicit consent
- Ensure data security, accuracy and minimalisation



## Data processor

- Privacy representative to ensure that personal data is processed for specific and legitimate purposes



## Significant data fiduciary

- Most likely applicable to tech hubs and knowledge centres
- Understand obligations to ascertain whether the company meets criteria for significant data fiduciary

## Automotive companies need to assess the following with respect to personal data processing:

- Data protection readiness, including (but not limited to) volume, sensitivity and level of transparency
- Driver's behavioural data used by telematics providers
- Use of personal data for innovation and research
- Marketing and customer engagement
- Cross-border data flow for global automotive companies
- Processing and analysis of customer purchase and service history
- Ensure data privacy throughout the development and lifecycle of a vehicle
- Sharing of data with third parties/vendors
- Requirement for employee training

This Act significantly reshapes how the automotive industry handles data and necessitates a more transparent, secure and customer-centric approach to data management, right from obtaining the data at each stage of the customer life cycle to utilising it for product development, R&D and marketing, among other purposes. This transformation within the industry may also serve as a strategic advantage.

## A few opportunities which can be utilised by the companies on their journey towards becoming compliant include:

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### Enhanced customer trust

Customers (here referring to data principals) will be able to easily give, manage, review and withdraw their consent for the usage of their data. They are likely to engage more when they witness their personal data not being misused, which is expected to foster higher trust levels, leading to better customer engagement.

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### Augmented risk mitigation

The transition towards ensuring compliance in accordance with the DPDPA will enhance the overall risk mitigation processes of companies. Aligning with the DPDPA requirements can improve a company's overall cybersecurity, reducing the risk of data breaches.

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### Ease of doing business globally

Enhanced risk mitigation and improved data processing procedures will facilitate companies (and the automotive industry, by extension) to align themselves with the global data protection standards, making it easier to conduct business in international markets.

In conclusion, DPDPA is a crucial step towards enabling transparent and safe data flow within the automotive ecosystem. Adherence to robust data protection standards not only enhances customer confidence but also promotes global trade, positioning India as a responsible and safe hub for automotive innovation.

### Acknowledgements

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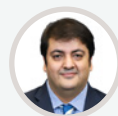
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