

SMALL BUSINESS BEAT

The State of Small Business: 2008

Small Business Turns to New Markets to Maintain Growth



Always looking for ways to expand and grow, many Ontario small and medium-sized enterprises (SMEs) are investigating new export markets to diversify their customer base. Global markets are as competitive as ever, but with the right support and market intelligence, the province's small businesses are winning new customers around the world.

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Salute to Small Business
SPECIAL EDITION

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“Ontario is fortunate to be home to many wildly successful entrepreneurs and a skilled, multicultural workforce,” says Len Crispino, President and CEO of the Ontario Chamber of Commerce (OCC). “Combine that with unprecedented global market opportunities and Ontario firms are in a very good position to expand internationally. Firms that export outperform their non-exporting competitors and see an improved return on investment.”

As Crispino points out, an export diversification strategy is now a necessity for many SMEs. However, some SMEs need assistance to participate in the global marketplace. Help is now available through Export Market Access, a global expansion program launched by the Ontario Chamber of Commerce and funded by the Ontario government. The 2008 Ontario budget allocated \$5 million in funding to help SMEs increase access to global markets. Exporters can get assistance in making direct contacts (trade shows, exhibitions, trade missions, etc.), developing marketing tools (electronic media, promotional materials, branding, etc.), conducting market research and bidding on foreign projects.

“In today’s challenging economic climate, it is more important than ever that we strengthen the competitiveness of Ontario’s small and medium-sized enterprises,” says Harinder S. Takhar, Minister of Small Business and Consumer Services. “Export Market Access will help Ontario companies enter and expand into new markets, generating prosperity here and strengthening our presence on the world stage.”

Recognizing the abundance of opportunities in markets around the globe, the program gives preference to markets outside the United States. Crispino notes that while Ontario’s economy will always be strongly linked to the US, the expanding BRIC nations (Brazil, Russia, India and China) represent significant market potential among many other countries.

“Now is an ideal time to explore the opportunities for export and to take advantage of the emphasis being placed on diversification,” he says. “A little can be a lot when you’re dealing with a small business. If we can help our SMEs with that initial foray into a new market by sharing the cost burden, then we’ll help them reduce their risk and ultimately achieve success.”

The Canadian Federation of Independent Business (CFIB) is also encouraging its members to investigate their export potential. Satinder Chera, the CFIB's Director of Provincial Affairs for Ontario, says that Ontario SMEs have export opportunities in almost every sector.

Export Market Access is a cost sharing program funded by the Ontario Government that will assist small and medium-sized enterprises (SMEs) in Ontario in their efforts to expand into new export markets. In recognition of the abundance of opportunities in markets around the globe, preference will be given to those outside of the United States.

In the 2008 budget, the Ontario government announced \$5 million in funding to the Ontario Chamber of Commerce for a Global Expansion Program to help SMEs increase access to global markets.

Assistance is available in four areas:

1. Direct Contacts (international trade shows, fairs, exhibitions, and incoming and outgoing trade missions);
2. Marketing Tools (development of electronic media, promotional materials, and generic branding material);
3. Market Research; and
4. Foreign Bidding Projects.

SMEs that have been in business for a minimum of two years are eligible to apply. An application guide is available at www.exportaccess.ca.

Export resources

Ministry of International Trade and Investment: www.ontarioexports.com

Export Market Access program: www.exportaccess.ca

Industry Canada: www.ic.gc.ca

Foreign Affairs and International Trade Canada: www.international.gc.ca

Export Development Canada: www.edc.ca

Minister's Message



Small businesses have a clear advantage over large businesses: they can turn on a dime. They can respond quickly to changing consumer demands. They can be flexible and adaptable in their operations. They can react quickly to make the most of new market opportunities. In this issue of *Small Business Beat*, as part of Ontario's Salute to Small Business Month, we celebrate the many ways that Ontario's small and medium-sized enterprises are meeting new needs, discovering new markets and growing businesses that make vital, viable contributions to Ontario's economy. And they are crucial to Ontario's prosperity. Ninety-nine per cent of all the province's businesses are considered small- and medium-sized, accounting for over \$250 billion in economic activity.

As Minister, I salute you.

I salute innovative companies like LiveHive Systems and Icnene for identifying unique needs and building unique businesses. I salute individuals like Anthony Condello and all our Summer Company students, who are embarking on the road to entrepreneurship. I salute the thousands of firms that are responding to new opportunities every day—perhaps by exploring new export markets or by recognizing the potential in going clean and green. Together, you are the lifeblood of Ontario's economy.

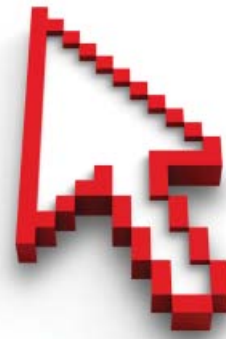
Our government offers a full range of services, programs and supports to help small businesses soar, and we've noted some of these in this issue. We know the strength of Ontario goes hand in hand with the strength of our small business sector. We're with you every day. And we thank you for your contributions to our economy and our province.

Harinder S. Takhar

Minister of Small Business and Consumer Services



The Ministry of Small Business and Consumer Services (SBCS) offers a wealth of services and resources for small business. Whether you're an experienced business owner or a future entrepreneur with only an idea, help is available in person, by phone, or through the web. Follow the hyperlinks below for direct Web access to the information you need. For a complete list of services and publications, visit the ministry's website at www.ontario-canada.com/ontcan/sbe/.



Discover What SBCS CAN DO FOR YOUR BUSINESS

Professional advice, in person

Located in centres around the province, the ministry's **Small Business Enterprise Centres** provide Information, advice and support for start-up and small enterprises during their first five years of operation. Get easy access to business consulting services and information covering management, marketing, technology and financing.

Entrepreneurs who need advice to grow and develop an established business can take advantage of the ministry's Business Advisory Service. **Business Advisors** in offices across the province provide targeted business advice, linking businesses with the people, information and business resources they need.

Write your business plan online

The **Interactive Business Planner** uses the Internet to help entrepreneurs write a three-year business plan for new or existing businesses. Entrepreneurs are guided through each section of their business plan with a Q&A format, using sample plans as a guide. The planner creates financial projections based on the information you provide.

Get the permits you need, fast

Obtaining the necessary permits and licences for your business can be frustrating and time consuming. **BizPaL** is a free online service that gives you one-stop shopping for the business permits and licences that you may require to start or expand your business. After you answer a short series of questions about your business, BizPaL gives you a customized list of the permits and licences you'll need, from all levels of government. You can also search specific permits and licences for any participating government. For a complete list of the current participating governments, see www.bizpal.ca/index_e.shtml.

One-stop Web business portal

The Ministry of Small Business and Consumer Services has partnered with ServiceOntario to build the **Ontario Business Gateway**, a Web portal with direct links to the most popular online business services. Links include business tax accounts, retail sales tax, WSIB, Employer Health Tax, MyBIS and many other services.

Get the latest info on e-business

The **E-Business Toolkit** can get you started on using Internet technology to facilitate doing business. Small businesses new to the world of e-business will find information and tools to help them get started and will soon discover that e-business doesn't have to be complicated.

All across the province, small businesses are reducing their carbon footprint to ensure a cleaner, greener environment. They also understand that going green makes good business sense.

Attracting customers and new growth

Increasingly, small businesses are going green as a matter of principle and pride. A Canadian Federation of Independent Business survey of its members found that doing things right, even at a cost, is important for small businesses. For example, it revealed that SMEs are “strongly committed to environmental protection, which is evident through their significant progress achieved during the past decade.”

When small businesses go green, they publicize their efforts; they incorporate their environmental innovations and improvements into branding, on websites and in business communications. Savvy business owners understand that customers who are concerned about environmental issues will seek out companies that operate in ways that reflect their beliefs. Studies further show that being environmentally responsible can affect a business’s public image, help attract new financing and improve employee morale.

Going green can also help businesses retain existing contracts and attract new ones. For instance, corporate

giants are increasingly requiring supply-chain partners to adopt ecologically sound practices that are compatible with their own.

Saving money

Another big benefit to operating in an environmentally conscious manner is the impact on the bottom line. Ontario’s Ministry of Energy and Infrastructure (www.energy.gov.on.ca) offers numerous tips on how small businesses can save energy and money. With a focus on heating and cooling, lighting, and equipment and appliances, ideas include:

- Replacing older T12 technology lights with newer, higher efficiency T8 lights, which can shave 25 per cent off operating costs;
- Adding occupancy sensors in areas such as storerooms and warehouses, which can save up to 30 per cent on associated energy costs;
- Replacing worn-out computer systems and monitors with those designated Energy Star®, which can save up to 75 per cent of the energy typically consumed by their conventional counterparts.

The Ontario Power Authority’s Every Kilowatt Counts website (<http://business.everykilowattcounts.com>) is another excellent source for business owners looking for ways to conserve energy. This site offers tips as well as information on programs, incentives and rebates to help businesses upgrade their equipment and facilities and how to participate in demand response initiatives.

In so many ways, whether by conserving energy, recycling paper products, developing more environmentally friendly products, switching company-owned cars to hybrids or other initiatives, Ontario’s small business owners are on board with green. Together, they are strengthening their reputations, taking responsibility as good corporate citizens, freeing up money to be spent or invested elsewhere—while contributing to the health and well-being of our people and the planet.

The state of the environment is a leading issue for Ontarians. People are concerned about greenhouse gas emissions and global warming. They understand the responsibility of this generation to preserve and protect land, air and water for future generations. They adhere to the Three Rs—reduce, reuse, recycle. And Ontario’s small business community is at the centre of the significant work being done.

Going Green Is Smart Business



In 2003 when A.S.H. Management bought the former Birks Building in downtown Winnipeg, the company had two goals: to preserve the exterior of the historical treasure while obtaining LEED (Leadership in Energy and Environmental Design) certification for green building design.

Icynene *LEEDs* the Pack



A.S.H. turned to the Ontario company Icynene for help with the LEED certification on this challenging project. There were dual challenges: the building was more than a century old and had been vacant for 25 years.

Established in 1986, Mississauga-based Icynene has built a reputation among environmental groups and builders for its safe, environmentally friendly and energy-efficient soft foam insulation—and it more than lived up to that reputation with the Birks project, which became the first LEED-registered retrofit project in Canada.

“We’re very proud of our contribution to the Birks Building,” says Icynene marketing manager Susanne Robbins, who notes that Icynene spray foam insulation

has been used in more than one million building projects across North America alone.

Icynene is the creation of chemical engineer Gabe Farkas, who is the company’s vice president of engineering. Disturbed by the horror stories of urea-formaldehyde foam insulation (UFFI) in the 1970s, Farkas developed the water-based insulation in his Toronto lab.

In the late 1980s, he teamed up with Graeme Kirkland, a Bay Street financier who arranged financial backing and marketing expertise, and throughout the 1990s, sales of Icynene moved steadily upward.

“The biggest challenges we had were educating building code officials and builders,” says Robbins. “But we worked away at it and slowly, but surely, convinced them of the merits of our product.”

Today, Icynene is the number-one spray foam insulation in the world. It’s sold through a network of dealers and distributors to building professionals on five continents. And it has won a slew of building industry awards, including being named top product in its category for 2007 and 2008 by the influential *Home Builder Executive* magazine. It has also been featured on numerous television programs, including the popular “This Old House” on PBS.

And although the building industry in North America has slowed down, Icynene is still enjoying double-digit growth.

The company attributes its success to three things. It has a superior product—in addition to being safe, environmentally friendly and energy efficient, Icynene creates a healthier indoor environment, reduces airborne sounds and lasts the life of the building. It also has a dedicated sales team, which has focused on building international markets, and a talented research and development team.

“Our R&D department is constantly working to improve the product,” says Robbins. “Most recently, we introduced Gold Seal 400, a portable retrofit kit for touch-ups and small jobs.”

What’s next for this innovator? Stay tuned.

Installation of Icynene’s environmentally friendly and energy-efficient soft foam insulation



LiveHive Systems

TAKES TELEVISION VIEWING TO A NEW REALM

THREE YEARS AGO, FOUR YOUNG ENGINEERS—ALL GOOD FRIENDS WORKING AT THE SAME WATERLOO COMPANY—WERE KICKING BACK IN A SPORTS BAR, MAKING FRIENDLY PREDICTIONS ON A FOOTBALL GAME TO SEE WHO WOULD BUY THE NEXT ROUND OF DRINKS.

It was something they did on a regular basis, but this time the four friends had a “eureka” moment. They realized that pretty much everyone else in the sports bar was doing what they were doing, but the television network wasn’t capitalizing on it.

Could there be an opportunity to use technology to let viewers become part of the program? To let them predict action, answer trivia and instant recall questions and participate in polls, all while chatting and competing with other viewers?

Over the next year, the friends’ regular sports bar rendezvous became business meetings as they hammered out their business model. Did the technology exist to accomplish what they envisioned? Could they convince external investors of the value? How about the networks?

And, of course, there were other pressing questions. Did they want to walk away from well-paying jobs and assume the risk of starting their own business?

In December 2005, with their venture capital in place, they established LiveHive Systems. For the next 18 months they worked on their NanoGaming platform, convinced they were on to something that would fundamentally change the television-viewing experience.

By June 2007 they had their first client.

“Global Television was airing the reality show ‘Big Brother’ three times a week,” says co-founder and president Dave Bullock. “The network wanted to feed the fans’ passion and reinforce their desire to come back night after night, and we persuaded them that NanoGaming would do it.”

It was spectacularly successful.

By August, LiveHive was creating a buzz in the television industry north and south of the border.

LiveHive webpage



“When I think back now, I realize how ‘Canadian’ we were,” laughs Bullock. “We thought we’d start with Canadian broadcasters, move to mid-size US broadcasters and finally sign the big boys.”

But just two months after their Global success, LiveHive signed on with Turner Sports to do online programming around their NASCAR coverage. Before they knew it, the little company from Waterloo was suddenly in big demand as other broadcasters from ESPN to NBC to MuchMusic wanted to get in on the NanoGaming action.

And networks weren’t the only ones lining up. Advertisers like Coke, Nissan and Shell were eager to use LiveHive and NanoGaming to help them talk more effectively to their consumers, while collecting information on them.

“It’s been quite a ride so far,” says Bullock, who attributes the company’s success to several factors.

“Like all great ideas, ours addressed a void in the marketplace,” he says. “To keep viewers engaged, networks needed to be able to offer them a better experience, which is what we could provide.

“We also made a good strategic decision by partnering with big, established companies like networks and advertisers. And, finally, we’ve got an innovative and dedicated team here. We couldn’t do it without them.”

What’s next for LiveHive?

“Digital media is changing fast,” says Bullock, “Our challenge is to predict how people will be consuming media in a few years’ time and be sure we’re ready to respond.

“It’s a fun spot to be in.”

Website: www.livehivesystems.com

Planting the Entrepreneurial Seeds

This was a record year for Summer Company, an Ontario government program that provides students with grants and mentoring to help set up and run their own summer business.



McMaster student Anthony Condello is using the proceeds from his summer company, Home Painting & Decorating, to help finance his final year of business school.

"We had more than 380 participants this year," says the Honourable Harinder S. Takhar, Minister of Small Business and Consumer Services. "That's a record number of youth for the program. We surveyed our past participants recently and found that almost a third of them remain self-employed after the program."

Summer Company is a successful program by any measure. The survey also showed that 99 per cent of the participants would recommend the program to friends. Anthony Condello, a business student at McMaster University in Hamilton, doesn't hesitate when asked if he'd recommend the program.

"Absolutely!" he says. "Summer Company is a great opportunity to get mentorship. And you're working with other entrepreneurs, so

you get a support network. You're not alone. You can share stories and experiences."

Entrepreneurship is nothing new for Condello, who just started his fourth year (accounting and economics) at McMaster's DeGroote School of Business. He started working on his own summer company two years ago with a home painting franchise.

"The franchise was okay," he says, "but I had less control than I would like. Logos, marketing plans, customer relations, even the kind of paint you use are all dictated by the franchisor. I had ideas that I wanted to try, and I couldn't do that as a franchisee."

The following summer, Condello took a job with a professional painter to gain experience. That's when he discovered the benefits of Summer Company at the Small Business Enterprise Centre in Hamilton.

"I got the details on the Web and applied online," says Condello. "I was away in Germany during the application process, but the Summer Company staff made it easy for me. We corresponded by e-mail. They were very helpful, especially with my business plan."

Summer Company participants receive up to a \$1500 grant at the start and an additional \$1500 on successful completion of the program and they can keep any profit they may make. Volunteer mentors meet with the young entrepreneurs regularly.

"I'm very appreciative of them," says Condello. "How else could I get that kind of professional advice for free? Working with the staff and the mentors at the sessions gave me new ideas and different perspectives from the marketing and legal mentors."

Anthony worked on his own during the summer, with occasional help from family and friends. His profit margins are up compared to the franchise painting business, and he has more than enough money to pay his tuition for this year.

"Eventually, I will be an entrepreneur," he says, "but I'll do an MBA in the McMaster co-op program first. Then I want to get experience in the financial sector and learn how to raise the funds for new ventures. I plan to have my own business in five to 10 years."

ONTARIO SMALL BUSINESS BEAT

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The focus of this newsletter is on business—successes, news, trends, opportunities, challenges and issues affecting Ontario's small and medium-sized business climate. Information is drawn from ministries and agencies across government and from other public sources believed to be reliable. All efforts are made to ensure timeliness and accuracy.

La version française du *Ontario Small Business Beat* est disponible sous le titre *Coin des petites entreprises de l'Ontario*.

We want to hear from you.

Comments and contributions are welcomed. Please write us by mail, fax or e-mail.

