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EY assurance partner
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SEPTEMBER/OCTOBER 2019



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Vena CEO Don Mal in the company's Toronto office

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COVER: PARKING LOT BY ISTOCK; THIS PAGE: VENA BY NATHAN CYPRIYS



MIND THE GAP

Technological advances are driving a shift in what is expected from auditors. For CPAs, that presents a challenge—and an opportunity.

BY JOY THOMAS

For many years, auditors had to contend with the “expectation gap,” the space between what investors, financial journalists and other users expected from audited financial statements, and what those statements could actually provide. Some in the profession felt that the only way to close that gap was to educate the general public about what audits are and what they are not.

The advent of emerging technologies—such as blockchain and artificial intelligence-based systems that aggregate results by scrutinizing all transactions—changes the discussion about how to close the gap. It’s no longer about audit’s technical limitations or changing public expectations of what auditors can provide to capital markets. Increasingly, we are talking about what auditors can do to meet those expectations.

Take the example of Andrew Morgan, an assurance partner at EY who is embracing technological change in ways that extend well beyond tracking digital transactions. As relayed on page 22, Morgan recently used a drone to assist with an inventory count at a corporate vehicle lot. He is just one of the professional accountants across the globe who are pioneering the use of drones in audit: Argentinian tax inspectors have used them to search for unregistered properties, and American auditors have deployed them to scan inventory on warehouse shelves. The result is often faster, less expensive and more accurate than traditional methods.

In 2017-18, CPA Canada hosted two symposia on the future of audit, posing questions about the scope, benefits and costs of new audit technologies such as these. Then, earlier this year, we convened a panel of experts to focus on leveraging these insights to begin closing that expectation gap for good.

This shift in thinking, of course, doesn’t just reflect technological change or Canadian conditions. Within the past year, a number of major reports have analyzed audit failures in the U.K., each of them informing a far-reaching global debate about what the future may

hold for financial reporting. In December 2018, Sir John Kingman’s independent evaluation of the U.K.’s Financial Reporting Council yielded 83 recommendations, including one on the establishment of a new regulator.

Then, this past April, the Competition and Markets Authority released the final report of its statutory audit services market study, which included another set of recommendations meant to remedy the lack of competition in the U.K.’s audit sector. Among them: separating audit from consulting services, as well as mandating joint audits to enable firms outside the Big Four to develop the capacity required to review leading British firms.

Finally, in recent months, the U.K. government asked Sir Donald Brydon to look into the future of audit and the matter of closing that expectation gap. Individually, and collectively with the Global Accounting Alliance, CPA Canada has submitted briefs to Sir Donald’s review outlining our own thinking about the topic.

The policy fixes recommended in these reports apply specifically to the U.K.’s audit community. But the profession at

THE DISCUSSION IS NO LONGER ABOUT CHANGING THE PUBLIC’S EXPECTATIONS. IT’S ABOUT WHAT AUDITORS CAN DO TO MEET THEM.

large will need to confront the same forces: social expectations, innovative technology and the political trends driving regulation. We know these will be tough challenges, yet they are also opportunities to make necessary changes. The discussions we are having now are the right ones to ensure that the profession maintains its leadership role in sustaining efficient, healthy capital markets. ♦

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LETTER

It's encouraging that the profession is sounding the alarm over money laundering and beneficial transparency. But I can't help agreeing with Harvey Sheydwasser's letter (July/August 2019) about "What it takes to clean up dirty money" (May/June 2019) when he suggests we discuss, propose, consider and adopt—"just don't actually do anything." However, the entire onus should not be on governments. The article is full of battle cries on behalf of our profession: "It's important to be seen as part of the solution." The article doesn't make me feel good about our profession's role in addressing these problems. We need more than marketing.

In his article "The end of innocent thinking" (July/August 2019), José Hernandez writes, "Accountants in particular cannot be wilfully blind or negligent"—another way of saying, "Don't engage in criminal behaviour." His suggestion that "we need to further promote a culture of doing the right thing" involves actually *doing*. If we fail to do, we fail to reflect the principles of our profession. Throwing government under the bus doesn't absolve us of responsibility. As Hernandez suggests, we need to stop thinking of ourselves as "shining examples of prudence and integrity," a view promulgated by our representatives trotting around the world to endless forums. Let's get doing, now, at home. This is serious stuff. Let's lead.

—Garnet Bruce, CPA
Waterloo, Ont.

CORRECTION: "Levelling the playing field" (July/August 2019) stated that all three founders of *The Gist* are accountants. In fact, only Roslyn McLarty is a CPA. In addition, *The Gist* has 30,000 followers—not 9,000, as stated in the original article—and readers do not support the website financially.

WHAT DO YOU THINK?

Send your letter to the editor to pivot.letters@cpacanada.ca or to 277 Wellington St. W., Toronto, ON M5V 3H2

FIRST IN

BURNING ISSUE

DATA TRUST

Banks are betting big on AI. Can consumers rely on an algorithm to safeguard their savings? **BY LUC RINALDI**

Every minute, Canadians make more than 9,000 credit card transactions. They swipe, insert or tap, and a few seconds later, if all goes as planned, they walk away with their coffee or new clothes.

A lot happens in those few seconds. Out of sight, a machine fetches data from the cardholder's bank and credit card company to make sure nothing's amiss. It knows where they are, what they're buying and whether it's in line with their spending habits—and the habits of millions of others who spend like them. With a Mastercard, the process may involve more than 400 data points, including the cardholder's IP address and the brightness of their device's screen if they're shopping online. In the time it takes for them to put away their wallets, artificial intelligence algorithms crunch all those tiny details and decide whether to approve the purchase or spit out that dreaded alert: declined.

Since rolling out an AI fraud-detection tool called Decision Intelligence in November 2016, Mastercard has detected 30 per cent more instances of credit card fraud and nearly halved the number of false declines—legitimate transactions that get rejected. For businesses, those declines are a huge problem—merchants pay a fee whether or not a payment goes through. The financial research firm Aite Group estimates that, in 2018, false declines in the U.S. alone totalled \$331 billion (U.S.). “False declines add an extra layer to a process that should be simple,” says Ajay Bhalla, Mastercard's president of cyber and intelligence solutions. “Because of an incorrect rejection, consumers may even switch their banks.”

Inadequate protection, on the other hand, can also affect the bottom line: according to CPA Canada's 2019 annual fraud study, two in five respondents were so concerned about fraud that they refused to use their credit cards with certain merchants.

Mastercard is just one of many financial institutions across the world using AI to fight fraud, cut down on false declines, provide customer service and



automate rote back-office work. According to a report by Swiss financial services company UBS, three-quarters of respondents at banks with more than \$100 billion in assets already employ AI.

“This is one of the most natural areas that AI can succeed in,” says Paige Dickie, senior engagement manager at the Vector Institute, an AI research hub in Toronto. She leads a country- and industry-wide project—involving some of Canada’s largest banks, regulators, researchers, police and tech firms—to help financial institutions harness the power of AI.

Banks are a natural first mover. Data is the fuel that powers AI decision-making, and banks have a lot of it. They keep detailed records on their customers, and regulation requires them to report suspicious transactions, large transfers and new account details.

To make the most of all that data, many of Canada’s big banks have founded, bought or partnered with AI labs. In 2016, RBC established its own institute, Borealis AI. And last January, TD acquired Layer 6, a startup created by two of Vector’s founders. It’s a natural pairing: banks have the data, and AI startups have the experts who understand how to use it.

ONE BANK’S AI APPLICATION ANALYZED LEGAL DOCUMENTS—A JOB THAT USED TO TAKE 360,000 HUMAN HOURS—IN MERE SECONDS

The results of such partnerships are already trickling into the market. Bank of America’s AI-powered virtual assistant, Erica, is one of many “chatbots” developed by financial institutions. It acts as a cardholder’s round-the-clock attendant, reminding them when bills are due and alerting them if a recurring expense, such as a gym membership, is higher than usual. A customer can also text Erica to check their account balance or book an in-person banking appointment.

Wells Fargo has its own chatbot, which users can talk to over Facebook Messenger, as well as a suite of AI-powered predictive banking tools. They’ll analyze past activity, such as regular expenses and deposits, to anticipate financial troubles (for example, that a customer is headed for overdraft territory), identify possible culprits (all those Uber Eats

deliveries) and propose solutions (budgeting tips).

Banks are also using AI to secure their customers’ accounts. “Usernames, passwords, security questions—I think those will be things of the past,” Dickie says. Instead, in the near future, they’ll rely on a combination of facial recognition, voice identification and other biometric identifiers.

Dickie argues that, to win customers’ trust, banks will need to be transparent about how they use their data and allow people to opt out of services that rely on it. She adds that consumers will likely decide whether or not to use these services depending on how useful they are, not on how much data they have to surrender to use them. “Look at Google or Uber,” she says. “People give up their data in a heartbeat to use their products. I think the same will happen with banks.”

Artificial intelligence is reshaping banks’ back offices, too. At JPMorgan Chase, an AI application called COIN can analyze legal documents and extract key data—a job that used to take loan officers and lawyers 360,000 hours—in seconds.

That inevitably raises the question: will there be any work left for humans? According to Autonomous, a London-based financial sector research firm, 2.5 million American financial services jobs will be “exposed” to AI by 2030. Some of those jobs will inevitably disappear, but a 2018 Accenture report about AI’s impact on the banking sector makes the case that many positions will instead morph: “Using AI, people will be able to spend more time on exceptional work: the 20 per cent of non-routine tasks that drive 80 per cent of value creation.”

In other words, the robot apocalypse isn’t exactly nigh. For the time being, humans still trust humans. “There still needs to be people within organizations with analytical minds who can apply skepticism appropriately,” says Tashia Batstone, CPA Canada’s vice-president of external relations and business development. She says there’s a role for CPAs in assuring data is robust, accurate and unbiased before—and after—it runs through AI algorithms. “If we do this right, we will be the individuals who understand the data. We will understand the system.”

In a highly regulated sector like banking, Dickie agrees flesh-and-bone advisers won’t vanish any time soon. “Having humans in the loop for some time will be important, especially in high-risk situations,” she says. “The day that everyone trusts AI without a doubt, that will be a scary world.” ♦

FRAUD

SHAM, WOW

A catalogue of recent cons

\$503,000

Amount that Burlington, Ont., lost to a phishing scam in May. Posing as a company that had done business with the municipality, a scammer convinced a city staffer to wire the amount to a phony bank account.



Amount that a former Alberta police commission chairman was ordered to pay back after pleading guilty to defrauding the Medicine Hat Catholic Board of Education of nearly \$1 million. Between 2010 and 2016, when he was the board's technology director, he approved 203 invoices to a company he owned without the board's knowledge.

\$1.70

Hourly income that a Quebec lawyer claimed to earn from her part-time practice in 2012 and 2013. A tax court judge recently ruled that the suspiciously unprofitable gig seemed designed explicitly to let her write off personal expenses such as household utilities, cellphone and internet bills.



68%

Proportion of Canadian fraudsters who are men, according to MNP research on convictions between 2012 and 2018. On average, scams carried out by men were also worth four times more than female-led schemes.



\$18,000

Value of a tax refund that an Alberta firefighter nearly lost after a hacker determined his social insurance number and gained access to his online CRA account. A CRA spokesperson said the breach was "extremely rare."

LIVE OCTOPUS



One of the more bizarre items that Canadian workers tried to expense in the past three years, according to a survey of 300 CFOs by management consulting firm Robert Half. An ice cream mixer, hot-air balloon ride and a grass-eating-goats rental also made the list.

\$1,600,000,000,000

Amount that Canadian companies transferred to low-tax countries in 2018, according to a new report by the parliamentary budget officer. As a result, the PBO estimates, the federal government lost out on \$25 billion in tax revenue.

"I JUST KNEW SOMETHING WAS WRONG"

B.C. resident Suzi Peterson's reaction when she saw an elderly man holding a stack of prepaid gift cards at her local Walmart. When she and store staff intervened, they learned that the man had (nearly) been duped by a bogus CRA call asking him to pay a large sum in gift cards or risk having his assets seized.



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YOUR MONEY, YOUR CHOICE

Tech startups are revolutionizing the way Canadians shop for financial products **BY KATIE UNDERWOOD**



Jennifer Pollock, Ratehub's director of finance and operations

Millennials have become an easy, if obvious, scapegoat for our culture of endless customization. With the rising dominance of on-demand services from Netflix to Uber, it was only a matter of time before the have-it-your-way ethos hit the personal finance sphere. In the last decade, homegrown startups like Wealthsimple and Borrowell have sparked explosive growth in the realm of self-serve fintech, largely by targeting a distinctly millennial demographic.

Canadians, on the whole, have been relatively conservative about spreading their wealth beyond the big banks. According to a 2017 EY survey, approximately one in five Canadians had recently used two or more financial technology services, compared with one in three people globally. One of the reasons for this could be a lack of understanding about the options: a study commissioned by LowestRates.ca and run by Ipsos found that 50 per cent of Canadians simply didn't know of a good resource to compare credit cards across financial institutions.

Scrappy fintech startups that encourage a shop-around attitude to banking have sprouted up to address this precise issue. In Canada, there's Rate-Supermarket, a comparison tool for mortgage and credit card rates, and GreedyRates.ca, a service that matches users to credit cards based on their personal spending habits. The U.K.-based uSwitch.com expands beyond an exclusive focus on personal finance into energy, wireless and insurance rates, perhaps a sign of consumer trends to come.

Chief among these fintech wunderkind newcomers is Ratehub, a platform co-founder Alyssa Furtado has called "Expedia for financial services." Founded in 2010, the Toronto-based operation's offerings are three-pronged: its website, Ratehub.ca, allows users to compare the best rates on products like mortgages, credit cards, bank accounts and insurance (home, auto and condo); CanWise Financial is the company's in-house mortgage brokerage; and *MoneySense*, a recent acquisition from Rogers Media that attracts a healthy 700,000 unique visitors per month, provides an editorial arm for its mandate of "helping Canadians make smart financial decisions."

Jennifer Pollock, a CPA and Ratehub's director of finance and operations, likens this new swell of financial empowerment to the way consumers compare prices while grocery shopping (or furiously adding-to-cart on Amazon). "The way the banking industry has worked is that financial products are offered by the institutions and people are apathetic—they don't necessarily know the range of what's available to them," she says. "Buying a home, for example, is one of the biggest transactions you'll make in your lifetime. If you're not comparing rates, you could be losing out or not finding the product that's best for you."

Ratehub experienced more than 600 per cent revenue growth between 2014 and 2017, a fact easily attributed to a wider demographic shift toward technological fluency and financial autonomy. (Unsurprisingly, half of Ratehub.ca's customers are millennials. Surprisingly? They have pretty good

credit.) In 2010, co-founder Furtado was the company's sole employee and had acquired minimal outside financing. After a successful turn on CBC's *Dragons' Den* in 2016, things really took off: five million Canadians used Ratehub.ca's services in 2017, and last year the company secured a \$12-million series A financing deal, led by upstart venture firm Elephant Partners LP in Boston. Today, the business has more than 100 employees spread across offices in Calgary, Toronto, Kingston, Ont., and Montreal—a large percentage of whom are mortgage brokers working under the CanWise Financial brand. Co-founder James Laird has predicted that Ratehub could hit \$100 million in sales by 2021.

Given all the buzz around fintech's new wave, it's tempting to get caught up in big-bank skepticism. But Pollock isn't looking to antagonize traditional financial institutions. "Banks are quite transparent about their products, and many are trying to evolve with consumers," she says. "I don't always like putting blame on banks for [the lack of information out there]. Our job is to bring transparency between banks and consumers to the forefront."

In fact, a 2016 *Financial Post* op-ed sponsored by Vancouver fintech firm Mogo suggests an ongoing interplay between big banks and smaller, comparison-happy upstarts. Fintech firms, the article argues, aren't necessarily trying to replace traditional companies but instead see them as "strategic allies." "Consider them 'frenemies': banks looking to infuse

Ratehub predicts
it will hit
\$100M
in sales by 2021

"BUYING A HOME IS ONE OF THE BIGGEST TRANSACTIONS YOU'LL MAKE. IF YOU DON'T COMPARE RATES, YOU MIGHT LOSE OUT."

their firms with digital innovation are increasingly joining forces with agile entrepreneurs interested in collaborating with the incumbents, tapping into their distribution channels and regulatory expertise."

For her part, Pollock insists that whether a customer decides to keep all their accounts with one bank or lean toward a slightly more smorgasbord approach is entirely a judgment call. More, perhaps, isn't always more. "For some, they may compare rates and decide the status quo works for them; for others, maybe rather than having all their accounts at one bank, they end up having their chequing at Scotiabank and their RESP and mortgage at BMO," she explains. "It really depends on the person and where they place their value. We just give you an opportunity to choose." ♦

ILLUSTRATION BY LEANDRA CIANCI

SCOUT'S HONOUR

Can lying help you land a job?

BY EMILY LANDAU

If a manager tells you they'd never hire a liar, chances are they're lying—though they might not even know it. A new study published in the journal *Organizational Behavior and Human Decision Processes* suggests that, in some cases, managers perceive deceptive behaviour as a positive attribute in a job candidate.

A couple of years ago, the authors of the study—Brian Gunia, a professor at Johns Hopkins Carey Business School, and Emma E. Levine, a professor at the University of Chicago Booth School of Business—noticed an anomaly in their data. When study participants read through specious scenarios (e.g., inflating a number on an expense report, claiming to have a personal interest just for show), they often saw liars as more competent than their truthful counterparts. Shockingly, the participants admitted they were more likely to hire the liars than those who tell the truth in fields such as sales, advertising and investment banking. They believed deceivers would be able to persuade people to buy products, and that they'd be comfortable doing whatever might be necessary to clinch a sale.

"Our work suggests that individuals in high-selling occupations may set aside ethical concerns about a prospective employee if they believe that person is competent at their job," Gunia says.

Here's the catch: the same thinking doesn't hold in fields that aren't sales-oriented, including accounting. The authors categorize these positions as customer-oriented: they are supposed to satisfy customer needs, rather than make sales, so honesty is paramount. The main takeaway for customer-oriented managers: fight the unconscious bias to view liars as more competent. "It's important to make sure that when you hire people from high-selling occupations that customer service takes precedence," Gunia says. Accounting, at least, is a matter of trust.



FIRST PERSON

WHAT REMAINS

How losing a loved one—and nearly his own life—inspired **Kevin Oulds** to help Canadians plan for the end

“When my uncle died unexpectedly in November 2012, I kept wishing I’d had a more meaningful final conversation with him. At the time, we worked together at a cement plant in Oakville, Ont. The last thing we talked about was the Toronto Maple Leafs.

My uncle left a will, but there were still lots of decisions to make. My aunt, his wife of almost 40 years, asked me to find out what burial arrangements my uncle might have wanted, since she was unsure. When I tried to find out, my grieving family argued about where to bury him, whether he should be cremated and if we should inform estranged relatives. We could have avoided these questions if we’d prepared. But, like many Canadians, my aunt and uncle weren’t comfortable discussing death, so they didn’t.

That was my aha moment. Conversations about death are hard, especially with loved ones. I thought, ‘What if there was a digital space where we could leave a trail of instructions and information for our loved ones after we pass away?’

It took two more brushes with death for me to act on that idea. One year after my uncle died, I woke up at 4 a.m. with extreme pain in my ankle. At the hospital, doctors ruled out flesh-eating disease but had no idea what it could be—my ankle looked normal. At night, alone with my thoughts, I asked,



Kevin Oulds,
co-founder of Willful

‘What would happen if I died right now?’ My parents and girlfriend (now wife), Erin Bury, would have to clean up another huge mess. Thankfully, the doctors diagnosed it as a septic arthritic infection, and I was able to recover.

I cheated death again a few years later. It was a sunny day, around -20 C, and I was driving north to Barrie, Ont., with a colleague. All of a sudden, I drove into a whiteout and lost all visibility. The next thing I knew, we were the 10th car in a 10-car pileup. Luckily, we were unhurt. I heard screams, though, so I got out of the vehicle and ran around the wreckage

WHERE THERE’S A WILL

When to get an accountant involved in end-of-life planning

Online wills are quick and convenient, but they may not be the right fit for everyone. “Anyone who is self-employed, owns a business or has complex investments should venture beyond an online service to seek the advice of an accountant,” says Rosa Maria Iuliano, a tax partner at Baker Tilly Ottawa LLP. People with assets in multiple provinces should get legal and accounting advice in each of those jurisdictions, she adds. “The more assets you have, the more complicated your estate planning can be.”

Estate lawyers may not fully understand the tax implications of

their client’s end-of-life options, says Adam Plank, a Coquitlam, B.C.-based partner at Rise CPA. Professional accountants add value to the estate-planning process by asking questions people may not have contemplated before, such as: what happens to their funds if they become incapacitated, their spouse remarries or their children get divorced? “CPAs can have those discussions with the client,” Plank says. “They can work with the lawyers to ensure wills are drafted in a way that satisfies the tax rules, while ensuring the assets get to where the client wants them to go.”

CPAs can advise clients on other factors that might impact their goals. If a client holds shares, for example, the shareholder agreement may require those shares to be repurchased rather than passed on to a beneficiary directly. Divvying up retirement funds among children can require extra attention, too. “A client may name one of their kids as a designated beneficiary on an RRSP or RRIF but want all their children to share in that asset,” says Plank. “Without proper provisions in the will, it is possible for the one child to get all the value while leaving the tax burden to the estate.” —*Barbara Balfour*

until I found a man about my age, lying on the ground missing the bottom half of his leg. I grabbed my colleague's belt and used it as a tourniquet. He told me, 'Tell my wife I love her and tell my son to be a good boy.' I didn't have to. He survived, and I later visited him—and his family—in the hospital. To this day, I never leave the house without a belt.

THE MAN WAS MISSING THE BOTTOM HALF OF HIS LEG. HE SAID, 'TELL MY WIFE I LOVE HER AND TELL MY SON TO BE GOOD.'

When I got home that day, I told Erin that the universe was clearly telling me something. In February 2016, I launched a website called Final Blueprint. It was a non-legally binding way for users to plan final arrangements and leave last messages or words of advice. But I quickly realized that it was a nice-to-have, not a need-to-have.

So, I began researching wills and realized that about half of Canadian adults—and up to 90 per cent of millennials—don't have a will. That's because

estate planning can cost thousands of dollars and take weeks to finalize with a lawyer.

I decided to make the process easier. In October 2017, I launched an online platform, Willful, where you can get a will for as little as \$99. It's a self-guided, user-friendly process, similar to TurboTax. You answer questions—e.g., who would be your children's guardian, would you leave anything to charity—and the platform creates a legally binding document. You can make unlimited changes for free.

Erin, who has spent more than 10 years in Toronto's tech community, was our first investor and adviser, and I eventually convinced her to become Willful's CEO. Together, we've built the business into something bigger than I'd ever imagined. To date, we have sold more than 6,000 documents in Ontario, Alberta, B.C. and Saskatchewan, and we plan to be available across Canada by this fall.

We want to make a difference for Canadians. We hope to educate them and empower them to plan for the future well-being of their family—not scare them into doing it. Most of all, I want to make sure no family has to go through what ours did.” ♦

—As told to Barbara Balfour

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BY THE NUMBERS

THE FAST AND THE FABULOUS

In fashion, second-hand once meant thrift-store finds. But today, what's old is new again—and often more expensive. On the modern resale market, like-new luxury bags and limited-run sneakers sell for multiples of their retail price within months of their release. This high-end “circular fashion” boom emphasizes quality, reusability and resale value—and it's changing the face of the market. Between now and 2023, the global resale market is expected to grow from \$7 billion to \$23 billion. Ninety-six per cent of senior retail executives say they want to improve their company's circular-fashion efforts by 2020, including partnering with consignment firms. Meanwhile, 40 per cent of customers now factor resale value into their apparel purchases, and a league of online services has popped up to help those consumers thin the herd. —*Steve Brearton*

FEAR OF GOD
Denim Raglan Trucker Jacket
Released: Fall 2015
Retail: \$995
Resale: \$3,299
Change: +232%



NEW(ISH) ARRIVALS

The secondary market's must-haves



80,000,000,000

Estimated items of clothing produced globally each year



GUCCI
GG Marmont Small Matelassé Shoulder Bag
Released: Fall 2016
Retail: \$1,980
Resale: \$2,046
Change: +3%

ADIDAS
Yeezy Boost 350 V2 Semi Frozen Yellow
Released: Fall 2018
Retail: \$220
Resale: \$1,023
Change: +365%

High-end resale market sales, as part of total second-hand apparel sales



Second-hand shoppers, by age



75%

Proportion of clothing that eventually ends up in a landfill

LOUIS VUITTON

Trainers Orange MCA

Released: Spring 2019

Retail: \$1,040

Resale: \$3,695

Change: +255%



SUPREME

Comme des Garçons Split Box Logo Hoodie

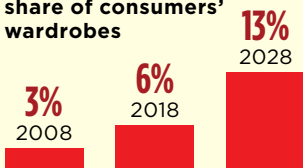
Released: Fall 2018

Retail: \$178

Resale: \$750

Change: +321%

Second-hand items as a share of consumers' wardrobes



Luxury brands with the best resale value



1. Burberry
2. Alexander McQueen
3. Versace
4. Tom Ford
5. Louis Vuitton

CONSIGN OF THE TIMES

Four ways to buy used bags, coats and kicks online



Who: StockX

Where: Detroit

What: Sneakers and streetwear

"Brands love the fact that people wait three days outside of a store to get their product. Our whole idea is...to add order to that."

—StockX founder Josh Luber



Who: Love That Bag

Where: Montreal

What: Designer handbags

"Someone who bought a bag 10 years ago at Chanel is now selling it for more than what they paid."

—Love That Bag founder Alice Goldbloom



Who: Poshmark

Where: Redwood City, Calif.

What: Apparel, home decor, jewellery and makeup

"The idea of a revolving closet is becoming more widely adopted. People buy something, wear it a few times and then sell it to buy something new."

—Poshmark founder and CEO Manish Chandra



Who: The Upside

Where: Calgary

What: Apparel, jewellery, handbags and shoes

"Living in Paris jobless teaches you the importance of looking chic on a budget!"

—The Upside founder Lauryn Zhukovsky

PRESENT VALUES

SCREEN FIENDS

We spend the majority of our day juggling multiple screens. How is this affecting our productivity—and our health?



KATHERINE LAIDLAW

Two months ago, I sat in a tent pitched 6,000 feet up in Yosemite National Park's remote wilderness. I'd just hiked six hours up into the Sierras to breathe the crisp air, bathe in a waterfall and fall asleep under the summits of Half Dome and Clouds Rest. My friends and I had cooked dinner over a palm-sized stove and warmed ourselves at a campfire. All that was left to do was fall asleep to the sound of rustling leaves. I'd been dreaming of this moment for months, a serene vacation under a blanket of stars. And yet, I found myself reaching for my phone, bargaining with myself. What if I'd missed something important since yesterday? I swept my thumb across the slider to take it off airplane mode. Even high up in the alpine backcountry of one of the world's most incredible vistas, I couldn't resist checking my email, responding to a note from a client and taking a casual stroll through Instagram.

It turns out that I'm far from alone in that impulse. Last year, the market research firm Nielsen found that American adults were using screens an average of 11 hours per day. In front of the TV, which made up more than four of those hours, 45 per cent of those watchers were often or always using two screens at once—watching while scrolling through their phones or tablets. According to Apple, the average iPhone user unlocks their phone 80 times a day, which, accounting for eight hours of sleep, means once every 12 minutes for 16 hours a day, every day.

Most of the research that's been done on screen time and health looks at children or teens and their brains-in-development. But how harmful is screen time for adults, who are increasingly tethered to screens at work as well as at home? According to researchers, it's pretty bad. This past March, a group of social and data scientists from Stanford, Penn State and Boston universities argued that the very concept of "screen time" was no longer relevant or effective. Screens had become so pervasive, they said, that we needed to look at an individual's "screenome" for insight into how we're using our devices.



To get this personalized sequence of data, researchers installed software on participants' laptops and phones that took screenshots every five seconds, drilling deep into the details to create a comprehensive picture of what we're looking at and how we're spending our time. The findings were illuminating: most people rarely spend more than 20 uninterrupted minutes on a single activity, switching from one to the next an average of every 20 seconds, in an infinite loop of distraction.

It turns out biochemistry is working against us. Our brains are wired to want to check in. App developers are employing behavioural scientists to make their products as addictive as possible. And nomophobia—the fear of being without your phone—is increasingly being studied by behavioural scientists and the psychology community as a condition. "Every time a notification buzzes or beeps, the brain releases chemicals that signal anxiety," says Larry Rosen, psychology professor emeritus at California State University Dominguez Hills and co-author of *The Distracted Mind*. "That leaves us on the alert too many times during the day, and even during the night."

Too much screen time is also decimating our eyesight: 59 per cent of American adults report experiencing symptoms of digital eye strain—physical discomfort such as headaches or blurred vision after two or more hours of screen use. Screen

time has been linked to increased levels of obesity. It's making more of us mildly and severely depressed. It's causing our grey matter to atrophy and our executive functioning to falter. It's more likely to cause insomnia, which in turn has been linked to job loss. And while it hasn't been proven that increased screen time necessarily *causes* health problems, several studies have shown alarming correlations: one study found that more time spent in front of screens was associated with type 2 diabetes in adults. Another linked excessive leisure screen time to an increased likelihood of cancer and heart disease.

If all of this has you running for the hills—with- out your iPhone, camera or any other screen—take heart. As Rosen says, not all screen time is created equal, and features like Screen Time for iPhone users or apps like Digital Wellbeing for Android can be useful in correcting for wasted time. Rosen suggests implementing tech breaks—removing any unneeded websites and apps from screens—and setting an alarm for 15 or 30 minutes, depending on how distractible you are. When the alarm goes off, you're free to use your personal tech for one or two minutes. "Once that starts to feel

easy," he says, "then increase the focus time to a point that feels right."

Employees on laptops or desktops might try a gadget like TimeFlip, a "productivity polygon," which you flip every time you start a new workday activity, from analyzing spreadsheets to answering emails. A small plastic device that can be folded into a six-, eight- or 12-sided polygon, the TimeFlip

THE AVERAGE PERSON UNLOCKS THEIR IPHONE 80 TIMES A DAY. THAT'S ONCE EVERY 12 MINUTES FOR 16 HOURS, EVERY DAY.

sits on the corner of your desk and links up to a smartphone, registering each time you flip to a new side and tracking how long you're spending on each task. The idea is to effectively manage your screen-based work so you can leave more time for discussions over coffee and a notepad, or walking meetings through the park.

Three years ago, workaholism in France reached such a fever pitch that lawmakers passed a bill



REMINDER OF ANNUAL AND SPECIAL MEETING OF MEMBERS

FREDERICTON, NEW BRUNSWICK | SEPTEMBER 18, 2019

Notice is hereby given that the 2019 Annual and Special meeting of the members of Chartered Professional Accountants of Canada will be held in the Delta Hotel Fredericton, 225 Woodstock Road, Fredericton, New Brunswick, Canada on September 18, 2019 at 09:00 hours (Local Time) for the following purposes:

1. To receive the financial statements of CPA Canada for the fiscal year ended March 31, 2019, together with the public accountant's report thereon;
2. the appointment of a public accountant for the current fiscal year;

3. to confirm amendments to By-Law Number 1;
4. to transact such other business as may properly come before the meeting or any adjournment thereof.

Members who are unable to attend the meeting in person and who wish to be represented may visit the CPA Canada website at www.cpacanada.ca to obtain a proxy form. Members who wish to view the financial statements of CPA Canada printed in the 2018-19 Annual Report or the proposed amendments to By-Law Number 1 may visit the CPA Canada website at www.cpacanada.ca.

Dated this 14th day of August 2019

Joy Thomas MBA, FCPA, FCMA, C.Dir.
President & CEO

Terry LeBlanc FCPA, FCGA
Chair of the Board of Directors

19-0893

granting citizens the “right to disconnect” from work emails outside of office hours. They mandated that companies larger than 50 people negotiate after-hours email rules with employees. Such legislation may be difficult to enforce: in one academic study of the bill’s impact, published almost two years after it went into effect, 97 per cent of the survey participants declared that they had not seen any relevant changes since the policy was implemented in January 2017. But the study’s results also showed that more and more people had become aware of the problem and were taking steps to cut down on their after-hours connectivity. And in Canada, a yearlong consultation on changes to the federal labour code found that 93 per cent of respondents believe employees should have the right to wait until office hours begin to respond to work-related emails.

It won’t help decrease screen time spent at work, but Canadian employers would do well to take note. After all, in resisting the urge to reach for a screen, our brains need all the help they can get. ♦

Katherine Laidlaw is a writer and editor based in Toronto. Her recent work has appeared in Toronto Life, Outside, enRoute and Marie Claire magazines.

93%
of Canadians asked believe they should have the right to wait until office hours to respond to work-related emails

DATA REPORT**PAPERLESS TRAIL**

Accountants have the right tools to revamp online reporting. What’s stopping us?



GERALD TRITES

Massive changes are sweeping through our profession. Artificial intelligence, blockchain and advanced analytics allow us to do things that were once unimaginable, such as analyzing 100 per cent of a company’s transactions.

Yet, for all our technological breakthroughs, we accountants have yet to snap out of the paper paradigm.

It’s obvious when you look at the way corporations present information. Twenty years ago, many companies didn’t have websites. Of those that did, only half included financial information, which didn’t always address the needs of investors and other stakeholders. Today, the majority of listed companies publish their financial statements, news releases,

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management discussion and analysis, and environmental, social and governance reports online.

But one important thing has not changed: the content on those websites is formatted as it has been for decades, in PDFs designed to preserve the format of paper reports. The emphasis is on the reports themselves, not the data they contain. The reports are bloated with large and complex footnotes, driven by regulations, standards and fear of litigation. They are written for linear reading—in order to get what they need, people must read them from beginning to end.

SO FAR, CORPORATE REPORTING FALLS SHORT OF THE NEEDS OF THE MODERN WORLD

But people don't think that way anymore. If they need information, they want it directly. When you host a group of people for the evening and someone asks when Beethoven lived, it's likely nobody will know the exact dates. Quickly, someone will pull out a phone and announce that he was born in December 1770 and died in March 1827. With the facts immediately established, the discussion can then move on to the real issue at hand: whether Beethoven was a classical or romantic composer.

In the age of technology, people read in a non-linear fashion, following particular items and ideas across various webpages and reports. Companies should present information in ways that facilitate this approach, making data readily available for decision-making purposes. So far, however, corporate reporting falls short of the needs of the modern world. It's as if companies are standing on a railway platform preparing big packages for baggage cars, while the rest of the world is flying express. These companies are letting the world pass them by.

To further aggravate the situation, very few companies have adopted integrated reporting—that is, presenting financial, environmental, social and governance information in one report. Integrating this disclosure would allow readers to quickly absorb all aspects of a particular item or issue.

In its 2015 study “The Future of Corporate Reporting,” the Federation of European Accountants (now called Accountancy Europe) makes the case for moving past the paper paradigm. “The corporate reporting of the future should take full account of changes in technology,” the paper states. “Developments in the model for future corporate reporting should be flexible and able to adapt to changes in technology which affect the way people interact

with an entity and which significantly affect the delivery of the information itself.”

Taking full advantage of technology means using the features it offers: digital-first formats, links, multimedia and the ability to report on a real-time basis. This can be accomplished through the use of websites, social media and reporting apps, by making reporting data-centric rather than report-centric. Reports should also use formats and markup languages, such as HTML and XBRL, that can be easily downloaded and analyzed by computers without the need for human intervention.

The ideal corporate investor-relations website would use integrated reporting, focused around key performance indicators, with drill-down capabilities to access the more detailed data. This would present the data in an interactive format. By allowing machines to retrieve and analyze information, we humans can quickly establish the basic facts and address the real issues instead. ♦

Gerald Trites, FCPA, FCA, CISA, is the editor-in-chief of ThinkTWENTY20 (thinktwenty20.com), a magazine for finance professionals.

THE WORKPLACE

OPEN AND SHUT

Who fares better in the office: extroverts or introverts?



LAUREN
McKEON

I can be an incredibly quiet person. I often clam up in big groups, fumble through small talk at parties and fall into comfortable silences (well, comfortable for *me*). If I'm not leading a team meeting at work, I'm usually the contemplative one, listening and assessing before I share my own thoughts. I know that sometimes my quietness can be mistaken for shyness or, worse, a sign that I'm not engaged—even as I furiously scribble down notes and ideas. Since I was a teenager, supervisors have remarked that I need to be louder, more outspoken, more extroverted. They're the same people who think they're helping when they encouragingly ask, “What do *you* think, Lauren?”

Over the years, I've taken to heart the repeated feedback that my introverted tendencies are my greatest weakness. I've pushed myself to be more gregarious in the workplace. Admittedly, my track



record has been fairly spotty. I've become less disastrous at public speaking; people often now remark, blessedly having no insight into my sweat glands, that I'm a natural. While I still do better in small groups, I no longer spend entire office days in silent solitude. Recently, an acquaintance expressed disbelief when I made an offhand remark about my own quietness. I was ridiculously pleased. Still, it made me wonder: is it really so bad to be an introvert at work? Are quiet people actually erasing themselves from career advancement?

Two recent studies in the *Journal of Applied Psychology* indicate the answer is both *yes and no*. Research has a long, seesawing history when it comes to declaring which personality type has the workplace advantage. In many cases, the deciding factor comes down to workplace culture and contemporary societal values. As author Susan Cain put it in her 2012 TED Talk, "The Power of Introverts," which has now been viewed more than 22 million times on the TED website, many modern institutions are designed primarily for extroverts. From our workplaces to our schools, she argues, both group work and speaking out are prioritized—to the detriment of independent, creative thinking. So no wonder a 2019 study of nearly 100 meta-analyses found that extroversion had a consistent, albeit small, advantage over a person's lifetime.

Led by University of Toronto academic Michael Wilmot, the study defined extroverts as people who are talkative and gregarious, prefer to take charge, express positive emotion and enjoy stimulating activities. A textbook introvert, on the other hand, is quiet, emotionally reserved, less energetic and harder to get to know. Based on those prototypical traits, researchers concluded, extroversion has a positive effect in 90 per cent of the most studied variables—such as levels of workplace enthusiasm, assertiveness and positivity—that influence a person's career. All across the spectrum, they added, extroverts have motivational, intrapersonal, emotional



Author Susan Cain defines an introvert as someone who prefers quieter, more minimally stimulating environments. "The key is about stimulation: extroverts feel at their best and crave a high degree of stimulation. For introverts, the optimal zone is much lower."

and performance advantages. In a world that values loudness, they are repeatedly seen as good leaders.

That doesn't mean introverts are doomed. People with introverted tendencies, the study's authors write, "should not interpret our findings to suggest that they will inevitably be at a disadvantage. To the contrary, numerous examples could be given of introverts who perform masterfully and achieve greatly." There's more positive news for those of us who are terminally quiet: another 2019 *Journal of Applied Psychology* study found that, as with most things in life, too much extroversion can be a bad thing. Or, rather, an annoying thing.

The study, led by Jasmine Hu at Ohio State University's Fisher College of Business, confirmed that people tend to like extroverted leaders better and sought their advice more often—but only up to a point. The study's participants—undergraduate students and employees at a large retail company in China—thought less of "very warm" or "very assertive" co-workers. They felt those who were too friendly put pressure on them—whether consciously or not—to respond in the same enthusiastic way, and that overly assertive people were pushy.

Other studies have found that introverted leaders also have their own strengths. They're often more creative and idea-driven; they're self-motivated. And, in unpredictable environments, introverts can be more effective, according to organizational psychologist Adam Grant. His research shows that introverts listen carefully, show greater receptivity to suggestions and encourage others on their team to proactively share ideas—all things that make extroverts feel threatened.

Ultimately, as Cain argues in her bestselling book, *Quiet*, the real lesson in all of this is to stop encouraging people to quash their fundamental natures. It isn't employees who have to change; it's their organizations. Companies can benefit from cultivating both extrovert and introvert employees and leaders—it's a matter of maximizing their talents through tailored teams and environments. Besides, nobody is 100 per cent extrovert or introvert. Nobody is on or off all the time. We all exist on a scale, preferring quiet or company, high-energy or low, depending on the mood and situation. In fact, there's a whole other, unsung personality that gets little attention: the ambivert—the middle of the spectrum, and arguably where many of us truly exist. So, go ahead. Stop talking. Or, you know, start. ♦

Lauren McKeon is an award-winning journalist, digital editor at The Walrus and author of F-Bomb: Dispatches From the War on Feminism.

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 **CONNECT**

ANDREW MORGAN,
a partner at EY, is
pursuing an advanced
drone pilot's licence



BY LUC RINALDI

**PHOTOGRAPH BY
DANIEL EHRENWORTH**



INSPECTOR GADGET

On a bright afternoon last winter, Andrew Morgan walked, clipboard in hand, across an asphalt car lot. All around him, neat rows of trucks gleamed under the sun. Morgan's job as a senior assurance manager at EY was to count the vehicles, inspect a sample of them—two dozen of a thousand or so—and ensure his client's inventory reports were accurate. "We were going truck to truck," he recalls, "and I said, 'There must be a better way to do this.'"

So, Morgan pitched his bosses on an unusual idea: why not use a drone to do the inventory count? EY auditors in the U.S. had already tried it, and he knew a thing or two about the technology. Morgan, who is now a partner in EY's assurance practice specializing in data analytics and automation, owns three drones himself—the recreational kind, which tend to retail for \$100 to \$1,000 (professional models can cost upwards of \$10,000). When the brass gave him the green light, the firm hired a pilot from a professional drone services company and returned to the truck lot with a sleek, all-white DJI Phantom 4 Pro drone in tow.

The pilot placed the drone on the ground, slotted his iPhone into a gadget that looked like an Xbox controller, and then gently tilted one of its joysticks

forward. The machine, small enough to fit in a backpack, started buzzing like a swarm of bees. It took off and was soon a blinking dot in the sky, taking hundreds of pictures as it flew an S formation over the yard. Though Morgan still had to perform an old-fashioned walk-around to check the condition of the vehicles, the count was significantly faster. "Traditionally, it might have taken half a day or even a full day to count the lot by foot," says Morgan. "Flying a drone, it took 45 minutes."

Not that their work was done. Back at the EY office in Toronto, Morgan and his colleagues used a piece of software called DroneDeploy to stitch the photos together into a single, hyper-detailed overhead image of the area. Then, they layered text boxes over the trucks and typed in numbers to tally

**Faster. Cheaper.
Safer. Welcome
to auditing in the
age of the drone.**

them, creating a shareable reference document. “We could count 100 per cent of the vehicles, so it resulted in a much better inventory count,” he says. “It’s an easier way to do better-quality work. Any tool that makes it easier is worth using.”

Morgan’s high-flying pet project provides a glimpse of the ways that drones are transforming accounting worldwide. In New York three years ago, Deloitte’s then-CEO Cathy Engelbert told a conference of financial executives, “This might sound a little sci-fi to you, but drones could do physical inventory observations. Maybe you wouldn’t have to send people out.” In the past

**“Drones are becoming
day-to-day tools.
All we see is growth.”**

several years, tax authorities on multiple continents have used drones to investigate suspicious properties and tax return claims. KPMG has used them to count livestock in Australia. PwC has set up two separate teams of drone experts in Europe.

Drones have infiltrated nearly every industry. They allow foremen to inspect construction sites, relief workers to deliver supplies and filmmakers to capture stunning bird’s-eye-view footage. PwC estimates that, in the U.K. alone, the drone economy will add more than \$70 billion to the GDP by 2030, at the same time creating 628,000 jobs. That translates to 76,000 drones over Great Britain, surveying traffic, inspecting mines and delivering dinner.

To some, that many tiny tentacled devices whirring around may sound like a dystopian *Black Mirror* episode waiting to happen. Critics argue that drones could prove to be a tool of unlawful or inhumane state surveillance. In Canada, there’s already an alarming stream of headlines: a malfunctioning machine dropped on a woman’s head in 2016, a drone collided with an airplane in 2017, and residents complained of a nosy neighbour using a drone to spy on them in 2018. Outside London, U.K., last year, hundreds of flights were cancelled following drone sightings near an airport runway. In 2014, Transport Canada recorded 38 incidents in which a drone “posed a risk to aviation safety.” By 2017, that number had more than tripled.

Though difficult to enforce, most countries’ drone legislations prohibit some of the technology’s more nefarious (and numbskulled) uses. Canada tightened its regulations on June 1, requiring all drones heavier than 250 grams to be registered and all pilots to be

licensed, subject to a fine of \$1,000 for recreational fliers. “The licence is relatively easy to get,” says Morgan. For kids who find a drone under the Christmas tree, it involves paying \$10 and passing an online exam that ensures you know how to drone responsibly—that is, with the gizmo always in sight, not above people and well away from no-fly zones such as airports, national parks and concerts.

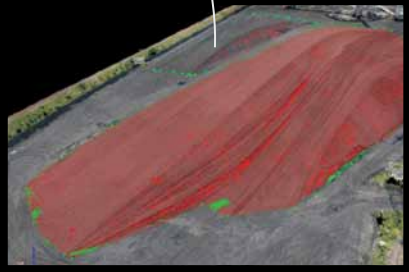
Morgan has his eyes on the advanced licence. His manager from the truck-yard audit is pursuing one, too. It takes more time and training, but with it, they would be allowed certain permissions, like flying in controlled airspace. They’d also be able to pilot their own inventory-count drone, rather than hire a third party. “We’re developing the expertise in-house in Canada.”

With good reason. Today, few businesses have the resources, staff and skill set to purchase and pilot their own drones, decipher complex flight rules or harness the data that the miniature aircraft collect. But, in the next few years, many of them will want to try, and they’ll need some assistance. For CPAs, the opportunity is twofold. By adding drones to their toolkit, they can conduct faster, cheaper, safer and more accurate audits—and, in the process, become much-needed advisers to anyone else who wants to take to the skies.





In 2018, PwC used a drone to audit **COAL RESERVES** at a power plant in Wales



The drone measured various points in the red zone to calculate the total volume of coal.



The audit team launched the drone from a field adjacent to the plant.

With a drone, researchers counted **LIVESTOCK** 35 times faster than with traditional methods



The researchers used machine-learning algorithms to automatically recognize and count the cattle.



there was an opportunity to advise our clients on how to use drone technology,” says Whyte. She now leads the firm’s drones team in the U.K. (In Poland, PwC has a similar group called Drone Powered Solutions.)

“Some people might associate drones with being a toy,” says Whyte, but her team’s work proves otherwise. Since launching in January 2018, the group has used drones to, for example, inspect key infrastructure at ports across the U.K., including hard-to-access locations like warehouse roofs and gutters. Using a drone, Whyte says, the inspections had the potential to be 83 per cent faster and 65

**After the count,
the ranchers asked,
“Can we always do our
audits with a drone?”**

Like a lot of innovative technologies, drones were developed as machines of war. In the early 1900s, inventors in the U.K. and the U.S. raced to create the first unmanned aerial vehicles (UAVs), kamikaze-style weapons that could pierce zeppelins or crash into enemy positions. None of those early inventions saw combat, but the idea returned in the Second World War, when the Germans used remote-controlled UAVs to drop bombs on Allied ships.

Drones remained the purview of armies and air forces until the mid-2000s, when hobbyist and industry interest became strong enough to prompt the Federal Aviation Administration to relax UAV regulations in the U.S. Other countries largely followed suit, and once civilians could fly, consumer drones slowly entered the market. But they received little attention until 2013, when Jeff Bezos predicted self-flying drones would be delivering the majority of Amazon packages within five years. (Still waiting, Jeff.)

As a Royal Air Force engineer in the 1990s and 2000s, Elaine Whyte witnessed the evolution of UAVs firsthand, occasionally working with drones herself. After she retired from the RAF, she joined PwC, where tapping that experience seemed like a no-brainer. “It occurred to me that

per cent cheaper than using traditional methods, and her team has since worked with the client, a port operator, to introduce drones to other parts of their business. Whyte says UAVs could also be used to inspect gas flares (imagine thin smoke stacks spewing fire), allowing oil and gas companies to pinpoint problems without shutting down their plants, a move that can cost millions of dollars per day. “With a drone,” she says, “you don’t need to incur that cost or put people in harm’s way until you know exactly what work you need to do.”

In late 2018, Whyte’s team completed its first drone-assisted audit. Working with British drone company QuestUAV, it captured hundreds of overhead images of coal reserves at a power plant in Wales. Then, using a process called photogrammetry (deriving measurements from pictures), the auditors created a 3D model of the entire plant. The digital model helped calculate the volume of the coal piles, and they could share it with other PwC staff and offices instantly. “It leads to a much more collaborative approach,” says Joanne Murray, a senior manager with the drones team. “We’re very keen now to pilot the technology on other types of assets, like scrap metal or livestock. We’d capture the data using a drone, then run artificial intelligence routines to bring efficiency and improved quality to the mundane task of manually counting tens of thousands of heads of cattle on a farm.”

Chris Thatcher, the innovation leader for Deloitte’s Canadian assurance group, says that’s the technology’s true potential. “The most exciting thing in

this area is not the drones themselves, but visual recognition,” he says. In other words: sure, drones are cool, but check out what you can do with the photos and footage they capture. AI software can distinguish objects—boxes, sedans, sheep—without the human eye. Thatcher envisions a day when auditors wear body cams, walk through their sites, upload the footage and let AI do the math. When Deloitte tested visual recognition technology, he says, “one of the questions we had going in was: how accurate will it be?” They suspected it would fall short of manual counts, at least at first. “But, generally speaking, the visual recognition was significantly more accurate than humans.”

Rather than replace human CPAs, proponents say, the technology will allow them to spend less time on-site disrupting clients and more time analyzing the data, focusing on strategy or, at the very least, doing something better than tallying cars and cattle. “There are a number of clients in the Canadian marketplace for whom drones would work very well,” says Thatcher. “There are so many opportunities there.”

Whyte believes companies ignore UAVs at their own risk. “Drones are becoming embedded as day-to-day tools in many different sectors, including auditing,” she says. “All we see is growth.” If companies don’t consider how the technology could benefit—or threaten—their business, they may end up playing catch-up. “Businesses could miss the opportunity and incur costs that their competitors aren’t facing, and therefore they could be squeezed on price or profit.”

Forty floors above Toronto’s Financial District, Andrew Morgan is about to take flight. Well, kind of. Inside a high-ceilinged EY boardroom, he crouches and powers up a small DJI Mavic Air drone at his feet for a test flight. “We’re trying to figure out which other audits we can use the drone on,” he says, as the machine hums to life. Weather permitting, outdoor settings are ideal, he explains. Warehouses with tall shelves and wide aisles can work, too. An indoor space like this skyscraper boardroom? Not so much.

But it’s not a bad metaphor for the “in-house expertise” that Morgan wants to develop. Last year, when he realized a drone would improve his job, he called a third-party UAV company. In the future, when other businesses get the same idea, he hopes they’ll call EY.

For now, he swivels the drone’s camera and demonstrates its automatic safety features—it gracefully steers itself away from the walls and desks as it zooms around the boardroom. Then, suddenly, it starts beeping. Its battery is low. Like any technological revolution, this one comes with some technical difficulties. ♦

THREE WAYS AUDITORS ARE USING DRONES TODAY



NEIGHBOURHOOD WATCH

In 2014, Argentinian tax investigators used drones to inspect a wealthy neighbourhood in Buenos Aires. They found 200 mansions on supposedly empty lots, as well as 100 unregistered swimming pools—discoveries that reportedly netted the tax authority an extra \$2 million (U.S.) in property tax revenue.



SHELF LIFE

As part of a proof of concept, EY dispatched self-flying drones within large manufacturers’ warehouses in the U.S. The machines, equipped with cameras and barcode scanners, whizzed down the aisles, allowing auditors to inspect the inventory without stepping onto a scissor lift. “You can technically fly the drone any time of day, so you can pick the least invasive time for clients,” Hermann Sidhu, EY’s global assurance digital leader, told the *Journal of Accountancy* podcast. “We want to make it as seamless and real-time as possible.”



FARM IT OUT

Some ranchers tally their sheep by herding them through a gate, tying a knot in a piece of twine for every 100 animals. For a March 2019 paper, researchers from three American universities gave that time-worn method a high-tech update, using drones to create overhead images of livestock pastures in Utah and Kansas. David Wood, one of the authors and an associate professor at Brigham Young University, says the herders were skeptical at first, but the drone was significantly more accurate and about 35 times faster. “They didn’t have to ‘babysit’ the auditors,” he says. By the end of their research, he says, the ranchers asked, “Can you make it so that internal audits are always done this way?”



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BEST LARGE
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Vena CEO Don Mal



Raise a Little ExHell

Plenty of companies have tried—and failed—to dethrone Microsoft Excel. One Toronto firm thinks it's found the formula for success: if you can't beat 'em, join 'em.

BY JASON KIRBY

PHOTOGRAPHS BY NATHAN CYPRYS

IN EARLY 1979, a tiny text ad ran in the back pages of *Byte* magazine, a journal dedicated to the emerging world of personal computers: “VisiCalc, how did you ever do without it?” If readers were unsure what had apparently been missing from their lives, they soon found out. Forty years ago this October, VisiCalc, the first digital spreadsheet, debuted on the market and immediately became a global phenomenon. Apple co-founder Steve Jobs once hailed it as the “explosion” that moved the computer industry forward, while others have described it as “the original killer app of the information age.” In time, VisiCalc lost the spreadsheet crown to Lotus 1-2-3, which was eventually usurped by today’s king of the spreadsheets: Microsoft Excel. Or, as countless frustrated business users have grumbled over the decades, ExHell.

For Excel’s most hardcore users—the legions of finance, accounting and administrative workers who have been toiling on it for decades—Microsoft’s workhorse spreadsheet software can be a godsend; it’s powerful, versatile and simple to use. Yet with those strengths come many headaches: broken links, input errors and the mayhem of managing conflicting versions of files. They’re frustrating and costly problems that Vena Solutions, one of Canada’s fastest-growing tech companies, has set out to fix. “As a canvas, you can use Excel to model pretty much any kind of data you want to plan, forecast and budget,” says Vena CEO Don Mal. “It just falls down when it’s used in a multi-user corporate environment.”

In recent years, there’s been no shortage of attempts to develop the ultimate Excel killer (hello, Google Sheets), but Vena is taking a different direction: embracing Excel, rather than replacing it. The Toronto-based firm uses Excel’s familiar grid of rows and columns as the face of its offering, which means companies can keep using the templates, custom formulas and

models they created in Excel over the years, and build new ones, too. The difference is that the spreadsheets are all mapped to Vena’s cloud-based database, workflow, process design, reporting and analytics tools. That means there are audit trails—so it’s always possible to find out where a particular data point came from or who made changes along the way—and, when needed, a company can travel back in time to earlier versions. Vena also gives administrators the ability to put guardrails in place so users can’t make changes that might break things.

“The key for Vena has been leveraging financial professionals’ familiarity with Excel,” says Andrew MacMillen, an analyst with Nucleus Research in Boston. “Financial professionals can be set in their ways. So, by building out tools from that familiar user interface, it’s a lot easier to get your foot in the door with each company’s financial team and build a business case from there. Solving that big user-adoption hurdle was a smart thing for Vena to do.”

Vena’s blend of familiar and new has caught on. Since its launch in 2011, the company has grown to 300 employees. It has more than 600 customers—including White Castle, Ocean Spray, McMaster University and some regional divisions of Deloitte and BDO—80 per cent of which are based in the U.S. Customers pay an annual subscription for Vena’s services that, depending on the number of users and the size of their database, ranges from \$25,000 to well into six figures, with the typical customer paying \$40,000 to \$50,000 per year. This year, the company is on track to earn \$50 million in revenue, and within three to four years, it expects to double that haul.

Investors have taken notice. In January, Vena raised \$115 million in a financing round led by the American growth equity firm JMI Equity. It included Centana Growth

Partners, which led a \$30-million round for Vena in 2016.

Vena is chasing an annual sales target of \$100 million. If it reaches that goal, and if its valuation is roughly 10 times its annual revenues—in line with recent transactions involving cloud-based companies—Vena would qualify for Canada’s exclusive billion-dollar unicorn club, following a path taken by other Canadian tech stars such as Shopify. “If you think about the market potential, there’s no reason why we can’t have thousands and thousands of customers globally,” says Mal. “I believe we could really be the next great tech story in Canada.”

VENA’S SPACIOUS headquarters occupy an old industrial building in Toronto’s startup-heavy Liberty Village neighbourhood. The office features all the touches expected of a young, fast-growing startup: a youthful and diverse workforce, exposed brick and beams, and rustic floors. There’s even a large butter stain, a holdover from when the building served as a bread factory.

The place is also infused with music. A visitor might spot a drum kit or a painted acoustic guitar case near the entrance, which depicts a scene from the company’s recent user conference in Nashville, Tenn., where Vena’s in-house employee band, the Grid Unlocked, took the stage.

The company gets its musical inspiration from its CEO-slash-frontman, who had dreams of rock ‘n’ roll stardom before all the spreadsheet grids and financial analytics platforms. Mal’s family moved to Canada from India when he was seven, settling in rural P.E.I. “It was mangos to potatoes overnight,” he says, jokingly referring to himself as Don of Green Gables. Like the red-haired orphan, he also attended a one-room schoolhouse. Despite being the new kid, he doesn’t recall experiencing racism. “My story is: if you include people no matter

their race, religion, sex, whatever, then generally they will be successful because they don't feel in any way inhibited to achieve whatever they can."

Mal's mother was a nurse and his father was a serial entrepreneur, running restaurants, shops, a wholesale trading business and an insurance brokerage. Mal would help his father with his businesses and got his first introduction to the world of salesmanship by pitching fishermen on insurance products as they returned from their daily catch.

electronics store, where he realized he had a knack for sales.

Over the next decade and a half, he switched to selling software and moved around the industry (including a stint at Kevin O'Leary's SoftKey Software) until just before the tech bubble burst in 2000.

He then built Wildfire, a golf club on Stoney Lake (about 40 minutes northeast of Peterborough, Ont.), using savings and funds he'd raised going "dock to dock" selling equity-based club memberships. He eventually moved back to

he had met with companies and organizations in all industries and saw the problems they were having with Excel. In the back of his mind, Grover started to formulate what he describes as the "common denominator of pain points" users had with the software.

Many chief financial officers and corporate accountants know those pain points all too well. As part of the typical forecasting process, the finance team emails Excel templates to dozens of departments to fill out. But who knows what they'll get up to: potentially changing formulas, creating additional worksheets, copying and pasting data incorrectly, altering existing data in cells or renaming sheets altogether. Then the files start coming back, and someone must spend hours or even days reconciling it all and transferring the data into a master file before the important work of analysis and forecasting can even begin. Oh, and then a week later, someone in sales emails you to say he's really sorry, but he sent the wrong version earlier, and could you please use this one instead?

As infuriating as all that is, says Grover, it was also clear to him that people felt at home in the familiar Excel environment. When Clarity started using a different spreadsheet software, which fed into its reporting and planning system and solved some of the problems he kept hearing about, some users had a hard time letting Excel go.

In 2010, IBM acquired Clarity, and Grover found himself working alongside George Papayiannis, a childhood friend and software engineer at Big Blue who would become Vena's third co-founder and chief technology officer. Together with Mal, they sketched out the idea for Vena on a napkin at Starbucks. Then they scraped together financing from friends and family and launched the company, with Papayiannis overseeing product development and technology, Grover managing professional



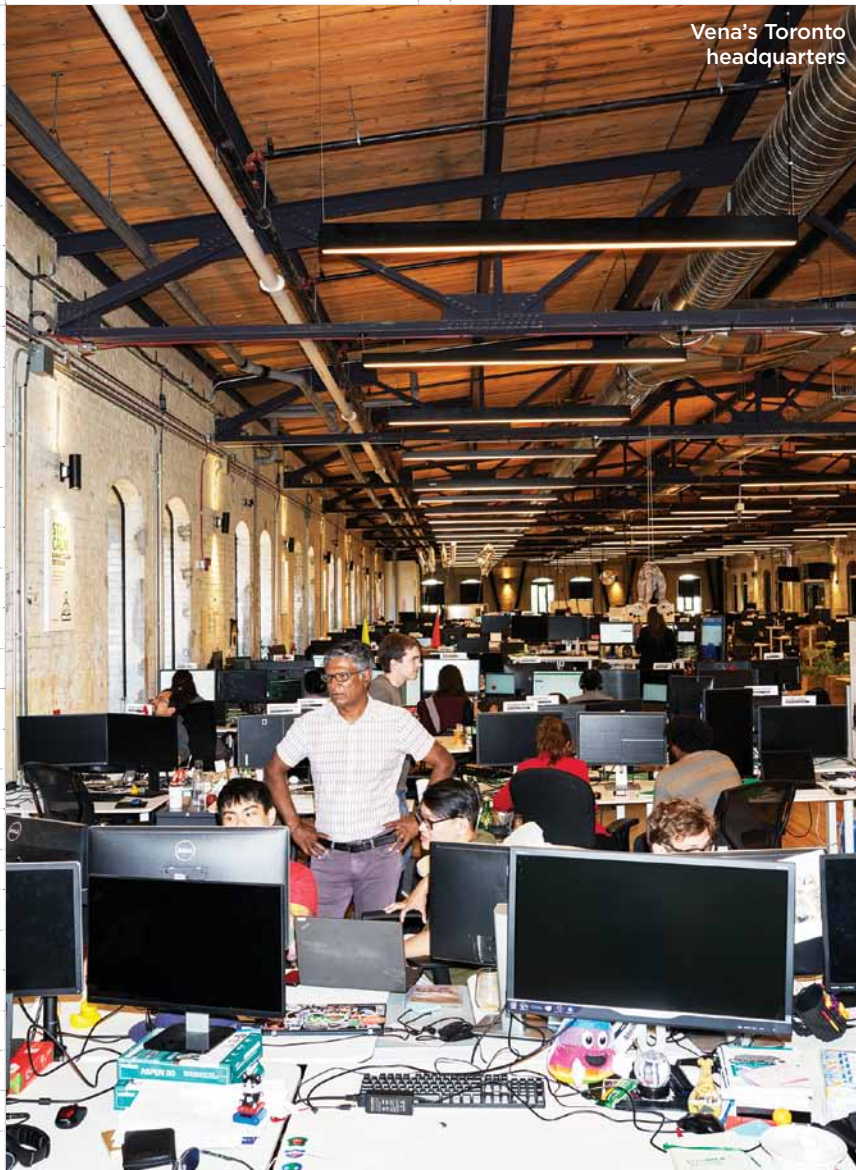
Vena's employee band, the Grid Unlocked

The tech company gets its musical inspiration from its rockstar-wannabe CEO

Mal went to Saint Mary's University in Halifax but dropped out from its commerce program after two years to pursue his true love: music. "I wanted to be a rock star," he says. He moved to Toronto and found some success in the music scene—his band at the time, Between the Lines, released an album and toured around Ontario—but to make ends meet, he sold stereos at a home

Toronto, picked up an MBA from the University of Toronto's Rotman School of Management and went to work at the software firm Clarity Systems. That's where he met Rishi Grover, one of Vena's three co-founders and its chief solutions architect.

By that time, Grover had spent years working on Clarity's corporate performance management software. As one of the firm's consultants,



Vena's Toronto headquarters

Excel, so you don't have to get an army of consultants and give up your biggest boardroom to make a change. With other products, you're forced to use a foreign grid. It's like trying to drive your car backwards. Why would you want to do that? You're going to have an accident."

With Vena's growth on track, Mal stepped away from the business in May 2018, partly due to a cardiac-related health concern—but also, he admits, to work on his golf game and spend more time on music and with family. He planned to remain involved as an adviser as Shawn Cadeau, who'd joined Vena as chief revenue officer in 2017, was named CEO. But just a few months later, Cadeau left and Mal returned. Mal says the change was "not business performance-related" and that, after his health issues were resolved, the board wanted him to return to lead the company. As for his music career, Mal's not giving up. "I still believe I've got a hit single in there somewhere."

VENA'S EMBRACE-versus-replace approach to Excel stands in stark contrast to most of its rivals. Like Vena, Infor, a software company with offices in New York and Vancouver, has a financial reporting and analysis tool called F9, which operates within the Excel environment. But others have tried to topple Microsoft altogether. In 2006, headlines like "Google launches Excel killer" trumpeted the search-engine giant's foray into the spreadsheet war with its free, online Google Sheets app. To stay ahead, Microsoft has always made Excel available as an open platform, so that third-party developers like Vena can create their own enhancements. "We keep bums in Excel seats, so I think Microsoft is very appreciative of that," says Mal.

Today, Excel is estimated to control more than 80 per cent of the market for business users, though each year rivals chip away

"With other products, you're using a foreign grid. It's like trying to drive your car backwards."

services and consulting and Mal as the business development and sales guy. Mal recalls meeting the company that would become Vena's first client; they asked how many other customers Vena had. "We had to think really quickly," he says. "My answer was, 'You're going to be one of our first 20 customers,

so you're getting a great deal.' They signed and that was that."

One of Vena's pitches to potential customers is how quickly the company can get its tools up and running. As Vena's chief financial officer Darrell Cox, a CPA, has described it, "A normal finance person is already an expert in

at it bit by bit. Aside from Google Sheets, the rest of the spreadsheet market is carved up by open-source tools like LibreOffice Calc, Zoho Sheet and Apache OpenOffice Calc. In the cloud-based business planning and analysis space, San Francisco-based Anaplan, often described as an Excel killer, went public in October 2018 and has seen its shares climb 247 per cent. Meanwhile, Vena's most direct competitors in the industry are Palo Alto-based Adaptive Insights, Host Analytics of Redwood City, Calif., and Mississauga, Ont.-based Prophix Software, all of which provide some measure of connectivity to Excel spreadsheets, though none have integrated it into their tools in the same way Vena has.

Mal realized Microsoft may not hold the spreadsheet crown forever, so Vena works with Google Sheets and other office productivity tools "in the event that they make some significant inroads." But he doesn't see that happening yet—Excel still offers more functionality for financial pros, and its dominance means there's still a large market for Vena to go after. Mal estimates there are 100,000 companies in North America in its "sweet spot" (that is, \$50 million to \$1 billion in annual revenue), yet only 10,000 or so have automated their financial planning and reporting operations. "So 90 per cent are still using Excel spreadsheets the old way," says Mal. "That's a huge market."

Has Microsoft ever approached Vena about a takeover? "Microsoft would seem to be a potential suitor, but we've never had discussions with them about that," says Mal. Of course, Vena's investors can't help but wonder whether the company will ultimately be acquired or go public. But Eric Byunn, a partner at Centana Growth Partners, says the first priority "is always to build a growing, stable company."

Centana was initially drawn to Vena for its ability to help

financial institutions herd the massive quantities of financial reporting data they produce, and report that data to regulators. (Byunn says several of the top 10 North American banks are using Vena to do some aspect of their regulatory reporting.) After initially investing in Vena in 2016, Centana doubled down earlier this year during the company's most recent financing round. "Vena did what they said they would do," says Byunn. "They've grown very steadily in a rational business-building way in an environment where that isn't always the case."

Just two years after moving into its Liberty Village factory space, Vena's head office is already bursting at the seams. The company is planning to expand into another office nearby, which will ultimately house another 200 to 300 people. The company is also beginning to broaden its customer horizon beyond the finance teams that have been its bread and butter, working with existing clients' sales, engineering and marketing departments. "If we start to expand into these other areas," says Mal, "all bets are off in terms of how much bigger we could be." ♦



Five of the costliest, most embarrassing Excel errors ever

1 In 2003, when Calgary-based TransAlta was bidding on electricity transmission contracts in New York, someone misaligned the rows of data in a spreadsheet so that high bids were offered for low-demand transmission routes. The flub cost TransAlta **\$24 million (U.S.)**, obliterating 10 per cent of the company's annual profits that year.

2 In 2004, someone at the University of Toledo made a typo in a formula that led the school to overestimate graduate school enrollment for the year ahead. As a result, the school faced a **\$2.4 million (U.S.)** shortfall.

3 After the collapse of Lehman Brothers in 2008, Barclays Capital was preparing to buy a portion of the failed bank's assets. Barclays sent a junior law associate an Excel file containing 1,000 rows of data, some of which had been hidden because they were contracts Barclays didn't want to acquire. But the clerk converted the Excel file to a PDF for the transaction, and the unwanted **179 contracts** became part of the deal.

4 In 2010, economists Carmen Reinhart and Kenneth Rogoff released a paper that seemed to show that countries with debt greater than 90 per cent of their GDP experience -0.1 per cent average growth. Turns out someone had selected only part of an Excel row and left out growth figures from Australia, Austria, Belgium, Canada and Denmark. After they were included, that decline became a **2.2 per cent average increase**.

5 JPMorgan Chase's 2012 "London Whale" trading debacle, in which the firm lost **\$6.2 billion (U.S.)**, can be traced in part back to a simple Excel mistake: a model built to gauge the risk of a certain type of credit portfolio relied on a series of Excel spreadsheets that required information to be copied and pasted from one sheet to the next. An error in the process made the portfolio seem less volatile than it really was.



The days are long, the work is hard
and the phones are never off.
Burnout is real—and companies are
finally taking it seriously

The New 9 to 5

BY LARA ZARUM

Selina Gray was used to working hard. Growing up in Saskatchewan, she helped her father with the bookkeeping for his small construction business. She worked as a server while she completed her bachelor's in business at the University of Saskatchewan, and began articling at MNP before pursuing her accounting designation. In 2008, she was hired as the financial controller for a global oil and gas firm. She was 24 years old.

Suddenly, Gray, a CPA, was putting in 120-hour weeks, flying from her home base in Calgary to Ethiopia and Kenya. Her accounting team was lean, so the brunt of the consolidation work and the reporting requirements for the publicly traded company fell on her shoulders. When her firm acquired another company, she flew to Addis Ababa to find a whole new team—whose first language was Arabic—ready to report to her. It was intense, but she loved the work. She was flying first class, presenting budgets to government officials and constantly looking for ways to strengthen internal controls.

Then, suddenly, she contracted mono and couldn't get out of bed for a week. When she developed an

inflammation in her eyes, her co-workers teased her for wearing sunglasses in the office. Her ankle started to swell, so she switched from heels to flip-flops. She started getting rashes all over her body and experienced heart palpitations. Her stomach was bothering her, too, but she figured it was just the food she was eating in all those different countries and the constant time-zone changes. She was soon hired away by another international oil and gas company and started travelling between the U.A.E., Tunisia and European countries such as the U.K. Her symptoms got worse. Some days, her joints hurt so much it took 20 minutes to get out of bed.

Gray was in Tunisia when her colleagues told her she did not look well. She flew back to Calgary and within days landed in the ER, where she passed out. She remained in hospital for nearly two weeks as doctors gave her blood transfusions and put her on IV steroids.

"It was the ultimate burnout," says Gray, who now runs her own financial coaching business in Edmonton. "I identified as a workhorse. I really wanted to continue to move up in my career, so I just did whatever it took. And my body essentially gave out on me."

It's no secret that the accounting profession can be particularly demanding. According to a study this year by the Chartered Accountants' Benevolent Association—a U.K. charity devoted to improving accountants' lives—one in three accountants feels stressed on a daily basis. Overwork is cited as the dominant reason for workplace frustration, and 37 per cent of respondents say their job is the chief cause of their stress. According to the Mental Health Commission of Canada (MHCC), in any given week, 500,000 Canadians are unable to work due to mental health issues.

Today, those issues are often called burnout, which Toronto physician Mel Borins describes as “physical, emotional and spiritual exhaustion.” The term was popularized by a German-American psychologist named Herbert Freudenberger. In a 1974 paper, he described patients—typically “the dedicated and the committed”—who experienced headaches, sleeplessness, exhaustion, gastrointestinal issues and shortness of breath due to “excessive demands on energy, strength or resources” in the workplace.

In May, the World Health Organization designated burnout an “occupational phenomenon,” characterized by feelings of stress, fatigue and cynicism. Torsten Voigt, a sociologist at RWTH Aachen University in Germany who studies burnout, attributes its rise over the past decade to a shift in the way we work. This is particularly true, he says, in fields that require higher qualifications, like accounting and law. “It is expected that you are basically on call all the time—that you will respond to emails around the clock,” Voigt says. “Suddenly you have these stressors that are related to your workplace in the moments when you are supposed to recover, and that's a real change.”

Fortunately, the rise in reported levels of stress in the workplace has dovetailed with an increased corporate awareness of the importance of mental health. In 2013, with the help of a workforce advisory group that included CPAs, MHCC launched the National Standard of Canada

“You leave home and it's still dark outside. You work for 16 hours. And even when you get home, you're thinking about all the things you have to do.”

for Psychological Health and Safety in the Workplace—a set of guidelines, tools and resources intended to help businesses promote mental wellness among their employees. Bell had launched its Let's Talk campaign three years earlier, urging Canadians to speak openly about mental health. Companies large and small began waking up to the reality that many of their workers were silently suffering—and that the stigma surrounding mental illness was hurting both businesses and the people who work for them.

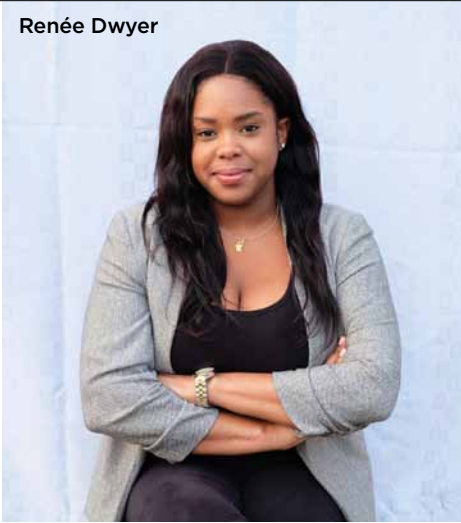
In June 2019, as part of The Prince's Accounting for Sustainability Project (A4S) and in partnership with CPA Canada, The Co-operators Group published a study on its approach to mental wellness at work. Perhaps unsurprisingly, the report found that an employee suffering from a mental illness is about half as productive as a healthy one. The study came after The Co-operators implemented its own mental health initiative in 2016, training every leader in the organization to recognize when a worker might be unwell and to handle the situation effectively and sensitively.

In recent years, the Big Four have put similar programs in place. Deloitte's new office towers in Toronto and Montreal include wellness centres, which offer fitness classes, massage therapists and private reflection rooms available for meditation or prayer. The firm is also enhancing its benefits and wellness programs this fall, joining PwC, which has set aside a dedicated mental health benefit of \$2,500 per family member, and EY, which in December announced a similar benefit worth \$5,000. In October 2017, KPMG Canada became the first company in Canada to install a chief mental health officer: longtime enterprise partner Denis Trottier, FCPA. He speaks publicly about his past struggle with clinical depression, and now oversees manager training, benefits reviews and employee onboarding strictly through the lens of mental well-being. “If you create a culture where people are not afraid to talk about mental health,” he says, “they're going to be comfortable asking for help.”

Selina Gray



Renée Dwyer



A decade ago, mental health was something you might talk about with your best friend, not your colleague and definitely not your boss. Now, CEOs are waking up to the fact that, if they want to lead a truly sustainable business, they have to create a culture where workers aren't afraid to admit that they're human.

For executives, that means leading by example. "The stigma and the fear is only done away with by open communication that is championed and reinforced from the top," says Pamela Steer, the CFO of Payments Canada. In her previous position at the Workplace Safety and Insurance Board—where she won the 2019 CFO of the Year award—she was a vocal advocate for the organization's first mental health policy, which included mandated mental health training for leaders.

A couple of years ago, Penny Partridge, a CPA and PwC Canada's chief people officer, took a seven-month mental health leave. Upon her return, she shared her story in a blog post on the company's internal communications board. The response, she recalls, "was insane. It had 2,000 views within a few days." She noticed that more and more junior staff were taking time off, and when the firm analyzed the data, "it all came down to anxiety and depression," Partridge says. She started an employee resource group dedicated to mental wellness, which hosts panels, meditation sessions and lunch-and-learns. She says more and more partners have been willing to sit on those panels and share their stories like she did. "When you realize it's not career-limiting," she says, "that's when you feel comfortable."

Trottier thinks speaking openly about mental health will get easier as the workforce evolves. "The younger generations are agents of change when it comes to mental health, and thanks to them, talking about mental health will become easier with time," he says. "Whenever I speak publicly, the 20- and 30-year-olds will come up to me after the session and high-five me.

Versus the 30- and 40-ish, they come to see me in private. The 40-plus come to talk to me about a 'friend.'"

And yet for many young CPAs, it's not easy to turn off the part of your brain that tells you to keep pushing. When Renée Dwyer, a 29-year-old Toronto-based associate at PwC, had a panic attack during her second busy season this past spring, she initially decided not to tell anyone at work. She was working from home the day it happened, so no one knew she had started shaking and crying so badly she had to stop. (She finished the job over the weekend, of course.)

"You leave home, it's dark outside. You work for 10 or 16 hours depending on the client. You get home, it's dark," Dwyer explains. "You're getting messages and emails constantly, so you're not able to really unplug and step away from work. And even when you do get home, you're still thinking about all the things you have to do."

It wasn't until PwC held its annual Mental Health Week in May that Dwyer finally spoke up, after she helped organize a panel event on mental wellness. When she told Partridge about her panic attack, Partridge informed her about all the resources available to her that she hadn't even thought to ask about. She started using the firm's mental health benefit to see a therapist, which gave her the confidence to tell her managers when she was feeling overwhelmed. "After the event, I had a colleague come up to me and say, 'I kind of felt the same way,'" Dwyer says. "You feel almost embarrassed asking for help because you don't want people to think that you can't manage your job."

Voigt's research suggests a two-pronged approach to combat burnout. Initiatives that target workers at the individual level, like those that encouraged Dwyer to come forward, have gradually become *de rigueur* in corporate Canada. Longer-lasting effects, however, will require firms to identify, remove or at least minimize organizational stressors. A city councilman in New York, for example, recently proposed a "right to disconnect" bill, which would make it illegal for employers to require workers to check work-related messages after hours. Other firms have experimented with permanent four-day workweeks; a New Zealand company that manages trusts tried it for six weeks and found that the number of workers who reported they were able to effectively manage work and life commitments jumped by 24 percentage points.

Gray has figured out that harmony for herself. After her hospitalization, she left the oil and gas company and started her own business, which helps women entrepreneurs have healthy relationships with money. "I think lots of CPAs are like me in that we want to work hard and do an excellent job," she says. "We're super A-type personalities. That's part of my personality and part of the profession, when I got into it—you do what it takes. You knew you had to give up weekends and evenings because that's the life you chose. And now I'm grateful to hear that it's different." ♦

AKL to LAX
\$969



YQR to YUL
\$306



YEG to AMS
\$2,114



PDX to MIA
\$454



AIR TRAFFIC CONTROLLERS

BOS to CDG
\$812



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\$44



PDX to BNA
\$247



YYC to YYT
\$421



JFK to EDI
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CWL to ADD
\$765



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\$3,928



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\$262



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\$1,057



BY MARTIN PATRIQUIN

YOW to KEF
\$714



YYZ to YQM
\$261



TXL to IST
\$569



YQT to YHZ
\$289



O

ver the past decade, machine learning has infiltrated nearly every imaginable sector. Artificial intelligence helps doctors diagnose patients, researchers develop new drugs and bank customers manage their cash flow. Now, the AI revolution has reached a new frontier: the travel business.

Launched in Montreal in 2015, Hopper is one of the first flight-booking applications to use artificial intelligence to predict the cost of flights. The process is relatively straightforward. Once a user downloads the Hopper app and inputs a destination, they are presented with a year's worth of

colour-coded calendar pages. Green represents the cheapest flights, two darkening shades of orange are less so, and red is caviar territory. The app's algorithm churns through Hopper's database, which contains several trillion price points harvested over the last several years, then spits out a price—and, often, advice not to pay it.

"You should wait for a better price," reads a Hopper app notification after delivering a return price of \$459 from Montreal to Orlando in September. "You could save as much as \$133 per ticket by watching this trip." Hopper then sends out push notifications advising the user to either hold off or take the plunge. It will also suggest cheaper alternatives and send notifications if there is a sudden price drop.

Hopper's algorithmic nudges are increasingly popular. The brainchild of Frederic Lalonde, a proud Quebec City-born college dropout and hacker, the app has more than 40 million downloads, with another million downloads every month. It had \$1 billion in sales in 2018 and has secured \$235 million in venture capital funding since 2015. With 289 employees in Montreal, Boston, New York and Sofia, Bulgaria, Lalonde hopes to double the number of tickets booked via Hopper by the end of 2019. He has an even more ambitious plan for his company: to become a "super app" alongside expected trip-booking offerings from giants Amazon and Google, which would combine flights, hotels and other travel reservations in one place.

Hopper recently began applying its "hurry up and wait" model to hotels, allowing users to gauge the best time to book a room. Even the smallest of footholds in the industry would be lucrative: travel and tourism contributed \$11.7 trillion to the world's economy in 2018, according to the World Travel and Tourism Council.

Yet competing with well-established, deep-pocketed behemoths remains a massive challenge for the company, which has neither the size nor the advertising budget typical of the leading industry players. Meanwhile, its hometown of Montreal is stymied by a shortage of programmers and other skilled employees, adding pressure to an already fraught question dogging many small, successful startups in Canada: pivot to greatness, or sell out and start over?



For air travellers, 1996 was a game-changing year. Until then, the freedom-inducing prospect of flying several hundred kilometres an hour at 30,000 feet was hampered by the all-powerful travel agent. Booking a flight meant going through these gatekeepers, a process that often involved a fax machine, the postal service and associated aggravation. Expedia, launched in 1996 by the then-almighty Microsoft, democratized this decidedly bureaucratic process by allowing anyone with a desktop and a dial-up modem to book a flight with their fingers. Between 2006 and 2016, nearly 860 billion kilometres of air travel were booked through Expedia.

For the most part, the revolution stopped there. Today, there are countless other websites offering flights, hotel rooms and rental cars, as well as aggregators that sift through those sites to spit out the lowest fares. Many of them are older and more established than Hopper: the Connecticut-based Kayak, for one, went public in 2012, and the Scottish flight-search service Skyscanner was acquired by Chinese travel giant Ctrip for \$1.75 billion (U.S.) in 2016. But Lalonde argues the process on those sites—plug in destination and date, cross fingers, input credit card information—is the same as it was the year the Motorola StarTAC was born. "You can still hear Pearl Jam playing in the background when you look at these sites," says Lalonde.

Lalonde came by big data, the industry's potential disrupter, unconventionally. The 46-year-old, who favours V-neck shirts and sculpted stubble, grew up a hacker. In the early days, when video games cost \$20 and came on floppy disks, Lalonde would crack their security protections, download their data and duplicate them. He'd sell bootlegs of games like Boulder Dash and battle-chess staple Archon in the schoolyard for five dollars. "For a 14-year-old, I was making some really good money," he says.

Lalonde finished high school but bridled at CEGEP, Quebec's system of post-secondary, pre-university schools. He dropped out and found himself in a beautiful but decrepit loft space in Old Montreal, where he and partner Benoit Jolin contemplated the sheer inefficiency of the world's various hotel reservation platforms. Somehow, booking a hotel room in the year that brought us *Titanic* was more difficult than getting to it by airplane, with reservations spread out over multiple systems that often didn't communicate with one another. In 1997, Lalonde and Jolin founded Newtrade, which essentially linked and computerized the various silos. They secured a then-hair-raising \$7 million in funding and employed 70 people to do what Lalonde called "the really crappy dirty work" of populating their computer

model with data from the hotel industry—a back-end process that few nascent internet companies were doing at the time.

In 2002, following a chance encounter with Expedia executive (and Montreal native) Erik Blachford, the travel site acquired Newtrade. The sale brought Lalonde into the Expedia fold as a vice-president, where he worked under the founding CEO, Richard Barton. For a dropout like Lalonde, the job was like going to school. “Everything stems from Barton’s vision,” Lalonde says today. “His thesis is to take a consumer category and find exclusive, opaque data that nobody knows or that only a few experts have access to.” Build a company around that, he says, and they will come. “First, find some high-anxiety consumer problem, and then use data to fix it.”

By 2006, Expedia’s competitors had started offering variations on—but not significant departures from—the Expedia experience. With Barton’s mantra in mind, Lalonde left the company, turning his thoughts again to potential sources of untapped data. He found the motherlode in the Global Distribution Systems, the clearing houses for the majority of the world’s flight reservation information. Specifically, Lalonde wanted “shadow traffic” data revealing what people were searching, how many people were doing so, when they were travelling and what prices they were quoted. In 2007, when he and former Newtrade software architect Joost Ouwerkerk founded Hopper, precious few in the industry could figure out why on earth he wanted any of it.

Lalonde remembers approaching airlines, requesting data and offering nothing in return. “You can imagine it took some



Hopper founder
Frederic Lalonde






time to cut these deals,” Lalonde says. “It was the typical startup story of trying to convince a giant company to do something that made no sense at the time. But today, we send tens of millions of dollars of business to these companies. The guys that cut those deals are rock stars now.”

Over the course of several years, Lalonde and Ouwerkerk began hoovering and stockpiling the data, often upwards of 30 billion prices a day. Patrick Surry, Hopper’s chief data scientist, believed he could make accurate predictions as to the price of airline tickets using machine learning and three years’ worth of data. The company sold 1,000 tickets in the

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“IT WAS THE TYPICAL STARTUP STORY: TRYING TO CONVINCE A GIANT COMPANY TO DO SOMETHING THAT MADE NO SENSE AT THE TIME”

app’s first week of operation in 2015, saving customers up to 20 per cent per ticket. Today, with tens of trillions of data points feeding its algorithm, Hopper claims to be able to predict prices with 95 per cent accuracy.

“Fundamentally, customers don’t wait for the last price drop. Nobody waits six extra days for five dollars,” he says. “As soon as they feel like they’re doing okay and they haven’t overpaid, they pull the trigger and they move on.” He says 90 per cent of flights booked on Hopper come from the billions of push notifications the company sends out advising people to buy a ticket. “It works because you do no work and you save money. It’s the perfect consumer-value proposition. It’s effortless.”

Yet some experts doubt sites like Hopper can reach past their base of budget-minded customers and appeal to business and luxury travellers, considered the industry’s gold mine. “It’s a very dynamic application,” says Rodrigue Gilbert, managing director at PwC Canada, where he is also lead relationship partner for transportation and logistics. “But it won’t dominate the market. It only appeals to a small fraction of customers who are more price-sensitive.”

Hopper will also invariably face competition from those established travel sites, all of which have their own data to mine—and whose existing footprints are exponentially larger than Hopper’s. “The big guys will react for sure,” says Gilbert. “They have the data, but they don’t have the engines to put it to use yet.” He says a number of airlines are currently working with AI labs to analyze customer preferences and choices.

Finally, there is the issue of funding and skilled labour, both of which are in shorter supply in Canada than, say, Boston, where Hopper already has a large presence. Will Hopper fall prey to the curse of the Canadian startup and sell out before it matures?

Montreal, like much of Quebec, is a victim of its own success. A rollicking economy, coupled with a decades-old reputation as a technology hub, has meant a boom in startups—but a chronic dearth in people with the skills to work at them. A 2018 government report forecast a continued labour shortage in the sector across most of the province. Such a shortage limits growth potential for fast-developing companies like Hopper. No coincidence, then, that Hopper opened sizable satellite offices in Boston and New York, travel hubs with comparatively large pools of skilled IT talent.

Lalonde says Montreal’s universities should emulate the University of Waterloo model: create a collaborative, city-wide tech network that encourages students to work at local companies after they graduate. “We don’t have co-op programs in Montreal, at scale, at any of the tier one universities,” he says. “If we replicated the Waterloo model nationwide, we would actually start creating one of the richest factories for talent, because people want to live in Canada.”

Unsurprisingly, Lalonde maintains Hopper isn’t budging from Canada. As evidence, he points to funding from Investissement Québec and Quebec’s Caisse de dépôt et placement, the province’s pension manager, both of which tend to favour long-term investments that are likely to benefit the province. And according to PwC Canada assurance partner Andrew Popliger, Hopper has two things the bigger players don’t have: a head start and a fiercely loyal customer base.

“We’ve had offers to sell that we’ve turned down,” Lalonde says. “At some point, as a CEO, you have to decide what company you’re building. Are you going to flip it? Are you going to go public quickly? Are you going to hold for the long run and go really, really big? And we chose the third option. We’re going to go really, really big.” ♦



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LEXUS
ES

LAST OUT

Super Mario meets Bay Street P. 48
Goodbye, craft beer. Hello, craft spirits. P. 49
The year's best business books P. 51
Vegan fast food scales up P. 52

EXTRAORDINARY ITEM

COMMUTER SCIENCE

Segway hopes its e-skates will skirt traffic jams—and the company's nerdy image BY MATTHEW HAGUE

Beijing-based Ninebot most famously produces the Segway—the two-wheeled contraption that's become synonymous with lazy tourists spinning around theme parks and city centres. To refresh its image, Ninebot has released a sleeker alternative. The Drift W1 is a pair of futuristic e-roller skates, controlled through a smartphone app, that intuitively glide and turn depending on how the rider shifts their weight. At roughly \$600 a pair, the one-wheeled platforms can travel up to 12 kilometres before their lithium-ion batteries need a recharge. But will they become the mobility device of the future—a fast, efficient way to zip around town? Or, like the original Segway, are they destined to become a meme-fuelling punchline?

Ninebot is hoping the Drift W1 will appeal to commuters who'd rather not sit in their cars in ever more congested traffic. To be clear, the skates aren't road-safe. But they might carry someone from the bus station to their home or office (each pair

weighs about eight pounds and is sized to slip into a gym bag). "It's what we call micro mobility," says Jeff Wu, a marketing manager at Segway Inc. While the Drift W1 isn't a replacement for a car, it could make the commute more efficient, particularly for someone who doesn't want to walk a long way.

Demand for small commuter aids—including fold-up scooters and e-bikes—is booming. In North America, sales are growing by 28.4 per cent per year, according to market research company P&S Intelligence. In Canada, entrepreneur John Bitove, founder of the Toronto Raptors, recently announced the launch of Bird Canada, an offshoot of the American startup that rents electric scooters for \$1.15 plus 35 cents a minute. That may undercut the value of high-priced W1's, but both competitors will face other limiting factors. "This is Canada," says David Grummett, director of communications for Canada's Motorcycle and Moped Industry Council, "so all micro-mobility options will be of a seasonal nature—unless they start making snow tires for Segways."

Ninebot is privately owned and keeps sales confidential. But to gauge the W1's appeal, in 2018 the company released the design idea on crowd-funding platform Indiegogo. Fifteen days later, more than 2,000 people had pledged more than \$1 million for a chance to glide into the future. ♦

ENTERTAINMENT

GAME ON

Video gaming has transitioned from a hobby to a billion-dollar industry—and managers, lawyers and accountants are cashing in

BY ALI AMAD

On a rainy day last August, more than 18,000 fans packed Vancouver's Rogers Arena, cheering and waving flags. But they weren't there for their hometown hockey team. Instead, the capacity crowd had come to watch one of the biggest video-gaming tournaments on the planet. The arena roared as announcers introduced the teams about to face off in the multiplayer fantasy game *Dota 2* for an \$11.2-million (U.S.) prize. At centre stage, the contestants took their places at gaming computers and started playing, the Jumbotron above them mirroring all the onscreen action: knights, wizards and archers trading blows with mythological beasts.

That tournament and others like it around the world are part of a fast-growing phenomenon called esports, competitive video gaming for titles and cash prizes. According to the esports analytics firm Newzoo, 1.5 million Canadians now watch esports at least once a month. Typically, they do so on Twitch, a streaming service that lets viewers watch gamers play live, in real time, and which Amazon bought in 2014—an early sign of esports' ascendancy. Star gamers—like undisputed esports king Tyler "Ninja" Blevins, who streams gameplay for several hours nearly every day—compete in globe-spanning leagues for sponsorships and prize money; \$150.8 million (U.S.) was up for grabs in 2018 alone.

Global esports revenues are expected to total \$1.1 billion (U.S.) in 2019, a year-on-year growth of 26.7 per cent. And by 2022, that figure is projected to be nearly \$1.8 billion (U.S.), factoring in sponsorships, media rights, advertising, merchandise and ticket sales. In short,

esports is transforming from a niche novelty into a full-fledged media and entertainment industry—and Canadian CPAs are already cashing in.

Luc Ryu, a 24-year-old CPA and senior associate with Deloitte's valuation services group in Toronto, is a self-proclaimed esports enthusiast. He grew up playing *Counter-Strike*, a popular first-person shooter, and watching his favourite gamers' highlight reels. Whenever he visited relatives in South Korea, he was struck by how competitive gaming was embedded in mainstream culture. "It's been normalized for such a long time," says Ryu. Major tournaments are commonplace in South Korea and China, where esports-specific stadiums seat upwards of 7,000 fans. "People don't think it's just a bunch of nerds playing games like they do in North America."

Though esports leagues and video-gaming bars have sprouted up across Canada, Ryu realized esports still weren't being taken seriously as a business opportunity—mostly because

The fired-up crowd at Vancouver's Rogers Arena





“IN SOUTH KOREA, PEOPLE DON’T SEE IT AS NERDS PLAYING GAMES LIKE THEY DO IN NORTH AMERICA”

North American investors didn’t understand the industry. So, he set out to change that. In December 2018, working for Deloitte’s in-house creative propositions consultancy Market Gravity, he helped launch a five-week study of the esports industry. “The goal was to educate people,” he says.

The publicly available report, called “D5,” argues that there’s untapped value in all those eyeballs watching esports, and offers several ways for interested businesses to enter the market, including sponsorships, tournaments and player development. Since the report was released earlier this year, Ryu says, financial institutions and investment groups have come to his firm to explore market-entry strategies and investment financing options. He points out that in such a new and unfamiliar market, the Big Four are viewed as trustworthy by those looking to retain help.

Christopher Malone, a 58-year-old CPA in the Greater Toronto Area, had

to learn on the job. Before he became CFO of the American video-game gambling company Esports Entertainment Group, he knew almost nothing about esports. But he saw a new industry and wanted in. “Esports is going to become very much like traditional sports,” he says. “The opportunity to get into a fresh and challenging new sector is a really exciting change of pace.”

Toronto lawyer Evan Kubes also saw an opportunity in the fledgling space. He noticed an absence of “the picks and shovels of esports”—that is, the lawyers, accountants, agents and other professionals necessary to support the industry. Without such services, young and inexperienced pro gamers were signing terrible contracts they didn’t understand—or even read. “Esports is still in its infancy,” says Kubes. “You’re seeing a lot of capital being invested in sexy stuff like new teams and leagues, but the foundation isn’t keeping pace.”

That’s why Kubes left his medical malpractice litigation job and co-founded MKM Esports, Canada’s first esports-dedicated law firm and business management agency. Since it launched last October, MKM has signed more than 200 teams, players and streamers worldwide. The firm offers its clients full legal services, as well as sponsorship and consulting services for the capital market, such as financial institutions keen on investing in esports.

But there are roles Kubes can’t fill. A Montreal mother recently called MKM asking about the tax implications of her 17-year-old son playing for teams in both Canada and the U.S. “I’m not an accountant,” Kubes says. “There’s an opportunity in those cases to have a specialist CPA help clients navigate this space.”

Ryu, a CPA with a lifetime of gaming experience, may be one such specialist. “When people look at the Big Four, they typically think of audit or tax,” he says. But the emergence of esports as a legitimate industry has opened up new avenues for CPAs who are willing to think outside the Xbox. ♦

DRINKS

SEED CAPITAL

When a B.C. CEO inadvertently took over an apple orchard, he discovered a scalable solution to the low-yield crop: turning the fruit into vodka **BY CHARLENE ROOKE**

Nearly a decade ago, Blair Wilson was perusing B.C. for a semi-retirement property with revenue potential and found what seemed like the perfect site in the rolling hills of southeast Kelowna. It had space for his wife’s horses, a profitable RV park and a small house. “It also happened to have about eight acres of apple trees planted on it,” says Wilson, the former CEO of Canadian ecoEquity Corp.

After two years spent building a new home and equestrian facility, and part-time apple farming, Wilson, a long-time CPA, discovered “there’s no money in apples,” as he ruefully remarks now. In the first two years, hail wiped out his crop. Even adding more trees wouldn’t make the labour-intensive commodity profitable. “For every acre, you lose about \$1,000 a year. It does not pencil out.”

Because B.C. rules require land zoned as agricultural to have ongoing cultivation, Wilson went searching for a value-added business. He wrote a plan around cider production and “it was profitable, but not profitable enough to make the leap.” The calculation changed when he learned about European stills that turn apples and pears into uniquely crisp, clean-tasting vodka. “To make alcohol, you need sugar and yeast, and the key is to find the cheapest sugar supply for the process. If you’re in Kelowna, it doesn’t get any cheaper than apples.”

After training with distilling equipment in Chicago, poring over industry research and making visits to U.S. small-batch distillers, Wilson sharpened a business plan for his distillery, Forbidden Spirits. Fortunately, B.C.’s policies had recently changed, improving the economics for distillers using the province’s



Blair Wilson at his Kelowna distillery

liqueurs from Nova Scotia and New Brunswick in the Canadian Artisan Spirit Competition he also runs. “These are places that don’t have massive grain fields, so you’re seeing different kinds of spirits.”

Wilson’s current role as Forbidden Spirits CEO has two very different priorities. On one hand, he’s manufacturing a consumer product to exacting standards. He hired a distiller with a biochemistry degree from UBC Okanagan, and accessed research grants to fine-tune the distillery’s fermentations—a six-month R&D process that increased alcohol yields more than 50 per cent over the industry standard.

On the other hand, he’s engaged in a highly competitive sales and marketing sector. With the help of renowned craft-beer design firm Hired Guns (who, incidentally, became investors), he developed the brand and packaging, which stress apples as a selling point. The brand currently produces two spirits: Rebel Vodka (\$33), made from Okanagan apples and 25 times distilled, and ultra-premium, 50-times distilled Forbidden Spirits Vodka (\$75), which is made only from his property’s fruit. Wilson says both products are “scalable nationally and internationally” in Asia and countries like Germany that appreciate Canada’s reputation for premium land, water and agricultural products. Forbidden Spirits also plans

agriculture to make spirits from scratch. This allowed craft distillers to sell their bottles independently and keep the markup that previously went to the province, to help cover costs. He identified a B.C. tax-credit program that allowed his seed investors to get up to 30 per cent of their investment back. “Over the last three and a half years, we’ve raised about \$3 million from 55 investors,” he says.

Craft distilling is booming in Canada. In 2012, Statistics Canada counted just 38 distilleries; today, there are 191, according to the 2019 IBISWorld Distilleries in Canada report. The industry has grown six per cent a year since 2014, and is now worth more than \$6 billion. Still, less than half of the spirits consumed in Canada are actually made here.

Wilson is hopeful that will change, especially if the craft spirits industry, which is expected to grow another 2.5 per cent annually over the next five years, follows the same trajectory as craft beer. Since 1985, the number of breweries in Canada has gone from 10 to about 1,000; craft brands now

own six per cent of the \$13.6-billion domestic beer industry; and 85 per cent of the beer we drink is Canadian-made. If he’s right, “the next 10 years are going to be our biggest-growth years” for craft spirits, says Wilson. He has reason to be optimistic: he opened a tasting room and sales centre on May 1 after beginning production earlier this year. He’s using so many apples that he now

CRAFT DISTILLING IS BOOMING. TODAY, THERE ARE 191 DISTILLERIES ACROSS CANADA.

buys additional fruit from other local growers, and is on track to achieve his five-year targets in the first 18 to 24 months of operations.

Alex Hamer, the Vancouver-based founder of the Artisan Distillers Canada trade group, says using local products in craft spirits like Wilson has can be a key differentiator. In the crowded craft vodka market, an apple spirit stands out. He also notes, for example, the success of fruit-based

to launch an apple-based Eve’s Original Gin in the next year or two.

Whether Wilson’s spirits are ripe for success will depend on how he fares against Canada’s 200 other independent distilleries, including Nova Scotia’s Glenora and B.C.’s Shelter Point, which export internationally. But things are looking up: the orchard is finally starting to pay off. “We planted more apple trees last year,” he says. “Now, the numbers pencil out.” ♦

BOOK VALUE

BEST IN THE BIZ

Inside the pages of the 2019 National Business Book Award finalists **BY BRIAN BETHUNE**

The topics of the National Business Book Award (NBBA) nominees tend to rise and fall with the headlines. But past nominees still have a certain underlying consistency. Solid biographies of significant individuals or corporations—especially ones with tragic narrative arcs—generally get shortlisted and often take home the prize: in 2016, veteran business writer Jacquie McNish won, with Sean Silcoff, for *Losing the Signal: The Spectacular Rise and Fall of BlackBerry*; and also in 2005, with Sinclair Stewart, for *Wrong Way: The Fall of Conrad Black*. And, in tribute to its significance in the national economy, there's always room for a good book about the ups and downs of Alberta's oil patch—five of the last 12 winners have been, to a greater or lesser degree, about oil.

But not this year. Despite its ubiquity in the news cycle, oil didn't make the four-title shortlist in 2019. But the winner of the \$30,000 prize, *Meltdown: Why Our Systems Fail and What We Can Do About It*, hit the zeitgeist nail on the head. *Meltdown*, by former derivatives trader Chris Clearfield and University of Toronto management professor András Tilcsik, targets something that can never be far from the minds of contemporary business leaders: ever more complex systems that can and do crash ever more spectacularly. Nuclear disaster might be the worst imaginable, but plummeting aircraft and leaked financial information are also horror stories for those affected and those in charge. What to do about it, in a world seemingly bent on handing over systems management to AI autopilot, is not as clear as the problem itself, although Clearfield and Tilcsik remain

hopeful that humanity can catch up to its own inventions and bring “the golden age of meltdowns” to an end.

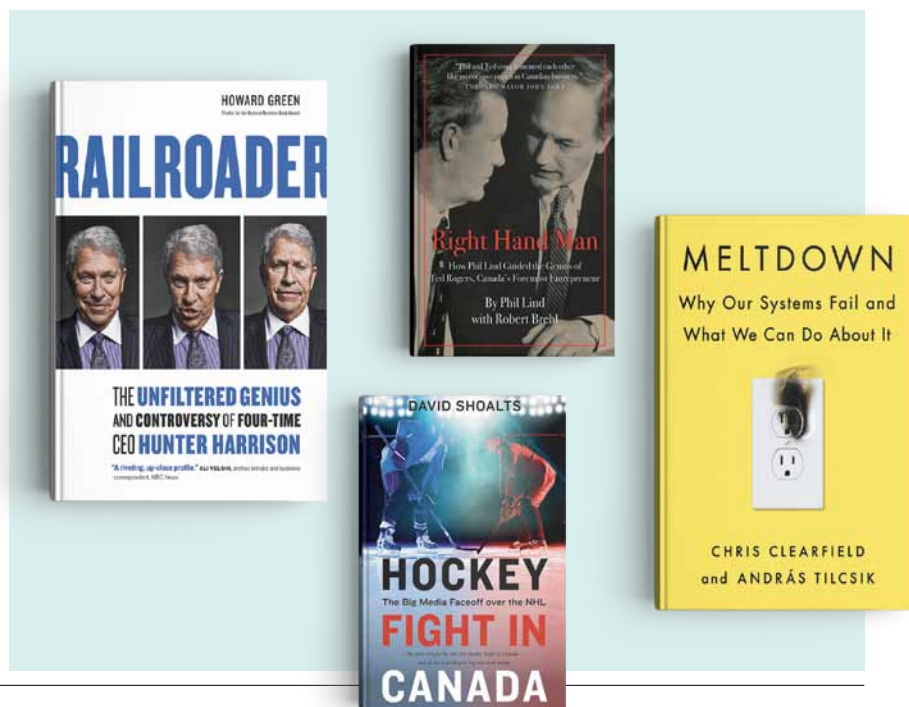
This year's NBBA nominees also include two excellent biographies of business titans. Broadcast journalist Howard Green, a two-time Emmy nominee, got the nod for *Railroader: The Unfiltered Genius and Controversy of Four-time CEO Hunter Harrison*. The title neatly captures the hard-driven personality of Harrison, who kept barreling down the track until two days before his death at 73 in 2017. One of the most significant figures in Canadian railway history—two of those four CEO jobs were the two Canadian positions, at Canadian National Railway and Canadian Pacific Railway—and possibly the most controversial, American-born Harrison upended an iconic Canadian industry and richly deserves Green's eye-popping account of his career.

An innovative take on another colourful visionary can be found in *Right Hand Man: How Phil Lind Guided the Genius of Ted Rogers, Canada's Foremost Entrepreneur*. The long-time right-hand man himself, with the aid of writer Robert Brehl—who helped Rogers craft his 2008 autobiography, *Relentless*—offers an insider account of what shaped Rogers and his telecom

empire. It's a book notable not just for Lind's eyewitness testimony, but for his shrewd emphasis on a quality any would-be Canadian cultural industry entrepreneur needs: Rogers' skill in adapting to, and even changing, the thick regulatory blanket that envelops that sector of the economy.

Rogers' conglomerate also takes centre stage in the final shortlisted book, *Hockey Fight in Canada: The Big Media Faceoff Over the NHL*, by *Globe and Mail* sports writer David Shoalts. The 2013 battle over whether the NHL would abandon its traditional partner, poor cousin CBC, and award the rights to air NHL games to newly flush Rogers, was a traditional dog-eat-dog business clash on the surface. But underneath, it spoke volumes about the changing value of sports franchises, the decline of traditional broadcasting and the search by tech giants for new revenue streams as hardware sales plateau. ♦

CPA Canada is a proud sponsor of the National Business Book Award. “The NBBA has its finger on the pulse of the business world in our country,” says Heather Whyte, Pivot's publisher. “CPA Canada is thrilled to support an endeavour that recognizes outstanding talent in Canadian business writing.”



FOOD

THE GREEN MACHINE

As vegan options flood the fast-food market, one rapidly growing franchise thinks it holds the secret to success: never say the V-word **BY MATTHEW HAGUE**



Toronto's Commerce Court

Until 2014, Montreal entrepreneur Rio Infantino was a sandwich man. He owned 15 Subway restaurants over the course of 20 years. When he bought his first franchise in 1992, Subway was growing rapidly as a healthy alternative to McDonald's. But when our cultural understanding of healthy changed, a carb-loaded bun stuffed with processed meats and questionably crisp lettuce no longer fit the description.

Infantino changed, too. In middle age, he gained weight and decided to eschew fatty cold cuts for plant-based whole foods. In 2014, betting that there

were many others like him—people who want healthy choices but haven't staked their whole lifestyles on the food they eat—he launched Copper Branch, a fast-food chain that serves smoothies and power bowls without any meat, dairy or animal by-products. It turns out the trick to making vegan fast food scalable may be counterintuitive: just don't call it vegan.

It was a big risk. At the time, Subway was the world's largest fast-food franchise. But Infantino was onto something. Since 2015, Subway has closed eight per cent of its locations, and Copper Branch recently

opened its 63rd restaurant; most are in Canada, with a few in the U.S. and France. It's a far cry from Subway's 44,000. But Copper Branch is in expansion mode, with plans for 200 new outposts globally by 2020 and a total of 2,000 by 2029.

It's an understatement to call Infantino's growth plan ambitious—on the low end, that's 33 locations per month between now and January. Still, the timing for expansion in the vegan market seems right. Demand for traditional, meat-filled fast food is slumping. Burger King, for example, is closing two locations for every new one it's opening, according to *Restaurant Business* magazine. At the same time, interest in meat-free dining is rising, in part because of the health benefits and environmental impacts; it takes a lot less carbon to grow pea and soy than to raise pigs and cows.

In England, shares in Greggs, the U.K.'s largest bakery chain, grew by seven per cent after it introduced a vegan sausage roll that sold out in its first week. In France, a country built on Camembert and duck confit, sales of plant-based proteins jumped by 82 per cent in 2016, according to research institute Xerfi. And in Australia, the number of new animal-free product launches nearly doubled between 2014 and 2016, according to the Food Revolution Network.

Yet vegans and vegetarians are still a relatively small percentage of the population. While a 2018 study from Dalhousie University found that roughly 10 per cent of Canadians were either vegan or vegetarian—the highest number ever—those findings are nuanced by a recent University of Guelph study pointing out that nearly one-third of Canadian vegetarians and almost half of Canadian vegans eat meat "relatively regularly." They just don't like to admit it. So, are vegan chains building businesses without a sizable market? Or can the relatively small number of committed vegans sustain them?

The answer to both questions is no. One of the biggest surprises about

entering a Copper Branch location—where fit hipsters sit at reclaimed wood tables and chow down on General Tao tofu and power bowls—is that the word vegan is almost impossible to find in the chain’s branding. It shows up in small print on the menu to flag items like vegan cheese and “crab” cakes, but

ONE OF THE BIGGEST SURPRISES ABOUT COPPER BRANCH IS THAT THE WORD VEGAN IS ALMOST IMPOSSIBLE TO FIND IN THE CHAIN’S BRANDING

otherwise, Andrew Infantino, Copper Branch’s global director of marketing (and Rio’s son), says, “We don’t use the term vegan. We’re trying to avoid any hippie-ish baggage. Instead, we say ‘plant-based.’”

That’s because Copper Branch is trying to appeal not only to diehard vegans—the kind that wouldn’t wear leather, let alone eat an omelette—but an expanding group of flexitarians and reductarians, people who are cutting back on meat and dairy. The Guelph study also found that, on the whole, Canadians are generally consuming fewer animal by-products—85 per cent of us opt for meals with meat-free proteins at least once a month.

That broad flexibility is driving growth in the market, spurred in part by recent changes to the Canada Food Guide, which is encouraging people to eat more vegetables and fewer steaks and pork chops. “We are trying to be accessible to all people, not just vegans,” says Andrew Infantino, who himself adopted a plant-based diet when he joined the company five years ago. “It’s important that our flavours appeal to a mainstream person.”

Which they do. The General Tao is tangy yet sweet, and the tofu has a texture that’s surprisingly similar to chicken. At \$14.25, it’s more expensive than a \$5.99 Big Mac, but Copper Branch is competing on quality—including organic and fair-trade ingredients—not simply price.

There is a growing number of vegan chains serving similar comfort foods,

such as London, Ont.-based “burger” joint Globally Local, which plans to open 10 new locations on top of its existing three over the next year, as well as Veggie Grill in the U.S., which recently opened its 33rd location and plans to open eight to 10 more by the end of 2019.

There will be competition, too, from traditional fast-food places, which are increasingly pivoting toward plant-based foods to boost sales. At a time when Burger King’s foot traffic dropped by 1.75 per cent across the U.S., its meat-free Impossible Burger drew 16.75 per cent more people than usual when it was test-launched at a St. Louis store in April 2019, according to a report on CNBC.com. Likewise, in

2018, when Canada’s A&W introduced its pea-based Beyond Meat burger, it sold more than 90,000 units within three days and ran out nationwide.

A&W’s burgers are produced by the American company Beyond Meat, which raised more than \$240 million (U.S.) in its recent IPO, before its share value tripled due to strong demand for its products. Even bigger players are elbowing their way into the plant-based game, too. Canada’s Maple Leaf Foods, whose first-quarter sales alone exceeded \$907 million in 2019, has been acquiring plant-based startups including Lightlife Foods and Field Roast to bolster its vegan offerings, and recently announced a \$310-million (U.S.) processing plant in Shelbyville, Ind., dedicated to meatless proteins. Its newly launched Lightlife burger, which, like the Beyond, has a beef-like taste and texture, is rolling out to thousands of grocery stores and restaurants in the coming months. Soon vegan options, if not vegans, will truly be everywhere. ♦



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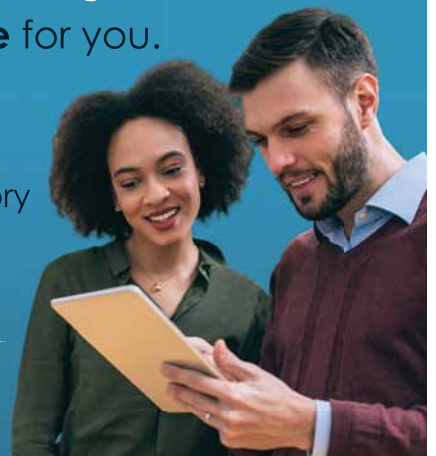
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Monarque



Café Olimpico



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Neighbourhood Guide

Le Plateau

The city's hippest area, just north of downtown, is a vibrant blend of picturesque residential and thriving commercial areas. Stop by the main shopping strip along Saint-Laurent.



Old Montreal

This historic waterfront neighbourhood showcases Montreal's rich architectural and cultural heritage. Stroll along 350-year-old cobblestones on St-Paul, admire the Gothic revival glory of the Basilique Notre-Dame and watch street performers while browsing the crafts market of Place Jacques-Cartier.

Saint-Henri

Snug up against the Lachine Canal, this community is undergoing massive development. Grab a bagel and schmear at Arthurs Nosh Bar, check out the curated selection of reads at Librairie Saint-Henri Books and people-watch from the river aboard the Canal Lounge floating bar.

BON VOYAGE

This month, from Sept. 23 to 24, CPAs will flock to **Montreal** for The One National Conference. (To register, visit theone.cpacanada.ca.) Here's what to do while you're in town. **BY CHRIS JOHNS**

WHERE TO WORK

Inside the former Royal Bank of Canada headquarters, the magnificent, 12,000-square-foot **Crew Collective & Café**—featuring ornate chandeliers, vaulted ceilings and marble floors—buzzes with the energetic hum of productivity. Desks and soundproofed meeting rooms are available for rent by the hour or day.

WHERE TO WINE AND DINE A CLIENT

Father and son duo Richard and Jérémie Bastien's **Monarque** is a standout even in a city spoiled for excellence. Seating for 175 spans three rooms—diners can choose between the elegant bar, a more casual brasserie or the formal dining room. The eclectic crowd, a mix of well-heeled locals and fashionable visitors, dines on beef tartare with sea urchin, a selection of dry-aged cuts of beef and a maple version of a kouign-amann, once described as the fattiest pastry in all of Europe.

WHERE TO RELAX

Floating serenely on the St. Lawrence River, **Bota Bota**

is a sprawling spa complex that offers unparalleled views of the skyline and Habitat 67. In addition to a wide variety of traditional spa treatments, there's a Scandinavian-inspired water circuit, steam rooms, a sauna and eucalyptus steam baths.

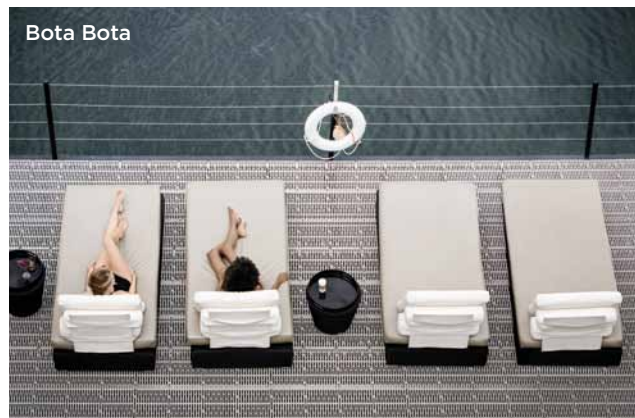
WHERE TO CAFFEINATE

Dispatch, once a humble coffee truck, has grown into a local success story with multiple locations across the city. The 49-year-old **Café Olimpico** is a neighbourhood favourite thanks to old-school espresso, dense biscotti and a warm

welcome from the regulars. And inside the Club Monaco on rue Sainte-Catherine, the much-loved **Café Myriade** serves up joe, as well as a curated selection of books and graphic novels.

WHERE TO GET A CULTURE FIX

In collaboration with the British Museum, the Montreal Museum of Fine Arts hosts the North American premiere of the **Egyptian Mummies: Exploring Ancient Lives** exhibit this month. At the natural history-focused **Redpath Museum**, highlights include the Abe Levine shell collections, as well as fossils of dinosaurs and prehistoric beasts. ♦



Bota Bota

PHOTOGRAPHS: MONARQUE BY ALISON SLATTERY; BOTA BOTA BY MARIE-REINE MATTEA; CREW COLLECTIVE BY JULIEN LACROIX; CAFÉ OLIMPICO COURTESY OF ALAMY; OLD MONTREAL COURTESY OF ISTOCK

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Eric Grossman, CPA, CGA

BEAN COUNTER

When he's not working as a senior accountant at the Vancouver news website *Daily Hive*, 30-year-old Alfred Zagloul— a.k.a. @AlfredDrinkingCoffee—reviews coffee for his 11,300 Instagram followers

BY ADRIENNE TANNER

The *Daily Hive* hired me as a “junior” accountant, but I was doing full-cycle accounting, performance management, internal structures and protocols. I helped create the company’s financial structure. **Obviously, I needed caffeine to do that.**

I drink at least three cups of coffee a day. Nowadays, companies send me bags of beans. **I’ve reviewed more than 500 types**, as well as roughly 60 coffee shops. Nemesis in Gastown and Small Victory in Yaletown are my go-tos right now.

When I got into the coffee scene, my palate started to change. I needed those specialty six-dollar pour-overs and French presses. My co-workers said, **“You drink so much coffee you need to start an Instagram account.”**

Growing up, going into business intrigued me, but I didn’t know what I wanted to do. **My dad is an accountant, so I gave it a try.** It came easy. I got the overall sense of how businesses are run and how intricate things can actually be. It felt like the right fit.

I spend up to 30 hours a week on my side hustle, and I apply all the knowledge from my accounting degree. I built a massive Excel sheet to track all my income, expenses and inventory. And I’ve even found ways to monetize the account with advertising and T-shirts.

I used to drink sugary caramel macchiatos or frappuccinos for the caffeine—and that sugar high. Then a friend told me to stop drinking my calories, so I eventually started drinking my coffee black.

After graduating from accounting school, my first job was at Blenz Coffee’s head office. They had a full-on espresso bar. **That’s where the addiction really started.**

On Instagram, **I review coffee like I would a financial statement**—deadpan demeanour, no joy on my face. But it takes a long time to shoot the pictures, because I’m always laughing.



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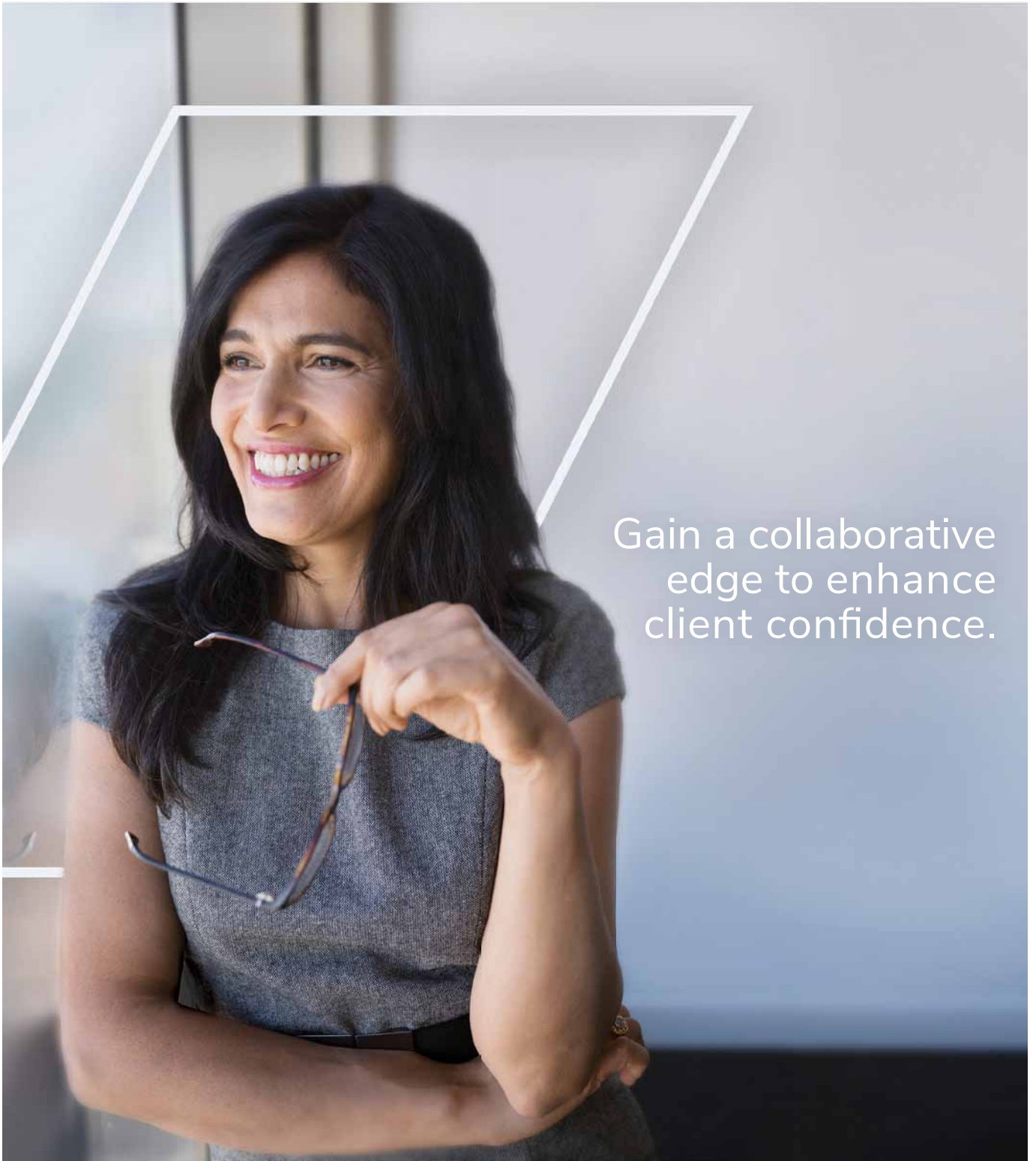
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