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The Target Data Breach: Potential Consequences for Banks

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The ultimate cost to Target of its recent data breach remains uncertain. So far, the company is the subject of several state investigations, a number of state and federal lawsuits, and a congressional probe into the incident. In 2007, when TJX Cos. (the parent company of T.J. Maxx, Marshalls, and other retailers) suffered a data breach, the estimated cost of the incident was about $250 million. Considering scale and inflation, plus the rising cost of security and notification, the Target data breach is likely to cost much more. Target has confirmed that at least 40 million credit and debit card accounts were affected by the breach. It has also confirmed that the names, phone numbers, and email and mailing addresses of up to 70 million additional customers were compromised. While Target is a retailer, its data breach directly impacts the banking industry. Banks and retailers are currently debating which industry is most responsible for protecting customer data. Are retailers primarily responsible, and should they have implemented tighter security for processing payments? Or are the banks primarily responsible, and did they fail to implement modern security features on their credit and debit cards, such as the chip-and-pin features widely implemented in the European Union? Regardless of how the debate is resolved, **consumer behavior will likely play a major role in dictating future responses by both the retail and financial sectors**. For example, consumers may stop shopping at retailers they deem "unsafe" or move their bank accounts to banks perceived to be on the cutting edge of security and privacy. Either way, both industries will have to work hard to safeguard consumer data and fend off future threats.

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