

# PIVOT



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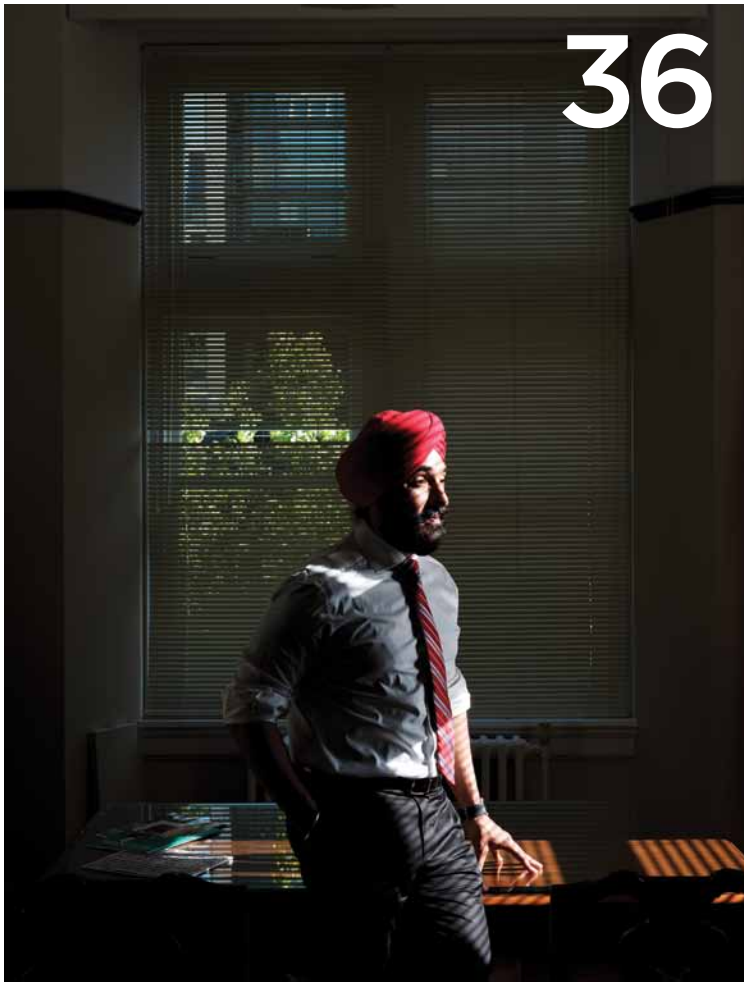
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# KEEPING AHEAD OF OUR TIMES

BY JOY THOMAS



**There's always a lot happening** in our profession, so this month I wanted to address three different topics: the audit landscape, financial literacy and our new branding campaign.

As research and experience shows, audit quality is driven by many inextricably connected factors—including corporate culture, standards compliance, good governance and the work of robust, independent audit committees.

Here in Canada, a collaborative approach between auditors, regulators, standard-setters and financial institutions provides a strong infrastructure for the delivery of high-quality information to investors. Our shared goals are clear: act in the public interest and support Canada's well-respected and efficient capital markets. Canada's audit ecosystem is built on integrity, trust and respect, and there is a collective understanding that it must evolve in response to globalization, technology and user expectations.

The cover story of this edition of *Pivot* (page 20) examines the many forces, pressures and possibilities that are influencing the work of CPAs at a time of heightened scrutiny of audit practices around the world. Events like the sudden collapse of the U.K. construction giant Carillion not only have consequences internationally, but they also raise important questions about audit quality, as well as the state of regulatory and professional oversight.

Consequently, the focus on audit has provided an opportunity for Canadian CPAs to advance their reputation for leadership and excellence. Among other things, Canadian CPAs are working to strengthen the relevance of audit in a climate when investors seek out information from multiple (and often un-audited) sources.

Research we have conducted in conjunction with FEI Canada shows that audit quality is most strengthened when the auditor, audit committee and management work together as a “three-legged stool.” In addition, last year, CPA Canada and the Institute of Chartered Accountants of Scotland co-hosted a “Future of Audit” symposium for senior accounting professionals. The session concentrated on three core topics: the profession's role in the reporting of key performance indicators, audit data analytics and the skill set that will be required of auditors in the future. The success of the symposium is leading to a follow-up session to take place in Scotland.

CPA Canada is further expanding the conversation about the future of audit through our ambitious consultation initiative called Foresight: Re-imagining the Profession. Please join in the discussion at [cpacanada.ca/foresight](http://cpacanada.ca/foresight).

Canada's chartered professional accountants value collaboration and welcome working in conjunction with all key stakeholders to ensure the investing public remains protected. Yet we can't rest on our laurels. This country has a well-recognized track record of working to keep pace with the constantly changing marketplace. We'll continue to evolve with a forward-looking philosophy.

**In Canada**, November marks Financial Literacy Month, and the choice of late fall is appropriate timing given that many of us will start spending like crazy in the run-up to the holidays. But financial literacy is about much more than managing a credit card bill. A sound understanding of personal finances is a driver of individual and family well-being and contributes to the economic stability of the country overall.

CPA Canada is a dedicated promoter of financial literacy, and the topic is one that I am personally passionate about. Indeed, I am honoured to be a member of the National Steering Committee on Financial Literacy. CPA Canada's internationally recognized and award-winning financial literacy program seeks to empower Canadians with no-cost in-person sessions, publications and other resources. What's more, later this month, on Nov. 22 and 23, CPA Canada, in cooperation with CPA British Columbia, will present the Mastering Money Conference in Vancouver.

Our financial literacy program is helping Canadians make more informed financial decisions. This touches on the values associated with the Canadian ideal of good business: sustainable growth and social development going hand in hand.

**Debunking the myth** of the “boring” accountant is the theme of the 2018/19 national CPA brand advertising campaign. It is designed to shift Canadians' perceptions of CPAs away from the “pencil-pusher” stereotype.

Utilizing humour and a strong visual appeal, the campaign leverages television, billboards, social media and other channels to reinforce the message that CPAs are Canada's pre-eminent accounting and business professionals—no matter what the business.

The campaign shows the range of exciting roles that CPAs play in a variety of fields. It tested well in focus groups and, while it's primarily aimed at this country's business leaders, an important aspect is to strengthen the pride of Canadian CPAs in their designation. ♦

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# FIRST IN

## BURNING ISSUE

### LOSING FACE

Facebook users are logging off en masse. Can the company evolve to keep them—and advertisers—online? **BY JOE CASTALDO**

**Back in April**, Facebook unveiled an ad that acknowledged what everybody already knew: the company has some very big problems. In the commercial, as videos of cute babies, dancing couples and tearful reunions scroll by, a narrator laments that the social media site once connected family and friends before “spam, clickbait, fake news and data misuse” sullied the experience. Now, we’re told, they will do more to protect our privacy and get back to bringing us all together.

It is an admission from Facebook that it needs to change, especially the news feed, which is the core of the platform and its biggest trouble spot. One question is whether it can actually be fixed; the bigger question is how Facebook itself will evolve in what’s proving to be a critical time for social media.

Facebook is a sprawling company, with a virtual reality arm and a huge investment in artificial intelligence research. But it actually makes money in a far more prosaic way: placing ads in your news feed. In the second quarter, advertising made up 98.5 per cent of the US\$13.2 billion in revenue. It’s been so successful because it expertly harvests user data to help advertisers reach the customers they want and convince them to buy. Jaron Lanier, an author and virtual reality pioneer, describes it as a business model that depends on manipulation, leaving it vulnerable to malicious actors bent on influencing public opinion and sowing discord. “If we could just get rid of the deleterious business model, then the underlying technology might not be so bad,” he writes in his book, *Ten Arguments For Deleting Your Social Media Accounts Right Now*, published this year.

But Facebook hasn’t shown any willingness to

upend its entire business model. The company has, for example, mostly rejected the notion of subscription revenue. Asked about that possibility on a conference call earlier this year, COO Sheryl Sandberg seemed to shoot it down. “Ads for us are a very natural fit for our business,” she said, “and we have a lot of runway ahead of us.” Besides, as any news publisher knows, charging for something after giving it away for free is incredibly difficult.

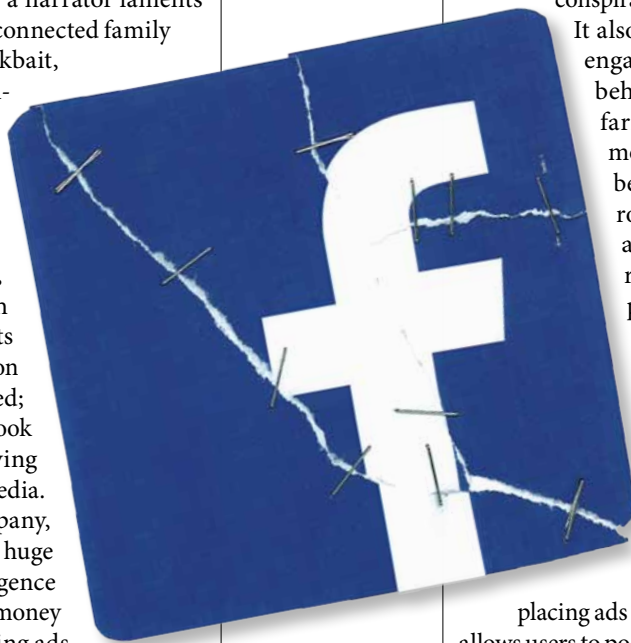
Keeping people glued to their news feed, then, is crucial. The company has taken steps this year to fix it, such as tweaking the news feed algorithm to favour posts from friends and family, and banning conspiracy monger Alex Jones (for 30 days).

It also removed 32 pages and accounts engaged in “coordinated inauthentic behaviour” mirroring Russian troll farms, and in August banished 652 more that originated in Iran. Sandberg herself has taken a more active role in efforts to moderate content, and the company built a “war room” to watch for false news and phoney accounts in the run-up to the U.S. mid-term elections.

These are important steps to regain trust among users. Marketing dollars follow consumers, and that puts pressure on Facebook to not only retain users but to also find new ways to appeal to advertisers. This summer, the company said it would soon be

placing ads in Facebook’s stories feature, which allows users to post and share videos. “That was really a big area that advertisers were testing out,” says Paul Briggs, a senior analyst for Canada with research firm eMarketer. “They were very enthusiastic.” But perhaps even more importantly for Facebook to maintain its appeal with advertisers, the company has to demonstrate it can be trusted with consumer data and privacy. “Advertisers are looking for that trusted source more than users,” says Peter Hughes, national digital lead with KPMG. “They’re not going to want to get embroiled in a Cambridge Analytica thing.” And while there are no signs Canadian advertisers are cooling on Facebook in a big way, the intense scrutiny on the company in the past year shows it can’t afford any major missteps.

Especially since there are troubling signs of fatigue



in Facebook's customer base. Pivotal, an equity research firm, found time spent on Facebook's core platform fell by eight per cent per person in the U.S. earlier this year; eMarketer estimates Facebook will lose two million U.S. users age 24 and under this year. And while Facebook is growing globally, in the last quarter, user growth flatlined in the U.S. and Canada, while falling one per cent in Europe.

This isn't just because of trolls and fake news. Rather, a malaise could be affecting the entire industry. Snapchat lost three million daily users in the second quarter, while Twitter, which has struggled to grow for a while, lost one million monthly users. Social media is so pervasive that growth naturally has to slow at some point (nearly 1.5 billion people already use Facebook each day), but even young people are feeling they need some time away. Hill Holliday, an advertising agency in Boston, surveyed members of Gen Z about social media use and found 64 per cent of them were taking a break. Respondents felt they were wasting time and social was too negative. "It's more of a pause," says Jessica Lloyd, a vice-president and planning director at Hill Holliday. "They'll turn off a profile for a while, and then go back to it."

In between, they might spend time on another platform. The social media landscape is more crowded than ever, and young people are especially prone to hopping around. Lately, an app called TikTok, which allows users to make and share short music videos, has captured attention. The concept seems far away from Facebook, but any service that divides a user's time is a threat.

Facebook is evolving in the face of these pressures. As people split their time between different platforms, the company has been carving off the services people find most useful. It's a way to keep users in its orbit, even if they spend less time on the main platform. That's especially true of its Messenger service and WhatsApp. Facebook has lately emphasized it's just now starting to tap the money-making potential of these apps, but how successfully the company will be able to do that is anything but clear.

It's important to remember, though, that Facebook wields its own gravitational pull. "They have a strong relationship with their users, even if it is contentious," says technology commentator Jesse Hirsh. "Facebook has a decade's worth of photos [and] social connections that are only available via the platform." That provides a compelling

enough reason for many users to stay.

The company is also big enough to buy any legitimate threat. That's why it paid US\$1 billion for Instagram in 2012 and US\$19 billion for WhatsApp two years later. (Both companies' founders left Facebook this year, reportedly over a lack of autonomy and concerns about its use of personal data.) And if it can't buy a competitor, it can always copy it. Facebook, for example, mimicked the concept of short, disappearing videos from Snapchat, helping stunt its rival's growth.

## FACEBOOK IS NO LONGER AN EXCITING, FAST-GROWING TECH SUPERSTAR, BUT A LUMBERING GIANT. FOR BUSINESSES, THERE ARE WORSE FATES.



This points to a future where Facebook becomes a conglomerate. Think of it as the Microsoft of social media. Facebook maintains a core social platform that, while flawed, people grudgingly check into because it's omnipresent. (Likewise, is any Microsoft product truly beloved?) At the same time, it keeps adding new services and makes acquisitions in a bid to stay relevant. It's no longer an exciting, fast-growing tech superstar, but a lumbering giant. For businesses, there are worse fates. Maybe next it will realize the kids are on to something and take a run at TikTok. ♦

## DISCLOSURE

## LIFE LESSONS

He's only 16 and has no formal background in education, but Markham, Ont., student **Austin Chan** is determined to prepare his peers for life after high school

“ I became an entrepreneur when I was 14. My friend and I realized that fidget spinners were about to blow up, so we bought a bunch of them in bulk and sold them at a markup around our school. They were gone within a month. Soon after, I stumbled across the online learning website Udemy and decided to try teaching to make some extra money. I started with cheesy courses like Minecraft and magic. The content was low quality, but it was fun. Today, I have 4,000 students worldwide.

Through Udemy, I realized I loved teaching, but I wanted to do something more meaningful than video game tutorials. So I created Wydlis, or What You Didn't Learn in School, a series of online video courses that teaches you life skills that aren't covered in the high school curriculum. My friends were always mentioning skills we weren't learning: how to file our taxes, how to make a great presentation, how to develop emotional intelligence. I realized it was a big problem—and a big opportunity. It's easier to learn these things as a teen than to enter adulthood unprepared for life.

I couldn't get Wydlis started without some money. So, this past May, I entered Make Your Pitch, a business competition for high school students. I submitted a video, which earned me one of 20 spots to make a final presentation in Toronto—and I won!

To decide what topics the course should cover, I asked myself, 'Is this something you should know as an adult?' I was surprised at how many of those topics weren't being taught in school. The course, which goes live in January, has five sections: money management, social skills, professional development, personal growth and lifestyle. Each category costs about \$97 and includes videos, quizzes and interactive content. The videos are three to 10 minutes long and feature a talking head and some images to explain the concept. I took inspiration from other courses on Udemy, and I got most of my information online, using only reputable websites. I go to conferences and business events, so I asked people in my network to verify everything that appears in the course.

Personally, I think the most important skills the course teaches are how to manage your time, how



to speak to people effectively and how to manage your money. Many people are generally not great with money. At my age, I find there are three camps: those who save and spend as necessary, those who buy things that do not benefit them for the future, and those who save because they've taught themselves how. Some of my friends know how to do their taxes, but most don't. Everyone should get a lesson in that.

I've been busy trying to balance Wydlis and school. I skip a fair amount of class to do interviews for publicity. At first, my parents thought it was taking up too much of my time, but they still encourage me and help everything go smoothly. I've been reading the book *How to be a High School Superstar* by Cal Newport, which talks about how concentrating 100 per cent on the task at hand is more productive than multitasking. When I get home, I do my homework first. Then, when I'm content with it, I spend the rest of the day on my business.

I think about being a serial entrepreneur every day. I've already played around with YouTube and Shopify, and I have an ideas board in my room called Passive Income, full of things that I'd love to try in the future: stocks, real estate, social media marketing. I'd love to build a business and then pass it along to someone else. What's stopping me? I don't believe in genius; I believe in hard work and talent.” ♦

—As told to Katie Underwood

November is Financial Literacy Month, a time to help Canadians strengthen their money management skills. CPA Canada has many materials available, on a range of subjects, aimed at people of all ages. For more on CPA Canada's financial literacy programs, visit [cpacanada.ca/financialliteracy](http://cpacanada.ca/financialliteracy)



# TAX ME IF YOU CAN

A new international task force is cracking down on tax evasion **BY MARTIN PATRIQUIN**

**For countries** around the world, it remains a vexing question: how do you deter, detect and prosecute tax evasion in an increasingly borderless and complex financial world? In June, five nations came together to find the answer. The Joint Chiefs of Global Tax Enforcement, or J5, is made up of tax enforcement officials from Canada, Australia, the Netherlands, the United States and the United Kingdom, whose goal is to share information and resources in order to search out and prosecute some of the biggest tax evaders and money launderers on the planet. As director general of the Canada Revenue Agency's Criminal Investigations Directorate, Johanne Charbonneau is overseeing Canada's participation in the effort. A 30-year veteran of the CRA, and a CPA, Charbonneau spoke to *Pivot* magazine about the group, its mandate and the unique challenges of catching cryptocurrency-based tax fraud.

## Tell me about the formation of the J5.

Every few years, the Organisation for Economic Co-operation and Development (OECD) holds a forum on tax and crime. It brings law enforcement, financial intelligence units and tax administrations together to talk about tax evasion and what's going on. Following that, there is a meeting of chiefs of criminal tax investigation units from around the world. In November 2017, this group met and we talked about how to address the facilitators of these sophisticated transnational tax crimes. And chiefs from these five countries realized that we had some common ground, common structures, common threats. We felt it was more efficient to keep the group small and collaborate together to learn, to grow and then to share our experiences with other countries.

## Canada already has a large network of tax treaties and information-sharing agreements with a multitude of countries. How is the J5 different?

Treaty requests and the like are how we exchange information. J5 is about operational criminal tax investigations. It's about sharing information about common targets to really detect, deter and investigate

those that are disobeying the law in two or more of these countries. The J5 countries met in June in Montreal, and we've already identified common targets that we had no clue we had. I don't want to disclose that because we're still building our intelligence and data, but the five countries are actually discussing our next steps.

## We're talking about Canada, Australia, the Netherlands, the U.S., the U.K. What are the common structures and threats?

We are very much similar in nature. First off, we all conduct tax investigations internally and have criminal and technical investigators on staff, unlike many other countries who do this from outside the tax administration. We all have similar legislative frameworks and similar privacy issues as well. We all have sophisticated training for our folks, while some of the developing countries aren't there yet.

## There are many developed countries in the world. Why partner just with these four and not, say, France or Germany?

Because we share so much in common. Some of the other OECD member countries operate differently from the J5 countries when it comes to tax investigations. These five countries are very similar in terms of how we operate. It made it easier. In each of our careers, we've seen cases involving two countries: I would have seen cases with the U.S., I would have seen cases with the U.K. Each of us partnered one on one, but never as a group of five. This is what we are doing now.

## If I were a tax evader at this point, I'd avoid going offshore to these countries. There are a lot of fish in the sea.

But a lot of times those tax evaders will use the conduits of these countries to legitimize the money. If you put your money in country X that isn't as well-known or doesn't have a well-established international reputation, when you try to get your money out you may be taking a risk. When you put your money in a solid country like one of these five, it adds some credibility to the transaction.

## There's a parallel between what you do and tracking international terrorism, in the sense that you're better off by not keeping information in silos.

That's the point. Even though we have all the tools, there are still struggles in terms of how we can get the information to other countries quickly.

Those who **EVADE** still operate in advanced economies because it adds credibility



The legislation within each country is similar but different. Even language is a challenge. We're trying to work around these challenges to build a platform to share data amongst the five members.

**Aside from allegedly breaking the law, have you discovered any commonalities among the cases that you might not have found had you not formed the J5?**

The J5's focus is on professional enablers, the facilitators of these sophisticated schemes. The five teams that we've put together to look at this, we said look at your countries and identify one, two or three enablers that may touch between two and five of these countries. And each group came back with one to three files and that's how we identified the common ground amongst them all: promoters of sophisticated tax schemes whose only reason to exist is to hide from the taxman.

**Is it individuals who are availing themselves of these services, or is it corporations?**

You've got to remember that individuals drive the corporations. We prosecute corporations, but there's always a guilty individual behind them. The entities are just the conduit they use to mask what they're

trying to do. These complex structures are masked in several corporations in several countries to flow the money and hide the trail from us.

**One Canada Revenue Agency report put Canada's international tax gap at upwards of \$3 billion. It said more than half of the CRA's international audits between 2014 and 2017 netted significant income changes and reassessments. Why is it that people still seem to think they can get away with this sort of thing?**

Honestly, with my experience of more than 30 years of investigations, I'd say that the majority of taxpayers are honest. But you will always have this pocket of taxpayers that do not want to pay taxes. They know how we work, they know some of the challenges we have, and they are always trying to stay ahead of the game. That's why we have to step up, be five countries instead of one, and at least be on the same level as these people.

**Is there a target of how much money you hope to recoup under the J5?**

We're really about making sure those egregious tax evaders know that there are consequences to their actions. Mind you, we have to be careful with our resources, as they come from taxpayer dollars, so we are very select about the files we take. It's why we focus on the more significant cases.

**Define "significant case."**

An attack on the tax system that has a significant impact on the Canadian tax economy. The promoters who have brought in a lot of victims, if you can call them that, into their schemes. For the J5, a significant case is not the plumber who earns \$20,000 a year and isn't reporting his \$10,000 plumbing job. The criminal courts aren't interested in these small cases. We are talking about a person or a business who is evading paying millions of dollars in tax.

**Describe how a basic tax evasion scheme works.**

You'd have one or several shareholders with a corporation in Canada and in various countries, usually a numbered company so that the beneficial ownership isn't known. They may pay people that really don't have much to their name to be the owner of these corporations and place their money there, out of our reach. Or they make false transactions or false documentation saying they are doing business with a certain country, when their only purpose is to funnel their money offshore, out of Canada.

ILLUSTRATION BY SHOUT

### What is the biggest stumbling block to catching tax evasion?

It's the ability to use technology to hide, or to move money quickly. And our job is to follow the trail of money. The same with cryptocurrency. The secrecy behind who owns that cryptocurrency wallet is what makes it challenging. That's why we're always looking for legislative changes to help us find who is behind these corporate veils.

### Why are so few caught?

Because cases are more and more complex. To follow trails of money across the world takes time. To interview witnesses who may know about the offence takes time. And not only do we have to prove it beyond a reasonable doubt, we have to prove the intent to deceive the agency, and not just an error.

### Correct me if I'm wrong, but we're dealing with fairly wealthy individuals, correct?

You do get the odd person that isn't wealthy, but still uses the services of an enabler just because they don't want to pay taxes. But generally, yes, they are wealthier than the general public and have the means to hire the right professionals to help them.

### In your experience, how is the person running these schemes paid?

It's often a percentage. If you place \$10 million in an offshore account, I'll charge you 10 per cent of the taxes we've saved. But that's very generalized. It varies on the sophistication of the scheme.

### There is a big focus on cryptocurrency within the J5 mandate. What is the divide between schemes using money and cryptocurrency as a vehicle for tax evasion?

It's a new threat, and we recognize it as such. It's like following cash, but we're following cryptocurrency. The challenge is that the cryptocurrency wallet can stay anonymous, and generally the way we can get that wallet identification is through the exchanges. The U.S. is ahead of the game, because they got tons of data from Coinbase, one of the biggest exchanges in the U.S. And with J5, that is the kind of stuff we are now sharing.

### Is the problem with cryptocurrency itself, or that we just don't have the tools to investigate it like "real" money?

It's a bit of both, to be honest. Cryptocurrency is used as money but it's anonymized—it's difficult to find out who's behind it. We're getting there, but we need to learn how criminals are using cryptocurrency to hide money from law enforcement in general.

### All politicians talk about cracking down on tax evasion. To what extent has the political will to catch these people waxed and waned over your career?

We've seen a great increase in the will, if only because offshore tax evasion is happening so much more. When I first started, you didn't hear about offshore as much. Today, it's just so easy, so it is more prominent. And when you see countries having real financial difficulties, I think there is a strong political will to address it. You see it in the OECD countries. You see it in the G7 and the G20. It's top of mind. Taxes run the country. It's what gives you roads, public services and safety. The countries that are struggling are those that don't have a solid tax system. ♦

## AGAINST THE STREAM

Who holds the power in today's music industry? The people who pick your playlist. **BY MICHAEL BARCLAY**



Streaming may or may not have saved the music business, but this much is true: streaming has become the music industry. Never mind the niche vinyl market or minor bumps in radio listenership—in 2016, streaming accounted for more than half of all revenue in recorded music. Market leader Spotify boasts 160 million users (70 million paid; the rest on its free, ad-supported tier), and the rapidly growing Apple Music is not far behind. Whereas radio stations once decided what listeners heard, the mighty gatekeepers of the streaming era are the people who curate your playlists.

It's no wonder listeners rely on these curators: there are 40 million

songs across all streaming services, and playlists may well be the only way to navigate the infinite content. The same applies to movies and TV (Netflix estimates more than 75 per cent of views are driven by its recommendations) and books (at Indigo, almost all of Heather's Picks "end up selling quite well," the *Toronto Star* reported in 2016). By giving consumers access to everything they could ever read, watch or listen to, these businesses like to say they're democratizing their industries. But more and more, they're deciding which pieces of content are equal, and which pieces of content are more equal than others.

According to a recent report from

the European Commission, landing a song on Spotify's most popular playlist, "Today's Top Hits," can garner an artist 20 million streams and about US\$100,000—Spotify reportedly pays \$4 to \$6 per 1,000 streams—not to mention the publicity, tours and sponsorships that might follow. So how do you get on one of those all-powerful playlists? Joel Waldfoegel—a University of Minnesota professor and author of the EC report as well as an upcoming book, *Digital Renaissance*—says that only one of Spotify's top 25 playlists is designed by algorithm; the rest are hand-picked. So while Big Data may factor in, it's still plain old humans picking the song of the summer.

BY THE NUMBERS

# OUT OF THE DOGHOUSE

In Chinese astrology, 2018 is the Year of the Dog. But for pet owners, businesses and marketers, every year is a pup party. As people increasingly humanize their dogs, fitness and fashion trends are creeping into the pet market, and frills like doggie spas, canine couture and TV channels for pets are contributing to record spending on animal companions. Meanwhile, “pet influencers” like Tibby the Corgi and Crusoe the Celebrity Dachshund earn as much as US\$15,000 for a social media post. Here’s how man’s best friend has transitioned from the doghouse to the penthouse. —*Steve Brearton*

## \$2,600

Average amount Canadians spend on a dog within its first 12 months, including \$710 in vet costs, \$464 for food, \$171 for training and \$87 in toys

## \$8,300,000,000

Estimated amount that Canadians will spend on pet products and services in 2018

## \$142,000,000,000

Amount spent on pet products and services worldwide in 2017

### 3%

Average annual growth expected in the global pet market over the next four years

### 57%

Percentage of Canadian households with a pet, as of 2014

### 86%

Percentage of Canadian dog owners who consider their pets to be part of their family

## 8.8 MILLION

Number of pet cats in Canada

## 7.6 MILLION

Number of pet dogs in Canada

### MULTIVITAMINS

US\$34.99

About one in three dogs receives supplements. Project Paws pitches its pills—which contain calcium, zinc and other nutrients—“for better health and more energy.”

### MASSAGE

\$65 to \$75

Montreal’s Zenwoof and Calgary’s Hanging With Hounds offer wellness treatments like reiki, muscle relaxation, aromatherapy and acupressure to improve dogs’ physical and emotional well-being.



### POLO SHIRT

US\$40

Ralph Lauren’s Pup Shop, which has offered dog clothing for at least 15 years, features striped mesh polos and US\$95 cashmere sweaters.

### GONADS

US\$489

Neuticles offers testicular implantation for dogs, allowing a beloved pet to “retain its natural look and self-esteem.”



### CANNABIS

US\$50 for 125 mg

Health Canada recently approved trials to test cannabis’s effect on animal anxiety. Products like VETCBD are available through dispensaries in the U.S. Canopy Growth is hoping to release CBD-laced treats in Canada.

### ORTHOPAEDIC SHOES

From \$26

Toronto-based Neo-Paws offers neoprene high-performance pet protection and calls itself “Nike to the dog world.”





### EYEWEAR

US\$79.95

The founders of Wyoming-based Rex Specs created dog goggles after their dogs were afflicted with chronic sunburn around their eyes.

### GOURMET DOG FOOD

\$42 per/kg

ZiwiPeak Air Dried promises Fido free-range, grass-fed New Zealand lamb raised on ethical, sustainable farms. Other products include wild-caught blue mackerel.



### COUTURE COLLAR

US\$440

Louis Vuitton's Baxter collar, made from monogram canvas and leather, includes an ID tag and a removable bow engraved with the LV symbol.

### PERFUME

From US\$55

Sexy Beast blends bergamot and vanilla musk with patchouli, mandarin and nutmeg oils to create a "distinct and highly addictive eau de parfum" for dogs.

### DOG POO PICKUP

\$4.99 per pickup, plus a \$49.99 annual fee

Vancouver's Pookt will collect dog doo from designated bins and recycle it into products such as garden planters and pavers.

### CLONING

US\$50,000+

Barbra Streisand and billionaire Barry Diller are among those who have cloned their dogs. ViaGen, a Texas firm, describes the results as "identical twins born at a later date."



## PETS WITH THE MOST INSTAGRAM FOLLOWERS, AS OF OCTOBER 2018



Jiffpom  
8,900,000



Nala Cat  
3,700,000

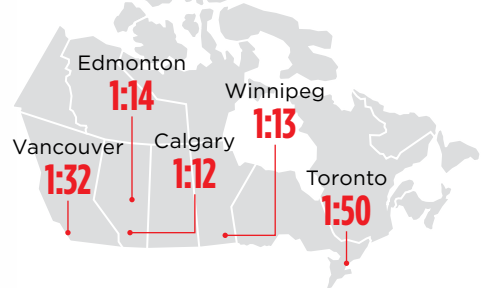


Doug the Pug  
3,600,000



Real Grumpy Cat  
2,500,000

## CANADIAN CITIES WITH THE HIGHEST RATIO OF LICENSED DOGS TO PEOPLE



## DOG OWNERSHIP BY COUNTRY, AS A PERCENTAGE OF TOTAL PET OWNERSHIP



Argentina  
66%



Canada  
33%



United States  
50%



China  
25%



Poland  
45%



Germany  
21%



Italy  
39%



Turkey  
12%

## TAX WATCH

## CALLS AND EFFECT

Tax-collection scams aren't just bilking Canadians. They're corroding trust in the real Canada Revenue Agency.



BRUCE BALL

Just about everyone, it seems, has received one of those urgent calls from someone purporting to be with the Canada Revenue Agency, even the Ottawa fraud investigators assigned to track them down. The callers inform their victims that they owe a huge tax bill, sling around scary phrases like “arrest warrant,” and finally say they need to send cash or face dire consequences.

While this scam has been rolling across the country for much of this decade, it has escalated in the past few years, with 12,000 complaints recorded in 2017 alone. These scams are part of a bigger problem. According to the latest CPA Canada fraud survey findings, released in March 2018, 35 per cent of the respondents reported being a victim of financial fraud at some point in their lives. But despite stepped-up police surveillance and public awareness, the fraudsters persist because there's money to be made—victims lost an estimated \$4.7 million in 2017 because of fake CRA calls, and those are just the individuals who filed reports. (By way of context, Canadians reported losses of over \$85 million from identity fraud and identity theft in 2017, and the total reported loss due to telemarketing fraud was almost \$21 million, according to the Canadian Anti-Fraud Centre.) In a recent discussion with the CRA, we were told that many of these fraudsters are not in Canada, which makes cracking down on them even more difficult. Public Safety Minister Ralph Goodale recently said that Canadian and Indian authorities are now working together to shut the CRA scam down.

Canada is hardly the only country contending with this form of telemarketing fraud. The U.S. Internal Revenue Service has issued repeated bulletins and warnings about tax call scams, as has the United Kingdom's tax agency.

It's now becoming clear that there's another victim: the CRA itself. With the fraud so well-known, there seems to be growing anecdotal evidence that some taxpayers are either hanging up on or failing to respond to messages from actual CRA staff.

The dilemma facing CRA officials is compounded

**\$4.7m**

The estimated amount that Canadians lost to fake CRA calls in 2017

by a rule designed to ensure the privacy of taxpayers: if someone receiving a legitimate call is suspicious and demands proof that the caller is legit, CRA policies preclude staff from proving their identities by sharing the taxpayer's personal information with them. The problem is that neither party wants to divulge personal information until the other party has proven their credibility.

All of which could wind up preventing the agency from collecting taxes. After all, CRA officials need to contact taxpayers and their advisors to sort out filing problems, obtain more information and deal with other matters. If it is going to perform these tasks in a fair and efficient way, surely it has to be able to communicate with them.

The most promising strategy to fix the problem may be for CRA to transition to a system where the agency uses digital tools to notify taxpayers to expect a call, or to send written information. At present, CRA typically communicates with individuals with form letters that are easy to counterfeit, and which may inadvertently prompt taxpayers to become suspicious about scams.

In recent months, CPA Canada has been working with CRA to develop an online notification system linked to CRA's “My Account” portal. Because the portal already allows CRA to communicate with account holders or their advisors on a secured basis, it can provide a more reliable way of allowing CRA to set up phone calls and other means of contact to address filing issues.

## THERE'S ANOTHER VICTIM: THE CRA ITSELF. SOME TAXPAYERS ARE EITHER HANGING UP ON OR FAILING TO RESPOND TO MESSAGES FROM ACTUAL CRA STAFF.

One additional worry is the impact on new Canadians who may not be familiar with the tax system and could be especially vulnerable to fake calls and other communications. Ensuring that these individuals understand the risks is important, and could be part of a specific information campaign.

Finally, it would be interesting to have CRA investigate the extent of the skepticism caused by fraudulent calls, and how much it may be costing the system—from financial and efficiency perspectives. We must ensure that these frauds do not erode the integrity of the tax system.

CPAs have a role to play to remind Canadians to



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be cautious and protect themselves against fraud, whether it be a CRA scam or some other scheme. We should also be doing whatever we can to inform our clients about the risks of ducking legitimate inquiries from CRA. And if the solution lies with encouraging more tax filers to transition to CRA's online secure portals, all the better. After all, though the Internet has attracted legions of hackers, encrypted online transactions tend to be reasonably safe and efficient, and certainly far more resistant to the fraudsters who work the phones in boiler rooms. ♦

*Bruce Ball, FCPA, FCA, is the vice-president of taxation at CPA Canada.*

**MONEY SMARTS**

# RETAINED LEARNINGS

How can we translate effective financial literacy education into long-term, responsible money management?



**FRANCIS FONG**

Financial literacy is one of those issues that's incredibly important in our society. Many of our economic concerns are grounded in it, and Canadians face real challenges when it comes to managing and making decisions about money.

We fret about all sorts of things—household debt, retirement savings, the rise of precarious work—that have a financial literacy angle. Yet, challenges remain in closing the gap between financial literacy and affecting positive behaviour over the long term.

New research offers insights on what to consider when looking to improve the financial literacy of Canadians. A recent study from CPA Canada, for example, shows for the first time in a Canadian context that when personality traits are taken into consideration, gender becomes a significantly less important factor.

The academic literature had long pointed to a significant gender gap in financial literacy. For example, according to Statistics Canada's 2014 financial capability survey of over 100,000 Canadians, only 15 per cent of women could answer all five questions on the shorter financial knowledge

quiz correctly, versus 22 per cent of men. Moreover, less than one-third of women reported feeling that they were "financially knowledgeable" versus 43 per cent of men. International studies, both in Europe and in the United States, show similar gender gaps.

But the new research finds personality traits—like conscientiousness, for example—could serve as a good predictor of whether someone will be proactive in attending to their financial affairs. It's an important finding because recognizing the role personality plays can greatly assist in building upon the approaches already being taken to strengthen financial literacy. A shy person may want to learn more but might avoid conversations or gatherings that would give them valuable information.

Taking advantage of research is vital, especially in today's ever-evolving economy. Consider the many labour market shifts we're seeing today—the move toward more precarious and volatile work, concerns about worker displacement due to new technologies and automation, the rise of the gig economy. Every one of these is resulting in situations that put more pressure on individuals to save more aggressively and be more proactive in managing their finances.

Attention must also be paid to both the short term and long term when it comes to helping Canadians strengthen their financial skills. A 2013 meta-analysis of over 200 international studies on financial literacy programs around the world

## SCHEDULING SECRETS

The trick to a productive day

**BY SARAH NIEDOBA**

Ever notice you can't get anything done right before a meeting? Blame your brain. New research from Ohio State, Rutgers and Washington universities has found we become less productive right before a scheduled task.

In one experiment, a group of

university students was told a study would start five minutes late. The half who were told they had "five minutes to do whatever you want" were more productive—checking email, reading—than the other half, who were told there would be "five minutes before we will get started."

"Just emphasizing the fact [that they're about to perform a task] created a psychological pressure

that led them to be less productive," says Gabriela Toni-etto, co-author of the study and assistant professor of marketing at Rutgers. These findings have practical applications: stack meetings in the morning, and chunks of uninterrupted work time in the afternoon. If scattered meetings are unavoidable, break tasks down. "Think about how to unpack your work into pieces that are going to feel more achievable in shorter amounts of time."



ILLUSTRATIONS: FRANCIS FONG BY KAGAN MCLEOD; SCHEDULING BY LEEANDRA CIANGI



concluded that education interventions brought about significantly positive short-term benefits to behaviour, but that they didn't last over time. Over the long term, just 0.1 per cent of the variation in financial behaviour could be explained by differences in financial education. Most importantly, the authors pointed to huge divergence across the results of the various studies, suggesting that the fundamental drivers of financial behaviour are far more complex than studies can currently explore.

What we need to do is go much further in identifying the factors that drive positive financial behaviour. Research and a dedicated approach can play a key role in doing just that.

Here in Canada, the financial literacy landscape has shifted greatly in recent years. There is now a concerted effort to improve the money management skills of Canadians. We have our first-ever Financial Literacy Leader in Jane Rooney. There is a steering committee on financial literacy that is working to implement a national strategy. CPA Canada president and CEO, Joy Thomas, is one of the committee members.

Let me ask you a question, dear reader: how did you learn how to manage your finances? Did you learn from your parents? From school? Lurking on Reddit's r/personalfinance? Did you learn as a child? Working part-time as a teenager? Out of pure necessity as an adult?

I'm willing to bet your answer is "sort of" to every single one. The reality is that the factors that drive how we learn financial behaviour are numerous, complex, and reflect our diversity of needs. We need to better understand those drivers so that our financial education programming can better motivate us to make good decisions. Only then can we turn knowledge into action.

It's important to recognize that the financial literacy needs of individuals change over time with major life events, such as attending university, getting married, buying a home, having children and, ultimately, retiring. Personalities also change over time as individuals become more mature and take on new responsibilities.

In a commentary published in *Maclean's* last year, Rooney neatly summarized what must be done going forward: "Because the impact of financial literacy can diminish over time, it's important to teach it early and often, and in innovative ways." Bringing personality, and the challenges that come with it, into the mix will mean new approaches and, undoubtedly, new successes. ♦

*Francis Fong is chief economist at CPA Canada.*

AUTHOR ILLUSTRATION BY KAGAN MCLEOD

## THE WORKPLACE

# ALL THE LONELY PEOPLE

Canadian workers are more isolated than ever. And a lonely workforce isn't just a public health concern, it's bad for business.



ERICA LENTI

When Aristaea Clarkson decided in 2013 to leave a major accounting firm to start her own business, she thought she had covered all of the bases: the CPA had considered how the move would affect her finances, furnished a home office and planned how to build up her clientele. She felt she was ready.

But what Clarkson—like many remote workers—didn't take into account was how starved she would be for social engagement. In those first few tax seasons, she found herself working 80-hour weeks, spent almost entirely at her desk. She would emerge only to cook dinner and eat with her husband and kids, or for quick jaunts to the supermarket for groceries. Conversation was rare. That's why, when a repairman came to fix her air conditioning unit, Clarkson followed him around the house, making idle chit-chat—she was desperate to engage with someone, anyone. "I wasn't bored with my work," she says. "But when someone would come over, I realized I was so excited to talk to them."

It's a phenomenon some have dubbed "workplace loneliness." The term might seem ill-fitting—so many of us, after all, don't view work as a social event. But the way we work has changed: the latest survey from Statistics Canada, reported in 2010, pegs the number of people working from home at least part of the time at 1.7 million, and that doesn't include those who are self-employed like Clarkson. (More recent numbers aren't available.) Even at work, technology is reducing the amount of face-to-face time we have with each other, with many opting for chat on Google Hangouts or Slack in place of in-person meetings. Then there's the growing gig economy, emboldening freelancers to go it alone; even if they choose co-working spaces, there's little interaction with others.

These changes in workplace behaviour have a huge impact on our social engagement—they

0.1 %

The variation of financial behaviour that can be explained by differences in financial education

affect not just how good we are at our jobs but how well we feel overall.

Some say loneliness is emerging as a public health crisis. In February, researchers John and Stephanie Cacioppo from the University of Chicago tallied the effects: for those experiencing loneliness, there's a 26 per cent increase in likelihood of premature death, and it can make people "irritable, depressed and self-centred." Research from California State University, Sacramento also suggests that those who feel lonely at work often emotionally detach themselves from their employers and find their work less psychologically rewarding. Workplace loneliness, the researchers concluded, can have "a significant influence on employee work performance, both in direct tasks, as well as employee team member and team role effectiveness."

That's in part why, in May last year, corporate giant IBM—among one of the first to tout the benefits of telecommuting—asked thousands of its remote workers to return to their offices. Prior to that, Yahoo and Best Buy did the same. And Apple

**26%**  
Increase in likelihood of premature death for those experiencing loneliness

## WORKING AT HOME MEANT LITTLE SOCIAL INTERACTION. WHEN A REPAIRMAN CAME, SHE TRAILED AFTER HIM MAKING IDLE CHIT CHAT.



and Google won't even entertain the idea of working from home. When workers feel lonely, it can affect their productivity—and that's bad for business. Collaboration, these companies also suggest, begs for proximity. Or, as *The Atlantic's* Jerry Useem put it in his report on the IBM decision: "collaboration requires communication. And the communications technology offering the fastest, cheapest, and highest-bandwidth connection

is—for the moment, anyway—still the office."

It's not that working from home is a totally broken system. There's still plenty arguing in its favour: these arrangements often get more out of employees—they wind up working for at least part of the time they would otherwise be commuting—and employers cut down on costly overhead. (And there's always the comfort of working in your pyjamas.) Anecdotally, Clarkson says she's never been happier working from home, even with those long work weeks alone. "I'm happy to be away from the workplace politics," she adds.

Like most good things, it seems the key is balance. A solution can't be found in extremes. Employers can't tear down cubicles and expect their workers to sit at communal benches and play nice in the sandbox. They also can't think that remote, often isolating work will make for better productivity, either.

Companies at the forefront of workplace innovation seem to be catching on: Michigan-based furniture company Steelcase recently redesigned its offices to contain both private, quiet spaces alongside an open-concept work environment. The combination, allowing workers a mix of both individual and collaborative workspace, provides the best of both worlds.

Others are encouraging their peers to open up about their feelings of social isolation. Last year, Toronto graphic designer Marissa Korda started The Loneliness Project, a website where Canadians can share their experiences, in part to help break down the stigma of being lonely. The project goes beyond exploring just workplace loneliness, taking a deep dive into the world of social isolation. The idea is that talking about the problem is a first step in establishing that core balance—acknowledging that it must exist.

For telecommuters in particular, taking these steps may look a little different. It might mean working with a colleague or like-minded peer at a coffee shop, heading back to the office for a few days a week, or even participating in a group activity unrelated to work to get in those precious hours of human interaction.

Clarkson still hasn't quite figured out that balance. She phones up her accountant pals from the old firms when she's in a crunch or needs advice—or when she's craving a bit more social engagement. But the loneliness still creeps up. "It's a work in progress," she admits. "I think it always will be." ♦

*Erica Lenti is a writer in Toronto. She is the editor of This Magazine.*

# UP CLOSE AND PERSONAL

*How Calgary's Jazzit develops relationships with clients to build fierce loyalty, and to constantly improve its product*

**Phoebe Elliott** is used to getting things done. The principal and director of standards at Edmonton-based accounting firm Kingston Ross Pasmak helps oversee a 140-person company, where she reviews financial statements and engagement files to ensure they comply with accounting and assurance standards. So if she has a problem with her work-related software, she wants a resolution fast.

Many of the tech providers she uses aren't nearly as responsive as she'd like them to be. "There's one company I've called three times to report a bug and we don't get any sort of satisfaction," she says. There's one, however, who never fails her: Calgary-based Jazzit.

**"HOW THEY OPERATE IS ENTIRELY UNIQUE. I CAN ALWAYS CALL SOMEONE WHO KNOWS ME. THAT CONNECTS ME TO THE HEART OF THE COMPANY."**

Founded in 2000, Jazzit offers a suite of templates that allow CPAs to create electronic documents, such as working papers, letters and checklists, that detail an accountant's methods and procedures. The company's best feature, says Elliott, is its customer service. When she has a problem, someone calls her back immediately—and it's almost always one of the same three people, who've grown to know her company well. In fact, she's even called up Jazzit's president to give him feedback on the product.

It's in large part because of that close relationship that her firm, which started working with Jazzit in 2003, continues to use the product today. "I feel like a valued customer and almost like I get preferential treatment because I can call or e-mail them and they'd know who I am and our history."

## A COLLABORATIVE APPROACH

The focus on clients has been a part of Jazzit's DNA since it opened its doors, says Mike Chew, the company's president and a CPA himself. A former CaseWare trainer, Chew came up with the idea of creating CaseView templates for CaseWare—a program that helps practitioners with client engagements—after finding accountants attending his classes were overwhelmed with the prospect of designing and maintaining their own templates. Rather than continue using CaseView, they'd go back to Word and Excel, a more traditional, and time consuming, way to create documents. "I wanted to find a way to automate the file completion process as much as possible," says Chew.

While the customized CaseWare templates can help companies save time and resources, Chew knew his company would have to be about more than just software. "We want to be partners with our clients," he says. "We want to collaborate with them—and our product has evolved in terms of functionality and templates because of that collaborative effort with our customers."

That team-effort approach is not a gimmick, adds Lori McGurran, Jazzit's vice-president of operations, who has been with the firm from the start. Both she and Mike remember what it's like to be in the accounting trenches and how a little help can go a long way. "We both worked for public practice firms and have been the ones slogging it out doing file work day in and day out," she says. "We know what it's like to be under

budget constraints, to be super busy, running things to the tax department at 11 p.m. on April 30. We've lived that, so we know how important it is to get help when you need it."

## GIVING ACCOUNTANTS AN ADVANTAGE

As much as Jazzit is focused on helping its clients—ranging from single practitioners to larger firms of around 200 CPAs—it's also a booster for the accounting profession in general. It offers generous scholarships to accounting students, and is interested in creating others as well. (Chew and McGurran have a unique personal interest in the profession—their sons are working in public practice; Mike's son Cameron will soon be a CPA and Lori's son David has been a CPA, CGA since 2015.) They take pride in seeing students graduate university, start working at companies and then open their own firms, eventually becoming clients. "We like to see people be successful and help and support them in that success," says Chew. "That goes for our own staff too. We like when people are happy and successful in what they're doing."

While Jazzit comes by it honestly, the collaborative approach has also helped the eight-person firm stay in business. They don't have much of a sales force—"we don't do high-pressure sales, that's not what we're about," says McGurran—which means most of their growth has been through word-of-mouth.

As much as Elliott likes using Jazzit, and says having pre-made templates saves her team countless hours of work every year, it's the relationship she has with the company that she likes best. "How they operate is entirely unique," she says. "If I have a significant problem I can always call someone who knows me. That connects me with the heart of the company. That's wonderful."



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# In a time of massive pressures and big possibilities, there's one thing we know for sure. Auditing is in the midst of a major evolution.

It starts with the very way auditors do their jobs.

Long gone are the days when an auditor wandered around a warehouse with pencil and clipboard, recording inventories of raw materials and finished goods. Mobile apps not only compile the inventory numbers but also comb through stacks of documents, finding patterns and flaws in real time. Working papers—containing far more data than ever before—are being produced quickly and are instantly shared with members of an audit team.

Artificial intelligence has arrived both to tidy up once-tedious processes and expand what's possible—helping to find needles in haystacks, reducing the risk that mistakes or fraud will slip through the cracks. (It can even help find anomalies in leasing agreements and other legal contracts.) Machine learning is being used to develop probability models for auditors—including those that calculate the likelihood of material misstatements.

But as always, new tools bring challenges of their own, not just uncertainty over what skills auditors need for the future, but also questions about what needs to be measured and audited in a world with an insatiable appetite for more data. Audits greatly depend on the quality of information made available to auditors, and on exercising care to avoid bias and undue reliance on the very data these tools generate.

Like any profession, accounting is in a constant push and pull between the established practices and everything that's new. Nowhere is this more the case than in audit, where so much of what's fundamental about the work is now under scrutiny. Technology is just one of the drivers of change.

Outside our borders, auditors are having to prove their credibility to an increasingly agitated public after a series of scandals. Allegations of auditor shortcomings have surfaced

at, among others, the U.S. financial services giant Wells Fargo, at South Africa's state-owned power utility Eskom, and at the U.K. construction group Carillion, which collapsed in January under the weight of \$2.6 billion in debt. In some jurisdictions, calls for reform are growing louder.

And there's still more. Debate is raging over how to navigate an increasingly global landscape, how to address a widening "expectation gap" between auditors' perceptions of what they can and should deliver, and what society at large has come to demand of them.

Here in Canada, we're not merely watching all this unfold. Those involved in the audit process are considering how they might be affected by these developments. They're raising essential questions: What is the purpose of the audit of the future? How should auditors be trained? And how can firm culture promote audit quality?

BY  
**BERNARD  
SIMON**

**Sheila Fraser**, FCPA, Canada's auditor general from 2001 to 2011, recalls a sobering moment this past June. At a discussion hosted by the International Financial Reporting Standards Foundation, she heard a panel member make a startling point—that analysts and investors place little reliance on audited financial statements anymore. Coming on top of similar comments she had heard in the past, Fraser says that the moment underlined what she considers the biggest long-term threat facing CPAs today. "The increasing lack of reliance on financial statements and on audited information is a very serious situation for the profession," she says.

In the age of instant data, investors and analysts increasingly rely on non-GAAP and other measures to assess a company's performance. In their quest for up-to-date information, they may inadvertently trust sources that can be of dubious accuracy,

consistency or comparability or those that stray into hype, including news releases on a company's latest acquisitions.

"Investors are even looking at sales figures by tracking trucks leaving factories," says Fraser. "They don't seem to appreciate whether the information they're using is audited or not. To me, coming from the world of audit, it's all rather frightening."

Equally unsettling, the very purpose of an audit has become a subject of perception. CEOs, investors, regulators, the media and shareholders all have differing interpretations

## How do we close the expectation gap between auditors' perceptions of what they should deliver and what society has come to demand of them?

these days of what they expect auditors to do. Management may consider an audit primarily a service provided for its own benefit. Others say it's merely an evaluation of risk. The public can't shake the perception that an audit is a form of indemnification—insurance that a company won't go under.

This expectation gap was bound to widen over time. What often gets less attention are the nuances that even critics of auditors acknowledge. The vast majority of audits are completed without incident. What's more, the quality of an audit inevitably reflects the quality of the data supplied by a client. Outside auditors are just one of three teams essential for a high-quality audit. They cannot do their job properly without a competent and honest senior management, and an audit committee determined to exercise strong oversight. If one leg of the stool falters, even the most scrupulous audit is no guarantee that all is well in a business.

When a company publishes misleading financial statements, "you have to peel the onion to see the actual cause," says Kevin Dancey, FCPA, the Canadian CPA who recently became chief executive officer of the International Federation of Accountants (IFAC). "Is it management? Is it the wrong corporate culture in terms of governance? Or is it, indeed, a failure of the audit firm to apply the standards appropriately and do its proper work?"

For Dancey, the expectation gap is a major issue facing the profession today. "We can have the best assurance standards in the world, we can make sure that professional accountants

are trained appropriately," he says. "But if we're not reporting on information that aligns to society's values, then that becomes a problem for us and our relevance."

Scandal is almost always a catalyst for self-reflection and change. The Carillion saga, in particular, has triggered calls for wide-ranging reform in the U.K. There, a recent parliamentary inquiry resulted in a report calling for a "radically different approach" to auditing. The report also identified factors and findings beyond the audit. It pegged the failures of the company as "symptomatic of a market which works for the Big Four firms but fails the wider economy."

It further recommended that the statutory audit market be referred to Britain's competition watchdog while considering a radical notion—that the Big Four firms be broken up to promote competition and lessen conflicts of interest.

Two other thorny issues bubble to the surface with growing frequency. First, who should pay auditors for their work—by extension, who is the client? Closing the expectation gap will require a measure of agreement on whether auditors are working for management or investors, and who should pay their fees. Likewise, the financial crisis in 2008 raised questions on why the three big credit-rating agencies are paid by the companies whose securities they assess. That debate continues to this day.

Second, how far should firms be allowed to diversify beyond their core auditing business? Many in the profession argue that, in the case of complex global audits, an audit group benefits

from access to a range of disciplines and services—areas in which the firms have valuable expertise. "Auditors exposed to non-audit services develop enhanced business experience for both industries and companies. This can lead to improved audit efficiencies and effectiveness," according to the findings of a group of senior Canadian business leaders who came together in a 2012 initiative to enhance audit quality.

On the other hand, Kin Lo, FCPA, accounting professor at the University of British Columbia's Sauder School of Business, says auditors should avoid conflicts by turning down consulting work. "It seems that every time the profession, regulators and the public find that consulting work is an issue, the firms carve off a piece of that business, and then start building their consulting arms all over again," Lo says. "The auditing function can't be a smaller and smaller function of the firms, otherwise they'll take their eye off the auditing ball. It goes beyond conflict of interest with a particular audit client. It's a conflict of interest within the firms regarding what business they are in."

**It's a measure of the respect** Canada commands in the financial world—remember our banks during the 2008 crisis—that so many Canadians are playing such a prominent role in moving the profession, and auditing, forward. Brian Hunt, FCPA, who retired earlier this year as chief executive of the Canadian Public Accountability Board (CPAB), chairs the International Forum of Independent Audit Regulators, the Tokyo-based body that seeks to enhance the quality of

audits around the world. Kevin Dancey speaks for about three million accountants in more than 135 countries as the head of IFAC. In addition, Canada is represented on the IFAC board, its committees and also on the Independent International Standard-Setting Boards.

Still, the globalization of business presents its own dilemma. No country, especially an open economy such as Canada, can isolate itself from financial reporting practices in other parts of the world. In particular, reforms such as those that will likely come out of the Carillion case tend to travel across borders. Since many Canadian companies operate in a global environment, our audit structures and processes need to compare or align with practices internationally.

Michael Izza, chief executive of the Institute of Chartered Accountants in England and Wales, told the BBC earlier this year: “As a profession, we have to be prepared to think and act differently in future.” Among other changes coming out of the Carillion affair, he foresees a bigger role for firms other than the Big Four, and more use of technology.

At the same time, domestic companies and investors will resist audit regulations and standards that have little relevance to them. That means finding a balance between standards and reporting practices that fit local conditions but also support the many Canadian businesses that trade and operate across borders.

In practice, Canada has so far taken a tailored approach. For example, it has followed global assurance and reporting standards for listed companies, but gone its own way on reporting standards for private entities, enabling the latter to follow a simpler process in preparing financial statements, including disclosure requirements.

In Canada, a collaborative approach has helped overcome some key hurdles. Thus, the profession, regulators and financial institutions worked together to set up CPAB in 2003 in the wake of the Enron scandal.

CPAB regularly reviews the work of 14 firms that audit more than 100 public companies. It also inspected files at 31 smaller firms in 2017. Most of CPAB’s nine directors have never worked for an auditing firm, giving them a measure of independence unusual for such professional oversight bodies. CPAB requires firms to correct deficiencies in ways that are both effective and sustainable. If a firm fails to improve, the board has the authority to impose various penalties, from publicly naming a firm to restricting it from auditing public companies. The board says that it takes various measures to improve audit quality and investor protection. For example, it encourages auditors to compete on the quality of their work, rather than who charges the lowest fees. It is working with securities regulators to gain access to working papers of audits performed outside Canada. It broadened its work this year to review not only individual audit files, but also the effectiveness of the Big Four firms’ structures, their accountability, quality control processes and corporate cultures.

CPAB has not been shy: Its latest inspection report, issued this October and covering the work of the Big Four firms,

noted “inconsistent audit quality.” Two of the Big Four, which the report does not identify, saw an increase in “significant findings” or problem areas. CPAB has told one firm to review its inspection findings to determine if the latest results are an anomaly or an early indicator of deeper problems. The other firm must provide a detailed remedial plan “to address these unacceptable results.”

“As we examine these inspection findings, we are continuing to see inconsistent audit quality,” says CPAB chief executive Carol Paradine, CPA. “While the overall state of public company auditing in this country is strong, this prolonged inconsistency is something we are focused on requiring the firms to resolve.”

In response to the turmoil generated by the 2008 financial crisis, CPAB and CPA Canada began work in 2012 on a far-reaching project to enhance audit quality. Their work covered three main areas: the role of audit committees in overseeing external auditors, the auditor reporting model, and auditors’ independence. Their report, published in 2013, has ushered in significant reforms. Audit committees of public companies must now conduct a full review of their audit firm at least every five years, and publish a summary of their findings. CPAB also recently completed a two-year pilot project designed to give audit committees specific yardsticks to evaluate the quality of an external audit.

Meanwhile, the profession is coming to grips with the complaint that traditional financial statements are losing their usefulness as analysts and others turn to a variety of other

**Sheila Fraser is unequivocal:  
“The increasing lack  
of reliance on audited  
information is a  
very serious situation for  
the profession”**

measurements of corporate performance. CPA Canada has developed guidance to help audit committees address some aspects of this emerging issue. *Key Performance Indicators: Tool for Audit Committees* (download at [cpacanada.ca/KPItool](http://cpacanada.ca/KPItool)) focuses on developing a process to present reliable metrics in an issuer’s Management’s Discussion and Analysis and earnings news releases.

Furthermore, Canada’s Accounting Standards Board issued a draft framework for reporting performance measures in June, and opened it for public comment. The paper covers public

companies and other entities subject to outside scrutiny, such as non-profits that need to submit information for funding grants, or private companies seeking capital from outside investors. The board describes the draft as “just the first step” in bridging the gap between what companies report and the consistency, comparability and transparency investors want.

“We want to stress that quality of information needs to be considered when people decide what they’re relying on to make an investment decision,” says Linda Mezon, FCPA, the board’s chair, citing the example of a retailer that measures sales per

As Colella’s experience shows, auditors and accountants are still struggling to shake off their image as stick-in-the-mud number-crunchers. Of course, reconciling a set of books remains an essential skill. But much more is expected from auditors than in generations past. Increasingly, they will need to show a willingness to embrace change, an ability to persuade their colleagues to do the same, and to master messaging, strategic thought and leadership. “It’s not about friendliness,” Colella stresses, “it’s about the ability to communicate. I’ve watched really smart people in the profession make sense of data but be absolutely useless at articulating it to the client.”

The auditors of tomorrow will need to feel at home with the tools now reshaping the profession, from emerging technologies to revamped education and training. The benefits as well as the threats posed by this transformation are at the heart of CPA Canada’s new Foresight project (see below).

“The traditional path that I took was a B.Com degree at university and going into an accounting firm,” says Eric Turner, CPA, a director at CPA Canada. “Firms are now finding that they need more people with math degrees and data analysis strengths, and to understand what the coding is telling us.” In a sign of the times, UBC’s Sauder School is among a number of schools that have begun offering master’s degrees in business analytics, and similar courses for undergraduates.

Individual firms around the world are working more closely with schools and universities to turn out graduates with the skills needed for auditing in the digital age. Cutting-edge disciplines such as artificial intelligence could help persuade a new generation that auditing is a much cooler calling than their parents may have led them to believe. As Turner sees it, “it can bring people who perhaps were not likely to come down the audit path to think: ‘Well I like that it still involves critical thinking to gather evidence. It’s about searching for things using technology.’”

Not all the changes that lie ahead will be so appealing, especially for those steeped in the old culture of auditing. Many will be painful and disruptive. New processes and standards will demand new structures and leaders. Amid the transformation, one constant will remain: Businesses will need to communicate accurate information to their stakeholders. To do so, they will need trusted outsiders to verify that information. In other words, they will always need auditors. ♦

## “We’re challenging everyone in the financial reporting process to buy into the process,” says Linda Mezon. That’s key to raising “the quality bar.”

square foot—a common yardstick of performance among brick-and-mortar stores. In the interest of transparency and comparability, the company ought to disclose whether the measure includes or excludes online sales.

“We’re challenging everyone in the financial reporting process to buy into the process,” Mezon adds. “If everybody is paying attention, then we hope to raise the quality bar with regard to the information that people are getting.”

**When Anton Colella**, CEO of Moore Stephens International and former head of the Institute of Chartered Accountants of Scotland, landed at Toronto’s Pearson Airport earlier this year, the customs agent asked what had brought him to Canada. Colella explained that he had come to address a meeting of accountancy leaders. The agent’s response: “That’s really riveting.”

### FORESIGHT

## Reimagining the profession

The tough decisions facing the profession are encapsulated in an ambitious new project at CPA Canada called Foresight, which will study—and provide a roadmap to navigate—the evolving impact of new technologies, social and geopolitical issues, changing

regulatory processes and the need for trust and ethics in a digital world. These drivers of change will impact CPAs in all areas of practice including audit and assurance, tax, performance management and financial reporting. “This process draws on all elements of

the accounting ecosystem,” says CPA Canada president and CEO Joy Thomas. Much of the input will come from a series of roundtables, each attended by about 40 business and accounting leaders. CPA Canada is also creating online forums and discussion groups for its 210,000 members and anyone else who may be interested, in or outside Canada. Find out more at [cpacanada.ca/foresight](http://cpacanada.ca/foresight)



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A photograph of a bowl filled with fresh, green lettuce leaves. The bowl is a light beige or off-white color. The lettuce is piled high, with some leaves spilling over the sides. The background is a plain, light color. Overlaid on the lettuce in the center is the text "HAVE WE HIT PEAK LETTUCE?" in a bold, black, hand-drawn style font.

**HAVE WE  
HIT PEAK  
LETTUCE?**

# Salad shops are the new Starbucks, and Freshii has led the way. Now the market is getting crowded. Can this green revolution be sustained?

BY JASON KIRBY  
PHOTOGRAPH BY THOMAS VAN DER ZAAG

**A**s food fights go, it's hard to imagine one healthier than the war underway near the bustling downtown Toronto intersection of King and Yonge. It's a battle of the salad bowls, and the weapons of choice are kale and quinoa.

With all the salad spots packed into this area there are more leafy greens than a farmer's field. To the north, a Fast Fresh Foods restaurant attempts to lure customers to one of its eight downtown locations with customizable spinach, quinoa and spring mix salads. To the east, B.Good, a Boston-based chain with five spots in the city, counters with its marinated kale, carrot and brussels sprouts power bowls. A nearby iQ Food Co., one of seven in Toronto, pitches a seasonal rotating salad menu to passersby. And if salad fans needed still more options, there's a Flock Rotisserie + Greens, a Hopscotch, a Kupfert & Kim, a La Prep and a Salad Days, all vying for their healthy-minded dollars.

And it's not the only front in the salad skirmish. In cities across Canada, healthful fast-casual chains and mom-and-pop shops are squaring off. In Calgary, restaurants like Dirtbelly, a homegrown chain known for its seasonal mix-and-match salads, and Fork and Salad are facing off against Seed N Salt and larger chains like the Chopped Leaf, which was founded in the Okanagan and has more than 30 locations, mostly in the west but in Ontario as well. Meanwhile, in downtown Vancouver, restaurant-goers on a kale quest have a multitude of options, with names like Chop and Toss, SaladLoop, Green Leaf, Green-Day, Leafy Box and Tractor Foods.

But in this avocado arms race, there's a Goliath among the Davids. Back in Toronto, within a five-minute walk of King and Yonge, there are eight Freshii restaurants beckoning customers with limited-time kale Caesar salads and wraps. Just beyond those, there's another ring of Freshii restaurants.

And just past them... well, you get the picture.

Freshii boasts nearly two dozen locations in the downtown core, outnumbering McDonald's and giving a run to Tim Hortons. Across the GTA there are more than 60. In central Canada and further west, Freshii has 16 locations in Winnipeg, more than 20 in Calgary, another 16 in Edmonton and more than 30 across B.C.'s lower mainland, and many points in between.

It's been 13 years since Matthew Corrin, then a 23-year-old media studies grad with no food-service experience, opened his first salad shop in Toronto, then called Lettuce Eatery, catering to an emerging wave of nutrition-conscious diners who wanted fresh, healthy meals served quickly. It was a shrewd move that gave Corrin an early advantage for the sweeping changes reshaping our notion of fast food. "Fresh is the most bankable word in food service," observes restaurant consultant Aaron Allen.

Today, few can match Freshii for the sheer reach of its superfood-slinging outlets, which, in addition to its customizable salads, offer everything from wraps and burritos to soups and juices. As of July, the company had 421 total locations, almost all of them franchises, with more than 160 of them in 16 countries worldwide, mostly in the U.S., but also in the U.K., Ireland, Sweden, Austria, Mexico, Peru and Colombia. Even Dubai and Riyadh. Each week an average of two new Freshiis are added to the mix, with another 185 stores in the process of being opened right now.

At the same time, Freshii is pushing well beyond its traditional restaurants. Fuelling up the car? Freshii salads and wraps are now rolling out in Ontario Shell gas stations. Taking a flight? Freshii has landed on Air Canada menus, with items like an avocado smash box, its spin on avocado toast. Got a kid at school? Freshii just launched an in-school lunch program. More so-called "omni-channel" expansions are in the works. "Just think of your day-to-day routines,



## Freshii calls itself the Zara of the health-casual restaurant industry,

a reference to the Spanish retailer known for quickly bringing the latest fashion trends to the masses. Freshii aims to do the same with healthy eating trends. These are the top five ingredient trends making their way onto Freshii's menu, according to the company's lead nutritionist, Andie Shapira:



### HEMP SEEDS

"Not only are hemp seeds an excellent source of heart-healthy fats, they also contain all the essential amino acids, making them a complete source of plant-based protein. What's more, hemp seeds contain both soluble and insoluble fibre, which benefits digestive health."



### AVOCADO

"Aside from its rich and creamy taste, the healthy fats in avocado help enhance the body's ability to absorb fat-soluble vitamins (i.e., vitamins A, D, E and K). Adding avocado to your salad can help to control blood sugar levels, and keep you feeling full and satisfied."



### CHICKPEAS

"Chickpeas are a legume containing a variety of vitamins and minerals, as well as protein and fibre. In addition, legumes are one of the most environmentally sustainable sources of protein available."



### KALE

"Kale is high in nutrients and low in calories, making it one of the most nutrient-dense foods on the planet. It's loaded with powerful vitamins, minerals, antioxidants and fibre."



### QUINOA

"It's no surprise quinoa is one of the most popular health foods—it's gluten-free, high in fibre and has a low glycemic index, which helps to regulate blood sugar. It is also very high in protein compared to most grains, making it an excellent food option for vegetarians and vegans."

where else can we make our mission come to life?" asks Adam Corrin, Freshii's chief operating officer (and brother to Matthew, who was unavailable for interviews).

This Freshii-everywhere ethos has helped make it a homegrown success story, that rare example of a Canadian company pushing beyond the comfortable confines of the country's borders. Yet Freshii's remarkable growth story has started to wilt lately. For one thing, that bruising glut of salad chains around Yonge and King, all fighting for the same choice real estate locations and customers, is a phenomenon playing out in cities around the world, making it harder for Freshii to expand and raising the obvious question of whether we're seeing the formation of a salad-bowl bubble that's about to burst.

But Freshii has also suffered from several self-inflicted wounds. When the company went public on the Toronto Stock Exchange in early 2017, it touted its hyper-growth story to investors, only to backtrack on some of its promises within months. Investors have responded by driving Freshii's shares down sharply.

The company now faces an important test. Freshii must win back the confidence of its shareholders while also staying ahead of fast-moving rivals. The coming months will be crucial, starting with the company's third quarter results, which are set to be released in early November. "They haven't lived up to the promises in the IPO," says John Zamparo, an analyst with CIBC World Markets, who maintains a "hold" recommendation on the stock. "But if you disregard the stock for a moment, does the idea of a national or international healthy food chain make sense? I think it does. It's their communication and execution that's an issue."



Matthew Corrin didn't start out with ambitions to reshape the way people eat fast food. Born and raised in Winnipeg, he attended Western University in London, Ont., where he studied media, information and technoculture before heading to New York with his then-girlfriend (now wife) Kate. After an internship at the *Late Show with David Letterman*, he went on to a marketing job at fashion house Oscar de la Renta.

It was while in New York that Corrin got his first inkling of an opportunity in the food business. At the mom-and-pop delis that populate the city, Corrin watched as customers lined up for salad counters and other fresh foods. The branding was boring and the service poor. Yet New Yorkers clearly wanted what these delis were selling. Done right, a restaurant offering quick, healthy eats was a concept he felt could work back in Canada. And so, after returning to his home country, he borrowed from his family and the bank to open his first location under the name Lettuce Eatery, leaving no doubt as to what diners would find behind its doors.

The moment was ideal. A few years earlier the book *Fast Food Nation* had prompted a lot of people to ask questions about where their fast food came from. Around the same time, Morgan Spurlock nearly did himself in with his McDonald's-only diet in the film *Super Size Me*. Fast-casual restaurant chains such as Chipotle Mexican Grill were already capitalizing on this unease by pitching themselves as alternatives to the heavily processed food at Taco Bell and McDonald's, which had repeatedly tried and mostly failed to introduce healthy choices to its own menu. (Remember the seaweed-infused, low-fat McLean Deluxe burger from the 1990s?)

Set on doing with salad what Starbucks CEO Howard Schultz accomplished with coffee, Corrin opened another eight stores over the next two years. In 2007 he pulled up roots and moved with his then-pregnant wife to Chicago, the first leg of his global expansion. It was in Chicago that Lettuce Eatery got rebranded as Freshii. Other international outlets, along with further expansion in Canada, soon followed, and by 2014 the chain could boast 100 locations. And boast Corrin did, regularly telling reporters: “We opened our first 100 shops faster than Starbucks, Subway and McDonald’s.”

Freshii has capitalized on the strong demographic winds at its back. By the early 2010s, millennials were entering the job market in full force, bringing with them a particular set of tastes and dining preferences. More health conscious than generations before them, millennials want to know what’s in the food they’re eating, and that it’s environmentally and socially sustainable. According to Nielsen’s Generational Lifestyles Survey, 81 per cent of millennials are willing to pay more for food with health benefits, compared to 67 per cent of boomers, while an International Food Information Council survey found seven out of 10 millennials think about whether their food and beverages are produced in an environmentally sustainable way. Millennials eschew the one-size-fits-all menu items that were the basis of so many fast-food empires, preferring customizable meals. And their hectic schedules and social lives mean convenience is a priority.

While restaurants have to do more to win millennials over, it pays off. A recent report from industry association Restaurants Canada noted that last year was a particularly strong one for the industry, with overall annual sales climbing 5.1 per cent annually. Millennials were responsible for three-quarters of that increase.

Freshii, a company run by millennials with millennial franchisees, naturally evolved around those priorities, with its transparent ingredient lists, customizable salad and grain bowls, and a meal plan service that packs a full day of meals—breakfast, lunch, dinner and two snacks—into each box, doing away with the need to shop or cook. It’s all part of what Freshii describes as its mission: “to help citizens of the world live better by making healthy food convenient and affordable.” (It should be noted that almost every fast-casual chain built around salads and healthy eating

has some form of change-the-world manifesto on its website. The “food ethos” at fast-growing Washington, D.C.-based Sweetgreen is “to be a positive force in the world and on the food system,” while B.Good’s “grow good” pledge is that it wants its food to be “the roots that connect community and inspire good.”)

To keep things fresh, Adam Corrin says the company is constantly on the lookout for new items and food concepts it can incorporate into its menu. He calls Freshii the “Zara of health casual” referring to the Spanish fast-fashion chain. “Every 30 or 40 days Zara takes the latest trends from the fashion world and mass-produces them,” he says. “We do the same with health-food trends. Our secret sauce is the menu is always rotating.”

In a crowded restaurant scene, where getting noticed can make all the difference between success and failure, Freshii’s cocksure CEO proved he was brilliant at garnering international media attention for Freshii at the expense of its greasy old-school rivals. In 2015, Matthew Corrin fired off an open letter to Steve Easterbrook, the CEO of McDonald’s, a company he had earlier derided as “dying a slow death... they are failing in a serious way.” Corrin was only slightly more diplomatic in his letter to Easterbrook. “The reality is that McDonald’s is stagnating and your growth days are over,” he wrote, calling on the burger giant to team with Freshii to sell its healthier meals in its restaurants. “Partner with us. Save the world, and help yourselves.”

**Freshii’s founder once told the CEO of McDonald’s, “Your growth days are over. Partner with us. Save the world, and help yourselves.”**



Freshii founder  
Matthew Corrin



Other taunting letters followed, to struggling Subway, which has been forced to close hundreds of under-performing stores in recent years—“Subway has overdeveloped its retail base... Let’s explore a partnership in which we together convert select Subway stores to Freshii restaurants”—as well as penning a “froyo to Freshii” letter aimed at franchisees of frozen yogurt chains, urging them to switch brands: “I challenge you to make your restaurant relevant again.” (That last letter earned Freshii a \$10-million trademark lawsuit over the denigration of the term “froyo.”)

The letters worked, insofar as they drew a bounty of press coverage from journalists only too happy to see one CEO snipe at another in public. And they helped fuel speculation as to what Freshii had planned for its own future—specifically whether the company would go public and give investors an opportunity to join in its grand mission.

They got their chance in January 2017, when Freshii listed its shares on the Toronto Stock Exchange, raising \$125.4 million. As Freshii shares climbed more than six per cent on their first day of trading, the company released a statement from its CEO about the good things to come. “We are in the earliest days of what I see possible for the Freshii brand,” Matthew Corrin said in the release. “I believe we will continue to be one of the most compelling growth stories and stocks in North America.”

**M**onday mornings at Freshii’s Toronto head office always start with a huddle. The first order of business is always the same. “Our attitude is, bad stuff first, good stuff last,” says Adam. “We already know the good stuff. We want to know what’s keeping you up at night.”

The past year has offered plenty to keep Freshii execs from sleeping soundly. In September 2017, eight months after going public, the company stunned investors with two rounds of bad news. Two years earlier Freshii had teamed up with U.S. retail giant Target to put outlets into 18 of its stores. At the time, Corrin said the deal would allow Freshii to bring “health and wellness to the masses.” However, after two years of testing, both companies agreed to part ways. Investors felt blindsided, but it was nothing compared to the other shoe to drop that day.

One of the biggest draws for investors was Freshii’s remarkable ability to open store after store after store, at a pace rarely seen in the industry. When it went public, the company had forecast it would open up to 160 new locations by the end of 2017, bringing its total store count to around 440, and that by the end of 2019 there would be as many as 840 locations worldwide. Yet eight months later Freshii dramatically scaled back its total store forecast to 376 in 2017, and 760 by 2019. That would mean a deep

22 per cent cut to Freshii's estimated revenue for 2019, to US\$285 million from \$365 million.

Freshii called the slower growth "extremely disappointing" and blamed the logistics of its ambitious expansion plan for causing delays. "The business fundamentals are as strong as they've ever been," Matthew Corrin told BNN at the time. But in the months since, Freshii's quarterly same-store-sales growth has tumbled, from an average of six per cent during the 2016 to 2017 period, to just 0.9 per cent in the second quarter this year.

Remember that letter Corrin wrote to McDonald's CEO Steve Easterbrook? It doesn't appear Easterbrook ever wrote back, but if he were to do so today, he might point out the following two pertinent facts: McDonald's quarterly same-store sales growth is now outpacing Freshii's; and, since Freshii's IPO, shares in McDonald's are up 27 per cent, while Freshii shareholders have seen their investment plunge nearly 70 per cent as of September 2018.

Equity research analysts are certainly more skeptical of Freshii's claims than they were at the time of the IPO. Back then, 85 per cent of analysts covering Freshii had "buy" recommendations on the stock. Today, more than two-thirds of analysts consider it a "hold." "It's a challenge at this stage," says Zamparo at CIBC. "There's a view among a lot of investors that they don't believe Freshii will achieve its 2019 guidance [on store openings]."

Other company watchers are similarly disillusioned. Doug Fisher, a Toronto restaurant industry consultant and Freshii shareholder, calls the chain "discombobulated" because of its international strategy. He argues Freshii is spread too thinly around the world. For instance, there's just one restaurant in Riyadh, two in Peru, one in Vienna, another one in Guatemala, three in the U.K. and two in Mexico. Overseeing such a mishmash of international operations is a costly distraction to management, he says. "Freshii could have 400 restaurants in Canada, or in Ontario alone, and that would be a strong brand," he adds. "Being spread over 18 or so countries is all about ego, not the strength of the concept."

Adam Corrin admits Freshii has not lived up to investor expectations. "We recognize that some in the investor community have potentially lost confidence in us," he says. "But when we see the enthusiasm of the team about what they're working on, and how they continue to believe in our brand, that's what gives us confidence."

It's a critical moment for Freshii. What does a high-flying, fast-growing company do when it overextends itself and the competition heats up? Having learned difficult lessons from the past year or so, the company is taking several important steps to ensure its existing business stays healthy while continuing to grow.

For one thing, Freshii has ramped up staff levels at its head office since its IPO, more than doubling the number

of people there to better handle the process of opening new stores. In certain departments like real estate, design and franchise sales and development, staff levels have tripled.

During the company's most recent analyst call, Matthew Corrin said Freshii is also becoming more selective about which franchisees it works with in key markets. In the past, the company relied on a bidding process to decide which of its thousands of franchise applicants would get a store. Instead, for the first time this year, the company has more actively pursued multi-unit franchise operators in the U.S. and expects that to result in more store openings in 2019.

Freshii is also in discussions with non-traditional partners, along the lines of its deals with Shell and Air Canada, to carry Freshii products. Adam Corrin says the company learned a lot from its failed Target partnership that will help in the future, such as the importance of proper brand signage and controlling how Freshii is marketed to its partner's customers.

Here at home, the company is refocusing its attention on smaller Canadian towns—the types of places with a McDonald's at one end, a Tim Hortons at the other, and not much in the way of quick-and-healthy meals in between. "There are 263 markets in Canada with a population between 10,000 and 100,000," says Adam. "We're going to get there. The question is how to get there faster."

Will that be enough to reassure Freshii's beleaguered shareholders? Zamparo expects investors will wait until they see the results of these

efforts, though he notes the company still has close to \$30 million in the bank left over from its IPO, money Freshii could use to buy back some of its shares or issue a dividend. Either measure would placate shareholders. But when pressed about Freshii's cash hoard, Adam Corrin repeats what he says every other time he's asked: the company has no plans for the money yet.

Meanwhile, the competition continues to get fiercer. Nearly every salad chain operating around that intersection at King and Yonge in Toronto, not to mention chains in Calgary, Vancouver, Ottawa and Montreal, is on the hunt for franchisees to open new locations. David Segal, the founder of the DavidsTea chain of tea shops, is bringing his Mad Radish salad-bar spinoff company to Toronto this fall. Even Costco is getting in on the act. Earlier this year the big-box chain overhauled its restaurant menu. Gone is the 970-calorie Polish hot dog combo (at least in the U.S.). In its place: acai bowls and vegan salad, among other healthy offerings.

Are these signs of a salad-bowl bubble forming? Perhaps. But for now, Adam says Freshii is keeping its focus on the future. "We're in this for the long term," he says. "We know there are bumps along the way, but at the end of the day the mission is still the same, making healthy food more affordable." ♦

**It has outlets in Dubai and Riyadh, deals with Shell gas stations and Air Canada. One investor calls the growth strategy "discombobulated."**





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# Atlantic Canada has a new and unexpected problem: a shortage of workers. J.D. Irving has a novel solution. Meet Susan Wilson, its director of immigration.

BY MATTHEW HALLIDAY

PHOTOGRAPH BY DAN CULBERSON

**Atlantic Canada** has never been known as an immigration hot spot (at least not for the past century or so). But in the face of growing labour shortages, East Coast employers are starting to look—some for the first time—beyond Canada’s borders. In January, New Brunswick-based industrial titan J.D. Irving Ltd. (JDI) made Susan Wilson, formerly its HR director in sawmills and woodlands, its first-ever director of immigration. She’s tasked with hiring 240 immigrants this year alone, with more in years to come—not temporary workers, but permanent new full-time employees in jobs ranging from long-haul trucking to IT to operating sophisticated high-tech logging equipment. As Maritimers continue to leave rural areas for the cities, JDI’s resource-based enterprises are finding it harder to fill jobs. Matthew Halliday spoke to Wilson about the challenges of attracting newcomers, how they plan to keep them there, and the changing face of Atlantic Canada.

**I don’t think many private companies have a role like director of immigration. How did it get started?**

I’m one of those people who grew up in the Maritimes, left and then came back. When I returned, I got involved in recruiting in our forestry division, where we’d had a chronic shortage of workers for a long time. We looked to countries with similar skill sets in mechanized forestry: Ukraine, Romania, Eastern Europe. So it started there, but it became obvious this was a growing challenge across the company.

**Where specifically?**

Forestry was the first, then in late 2016 we noticed that Sunbury, one of our trucking companies, also started to see it. It’s something that’s gradually occurred over time, due to our own growth and regional demographics and an aging workforce, especially in rural areas. We asked ourselves, should we have a centre of excellence [for international recruitment] that would bridge all the JDI businesses? We work with JDI businesses that need additional workforce pipelines and don’t have experience with recruiting internationally. If a business says, “I want to recruit IT staff from a specific country,” we answer their tactical questions, spend time

developing strategies, and work with government and community partners both in finding people and settling them in our communities.

**I think a lot of people might be confused about why the region with the country’s highest unemployment rates is also experiencing labour shortages. Can you shed a little light on that?**

It’s a good question. Our recruiting strategy is to hire Canadians first, but if we’re going outside the country it’s because we’ve got a skill or a workforce gap we just can’t address locally. There are often fewer people choosing to enter the fields that we need to hire for, like the skilled workers needed in automated forestry, or long-haul trucking. We do a lot of work in high schools and colleges, but there’s less interest among young folks in some of these fields. The generation graduating from school today is looking at those jobs and asking, “Is this attractive to me?” So we need to shift as well, looking at X number of students coming out of school and matching that with our business requirements. It’s complex because we have so many industries. Then layer over that rural and urban—a lot of our operations are rural—and it’s complex. Some people would call it a skill or desirability

mismatch. It could also be a specific skill set—in Halifax’s shipyard, there may be specialized design roles, for example.

**What countries are you focusing on?**

It’s very industry- and business-specific. We use as much data as possible to look at the workforce: which countries have the skill sets, as well as people interested in moving to Canada? I’m working with all the JDI businesses to look at what they will need in terms of manufacturing, backroom business services, IT, engineering. We then connect with recruiters, go to job fairs and so on. What we’re finding is that people will go back to their home country and refer others to us. We recently took one of our international hires back to Ukraine, and it had such an impact. [Ukrainians] don’t know us, but he told his story and how he and his family have made a home here. That was heartwarming.

**Do newcomers require any additional training?**

We haven’t seen that. Our focus is to hire skilled workers with the experience necessary to do the job.

**Historically, most immigrants to Canada go to M.T.V.—Montreal, Toronto, Vancouver. That’s begun changing in the past decade, with an increasing proportion heading to small cities. Still, it must be a challenge recruiting people to a region they know nothing about.**

It’s true—people don’t know where we are. When you first talk to people, they say, “I need to go to Toronto.” But when you speak to them more, you find out that, a lot of times, people are only aware of a few cities in Canada. Some people will be drawn to those cities, but a lot of people prefer a different

kind of community. They just don't know it exists here. As employers, we have to do our due diligence. What is important to people? Why are they coming? Will they be happy in a rural community or a smaller centre?

#### **What are people asking you about when you travel overseas?**

Most of the questions are around lifestyle, currency and taxation, school systems. Really, they're trying to figure out what it's going to be like, and what it will be like for their families. We also spend a lot of time working with under-employed and unemployed people already here, and with international students at colleges and universities. They know what it's like here already, and so many of them want to stay, but need a way to break into the labour market.

#### **Do most of your hires end up working in small towns?**

It's a mix of urban and rural, which creates different challenges. In Nova Scotia, a lot of people are in Halifax and that area, which is very different for a newcomer than a small community in central New Brunswick, where there aren't the same services, multicultural associations or established immigrant communities. But as these communities grow—and they really have in the past few years—we have to make sure that we're connecting people coming in with those existing communities.

#### **How do you do that? What kind of on-the-ground package do you provide for newcomers?**

Family and household support is the key. We have a customized settlement plan for each family, which might mean, in the first few days, supporting them by answering questions like "Where's the grocery store?" or pointing them to the activities they're used to in their country, or addressing their children's needs in terms of school. It's also really important to have a single point of contact on our end—a person they can call with questions about Canada, New Brunswick, Nova Scotia, wherever they are. For international hires, especially, we go above and beyond to ensure they have a

buddy in their workplace they can contact, and we take pains to connect them with existing employees from their home country or community.

Little things are important too. We greet people at the airport with a gift basket, which is something we're working on upgrading. Honestly, there's nothing quite like meeting someone at the airport for the first time. Of course, we're talking about the workforce, demographics and the health of the regional economy, but it's ultimately about people.

## **"LITTLE THINGS ARE IMPORTANT. THERE'S NOTHING QUITE LIKE MEETING SOMEONE AT THE AIRPORT FOR THE FIRST TIME."**

**Recent public-opinion polls show that Canadians are now slightly less favourable to immigration than they have been in the past. Are you experiencing any pushback to what you're doing, especially in smaller communities where residents might not be used to newcomers?**

This spring, we participated in a tour of 15 cities in New Brunswick led by the New Brunswick Multicultural Council. We were out there to educate folks who haven't had that much exposure to newcomers about the need for immigration to drive prosperity and address population challenges. That might open people's eyes to what *not* having more immigration could mean for services and tax revenues. That approach is a good start in terms of helping people understand the facts. The number one topic is the economic health of the community. It's still too early to tell what the long-term economic impact will be. I think that might be best left to economists and politicians at the local level to gauge.

The other thing that came through in the rural discussions were local business people who didn't have any succession plan, and they were looking for that, and were open to newcomers being part of that.

#### **So you didn't hear much resistance to the idea of immigration in itself as way of growing the population or workforce?**

I can't speak for everyone in those communities, but it's not something we heard.

#### **You've only been doing this particular job a few months, but what are the early results?**

In terms of progress versus our 2018 target to hire more than 200 newcomers, we are trending to fall short, and will be continuing to look to fill those openings as we move into 2019. It is hard to say currently how many people we will bring in via immigration in 2018, as many are still working through the immigration process now.

One story comes to mind. A couple of years ago, when we started doing international recruitment in forestry, we hired a man from Ukraine, just a wonderful person. After working with us, he got his permanent residency and started his own forestry business. So he's now a small-business owner in New Brunswick and has hired people to come work for him from his country. We're really aiming for long-term retention. And when people come here, settle their families, integrate into communities, and then become ambassadors back in their own country, it's just amazing. ♦

**J.D. Irving** is hardly alone in struggling to find skilled workers. In CPA Canada's Q2 2018 Business Monitor survey, roughly six of 10 respondents said they had difficulty finding skilled workers and professionals to fill certain jobs. The quarterly survey canvassed the opinions of CPAs in senior leadership roles. The positions they found hardest to fill were skilled trades, skilled/IT positions and middle management. For more, visit [cpacanada.ca/businessmonitor](http://cpacanada.ca/businessmonitor).



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**Navdeep Bains, FCPA, already had one of the biggest jobs in Ottawa. Now he has a daunting new task—deciding what to do with Canadians' data. The country's economic future may depend on the answer.**

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**BY LUC RINALDI / PHOTOGRAPHS BY GUILLAUME SIMONEAU**

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**O**n Nov. 5, 2015, the morning after he was sworn in, Navdeep Bains approached a podium in the halls of Parliament Hill. It took him exactly 23 seconds—barely enough time to recite his unwieldy new title, Minister of Innovation, Science and Economic Development—to announce the return of the mandatory long-form census, which the Conservatives had scrapped in 2010. He lifted a copy of the document and struck a grade-schooler’s show-and-tell pose, flashing a grin for the scrum of photographers surrounding him. The smile wasn’t all show. Bains, a 41-year-old FCPA and four-term Liberal MP, is a self-professed “numbers guy.” And nothing gets a numbers guy going like a census.

Bains wasn’t the only giddy one. When the federal government mailed out the census the following May, a surge of traffic crashed the Statistics Canada website. #Census2016 trended on Twitter, where citizens posted selfies with their surveys and long-form fans griped about receiving the abridged version. The response rate exceeded 98 per cent, making it the most successful census in the country’s history. A sample tweet from one Toronto librarian: “I love this nation of nerds.”

Bains and his ministry are regularly behind Ottawa’s nerdiest endeavours: teaching kids to code, exploring the cosmos, funding scientific research. If there were a Dungeons and Dragons file, he’d be in charge of that, too. It’s an auspicious time to handle this portfolio. Since Bains took office in 2015, Canada has become a frontrunner in the race to master artificial intelligence, and start-ups have sprouted across the country. Toronto, Montreal and Vancouver each appear on a *Business Insider* list of the world’s top 25 high-tech cities, and Toronto has generated more technology jobs than Silicon Valley over the past five years, according to research by the American real estate services firm CBRE. As a politician, Bains may appear to be a mere supporting player in the story, making cheerleading pilgrimages to Silicon Valley and funneling federal money into “superclusters.” But in Ottawa, there is no one with more sway over whether Canada seizes—or squanders—its current innovation boom.

He is about to flex that influence more than ever. If the census was an appetizer, Bains is currently cooking up an infinitely geekier main course: the national data strategy, an expansive effort to regulate the heaps of digital information produced by our increasingly high-tech nation. Every time you send an email, book an Uber, order lunch on your phone, ask Alexa a question, swipe into your office, pick a movie on Netflix, file your taxes or google something, a new data point—often, more than one—is born. On its own, that



Resurrecting the long-form census

information is virtually useless. But together, those trillions of bits of data are more powerful than a thousand censuses. They reveal how people behave, who they are, how they feel and what they want—the kind of meaty intel that invites digital vultures to circle overhead. That data can help companies design services, AI algorithms perform tasks, governments create policy, advertisers sell products and political operatives sway elections.

Data has mostly stayed off politicians’ radar, understandably so, given 90 per cent of the world’s data was created in the past two years. That has allowed tech goliaths—the Facebooks, Apples and Amazons of the world—to dictate who collects, owns and profits off that data, burying the details in terms and conditions sheets longer than *Atlas Shrugged*. Then, this past March, news reports revealed that the U.K. political consulting firm Cambridge Analytica had used millions of unsuspecting Facebook users’ personal information to meddle in the 2016 American election and Brexit referendum. For the first time, ordinary Canadians began to worry about Big Data going bad: who was watching, what were they recording and how were they using what they found?

Governments now have their own questions. Who decides what gets collected and who’s allowed to collect it? Who owns all that data, who gets to make money from it and who

gets to tax it? Few countries have answered these questions. Canada is about to try. In June, Bains announced his ministry would conduct a series of cross-country consultations to inform a digital and data policy that's expected to be unveiled before the 2019 election.

Without such a strategy, experts warn Canada will continue to surrender information, and the power that comes with it, to foreign companies. But if the country acts early, it has the opportunity to set an example for the rest of the world and give homegrown companies a first-mover advantage. "In the consultations, people have told me this is Canada's moment to shine," says Bains. "They want to be very ambitious. How can Canada become to data what Switzerland is to financial services?"

**O**n a bright afternoon this past September, Bains stepped into his new office. It was his first day in the west wing of Ottawa's Confederation Building—renovations on the Centre Block had just begun—but the essentials were there: a copy of the Charter of Rights and Freedoms on one wall, family photos on the other, plus a few seats where Bains sits to chat with visitors.

And there are a lot of visitors. Since the Liberals took power in 2015, Bains has been the most lobbied cabinet minister on the Hill. Every day or two, he is courted by a new guest trying to direct his attention—and perhaps a portion of his ministry's considerable resources—to some facet of the various files he touches: trade, tourism, telecommunications and business

development, to name just a few not already mentioned. Among colleagues and in the press, Bains's sprawling portfolio has earned him the nickname the Minister of Everything.

In the House of Commons, Bains sits several desks down from the Prime Minister, with whom he shares a sprightly energy and dapper sense of style. He treats his turbans like a political mood ring: green for a carbon policy announcement, yellow for Trudeau's "sunny ways" speech, Grit crimson for just about any occasion. In session, he's a measured, even-tempered speaker—not a natural orator, but an accidental veteran of the craft.

As a young teenager, Bains registered for a speech competition at his Brampton, Ont., high school at the urging of his grandfather. In the days leading up to the contest, Bains memorized the lecture, a Sikh history lesson delivered in Punjabi. "When I went up to present, I saw the audience and froze," he says. He nervously muttered a few words, accepted defeat and fled the stage. "I finished in 19th place out of 20. The 20th person didn't show up."

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## **“PEOPLE HAVE TOLD ME THEY WANT TO BE VERY AMBITIOUS. HOW CAN CANADA BECOME TO DATA WHAT SWITZERLAND IS TO FINANCIAL SERVICES?”**

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Thanks in part to his dismal performance, Bains initially sought out a behind-the-scenes career. He admired his father, an Indian immigrant who built a 20-plus-employee kitchen cabinet manufacturing company, so he decided to study business administration at York University. There, he met his wife, Brahamjot, with whom he now has two daughters, Nanki, 11, and Kirpa, 8. "He was mature beyond his years," she recalls. Despite his apparent aversion to the limelight, he led the Sikh Students Association, volunteered at homeless shelters and food banks, and ran youth drop-in basketball programs, homework clubs and leadership retreats. "You could definitely tell he stood out as the one who took the leadership roles in all of his activities."

Navdeep and Brahamjot, also a CPA, both earned their designations after graduating from York. "It would open up more doors for me," says Bains. After getting his MBA from the University of Windsor, he took an analyst job at Ford. "My goal was to become the CFO or CEO. And I realized that an accounting designation would provide me the ability to understand budgets, business plans, marketing plans, promotions—to be able to succeed."

Bains's C-suite ambitions were derailed in 2004. One evening, after they'd watched a movie about JFK, Navdeep told Brahamjot that he was thinking about running for office. Their



His dance-off with Jagmeet Singh

neighbourhood was about to become part of a new riding, Mississauga—Brampton South, and he was disillusioned with the lack of representation for young people among the Liberal candidates. “The individuals who were running were the usual suspects,” he says. After complaining to his friends, one of them said, “You talk a big game. Why don’t you throw your turban in the ring?”

Bains went on to win both the nomination and the seat, thanks to the support of his sports and volunteer communities and a strong Liberal showing in Ontario. “You always hope to win,” says Brahamjot, “but we were prepared not to.” When Bains delivered his victory speech, he became a high-schooler again: his knees were shaking.

At 27, Bains was about three decades younger than the average parliamentarian and felt pigeonholed as a keen but ultimately unseasoned rookie. He was denied his top committee choices—finance, foreign affairs and industry—and instead placed on the ethics committee. But he quickly established himself as a workhorse, logging extra hours to make up for his lack of experience. His idea of a fun lunch hour was talking shop with the parliamentary budget officer. MPs privately tapped Bains’s expertise with numbers, asking him to, for example, guide them through the knottier details of funding government programs. “When you tell people you’re an accountant, they see you in a different light. There’s a level of respect for the profession, and that’s helped me,” Bains said in a Q&A hosted by Luminari, a Toronto-based career network for CPAs. “There are not too many accountants in politics. We need to change that.”

In late 2005, Bains received a call from the PMO. “When you get a call from a senior staffer from the Prime Minister’s Office, you’re not sure what to make of it,” says Bains. He thought, “Am I in trouble?” Rather, Paul Martin wanted Bains to be his parliamentary secretary—that is, a close aide and apprentice. “He was very bright, he had a great personality and there was always a smile on his face,” says Martin. “He was a very popular member of Parliament because of his insight, his judgment and the fact that he was able to work well with parliamentarians on both sides of the floor... It’s no surprise to me that he is one of the most important cabinet ministers today.” Before long, some wondered whether Bains had ambitions to follow in Martin’s footsteps. In 2007, when Bains was trade critic in Stéphane Dion’s opposition caucus, a senior Liberal staffer told the *Toronto Star* that he had the potential to be “the first Canadian prime minister in a turban.”

The 2011 election dashed that dream. Bains lost his seat when the Conservatives took office and Jack Layton’s Orange Wave relegated the Liberals to third-party status. For a couple of days, people called to say, “I’m sorry you lost,” Brahamjot recalls. “And then there was just silence.” At one point, Bains asked her to call him just to make sure his phone wasn’t broken.

After leaving Ottawa, Bains became a visiting professor at Ryerson’s Ted Rogers School of Business Management, where he developed a business and public policy lecture series that featured regular cameos from his Hill connections, including the former PM. Martin says it was around this time Bains began to develop an expertise on innovation and the digital economy. “Nav and Ryerson, at that point, were ahead of the debate,” he says.

In 2013, Bains became the national co-chair for organization on Trudeau’s leadership campaign and, two years later, won a seat in another new riding, Mississauga—Malton. (He will run as the incumbent there next year; in June, he became the Liberal’s first nominated candidate for the 2019 election.) “When I was first appointed to cabinet, I thought, ‘Wow, I’ve got name recognition. I’ve been in the media. People will recognize me,’” Bains said in the Luminari Q&A. “But for the first few weeks, many people took pictures of me thinking I was the minister of defence, [Harjit Sajjan].” Or, later, the leader of the NDP; in 2017, Bains appeared in a *Vice* article titled, “All the People Who Are Not Jagmeet Singh.” The pair generated more clickbait fodder earlier this year, when they faced off in a dance battle at a food bank fundraiser. (Spoiler: Bains takes it.)

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## HIS 2011 ELECTION LOSS WAS A SETBACK. THINGS WENT QUIET. AT ONE POINT BAINS ASKED HIS WIFE TO CALL HIM TO MAKE SURE HIS PHONE WASN’T BROKEN.

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Off the dance floor, Bains’s highest-profile moment came in 2017, when the Liberals unveiled their so-called innovation budget. It earmarked \$950 million for a “superclusters” initiative, a project intended to generate tens of thousands of jobs by turning five regions into commercial hubs for fields such as AI and manufacturing. It was greeted with suspicion, not least because no one knew what a supercluster was. Critics accused the federal government of playing favourites: every major province of the country got a cluster except for Alberta. The *Globe and Mail* likened the program to a “government-engineered Ponzi scheme.” If Canada wanted five Silicon Valleys of its own, it would need actual innovation, not governments to fabricate tech la-la lands by giving out grants. In *Maclean’s*, columnist Paul Wells revealed it was impossible to tell online who might actually lead these clusters, and Ottawa business consultant Mischa Kaplan wrote, “Perhaps someone should tell Mr. Bains that Silicon Valley somehow miraculously developed in the most unexciting of ways: a group of highly innovative and productive companies created products that consumers wanted... Washington was by no means the key development orchestrator.”

Yet the superclusters had their fans. Even Wells concluded his cynical column by admitting “it’s probably a good thing in a lot of ways.” And other Bains-led projects and budget pledges have been more warmly received: roughly \$2.7 billion for clean tech, AI and venture capital, a fast-track visa for Canada-bound tech workers in the wake of Trump’s travel ban, a revamped procurement program that would make it easier for start-ups to work with government, a strategy to protect





With Prime Minister  
Justin Trudeau

Canadian companies' intellectual property, efforts to introduce 5G wireless networks, expanded internet access in Indigenous communities. Of course, it's easy to love the guy handing out bags of money. But this smattering of programs and promises—many of them spurred by recommendations from start-up founders and industry advocates—endear Bains to the tech community. It also cemented his influence. With their budget, Trudeau and Finance Minister Bill Morneau had gone all-in on innovation—and, by extension, on Navdeep Bains.

**G**iving computers to Syrian refugees generates viral headlines. Withholding science funding incites marches on Parliament Hill. Announcing a national data strategy mostly inspires a collective “huh?”

For the uninitiated, experts often compare data to oil. Oil powered the industrial economy, and data will power the digital economy. We extract oil from the earth, while we mine data from just about everything on it: heartbeats, online purchases, pressure gauges. Whereas oil fuels cars, data feeds the AI algorithms that tell an autonomous vehicle where to go, how to get there and how not to hit anything along the way. “To the human mind, Big Data is meaningless noise; to computers, it is an information mine,” writes Dan Ciuriak, senior fellow at the Centre for International Governance Innovation, a Waterloo, Ont.-based think tank. “It is precisely the ability of computers to extract systematic information out of this noise that underpins the value proposition of Big Data and the algorithms built on it.”

Just how valuable is it? According to research by the blockchain-based data marketplace Datum, a single Twitter user's data might make the company just US\$16.15 per year, based on the company's average revenue per user. But if that person uses 20 different social networks and online services (e.g., Facebook, WordPress, SoundCloud), they can generate upwards of US\$2,000 per year for the companies collecting and selling data, despite the fact that such data often costs just pennies to produce and purchase. An entire industry of data brokerages exists solely to sell and buy this data; it's often estimated to be worth more than US\$200 billion.

Canada wouldn't let an American company stroll into the Alberta oil sands, suck up bitumen and sell it to Canadians without paying royalties or taxes along the way. With data, however, that's precisely what's happened. Because of obsolete policies, foreign power players can soak up Canadians' data and, for the most part, make off with the windfall. “Private companies can effectively work like government if they can control the information that gets produced,” says Blayne Haggart, a data governance critic and associate professor of political science at Brock University. “There are going to be rules. The question is: who's going to set those rules? If left to the private sector, they've got certain motivations, like profit, and they're going to do whatever it takes to make money.”

Haggart and other critics instead want the government to step in. They may want the data strategy to achieve different things: it could stop Canada from bleeding billions by giving citizens greater control over who has access to their data and



how they use it; it could tax companies, like data brokerages and social networks, that profit off data; it could position Canadian companies, rather than American interlopers, to reap those profits instead. But they virtually all agree Ottawa needs to act. “This is something that we should have discussed 15 years ago,” says Haggart. “Democratic accountability is pretty much the only direct way that you and I as citizens have to control how this stuff gets used.”

Pressure has mounted in the past year. Last December, the National Research Council presented the case for a national data strategy to senior civil servants, warning that Canada could become a “nation of data cows.” In March, the Cambridge Analytica scandal broke. Then, in May, former Research In Motion CEO Jim Balsillie, another CPA, called the data

strategy “the most important public policy issue of our time” and pressed MPs to regulate or risk falling victim to “surveillance capitalism.”

The following month, Bains announced the digital and data consultations, a months-long series of 28 roundtables in 16 cities comprising academics, CEOs, scientists, think tanks, Indigenous leaders and others. “We’re in a global innovation race,” says Bains. “We really need to step up our game.” In addition to questions of data governance, the consultations will address fundamental elements of preparing Canadians for the future economy, such as providing rural internet access and ensuring Canadians have the skills they’ll need for an estimated 2.4 million new jobs over the next four years, many of them requiring digital proficiency. Findings from the consultations

will be presented this fall, and observers expect a formal policy to follow in 2019, though the ministry has not committed to a timeline. “We’ll be rolling it out,” says Bains. “We want to first take the feedback from the consultations, then listen to and analyze the information that we get. Based on that, we’ll determine what that path looks like going forward.”

Bains says the first step should be to earn Canadians’ trust, to assure them that government won’t misuse their data as private companies have. “If people don’t have trust and feel their privacy is protected, and feel that issues of consent aren’t dealt with properly, then we can’t really have economic opportunities or leverage the new jobs being created.” The strategy will also have to find a Goldilocks solution between too much regulation, which would protect Canada’s data but perhaps stifle innovation, and too little, which could have the opposite effect. Bains points to the U.K., which launched a digital charter in January. “It’s not about being too prescriptive,” he says. “It’s about a principles-based approach when it comes to protecting people and their data. I think there is a lot of merit to that approach.”

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## **PRIVACY. SKILLS DEVELOPMENT. HOW DATA GETS COLLECTED, USED AND TAXED. IT’S ALL ON THE TABLE. “WE ARE IN A GLOBAL INNOVATION RACE,” SAYS BAINS.**

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Data may seem like the realm of start-ups and tech CEOs, but Bains emphasizes the strategy will apply to primary industries, too. John Deere, for example, uses sensors in its tractors to measure soil and crop conditions, then sells that data back to farmers. “When people think of innovation, they think of the latest smartphone,” says Bains. “But there’s so much innovation happening in agriculture, in forestry, in mining. These companies understand it’s innovate or die. The question is, do they have the resources? Do they understand how to leverage data in a meaningful way?”

The good news is that Canada’s primary industries are already outfitted with more than \$50 billion in so-called simple sensors, affixed to gauges and conveyor belts across the country. They don’t currently talk to one another, but a data strategy could include plans to “wake them up”—that is, upgrade the sensors to constantly feed readings to a central database. Viewed together by an AI application, the data might reveal ways to cut costs, improve performance and reduce emissions. In the U.K., for instance, the AI lab DeepMind is in discussions with the National Grid to use data to optimize usage and slash energy bills.

Haggart argues the consultations have so far prioritized job creation and individual data privacy over larger societal

questions, such as what data gets collected, by whom and how it’s used. Should data be owned by individuals, private companies or the public? And who should decide? “The government is to be commended for the fact that they’re actually dealing with these issues,” says Haggart. “They’re moving in the right direction, but they need to go further. It has to be bigger than a summer consultation.”


**T**he data strategy will face one of its first and fiercest trials in Quayside, a dreary L-shaped slice of Toronto’s eastern waterfront. Today, it’s populated by industrial offices, derelict soy silos and rows of parked cars. Over the next several years, Sidewalk Labs, a Google sister company based in New York, intends to transform it into a “neighbourhood built from the internet up.” Early plans propose a mixed-use community of sleek mid-rise condos, rental towers, street-level shops and oodles of public space. Self-driving cars will zip through the streets, tiny robots will ferry trash underground, and hexagonal tiles—equipped with LEDs and temperature controls to melt snow and ice—will shapeshift from road to bike lane to sidewalk as needed. Every inch of the smart city will produce data: building occupancies, trash levels, foot, bike and vehicle traffic numbers. In its initial bid for the land, the company wrote, “Sidewalk expects Quayside to become the most measurable community in the world.”

In the firm’s telling, Quayside will become a sci-fi utopia. To critics, it’s an Orwellian nightmare. Until recently, Sidewalk had released few details about what data it would collect, how it would be used and who would own it. Inside Waterfront Toronto, Sidewalk’s tri-government partner, these and related concerns prompted the resignations of CEO Will Fleissig; board member Julie Di Lorenzo, a developer; and digital strategy advisors John Ruffolo, a venture capitalist, and Saadia Muzaffar, an entrepreneur.

In October, as criticism mounted, Sidewalk presented its plans: an independent Civic Data Trust would control Quayside’s data, the majority of data would be public and freely available, and monetizing data would not be a “key part” of its business model. Detractors were unmoved. Bianca Wylie, co-founder of Tech Reset Canada, wrote, “Sidewalk Labs continues to act like it’s the government”—and that Waterfront Toronto had failed to rein them in. “This is Waterfront Toronto’s mess to answer for.”

Bains says he is confident Waterfront Toronto’s digital strategy advisory panel will ensure the project is carried out appropriately. “Waterfront Toronto manages this project on behalf of all orders of government and takes seriously the concerns surrounding data and privacy,” he says. “We will continue to work closely with Waterfront to ensure this innovative redevelopment takes place in an ethical and accountable fashion.”

Bains has so far had the luxury of taking a wait-and-see approach to the data strategy. But a showdown is looming—Sidewalk Labs will deliver its final proposal to Waterfront Toronto in early 2019—and Canada will soon need him to show some fangs. “Are we okay with Google setting the rules?” asks Haggart. “It’s got to be somebody, and personally, I’d rather it be someone who’s accountable to me—and to 35 million other Canadians.” ♦



# If You Could Read My Mind

**CPA Erin Kelly is pioneering artificial intelligence that knows what you're thinking without even asking. Is this the future of polling?**

**BY BRYAN BORZYKOWSKI  
PHOTOGRAPH BY DEREK SHAPTON**

**On June 23, 2016**, much of the world was glued to their televisions or obsessively checking their news feeds to see whether British voters would choose to leave the European Union. Most experts thought that Brexit was a long shot. But not Erin Kelly, the CEO of Advanced Symbolics, an Ottawa-based company that uses artificial intelligence to predict outcomes and help change behaviour. She knew that “Leave” would win. AI had told her so.

A few months before the referendum, Kelly, a CPA, began having her AI platform—which she’s named Polly—read newspaper articles about Brexit so it could learn the major players and stay up to date on issues that could affect the vote. For most of that time Polly was predicting a win for “Remain.” That started to change on June 16, when the “Leave” and “Remain” campaigns said they would take a three-day break to honour Jo Cox, a Member of Parliament who was assassinated that day.

It was during that break that the computer said “Leave” would win with 52 per cent of the vote. Which is exactly what happened. “We were like, ‘Oh my God, what’s going on?’” says Kelly. Because AI can analyze millions of data points in a near instant, including, in this case, news stories and social media sentiment, it was able to pinpoint the break as a turning point. Not only that, but by running algorithms after the vote, Kelly was able to determine why things flipped. “It was because of a drop-off in conversation,” says Kelly. Had Cox not been murdered, and had there not been a campaign break, the vote might have been “Remain,” she says.

By that point, Polly had been programmed to look back at a year’s worth of data, and it knew that when engagement declined, undecided voters were less likely to hear pro-EU messages and more likely to vote for Brexit. So, when things quieted down before the election, it knew, based on patterns in the data, that “Leave” would win.

It was a fascinating study on the predictive powers of AI, Kelly says, and along with a correct prediction on the popular vote in the U.S. election, it put her budding polling firm on the map. Advanced Symbolics is a 15-person company she founded with Kenton White, chief scientist and developer of the AI. It’s not in the business of election polling—they follow politics because it generates interest in the company—but she does work with policy makers, companies and foundations to help them better understand human behaviour.

Companies tend to approach Advanced Symbolics for the same reason they would any polling firm: they want to know what the public thinks. Unlike traditional polling companies, however, Kelly’s business uses social media to measure public opinion. Polling companies, she says, often can’t get a truly representative sample of a population—the rise of cellphones means phone polls get less precise geographic and demographic information on those who answer, and only a certain kind of person tends to answer questionnaires in the first place. People aren’t always honest about what they think or do, either.

Advanced Symbolics scours social media mentions—it looks at aggregate data without storing any personal information—

and gathers huge amounts of intel, cross-referencing it against news stories, academic journals, websites, Statistics Canada and whatever else is relevant to come up with an answer to a company's question.

Once clients come to understand the power of AI, Kelly says, they often want Polly to look at more complicated issues, things they might never have thought to ask about. For instance, the company recently completed a major transit study for a Canadian city that found people are using transit much differently than it thought. The city (which Kelly can't name because of a non-disclosure agreement) originally wanted to find out how people move around where they live—by car, bus or other modes of transportation. When they saw what AI could do, they asked if Polly could help plan optimal transit routes. It did, by looking at millions of social media messages, such as Twitter and Facebook posts, likes and mentions from within the city. And not just messages that said, "I'm taking a bus to work," but also posts that referenced an activity (going to the movies) or a location (the cinema) without ever mentioning transit.

Phone polling would not have been able to capture some of the nuances in how people travel. Polly found, by parsing social media data, that single people aren't always going to sleep at the same address—they might stay over at a boyfriend's or girlfriend's house—and so they're commuting from a different area than a phone poll would have suggested. In areas with large single populations, that could affect transit planning in a big way. Thanks to the information that was gathered, the city is reworking many of its routes and adding transportation to areas that were busier than originally thought.

What the company does is complex, but at its most basic, it's looking for patterns in something to predict what might happen next, Kelly says: "Something might not be an issue now, but it might be six months from now. We want to know when something will go viral or be a trend."

**Kelly's career path from accounting to AI** is not as odd as it may first seem. She studied accounting, she says, because she loves analytics and because "at the end of the day everyone needs an accountant." As she went through the CPA program, though, she realized she wanted to work for herself. Her father had an entrepreneurial background—he owned several pub-style restaurants—and she was drawn to the do-it-yourself lifestyle. The CPA designation helped, too. "Having

an accounting degree and a parent who runs a company is the perfect combination," she says. "I know the technical side of running a business, while having entrepreneurs in my family gives me the emotional background."

After getting her CPA, Kelly joined an advertising firm, which she enjoyed, save for one thing: no one really knew if what they were doing was having an impact on their customers. She'd look at data to see, for instance, if people bought more of something after an ad campaign went live, but she could never know for sure if those campaigns were changing behaviours. She tried to create an analytics practice at the firm, but there was little interest.

In 2014, she started her own data analytics firm using existing technology. At the same time, White, a computer scientist who spent years developing Polly, was starting his own analytics firm. The two were introduced by a mutual friend and



decided to join forces. Kelly had the business and marketing acumen to grow a company; White had the technical knowledge to create a powerful prediction machine. Advanced Symbolics was born.

Kelly sees AI as her company's critical competitive advantage. While other firms engage in "social media listening" to find out what people are saying about a topic or product, she says, that approach starts with keywords or company names. Polly's approach starts with developing a representative sample of a population. AI can parse an almost endless number of social posts and data points and it can fact-check information against academic research and census data to ensure that what it is gathering is truly representative.

## AI can tell a person's age, how much they make, even if they were drunk-posting

It can also make connections between words and posts that no human would think of connecting and conclude, based on information about a user, what the person does, where they work, their interests and more. Polly knows that someone named Madison was likely born between 1995 and 2005 because census data shows that more Madisons were born in that period. It can gauge the probability that someone is a certain age or ethnicity from a photo, and can deduce from publicly available messages how much someone makes, how they commute and even, based on how something is written, if a user was drunk-posting.

Kelly emphasizes that Polly does not collect personal information, and that nothing can be traced to an individual. It does look at names to help determine gender, but she insists it doesn't store that data anywhere. "We never see it, we don't even know how the name factors into what Polly is doing," she says. They use k-anonymity and differential privacy, two methodologies used by major organizations—Statistics Canada uses the former, Apple the latter—to process data without also gathering personal information.

It can be hard for humans to understand just how this all works, as only a machine can make millions of connections between seemingly disparate data points. Polly, like other AI platforms, can also learn new information about a topic, which enables it to make even more connections and predictions. For instance, with the Brexit experiment, Kelly fed Polly five newspaper articles so it could identify, in future stories, who the main players were. She then asked it to read as many articles as it could on its own, which then helped connect Brexit-related events to the millions of social media messages it was monitoring.

Still, Polly has its limitations. It needs at least 10,000 people within a target market to be talking about a topic—at which point messages start appearing online—before it can learn anything. So Advanced Symbolics doesn't work on small, niche issues—Brexit is fair game, but a company wanting to poll its 200 employees is better off using an old-fashioned phone poll. More notably, it can't account for people who don't post to any social media at all. Kelly insists, however,

that so many do that her company can still get a representative sample of the population.

About half of Advanced Symbolics's work is for the private sector—it counts Disney, Cadillac Fairview and Fidelity Investments among its clients—and half is with the public sector. In the recent Ontario provincial election, Polly's analysis included 1,069 Indigenous people, many of whom are missed in traditional polls because they are a smaller subset of the population, and many don't have landlines. "They are online much more than on landline phones," says Kelly, and in any case, they typically refuse to take phone surveys. Kelly argues that if oft-ignored minority groups are included in polling data, even if they're unaware they're being listened to, their views will matter more to politicians and the result will be better policy.

Ultimately, Kelly says, her work is meant to help clients deliver what people really want, including CPAs. Already, AI is replacing some basic accounting functions, like book-keeping, and the more advanced it gets the more mundane tasks it will do on its own. That will allow CPAs to focus on business strategy and other added-value work, she says.

A more advanced machine like Polly, which can help predict trends, will also give CPAs tools they've never had before. "CPAs want to be seen as part of the executive management team, where they can guide policy and help companies look at trends," she says. "AI is going to be helpful for that."

Advanced Symbolics is also in areas that go beyond corporate concerns. The company works with a client, whom Kelly can't name, on suicide prevention. Polly, she says, can tell through social media traffic if a community is more likely to have a rash of suicides. If, say, a plant closes in northern Quebec, it can see if there are more suicide-related messages coming out of that area. If there are, organizations could then send counsellors to the area before a crisis occurs—not after, as is usually the case. Of course, it can only know when a group is at risk, not an individual, because it doesn't collect personal information.

Essentially, Polly's goal is to pinpoint, in a way humans can't, why people do what they do—and then figure out how to change those behaviours. Currently, it does not offer recommendations on how to take action based on the information, but it would like to at some point soon. "Our hope is that we can change behaviours, but we haven't done that yet," says Kelly. "Right now we're predicting them but we haven't started the work on how to prevent them. What we are trying to do is help people get the help they need. There are different tools for different people, and we're trying to figure out the tools that help people do what they want to do."

Advanced Symbolics is only three years old. New funding from former Ottawa mayor and tech entrepreneur Larry O'Brien and the Kanata-based Capital Angels Network will help Kelly and White pursue work in the U.S. They are also looking to create an interface that would allow clients to come in and use Polly. It might even make politicians obsolete one day, says Kelly. "If AI can tell me what the population wants, then I don't need [a politician] to tell me," she says. "We can go straight to the people." She's joking—mostly. But the idea is a profound one: as Polly and other AI platforms improve, they'll know more about what people need and want better than anyone else. ♦



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# LAST OUT

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## EXTRAORDINARY ITEM

### BATSUIT CRAZY

A superjacket for wannabe Bruce Waynes looks to upend the adventure apparel business

BY MATTHEW HAGUE

**THE GAMBLE:** Vollebak, a three-year-old apparel brand for men, has released an outdoor adventure jacket coated in graphene, a microscopic super-material that is stronger than steel, waterproof, antibacterial and transfers heat away from your body so you might not even sweat. Graphene was discovered in 2004 by a team of scientists at the University of Manchester who later won a 2010 Nobel Prize in physics for their work. Ever since, researchers have had a hard time producing the material affordably at commercial scales—something that isn't expected to happen until 2025. That's when the global graphene market will have quintupled to US\$1 billion, creating an incentive for the blue chip companies that have been investing in its R&D—like Samsung, which holds one quarter of all graphene patents in South Korea—to mass-market their gear and gadgets, driving down the cost to consumers. Meanwhile, the price tag on Vollebak's superjacket—made

in conjunction with the team that produced Michael Phelps's ultra-fast LZR swimsuit for the 2008 Beijing Olympics—is US\$695. Are they making their play too early?

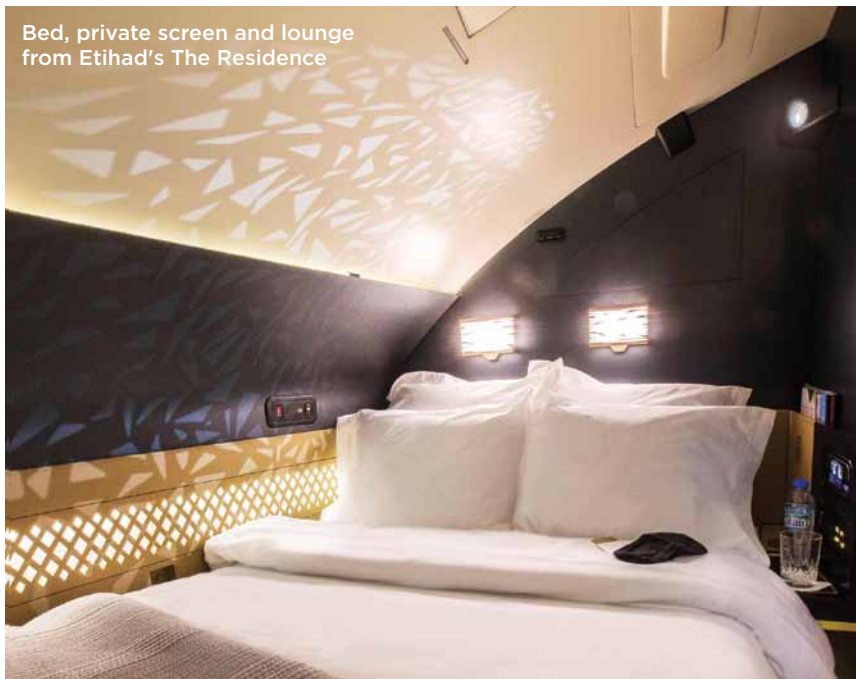
**THE PLAN:** The founders of Vollebak, British twins Nick and Steve Tidball, intend to use the novelty of the jacket—which they describe as part fashion, part science experiment—to their advantage. “In tech, you can either risk being early or late,” says Steve, who along with Nick previously worked in advertising. “We decided to be early. That way we can harness the collective power of early adopters—adventurers, entrepreneurs, scientists—as a test group. We believe they're likely to discover things that we simply don't know about how graphene behaves.”

**THE RESULT:** After launching in August, Vollebak's first run of jackets sold out in 10 days, and the company plans to release a second run by the end of 2018, suggesting Vollebak's timing is actually on point. “With a new, experimental material like graphene, the research and development phase may never be finished,” Steve says. “We could have kept it in a lab, and still be improving on this jacket in 10 or even 50 years' time. But by releasing it to the market now, we're hoping to achieve the scale necessary to drive the industry forward.” ♦

PHOTOGRAPH COURTESY OF VOLLEBAK



Bed, private screen and lounge from Etihad's The Residence



OUTWARDS

## CASTLES IN THE SKY

A new cadre of ritzy first-class cabins isn't wooing just affluent flyers. The air of luxury is attracting average travellers, too. **BY CHRIS JOHNS**

Michelin-starred chefs, bottomless vintage champagne, in-flight showers, even moisturizing pyjamas—the perks of first-class air travel have never been more opulent. And while some airlines are phasing out first class—United, Delta and Qatar airways are all removing theirs in favour of a more premium business-class product—others are doubling down, raising the level of pampering to dizzying heights and transforming the upper end of luxury travel.

According to the most recent numbers from the International Air Transport Association (IATA), premium-class passengers—that's anyone above economy—accounted for just 5.4 per cent of traffic in the first quarter of 2018, a number that remains unchanged from 2017, but produced more than 30 per cent of revenues.

When business class is removed from that calculation, however, the picture appears quite different. Because of the added space and level of service

required for premium seating—and because fewer passengers fly in this category—first class contributes only a single-digit share of total revenue according to the CAPA Centre for Aviation. Essentially, first class is a marketing play that confers luxury status on an airline, even if the majority of its passengers are crammed in the back, awaiting their pretzels.

“First class absolutely has a halo effect,” says Brian Sumers, aviation business editor for the travel intelligence media company Skift. “There are plenty of people out there that could never afford to sit in first class, but they see Etihad in Abu Dhabi or they see Singapore Airlines and they have these wonderful, opulent first-class cabins and there's so much space, so they just assume, if you get a whole compartment in first class, their business class must be great as well. And in most cases their business classes are good, but probably not that much better than any airline.”

For these lucky flyers, the pampering begins long before the plane takes off and, in some cases, even before they've arrived at the airport. Emirates airlines picks people up in a chauffeur-driven BMW. Etihad Airways, through its partnership with Mercedes, will deliver business- or first-class guests to the airport from anywhere in the UAE. Fly Brussels Airlines on a ticket valued at more than \$2,200 and they'll drive you to your terminal from just about anywhere in the Benelux countries, into parts of France and as far as Germany.

Once first-class flyers have arrived at the airport, there's nothing so plebeian as queues. After a curbside welcome, personal escorts through security and a trolley ride through the terminal (schlepping luggage is for mortals), it's time to settle into the lounge.

A honed green onyx hallway lined in plush carpet leads visitors to Cathay Pacific's The Pier first-class lounge in Hong Kong. There is, as one would expect, a full-service dining room and bar, but also fully private walnut-wrapped day suites overlooking the tarmac. Across the terminal, its other lounge, The Wing, includes cabanas with rainforest showers, full bathtubs, plush robes and slippers. A first-class round-trip flight between Toronto and Hong Kong starts at \$19,000.

Not to be outdone, Thai Airways Royal First Class Lounge in Bangkok offers passengers an hour-long full body massage, so guests can board the plane in a state of gelatinous bliss. Have a long layover in Zurich? Swiss Air's E Lounge offers guests access to day rooms that are essentially full hotel suites complete with double beds, ensuite bathrooms and balconies overlooking the runway. That's in addition to the two restaurants, 1,000-bottle wine humidor and whisky bar with a selection of more than 120 of the world's best.

Rubbed, scrubbed and maybe just a little bit buzzed, it's time to board the plane. If it's a good night's sleep you want, the best beds in the sky right now are thought to be those in Air France's La Premiere suites. They're extra wide and long (30 inches by six and a half feet), and the mattress,

pillows and bedding are from the French luxury hotel chain Sofitel. Cathay Pacific's beds, in addition to the requisite 500-thread-count linens, feature a built-in massage function.

If you're flying in one of Emirates's Boeing 777 aircraft, you'll be shown to your private suite, 40 square feet of Mercedes-Benz S-Class-designed space complete with floor-to-ceiling sliding doors, a 32-inch television screen and individual climate control. Centre suites have "virtual window" LCD screens that display in ultra hi-def what's going on outside the aircraft. A seven-hour flight from Dubai to Geneva in one of these seats costs almost \$11,000.

For the ultra-rich, it isn't a bad deal compared to a flight aboard a private jet. Hiring a mid-sized eight-seater Citation XLS to take you on the same trip costs about \$65,000 each way, just slightly less per person than the

first-class ticket on Emirates, but requires a fuel stop in between and the amenities—discrete room service through a "service window," those moisturizing pyjamas, a fully reclining bed—don't come close.

Last winter, as part of a billion-dollar fleet upgrade, Singapore Airlines unveiled its signature suite. Each cabin, designed by French luxury yacht designer Jean-Jacques Coste, comes with a chaise longue, 23-inch TV and separate bed. Suites in the middle can be joined together and a double bed can be formed.

And while that sounds like peak luxury, it isn't. Etihad recently revealed its 125-square-foot behemoth, The Residence. The three-room suite comes complete with a leather double sofa in the living room, double bed, private shower and a Savoy Academy-trained personal butler. Flights from Abu Dhabi to New York cost on average \$30,000.

It's all enough to make a traveller wonder where we can possibly go from here. And yet, perhaps not surprisingly, Airbus has a notion: it recently released a concept for the future of flying that included holographic touch screens to replace the current entertainment systems, an onboard golf simulator and a seating area surrounded by a transparent membrane that would offer unparalleled views of the surroundings.

Until then, most of us will have to be happy with the bag of pretzels. ♦

## VALUATION

# WHAT TO THINK ABOUT INK

Tattoos make it harder to succeed, right? New research says it's not so simple. **BY PETER SHAWN TAYLOR**

Tattoos were once a reliable way to spot pirates, convicts and Maori tribesmen without having to look at their resumés. Today, they're so common your mother could show up for a job interview with a tat in sight. As tattoos go mainstream, what should employers think about ink?

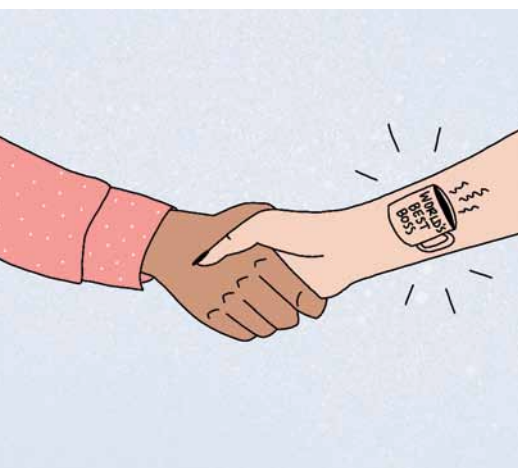
According to a recent Harris Poll, 47 per cent of American millennials have at least one tattoo, and more than one-third of that group have four or more. (Canadian numbers are not available.) Despite their growing popularity among younger generations, however, tattoos still trigger a variety of negative responses from the job market. In one survey of human resource specialists, conducted by York College of Pennsylvania, 60 per cent agreed that having a visible tattoo is "the best way to not get hired for a job." So while tattoos may be routine among the under-40 crowd, they're far less popular among middle-aged hiring managers.

Two new academic studies throw some much needed light on the complicated issue of what tattoos mean and how they might be affecting the job prospects of those who have them. Anne Wilson, a social psychologist at Wilfrid Laurier University in Waterloo, Ont., and her co-author, Bradley Ruffle, a Laurier economist, used a series of online experiments involving trade-offs between short-term and long-term rewards to see if people with tattoos think differently than those without when planning for the future. It seems they do. "People with visible tattoos, particularly men, show a tendency to be more impulsive and short-term oriented," she says in an interview. It's a result that seems to confirm the stereotype.



Another study published this summer, from researchers at the University of Miami and the University of Western Australia, looks at the actual performance of tattooed workers. And regardless of any evidence about impulsivity or short-term thinking, tattoos don't seem to hurt. Across employment, wages and annual earnings, the researchers found no sign that a tattoo was associated with negative outcomes. "Having a tattoo does not appear to be associated with disadvantage or discrimination in the labour market," the paper reports.

This new data doesn't come as a surprise to Wilson, despite her own findings. While impulsivity is often considered a negative trait, she points out it can also be a sign of attributes like creativity, unconventional thinking or the ability to make quick decisions. "Having a tattoo may be a signal of positive characteristics for some industries," she says, especially when people sort themselves into careers that match their personalities and characteristics. Plus, there's a big difference between a tattoo that lingers after a regrettable Spring Break debauch, and one that's a carefully thought-out memorialization of a loved one. Finally, Wilson points out that as those well-tattooed millennials progress into management, negative preconceptions about tattoos will inevitably fade into irrelevance over time. If everyone has one, no one will care. ♦



## PAYABLES

## THE LOYALTY DILEMMA

Shoppers are trading their personal data for discounts. Is the trade-off worth it? **BY NICHOLAS KÖHLER**

In the growing world of food retail apps, nothing says "loyalty" like Domino's Zero Click. Launching it causes an old-style kitchen timer to pop up on your screen and count down 10 seconds, after which your local Domino's will get an order for your favourite pie—without you having to do a thing. The conceit here is that Domino's knows you so well it can deliver what you want without you even asking. "Ten seconds goes by really fast when you're placing an order. All of a sudden you're like—'whoa!'" says Dennis Maloney, chief digital officer at Domino's Pizza in the U.S. "There really is no easier way to order in the digital space."

In the last few years, more and more consumers have started buying food with phone in hand—and loyalty app open—to earn or redeem reward points. Increasingly, we're even paying with our phones. Citing the convenience of quick, no-hassle orders and the wealth of food options available, some 50 per cent of smartphone owners in the U.S. say they use branded restaurant loyalty apps, according to a survey published by *The Manifest* in May. (Similar numbers aren't available here, but Canadians love their loyalty programs. A study by Colloquy, an industry research firm, showed the average Canadian household had 13.3 loyalty memberships in 2016, half of those in the retail sector.) By the end of 2018, Starbucks, a loyalty app pioneer, expects its 23.4 million users to have made at least one point-of-sale purchase in the U.S. within the last six months, says industry watcher eMarketer. That's more than any other mobile payment system—even Apple Pay.

Sounds good—maybe too good. While there's little doubt it's a smart business move for retailers to maintain attractive loyalty programs—to both

win customers and generate useful data about them—some fear that consumers, already concerned about sharing data with mammoth digital players like Google and Facebook, will begin to worry they're sharing too much with their favourite food purveyors as well. Companies that use loyalty programs, then, must handle the data they collect with caution, to prevent both hacking and the unwanted sharing of personal information. They would be wise to focus on privacy and digital security—because there's no worse PR than when Big Data becomes Big Brother.

Of course, there's no question that apps can transform a business. Domino's, which in 2008 saw its stock price hit a low of US\$3—it's now at US\$288—turned itself around by treating pizza as a high-tech venture. It uses the data it gathers to streamline and optimize the experience of ordering—the Domino's app even lets users track the making, baking and travel of pizzas the same way the post office lets you track a parcel.

"We actually think of ourselves as an e-commerce company that sells pizza rather than a pizza company that sells online," says Maloney, who helped lead the company's digital charge—including the intro of an arcade-style smartphone game that for a limited time let players score points for future pizza orders. More typically, customers get 10 reward points for every purchase over \$10 and a free pizza at 60.

But like any other cyber currency, this leaves Domino's customers open to potential online theft.

"Today I got an email confirming a domino's order I didn't make bc someone HACKED my account," a woman in Arizona named Grace tweeted in July, adding: "I called the store and the guy literally took it out of the oven, threw it away, and told me

he'd tell whoever came for it to [get lost]." The tweet went viral and prompted Domino's reps to reply with an offer of assistance. The company attributes such incidents to people who use the same password across multiple online accounts. "This is not an issue with the security of our platforms," a spokesman said.

Point theft raises an interesting accounting question: can a victim write off stolen points? In order to do so, they'd have to argue they depend on those points for their livelihood or for the operation of a business—meaning they'd have better luck deducting \$500 in lost Air Miles than a \$10 pizza credit. According to Jonathan Farrar, CPA, an associate professor of taxation at Ryerson University's Ted Rogers School of Management, "the more interesting question is not from the perspective of the person being hacked, but from that of the hacker. So I've hacked in and now I'm using someone else's points—is that income to me?" At least as far as the Canada Revenue Agency is concerned, Farrar says that's likely a yes. "Because I'm now benefitting from using their points, the CRA has the view that you need to put forward any kind of profits, even from illegal activities."

Accounting implications aside, incidents like these highlight the fact that customers who use loyalty apps are trading data for convenience and points. That dilemma of data—our desire for the benefits of being known versus the intrusiveness of surveillance—is the same trade-off many have made with social media. And as in the realm of Facebook and Instagram, the way customers react can often shake out along generational lines. "I think millennials and Generation Z are probably more open to it. It makes them feel special because they're being targeted for this or that offer," says Patrick Sojka, founder of Rewards Canada, which monitors loyalty programs. "The older crowd is probably more wary. Like, hold on a second! You're tracking me?"

It's also become less clear who is actually collecting your info: often it's not the retailer whose app you're using



## CONSUMERS ARE HAPPY TO EXCHANGE THEIR DATA FOR REWARDS AS LONG AS THEY SEE VALUE IN THE BENEFITS THEY GET IN RETURN. "IF IT'S RUBBISH, PEOPLE WON'T USE IT."

Driving the proliferation of mobile rewards apps are third-party outfits that specialize in managing the complex back-end operations involved in running the systems. They're cheaper, more nimble and can allow retailers to keep the programs in-house (rather than partner with separately operated loyalty schemes such as those offering travel miles).

It was one such company, U.K.-based Eagle Eye Solutions Group, that helped Loblaw launch its new PC Optimum loyalty scheme early this year, combining the Loblaw and Shoppers Drug Mart points systems (more recently, hundreds of Esso and Mobil stations partnered to begin offering these points as well). Eagle Eye's digital machinery works behind the scenes to monitor purchases and manage points in real time across multiple platforms. Loblaw uses the data to streamline operations through one program and tailor its rewards for individual consumers.

"What PC Optimum delivers are very personalized offers that get richer over time as they understand

more about the data—about you," says Eagle Eye chief financial officer Lucy Sharman-Munday.

That means that shoppers who buy hummus, deli meats and President's Choice-branded canned seafood will begin to be rewarded for maintaining those habits, with points awarded for just those items. "We run over a hundred million permutations of offers per week for Loblaw."

Sharman-Munday says that, because Loblaw has ties to Simplii Financial (formerly PC Financial), it's possible that the PC Optimum app could soon include payment capabilities similar to the Starbucks app, by tying a credit card into the mechanism—upping convenience but also amplifying what Loblaw knows about you. And yet she argues consumers are happy to exchange their data for rewards as long as they see value in the benefits they get in return: "If it's rubbish people won't use it—they'll just think they're being spammed," she says. "You've got to have something valuable to give them." ♦



## BOOK VALUE

## SECRETS OF THE SCALE

Delegate, diversify and other lessons from Elad Gil's business-building bible **BY BRIAN BETHUNE**

For entrepreneurial dreamers there's no end of advice manuals, from *The First 90 Days* to *The Complete Idiot's Guide to Low-Cost Startups*. What Elad Gil—ex-Google, ex-Twitter, serial entrepreneur and angel investor—has to offer in *High Growth Handbook* is a rarity: pragmatic, valuable advice for the almost-unicorns, the start-ups that hit a sweet spot from the get-go and begin growing exponentially. Gil has been there himself, albeit not on the crest of the wave. When Twitter bought his seven-person start-up Mixer Labs in 2009, the soon-to-be social media giant had about 90 employees. Gil stayed with Twitter for two and a half years, and by the time he left, it employed 1,500.

All such companies face the same issues—from founders learning to deal with boards of directors to finding the talent they need to hire—and often make the same mistakes. First-world problems, perhaps, the sort of issues a founder maxing out her credit cards to pay expenses might envy, but they are certainly real and tricky to navigate. Gil, who knows his start-up jargon, from “scaling” (expanding) to “reports” (not documents, but the people who now answer to a founder-CEO), also has a nice touch with homely metaphors in a book addressed directly, in the second person, to start-up founders. If your co-founder is your spouse, then your board of directors are in-laws: “You are going to see them regularly, they are hard to get rid of, and they can have an

enormous impact on your company's future.” The overall effect is a book as accessible as it is useful.

What to do with yourself, the most important question of all, kicks off the book. Founders-turned-CEOs are often surprised by the demands exerted by management and organizational issues. There will simply be no time for the business itself until a strong executive team is in place: take too long at that, and burnout is inevitable. Learn to say no, and delegate, delegate, delegate, advises Gil. You have to identify and focus on the things only you can do. Avoid even what you like—perhaps you enjoy writing code, but now you employ 50 programmers, so leave it to them. Dial down the media access: “Do you really need to talk to *Dog Life Monthly Webzine*?” asks an acerbic Gil.

Since someone has found your concept potentially lucrative enough to advance you millions of dollars (otherwise you would not be scaling up), a board of directors will arrive as surely as night follows day. Most start-up founders realize their relationship with board members, both the independents and those from venture capital (VC) firms whose seats are guaranteed by the financing agreement, is significant. But fewer are aware they have to be on top of it from the very start—if only because board members are difficult to unseat once they're ensconced.

Most will come from the VCs, and Gil advises accepting a lower valuation if that means better board members—senior operatives with networks and experience. And remember the VCs have their own fiduciary duties to their shareholders, which makes your independent directors crucial. If you find good ones, ideally people who have been in your shoes, from “two guys in a coffeehouse to thousands of employees,” and thereby understand the constant chaos and existential crises that go along with exponential growth, they will help you push back against the short-term bottom-line focus of the VCs. That's why, in naming independent directors, you need to find true independence. Be cautious about VC suggestions, because their candidates will often be

in debt to them. (There is an entire subsection on how to spot a “VC crony.”)

What may be Gil's most compelling theme is the need for diversity, from senior executives on down to the most junior hire. There's no reason to doubt Gil is a mainstream Silicon Valley-ite—economically conservative (a raging capitalist, in fact) and socially liberal—but his stress on diversity has nothing to do with social justice. It's best illustrated in his interview with Joelle Emerson, founder and CEO of Paradigm, and Silicon Valley's reigning expert on inclusion and unconscious bias. She talks about a 2012 YouTube discovery. The company had launched a mobile product that allowed people to upload videos from their cellphones, but found 10 per cent were being uploaded upside down. YouTube, which had no left-handers on their design team for that product, eventually realized that left-handed users held their phones differently.

Not only does a diverse workforce help you reach a diverse customer base, it's a necessity in and of itself. Cutting-edge start-ups, the ones most likely to attract VC cash, have by definition limited talent pools to tap. They can't afford to ignore any corner of the prospective worker world. That's why you have to display diversity in the employees featured on your website, have diverse hiring committees for every position, offer what matters to your workers—start-up employees skew young, so make sure your benefits include topped-up paid parental leave—and seek out female business founders and entrepreneurs of colour for your board. They will all provide insights you may not even be aware you lack.

After 344 pages of solidly practical do's, Gil concludes with a few don'ts, mostly lighthearted in tone. The biggest comes in the spirit of *The Princess Bride*'s classic admonition to “never get involved in a land war in Asia.” Don't go to China, warns Gil, where tech companies end up blocked, cloned and shut down. And, although you'll have to read the book for a full explanation, never put a pool table in the office: “not a good sign.” ♦

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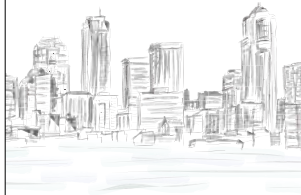


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## FUNNY BUSINESS

Neha Kohli, a 27-year-old CPA who splits her time between her consulting business and Toronto's Second City comedy troupe, might just be Canada's funniest accountant

BY MATTHEW HALLIDAY

When I got into Second City, I knew it was a once-in-a-lifetime chance. So, I quit my job, moved back in with my parents and called 2017 **"the Year of Neha."**

My dad immigrated from India when he was 27, leaving his family and business, so **he understands what it means to take a risk to do what you want.** My parents were apprehensive about my comedy. They wanted me to be happy, but also wanted to make sure I wasn't just going to stay home and sleep.

I started my own tax-consulting company to make ends meet. I specialize in entertainers—comedians, musicians, painters. **It's where my two worlds meet.**

In 2017, I worked 16 hours a day. I'd consult during the day, go to Second City, eat dinner, do a performance, go to bed, wake up and do it all over again. **But it didn't ever feel like work.**

I've gone skydiving, but **my first time doing stand-up was 1,000 per cent more nerve-racking than jumping out of a plane.** Nothing compares to being up there, alone, looking relaxed but trying not to throw up.

My parents are both accountants and always said, **"Accounting is a stable profession."** It doesn't take an accountant to figure out an accountant plus an accountant equals another accountant.

**Accounting makes me a better comedian.** I never thought they would complement each other, but they do. Working with numbers can be almost meditative, and it creates space for creativity. Sometimes I'm sitting there working on a return and suddenly a joke pops into my head.

I teach part-time at Centennial College. I want to counsel young accountants who are full of creativity and tell them, **"Life is short. Pursue what you want."**

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