

Fury and frustration over Target data breach (Update)

December 20 2013, by Anne D'innocenzio



Shoppers arrive at a Target store in Los Angeles on Thursday, Dec. 19, 2013. Target says that about 40 million credit and debit card accounts may have been affected by a data breach that occurred just as the holiday shopping season shifted into high gear. (AP Photo/Damian Dovarganes)

Potential victims of credit card fraud tied to Target's security breach said they had trouble contacting the discounter through its website and call centers.

Angry Target customers expressed their displeasure in comments on the company's Facebook page. Some even threatened to stop shopping at the store.

Target's CEO Gregg Steinhafel apologized through a statement issued on Friday. The retailer also said it's working hard to resolve the problem and is adding more workers to field calls and help solve website issues. And the discounter began offering 10 percent off for customers who shop in its stores on Saturday and Sunday and free credit-monitoring services to those who've been affected by the issue.

The Minneapolis-based discounter said that while it's only heard of "very few" reports of fraud, it's reaching out to customers who made purchases by swiping their cards when the scam occurred. The company also said it's continuing its investigation into the matter.

"We take this crime seriously," Steinhafel said in the statement.

Target's statements come after the second largest U.S. retailer acknowledged Thursday that data connected to about 40 million credit and debit card accounts was stolen as part of a breach that began over the Thanksgiving weekend.

The theft is the second-largest credit card breach in U.S. history, exceeded only by a scam that began in 2005 involving retailer TJX Cos. That incident affected at least 45.7 million card users.

Target disclosed the theft a day after reports that the company was investigating a breach. The retailer's data-security troubles and its ensuing public relations nightmare threaten to drive off holiday shoppers during the company's busiest time of year.

On Friday, Target reiterated that the stolen data included customer

names, credit and debit card numbers, card expiration dates and the embedded code on the magnetic strip found on the backs of cards, Target said.

There was no indication the three- or four-digit security numbers visible on the back of the card were affected, Target said. It also said Friday there was no indication that the stolen data included a customer's birth date or social security number. The data breach did not affect online purchases, the company said.



Shoppers leave a Target store in North Olmsted, Ohio Thursday, Dec. 19, 2013. Target says that about 40 million credit and debit card accounts may have been affected by a data breach that occurred just as the holiday shopping season shifted into high gear. (AP Photo/Mark Duncan)

Target also said it didn't believe that PIN numbers to customers' debit cards have been compromised. So that means someone cannot visit an ATM with a fraudulent card and withdraw cash, it said.

Target hasn't disclosed exactly how the breach occurred but said it has fixed the problem.

Given the millions of dollars that companies such as Target spend implementing credit-card security measures each year, Avivah Litan, a security analyst with Gartner Research said she believes the theft may have been an inside job.

"The fact this breach can happen with all of their security in place is really alarming," Litan said.

Other experts theorize that Target's network was hacked and infiltrated from the outside.

Target, which has almost 1,800 stores in the U.S. and 124 in Canada, said it immediately told authorities and financial institutions once it became aware of the breach on Dec. 15. The company is teaming with a third-party forensics firm to investigate and prevent future problems.

Data breaches tied to credit card fraud are on the rise, according to Javelin Strategy & Research, a San Francisco-based financial services firm.

According to the firm's report, nearly 16 million consumers were notified that their card information was compromised in 2012, while the number of victims of fraud increased more than three-fold from 2010 to 2012. That resulted in \$4.8 billion in fraud losses.

Al Pascual, a senior analyst of security risk and fraud at Javelin, noted

that 28 percent of customers who are notified that their cards were breached typically suffer fraud in the same year.

"This is going to spawn credit card fraud," he said.

Target's credit card breach poses a serious problem and threatens to scare away shoppers who worry about the safety of their personal data.

"This is close to the worst time to have it happen," said Jeremy Robinson-Leon, a principal at Group Gordon, a corporate and crisis public relations firm. "If I am a Target customer, I think I would be much more likely to go to a competitor over the next few days, rather than risk the potential to have my information be compromised."

The incident is particularly troublesome for Target because it has used its store-branded credit and debit cards as a marketing tool to attract shoppers with a 5 percent discount.

During an earnings call in November, the company said some 20 percent of store customers as of October have the Target-branded cards. In fact, households that activate a Target-branded card have increased their spending at the store by about 50 percent on average, the company said.

Target shares rose 34 cents to \$62.49 on Friday.

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