

ATB BUSINESS BEAT:

The pulse on business in Alberta

ATB Business™

Volume 6, July 2014



The impact of fraud on Alberta business

Alberta small and mid-sized enterprise (SMEs) business owners already have enough things keeping them up at night. To add to this, one in four experienced fraud or attempted fraud in the past year. This issue of the Business Beat looks at fraud against business—such as forgery, cybercrime, information theft, theft of physical assets, and any other act that involves deception or deceit for illicit gain. We explore the type of fraud experienced, how it was uncovered and the financial impact. The PricewaterhouseCoopers 2014 Global Economic Crime Survey indicates that economic crime is on the rise globally (3%) and in Canada (4%) since 2011. This is an important issue Alberta SMEs need to safeguard against.

RISKY BUSINESS

25%

HAVE EXPERIENCED FRAUD
IN THE PAST YEAR

49%

OF RETAIL SECTOR
EXPERIENCED FRAUD

One in four Alberta businesses experienced fraud or attempted fraud in the past year. Breaking that down gives us some interesting results.

- > While overall 25% of businesses were impacted, the number was much higher in the retail industry with almost half (49%) of retail SMEs experiencing fraud or attempted fraud in the past year.
- > When losses were incurred as a result of fraud, the average financial loss was \$24,000.
- > Of the 25% impacted, 41% of those reported between two to five separate incidents in the past year.

“THOSE INVOLVED IN FRAUD ARE BETTER ACQUAINTED WITH THE SYSTEMS OUT THERE. IT IS AN ISSUE OF TIME, AND SPECIFICALLY PHISHING SITES. I HAVE HAD THREE ENCOUNTERS THIS PAST YEAR.”

– Director, Non-profit

65 years in business, 1 – 4 employees,
\$250, 000 to less than \$500, 000 in revenues

BREAKING IT DOWN

While the retail industry is the most targeted, the overall scope of fraud is broad and far reaching. A higher percentage of small business who have 5 - 49 employees were victimized. Revenue plays a factor: the more money your business makes, the more likely the risk. The following graphs show the breakdown of the 25% of the businesses we surveyed who were victims of fraud or attempted fraud.

Types of fraud experienced

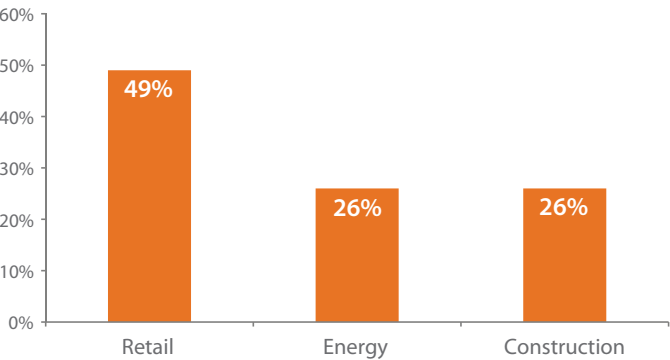


// CREDIT CARD, THE BANK KNOWS US AND WE DID NOT LOSE ANY MONEY. IT WAS A WAY OF GETTING CREDIT CARD INFORMATION, THEY BELIEVE IT WAS FROM A GAS STATION. SOMEONE PUT A READER WHERE THE CREDIT CARD GOES IN THE PUMP. THEY MUST HAVE BEEN SELLING IT OR CONNECTED TO THE STATES BECAUSE WITHIN HOURS IT WAS BEING USED IN NEW YORK. //

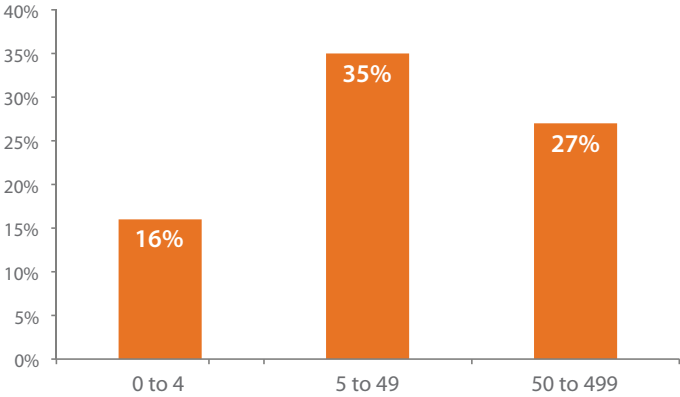
– General Manager, Construction

13 years in business, 1 to 4 employees,
\$250, 000 to less than \$500, 000 in revenues

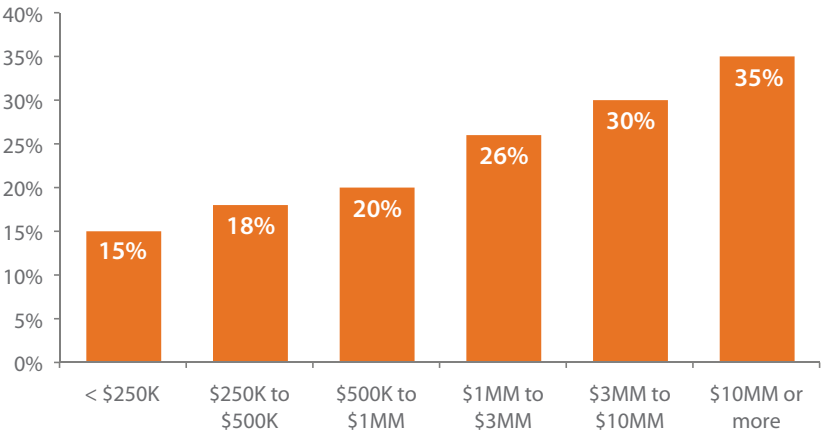
Percentage impacted within these industries



Percentage impacted within micro, small and mid-sized businesses

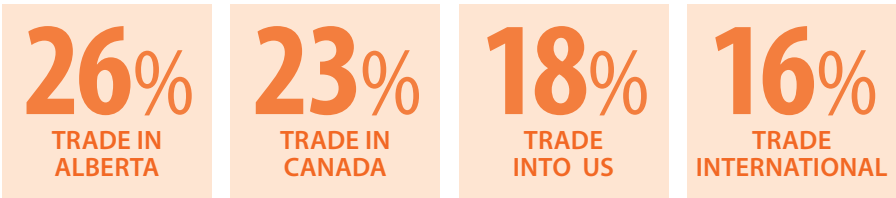


Percentage impacted within revenue category



FRAUD, AT HOME AND ABROAD

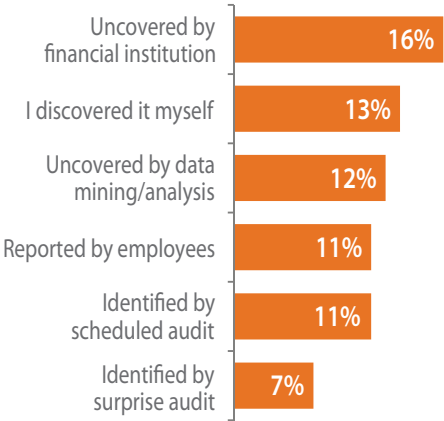
Percentage of SMEs within trade category who believe the risk of fraud has increased in the last year:



We thought if businesses were operating beyond Alberta’s borders they may feel more threatened by fraud. Interestingly the opposite is true. Fewer SMEs, operating in the US or internationally, perceived the risk of fraud as on the rise compared to those operating only in Alberta or Canada.

DETECTION AND PREVENTION

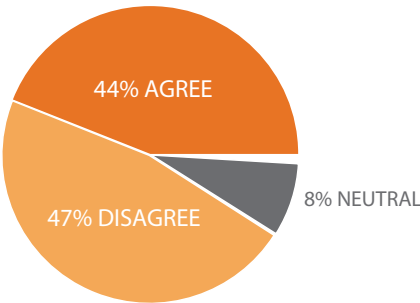
When asked how the fraud was uncovered, the majority of SMEs reported the fraud was not discovered in any one way, but rather through a number of paths.



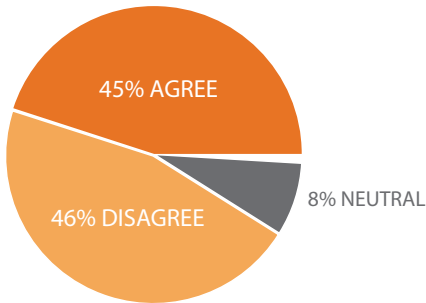
Not surprisingly, 67% of those who experienced fraud or attempted fraud in the last year believe their business needs to find ways to improve fraud prevention, and, of those who experienced internal fraud, 94% want to improve prevention.

Does your business need to improve on...

Fraud prevention?

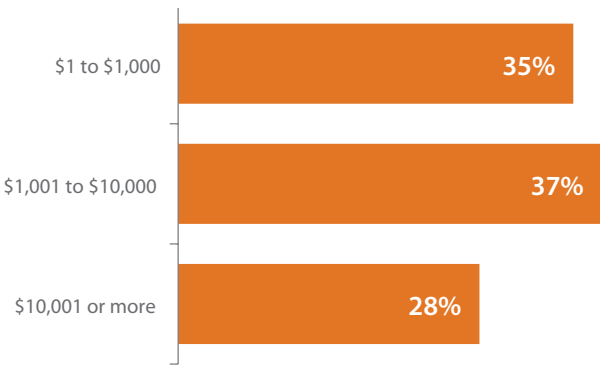


Fraud detection?

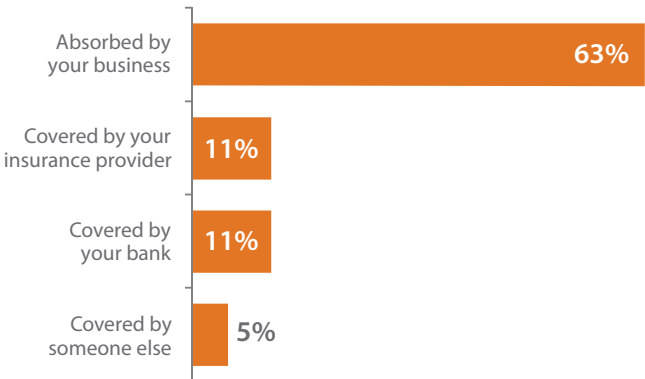


FINANCIAL IMPACT

When losses were incurred as a result of fraud, the average cost was \$24,000. Of those that experienced a financial loss, 28% absorbed a loss of \$10,001 or more.



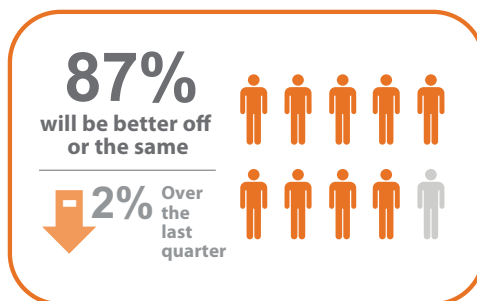
When there was a financial impact, 63% of SMEs simply absorbed the loss as a cost of doing business. Even though their bottom line took a hit, of those that experienced a financial loss, only 38% plan to invest in ways to reduce fraud risk.



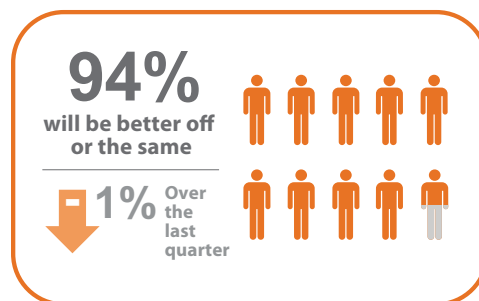
A BRIGHT FUTURE AHEAD

The ATB Economic Index and ATB Business Index dipped slightly from last quarter, but both are still higher than this time last year. The feeling of 87% of SMEs is that the economy will be the same or better off in the next six months, and 94% believe that the same of their business' future.

Alberta Economy

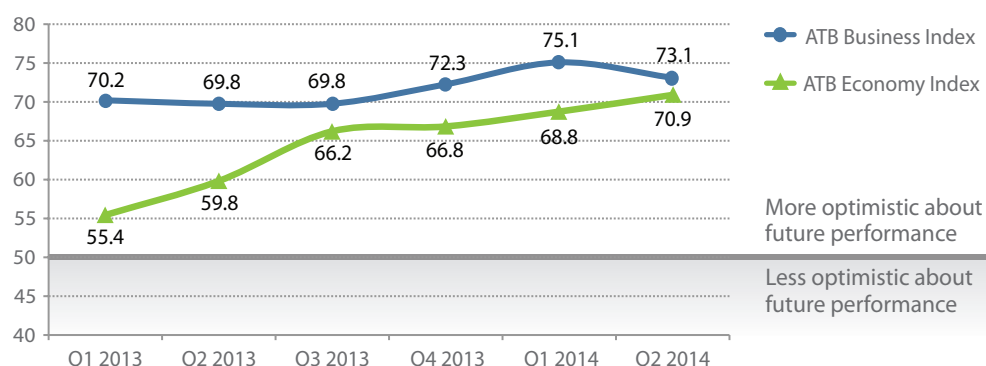


Your Company



ATB Business Beat Index

The ATB Business Beat Index takes the percentage of better (somewhat/much) minus the worse (somewhat/much worse) and re-scales the number to range from zero to 100. This gives us a good indication of optimism over a time period.



About This Report

For more information on this report or the next ATB Business Beat, please email businessbeat@atb.com or visit atb.com/businessbeat to be put on the mail list.

About ATB Financial

ATB Financial (atb.com) is the largest Alberta-based financial institution, with assets of \$37.7 billion. ATB offers retail financial services, business and agricultural financial services, corporate financial services and investor services to more than 676,000 Albertans and Alberta-based businesses in 242 communities in our province.

ATB Business and Agriculture provides services to Alberta's small and mid-sized businesses, farmers and other agriculture customers.



To find out how ATB Financial can help your business grow, please contact: Wellington Holbrook, Executive Vice-President, Business & Agriculture, ATB Financial at askwellington@atb.com

About NRG Research Group

NRG Research Group (www.nrgresearchgroup.com) is a leading Canadian public affairs and market research company with offices in Calgary, Vancouver, and Winnipeg.

Who did we talk to?

These findings are from an ATB Business telephone survey conducted during June 2 to 16, 2014, with 300 randomly selected Alberta SMEs owners/operators.

Study exclusions: agriculture (farms or ranches), government, financial institutions and large businesses (500+ employees).

Business size definitions: small (0 to 49 full-time employees) and medium-sized (50 to 499 full-time employees).