Cyber pain mushrooms

BUSINESS OWNER
CLAIRE HEANEY

ONE in four Australian small businesses have suffered cyber attacks in the past year, up from one in five in 2016, research has found

And 11 per cent of those who battled an online attack suffered a financial loss as a result, at an average cost of $10,299 — up 56 per cent from $6600 the previous year.

The annual Norton cyber security survey of small businesses found 23 per cent endured a cyber attack or hacking attempt in 2017, up from 19 per cent the previous year.

When asked how they were impacted by the cyber attacks, 39 per cent of businesses cited the downtime it caused.

Inconvenience and expense were considered downsides of cyber attacks by about a quarter of businesses.

"Cyber attacks have the potential to significantly affect how a business operates and how it is perceived by customers, particularly in the event of lengthy downtime or a data breach," Norton business unit director Mark Gorrie said.

"In an environment where competition and customer expectations are high, cyber attacks have the power to cripple SMBs (small and medium-sized businesses), regardless of industry."

Melbourne entrepreneur Jade Walker's organic herbal tea business was targeted by hackers last year.

Ms Walker uses PayPal as her only method of receiving payments but, after not receiving funds for several purchases, she discovered her account details had been changed so customer's payments were being redirected.

She said she spent $2000 to upgrade her Jade Walker Teas website to correct the problem.

While the loss of purchases was contained to $100, Ms Walker felt she lost credibility with customers.

The Norton survey found more businesses were taking measures such as backing up data more frequently.

Businesses also said they were using password protection more often.

"As the financial and operational impact of cyber attacks become harder for SMBs to ignore, business owners and operators are beginning to knuckle down and get the basics right — from using passwords, two-step verification and back-up, to the more complex tasks of regulating access to company data," Mr Gorrie said.

They survey covered 1048 businesses with fewer than 20 employees.

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TRYING TO CATCH DELUGE OF PAPER CUPS

CLAIRE HEANEY

PaperFreight's Dennis Collins has devised a way to keep single-use coffee cups out of landfill.

RECYCLING pioneer Dennis Collins is helping to solve one of our biggest environmental challenges — one single-use coffee cup at a time.

Mr Collins, based in Ballarat, has been tinkering with recycling for many years.

The owner of trucking business PaperFreight began carting recycled paper around 30 years ago.

Over a number of years, Mr Collins began to diversify and, when he was asked if he could recycle PVC, he took it as a challenge.

Over months of internet research and trial and error, he came up with a chemical formula for separating the thin plastic lining of coffee cups from the recyclable cardboard.

Mr Collins, who operates more than 50 vehicles, said he was "like a dog with a bone" trying to come up with a method to remove the plastic.

"I spent ages trying different chemicals," he said.

"There are half a trillion coffee cups produced in the world each year and nearly all of those go to landfill."

The patented process caught the attention of Closed Loop Environmental Solutions, which is a Melbourne-based company developing protocols for recycling, reuse and "upcycling" of packaging and food waste.

It has partnered with Mr Collins' PaperFreight in what could be a game-changing process for cup waste.

Closed Loop founder Robert Pascoe said they were building capacity for the development of a plant in Melbourne or Sydney, which would need 1000 tonnes of coffee cups every year to start production.

To that end, Simply Cups is rolling out recycling bins around Australia.

A key partner is convenience store franchise 7-Eleven, which this week launched collection points in 200 of their stores.

Mr Pascoe said there was a common misconception that most takeaway cups were recycled.

"More than one billion cups end up in landfill each year in Australia," he said.

7-Eleven chief Angus McKay said the 70 million figure was roundly equivalent to the number of cups sold instore.

"Our goal is to change the way people think about recycling and encourage other organisations and community members to get on board and install a Simply Cups bin in their workplace, park or school, and make a difference to future generations," Mr McKay said.

7eleven.com.au/cuprescue

Food label rules to be enforced

FOOD producers have been urged to move on new country-of-origin labelling that becomes mandatory on July 1.

The enforcement date follows a two-year transition period that started in July, 2016, with some producers already using the new labels.

The Australian Competition and Consumer Commission has published guidelines on the rules. "Consumers are influenced by a number of factors when buying goods, including claims about where a product was grown, produced or made," the ACCC said.

Food sold for immediate consumption or made at restaurants, fundraising events or cafes does not need to be labelled. New labels will describe food as "grown, produced or made in Australia".

The labels feature a kangaroo symbol in a triangle, a bar chart showing the percentage of Australian ingredients and text stating whether the product was "grown in" or a "product of" Australia. Some products will have a "made in" label and the percentage of the Australian ingredients.

If food is grown, produced or made in a single overseas country, it must state where it was made and packed.

Will you have safely crossed when amber lights turn to red?

THE SHORT CUT
with ROGER MONTGOMERY

WARREN Buffett recently observed that markets can quickly turn from green to red, without pausing at yellow.

It was a veiled warning that when markets are at valuation extremes, it doesn't take much to trigger something serious.

We'd argue the rewards for being fully invested today do not outweigh the risks.

Another way of thinking about it is that, when you pay a high price for an asset, you are locking in low returns.

Those low returns might be volatile, or they may be smooth but it is an inescapable truth of investing that the higher the price you pay, the lower your returns.

It's also worth remembering that a period of very strong returns, which exceed long-term historical averages, is borrowing returns from the future.

If the long-run average return of the stockmarket is, say, 9 per cent, and you have just enjoyed a few years of 30 per cent returns, you can almost be certain future returns won't be anything like 30 per cent.

The boom in collectables that produce no income is an amber light. Things like art, wine, collectable cars, licence plates, coins and stamps have sky rocketed amid punitive returns on cash and a strong fear of missing out.

Another amber light is the ominous warning from the massive shift in credit market interest rates over the past few months.

Corporate bonds have been selling off at a faster rate than government bonds, widening the spreads between them to the largest difference in six months and, at the same time, these investment-grade US corporate bonds are trading at their highest yields in six years. So while equity investors flirt with all-time highs, their bond counterparts are evacuating, demanding higher returns.

These interest rate changes have occurred under the noses of share market investors who have recently plunged more money into exchange traded funds than ever before.

In the US, the love affair with technology stocks such as Facebook, Twitter, Netflix and Google parent Alphabet was reflected in a single-week injection of $US3.3 billion being pumped into the PowerShares QQQ Trust Series 1, the biggest exchange-traded fund tracking the tech-laden Nasdaq 100 index.

Equity investors also poured a weekly record $US34 billion into equity ETFs in the week ending March 16.

We could say irrational exuberance by less sophisticated investors — those unaware of bond market sentiment — is itself another amber light. Further alarm bells should be triggered by the recent spike in Libor and the Libor-OIS (overnight index swap) spread.

The three-month London interbank funding rate, which some of the world's leading banks charge each other for short-term loans, rose to its highest level since the global financial crisis. This will make funding more expensive, including for Australian banks, where funding costs are on track for the biggest monthly increase in nearly eight years.

These are signs monetary policy has tightened considerably. Rising rates for private borrowers are already occurring and may be a bigger concern than whether central banks raise rates or not.

With stockmarket earnings multiples at historical extremes in the US and with volatility at all-time lows, it's very likely we will see a return to normal levels of volatility and historic returns.

When volatility increases, investors demand higher returns to compensate. In order to receive those higher returns, they need to pay lower prices, price-to-earnings ratios fall.

It could be some time before the light turns from amber, but not everyone will be able to cross the intersection before it turns red.

The Montgomery Global Funds own shares in Facebook

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT