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ESSENTIAL INFORMATION
FOR ENTREPRENEURS

STAR- SPANGLED SUCCESS

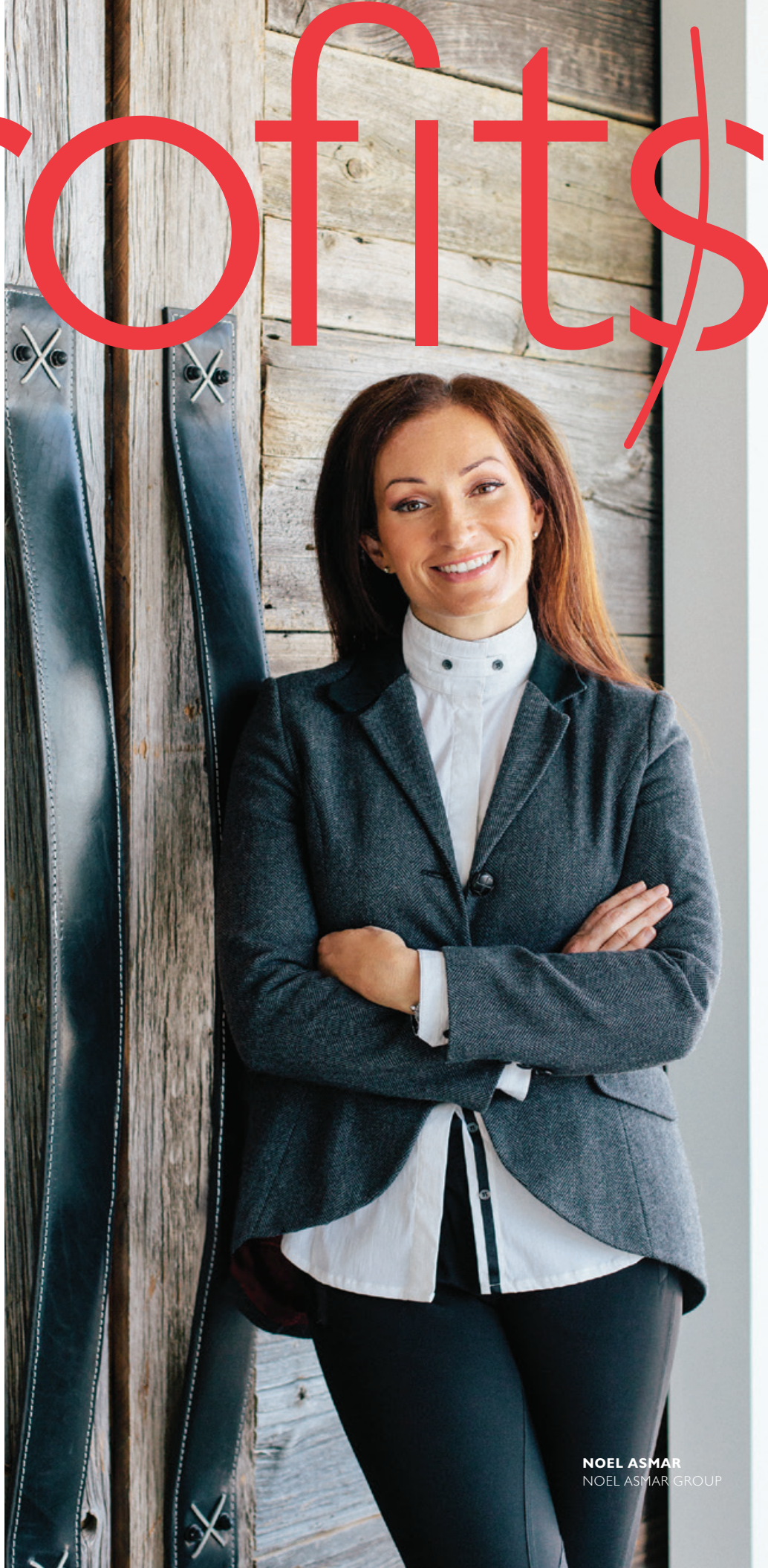
*WHAT IT TAKES TO
SELL IN THE U.S.*

MAKING THE RIGHT ACQUISITION

*PATIENCE MAKES
ALL THE DIFFERENCE*

REVIVING A RURAL INDUSTRY

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IN HIS OWN
WORDS
NEVER GIVE UP

PAUL PEDNAULT has spent 25 years perfecting a methodology for evaluating requests for sponsorships and donations that is now used by major corporations including AT&T, MasterCard, BMW and McDonald's. His career is a lesson in patience and determination for any entrepreneur.



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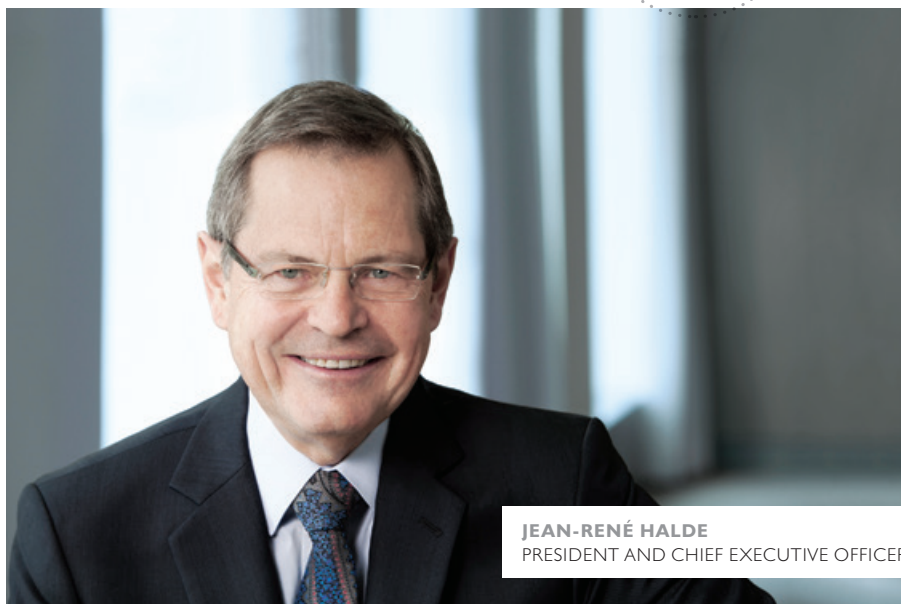
ENTREPRENEURS
FIRST

A WINNING RECIPE

Shep Ysselstein overcame financing challenges, regulatory hurdles and production problems to create **GUNN'S HILL ARTISAN CHEESE**.

His plan to double the size of his operation won him the 2014 BDC Young Entrepreneur Award.





JEAN-RENÉ HALDE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

YOUR TO-DO LIST

A NEW BDC STUDY IDENTIFIES
DO'S AND DON'TS OF RUNNING
A SUCCESSFUL BUSINESS. EVERY
COMPANY CAN GET BETTER AT
WHAT IT DOES. ARE YOU READY
TO TAKE ACTION?

As a development bank, our mission is to help entrepreneurs create and grow strong businesses for the benefit of all Canadians. One of the ways we do this is by understanding what it takes to run a successful company and sharing this knowledge with business owners across the country.

To help us, I'm proud to say we've developed an outstanding research team led by Chief Economist Pierre Cléroux. The fruit of the team's work has been a series of important studies on Canadian entrepreneurship, including the just released *Five Do's and Five Don'ts of Successful Businesses*.

This study validates with sound research the advice we have been giving to entrepreneurs for many years. It identifies five key actions that successful entrepreneurs take and five key pitfalls they need to avoid.

The factors associated with success, on one hand, and potential failure, on the other, probably won't surprise you. But, if you're like most entrepreneurs, you may neglect at least some of the "do's" and commit some of the "don'ts."

And it's easy to understand why. You're busy dealing with dozens of issues every day running your business. It's hard to find the time to reflect and act on the big decisions that will ensure the continued success of your business.

How can you solve this quandary? At least part of the answer lies in one of our do's—ask for outside advice. A consultant, an advisory board or membership in a peer-to-peer business association can provide you with a sounding board, moral support and the nudge you need to do the things you know you should be doing.

I encourage you to read the highlights of the study on pages 4 and 5 of this magazine and download the full report at bdc.ca/dosanddonts. And then take action.

You can do it. BDC can help.

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DO'S AND DON'TS OF SUCCESSFUL BUSINESSES

USE THESE KEY FACTORS AS A CHECKLIST FOR CREATING YOUR MOST SUCCESSFUL BUSINESS

WHAT MAKES LEADING BUSINESSES SO SUCCESSFUL? WHY DO OTHERS RUN INTO TROUBLE? BDC SET OUT TO ANSWER THOSE QUESTIONS AND THE RESULT IS A NEW STUDY: THE FIVE DO'S AND FIVE DON'TS OF SUCCESSFUL BUSINESSES.

THE 5 DO'S

A BDC/Nielsen survey was conducted of 1,139 small and medium-sized businesses across Canada. Their responses were analyzed to find out what separated the top 20% of businesses in each industry from the rest of the pack.

01 INNOVATE

The most successful businesses are more innovative. They offer new products and services more often than their less-successful counterparts. They also adopt new technology more quickly. And they're more likely to report that innovative practices—ranging from improving internal processes to adapting their business model—are important to their success.

02 ASK FOR OUTSIDE ADVICE

Simply put, it's virtually impossible for you and your team to have the best knowledge in every situation. The most successful businesses are more likely to report seeking outside advice through such means as forming an advisory board or using consultants.

03 HAVE A SOLID PLAN AND MEASURE YOUR PROGRESS

Where do you want your business to be in five years? How will you get there? How will you monitor your progress? The most successful businesses are far more likely to have a concrete medium-term plan and to monitor their progress with multiple business performance metrics.

04 HIRE THE BEST AND KEEP THEM ENGAGED

The most successful firms are willing to take *several months or longer* to find and hire only very strong candidates for key roles and positions, compared to their less-successful counterparts. The most successful firms also believe they offer superior pay and benefits, a more stimulating work environment, and a more positive company culture than their competitors.

05 BUILD STRONG RELATIONSHIPS WITH YOUR KEY SUPPLIERS

The most successful companies report that several types of relationships are important to their success. However, they rank supplier relationships as by far the most important.

THE 5 DON'TS

To compile a list of don'ts, BDC closely examined 118 established companies that had run into financial difficulty.

01 DON'T RELY ON TOO FEW CUSTOMERS—DIVERSIFY

Nearly one in six firms examined by BDC ran into trouble, at least in part, because they lost a single major customer.

02 DON'T UNDERESTIMATE THE IMPORTANCE OF EFFECTIVE FINANCIAL MANAGEMENT

A lack of financial management expertise is probably the single most common factor that causes otherwise successful firms to run into difficulties. Effective financial management requires two things: the right knowledge and the

right tools. To get started,

download our free eBook, *Master Your Cash Flow:*

A Guide for Entrepreneurs at bdc.ca.

03 DON'T LEAVE CONTINGENCY PLANNING UNTIL IT'S TOO LATE

Unforeseen events—such as the loss of key employees, increases in the cost of raw materials or a disaster, such as a fire or flood—are a surprisingly common source of problems for firms that encounter financial difficulties. In fact, nearly one in three fell victim, at least in part, to circumstances that were initially beyond their control.

04 DON'T IGNORE WHAT'S HAPPENING IN YOUR MARKET

In recent years, rapid technological changes and globalization have made revolutionary change increasingly common. Failing to adapt can cause your business to run into trouble.

05 DON'T WAIT TOO LONG TO GET HELP

No matter how capable you are as an entrepreneur, financial difficulties can happen. In most companies, early action can lead to a successful turnaround. You need to understand the value of being honest and transparent with stakeholders.

The full report, *The Five Do's and Five Don'ts of Successful Businesses*, includes key strategies to achieve each do and avoid each don't, plus the stories of successful entrepreneurs. Download your free copy at bdc.ca/dosanddnts.



MANAGING FOREIGN EXCHANGE RISK

ILLUSTRATION: MATHEU BELANGER

If your company is exporting or has foreign operations, chances are good you're not handling foreign exchange risk properly. That could seriously impact your competitiveness and bottom line. While effective foreign exchange risk management is far from a trivial undertaking, especially in the initial stages, it's well within the reach of any company that makes the effort.



It requires the following steps.

- Analyze your business's operating cycle to identify where foreign exchange risk exists. This helps you determine the sensitivity of your profit margins to currency fluctuations and the stages of the operating cycle where you need protection.
- Calculate your exposure to exchange risk. Once you know your exposure, you can decide how much risk coverage you need.
- Hedge your risk. Hedging simply means that you use specially designed financial instruments to lock in exchange rates.
- Create a foreign exchange policy and follow it. Your policy should establish the risk criteria, procedures and mechanisms that will underpin your foreign exchange risk management program.

This article was adapted from Export Development Canada's *ExportWise* magazine (www.exportwise.ca). For more information on foreign exchange risk management, download EDC's free guide, *Building a Foreign Exchange Policy*, at edc.ca.

MANAGEMENT TIP USE BUSINESS PROCESSES TO GROW

Jereme Bokitch owns Calgary's three Hedkandi hair salons, as well as Butter Beauty Parlour. Becoming a stylist at one of his salons means becoming part of a well-established culture based on repeatable and teachable business processes. ■

"Our industry doesn't do a good job when it comes to training and developing stylists. I wanted to change that when I opened my first Hedkandi salon 15 years ago. I hire graduates straight out of hairstylist school. They start as associates and for up to two years they work one-on-one with a stylist. We work on their hairstyling skills, but we also teach business skills—the importance of rebooking clients, providing retail products and getting referrals. All of the procedures that make up our education program are documented in a manual. I also take a lower percentage of profit than many salon owners to enable the stylists to earn more. Putting time and effort into our staff has paid off. Our stylists grow through the program and become very successful. And when their business grows, so does mine. Best of all, unlike many salon owners, I don't have to worry about staff turnover. I haven't lost a stylist to another salon in five years."



JEREME BOKITCH
OWNER / HEDKANDI HAIR SALON



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NOEL ASMAR

PRESIDENT AND CEO / NOEL ASMAR GROUP



SOUTHERN EXPOSURE

THE RIGHT APPROACH TO SELLING IN THE U.S.

› BY CHRIS ATCHISON

FOR MANY CANADIAN COMPANIES, THE PROSPECT OF EXPANDING TO THE U.S. IS ENTICING. BUT DOING BUSINESS THERE CAN BE A COMPLEX UNDERTAKING. HERE'S HOW **NOEL ASMAR** USED MARKET RESEARCH, A KEEN EYE FOR OPPORTUNITY AND A BRAND-FIRST FOCUS TO GROW HER COMPANY SOUTH OF THE BORDER.

When Noel Asmar founded her apparel company back in 2002, she had no idea most of her business would come from the United States.

Asmar was a hotel industry veteran who had spent years visiting high-end properties around the world. But it wasn't until she paid a visit to her hometown in British Columbia that she noticed that her sister, a spa professional, couldn't find a flattering uniform.

At that time, spa uniforms often had the look of hospital scrubs and left employees appearing downright sloppy. Although she had no formal fashion training, Asmar believed she could design something much better.

In fact, her extensive research indicated she could create an entire new fashion category—spa apparel that looked more like stylish, form-fitting yoga wear.

FOCUS ON ONLINE SALES

To avoid incurring major start-up costs, Asmar focused her sales strategy online, launching Spauniforms.com in December 2002. When she received her first orders, they came from south of the border and presented immediate challenges and opportunities for the entrepreneur.

"I was really small at that time and stocked goods in my home, dropping items at the post office personally," she says.

Today, Noel Asmar Group of White Rock, British Columbia, has 27 employees and markets not only uniforms for the spa and hospitality industries, but also



a profitable line of clothing for equestrian enthusiasts. Asmar also has a line of designer pedicure and manicure bowls, and other accessories. In all, the company offers 8,000 items and has experienced average annual growth of over 25%, with about 80% of sales coming from the U.S.

On the way to her impressive export success, Asmar has had to overcome hurdles familiar to Canadian entrepreneurs who have pursued expansion opportunities in the U.S. Of the many obstacles, she says finding the right advice on such matters as tax laws was one of the most daunting.

A CHALLENGING MARKET

"If you want to sell into the U.S., you need to understand your rights as a Canadian company," says Asmar, a BDC client. "Doing business there can be challenging, so you need good advice."

Many Canadian companies are naturally drawn to the U.S. when they decide to export



or set up operations abroad. After all, the American market offers lots of attractions—geographic proximity, a familiar language and culture, and a business-friendly environment. It's also a proven launching pad for expansion to higher-growth developing countries.

But for too many entrepreneurs, a U.S. expansion ends in costly failure. That's because Canadian companies often expand to the U.S. without making the necessary preparations and end up being hurt by such factors as inadequate financial resources, a lack of understanding of the complexity of U.S. markets, and a failure to clearly differentiate their product or service.

"Canadian companies tend to underestimate the challenges of expanding to the U.S.," says Carl Gravel, BDC's Director of Global Expansion. "The U.S. actually has many different markets. There are 50 different ways of doing things, depending on the state."

MANY HAVE DONE IT

But, as so many Canadian companies have proven, expanding into the American market is not only possible, but also highly lucrative when done right.

So how did Asmar do it? She says critical factors included carefully researching her market niche, introducing unique products and developing a strong brand to anchor her marketing efforts.

She notes that Americans tend to be more aggressive than Canadians, including in

such areas as marketing, product innovation and the use of technology. Unless Canadian entrepreneurs are willing to invest and take risks in these areas, they may find themselves left behind.

Gravel, whose team at BDC advises entrepreneurs on international expansion projects, agrees. "U.S. customers will ask: 'Why you?'" he says. "What are you bringing to the market? What is your unique value proposition?"

REGARDLESS OF WHETHER YOU'RE
IN A NICHE MARKET, YOU NEED TO
SET YOURSELF APART IN THE U.S.



LOGISTICS ARE CRITICAL

One important challenge for Asmar was logistics—a critical concern for many Canadian companies. If mismanaged, shipping problems can derail an expansion effort. As her company grew, it became imperative for Asmar to deliver in the U.S. in an efficient and affordable way.

That's why she decided to set up distribution in the U.S. through a third-party logistics firm to avoid customs delays and fees. The move to outsource logistics both cut costs and improved customer service, not to mention reducing Asmar's stress levels.

"You need to negotiate the best courier costs to remain competitive," she says. "That's especially important for smaller Canadian firms competing against companies that offer free shipping to customers in the U.S."

Asmar made another important move when she decided to hedge her company's exposure to currency fluctuations. "Managing currency has to become a key part of your business model," she says.

THINK BRAND FIRST

But ask Asmar for her most critical piece of advice on how to succeed in the U.S., and she'll point to the need to build a strong brand with an equally robust digital presence—no matter the industry.

Her brand-building strategy has been to market Noel Asmar Group clothing at trade shows across the U.S., and to advertise in niche fashion and spa magazines.

To boost brand recognition, Asmar has also put her company forward for various industry awards, a tactic that's paid off. Noel Asmar Group has been named the No. 1 spa fashion manufacturer in the U.S. for the past seven years by readers of *American Spa* magazine.

She's also networked with other industry leaders and potential partners to better understand the fast-changing niche fashion market.

"Be prepared to spend at least 15% to 20% of your capital on building your brand," she says. "Regardless of whether you're in a niche market, you need to set yourself apart in the U.S." 💰



4 STEPS FOR EXPANDING TO THE U.S.



RESEARCH YOUR MARKET

Noel Asmar, President and CEO of the Noel Asmar Group, studied the U.S. market for spa uniforms by contacting industry associations, researching competitors and asking the advice of industry insiders on how best to succeed south of the border.



GET THE HELP YOU NEED

It's important to seek out reliable local partners such as distributors, sales agents or joint-venture partners to help you gain a foothold in the U.S., says Carl Gravel, Director of BDC's Global Expansion team. You can also use the extensive services of BDC, Export Development Canada, the Canadian Trade Commissioner Service and the Canada Border Services Agency.



BEWARE OF U.S. TAX LAWS

U.S. tax laws are not only complex but are also enforced at the federal, state and even municipal levels, meaning a Canadian entrepreneur aiming to do business in several U.S. states could be in for a tax headache. Asmar's solution was to use U.S. tax management firms and software to ensure compliance.



HEDGE YOUR CURRENCY BETS

"When I started Spauniforms.com, every dollar in Canada earned me \$1.50 in the U.S.," Asmar recalls, noting that currency fluctuations can have a major impact on a Canadian business's bottom line. Her response to a rising Canadian dollar was to begin hedging, and she now says it's a central part of her international strategy. See *Managing foreign exchange risk* on page 6.



LEARN MORE BY VISITING **BDC.CA/EXPORT** AND BY DOWNLOADING EXPORT DEVELOPMENT CANADA'S FREE GUIDE, DOING BUSINESS IN THE UNITED STATES, AVAILABLE AT **EDC.CA/USEXPORTS**.



BUYING THE RIGHT COMPANY

YOUR STEP-BY-STEP STRATEGY
TO A SUCCESSFUL ACQUISITION

› BY ALEX ROSLIN



SHANE MAHONEY
CEO / SWISH MAINTENANCE

ACQUISITIONS CAN BE A POWERFUL GROWTH ENGINE FOR YOUR COMPANY, BUT THEY ALSO INVOLVE RISK. SWISH MAINTENANCE CEO SHANE MAHONEY'S PATIENT APPROACH TO BUYING A COMPANY IS A PROVEN WINNER. IT CAN HELP YOU FIRE UP YOUR COMPANY'S GROWTH.

PHOTOS: DANIEL ALEXANDER

If a single word could describe Shane Mahoney's search for an acquisition target, it would be "patience."

Mahoney is CEO of Swish Maintenance, a cleaning products company in Peterborough, Ontario. Swish had embarked on an ambitious growth strategy that includes acquisitions, and in 2012 Mahoney was on the prowl for companies to extend the company's reach to Western Canada.

He knew how easily an acquisition could go off the rails if he chose the wrong company or wasn't able to arrange appropriate financing. The entire investment could be at stake.

"You have to make sure you find out as much as you can about the company," Mahoney says. "Oversights can lead to disastrous results."

Adding to the challenge is the fragmented nature of the cleaning products industry. Most companies are relatively small and built from scratch by their owners. The result can be difficult conditions for negotiating a fair price and doing due diligence on the company's financial health.

Yet, if Mahoney took too long to find a good candidate, Swish's growth strategy would be delayed.

After a painstaking search done through industry contacts, online research and in-person visits, Mahoney and the Swish team

decided on S.K. Sanitary Specialties, a family-owned cleaning products firm in Vancouver.

Apart from solid financials, Mahoney says he liked the "natural fit between the two organizations." Swish, too, is family business, owned by brothers Tony, Mike, and Steve Ambler. And, by coincidence, both firms were founded in 1956.

SHOP AROUND FOR FINANCING

As for financing, Swish had previously paid for acquisitions with traditional bank loans, advances from the owners and cash flow. This time, Mahoney again took time to shop around and settled on something different: mezzanine financing from BDC Capital's Growth & Transition Capital team.

Mezzanine financing is a debt product with flexible repayment terms that are tailored to suit particular situations, including acquisitions.

"We found there was a willingness to take on a level of risk that wasn't there with other lenders," Mahoney says. "One advantage was that we had the flexibility to pay down the debt on an accelerated basis."

All the patience paid off. The acquisition gave Swish a solid anchor in Western Canada and, with sales up significantly since the company embarked on its acquisition strategy in 2011, the company was well positioned for more growth.

Acquiring a company can be a smart way to expand your business—especially in markets where it's hard to gain a foothold. But acquisitions can turn sour for a variety of reasons, including poor target selection, weak integration and inappropriate financing, says Enes Kula, a Director at Growth & Transition Capital.

A CLOSER LOOK

Kula worked with Swish on financing the S.K. Sanitary purchase. As a first step, he tells clients to make sure buying a business is the right growth strategy for their company. That means doing some strategic planning.

"Analyze what new value you could add to your company," Kula says. "Then, ask if you have the internal capability to create that value. If you can't develop it internally, then an acquisition could expedite the process."

The next step is choosing the right acquisition target. Kula suggests listing strategic criteria the target company must meet and sticking to them. Businesses often get caught up in the excitement of shopping for acquisitions and make the mistake of buying companies that aren't a good strategic fit because, for example, they're available for a great price.





Another danger is paying too much, especially when shopping in a hot market like the ones in many Canadian cities in recent years. Overpaying reduces your financial returns and increases your risk.

Once you've narrowed your choices, it's vital to do due diligence on your potential acquisition, investigating everything from its gross margin to working capital and inventory turnover.

"Again, be disciplined if you identify difficulties," Kula says. "The real challenge is to be able to walk away."

He also encourages entrepreneurs to finance the purchase in a way that maximizes repayment flexibility and minimizes personal risk.

MAXIMUM FINANCIAL FLEXIBILITY

Besides a loan secured on assets of the company, you should typically seek financing from the current owner. Vendor financing usually comes with a reasonable interest rate, flexible repayment terms and no personal guarantees. To round out the package, Kula recommends mezzanine financing because it also features flexible terms and usually requires limited or no personal guarantees.

Finally, don't neglect to plan for how you will integrate the acquisition and reduce impacts on employees, customers and suppliers. Be mindful of the culture of the acquired company so you don't alienate staff. Communicate often with them, customers and suppliers, and work to minimize disruptions during the transition.

At Swish, acquisitions have always been a part of the company's growth. As part of a strategic planning exercise in 2011, the firm decided to take a more aggressive approach, blending organic growth and acquisitions in new markets.

Geography was a key criterion for Swish. The company aimed to expand into Western Canada, New England and other strategic markets. Mahoney also looked for companies that offered synergies with Swish, shared the same culture and were well run, with engaged owners willing to stick around after the acquisition to help with the transition.

THE TRICKIEST PART

The owners' continued involvement can be critical because they can help ensure

“
YOU HAVE TO
MAKE SURE YOU
FIND OUT AS
MUCH AS YOU
CAN ABOUT THE
COMPANY.
”

a smooth integration—often the trickiest part of an acquisition, Mahoney says. “Customer relationships can go down the tubes really fast,” he says.

When Swish next acquired White River Paper in Vermont in March 2014, Mahoney appointed a full-time project manager to oversee the integration for the first year. The result, he says, is “a much higher level of employee engagement on both sides.”

Mahoney also decided to keep the White River brand, which was widely recognized in New England, and rename Swish's entire U.S. division Swish White River. As well, Mahoney recognized that White River's employee benefits were superior to those at Swish while costing the same amount, so he adopted those benefits for Swish's existing employees, too.

The moves built trust and morale among employees at both the acquired company and Swish itself, and reassured White River staff that the acquisition wasn't a cold-hearted corporate takeover.

“It's emotional for staff on both sides of an acquisition,” Mahoney says. “There's always a sense of insecurity. If you are inclusive and give employees the feeling that they have a say in the future business, you get much higher commitment.” \$

—
Watch a video about Swish and making an acquisition at bdc.ca/Swish.



4 TIPS FOR A SMOOTH ACQUISITION

Swish Maintenance CEO Shane Mahoney has overseen his share of acquisitions. He offers these four tips to smooth your way.

01 CONSIDER VARIOUS FINANCING OPTIONS

Using cash flow to pay for an acquisition can create a dangerous cash squeeze later. It's important to consider a financing structure that maximizes your repayment flexibility and reduces personal risk. Useful options include vendor and mezzanine financing.

02 GET AN OUTSIDE VALUATION

Some entrepreneurs overestimate the value of their company, complicating an acquisition. Mahoney encourages companies he's negotiating with to seek professional third-party advice on their valuation.

03 APPOINT AND REWARD A PROJECT MANAGER

Mahoney favours appointing a dedicated project manager to oversee the acquisition and compensating that person in part based on the performance of the acquired company. The project manager, in turn, should ensure all departments are accountable for deliverables.

04 ADOPT BEST PRACTICES

Look for best practices at the acquired company that you can adopt throughout your entire business and ensure that these decisions are always centred on the best interests of both customers and employees.



A WINNING RECIPE

CHEESE MAKER CLAIMS BDC YOUNG ENTREPRENEUR AWARD

› BY LEO VALIQUETTE

SHEP YSSELSTEIN

OWNER / GUNN'S HILL ARTISAN CHEESE

SHEP YSSELSTEIN'S DREAM OF CREATING A SPECIALTY CHEESE BUSINESS HAS TURNED INTO A THRIVING BUSINESS. WITH THE 2014 YOUNG ENTREPRENEUR AWARD'S \$100,000 GRAND PRIZE, HE'S DOUBLING THE SIZE OF HIS OPERATION TO SEIZE FRESH OPPORTUNITIES.

As one of five brothers on the family dairy farm, Shep Ysselstein had two choices—take his place in the family business milking cows, or pursue his own entrepreneurial ambitions.

His dream? Tap into his community's rich history of cheese making and launch his own specialty cheese plant that would use milk from the family farm.

There was only one problem—Ysselstein knew little about cheese.

But that didn't deter him. He left Woodstock, Ontario, and travelled across North America and even to Europe to gain the experience he needed. Back home, he took advantage of government programs, overcame production setbacks and regulatory challenges, and founded Gunn's Hill Artisan Cheese.

A BIG BREAK

A big break came in the spring of 2013, when Gunn's Hill entered the Canadian Cheese Grand Prix, the nation's premier event for cheese makers, and took first place in its category.

"That, combined with our previous marketing efforts, really catapulted us from a local success to a bigger name of interest across Ontario," Ysselstein says.

In the months that followed, Gunn's Hill cheeses came to be in such high demand from specialty shops and grocery chains across the province that Ysselstein and his team couldn't keep up. It was the classic challenge for a young business—finding the capital to expand manufacturing capacity to better serve a market begging for product.

Gunn's Hill received a kick-start for its growth plans in June, when Ysselstein, 31, claimed the \$100,000 grand prize in BDC's Young Entrepreneur Award contest.

Nine finalists from across the country took part in this year's contest. The winners were determined by the combination of a BDC national committee evaluation and a public vote.

Toni Desrosiers, founder of Victoria's Abeego, claimed the runner-up prize of \$25,000 in BDC consulting services. She will use the prize to get her reusable, biodegradable and anti-bacterial beeswax-coated fabric food wrap onto more store shelves in the U.S.

EXPANDS PRODUCTION

Gunn's Hill is using the grand prize to build a 2,000-square-foot, climate-controlled curing and aging building for its cheese. This will

double annual production to 60 tonnes and allow for new lines of premium aged cheeses that will boost the operation's profitability.

"Fine cheese, like fine wine, improves with age and becomes more valuable," Ysselstein says.

Doubling production capacity will also double the workforce and set the stage for Gunn's Hill to obtain regulatory approvals to sell cheese beyond Ontario.

The expansion can't happen fast enough.

"Honestly, I am short on everything right now and can't make enough cheese in a day," Ysselstein says.

Gunn's Hill Artisan Cheese has created employment and new economic activity in Woodstock's rural economy by satisfying a growing consumer desire for wholesome local products and new premium food options.

It's not an easy industry. In the past year, for example, there have been concerns raised about increased European imports undercutting the Canadian market.

KEEPS THE FAITH

But Ysselstein has been leaping hurdles from the start. While his family supported and encouraged his dream, there was no formal program he could take to learn the craft of cheese making.

Ysselstein learned the ropes at small cheese plants in B.C. and upstate New York. His experience milking cows even earned him the opportunity to spend a season working with a local cheese maker in Switzerland.

When he returned home and decided it was time to get Gunn's Hill started, he faced two big challenges—start-up capital and a host of regulatory hurdles.

Woodstock claims the title of Dairy Capital of Canada. Fifty years ago, the county had more than 90 cheese plants. Today, it has four. It also once boasted a thriving tobacco industry that has since collapsed.

In addition to loans from his father and one of his brothers, Ysselstein took advantage of several government programs intended to stimulate job creation and economic development in the area. With these programs, he was able to secure, on favourable terms, loans as a start-up business.



Patience was his greatest ally in dealing with regulatory hurdles and his own lack of experience.

A PATIENT APPROACH

"If I could do it all again, I would know what to do and could do it quicker," Ysselstein says. "But for the most part, the regulations are there for a reason, and things go much quicker when you work with the regulators instead of trying to work against them."

Gunn's Hill also suffered a major production setback at the outset. The culprit was clostridium tyrobutyricum, a gassy bacteria that cheese makers have wrestled with for centuries. It produces acids and hydrogen gas that can affect taste and make the cheese crack and bubble.

What appears to be a great batch of cheese can sit on the curing shelf for two months before the problem is evident. This "blown cheese" is still perfectly edible, but it doesn't make the cut for regular retail sale.

"I thought we had taken the right precautions, but it got us anyway," Ysselstein says. "We lost a lot of inventory, and months of work were wasted."

Ysselstein carried on and salvaged what he could by selling at a discount or donating to local food banks.

PAYING IT FORWARD

Today, Ysselstein isn't only an award-winning cheese maker. He's also become an enthusiastic mentor for other young entrepreneurs in need of guidance in getting their own ventures started. His most basic advice is almost cliché, but it strikes at the heart of what it takes to succeed as an entrepreneur.

"If you want to do it and you're willing to put in the work, you can do it," Ysselstein says. "You have to know what's different about your product—why people will want it—and make sure there's actually a demand for what you want to do." \$





LESSONS LEARNED

- 01 GO WHEREVER YOU MUST TO GAIN THE EXPERIENCE YOU NEED TO CREATE A SUCCESSFUL BUSINESS. 02 REMAIN FOCUSED ON YOUR GOAL AND DON'T BE DISHEARTENED BY SETBACKS. IF YOU WANT TO DO IT AND YOU'RE WILLING TO PUT IN THE WORK, YOU CAN DO IT. 03 WHEN IT COMES TO FINANCING, TAKE ADVANTAGE OF ALL OPPORTUNITIES, INCLUDING FRIENDS, FAMILY AND GOVERNMENT PROGRAMS THAT SUPPORT LOCAL BUSINESS AND REGIONAL ECONOMIC DEVELOPMENT. 04 DO YOUR MARKETING HOMEWORK. VALIDATE YOUR IDEA THROUGH RESEARCH TO CONFIRM THERE IS A DEMAND FOR THE PRODUCT YOU WANT TO BRING TO MARKET.

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PAUL PEDNAULT,
SPONSORIUM:

NEVER
GIVE UP

THROUGH HIGHS
AND LOWS, THIS
ENTREPRENEUR HAS
BEEN DETERMINED TO
KEEP ON IMPROVING
HIS BUSINESS

In the 1980s, Paul Pednault split his time between running an accounting firm and his hobby—racing cars. In his quest for sponsors to fund his passion, the Montreal entrepreneur realized he was a natural at raising money. He sold his interest in the accounting firm and founded a company that matched sponsors with arts, sporting and other high-profile events. ■ He took the next step when he founded Sponsorium in 1987 to advise companies on dealing with the complicated and time-consuming job of managing their sponsorship portfolios. He developed a methodology for evaluating requests for sponsorships and donations, and then automated it as software. ■ Almost 25 years after its creation, his PerforMind methodology—now a cloud-based platform—helps companies to manage sponsorships in 45 countries and 22 languages. ■ A BDC client, Sponsorium has major corporations on its client list, including AT&T, MasterCard, HSBC, Air France, BMW and McDonald's.



I have always been an entrepreneur.

When I was five, I was selling lemonade for a nickel, just like in the cartoons. By 12, I was selling mail-order shoes; by age 15 it was radios; and by the time I reached 18, I was selling encyclopedias door to door.

I am the accidental founder of Sponsorium.

In another life, I owned an accounting system company and raced cars for a hobby.

Our racing team didn't always make the podium, but it always had the most sponsors. I had a flair for attracting sponsors, so I started helping other groups find financial supporters.

In 1982, I founded Communicart, a company that specialized in matching sponsors to events. Few people were involved in this type of business at the time, so we expanded rapidly.

We got Alcan to become the main sponsor of the Montreal International Jazz Festival in the mid-1980s. In no time, Alcan asked us if we would take on their sponsorship portfolio. This is how in 1987 we started providing consulting services to sponsors through a new division—Sponsorium.

I have always been fascinated with systems.

How can we simplify things and improve performance? The first sponsors I had as

*WE MADE THE TRANSITION
TO CLOUD-BASED SOFTWARE
IN 2002 AND THAT REALLY
MADE THINGS EASIER
FOR US.*

clients never even thought about measuring and evaluating their sponsorship activities.

Big corporations receive thousands of sponsorship requests each year. Analyzing 10,000 requests, some of which are 40 pages long—not including all the supporting material, like videos, presentations and graphics—is impossible.

The PerforMind methodology is based on two unknowns. First, we try to find out the extent (in percentage terms) to which an event or project meets the objectives of the company, and second, at what cost. Our clients joke that our methodology is so simple that even members of the board of directors can understand it.

One day, one of our clients asked me why we hadn't marketed our methodology beyond our client base. That's how the software was born. We soon abandoned our consulting services to focus exclusively on implementing PerforMind on international markets.

It was tough at the beginning. Each time we made a sale, it just paid for all the times we failed to make a sale. We were treading water. Selling a software solution is complicated—there are IT security and installation challenges

to consider. We were a consulting business at heart, not a technology company.

We made the transition to cloud-based software in 2002 and that really made things easier for us. The client gets a password, logs in and that's it.

PerforMind helps clients analyze requests for sponsorships, grants or donations by filtering them first. The system also produces reports that can be shared with other internal or external client teams.

Since 1994, we've had only one product—PerforMind. We are at version 12 with this software, and each year we track our clients' needs and add about 35 improvements. The extent to which a product can be refined is amazing.

We could easily switch gears and focus on something else. But we prefer to keep our eyes focused on our initial goal. My ambition is that, one day, every company will use our software.

We are in acquisition mode. We plan on adding to our current service offering, but we will not stray from PerforMind.

There is a lot of pressure on corporate sponsors to justify investing millions of dollars in sponsorships or donations.

If you cannot demonstrate the relevance and impact of these expenses, sooner or later, budgets and staff will be cut back or abolished. When people ask me what I do for a living, half-jokingly I tell them, "I protect budgets and save jobs."

There is no point in spending millions of dollars on sponsorships or donations if you cannot justify why you did it. This has been my message for the past 25 years.

I love speaking in public. Since 1990, I have given about a hundred presentations on sponsorships around the world. I found my first international clients by delivering presentations abroad.

We now have 30 employees, including six software engineers, and five offices outside Canada, in London, New York, Melbourne São Paulo and Dubai. We don't need a lot of staff. We need one person to make contacts and another to track client support, on a regional basis. One person can look after several countries at a time.

A developer who was working on producing the cloud-based version of PerforMind was supposed to deliver the product in October 2001. Instead, he vanished with the cash deposit I had given him. At the same time, our sales in the U.S. were hit badly by the aftermath of the 9/11 attacks.

We didn't have the cloud software and the vice president of sales we had hired had nothing to sell. The stars were clearly not aligned.



“
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ONE PRODUCT—PERFORMIND.
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CAN BE REFINED IS AMAZING.
”



We didn't have much money left from what we had borrowed. We had to get creative to convince our clients to pay us before the product was even out. We kick-started the development of the cloud-based software and launched our product in the summer of 2002.

It's at a time like that that BDC's flexibility and patience are invaluable. By deferring our principal payments, BDC helped us get through those tough times.

It's unbelievable how easily people around you will say, "Well, you tried. You can see that it's not working, so maybe you should move on to something else."

My motto—and maybe my best advice to other entrepreneurs—is to never give up. For sure, it's not always easy. Don't hesitate to ask for help, starting with your banker. If you really believe in your dream, you have to see it through. Never, ever give up on your dream. \$

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THE I WORD

ECONOMISTS, ACADEMICS AND GOVERNMENT OFFICIALS LOVE TO TALK ABOUT IT. ENTREPRENEURS? NOT SO MUCH. BUT WHEN IT COMES TO INNOVATION, WORDS DON'T MATTER—GETTING THE JOB DONE DOES.

PIERRE CL  ROUX
BDC CHIEF ECONOMIST

In my experience, business owners rarely use the word innovation, even if they happen to be champions at doing it in their companies.

They're more likely to see innovation as a concern for CEOs of Fortune 500 corporations or professors writing in the *Harvard Business Review*. One more article or speech about it is more likely to cure their insomnia than inspire them to take action.

Instead, they talk simply about improvements in their businesses—improved products, better processes or new approaches to marketing.

In reality, the words don't matter. What's important is the idea and it matters very much. Research shows that businesses have to improve continuously—yes, innovate—if they want to be successful.

Twenty-five years ago, John Baldwin, a leading researcher at Statistics Canada, examined the differences in strategies pursued by the most successful small and medium-sized businesses. The study concluded that innovative activities were the most important determinant of success, outpacing management, human resources practices, marketing and financing.

BDC recently conducted a new study on Canadian business success factors. The study identifies what activities separate more successful businesses from less-successful businesses. The results are consistent with those found by Baldwin a quarter of a century ago.

The most successful businesses innovate more and they do it continuously. Precisely what types of innovation matter most? A number of significant results emerged from our study. First, more-successful businesses are far more likely to bring new products and services to market.

One-third of the more-successful firms we studied reported that over 20% of their products and services didn't exist five years ago. Only 12% of successful firms offered no new products or services over that period.

Second, seven out of 10 more-successful businesses reported they were either first adopters or early adopters of new technology; only half of less-successful businesses reported the same.

Finally, when asked specifically about the types of innovation they undertook, more-successful businesses reported making internal processes more efficient, developing new products and services, adapting their business model (e.g., developing new billing systems) and finding new marketing channels.

In short, more-successful businesses are far more likely than less-successful businesses to offer the latest products and services and to do it with the newest technology.

They also spend more time and resources on trying to identify areas in which their business could improve and get ahead of the competition.

Our business environment is changing more rapidly now than ever before and that means innovation really is more than just a buzzword. The most successful Canadian businesses introduce new products, improve their processes and make their businesses more efficient. So, what's your business doing? \$





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