



Disrupting the bear, a podcast by Deloitte

Episode 3 - transcript

Episode 3: Opportunities Abound

(Bryan Borzykowski- BB)

It's only natural to want to play it safe during a slowdown, but then you may be missing out on new opportunities. There are always new markets to attack and new products to deploy, even during periods of economic uncertainty. However, expansion needs to be done right.

Welcome to *Disrupting the Bear*. I'm Bryan Borzykowski. Our third episode looks at how companies can continue growing during a slowdown, and our first guest knows a thing or two about this. Janet Banister, the founder of Kijiji, and now a partner at Real Ventures, a Toronto-based venture capital firm, worked at eBay when the tech bubble burst and oversaw a global expansion at Kijiji during the 2008 recession. She has plenty of insight into how companies can expand during tougher times. Janet, thanks for being here.

(Janet Banister - JB)

Thanks so much for having me, it's great to be here.

(BB)

So let's start with some of your own experience going through a slowdown and downturns. In 2001 you were working at eBay; in 2008 you were running Kijiji. What was it like to be involved in these companies while things were slowing down in the economy?

(JB)

In both of those cases, we actually took advantage of the fact that the economy was slowing down and we accelerated our growth through both of those periods. And the reason we did was we were able to see the opportunity, and for both of those businesses, we viewed it as, "Hey, an economic slowdown is a great opportunity where people are looking to maybe declutter, sell some of their things, in order to get some extra spending money," and at the same time buyers were looking to save a little bit of money by buying used things. So from a pure business standpoint, we saw it as an opportunity, but I think also on another level, we saw it as an opportunity because a slowdown can enable you as a business owner to grow more quickly. Things such as talent becomes a lot more economical.

(BB)

I wonder, as a founder who's running their company, when you see a slowdown, when you see the big headlines saying there's a recession coming or things are going badly, do you feel a natural tendency to pull back? And do you have to kind of push through that to say, "No, I should be expanding"?

(JB)

Absolutely. I think that when the economy pulls back, when founders or CEOs are faced with negative headlines all day, it's natural for founders to sort of cocoon and to say, "Okay, I'm going to retreat." As a founder, you absolutely need to be more cautious, need to be more careful around your economics and where you're spending your money. At the same time, it can be an opportunity to grow. Often, if you're selling to businesses, businesses can be more open to buying technology that can help them reduce their costs to improve their efficiencies. Businesses can be more open to looking at new solutions, which can help them grow their sales more economically. So while yes, you need to be conscious about where your money is and how the economy is going to impact your sales, I would encourage founders to think, "How can I take advantage of this downturn in the economy to grow my business?"

(BB)

Now you're working with lots of different companies as a venture capitalist. Where do you see opportunities for Canadian businesses today outside in the world?

(JB)

I think there's lots of opportunity. We in ventures have invested in several hundred companies. The vast majority of our companies are based in Canada, but are selling to customers outside of Canada, whether that is the U.S., Europe, Asia or elsewhere. I think there's a great opportunity for Canadian companies to reach beyond their borders. One of the advantages that we have in Canada is that we are a country of immigrants. Fifty percent of the people living in Toronto were actually born outside of Canada. With

that comes a great diversity in the types of people who you can hire who understand different markets, who speak different languages, and that is very helpful in terms of expanding internationally.

(BB)

Are the buyers nervous in a slowdown too? Do you find that you have to be patient in an environment like we're in where the economy is slowing a bit?

(JB)

I think it depends on what you're selling and how you position it. If you can position what you are selling as a way to reduce costs, as a way to reduce improve efficiencies, as a way to get sales at a lower cost, then I think that you are fine increasing appetite for those sorts of solutions in a downturn. And you may be actually able to have a faster sell cycle. So I think it's not a matter of thinking, "Oh geez, is the economy going to reduce my ability to sell? Oh no, is it going to lengthen the time that it takes me to close a sale?" I would encourage people and say instead, "How can I use this downturn to sell more? How can I use this downturn to sell even faster?"

(BB)

How do you actually seize opportunities? How do you actually do it and make it work?

(JB)

The advice that I would give to CEOs is to think about all the different dimensions upon which you can grow. Think about your opportunity set along these different dimensions of changing your customers, changing your geography, changing your product offering, etc. Then what typically makes the most sense is to only change one dimension at a time, because you want to stick to what you're doing and expand in a way where you already have some expertise, some benefit, whether that is your customers, whether that's your product knowledge, whatever that is, and then expand in one dimension.

(BB)

What did you do? You did go into new markets. How did that work out as the world was crumbling around everybody, or it felt like that. You said you kind of kept pushing forward. What was the result of that?

(JB)

That was in terms of Kijiji. When I had launched Kijiji in Canada, I grew that business, and then I was heading the global Kijiji business. We expanded into several new countries in Europe. The result was we did very well. I think it was a couple of things. We took advantage of the fact that, for one thing, marketing costs were a lot lower. A lot of our revenue that we earned were from advertising, and those revenues fell; luckily, we were able to simultaneously reduce our cost of acquiring users, so that was good. We also spent time thinking about our product and refining our product to make sure that the user experience was better than ever, so that when we got our customers onto the site, we were able to satisfy their needs and generate as much revenue as we could from those customers. In some ways, a downturn can be painful, but it can also be a very good forcing mechanism that sort of

forces you to maybe tighten your ship a little bit, to get your product world-class.

(BB)

Our next guest knows a lot about expansion. Jennifer Lee, Managing Partner, Growth Platforms at Deloitte, has helped numerous companies grow their business. Jennifer, thanks for being here.

(Jennifer Lee - JL)

Well, thank you for having me.

(BB)

Talking about downturns, a lot of companies are nervous and wondering if they should sit back. Where could the opportunities be?

(JL)

Well I think it's an important topic at every executive table, whether you're a domestic-based company or one where you're looking for growth overseas. I think that companies that are focused just on Canada, it's about rightsizing your business and also using the downturn as an opportunity to make investments in places you'd normally not make investments, i.e. analytics, expanding your digital footprint, really understanding the consumer experience and how you can enhance consumer experience, as an example.

(BB)

Why is that important to do now as things are slowing down?

(JL)

Because I believe that in a downturn, as much as we hear about the negative downturn in the economy and what it's going to mean for business from a profitability perspective, it also creates opportunity for companies that have a war chest of cash, for example. Oftentimes in a downturn, it's hard to find good investments, so you have a lot of nascent cash sitting around, waiting for the right investment opportunity. Knowing that a downturn can come, if you're proactively managing the downturn, this could be a great investment opportunity, i.e. labour could be cheaper, the valuations are lower, and also it's a place where you can actually execute ideas and keep it under the radar. In an upswing, it's hard to get the same ROI. In a downturn, expectations would be lower and it gives you a chance for a lot more proofs of concept.

(BB)

What about expanding outside of Canada? Where are markets looking for Canadian talent or Canadian companies?

(JL)

Well, it's kind of interesting. Right now, I'm doing a lot of client work around going global, and you'd think in a downturn that this would not be on their radar. It absolutely is. The reason is that a lot of Canadian companies realize that they're overexposed in the U.S. It's a natural place to go when you're a Canadian company. But now they're starting to look to markets like France and Germany. Interestingly, one of my clients now is looking at the Asian markets. But how do you go into the Asian markets without actually going

into the Asian markets? And we started to determine that some of the European countries, specifically France and Germany, are great platforms to enter the Asian markets, which is counterintuitive in many respects. But given how global the Asian consumers are becoming, brands and retailers and those who are looking to build B2B businesses can actually use Europe as a gateway to Asia.

(BB)

What about Asian markets directly?

(JL)

Notwithstanding the politics in these environments, I still believe that Asia is a big market, and the question we have to answer for each of our businesses is, "Where does the IP sit?" For clients where there's high IP in the products and services that they offer, entering China in a surgical manner is going to be very important. The Alibabas of the world that we all know about, and the ability to enter those markets without necessarily opening up physical stores—that's the opportunity. Which Asian markets do we really want to focus on? If I look at the consumer space, South Korea, China, Singapore, huge opportunities. Very similar languages. It's a matter of finding the economies. You don't want to have to go and have to enter ten different countries with ten different languages.

(BB)

What about sectors? Are there some that present more risks for businesses or offer different opportunities?

(JL)

If you are a brand or a business that is looking for international growth, then you start to think of markets where there's lookalike consumers, where you can easily go in and test. France and Germany are interesting examples because they are very similar countries to Canada. So when you look at markets that are open for business, even despite the political chaos, there are still stable markets to focus on. Now how do you go into those markets? Testing and learning are going to be huge. The hurdle rates for growth will be lower because you're in a downturn market, but it's about building the infrastructure for the long term. Back to your question on which industries, if you are a retail business, it's going to be a challenging business. If you're a business that is a brand and you want to go global and you want to build experiences, you have a huge opportunity. For government sector opportunities like public sector infrastructure, the governments are going to be spending in those areas naturally to ensure that there's enough cash moving into the economy and they're managing employment.

(BB)

What about the U.S. and expanding to the U.S.? Or maybe you're in the U.S. and you want to continue expanding. With some of the issues going on there—possible slowdown, trade wars, America-first—is there still a lot of opportunities for Canadian companies there?

(JL)

It really depends what category you're in. But the way in which you enter the U.S. needs to be regional. Those who say, "I'm going to enter the U.S.,"

my question to them is, "Where within the U.S.? Where do you have experience with lookalike customers and where do they show up in the U.S.?" Again, that surgical approach. How do we get very focused and surgical around our strategy?

(BB)

So it sounds like even with a slowdown perhaps coming, maybe a downturn, there's still a lot of opportunity there for Canadian businesses to continue growing their companies around the world.

(JL)

Absolutely. And it's really about scenario-based planning, which we've talked about in previous episodes. How do you get the executive team focused on not only downturn-planning, but the scenarios within the downturn? And which opportunities come out of that scenario-planning? If I'm a business that is looking for growth, the first thing I would do is say, "Let's work out the three different scenarios that can happen in the economy and how we're going to respond." And then the second major step from that is, "What opportunities does that create for us and what capabilities do we need to make sure we have in place to be able to meet those opportunities?" How do we think about delivery being very different? Is it through partners? Is it through alliances? How do we enter those markets? And those three steps will allow them to go through this process of realizing this is an opportunity for us, it's not just us defensively managing a downturn.

(BB)

Tune into our next episode for advice on how to run a more efficient operation in times of uncertainty. I'm Bryan Borzykowski and you're listening to *Disrupting the Bear*.

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