

profits\$

ESSENTIAL INFORMATION
FOR ENTREPRENEURS

UP TO THE CHALLENGE

*HOW TO TACKLE THE
WORLD'S FASTEST-
GROWING MARKETS*



GERMAN LESSONS

*WHAT KEEPS
GERMANY'S MID-SIZED
CHAMPIONS ON TOP?*



HIGH SEAS ADVENTURE

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EXPERTISE CAN
BE A LIFE SAVER*





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JEAN-RENÉ HALDE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

ONE ENTREPRENEUR AT A TIME

EVERY DAY, WE HEAR ABOUT THE LATEST STATISTICS ON THE EBB AND FLOW OF OUR COUNTRY'S ECONOMY. AT BDC, WE LIKE TO LOOK BEYOND THOSE NUMBERS AND ZERO IN ON THE CRUCIAL ROLE ENTREPRENEURS PLAY IN CREATING OUR **NATIONAL PROSPERITY**.

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We believe the vibrancy of our economy can be traced in large part to the courage, vision and skill of individual entrepreneurs as they strive to build larger, more competitive businesses. After all, small and medium-sized enterprises make up 99.8% of all businesses in Canada and account for 64% of private sector employment.

In this issue of *Profit\$*, we meet some of the talented entrepreneurs running these companies and look at how they are tackling important challenges.

In the cover story, you will read about one young entrepreneur who has prepared his company to go beyond Canada's traditional export markets. He's striking out boldly into fast-growing Asian markets, despite the challenges of doing business in such different cultures.

In another article, you will learn how Germany's successful mid-sized companies have flourished by dominating global niche markets.

We look at one such company operating in Canada to see what lessons our own mid-sized companies can learn from the German model. It's a timely question, given the difficulty they've been experiencing, as highlighted in a recent BDC study.

Businesses with between 100 and 500 employees are responsible for 12% of GDP, 17% of exports and 16% of jobs. That's why the BDC study's key finding is so troubling: the number of these companies declined 17% between 2006 and 2010.

The manufacturing sector was particularly hard hit, with over half of its mid-sized firms disappearing between 2001 and 2010. I invite you to read the study *What's Happened to Canada's Mid-Sized Firms?* at www.bdc.ca/midsizedfirms.

At BDC, we believe our companies can and must become more competitive and growth oriented, here and abroad. We're here to provide the financing and advice they need to make it happen.

As Canadians, we have everything we need to take on the world. Let's do it—one entrepreneur at a time. \$

5 ESSENTIAL QUALITIES OF SUCCESSFUL SALESPEOPLE

Meeting sales objectives is crucial to the success of any business. Here are five tips to ensure you make the most of your sales efforts.

01 BE HELPFUL. Successful salespeople take time to uncover and understand the needs of prospective customers. Ask questions and listen closely to what your prospects are saying. Respond with solutions that meet their needs and desires.

02 BE DISCIPLINED. Keep an up-to-date prospects list where you gather information about potential customers, including their needs, their level of interest in your offerings, the date of your last conversation and proposed future steps.

03 BE SYSTEMATIC. Make sure you're systematically generating sufficient sales leads on a weekly basis. You should have specific targets for the number of prospects you need to have in the pipeline at any given time.

04 BE PREPARED. Consider before a meeting the strong and weak points of your product or service, and how a prospect is likely to resist buying. You have to be ready to handle objections immediately.

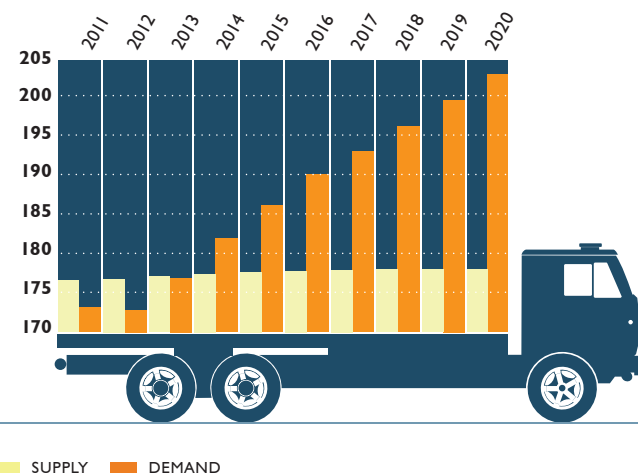
05 STRIVE FOR EXCELLENCE. Work to offer excellent service to your customers. When you've developed a solid relationship and are certain they're satisfied, don't be shy to ask for referrals to other prospects.



ILLUSTRATION: MARTHEU BLANCHER

MIND THE TRUCK DRIVER GAP

FOR-HIRE TRUCK DRIVER SUPPLY AND DEMAND GAP
(000s)



Source: The Conference Board of Canada.

Trucks move 90% of all consumer products and foodstuffs in Canada, and about 60% of our trade with the U.S. As the Canadian economy expands, so too will the need for truck drivers.

In fact, the for-hire trucking industry will need more than 200,000 drivers by 2020 to keep up with growing demand. However, the current driver population is aging faster than the labour force. One of every five drivers in the industry is 55 or older.

If current trends continue, there will barely be enough new drivers to replace retirees, let alone meet increased demand for trucking. This will result in an expected supply and demand gap of nearly 25,000 drivers by 2020. This gap suggests increasing pressure on the industry—and its customers—if the industry is unable to attract new blood to this occupation.

By Vijay Gill, Principal Research Associate, Transportation and Infrastructure, at the Conference Board of Canada. He is co-author of the report *Understanding the Truck Driver Supply and Demand Gap and Its Implications for the Canadian Economy*, available at www.conferenceboard.ca.

TAKING THE LEED

WHAT YOU SHOULD KNOW ABOUT LEED GREEN BUILDINGS

01 WHAT IS LEED? LEED is the world's most widely used certification program for ecologically friendly construction of new buildings and retrofits of existing buildings. It accredits high-performance, environmentally responsible buildings, including homes, office buildings, hospitals—even entire communities—built according to sustainable principles.

02 IS IT A NICHE THING FOR TREE HUGGERS? No. Around the world, the area of LEED-certified buildings has doubled in a little over two years. LEED buildings now exist in more than 130 countries.

03 WHY DO PEOPLE BUILD LEED BUILDINGS?

- To save money—Energy savings alone can be as high as 60%.
- To meet municipal requirements—In many Canadian cities, all future municipal buildings must be LEED certified.
- To help preserve the environment—LEED-certified buildings help conserve natural resources and reduce greenhouse gas emissions.

Short for Leadership in Energy and Environmental Design, LEED is an eco-friendly certification program that is transforming the building business.

More than 185 million square metres of building space around the world are now LEED certified—over twice the area of Manhattan. And another square kilometre of building space is certified each week.

Here are some facts you may not know about LEED and what it can do for your business.

04 HOW DO PROJECTS GET LEED CERTIFIED? They must be evaluated according to a rating system that covers site planning, water efficiency, energy efficiency, material selection, indoor environmental quality and design innovation.

05 IS LEED EXPENSIVE? To get basic LEED certification, a project generally costs about 2% more to build, according to a report prepared for the Canada Green Building Council (CaGBC). With the resulting cost savings, the typical payback is less than three years.

06 WHAT ARE OTHER PAYBACKS, BESIDES REDUCED ENERGY AND OPERATING COSTS? In comparison to traditional buildings, LEED buildings have higher occupancy rates, rents and resale values, according to the CaGBC report. Employees are also more productive due to better air quality and lighting.

07 SO WHAT'S THE OVERALL PICTURE? LEED allows you to help the planet while lowering operating costs and increasing the value of your building. It also produces a healthier work environment for employees and helps your company stand out as a responsible corporate citizen.

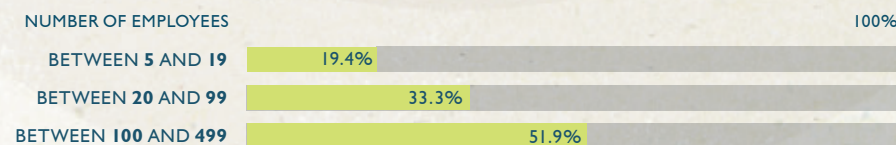


ILLUSTRATION: MARTHEU BLANCHER

IS YOUR BUSINESS READY FOR AN ERP SYSTEM?



PERCENTAGE OF CANADIAN SMEs WITH AN ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE PACKAGE



Source: CEFRIQ, NetPME2011, Use of ICT by Canadian SMEs.

Canadian entrepreneurs are increasingly turning to enterprise resource planning (ERP) systems to help manage their businesses. An ERP system is all-purpose software that manages key business functions with a shared information database.

A properly selected and implemented system can propel your business to higher levels of productivity and profitable growth. But embarking on an ERP project represents a major investment of time and money. How do you know when it's time to take the plunge?

Many companies follow a similar path when it comes to their technology purchases.

- > For most, the first management technology system is an accounting package.
- > As sales increase, a firm will often move to a customer relationship management system.
- > Next, to better manage its expanding business, it might implement an inventory system. And that could lead to other applications, such as automated job costing and scheduling, or a comprehensive human resources system.

The problem is that the business has now acquired a collection of one-off solutions that don't talk to each other. As the company grows, inefficiency costs multiply and a critical point is reached when the company can no longer run effectively because of its mismatched IT systems. The entrepreneur realizes an ERP solution is required and that the investment will pay off in higher productivity.

Such an evolution is typical as a business reaches a critical mass in terms of number of employees, customers, inventory items and internal IT systems. The good news is that an ERP solution is a natural consequence of a company's success and growing maturity.

To learn more about how technology can benefit your business, download your free copy of BDC's eBook *Profiting from Technology: A Guide for Entrepreneurs*. Please visit www.bdc.ca/techebook.

ILLUSTRATION: MATHIEU BÉLANGER

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ARNOLD LEUNG
CEO / APPNOVATION

DESTINATION: GROWTH

HOW TO GET ON THE INTERNATIONAL FAST TRACK

› BY ALEX ROSLIN

WITH CANADA'S TRADITIONAL EXPORT MARKETS STAGNATING, IT'S TIME FOR ENTREPRENEURS TO LOOK TO EMERGING MARKETS FOR OPPORTUNITIES.

ARNOLD LEUNG IS FINDING OUT WHAT IT TAKES TO POSITION HIS YOUNG BUSINESS IN ASIA'S FAST-GROWING BUT CHALLENGING MARKETS.

Arnold Leung founded Appnovation Technologies when he was just 22 years old and he's been on a tear ever since.

Sales have doubled every year for the past three years at the Vancouver open-source IT services company and the number of employees worldwide has tripled to 62.

Guiding Leung is a simple vision he's had since he started Appnovation after graduating from the University of British Columbia's business school in 2007.

Success, Leung believes, can't come just from focusing on the Canadian market. It has to come from expanding internationally.

"The more diversified my company's markets are, the more stable it is, and the easier it is to grow," says Leung, whose company specializes in using open-source software to build websites for large corporate and public sector clients.

It's a vision that prompted Leung to pursue and win lucrative contracts with U.S. organizations such as Intel, Fox News, and the U.S. Department of Health and Human Services. Over the past year, Appnovation moved into Europe. And then, in January, Leung embarked on his most challenging expansion yet—Asia, home to some of the fastest-growing economies in the world.

Leung, 27, knew Asia's distinct business culture and significant language barriers made the market an especially tough one to tackle. He would have to make a considerable investment to establish a presence, develop contacts and identify opportunities.

It was a risky venture, but Leung also knew he couldn't afford not to try. It's where the future lies for companies like his.

But Leung, a former BDC Young Entrepreneur Award winner, also recognized he needed outside help. He approached BDC to help him study the region, decide where to focus his efforts and make contacts.

BIG POTENTIAL

In January, he travelled with Frank Pho, Vice President of BDC's Global Expansion team, to Vietnam and realized the country

has big potential for his company. Leung is now looking for a local partner to help him gain a foothold in the market.

He is also exploring a deal with the Hong Kong government after getting an introduction from the Canadian Trade Commissioner Service.

Leung's challenges are common among Canadian entrepreneurs seeking to expand abroad—especially those considering emerging markets, where differences in the business environment, culture and language can be daunting.

But with proper planning, the challenges can be overcome, says Pho, whose team provides financing and consulting services to Canadian businesses looking to grow internationally.

"Expanding into international markets is not just an opportunity. It's a necessity," Pho says. "Canada is a small market. On top of that, everyone else is trying to expand here. You just can't focus on Canada and let companies from other countries come here and eat your lunch."

Trade statistics highlight just how high the stakes are for Canada. The numbers indicate that Canadian companies are falling behind in the globalization race.

Canada had the second-worst export performance among G20 countries over the last decade, experiencing a greater drop in its share of global exports than any other country except Britain, according to International Monetary Fund data.



Canadian exports are also heavily weighted to slower-growing developed economies, including the U.S. Just 8% of Canadian exports go to the fastest-growing markets, such as China, India and Brazil, according to a recent BDC analysis.

Canadian entrepreneurs need “a paradigm shift” to catch up, Pho says. Too many are making easy-to-avoid mistakes that derail their international expansion efforts.

START EARLY

For starters, entrepreneurs usually wait until their product is “Canada perfect” before they think about expanding to other countries.

The problem with this approach, Pho says, is that it’s based on the erroneous assumption that what works in Canada will work elsewhere. “Many Canadian companies start with a handicap because they are looking at their product only from a Canadian perspective.”

Companies have to start thinking early about how their products may need to be adapted for other markets, Pho says. This, in turn, can help them become more innovative.

“You anticipate what the Chinese or Vietnamese will want to buy,” he says. “By addressing these needs earlier, you innovate and potentially save on costs to adapt your products later.”

A second common error is poor planning. Canadian companies typically expand to another country haphazardly, Pho says. For example, a contact with a potential customer at a trade show or on the Internet often will determine the company’s target market for expansion.

That approach frequently leads to wasted efforts and lost opportunities. “It’s opportunistic, not strategic,” Pho says.

Instead, he advises companies to step back from an initial contact with a prospective customer and analyze the entire region. Consider other, nearby countries



When he decided to expand into Asia, he hired Pho’s team to help him with the planning. “We had long discussions on whether we were ready for Asia or not,” says Leung, a client of BDC Financing and Consulting.

Leung also relied on BDC and other Canadian government agencies to make introductions. “Without their contacts, I wouldn’t have gotten anywhere because I didn’t know anyone.”

He knows his expansion involves risk, but the groundwork he’s done lets him sleep at night.

“It is a big investment, and the payoff won’t happen overnight, but there’s huge potential.” \$

“THE PAYOFF WON’T HAPPEN OVERNIGHT, BUT THERE’S HUGE POTENTIAL.”

to see which one is the most suitable for establishing a beachhead. Look at questions such as setup costs, the tax and regulatory climate, competition, labour availability, shipping costs and insurance questions.

Good planning also means reviewing your company’s readiness to go abroad, looking at your strengths and weaknesses, and being sure that key personnel and stakeholders are onboard with your go-global venture.

VITAL RELATIONSHIPS

One other blind spot for many Canadian companies, Pho says, is failing to study the business culture in their target countries.

In Asia, for example, relationship building is vital before a business deal gets off the ground. “Canadians usually expect to get a deal done in the first couple of meetings and then resolve the details by email,” Pho says. That might work at home, but in Asia such an approach is seen as “overly hasty—to the point of being disrespectful,” he says.

“In China, it’s very important to establish a relationship first,” he says. “You can’t expect to be successful right away. You should plan to return for a visit on a quarterly basis for six quarters to two years.”

At Appnovation, Arnold Leung used many of these lessons when he planned his moves abroad. From the start, he had international markets in mind as he developed his product, which meant it was more easily adapted to needs in other countries.

TAKING YOUR COMPANY INTERNATIONAL



DON'T WAIT TOO LONG. AVOID THE MISTAKE OF WAITING UNTIL YOUR PRODUCT IS “CANADA PERFECT” BEFORE YOU CONSIDER

EXPANDING ABROAD. YOUR INTERNATIONAL COMPETITORS WON'T WAIT TO EXPAND INTO YOUR HOME TURF.



PLAN. REVIEW YOUR COMPANY'S BUSINESS MODEL AND OPPORTUNITIES ABROAD. STUDY VARIOUS COUNTRIES IN A REGION, AND PICK

THE ONE THAT SEEMS BEST SUITED TO BE YOUR BEACHHEAD. MAKE SURE KEY EMPLOYEES AND STAKEHOLDERS ARE ONBOARD, AND CONSIDER HOW YOUR PRODUCT WILL NEED TO BE ADAPTED FOR THE NEW MARKET.



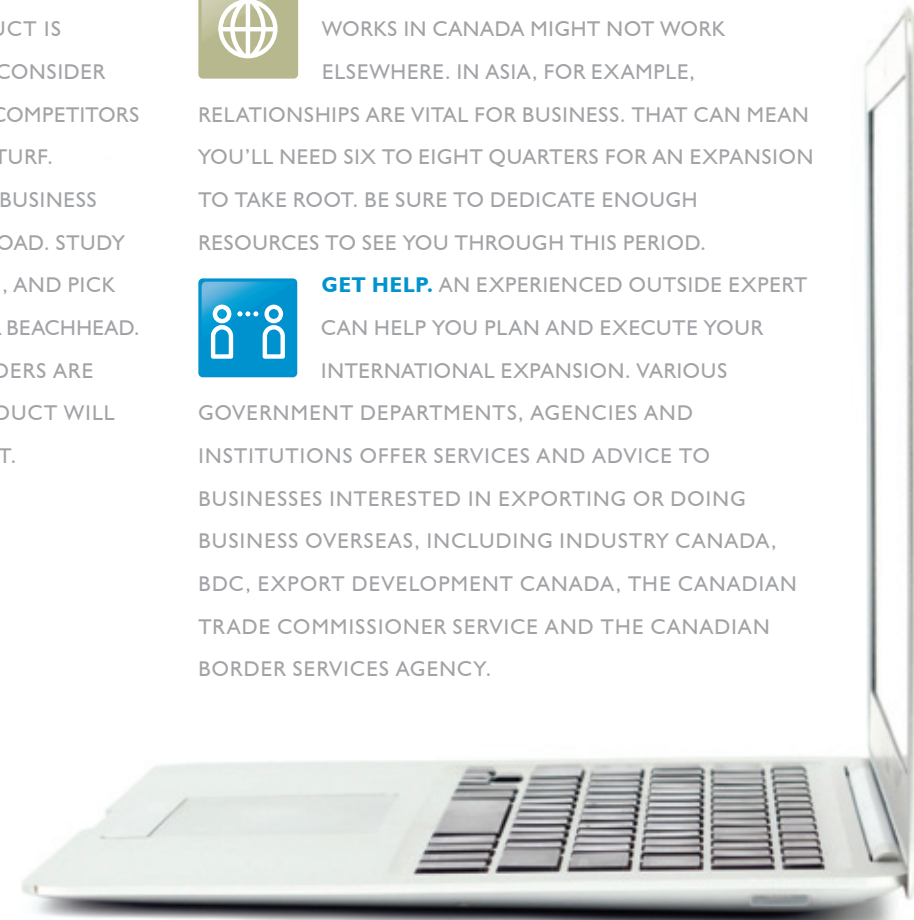
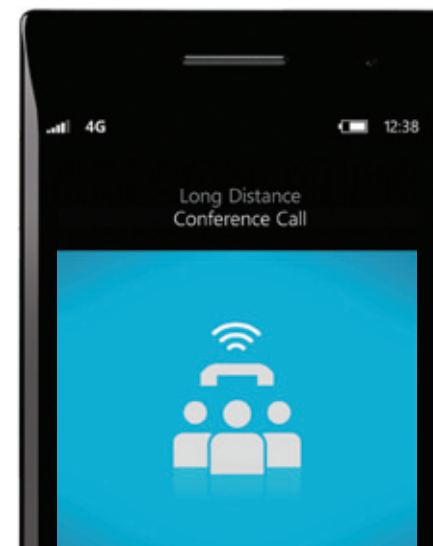
RESPECT THE LOCAL CULTURE. WHAT WORKS IN CANADA MIGHT NOT WORK ELSEWHERE. IN ASIA, FOR EXAMPLE,

RELATIONSHIPS ARE VITAL FOR BUSINESS. THAT CAN MEAN YOU'LL NEED SIX TO EIGHT QUARTERS FOR AN EXPANSION TO TAKE ROOT. BE SURE TO DEDICATE ENOUGH RESOURCES TO SEE YOU THROUGH THIS PERIOD.



GET HELP. AN EXPERIENCED OUTSIDE EXPERT CAN HELP YOU PLAN AND EXECUTE YOUR INTERNATIONAL EXPANSION. VARIOUS

GOVERNMENT DEPARTMENTS, AGENCIES AND INSTITUTIONS OFFER SERVICES AND ADVICE TO BUSINESSES INTERESTED IN EXPORTING OR DOING BUSINESS OVERSEAS, INCLUDING INDUSTRY CANADA, BDC, EXPORT DEVELOPMENT CANADA, THE CANADIAN TRADE COMMISSIONER SERVICE AND THE CANADIAN BORDER SERVICES AGENCY.



THE GERMAN METHOD

LESSONS FROM EUROPE'S INDUSTRIAL POWERHOUSE

› BY DON MACDONALD

GERMANY'S HIGHLY COMPETITIVE MID-SIZED FIRMS HAVE HELPED MAKE THE COUNTRY ONE OF THE WORLD'S LEADING EXPORTERS. WHAT CAN CANADIAN ENTREPRENEURS LEARN FROM SUITCASE MAKER **RIMOWA** AND OTHER MEMBERS OF GERMANY'S RENOWNED MITTELSTAND GROUP OF COMPANIES?

CARSTEN KULCKE
EXECUTIVE VICE PRESIDENT / RIMOWA NORTH AMERICA

It doesn't get much better than this for a business: stars like Cameron Diaz, Bradley Cooper and Elizabeth Hurley being photographed using your product as part of their jet-set lifestyles.

For German luggage maker Rimowa, exposure for its distinctive grooved suitcases goes beyond celebrities to also include strategic placement in numerous Hollywood movies, including *Mission Impossible 4*.

More importantly, the sleek suitcases have caught the fancy of fashion-conscious globetrotters around the world who are willing to pay up to own one. Rimowa, a private company founded in Cologne in 1898, sells suitcases at prices ranging as high as \$1,700 US. Worldwide sales have grown an average of 30% in each of the last four years, hitting \$270 million last year.

For Rimowa's operation in Cambridge, Ontario, one of four manufacturing sites around the world, the popularity of the suitcases has meant a 700% increase in sales since the factory opened in 2009 to serve the North American and Asian markets. This spring, Rimowa moved into a new 80,000-square-foot facility in Cambridge, double the size of the original location, where it employs 200 workers, up from 20 in 2009.

BEYOND MARKETING

Carsten Kulcke, Rimowa's top man in North America, says the secret of the company's global success goes far deeper than celebrities and movie productions. Rather, it's the result of a single-minded focus on quality, from design and engineering to customer service.

"We couldn't have accelerated our business as fast as we have with marketing," Kulcke, a German-born Canadian, says. "It's mastering this product. We control the whole product chain and make sure that once it's put into the marketplace, it has the quality the brand stands for."

Rimowa, a client of BDC Financing, is a member of what's known as Germany's Mittelstand, a group of mid-sized manufacturers

that has attracted international attention for its remarkable exporting success.

The Mittelstand companies focus on niche markets they can dominate with their high-quality products and knack for innovation. Some prominent examples that have grown quite large over the years are Faber-Castell (pencils), Kärcher (high-pressure cleaners) and Dorma (door control systems).

The companies are often based in small towns in Germany and are typically family owned, but hold market shares in their niche that can reach as high as 90%. Most are little known to the general public because they sell unexciting business-to-business products such as machines, tools and precision instruments.

They helped maintain the strength of the German economy through the last recession and current Eurozone difficulties. Last year, German exports reached a record \$1.4 trillion US and unemployment was at a near 20-year low.

Are there lessons for Canada's mid-sized businesses in the Mittelstand model? Certainly, there appears to be room for improvement.

A recent BDC study called *What's Happened to Canada's Mid-Sized Firms?* found that between 2006 and 2010, the number of Canadian mid-sized companies (100 to 500 employees) declined by 17%. In most cases, the firms either shrank to below 100 employees or closed altogether. The manufacturing sector was particularly hard hit, with the number of mid-sized manufacturers plunging 41% (2,338 to 1,381) over the period.

Hermann Simon believes Canadian entrepreneurs can learn from what he calls Germany's "hidden champions." Simon, a Bonn-based strategy and marketing consultant, is the author of *Hidden Champions of the 21st Century*. He says there are many factors behind the success of the elite Mittelstand companies he studies, some of which are unique to the German experience. But others can be adopted by Canadian entrepreneurs, he says.

PHOTOS: YVES LACOMBE

"There are two important lessons," Simon says. "The first is focus. Only focus leads to world class. So you focus on one thing, be it a product or a technology, where you are really good and try to become world class there. But focus makes for a small market. So the second lesson is that you have to make your market large by going international."

KEEP IMPROVING

Simon says a key characteristic of the hidden champions is their commitment to continuous improvement, becoming "a little better every year, a little closer to perfection." This is made possible by their substantial R&D investments and the skill of their highly trained and stable workforces.

One of Simon's favourite examples is the German company Flexi, which holds a 70% global market share in its one product category—retractable dog leashes. He says Chinese competitors have repeatedly tried to take market share from Flexi but have been unable to overcome the durability and quality advantages of the German company's products.

Another important trait of hidden champions is their refusal to outsource manufacturing to low-cost producers. "In order to achieve superiority and uniqueness in their end product, they go one, two, three steps deeper in the value chain and create unique processes, tools and technologies," Simon says.

He also points to the long-term orientation of the hidden champion companies, where the average CEO term is 20 years and many have been in business for generations.

At Rimowa, the company is exclusively focused on manufacturing suitcases (with the exception of a few travel accessories).



Rimowa employees make its products from start to finish, allowing the company to work on improving quality while protecting its intellectual property.

"There is a permanent effort to innovate and it shows in the product," Kulcke says.

“THERE IS A
PERMANENT
EFFORT TO
INNOVATE AND
IT SHOWS IN
THE PRODUCT.”

"The day you are not thinking about how you can improve is the first day of your decline."

DISTINCTIVE LOOK

The distinctive look of Rimowa suitcases dates back to the 1930s when Richard Morszeck, father of current President and owner Dieter Morszeck, was inspired by aircraft construction to use lightweight aluminium to build trunks. The first aluminum suitcase with the characteristic Rimowa grooves was introduced in 1950.

In 2000, Rimowa made a huge breakthrough when it began making suitcases from polycarbonate, a lightweight but highly durable plastic. Along the way, there have been continuous improvements to components such as the wheels and manufacturing processes, including the recent introduction of robots.

Rimowa chose Cambridge, in part, because of the excellent industrial workers it found in Southern Ontario. Kulcke believes Canadian manufacturers can compete and win around the world.

"We cannot compete with Chinese-made, low-end products at Walmart," he says. "But on the premium end, there is a lot of room in every category to apply some brain power, master a product and carve out a niche." \$

READ FIVE TIPS FROM GERMANY'S
MITTELSTAND COMPANIES >>



5 TIPS FROM GERMANY'S MITTELSTAND COMPANIES

01 FOCUS on a niche market where your unique, high-quality products can attract customer loyalty and justify premium prices.

02 ADOPT an ambitious global vision and develop business in foreign markets early to take advantage of growth opportunities and improve your competitiveness.

03 PUT INNOVATION at the centre of your business strategy, seeking continuous improvement in your products and processes. Also work to retain skilled workers. Average annual turnover at Germany's "hidden champions" is less than 3%, says author Hermann Simon.

04 BE DILIGENT about after-sales service. Rimowa has repair shops around the world and even offers a repair service at selected top hotels.

05 TAKE ADVANTAGE of worker apprenticeship programs and other partnership opportunities with post-secondary institutions. Germany is renowned for its vocational training system and research institutes that work hand in hand with manufacturers on R&D projects.

YAN BARITEAU
PRESIDENT / FIG CLOTHING

A CONCEPT THAT TRAVELS

**FIG CLOTHING
TAKES OFF WITH
FASHIONS FOR AN
ON-THE-GO
LIFESTYLE**

› BY ALINA PAHONCIA

FIG CLOTHING HAS SUCCEEDED IN OFFERING ITS FASHIONS FOR WOMEN IN 250 BOUTIQUES ACROSS NORTH AMERICA. NOW, THE YOUNG COMPANY HAS AMBITIOUS PLANS FOR THE EUROPEAN MARKET. ITS KEY COMPETITIVE ADVANTAGE? CLOTHES MADE IN CANADA.

When Yan Bariteau purchased FIG Clothing in 2009, the Montreal women's clothing company had practically no assets and was foundering under the weight of \$150,000 in debt. "What I bought was about 40 rolls of fabric, two old computers and a few desks," the 43-year-old entrepreneur recalls. "But I could see that the company had excellent potential."

A veteran of the sports clothing industry with 15 years of experience as a sales rep for brands such as The North Face, Prana and Arc'teryx, Bariteau was asked in 2005 to represent FIG Clothing. At the time, it was a young company established in the creative and trendy Montreal district of Mile End.

Impressed by its concept of travel-inspired clothing designed for active women, Bariteau decided to invest in the company and then bought it four years later.

Bariteau financed FIG for the first year following the purchase through another one of his companies, Agence Yan Bariteau, which is the exclusive representative in Eastern Canada for Arc'teryx, a manufacturer of outdoor equipment and clothing.

"Things were really tough in the beginning," Bariteau says. "But we worked hard and succeeded in saving the company."

Immediately after the purchase, Bariteau moved FIG's operations to his premises in Laval and began implementing a business strategy focused on distributing to independent retailers appealing to active women who love to travel.

His efforts paid off. Sales quintupled between 2010 and 2012. About 60,000 clothing items are now sold under the FIG label in 220 boutiques across Canada and in 30 stores in the United States.

This year looks promising too, with orders expected to increase 70% over 2012. Bariteau is now negotiating with a European distributor to sell his clothing in France, Italy, Spain and Portugal.

COMPETITIVE ADVANTAGE

Bariteau says he's proud to manufacture all his clothes in Canada, a decision that goes against the trend to send production to low-cost offshore factories.

FIG outsources to Quebec-based clothing manufacturers and this represents the company's main competitive advantage, Bariteau says.

"We can exercise better control over quality and benefit from just-in-time manufacturing. We produce only what we need and react quickly to any changes in customer tastes."

To offset higher production costs, the company works hard on its internal processes and implements strict cost controls to keep overhead as low as possible.

In addition, each mini-collection is produced from a single fabric, which enables the company to achieve economies of scale. "For example," he says, "we will order 9,000 items in different styles, but made from the

same fabric, instead of placing three orders for 3,000 items. And that suits manufacturers just fine."

A COHESIVE STRATEGY

A consistent approach to branding has also contributed to the company's success. The travel concept shows up in the tiniest details, from production to marketing and from sales to customer relations.

For example, each style is identified by an international airport code and clothing labels resemble baggage tags.

Recently the company launched the concept of FIG ambassadors—a dozen young women who are fans of the brand. They're featured on the company's website, talking about their favourite FIG products and their active lifestyle.

Bariteau believes customers are attracted to the brand because of its simplicity and versatility. "Our mission is to provide a refined alternative to traditional travel clothing, enabling women to feel as comfortable in Manhattan as they would on a safari in Tanzania."

“OUR MISSION IS TO PROVIDE A REFINED ALTERNATIVE TO TRADITIONAL TRAVEL CLOTHING.”

A sports enthusiast who has participated in triathlons, Bariteau compares his business strategy to a well-oiled wheel. But even the best strategy can fall short if a company's employees don't get involved.

"My role is to bring all my employees around the wheel so that it turns smoothly."

EXCELLENT RELATIONSHIPS

Developing excellent relationships with his eight employees, his suppliers and his subcontractors has enabled Bariteau to spur the company's growth. "We haven't lost a single supplier since 2009. Our approach involves sitting down with our partners and asking them how we can become their best customer."

With the help of BDC Financing, the company has purchased a new location in Montreal's Mile End, where it will move its operations this spring.

Even though the company is relatively small, Bariteau is serious about strategy and human resources management. He works with his team to build FIG's corporate vision. "We want to better define who we are and what sets us apart and, more importantly, to put it all down in writing."

Bariteau has ambitious plans for the short and medium terms. These include extending FIG's presence throughout the United States and opening partner boutiques in Canada that will be managed by independent owners under the FIG banner.

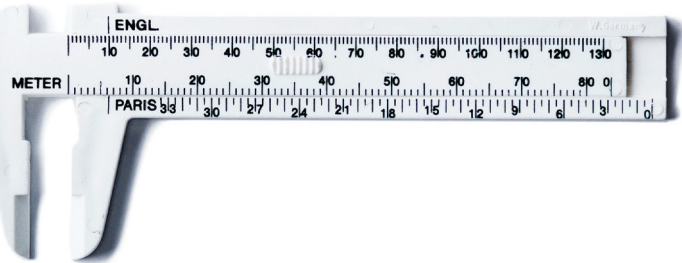
"My greatest ambition is to see the company grow while remaining true to itself. I will not compromise when it comes to the quality of our products or manufacturing our clothing locally." \$

YAN BARITEAU'S
LESSONS LEARNED ››



LESSONS LEARNED

- 01 **DEFINE A CORPORATE CULTURE**—REGARDLESS OF THE SIZE OF YOUR COMPANY, IDENTIFY ITS CORE VALUES AND WRITE THEM DOWN. COMMUNICATE THESE VALUES TO EMPLOYEES SO THEY CAN INCORPORATE THEM INTO THEIR DAY-TO-DAY ACTIVITIES.
- 02 **PLAN YOUR ACTIONS**—“I SPEND MY TIME WORKING ON OUR COMPANY STRATEGY, INSTEAD OF PUTTING OUT FIRES,” BARITEAU SAYS. “IN OUR OFFICE, WE RARELY EVER DO ANYTHING THAT ISN’T WELL THOUGHT OUT.”
- 03 **BE DIFFERENT**—STAND OUT IN THE MARKET BY DEVELOPING UNIQUE OFFERINGS WHILE MAINTAINING YOUR FOCUS ON WHAT SETS YOU APART FROM COMPETITORS.
- 04 **SURROUND YOURSELF WITH GOOD PEOPLE**—IT’S IMPORTANT TO FIND GOOD EMPLOYEES AND WORK TO KEEP THEM FOR THE LONG TERM. THEN YOU CAN FOCUS ON YOUR COMPANY’S FUTURE RATHER THAN MICROMANAGING ON A DAY-TO-DAY BASIS.
- 05 **REMAIN VIGILANT**—EVEN WHEN THINGS ARE GOING WELL, YOU CAN’T REST ON YOUR LAURELS. “WE REMAIN VIGILANT AND ARE ALWAYS TRYING TO FIND NEW WAYS OF IMPROVING OUR OPERATIONS AND BEING MORE COMPETITIVE.”



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STORMS, ICEBERGS,
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JUDITH BOBBITT
PRESIDENT / OCEANS LTD.

Judith Bobbitt has overcome the challenges of an isolated childhood, a serious injury and stiff international competition to build a flourishing oceanographic research company based in St. John's, Newfoundland. ■ Oceans Ltd. provides a wide range of services that are vital to those operating on the high seas: 24/7 marine weather forecasting, wind and wave analysis, route forecasting for shipping, and iceberg profiling. Her extensive client list includes large energy corporations, shipping companies, the Canadian Coast Guard and even transatlantic adventurers. ■ Whether it's imminent storm danger, the threat of collision with an iceberg, ocean pollution or the need to pinpoint a drifting lifeboat, Bobbitt's company is a go-to source for ocean information and technology. ■ Bobbitt, who was alone when she founded Oceans Ltd. in 1981, now employs 30 biologists, oceanographers, electrical engineers and sea-going technologists in offices in St. John's and Halifax. In recent years, the company has expanded its services to take on research into tidal energy and even research to develop new drugs based on seaweed extract. ■ The voyage to success for Oceans Ltd. hasn't always been smooth, but Bobbitt's determination, independence and commitment to innovation have steered the company through the storms.



I grew up on boats in Mutton Bay, a small fishing village on Quebec's Lower North Shore. In the 1960s, Mutton Bay was isolated from the outside world, with no school. I knew it was necessary to move on for greater opportunities. When I was 14, I moved to Montreal to live with my brother and go to school.

My father was a fisherman and the family had little money. I had to work my way through university to get the degrees I wanted in oceanography, meteorology and physics.

The worst day of my life came when I was doing oceanography work on an oil industry supply boat off Labrador. We were winching equipment in rolling seas when I was injured while catching free-falling scientific equipment, which crushed discs in my back. I was technically a paraplegic in a full body cast for months. I have mobility and get around, but still live in a brace and was never able to go back to sea.

My first job after university was in St. John's with the Newfoundland Oceans Research & Development Corporation (NORDCO). They introduced me to the real world of oceanographic work, putting theory into practice.

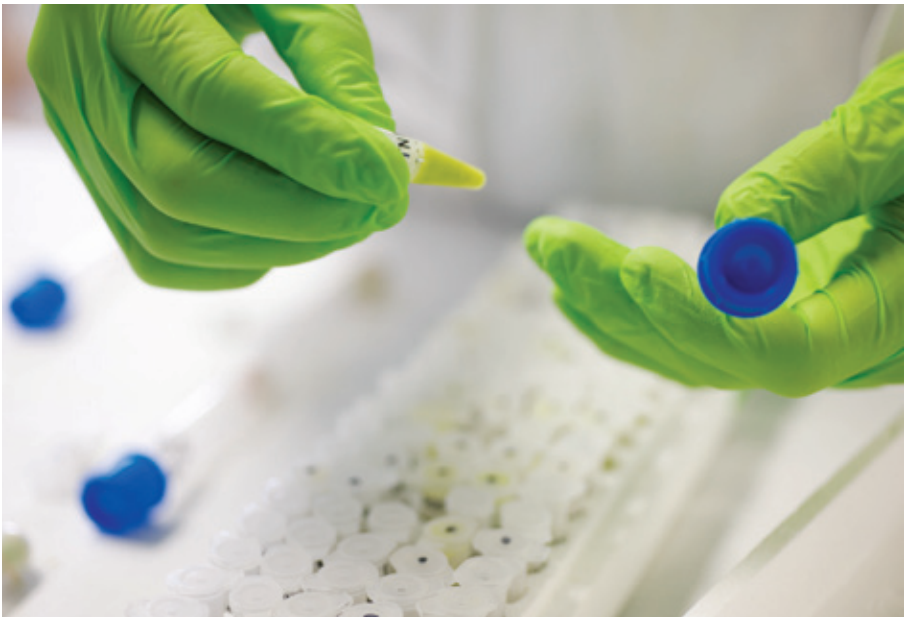
Although my ambition was to research the ocean, I found I was too independent to work for the government. I started my own company, despite much skepticism from others about it succeeding.

St. John's was a small community in the 1980s and people knew me and my previous work. I got an oceanography contract early on from Petro-Canada, and nowadays Oceans Ltd. is the main source of oceanography and offshore weather forecasting for the oil and gas industry in Eastern Canada.

I still depend on the personal touch to get business. Oceans Ltd. doesn't advertise. Clients usually hear about us by word of mouth and we bid on contracts to get work.

One of our main services is iceberg profiling. We measure the surface and underwater dimensions of icebergs drifting in the North Atlantic and provide an accurate 3D picture in real time. The data helps offshore companies plan their iceberg towing operations to avoid collisions. Unfortunately, global warming means more icebergs in the North Atlantic.

In addition to helping ensure human safety, accurate forecasts of unstable weather conditions save a lot of money. Avoiding storms reduces the expense of unnecessary transit time and extra fuel cost for marine users. It also lowers the risks of damage to cargoes and vessels, which keeps the insurance companies happy.



Many areas have no weather observation stations. We fill the gap by combining existing forecasting models with a system we developed that enables drilling platforms and shipping companies to plan their day-to-day activities.

Protection of the environment is important to us. We provide oil companies with analyses of fish health in areas of their operation to ensure marine life is not being affected by drilling activity.

The company also helps the Canadian Coast Guard chart their search and rescue strategies. We marry our knowledge of ocean conditions with research into the drift characteristics of different kinds of lifeboats so that the Coast Guard can narrow down the search areas for people lost at sea.

Adventurer Steve Fossett came to us when he wanted to re-enact the first flight across the Atlantic. Fossett was concerned his reproduction of the 1919 Vickers Vimy couldn't carry enough fuel to make the journey



non-stop from St. John's to Ireland. He was able to make the crossing safely when we lined up enough weather systems to blow him across the pond and told him when to go.

With all these activities, we outgrew our leased building in St. John's about seven years ago. A larger building in a good location came up, but it was 100 years old and dilapidated. BDC helped us with the mortgage and the money to renovate the

“
RATHER THAN LOOK BACK
ON WHAT I'VE ACHIEVED, I ALWAYS
LOOK FORWARD.
”

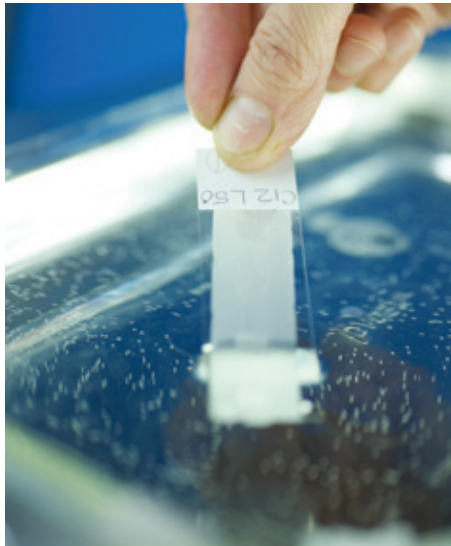
historic building. The new premises allowed us to grow and develop our services with proper labs and work areas.

We're a small company competing against international companies for contracts with the oil industry. That's our biggest challenge and it keeps us on our toes. The big companies have the money behind them and some have tried to force us out of business by undercutting us on contracts. We have to sell our reputation for being better than anybody else.

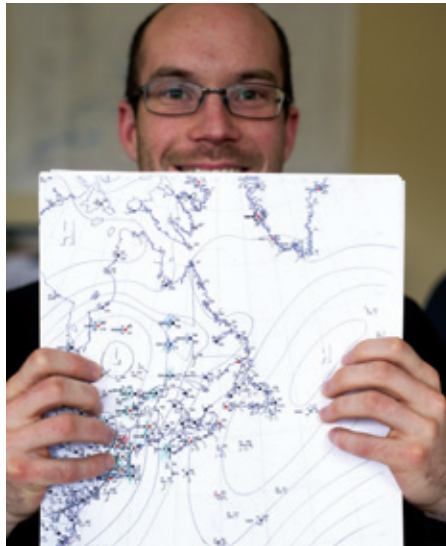
We do a lot of R&D to keep ahead, to invest in the future. We build our own instrumentation if existing equipment is not what we need. If we can't buy it, we make it. That's the philosophy of Oceans Ltd. and it explains

how we started to design and make our own range of plastic marine products, including safety buoys and accessories, and sonars to measure icebergs.

We're also involved in the development of alternative energy. We're providing the oceanography research for a demonstration project in the Bay of Fundy, where turbines are used to harness the power of tides. We see ourselves as part of the future of tidal energy.



Rather than look back on what I've achieved, I always look forward. I try to adapt the knowledge gained from one field of research to other projects. For one government project, I studied seaweed and found it quickly re-established itself after storms. That led me to look at the wound-healing properties of seaweed extract, which in turn created a whole new project for the company.



We're now conducting research with trials of anti-acne and anti-cancer preparations made from seaweed extract. The implications are huge and we've spent a lot on the bio-activity of seaweeds in the past five years.

Although I employ top specialists, I'm also very hands on. I do a lot of the oceanography work, and go through all the reports and write some myself. I wasn't made to be just a company administrator.

It's important to develop good relations with the people in your local community, the banks and the businesses. Much will depend on whether they support you or not.

To be successful, you have to really like what you're doing. That has to take priority over earning a lot of money up front. Doing what you're really interested in is the way to weather the storms that hit you during your career. I don't know if I'll make a difference to the world, but I'm trying.

Although I look to the future, I don't forget where I came from. I regularly go back to Mutton Bay to relax and fish for salmon. \$

AS TOLD TO RICHARD ANDREWS

THE NEW GLOBAL ECONOMY

FOUR YEARS AFTER ONE OF THE WORST FINANCIAL CRISES AND RECESSIONS IN HISTORY, THE WORLD ECONOMY IS STILL STRUGGLING TO RETURN TO SOLID GROWTH.



PIERRE CLÉROUX
BDC CHIEF ECONOMIST

The Eurozone is groaning under the weight of huge debts, while the U.S. economy is expanding only modestly and has still not reduced unemployment to pre-recession levels.

It's a gloomy picture and some economists say it's here to stay. They're declaring that we've reached the end of growth—that the world economy will never return to a high-growth period like the one we experienced before the 2008–09 recession. But does the evidence support such a pessimistic view?

In fact, there is a strong case to be made the world economy is poised to grow even more strongly in the next 20 years than it did in the last 20.

What's the source of this optimistic perspective? Certainly, we shouldn't count on rich countries such as Canada, the U.S., Britain or France to drive global growth. Instead, it will be fast-growing countries in Asia and Latin America that will take over as the new locomotives of the global economy. Already, these economies account for almost 50% of global output and that share is set to increase rapidly.

Developing countries are growing faster than developed countries because their populations are younger and their economies are still in an early phase of development. Overall, the world will add 1.6 billion people by 2034, but the population of developed countries will grow by only about 90 million, meaning that 95% of the population increase will be in developing countries.

People in these countries are already much wealthier than they ever have been and are getting wealthier with each passing year. For example, per capita GDP has doubled in China over the last 20 years,

and the government wants to double it again by 2020. The pattern is similar in other high-growth developing countries.

Consequently, a new middle class is emerging in the developing world that is expected to grow to 1 billion strong over the next two decades. If consumers in the G7 countries have been the primary source of growing demand in the global economy during the last 20 years, it will be consumers in emerging countries who will be its source in the next 20 years.

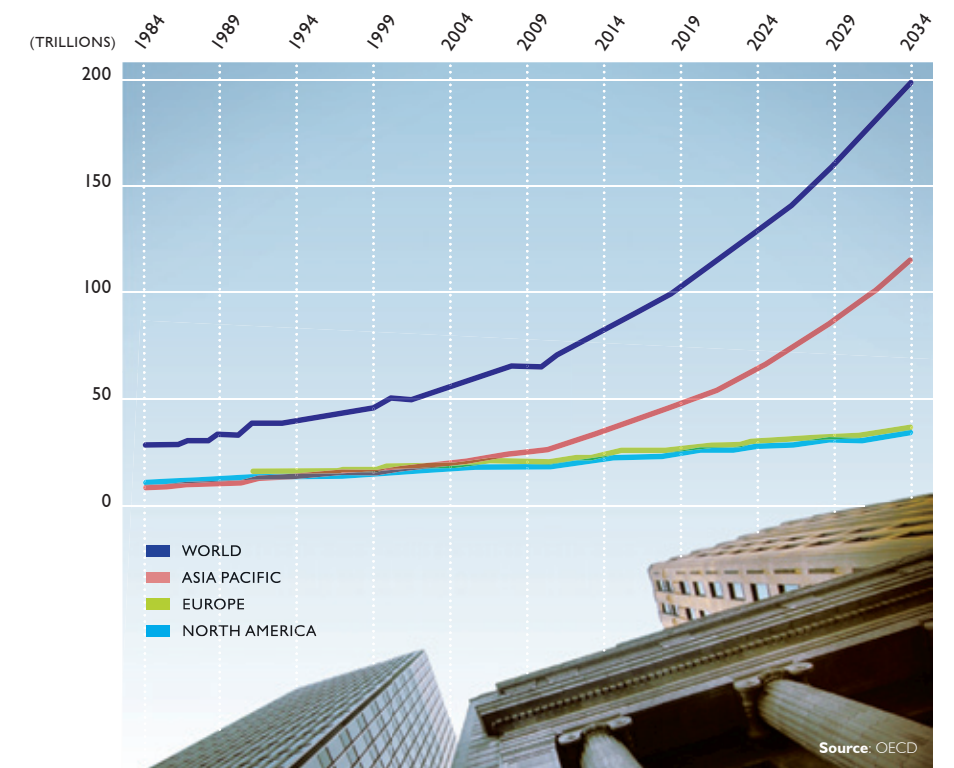
Rising incomes will allow people to purchase more comfortable housing, better

health care and enhanced educational opportunities. They will also have discretionary income to spend on cars, TVs and foreign travel.

This all has enormous implications for the global economic landscape. Strong growth will no longer happen in the U.S. and Europe, but rather in emerging countries such as China and Mexico.

For Canadian entrepreneurs, the message is clear. It's time to rethink your exporting strategy to take advantage of the huge opportunities in the world's emerging markets. Are you ready for the new global economy? \$

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