

REPORT ON BUSINESS



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How did the Freshii good-food chain expand so quickly and then wilt so fast? Its brash young founder and CEO, Matthew Corrin, has a lot to do with both. /By Joe Castaldo

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Flex like a billionaire

Islands, jets, golf courses, racehorses, yachts, private Bieb concerts and heaps more: the smorgasbord of stuff Canada's plutocrats buy with their fortunes





Feedback

Decline of a factory town

Charles Wilkins wrote about the town of Perth, Ontario, which is about to lose its largest private employer—an auto-parts plant owned by Magna



- Canadians are not miraculously more skilled, intelligent or hard-working than Chinese workers. Or Indonesians or Bangladeshis or people living in Uganda. The seven billion people who do not have First World living standards want what we have—which will actually mean that “our” living standards decline as economies equalize. —Panaguy1

- Mr. Gilgan wants government to “get out of the way.” And the agents of foreign money laundering in housing want government to stay out of the way. —Joel Banks

- The Greenbelt was set aside to preserve the last remaining shreds of green space, forests and farms in southern Ontario, and to prevent low-density, car-dependent urban sprawl from extending across the lower half

Send us your thoughts at robmagletters@globeandmail.com, tweet us @robmagca and follow us on Instagram @rob_magazine

But Ontario is open for business. Hasn't Magna heard the slogan?

—Conservative For Life

- This was a beautifully written portrait of a town under siege. If only the misery in Alberta could garner such vivid attention.

—Delphioracle

- After three or more decades of globalization, people are still surprised when companies close plants and move to more favourable jurisdictions. It sounds as if this decision was in the making for a long time as the company changed ownership many times and just wasn't viable compared to other places that provide the same product for less money.

The workers of today will be displaced when AI can write code faster and better than they currently do. Workers will have to be flexible to keep up.

—Outsider22

A bit rich?

Peter Gilgan urged Ontario to let him build houses in the Greenbelt.

of the province. There remain huge amounts of undeveloped land not in the Greenbelt. Study after study has shown that land scarcity has nothing to do with the spike in housing affordability in the Golden Horseshoe.

Yet, here we have a man who has made billions building urban sprawl arguing that Ontario should eliminate the last remaining protected areas so his private company can make more profit. A textbook case of private interests trying to undermine public goods. —envirodefence

- Why do so many people feel the need to bash those who have been successful and have actually built something? —Neil Den Tandt

- So a guy who's made billions building housing thinks there's nothing an individual can do about homelessness. Do any of his houses come with mirrors?

—Allan Ross

THE
GLOBE
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REPORT ON BUSINESS

July/August 2019, Volume 36, No.1

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Report on Business magazine is published
10 times a year by The Globe and Mail Inc.,
351 King Street E., Toronto M5A 0N1. Telephone
416-585-5000.

Letters to the Editor:

robmagletters@globeandmail.com.

The next issue will be on June 28. Copyright 2019,

The Globe and Mail.

Indexed in the Canadian Periodical Index.

Advertising Offices

Head Office, The Globe and Mail,
351 King Street E., Toronto M5A 0N1
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1-866-999-9237

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Email: advertising@globeandmail.com

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North America: AJR Media Group, 212-426-5932,
ajrmediagroup@globeandmail.com

Publications mail registration No. 7418.

The publisher accepts no responsibility for
unsolicited manuscripts, transparencies or other
material. Printed in Canada by Transcontinental
Printing Inc. Prepress by DMDigital+1.

Report on Business magazine is electronically available
through subscription to Factiva.com from Factiva,
at factiva.com/factiva or 416-306-2003.

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The Rant

The tourist trap

The world's most alluring attractions are buckling under the pressure of an endless deluge of visitors. We need to do a better job of managing our valuable public assets

A Croatian economist once explained to me why the country's tourism boom wasn't all it was cracked up to be. Sure, the revival of a once-thriving industry provided a welcome boost to a struggling economy, attracting badly needed foreign investment. But unemployed Croatians lured to the hot spots on the Dalmatian coast soon discovered that many of the available jobs were seasonal and low-paying, leaving imported labour to fill vacancies. A big chunk of the revenues went to major players in the global travel game, and scarce public resources were diverted that could have been steered toward broader economic reforms.

And all that was before the dark side of modern mass tourism became

painfully visible to the inhabitants of Dubrovnik, one of the country's biggest draws. It happened in part thanks to the enormous popularity of *Game of Thrones*, which brought devoted fans flocking to the small medieval port to gawk at locations used in the blockbuster TV series. The number of visitors soared by 53% in the first three

this month

months of this year alone from a year earlier—and that doesn't include the thousands disembarking daily from cruise ships.

Officials are now capping the number of ships (two) and total passengers (5,000) allowed into port daily, and keeping tabs on crowd size. They've also slashed the number of souvenir stands and outdoor restaurant seating. But long-time residents, who endured a bombardment, siege and looting during Croatia's fight for independence in the early 1990s, fret that their UNESCO World Heritage site has already become a theme park from hell.

Global tourism's rapid expansion is toting plenty of baggage to other markets as well. A growing number of travel magnets have joined Dubrovnik in concluding that the negative aspects—huge crowds, overwhelmed services, soaring housing costs and other economic distortions, cultural insensitivity, environmental damage—outweigh the positives. In an effort to calm the waters while still keeping vital tourist dollars flowing, officials from Barcelona

to Bali are levying more taxes and fees, limiting numbers, erecting barriers, cracking down on illegal home rentals and enforcing public standards of behaviour.

It might not have come to this if governments had done a better job of preparing for the inevitable impact of the tourist hordes they have so eagerly pursued in an effort to generate investments, jobs and tax revenues, and to improve deteriorating trade balances. It's a shame travellers and residents now have to pay the price for years of greed and neglect.

Tourism has ballooned with the arrival of cheaper air travel, more affluent consumers and low-cost accommodation stemming from the explosive growth of Airbnb and other online travel platforms. The burgeoning travel and tourism sector last year accounted for 10.4% of the world economy, 27% of services-related exports and one in 10 jobs, according to the latest research from the World Travel and Tourism Council, the industry lobby group. And it's only going to become a bigger economic driver, as millions more people with rising incomes in China, India and other fast-growing regions get the travel bug.

The booming cruise industry expects it will handle about 30 million passengers this year, up from 17.8 million a decade ago. The bulk still come from North America and Europe, but the potentially vast Asian market beckons. The global ocean fleet is projected to expand by about 20% in the next five years from 314 ships at the end of last year. Thirty of the new vessels will be capable of schlepping 4,000 or more passengers at a time from one crowded port to another.

The problem is that the destinations most people want to check off their lists—the historic city centres, great museums, sacred buildings, famous archeological sites and stunning natural attractions—aren't

HOT SPOTS WITHOUT THE HORDES

Take the road less travelled by visiting these lesser known destinations

/Porto

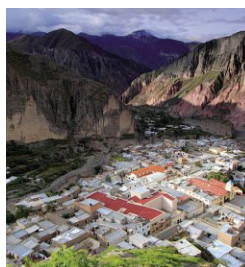
Portugal's second-largest city was once a tourism backwater, but that's changed thanks to more accessible flights and the popularity of river cruising. Still, there's time to take in one of Europe's historic gems without being trampled by visiting hordes or glared at by disgruntled locals.

/Hokkaido

Japan is heavily promoting tourism (which accounts for only 0.5% of GDP) in advance of next summer's Olympics. But while visitor magnets like Kyoto wrestle with the headaches of mass tourism, the underappreciated northern island beckons with its lack of crowds, wide-open spaces, old-growth forests and remarkable seafood.

/Salta

This province in northwestern Argentina is a wine-lover's paradise with moderate temperatures, spectacular mountain scenery and lack of bucket-list travellers.



really equipped to handle the deluge. The same holds true for more remote regions such as Canada's Far North, which need to find ways of limiting the ecological and other risks that sail along with the tourist cash they covet.

Venice, which has become the poster child for the ills of mass tourism, is swamped with up to 30 million visitors annually. And the total is expected to reach 38 million by the middle of the next decade. Maybe everybody just wants to get there before the sinking lagoon city disappears. If so, they will have to live with higher fees, a ban on huge cruise ships from entering the city's centre, and other measures meant to ease congestion, reduce friction with locals and help cover the rising costs of preserving the historic properties and cleaning up after the crowds.

Officials still love the \$3 billion or so that flows into Venetian coffers annually from tourist spending. But they have delayed tackling the resulting complications for far too long. They now intend to impose entry fees on cruise passengers and other day-trippers that will rise during peak periods. They've also asked visitors to stop loitering on historic bridges, swimming in the canals, riding bikes, walking around shirtless or in bathing suits, and picnicking in public spaces. While the national government remains determined to lure as many tourism dollars as possible, one of its biggest draws will require travellers to reserve access to the city in advance by 2022.

It's all too much for Italian tourism minister Gian Marco Cantina, who seems more intent on old-style promotion than on making the industry more sustainable and less invasive. "Do we want to become a country that repels tourists?" he asked in a February tweet.

Even Paris, a tourist mecca, seems to be wilting under the pressure. In May, frustrated reception and security staff at the Louvre walked off the job without warning, closing one of the world's bus-

iest museums for a day and leaving an hours-long line of dejected Mona Lisa aficionados in the lurch. "The Louvre is suffocating," their union said in a statement, noting that more than 10.2 million people tramped through the place last year. "This represents an increase of 20% since 2009, but the palace has not grown," and the workforce has been reduced.

Similar woes afflict tourist hotbeds from Cambodia's Angkor Wat to Iceland's Golden Circle, Bali's beaches, Japanese temples and even Mount Everest, which has become dangerously overcrowded because the cash-hungry Nepalese government is issuing too many climbing permits. One unintended consequence: A mountain regarded as holy by the citizenry is turning into the world's highest garbage dump.

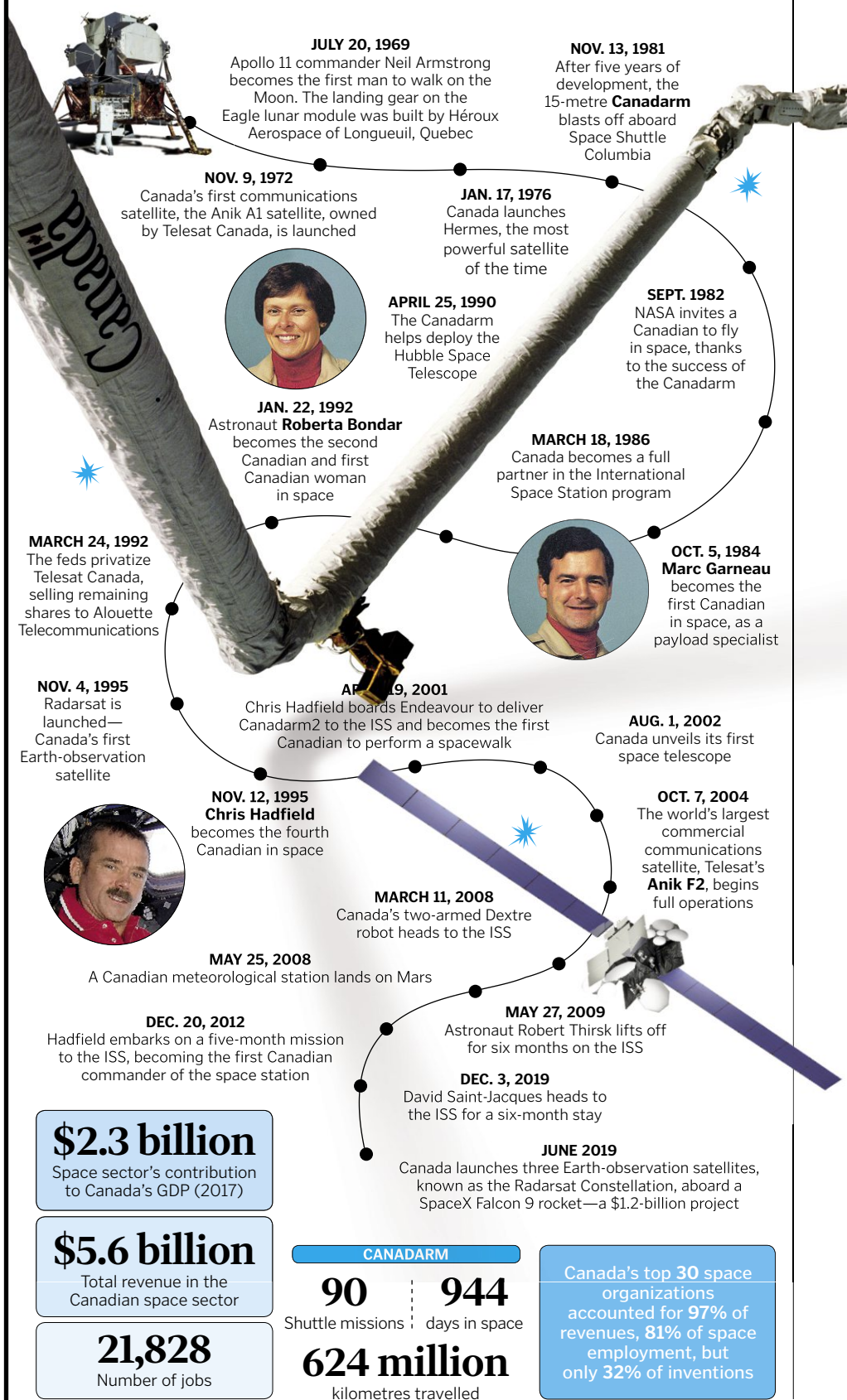
Declaring war on tourists isn't the answer to these problems. Governments must do a better job of managing their valuable public assets, both natural and human-made, that keep people coming and spending. This means devising effective regulations, controlling crowds and applying reasonable restrictions on access. It makes good sense for the overwhelmed targets to tell cruise operators to send their super-sized floating resorts somewhere else, clamp down on abuses by owners of rental properties, and raise the costs of admission to help cover their hefty price tags for conservation, preservation and protection.

Keeping in mind the heavy price of being too successful at the tourism game, officials in the most desirable markets would be wise to follow the lead of the Dutch, who have responded to record-breaking tourist numbers by ending their travel marketing. "Instead of destination promotion, it is now time for destination management," the Netherlands Board of Tourism and Conventions declared in May. "More is not always better, certainly not everywhere."

/Brian Milner

Canada's space odyssey

On the 50th anniversary of the lunar landing (with Canadian technology playing a supporting role), we trace this nation's long history of space innovation



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Each June, the advertising and marketing community gathers at the Cannes Lions International Festival of Creativity. As the global hub for ideas, insights and emerging trends, the Festival defines and shapes the creative marketing agenda for the year ahead.

This year through the coveted Lions awards, global industry leaders pored over 40,000 submissions to identify the most creative work, set the global benchmark for excellence, and shape the future of the industry.

Congratulations to the leaders who were named to the 2019 Cannes Lions juries, and represented Canada on the world stage.

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The Exchange

Shop lifter

Shopify CEO Tobias Lütke bemoans Canada's dearth of ambition, explains his e-commerce company's lack of profits and dishes on how life has changed now that he's a multibillionaire

by Trevor Cole



It's hard to imagine a CEO more willing to entertain an abstract idea than Tobias Lütke. The software-as-a-service industry probably lends itself to this quality more than most, given the intangible nature of the product. Even so, the German-born Lütke has a unique ability to carve through the clutter of business concerns to articulate problems and solutions at their essence. This, along with a demeanor that grows more quiet and contained with each passing year in the spotlight, makes it seem at times as if the mind behind Shopify Inc. would prefer to exist purely in the realm of the conceptual. But the company Lütke and his team have built—now with more than 4,000 employees—is a very real and growing force not only in the world of e-commerce, but in the Canadian economy. And as a facilitator and champion of entrepreneurial success, providing the tools to sell products online, it has the potential to make a material difference in the lives of hundreds of thousands of small-business entrepreneurs around the world. All of that makes it fascinating to sit down with Lütke whenever possible, and on this occasion, we spoke in his large and moody office in Shopify's Ottawa headquarters.

As I recall, after your IPO, you were worried about your employees keeping their minds off of Shopify's stock price. Since then, the price has gone up over 1,000%. So, how's that going?

So-so. Periodically I have to remind everyone that we are all here to work on something called the fair market value of a company, which is unknowable.

this month

Then there's also this Wall Street construct called the current stock price, which is trying to guess at the fair market value but is completely unrelated. There's a rule around the office that if you are caught checking the stock price during work hours, you have to buy Timbits for your team the next day, and I periodically see boxes of Timbits. I actually recently had to buy one. But it's not that common. (1)

With all its growth, Shopify hasn't yet posted an annual net profit.

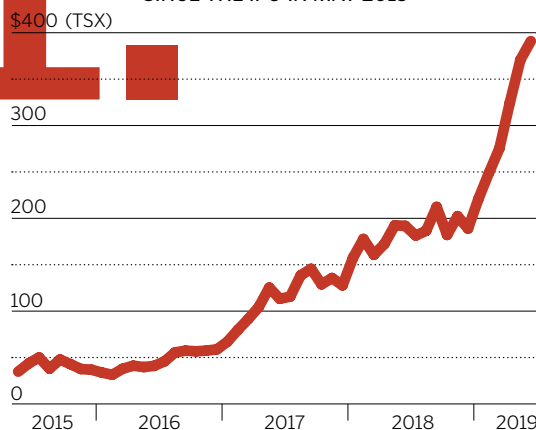
(2) I know you don't care about traditional financial ratios or goals but at what point does showing a profit become important?

I mean, it's hugely important, because that's what companies are basically for, at some point. I didn't expect Shopify to be doing this so successfully for so long. (3) In fact, I think as we passed \$1 billion in revenue, we did so with the highest growth rate of any software-as-a-service company ever. We've built a trust relationship with the investor base that they agree we can use the money we have in the bank to invest in growth. And I think we've been doing this fairly prudently. Shopify happens to be one of those kinds of companies which—we have a gas pedal. It's a real gas pedal. We can go off it and we'd be wildly profitable. But I think the right mode for the company, and I think the investor community agrees, is to invest in the growth.

You mentioned building trust, and you've done that by topping market expectations 16 quarters in a row. What happens the first time you don't?

[Chuckles] Well, a friend of mine once told me that you're not really a public company until you miss a quarter. So I guess we really go public then. I've managed to avoid this for 16 quarters in a row. Is it only 16? Sorry for a flippant answer. But I mean, this is bound to happen. And we'll find out. It's basically a stroke of good luck that it hasn't happened.

SHOPIFY'S STOCK HAS SOARED 1,000% SINCE THE IPO IN MAY 2015



2.

REVENUE
2017 2018



NET LOSS
-\$40 MILLION
-\$64.6 MILLION

3. Shopify's software allows retailers to create online stores under unique brands. The platform now has more than 800,000 stores.

Let's talk about competition.

Shopify mushroomed in a vacant space, to some degree, and now it feels like the space is filling up with competitors. How challenging is the landscape becoming for you?

You're absolutely right that there was a lack of competition for Shopify. Now, we're competing with Adobe, Salesforce, SAP—more entrenched, mature companies, especially around our Shopify Plus product. It's actually harder to build a company with a lack of competition than when one has significant competition. It's the same as the difference between intrinsic and extrinsic motivation. It's much harder to be intrinsically motivated to work on your own betterment. Wanting to relentlessly create a better product every day is much easier when you are under threat by some competitor.

So your life is getting easier.

In a way. I can now point and say, "Hey, those guys want us dead, and we clearly don't agree. How do we compete with those guys?" And I don't have to go around making up arbitrary deadlines for things. Increasingly more companies understand what this space is, how to be of value, and how to build good software within it. And either we will be the best ones to do this or we will not. If we are, then we will win the market. And if not, then we won't. I tend to be fairly fatalistic about this. The only thing we can control is the quality of the

software. And I think customers are going to get to choose.

You have an interesting dance going on with Amazon. Your software is used in their Marketplace. But your COO, Harley Finkelstein, recently spoke about the danger of allowing a few monolithic players to control commerce, which was obviously a reference to Amazon. Are they a competitor or are they a partner?

I think they are a massive factor in the world of commerce. We are actually partnering across a lot of things with them. Lots of people fulfill their products with Amazon. Lots of people use Amazon's payment system, and that works really well on Shopify. Lots of our customers sell through Amazon Marketplace. But marketplaces are different from online stores in very meaningful ways. You own your online store. This is your home. On a sale, you make full margin. What you are attempting to do is create new relationships with customers. When you're selling on a marketplace, you're not actually acquiring a customer; you are making a transaction. You will not get the customer information. You have no way of contacting the person. You will never hear if people liked your product, if people saw it immediately, how people inspected it. All these things are opaque to you on any marketplace. A lot of people aren't aware of that.

If Amazon ceased operations, would that help or hurt you?

[Long pause] That's an excellent question. I think it would actually hurt us. The important thing for the small businesses we represent is that they rely on online shopping becoming a larger part of the total retail experience. (4) Amazon provides convenience especially across all the products that people need—toilet paper, laundry detergent and all these kinds of products. For that, Amazon is unbeatable, and without that I think consumer behaviour would change. The



world of buying products you want, from small business boutiques, is on the coattails of purchasing the necessities. **You once said that you're not motivated by money, you're motivated by solving problems. One problem is Canada. And—** Why is that a problem? That sounds like an opportunity to me. **Okay. As Shopify expands around the world, what are you learning about where Canada's opportunities lie, or where our issues lie?**

There's no silver bullet, as you can imagine. Partly it's cultural. It's just an unfortunate truth that Canada is, at best, a "go-for-bronze" society. Just in terms of its ambitiousness. This is why these amazing companies are being created and then sell way too early, usually to American investors. I want to find the best Canadians I can and tell everyone, "We are allowed to go for gold. Try to build a world-beating company. If you try, it tends to work." This is what Canada learned, at least when it comes to sports, with the Own the Podium program. We need an Own the Podium program for the business world. (5)

If somebody wanted to start that program, would you be involved? Absolutely. I think that would be fantastic.

Something else that's happened since we spoke last is that you've become a multibillionaire. (6) How has your life changed?

Um, not that much. I had a lot of energy in the form of time and attention before, and now I have a third form of energy, although much less potent than people might imagine, which is money. I have to get used to that. I'm somewhat uneasy with money. I never really set out to make a lot of money, and I'm reluctant to think a lot about it.

One thing society expects its billionaires to do is to give some of their money away to causes. Have you thought about what you will do philanthropically?

There's a couple of causes I'm really interested in, like mental health and computer literacy. But there is a general pattern that I find is unfortunate. There's sort of the Rockefeller progression: Build an evil empire, a monopoly, take no prisoners along the way, and then rewrite your own story by being exceptionally beneficial to the world. Carnegie did the same. I hope it's possible to not need to do the two-phase approach. You can build companies that are simply good for society, without the pollution or the negative externalities of monopolistic activities. I'm a systems thinker. I try to think about Shopify inclusive of all its externalities, positive and negative. And I try to design the company in such a way that I simply don't need, afterwards, to go on a multidecades philanthropic journey to make up for the damage I might have caused.

5. At the 2006 Winter Olympics—a year after Own the Podium launched—Canada won 24 medals, up from 17 in 2002. At Vancouver 2010, Canada won 26 medals, including 14 golds—more golds than any other country.

6. Lütke holds 55% of Shopify's Class B shares, and has a net worth of roughly \$3.5 billion.



Does that mean not giving any money away?

No. I will absolutely give most of the money away. I mean, there's too much to spend. Like I said, it's a form of energy. I will use all sources of energy I have available to help however I can help.

I'd like to tap into the knowledge you've gained about entrepreneurship in general. What's most important to an entrepreneur's success—is it the idea, money, confidence?

Coachability. Basically the question is, why are you going into this? Do you have a goal? Do you want to make a certain amount of money? Do you want to get a certain status? Or is there something you want to get done? Are you interested in the learning that comes from a journey like this? Are you willing to listen to advisers, suppliers, customers? If you're coachable, and you have that open mind and you're going into it to learn, that is by far the biggest predictor of success that I've ever encountered. If I could ever find out how to take someone who goes into this with a money objective and convert their mindset into a personal growth objective, I think that would crack the code of entrepreneurship to a very meaningful degree.

Trevor Cole is the award-winning author of five books, including The Whisky King, a non-fiction account of Canada's most infamous mobster bootlegger.



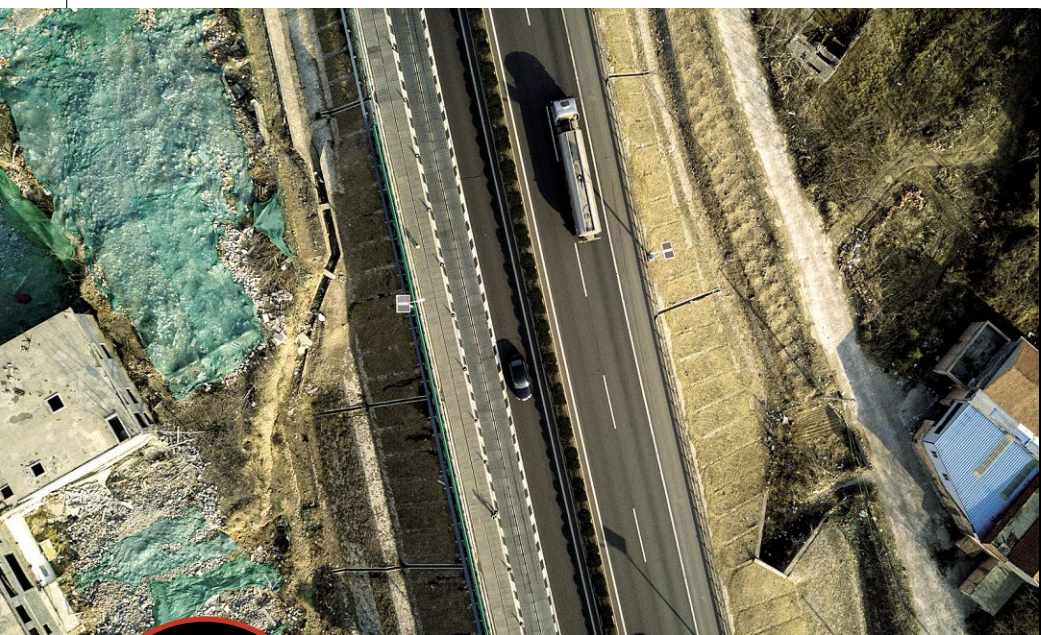
Smart Cities

Steal these ideas

When Google and the City of Toronto unveiled their Sidewalk Labs project for Toronto's waterfront in 2017, the intention was to build a living model of the smart city of the future. The neighbourhood would be outfitted with the latest in sensors and gadgets, the data of its day-to-day activities crunched to provide services without equal. Two years on, the project is mired in controversy and delay, as

privacy activists accuse Google of surveillance-state ambitions and chastise the city for handing public assets to a private company with insufficient oversight and transparency.

Whatever happens to Sidewalk Labs, the smart city is on its way—and in some places, parts of it have already arrived. Here are five next-generation city-building tools already making cities work better. **/Chris Turner**



1

CITY | Jinan, China**SMART | Highway surfaces that gather data and transfer energy**

The bedrock of many smart-city plans is the street itself. By transforming inert asphalt into a surface that can gather information and provide services, the next-generation road promises to provide the most important platform for smart-city building.

In the industrial city of Jinan, north of Shanghai, the prototype for that platform is now in place. A one-kilometre stretch of expressway has been paved with a three-layer surface designed to host a wide range of technology, including solar panels to generate electricity,

and a transparent top material that can be embedded with sensors and wires.

The full suite of technologies to be tested hasn't yet been unveiled, but officials are discussing everything from sensors to gather data about traffic and weather to digital messaging for passing vehicles and on-the-fly charging for electric cars. The Chinese government's "Made in China 2025" plan emphasizes building both the electric vehicles that will use such roadways, and the gadgets and software to operate them.

2

CITY | West Hollywood, California**SMART | Bus shelters become community hubs**

Getting more people to use public transit is often a central goal of smart-city plans, and in WeHo, a handful of bus shelters have become the most visible feature of an ambitious strategy. The shelters themselves aim to be community hubs rather than simple waiting spots, with USB ports, free WiFi, screens showing real-time bus and community bulletins, and stylish seating and roofs. And they're just one piece of a larger plan that includes on-demand shuttles for short transit trips; embedding sensors, digital communications and more in street lamps; and changing the way data is gathered and shared across the small municipality.



3

CITY | Columbus, Ohio**SMART | A unified transportation app in a single tap**

What if a trip from Point A to Point B were as tidy as a Google Maps search? That's the idea behind the transportation planning app being developed in Columbus. The app will allow trip planning across all options—conventional transit, taxis, ride-sharing, car- and bike-sharing—and users will be able to select their preference and pay for the whole trip in a single tap.

The app, still in development, was the centrepiece of a “Smart Columbus” plan that beat out cities like San Francisco and Austin to win the U.S. Department of Transportation’s Smart City Challenge. It will eventually produce citywide electric vehicle charging, driverless-car infrastructure, data upgrades and more.

**CITY | Gothenburg, Sweden****SMART | Moving people by driverless electric transport**

4

The shuttle bus, manufactured by a French company called Navya, seats only 10 passengers, and its maximum speed is a mere 20 kilometres per hour. Still, the little vehicle, which plied the streets of Gothenburg in the summer of 2018, carries a substantial load. The bus is powered by electricity and has no driver. And Swedish officials hope it is one of many signs that Gothenburg—where Volvo was born—is the global epicentre of smart, clean transportation.

The test is part of Gothenburg’s ElectriCity project, a partnership of 15 organizations, including Volvo, Ericsson and the Swedish government. Another project runs three fully electric and 12 hybrid buses on busy commuter routes. There’s also a “demo arena” for next-generation projects and a growing transport research hub. Sweden boasts some of the world’s most ambitious climate targets, and initiatives like ElectriCity are hoping to lead them there.



5

CITY | Barcelona**SMART | Dividing congested urban sections into superblocks**

Sometimes the most transformative plans are about priorities and policy more than technology. That’s certainly the case for Barcelona’s “superblocks,” which aim to liberate streets and public spaces from congestion, pollution and dangerous, car-centred urban design. The concept divides the dense Spanish city into four-block-by-four-block sectors, and then limits traffic to local and service vehicles at 10 kilometers per hour. In the five superblocks already in place, the streets have become pedestrian promenades, playgrounds, parks and street markets. And as the superblock network expands, it could reduce vehicle traffic enough to make the whole city’s transport system work better.





Rita Trichur

Up the ante

To provide real competition to Air Canada and WestJet, Ottawa needs to open Canadian skies to deep-pocketed foreign airlines

When Quebec Premier François Legault learned of Air Canada's \$520-million offer to buy Transat A.T., he says he felt "a twinge" in his heart. He co-founded Air Transat, the company's leisure airline, in 1986, and served as its president and CEO for more than a decade. Now that there's talk of a takeover, Legault knows consumers will also feel a pinch where it hurts the most: their wallets.

Like many critics, Legault argues that Air Canada has a monopoly on a lot of domestic routes, and he wants the carrier to cap fares on some flights within Quebec. "Air Canada makes a big profit on domestic flights," he told reporters in May.

Given that a broader shakeup of the airline industry is under way, domestic ticket prices have nowhere to go but up—and not just for Quebecers. Three days before news of Air Canada's bid broke, private-equity firm Onex offered \$3.5 billion in cash to purchase Calgary-based WestJet.

Onex specializes in fixing companies and flipping them for profit, so you can bet it will amalgamate WestJet with at least one other carrier down the road. There's already speculation that Porter Airlines could be its future consort, because there's nothing Toronto boys fear more than finding themselves without a dance partner.

Who will protect consumers? Over the past several decades, the Competition Bureau has proved to be staggeringly ineffective at the job. To jumpstart competition, Ottawa needs to take more drastic action. Specifically, the federal government needs to open the domestic market to foreign airlines, and slash hefty taxes and fees that drive up ticket prices.

The current wave of consolidation is a damning indictment that federal policies are still failing. The takeover proposals for Transat and WestJet come barely a

Many consumers have resigned themselves to the inevitable: Regulators will likely rubber-stamp both the Transat and WestJet sales, imposing minimal conditions



CUSTOMER SATISFACTION RATING
(SELECT CARRIERS, J.D. POWER)

SOUTHWEST	★★★★★
DELTA	★★★★
AMERICAN	★★★
WESTJET	★★
AIR CANADA	★★
UNITED	★★



CANADA'S VANISHING DISCOUNT AIRLINES
(YEAR OF DEMISE)

CANADA 3000	2001
ROOTS AIR	2001
JETSGO	2005
HARMONY AIRWAYS	2007
ZOOM AIRLINES	2008
CANJET	2015

year after the Trudeau government raised the foreign investment limit for airlines to 49% from 25%. Officials said the move would boost competition, but anyone with a lick of common sense knew the changes didn't go far enough.

Strong domestic competitors won't sprout simply because financing rules have been eased. Case in point: Air Canada took advantage of the relaxed foreign ownership limits earlier this year, then pursued Transat months later.

If that's not enough to outrage consumers, consider this: One of Transat's largest shareholders, Peter Letko of Montreal-based investment manager Letko, Brosseau & Associates Inc., objected to the Air Canada offer because he wants Transat to raise prices *before* it considers a sale.

Many consumers have resigned themselves to the inevitable: Regulators will likely rubber-stamp both the Transat and WestJet sales, imposing minimal conditions. But on the off chance that our parliamentarians grow backbones ahead of October's federal election, there are still ways to keep airline incumbents in check.

Specifically, Ottawa should get over its fear of deep-pocketed foreign carriers and allow them to buy 100% of airlines that only fly domestic routes. Australia and New Zealand have embraced that policy for years. Foreign airlines should also be allowed to service routes within Canada on their way to cross-border destinations. It's illogical that a foreign carrier can't pick up passengers travelling from Toronto to Montreal on its way to Paris.

The federal government also needs to stop robbing Peter to pay Paul. It heaps a slew of costs on the industry that are passed onto consumers, including taxes and fees on tickets, airport landing charges and hefty rents paid by big airports.

Fare caps on some regional airfares, such as those being contemplated by Quebec, may sound like a quick fix, but Air Canada will simply raise prices for other flights or impose new fees to recoup those costs.

Canadians are fed up with the whack-a-mole. To create real competition, we need a clean break from the past. Some 37 years ago, a House of Commons committee endorsed a "go slow" approach to airline deregulation. The trouble is that we've been stuck in neutral ever since. **RT**

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Ian McGugan

Dumb and dumbest

Voters are so disillusioned, they are electing clowns—literally. To stop the insanity, we need more objective measures of well-being

Why are we governed by incompetents? Simon Wren-Lewis, an emeritus professor of economics at Oxford University, asks this question in a recent blog post—and for good reason. In a growing number of countries, the only qualification for high office appears to be a complete lack of qualifications. Many current leaders don't

know even basic facts connected to their jobs.

The most glaring example of a dolt-in-chief is Donald Trump. He is averaging a dozen false or misleading claims a day, according to a tally compiled by *The Washington Post*. For sheer volume of hot air, his output may never be matched.

However, Britain isn't giving up the gold medal for wind-baggery without a fight. The Brexit shambles has made it clear that prominent Leavers like Nigel Farage and Boris Johnson never really thought through what departing the European Union would mean in practice. From supply chains to the Irish border problem, it's all a surprise. Really, chaps, who could have known that the United Kingdom shared a land border with the Republic of Ireland? Total shocker, that.

Voters in many countries are showing what they think of the political void by electing clowns—literally.

Jenny Lee, a British playwright, compiled a sobering list of comics who've made the transition to politics in a recent essay for the *Financial Times*. The funny men include newly elected Ukrainian President Volodymyr Zelensky; Guatemalan President Jimmy Morales; Tiririca, a clown who is also a Brazilian congressman; and Beppe Grillo, a comic who founded Italy's Five Star Movement, now the largest single party in the Italian parliament. In all these nations, people have apparently decided that since they are probably going to elect a bozo anyway, why not at least elect a professional one?

Granted, not every country is going for obvious laughs. In Canada, for instance, our political elite is better at inducing naps than giggles. Maybe we're underestimating our leaders, though. Watching Justin Trudeau dress up like a Bollywood extra for his tour of India, or looking on as Andrew Scheer guzzles milk in an attempt

to placate the powerful dairy lobby, offers fresh evidence that vaudeville isn't dead.

What has turned politicians into such a hapless lot? Wren-Lewis and others argue that one big factor is the lack of life experience among the latest generation of career politicians. Few contemporary leaders have any first-hand knowledge of war or poverty. Most come from comfortable backgrounds and view politics as a game. Their goal isn't to change the world. It's to construct issues that can propel their party into power and attract powerful donors.

This theory seems reasonable, but doesn't explain why voters are letting politicians get away with their game-playing. Maybe social media and the Internet are to blame: By clicking on the right websites, you can choose whatever view of reality fits your prejudices.

Perhaps demographics plays a role too. As voters around the world age, many feel less desire to confront inconvenient facts. From Make America Great Again to Brexit, politicians have won in recent years with vague calls to go back to some unspecified version of the good old days.

Or maybe there is something deeper going on than just nostalgia and fake news. One of the unfortunate realities of contemporary politics is that many key issues revolve around slow-motion global shifts.

Galvanizing voters on climate change is difficult when the worst consequences are likely to emerge only over several decades. Trying to build a consensus on the economy is equally hard when many of the underlying factors, from technology to international trade, defy easy fixes. No wonder, then, that many politicians try to lure the gullible by offering up big, simple answers, many of which involve building walls and cracking down on foreigners.

Most contemporary leaders come from comfortable backgrounds and view politics as a game. Their goal isn't to change the world. It's to construct issues that can propel their party into power

Can't we do better? One promising approach to reversing the drift into demagoguery is by constructing objective gauges of well-being. New Zealand has pioneered this approach by developing a Living Standards Framework that attempts to measure various aspects of quality of life, from life expectancy to housing affordability. One goal is to broaden discussions of policy beyond simple measures of economic growth like GDP. Voters and legislators can then compare results against international peers.

A by-the-numbers approach like this can't stamp out incompetence by itself, but it provides a fixed scorecard for government performance. It puts limits on politicians' ability to invent their own facts. It discourages attempts to invent new wedge issues. It encourages attempts to govern prudently and efficiently.

In an age where political leaders too often look like clowns, it is one small step toward sanity and good government. Other nations should pay attention. **IM**

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Allen Lau.(left) and Aaron Levitz

STAR VEN SP

of the Nerds

WATTPAD IS USING DATA TO BUST UP THE OLD HOLLYWOOD MODEL


BY SEAN SILCOFF



Singer Pia Mia, who has a supporting role in *After*, poses with fans at the premiere in L.A.

SHRIEKS FILL THE LOBBY OF THE PACIFIC THEATRES AT THE GROVE IN LOS ANGELES AS THE STARS OF THE YOUNG-ADULT ROMANCE FILM *AFTER* ARRIVE TO WALK THE RED CARPET.

There's singer and social media influencer Pia Mia, glamorous in a yellow strapless gown, strolling by a corralled crowd of 120 excited girls. She stops to take group selfies, eliciting a fresh wave of hysteria. More unbridled enthusiasm greets co-stars Hero Fiennes Tiffin and Josephine Langford, two of Hollywood's Next Young Things, as they make their entrance, her sparkling red suit drawing the paparazzi's attention.

Inside the theatre, one teenager starts to freak out as she realizes she's standing in the same room as Anna Todd, the author whose books served as the source for the movie. "Is she there?" the girl says loudly to a friend, pointing toward Todd, seated close by. "Oh-my-God, Oh-my-God! *One-two-three! One-two-three!*" she recites quickly, trying to control her anxiety before exclaiming, "Anna!"

Six years ago, Todd was an aimless 24-year-old military wife living in Texas when she began tapping out *After* on her smartphone in a Target checkout line. It started as a piece of fan fiction based on the boy band One Direction, and it made her a publishing superstar. The *After* series, which follows the intense relationship between college good-girl Tessa Young and troubled bad boy Hardin Scott (inspired by Harry Styles), was published by Simon & Schuster and has sold more than 15 million copies, topping bestseller lists in several countries. *Cosmopolitan* has called Todd "the biggest literary phenom of her generation."

But this night in early April really belongs to the Toronto company that exposed Todd's story to the world in the first place: Wattpad Corp. *After* is the first Hollywood film adapted for the big screen from a story published on Wattpad's online platform, which connects writers with readers. Since its launch in 2006, Wattpad has become a social networking star, with more than 70 million users, predominantly young women from 13 to 35 (the company estimates its user base includes one in three teenage girls in the U.S.). And it has redefined the solitary acts of reading and writing as collective experiences. Wattpad's four million authors upload roughly 500,000 posts a day (the site has a catalogue of 565 million stories), allowing readers to not only consume their content, mostly for free, but to interact with writers and fellow readers via votes, direct messages and comments. These range from emojis to one-word reactions like "LMAO" to thoughtful feedback occasionally written in full sentences.

You won't see J.K. Rowling or Salman Rushdie among Wattpad's largely amateur cadre of writers, but you'll find every imaginable genre, from children's literature and sci-fi to horror and *Great Gatsby* fan fiction. Looking for Filipino taxi stories, Muslim romances or explicit erotica? They're all on Wattpad too. Users spend 22 billion minutes a month on

the platform, mostly on their phones, writing a combined 200 million comments and messages. The average session lasts 37 minutes—10 minutes more than Snapchat or Instagram.

Wattpad's ability to hold the attention of notoriously hard-to-reach millennials—who knew so many young people staring into their phones were actually reading fiction?—has made it a draw for advertisers, which account for most of its estimated US\$25 million-plus in annual revenue.

That's just a start. Wattpad has ambitions far beyond ad-driven social media. Its readers are throwing off billions of points of data a day—a vast, real-time trove of insights that reveal what kinds of stories speak to them and how. By using artificial intelligence algorithms to mine that data, Wattpad believes it can determine which of its stories could hit it big as books, movies or shows. "You can view Wattpad as an intellectual property factory that can generate entertainment properties organically and in large quantity," says co-founder and CEO Allen Lau. Writers "might not realize they have a big hit on their hands, but the numbers will not lie."

The big question now is how many more Anna Todds Wattpad can find among its crowd-sourced content and whether it can capture a piece of the action. To that end, in 2016 it established Wattpad Studios, devoted to striking licensing deals with outside publishers and studios, acting as an agent for the writers and wrestling co-production roles for itself.

Wattpad has since signed deals with production giants in Europe, Asia and Canada, and with Sony Pictures Television in Hollywood. Streaming service Hulu has ordered two seasons of a show based on Wattpad young-adult horror story *Light As a Feather, Stiff As a Board*. And Netflix's chief content officer, Ted Sarandos, said last year that its filmed adap-



tation of Wattpad's *The Kissing Booth* was "one of the most watched movies in [the U.S.], and maybe the world." On the publishing side, Wattpad has helped writers strike hundreds of deals, and this year it will start publishing under its own imprint. Other experiments in monetization are under way.

The company's vision—backed by US\$117 million raised from top venture capital firms in Canada and the U.S., and from Chinese Internet giant Tencent Holdings—is to upend the traditional Manhattan publishers and Hollywood producers, which greenlight books and movies based on gut instinct. In Wattpad's view, that's inefficient, biased and risky. Its data-based approach, says venture capitalist and Wattpad board member Peter Misek, can "effectively de-risk the content-creation process at all levels."

The company has had a couple of hits already, but there's a lot riding on *After*. Producer Aron Levitz, the fast-talking, glad-handly head of Wattpad Studios, sums it up best as he stands outside the Pacific Theatre: "I've got *naches* and *shpilletkes* and everything right now."

ALLEN LAU, THE STAR OF THE WATTPAD SAGA, is a quiet, slender Hong Kong immigrant whose thoughtful manner and owl-like features (not to mention his orange cable-knit sweater and brown leather fanny pack) belie a take-on-the-world confidence. "My superpower, if I have to pick one thing, is that I'm able to see things most other people cannot yet see," he says during an interview at Wattpad's Toronto headquarters.

Lau's journey to the top of the Canadian startup scene starts with a love story. One summer night in 1988, he was out with some friends in Toronto when he met 18-year-old Eva Tsang, another new arrival from Hong Kong. She was outgoing; he was not. Her first impression of Lau, a year older than her and heading into his second year at the University of Toronto's engineering school: "What a nerd!"

Months later, when Lau finally asked her out, she declared she was only interested if he had intentions to marry. They've been together ever since. When she was in her early 20s, Eva's father died. "Allen was literally holding my dad's hand and said, 'You go at peace—I'm taking care of your family,'" Eva recalls. "That emotional support meant everything to me."

Eva, in turn, inspired Lau to take an entrepreneurial path. Frustrated by the bureaucratic nature of his first post-university employer, IBM, he followed Eva, who'd graduated from U of T engineering a year behind him, to a startup called Delrina. Eva was having all sorts of fun working at what was then one of Toronto's few software success stories, making a program that enabled personal computers in the Internet 0.0 era to communicate with fax machines. (Symantec bought Delrina for US\$415 million in 1995.) Working for Delrina convinced the young couple they were startup people.

Lau stayed at Symantec until following Eva again in 2000 to Brightspark Labs, an incubator run by two Delrina founders. In one gig, Lau worked for his wife; in another, she worked for him. When Eva got pregnant in 2002, she left (the couple now has two daughters, and Eva runs venture capital firm Two Small Fish). Lau went on to become chief technology officer of game-maker Tira Wireless.

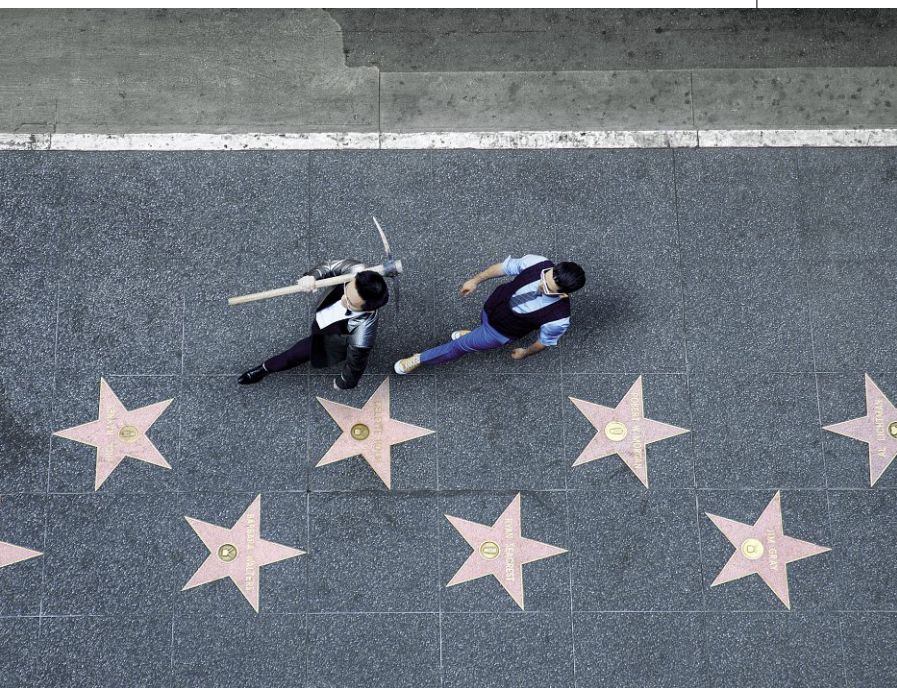
By the mid-2000s, he'd started to lose interest in Tira. In his downtime, he dusted off a program he'd built on a lark earlier that decade: a rudimentary app to read books on his Nokia cellphone. His first upload was the Book of Genesis, but he couldn't bear reading on the tiny screen. "I knew it was not feasible, and no one would use it," he says.

Then came the Motorola Razr phone, whose screen was big enough to fit 10 lines of text. Lau decided to revive his app, thinking there might be demand for the reading equivalent of YouTube, which had debuted a year earlier, in 2005. Coincidentally, a former Tira employee named Ivan Yuen showed Lau a reading app he was developing—one that enabled people to upload their own writing as well. "I hadn't thought of this," says Lau. They agreed to start Wattpad together.

To fill the app, Lau and Yuen uploaded thousands of classics available free in the public domain. A year later, they had just 1,000 users reading novels like *Pride and Prejudice*. In mid-2007, they received a cheque from Google for \$2—the grand total of their advertising revenue for the month—and

considered shutting down. But since their costs were so low, they stuck it out. Within a year, Wattpad started coming alive as the missing ingredient showed up: writers.

Their first hit came in November 2008, when a teenager in Britain calling herself @RedFlame uploaded a Victorian vampire novel called *Blind Truths* and invited her friends to read it. Her 150 Wattpad followers told their friends, who told some more, "and it started to snowball," says Lau. By early 2009, Wattpad had launched an iPhone app, and hundreds of writers were posting chapters. Lau had made it a habit to read every user comment. But that summer, he found he couldn't keep up. "It was like I was walking into an endless town," he says. "That's when I realized we were really taking off."



EVA LAU DESERVES MUCH OF THE CREDIT for putting Wattpad on its current path.

As the community grew, Wattpad writers began accusing others of stealing their ideas or creating fake accounts to goose the popularity of their stories. Comments turned nasty. “Most of our users were female and very young,” says Lau. “It was kind of awkward for me and Ivan to interact with them.” He and Yuen (now Wattpad’s chief product officer) turned to Eva for help.

Calling herself Wattpad’s “webmother,” she established content guidelines and a strict code of conduct, influenced in part by her background (“Chinese culture is not very confrontational—harmony is a big trait”). Of utmost importance was establishing what Eva calls “basic human respect” by cracking down on mean-spirited attacks and limiting criticism to the constructive variety. Social-engineering tweaks helped, like changing the name of the “review” field to “comment” and restricting feedback to 2,000 characters to cut down on rants. They banned trolls and closed accounts, including that of one of Wattpad’s most popular but vituperative writers. There was blowback, says Lau, “but it was the right decision.”

Today, Wattpad relies on 15 employees—more than 10% of its staff—and 500 volunteer “ambassadors” to ensure Wattpadders uphold the community’s standards so that nascent writers feel comfortable expressing themselves. Some prohibited content slips through: If you look hard enough, you can find stories about bestiality, incest and sexual enslavement, and some parents have complained on family-values watchdog sites about inappropriate content. But Wattpad’s commitment to inclusivity sets it apart from other sites that have allowed toxicity to fester. Donald Trump might be the king of Twitter, but he wouldn’t last a day on Wattpad.

Eva Lau’s legacy is evident at WattCon, a Wattpad-sponsored fan convention in midtown Manhattan this past October. The vast majority of the 350-odd attendees are women, and many, if not most, are people of colour. (Women account for the majority of Wattpad staff and 50% of its leadership team, while almost half of its employees are non-white.) On a tall whiteboard, attendees are invited to finish the sentence: “Wattpad is...” Many write: “Home.”

Several writers in attendance, including some of Wattpad’s most popular, say the positive feedback they received on the site encouraged them to stick with it. “The community is so young and so inviting, you forgive the mistakes,” says Bronx-based Tyronickah Buckmire, a 24-year-old Grenadian immigrant who wrote her first young-adult fantasy story on 2016 under the handle Teace Findlay.

Lindsey Summers was an unemployed 20-something living in her parents’ garage in Los Angeles in 2013 when she posted a chapter under the handle DoNotMicrowave. Readers loved the story, about two teen strangers who fall in love after accidentally swapping cellphones, and urged her to keep writing. By the time she posted her 12th chapter, *The Cell Phone Swap* had been read eight million times. (Like YouTube, each separate visit to a Wattpad story counts as one read.) It has since topped 100 million and debuted in book form in 2017. Summers has also earned money writing content for brands that advertise on Wattpad. “I think my parents were just relieved I was actually doing something with my life,” she says.

Wattpad’s director of creator development, Samantha Pennington, is overcome by all the positivity as she ends the first day of WattCon. “I can’t believe this is my job,” she tells the audience tearfully. “I am so humbled and moved by all of you.”



Eva Lau gets credit for creating Wattpad’s inclusive ethos

WATTPAD’S STORY MIGHT BE NON-FICTION, but it does have a fairy godmother. In October 2011, Wattpad was getting ready to open the doors of its new headquarters in Toronto’s north end. The company had sent an invite to Margaret Atwood, though nobody counted on the legendary Canadian writer actually showing up. But suddenly, there she was, playing foosball and talking innovation with Lau (Atwood is a tech-savvy entrepreneur herself, having helped develop a remote-signing technology called LongPen). She took a shine to the company and started calling herself its “fairy godmother”—Lau even made up business cards for Atwood that said so. A few months later, she wrote a column in *The Guardian* extolling Wattpad’s virtues, noting the platform emulated the participatory nature of video games while encouraging writers to shape their stories based on reader feedback, as Charles Dickens had done. She even released some of her own work on Wattpad and presided over a poetry competition called the “Attys”—all voluntarily. Wattpad, she tells *Report on Business*, is “a literacy facilitator. It’s also an entrance point for people who are quite young.” If it had existed in her youth, she adds, “I would have been on it in a shot.”

Atwood was the first famous writer to endorse Wattpad. But others were noticing its star-maker qualities. Earlier in 2011, Wattpad had surpassed two million users and raised US\$3.5 million in a financing led by New York’s Union Square Ventures. While other VCs asked for spreadsheets with financial projections, USV wanted Wattpad to shut off its only source of revenue. Wattpad was generating about \$500,000 a year in advertising sales, but Union Square partner Albert Wenger argued that running generic and often tacky ads debased the user experience. USV specialized in backing firms that harnessed network effects, like Twitter, Stripe, Etsy and Kickstarter; Wenger wanted Wattpad to focus on attracting writers and readers, and worry about monetizing later. Lau didn’t agree, but could see Wattpad’s future depended on expanding beyond advertising to generate revenue.

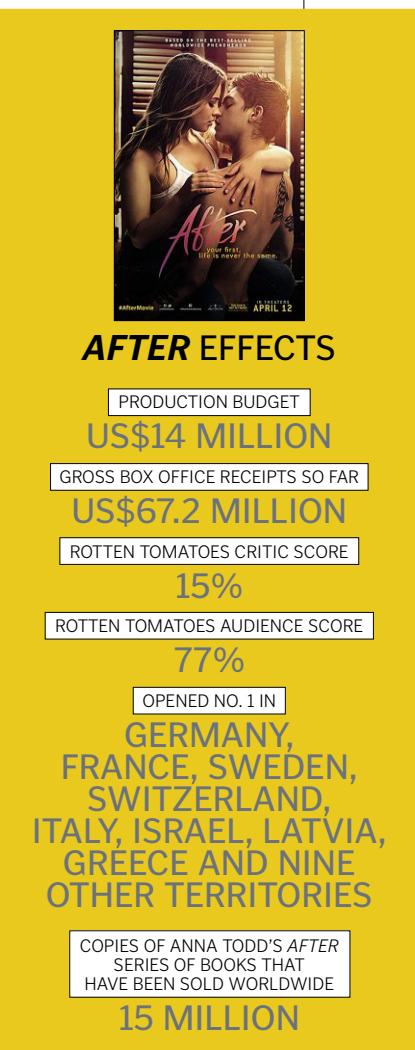
Meanwhile, publishers were reaching out directly to Wattpad’s popular writers. Teenager Abigail Gibbs got a six-figure advance from Harper Collins to turn *Dinner with a Vampire* into a series of books, while Beth Reeks, a 15-year-old from Wales who writes as Beth Reekles, scored a three-book deal with Random House U.S. for her young adult romance *The Kissing Booth* after it got 19 million reads on Wattpad.

All these deals were great for Wattpad’s profile but not its finances. Like other self-publishing sites (including FanFiction.net, where *50 Shades of Grey* debuted), Wattpad didn’t own its writers’ intellectual property, and publishers often had stories pulled off the site.

Lau recruited a handful of outsiders, starting in 2012, to help him figure out how to build a business around a platform that now had four million users. (Eva left in 2013 after community management became too much of a strain on family life.) One key arrival, Candice Faktor, who had led Torstar Corp.'s digital innovation business, oversaw early monetization experiments as Wattpad's general manager. "We were clear we were an enablement platform. There was a lot of passion and purpose on the leadership team, but there was no clear view on how we were going to exactly get there," says Faktor, who stayed at Wattpad until 2016. Monetization schemes, the team agreed, had to deliver value for its writers, the publishing industry—which initially regarded Wattpad with suspicion or indifference—as well as advertisers and other partners.

Efforts included a Kickstarter-type crowdsourcing campaign to fund writers (it didn't catch on) and a brand-promotion program that enlisted popular Wattpadders to write short stories on the site tied to products like Sour Patch Kids candy. Millions read the stories, but the program was "difficult to scale," says Lau.

Early on, Faktor led her colleagues on a strategic visioning exercise to imagine a magazine cover story about Wattpad five years later: What would it say? "We all had some version of this idea that one of these writers on our platform becomes a world-renowned breakout star," she says. "And it's all because Wattpad got her there."



Cosmo has called *After* author Anna Todd "the biggest literary phenom of her generation"

MIDWAY THROUGH 2013, Wattpad staff noticed a spike in referrals coming from the search term "after." "What is 'after?'" Faktor remembers them all thinking. "It was just such a weird term." Millions of other referrals streamed in as users texted a Wattpad link to their friends. "Then we realized, 'Oh my God, *After* is actually a story that's going viral, and lots of people are looking for it.'"

Wattpad had promoted stories before, but this one was a force of its own. Todd's story accounted for 10% of overall traffic and racked up hundreds of millions of reads; it even crashed the site. Wattpad executives wanted to meet the author, who went by the handle Imaginator1D. "This was so big," says Lau. "We could smell it. When you see a unicorn, you know this is a unicorn, but how can we make it a win-win?"

Faktor and her team sent several emails to Todd, but she initially ignored them, assuming they were from pranksters. When she finally did respond, Faktor arranged to meet the writer at a rooftop patio in Hollywood. It turned out she was a fan-fiction junkie who had become obsessed with "punk edits" of the boys from One Direction, created by rabid fans superimposing tattoos and piercings onto digital images. One day, she decided to write a story on Wattpad, imagining the band members as punks in college and casting singer Harry Styles as the lead. She wrote thousands of words a day, and kept fans engaged in the rocky relationship between Hardin and Tessa with regular cliffhangers (What is Hardin yelling about? Will Hardin and Tessa shower together? Who's Molly?). She also responded to messages and feedback, at one point correcting the colour of a car after a sharp-eyed reader noted it was different in an earlier chapter. "It was like, 'Wow, this person has nailed the way in which our platform works best,'" says Faktor.

"As a reader, if I tried to contact my favorite writers 10 years ago, no way would they have even known I existed," says Todd. "Now, I have readers who not only comment on the story, they direct-message me every day. It breaks down the barrier from writer to reader, and I'm really happy I can be part of that."

Wattpad's execs told Todd that they wanted to help turn *After* into something bigger—both for her and for the company. "We were very mindful and thoughtful about creating a relationship," says Faktor. "This was our first foray into the entertainment business."

Todd and Wattpad struck a deal that would be a model for subsequent arrangements. Wattpad would help land Todd a publishing deal (while keeping the original story online) and take a cut of book sales. It would also help sell screen

rights to the story while securing a producer role for itself, with all the related financial incentives that go along with it: producer fees, plus a share of box office and distribution revenue. *After*'s engagement statistics landed Todd representation by United Talent Agency, a film deal with Paramount and a US\$500,000 advance from Simon & Schuster. When the first book came out in 2014, it was a publishing sensation and proved that leaving the story on Wattpad didn't cannibalize book sales.

"It was the first time that, if you were in the publishing industry, you couldn't ignore Wattpad," says Melissa Nightingale, who ran global marketing for Wattpad from 2014 to 2016. "To end up with a *New York Times* and international bestseller from an author you hadn't heard of, who didn't have a PhD in English literature, who hadn't worked with a traditional publishing company to get a deal, was a really interesting moment for the company and the industry. If you didn't know who Wattpad was before, it was very hard to ignore after *After*."

Halfway around the world, Wattpad had another hit. In 2014, the Filipino network TV5 proposed shooting a series based on Wattpad stories, called *Wattpad Presents*. The Philippines was already Wattpad's second-largest market behind the U.S., and the series was a sensation, running for 200 episodes and improving TV5's ratings by 30%. Wattpad didn't have to do much and earned a seven-figure sum from the deal.

Inside Wattpad, the monetization strategy began to take shape, inspired by Chinese reading and writing site Cloudary, which had attempted a similar scheme. (Cloudary is now part of China Literature, which has 213 million active users and US\$734 million in revenue, and is controlled by Wattpad investor Tencent.) Wattpad continued to earn millions off advertising. It explored ways to get users to pay for content that had been free previously. And in April 2016, it launched Wattpad Studios to co-produce Wattpad stories for print, film, TV and digital platforms.

Its biggest challenge was that the company didn't own the underlying IP—the writers did. To lock in some value from that content, Wattpad had to persuade them it would act as effectively in representing their financial interests as it had hosting their stories.

And Wattpad did have some IP of its own: the engagement data generated by stories on its platform. Wattpad knew who was reading what, and could pinpoint popular trends and story preferences. It knew which stories readers loved and which moments resonated the most, based on their comments. Only Wattpad could walk into a room with a publishing house or studio armed with data about how and why certain stories connected with audiences.

"That's the proprietary IP—the data we own," says Lau. "One big distinction with Facebook is that there is no privacy concern with Wattpad, because this is about how people consume the content. It's not about where you live—we don't care about that." But while the data belongs to the company, it's also "helping [the writers'] IP become more valuable," says Lau. "Ultimately everyone wins," since Wattpad benefits when its writers do. "Our goal is to help creators on our platform make money and build a nice career out of this."

Well, maybe a bit more than that. "It's obvious that we're not just building an app or a community," Lau wrote in a blog post to commemorate Wattpad's 10th anniversary, in November 2016. "We're building a global multiplatform entertainment company...Hey Mickey Mouse: The next Disney is coming."

JOANNA KERNS LEAPS OUT OF HER DIRECTOR'S CHAIR, beneath a cramped black canopy in a Santa Clarita skate park, as two actors finish their 12th take of a scene. "That's it! Twelve is fantastic," barks Kerns, a veteran TV director and actor who co-starred in *Growing Pains*. "Ladies and gentlemen, I need all this to move." Within 10 minutes, the tent, monitors and crew have relocated to a different vantage across the park.

It's the morning of the *After* premiere, and 50 kilometres from Hollywood, in this sun-scorched bedroom community, filming is under way on *Light As a Feather*'s second season. The shoot is fast-paced and lean, with fewer than 75 people on set, compared to 200 or 300 on a typical production. The Emmy-nominated show, about teen girls who start dying off in the manner foretold during a party game, has helped put Wattpad on the Hollywood map, and it's at the vanguard of industry changes. *Light As a Feather* airs on Hulu, one of the digital streaming services reshaping how entertainment is delivered. Hulu hasn't shared viewer figures with Wattpad or with Awesomeness, the Viacom-owned production company that makes the show, but they assume it's doing well, since Hulu renewed it for a second season.

The show's cast includes YouTube stars and young actors almost guaranteed to draw millennial viewers, and producers have responded to fan feedback on social media, for example by writing in a love interest for gay character Alex. Most important is that the series is based on "a piece of IP"—Hollywood-speak for an original story—which streaming services have indicated is "a really important element to selling a project," says Melanie Krauss, the Awesomeness executive overseeing the shoot. "Wattpad is invaluable because they have tons of original IP."

The executive charged with transforming Wattpad into an entertainment giant is Aron Levitz, a 30-something mechanical engineer who once worked at BlackBerry, negotiating strategic partnerships with mobile music, video and gaming brands. He also did stints at Kobo and Xtreme Labs before joining Wattpad in 2013 to help develop some of its early monetization efforts. Levitz carries himself like a cocksure young producer, with a signature look that includes a vest, tie, sneakers and white-framed glasses.

"We never ask, 'Do I like that story?'" says Levitz, the general manager of Wattpad Studios. "It's, 'Do we understand why the audience liked it, and is there a TV show within that that we can structure?'"

All that data has encouraged some of Wattpad's production partners to experiment. Canada's Entertainment One Ltd. signed a development deal with Wattpad in 2017. For its first project, a series adapted from dystopian Wattpad story *The Numbered*, eOne plans to run a draft of the pilot script by a group of "superfans" on Wattpad. "It's completely innovative for us" to incorporate fan feedback into the production process, says Jocelyn Hamilton, eOne's president of television in Canada. "We don't want to distance the fans. We want to

translate their fandom over to another medium, and we want their blessing and feedback along the way.”

Wattpad has invested in machine learning to root out stories that share attributes with popular works and genres. Its “Story DNA” program then analyzes data around each one to determine how and where readers have responded to it and to benchmark their engagement in relation to time spent reading. That helps to “significantly improve the success rate of a project as Wattpad stories are brought to life on other platforms,” says Lau.

But it can take a long time to get a show into production, and there’s still no guarantee a popular Wattpad story will work in another format or that fans will embrace adaptations that stray from the source material they love. Besides, Hamilton acknowledges much of the writing on Wattpad “is pretty amateur,” which means identifying IP that deserves the screen treatment is akin to finding “a needle in a haystack.”

Wattpad has a longer track record in publishing, where it has helped hundreds of writers land book deals, 90% of which earned out their advances within a year (more than four times the industry average). Lau’s team noticed that publishers had a habit of picking stories they liked, rather than the ones Wattpad data showed audiences preferred. So, the company decided to become a publisher itself. Wattpad Books will publish six books in 2019 across North America, starting in August with *The QB Bad Boy & Me*, a teen romance story by Tay Marley with 28.7 million reads online. “This is an evolution of what we’ve been doing for a few years,” says Ashleigh Gardner, who oversees Wattpad Books. “It absolutely lets us capture more [value] by being the publisher as well.” With a built-in audience on Wattpad, “the chances of failure are lower because we’re able to make better predictions about what will sell.”

Wattpad is also hoping some readers will pay to use its platform. In 2017, it began offering a premium service that allows subscribers to read Wattpad stories ad-free for US\$5.99 a month, and last October it started testing a program that makes readers pay for chapter-by-chapter access to select stories, taking a small cut.

So far, Wattpad says the program has been a success—*The QB Bad Boy & Me*, one of the first and most successful stories in the paid program, has generated tens of thousands of dollars for New Zealand-based Marley. Paul Kingston, a Canadian-born comic and writer in L.A., says his horror story, *Goats From Lambs*, provides “a nice little installment—though I’m not paying rent with it.” But some readers have complained about the fee. “YouTube went through this,” says Kingston. “I would just chalk this up as growing pains. But I definitely see this as a big step for Wattpad.”

“I think we’re in a very good place,” adds venture capitalist Wenger. “Wattpad is growing multiple and differentiated revenue streams, and is on a path to profitability. It was maybe longer in the making than other things, but I’m feeling very good about things that we’re now getting to work.”

AFTER’S JOURNEY TO THE BIG SCREEN took some dramatic turns. Paramount initially commissioned a script, but sat on it for a year and a half before returning the rights on the condition that the film be financed outside the studio system. Indie production company CalMaple Films signed on, the script changed, and the film lost its original female lead. At the last minute, Langford stepped into the role of Tessa just before shooting began in the summer of 2018, with CalMaple and two other production companies putting up the film’s thrifty \$14-million budget.

The off-camera drama hasn’t dampened Levitz’s excitement. “This is one of the first fan-driven, data-driven stories to hit screens,” he says.

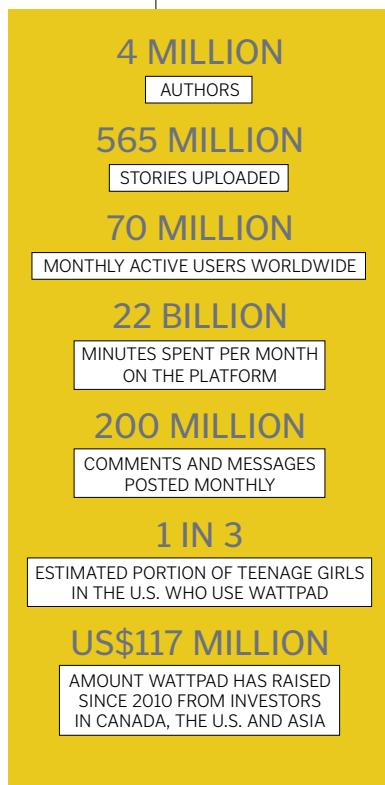
The audience reaction to *After’s* premiere is enthusiastic, with plenty of cheers and applause (particularly for a cameo appearance by Anna Todd, whose fans calls themselves Afternators). The critics, meanwhile, trash it. Germany’s *Bild* calls it “50 Shades of Puberty,” and reviewer Oliver Kube says the film features “beautiful young people with mosquito-sized problems from which they make elephants.” *Variety* forecasts it will earn between US\$3 million and US\$12 million in North America when it opens on 2,138 screens on April 12, up against the DC Comics superhero blockbuster *Shazam!*, then in its second week. *After’s* co-producer Mark Canton, best known for action fare such as *300*, isn’t worried. “I think internationally, it’s going to be a total juggernaut,” he says on the red carpet.

He’s right. The opening-weekend tally is a ho-hum US\$6 million in North America, reaching US\$12 million by late May. But overseas, *After* opens at

No. 1 in 17 territories and generates US\$55 million-plus in non-North American receipts after six weeks, surpassing *Shazam!* in France, Germany, Italy and Poland, and making *After* the top-grossing indie film of 2019 so far. On May 19, Todd tweets out a picture of a script for *After We Collided*, writing: “We’re getting a sequel guys.” Within 20 minutes, her followers have “hearted” the post 3,700 times. That day, international distribution rights to the sequel go on sale.

“In our gut, we knew *After* would do well; it was just a matter of how well,” Lau says a week later. “I don’t think anyone would question whether Wattpad can make money any more. Now it’s three things: scaling, scaling, scaling.”

With additional reporting by Tara Deschamps.





FALL

OF THE

ROMAINE


EMPIRE

SLINGING SALAD FOR THE
MASSES MADE FRESHII
A MARKET DARLING.
BUT THINGS HAVE
BEGUN TO WILT.
IS THE COMPANY'S
BRASH CEO PART
OF THE PROBLEM?

BY JOE CASTALDO

PHOTOGRAPHS BY JUSTIN POULSEN





On the website of Freshii Inc., amid lavish photos of avocado slices and shredded cabbage, each member of the executive team has filled out a brief bio, and answered questions about their favourite Freshii meal and workout routine. They also offer a quote to live by. A couple of executives were inspired by the words of published authors, while the company's former chief financial officer wrote: "Bad stuff first, good stuff last." He credited the line to Matthew Corrin, Freshii's founder, chairman and CEO. Chief operating officer Adam Corrin, who is Matthew's younger brother, lives by the maxim: "Talk is cheap, execution sets you apart." That one comes from Matthew Corrin too. Matthew Corrin, incidentally, has also been an inspiration to Matthew Corrin. His quote to live by reads, "‘Never peak’ - Matthew Corrin."

If you're not familiar with the proverbs of Corrin, you probably at least know his company. Freshii, the healthy fast food chain, has spread like some kind of nutritious weed, sprouting up between restaurants better known for burgers and fries than kale and quinoa. The Toronto-based company now has nearly 450 stores in 16 countries, including far-flung locations such as Saudi Arabia, Colombia and Ecuador. (The majority are still in Canada.) Corrin, who opened the first Freshii in 2005 at age 23, had the foresight to recognize the appeal of quick, fresh food and the hustle to aggressively expand the concept.

He now has visions of transforming the company from a mere restaurant chain to a "health and wellness" brand, pushing his products through any venue possible (and offering Freshii-branded swag, such as sweatshirts and toques, as well). Freshii wraps and avocado toasts are already available on some Air Canada flights, and through 100 Walmart stores across the country. Motorists in the Greater Toronto Area can pick up Freshii green juices and deconstructed taco boxes at Shell Canada gas stations. To foist healthy eating upon children, the company rolled out a school lunch program, where students order in advance and local franchises deliver the meals.

Freshii rocketed to an initial public offering in January 2017 with bold plans to more than triple its store count in a few short years. The company hit a valuation of close to \$400 million and boasted quarter after quarter of strong same-store sales growth, a rarity in a sluggish industry. For Corrin, it was a definite high point. One might even say it was the peak.

Freshii's stock price has collapsed more than 80%

since then and trades around \$2 today. (Buyers of the IPO paid \$11.50.) The decline is all the more stunning considering healthy eating is still the hottest trend in the restaurant industry, and Freshii was one of the first to market. Competition has intensified in the past decade, sure, but even that doesn't explain the depths of Freshii's troubles. Corrin, on a conference call in May, gave the impression of a founder who had searched his soul for an explanation and was preparing to offer himself as a sacrifice. "I recognized that the skills that allowed me to lead the brand to where we got are different from the skills required to get us where we want to be," he said. "So in short, I fired myself."

He paused, "I then rehired myself as a new CEO."

And that might just be Freshii's biggest problem. Corrin, now 38, built the brand from scratch and scaled it into a sizable player, but his performance since the IPO, and his brash style, have eroded credibility with public markets, according to analysts. Freshii has missed financial targets, laid off staff and seen its once stellar same-store sales turn negative. Corrin declined interview requests and did not respond to a detailed

list of questions. (We did go for an off-the-record jog at his suggestion, though—five to 10 kilometres, he specified. All I can report is that I am sadly out of shape, while he didn't break a sweat.) Instead, Freshii sent a statement through an outside public relations firm. "We have confidence in our team and our ability to drive business priorities," the statement read in part. "All of us are focused solely on driving the business forward and delivering value and profitability to our shareholders and franchise partners."

"Investors have said he's a very polarizing figure," says John Zamparo, an analyst with CIBC World Markets. "They have asked what the future of this company is and whether he is the right person to lead it."



Intense is usually the word people use to describe Corrin. He's got a steely gaze and a firm commitment to eye contact. He's a health fanatic (favourite workout: "Run. Fast.") and once installed a pull-up rack in his office, even boasting of his upper body strength for a *Globe and Mail* reporter in an interview a few years ago, unprompted. He's typically stylishly dressed and sports carefully groomed stubble, his bro-ish swagger at odds with Freshii's bohemian marketing mantras. "Let's be good to the earth. Let's let the earth be good to us," reads one slogan on its website; it's hard to imagine a sentiment so earnest coming from Corrin's chiselled face. Around the office, he's been known to tap employees on the shoulder to acknowledge a recent accomplishment. If he can't do it in person, he records a short video message and sends it over email. Another word that comes up when talking about Corrin is arrogant, which he has readily acknowledged, recounting to an interviewer that he was once called an "arrogant little prick" in his younger days. "You've got to learn when to fight hard, when to be an arrogant little prick and when to be humble," he said.

A little arrogance is practically a requirement to open a restaurant with zero experience, as Corrin did with Freshii. He grew up in Winnipeg, where his father worked as a dentist and his mother as a nurse, and he completed a degree in media, information and technology at Western University. After graduation, he and his then-girlfriend moved to New York, where she attended the Fashion Institute of Technology and Corrin worked in the public relations department for Oscar de la Renta. He's said the idea for Freshii struck him while observing the salad counters at mom-and-pop delis in New York City. Despite the poor branding and customer service, people were lining up.

It might be hard to remember now, when you can't walk 10 feet without passing celery juice and spinach wraps, but options for quick, healthy fare were much more limited in 2005. That's the opportunity Corrin exploited. He was lucky to have supportive and generous parents, who loaned him \$250,000 to help launch his concept. The first location opened in downtown Toronto under the name Lettuce Eatery, and Corrin attached a world-changing mission to slinging salad:

Freshii was going to help people live better, healthier lives. And it worked. "They nailed it when they launched," says Jeff Dover, president of fsStrategy, a foodservice and hospitality consulting firm in Toronto.

Corrin opened the first nine stores on his own in the next two years, and then moved to Chicago to start building a U.S. beachhead. He had his sights on global expansion early on—he never wanted Freshii to be pigeonholed as simply a Canadian brand—and franchised the concept. For would-be owners, Freshii had a lot of appeal. Not only was it unique, but the startup costs were lower than a pizza joint or burger chain. The focus on fresh food meant franchise owners didn't have to invest in expensive kitchen equipment or large retail spaces.

To help market franchises in the U.S. and abroad, Corrin struck a deal with a company in Virginia called Fransmart LLC in 2008. And then the trouble started. Freshii was obligated to fork over a share of its revenue under the terms of the contract, but in 2010, it stopped paying, and Fransmart sued in a Virginia court. As part of its defence, Freshii alleged the owner of Fransmart, Dan Rowe, had misrepresented the financial health of his company. Fransmart claimed that since Freshii had matured, it no longer wanted to share revenue and was simply trying to wriggle out of the contract.

Corrin was later grilled by Rowe's lawyer during a deposition. "You're the CEO of an international franchisor, aren't you?" the lawyer asked him. "You make it sound so sexy," Corrin said.

In 2011, the case was grinding along when Rowe asked Corrin to get together in Toronto. Rowe wanted to avoid a trial and salvage the relationship. They met in a private lounge at a downtown hotel, and after some brief small talk, Corrin instead offered \$300,000 to settle the lawsuit and part ways. Rowe told Corrin he wanted them to keep working together. Besides, Corrin's offer was less than he felt he was owed.

Corrin, according to court documents, told Rowe that if his offer was not accepted, he would drag out the lawsuit and stir up "very visible, high-profile trouble" for Fransmart. "Corrin threatened that he would go public in every way, making it his 'full-time mission to destroy Fransmart,'" Rowe claimed in court. "Corrin said he had already 'killed' four Fransmart deals... and would 'kill' four more." The meeting lasted less than 10 minutes.

The next day, Corrin blind-copied Rowe on an email he sent to a new Fransmart client, one that Rowe had mentioned to him in their meeting. Fearing that Corrin was preparing to make good on his alleged threat to torpedo deals, Rowe went to court to get a temporary restraining order preventing Corrin from contacting



any clients and spreading negative information. A lawyer for Corrin later told the court that the Freshii founder “would not continue to engage in the conduct giving rise” to the lawsuit, making the restraining order moot. (Rowe declined to comment.)

Meanwhile, Freshii lost the contract lawsuit and was ordered to pay Fransmart more than US\$500,000, plus interest.



The legal setback did not stop Freshii’s growth. By 2017, the company had nearly 250 locations, carried in part by Corrin’s appetite for publicity. He showed up for television interviews wearing a Freshii letterman jacket, appeared on *Undercover Boss* and starred on a spinoff of CBC’s *Dragons’ Den*. One of his more notable gambits was taunting his ostensible competitors, such as McDonald’s, through open letters. “The reality is that McDonald’s is stagnating and your growth days are over,” he wrote. Media outlets lapped up Corrin’s bombastic style, although one missive urging frozen yogurt franchisees to come into the Freshii fold earned the company a \$10-million trademark lawsuit from the owners of Yogen Früz, who accused Freshii of using false and misleading statements to promote itself. (It was settled last year.)

The time seemed ripe to go public, and CIBC Capital Markets and RBC Dominion Securities led Freshii’s \$125-million offering. During the roadshow, the story Corrin told was of a rapidly growing company with a unique offering that was ready to conquer the world. Freshii had already hit 200 locations in less time than either McDonald’s or Subway, and more growth was to come, according to the prospectus. The targets Corrin

promised were ambitious. By the end of fiscal 2019, according to Freshii’s prospectus, the company would have up to 840 stores, a 244% increase. That works out to approximately one new store every couple of days.

Still, the story was enticing. Canada’s restaurant industry is fairly mature, with established companies eking out meagre gains each year. Overall, the \$60-billion market grows between 2% and 3% annually, according to Robert Carter of the NPD Group, and traffic is relatively flat. Freshii, in contrast, churned out quarterly same-store growth that was regularly north of 6%. “The guy does a phenomenal job of presenting, and they’re all great ideas,” says Stephen Takacsy, president of Lester Asset Management in Montreal, who attended a sales pitch. “But we found it ridiculously overvalued.” Freshii’s aggressive targets left little room for error, and the company was valued at around 30 times trailing 12-months EBITDA, more akin to a frothy tech company than a restaurant chain.

That wasn’t enough to dissuade Bay Street. The four equity analysts following the stock in early 2017 all slapped a buy rating on Freshii, which started trading around \$12 per share. Target prices were as high as \$19.50. “There was excitement for a new, trendy, relevant brand in food service,” says Elizabeth Johnston, an analyst at Laurentian Bank Securities. She thought it would be challenging for Freshii to hit its store count target, but she was encouraged by the strong interest from franchise owners—a sign the brand had cachet. The more franchises Freshii established, the more royalty revenue head office could rake in.

But Freshii had trouble meeting its store growth count almost immediately, which the company later blamed on the “unpredictability” of selecting sites, obtaining permits and taking possession of properties. In the second half of 2017, Corrin introduced a curious new metric. On an analyst call, he hyped an “exciting new opening strategy” called “enhanced openings.” Stores that weren’t actually open yet could generate revenue by offering juice cleanses, meal boxes and catering services for delivery, even though the order would actually be fulfilled by an existing location.

Corrin said the company opened 31 stores in the past quarter, 11 of which were “e-openings.” Analysts, having never heard of this concept before, were left baffled. Finding a way to help franchise owners generate sales before opening is not a bad idea, says John Zamparo at CIBC, but the company fumbled the delivery. “You shouldn’t sell it to people as a store that has opened,” he says. “‘Disingenuous’ was a word I heard a lot,” Zamparo says of his conversations with investors. Freshii soon abandoned the concept entirely, and Corrin said on a later call that he promised the CFO he would never talk about e-openings again.

In the months following the IPO, Corrin met with investors to drum up interest. He didn’t always leave a good impression. One fund manager who met with him said that if Corrin was asked a question he didn’t like, he would defer to the CFO and stare at his smartphone. When the fund manager tried to explain that as head of the company, he would have to answer

DOUBLE TROUBLE

Corporate governance experts may frown on the practice, but many Canadian companies use dual-class share structures

	PRINCIPAL SHAREHOLDER	PERCENTAGE OF VOTING RIGHTS
Rogers Communications Inc.	Rogers Control Trust, of which family members of the late Ted Rogers are beneficiaries	92%
Quebecor Inc.	President and CEO Pierre Karl Péladeau	73.6%
Bombardier Inc.	Members of the Bombardier and Beaudoin families	50.9%
Shopify Inc.	Founder and CEO Tobias Lütke	33.8%
Empire Co. Ltd.	Class B Holdings Ltd., which is owned by members of the Sobey family	92.7%
Aritzia Inc.	Canada Retail Holdings and Sixth Berkshire Associates, managed by Boston private equity firm Berkshire Partners	50.8%
Torstar Corp.	A voting trust comprising five families, including executors of the estate of long-time <i>Toronto Star</i> publisher Joseph Atkinson	99%

One of Corrin's pieces of advice to aspiring entrepreneurs is to "build a company with a killer culture, not a culture that kills a company." He has heavily promoted the open, transparent vibe at Freshii, along with its unlimited vacation policy and free food for employees at head office. That office in Toronto, which has employed as many as 80 people, is overwhelmingly young. Freshii prides itself on its millennial (and now Gen Z) workforce, which also makes up its customer base. At a conference last year, Corrin said he spends a disproportionate amount of time thinking about people and culture, suggesting it's a competitive advantage. "You cannot knock off the culture," he said.

Some found Corrin to be an encouraging, even inspiring boss. "He put a lot of trust in me," says Jonathan Truong, who spent more than seven years at Freshii and left his role as creative director in December for a startup. It was Truong's first professional gig, and he quickly found himself with a lot of responsibility. But even when he once made a costly printing error for some marketing materials, Corrin didn't chew him out. "He allowed me to learn from that mistake," Truong says, "and that's something I've taken to heart."

Not everyone had the same experience. Corrin can be blunt and direct, and with his reluctance to break eye contact, he can read as intimidating, especially when he's displeased about something. At times, according to three former employees, he has displayed behaviour they viewed as bullying, and made belittling remarks about their contributions or the quality of their work. During a meeting with other executives, he called one individual's efforts "redundant" and told another employee after a presentation she had given that it wasn't worth his time. Two of the former employees say interactions with Corrin left them in tears.

Another former employee says Corrin's bluntness seemed like a persona of sorts, like something he gleaned from one of the many business books he reads and decided to apply to Freshii. Indeed, one book he has recommended to staff is *Principles* by hedge fund titan Ray Dalio, who practises what he calls "radical transparency." Dalio recommends managers be brutally honest with themselves and their employees. "While most people prefer compliments, accurate criticism is more valuable," Dalio writes. He also advises managers to "evaluate accurately, not kindly." Corrin was so taken with *Principles* that he called out an employee at a meeting for not having read it.

Freshii's struggle to hit its targets ultimately took a toll on morale too. In September 2017, the company reduced its projected store count from 840 to 760 and cut estimated systemwide sales to US\$285 million from US\$365 million. Investors drove the stock down accordingly. Last November, the company withdrew guidance altogether.

The next blow came swiftly, as Freshii cut 20% of

questions from public shareholders, Corrin bristled and said he had people who could take Freshii private, even though the company had just started trading several months prior.

The rush to open stores put a strain on head office, especially as Freshii entered multiple new markets. The company's approach to international growth was less driven by a strategy than by franchisee demand, which led Freshii to many disparate locales, such as South America, the Middle East and Ireland. Meanwhile, other efforts seemed to suffer. Analysts noted Freshii was slow to implement mobile and digital ordering, and to ensure the process functioned smoothly. As part of his due diligence on Freshii, Zamparo frequently used the company's app to get food, only to show up at a store and discover his order was never received. Worse, sometimes the store was closed. "It was very poor execution on the online and mobile front," he says. Freshii retooled and relaunched its app last year, and while the design was improved, the overhaul felt superficial, Zamparo says. He still had trouble getting his banana nut smoothie.

"That's the problem with a company that has put significant growth targets and is struggling to meet them," Zamparo says. "Your priority becomes opening up more stores rather than making sure the stores you have are functioning."



its staff at headquarters to help drive profitability. The cuts came not long after Freshii moved into a sleek new office down the street in Toronto's ritzy Rosedale neighbourhood. Corrin's brother, Adam, who still sports the built physique of the hockey player he was in university, took it upon himself to address the malaise. He rose during an all-staff meeting, according to five people who were there, and told employees to "get your heads out of your asses." The pep talk, such as it was, did little to lift spirits.



The strange thing is that, despite the plummeting stock price and operational turmoil, Freshii's financials are still relatively solid. The company is opening locations—69 new stores last year—with another 140 stores in the pipeline. It has about US\$27.6 million in cash. Though same-store sales fell 1.2% last year, at least the depth of the decline is shrinking: Last quarter, same-store sales dipped 0.9%. Corrin's talk of rapid international expansion has waned as the company focuses on fixing its core North American operations.

Lately, Corrin has cited the worst-performing 10% of Freshii stores for dragging down the rest of the chain, and the company is working to shut them down or transfer ownership. In the past four quarters, Freshii has closed 43 stores. Corrin has said there is no one factor affecting the underperformers and instead put the blame on the franchise owners themselves. "Part of the bottom 10% is partners who are not doing the right things," he said last November. The next quarter, Corrin said Freshii would be "more measured" in selecting store owners. It's worth noting the prospectus from two years ago already emphasized the company's "rigorous vetting and selection process" of its franchise partners.

Analysts are not ready to label Freshii spoiled goods. "When they have a specific plan, we've seen they've been able to execute," says Johnston at Laurentian Securities. "I'm definitely optimistic. But it's going to take time." A few initiatives give her hope. Freshii launched a traditional marketing campaign

this spring, with radio spots and billboards, which it hasn't done much of in the past. Johnston says the company has a strong brand to capitalize on, and the campaign could help attract more customers.

The company is also renewing its focus on limited-time offers, an important way to lure people into stores. Corrin admitted earlier this year to mistakenly pausing development on that front. "I totally blew it," he said on a call. It has debuted new menu items too, such as immune elixir shots, two flavours of kombucha and charcoal lemonade.

Even in a more competitive market, Freshii has advantages, according to Jeff Dover at fsStrategy. He points to the company's scale, strong brand recognition and customer loyalty. "I don't think anybody would dispute the market leader in this category is Freshii," he says. "From everything I hear, the CEO is making the right calls."

Investors are far more skeptical. One of the main reasons is Corrin and his executive team. "Ideally you would like to see individuals who have a long history of success in that business," says Raymond Lam, a portfolio manager at Laurus Investment Counsel in Toronto. "There doesn't seem to be any individual on that team with that track record. He himself doesn't." The leadership team is turning over too: Both the chief financial officer and the chief people officer left the company in May. (Neither responded to requests for comment.)

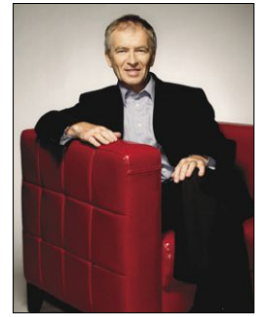
Nobody on Freshii's board of directors has experience at a large-scale restaurant franchise, either. Both the Corrin brothers are on the board, along with serial entrepreneur Michele Romanow and Marc Kielburger, who co-founded We Charity. Another board member, Neil Pasricha, is an author of books on happiness and leadership who has been called "one of the most popular TED speakers."

When a fast-growing company stumbles and investors flee, there are a few things that can happen. Sometimes a buyer swoops in. Other times, a shareholder activist whips up dissent and tries to overthrow the CEO. (Indeed, one fund manager says Freshii is probably worth more than the market pegs it at today, but unlocking that value would require a determined activist.) And in rare instances, the CEO, thoroughly chastened, recognizes new leadership is required and voluntarily steps aside.

None of these outcomes seem likely for Freshii. Corrin's voting control means he decides the company's fate. Sell to a competitor? Resign? That would be defeat (unless he rehires himself again). For now, Corrin seems intent on restoring Freshii back to growth himself, even if the market has abandoned him. He is no longer the young, swaggering 20-something who can impress with a better idea for fast food. He's reached the limits of hustle. What remains now is the less glamorous work of fixing the operations and reversing the decline in same-store sales, quarter after quarter, and proving he can deliver results again. We already know Corrin can run. Fast. But getting investors to take him seriously again? That's a long run indeed.

Congratulations to these recent appointees

Phillip Crawley, Publisher & CEO of The Globe and Mail, extends best wishes to the following individuals who were recently featured in the Report on Business Section of The Globe and Mail newspaper. Congratulations on your new appointments.



Phillip Crawley



Jason Stephen
to President
The Canadian Real
Estate Association



Philip Homan
to Board of Directors
Coril Holdings Ltd.



Carol Leaman
to Board of Directors
Coril Holdings Ltd.



Vito Ciciretto
to CEO
Dynacare



Lesley Gallinger,
MBA, CPA, CMA,
CPA (Illinois)
to President & CEO
Elxicon Energy Inc.



Jean Raby
to Board of Directors
Fiera Capital
Corporation



**Norman M.
Steinberg**
to Board of Directors
Fiera Capital
Corporation



Paul Keenan,
P.Eng., PE, CED,
LEED AP
to President
HH Angus and
Associates Limited



Dave Lehane
to Board of Directors
Mosaic Forest
Management



Craig Neeser
to Board of Directors
Mosaic Forest
Management



Nancy Hill
P.Eng., LLB,
FEC, FCAE
to President
Professional
Engineers Ontario



Paul Healy, P.Eng.
to Executive VP
Redpath Mining Inc.



Oliver Harrison
to Senior VP,
Operations
RioCan

FLEX LIKE A MARE BLOMB

**OUR GUIDE TO HOW
CANADA'S WEALTHIEST
SPEND THEIR MONEY**

ILLUSTRATIONS BY CARA VANDERMEY

REAL ESTATE



THE GOLFER'S PARADISE



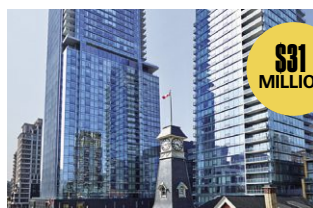
The “Desmarais boys,” Paul Jr. and André, are dedicated golfers, and they own two exclusive courses. Memphrémagog, in the Eastern Townships, is said to be limited to 50 members, who pay a rumoured \$200,000 apiece to play the Tom McBroom-designed course. Domaine Laforest, in Charlevoix (also designed by McBroom), is even more exclusive—it’s reserved for family members and associates.

THE OENOPHILE’S DREAM

MARKUS FRIND, who sold PlentyofFish.com for US\$575 million in 2015, bought a 13-acre lakeside winery in British Columbia’s Okanagan Valley (once owned by former B.C. premiers W.A.C. Bennett and his son, Bill) for **\$7.2 million** in 2017. The bigger coup: Frind hired away famed winemaker Eric von Krosigk, who has won 300 wine medals and co-founded the Summerhill Estate Winery. Frind Estate Winery started selling wine in June.

HOME SWEET HOME

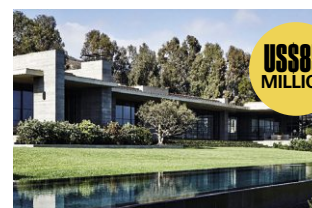
The Toronto penthouse



**\$31
MILLION**

Peter Gilgan, who made his \$4.6-billion fortune building houses in the ‘burbs, bought Toronto’s most expensive condo in 2018—the 55th-floor penthouse at the Four Seasons Residences in tony Yorkville.

The beachfront estate



**US\$85
MILLION**

In 2018, **Daryl Katz**, who sold the Rexall pharmacy chain for \$3 billion, bought a six-acre beachfront estate in Malibu. Katz reportedly paid an extra US\$21 million for contents, including art by Damien Hurst. Before it went up for sale, the house rented out for \$750,000 a week.

(NLUKUTERIPI) @LMCHABOT/SUNSET LUXURY VILLAS; (MALIBU HOME) VIA TMZ/ KURT RAPPAPORT; (TORONTO HOME) COURTESY FOUR SEASONS HOTEL AND RESIDENCES TORONTO; (BEIBER) THEO WARGO/ GETTY; (FLEA) ANTHONY HARVEY/CP; (AZRIEL) YURI DOIC; (HORSE) VIA ADENASTALLIONS.COM

BEST PRIVATE RESORT

SUNSET LUXURY VILLAS

Cirque de Soleil co-founder Guy Laliberté has “curated” a portfolio of five private resorts. Nukutepipi, an island in French Polynesia, is the crown jewel: It can accommodate up to 52 guests, but is only available to a single renter at a cost of US\$1 million a week. It features a secluded lagoon where guests can snorkel, sail and kite surf, and comes equipped with a spa and yoga studio, a troupe of Tahitian dancers, tennis courts, bike trails, bee colonies and, of course, a dedicated chef and kitchen brigade to keep you and your posse fed.

THE BIGGEST & BEST



ONE-TIME DONATIONS

\$200 MILLION
John and Marcy McCall MacBain to a McGill University student scholarship fund—the largest gift in Canadian history (2019)

US\$100 MILLION
Frank Giustra to fund sustainable growth in developing nations via the Clinton Foundation (2007)

\$100 MILLION
BlackBerry co-founder **Mike Lazaridis** to establish the Perimeter Institute for the study of theoretical physics at Waterloo University (2000)

\$100 MILLION
Peter Gilgan to Sick Kids, the largest single donation in the hospital's history (2019)

\$100 MILLION
Heather Reisman and **Gerry Schwartz** to a University of Toronto research centre in innovation and artificial intelligence (2019)

\$50 MILLION
Lazaridis topped up his Perimeter Institute donation in 2008

CANADIANS WHO'VE SIGNED THE GIVING PLEDGE TO DONATE 50% OR MORE OF THEIR WEALTH

CHARLES BRONFMAN
(Seagram scion)

ELON MUSK
(founder of Tesla and SpaceX)

GARRETT CAMP
(Uber co-founder)

JEFF SKOLL
(eBay)

JOHN & MARCY MCCALL MACBAIN
(founder of Trader Classified Media)



The Azrieli Foundation, headed by Naomi Azrieli (daughter of developer David), is Canada's most generous foundation, giving away \$80 million to \$85 million a year.

SO YOU NEED A...

EVENT PLANNER

Need flying Chinese acrobats or underwater dancers? An elephant, perhaps? No request is too big for Jeffry Roick of McNabb Roick Events, the go-to guy for every elite corporate, private and fundraising event thrown in this country.

PLASTIC SURGEON

They love Trevor Born because he's got the Jane Fonda touch—that ability to make women (and men) look years younger without giving them the wind-tunnel look. Rated among the top plastic surgeons in both Toronto and New York, Born has worked on everyone who's anyone.

HORSE COLLECTION

Magna International founder

Frank Stronach is a familiar face in the winner's circles at horse racing tracks. He has owned hundreds of thoroughbreds, and won races such as the Belmont Stakes, Preakness, Breeders Cup and Queen's Plate. His stables in Ontario, Kentucky and Florida breed ponies and offer retired race horses a place to kick up their heels once their racing days are done. At Adena Springs South in Florida, Stronach's horses live in a massive Antebellum-style white stable.

As part of an ongoing legal battle for control of the family fortune, daughter Belinda Stronach alleges her father has lost \$156 million since 2010 maintaining his stable of horses. Another of Frank's “passion projects” is a pair of 12-storey-high statues of Pegasus defeating a dragon that cost \$55 million. One statue is at his track in Florida; the other sits in storage.



AND THE WINNER IS...

Jeff Skoll,

whose eBay fortune is worth roughly \$7 billion, takes home the award for most awards. His Participant Media has garnered 73 Oscar nominations and 18 wins for films like *Syriana*, *Spotlight*, *Roma* and *Green Book*.



WINE CELLAR

Michael Barnstijn, who was the first employee at BlackBerry and retired early with plenty of stock options (which hopefully he cashed out years ago), has what one wine expert calls “the most lavish cellar I've seen,” with thousands of “monstrously valuable bottles.”

PART OF BEING A BILLIONAIRE IS GETTING ACCESS TO THE STARS

Alex Shnaider hired **Justin Bieber** to play at his daughter's 16th birthday party at the Art Gallery of Ontario in 2013. According to an attendee, the popstar showed up surrounded by bodyguards, sang one song, danced “provocatively” with the birthday girl and left in three minutes.



Lululemon's eccentric founder, **Chip Wilson**, threw a birthday bash at his new \$35-million Kitsilano mansion in 2013, featuring a performance from the **Red Hot Chili Peppers**.



PLANES, YACHTS & LUXURY AUTOMOBILES



ROLLING IN IT

Lino Saputo Sr. (whose family's net worth is \$7 billion) was once rumoured to own more than 100 cars and paid \$245,000 for a 1939 Bugatti 57C owned by the Canadian painter Jean-Paul Riopelle. He passed on his passion for auto ownership to his son Lino Jr. The CEO of the family's eponymous cheese empire has a constantly revolving collection of about 40 cars, with a heavy emphasis on limited-edition 1980s Porsches, which he stores at his private Automobiles Etcetera auto club in Montreal.

\$27.5 MILLION



FERRARI 275 GTB/4 S N.A.R.T. SPIDER
Vintage-Ferrari enthusiast Lawrence Stroll, whose \$3.5-billion net worth came largely from his stake in clothing brand Michael Kors



JOHN LENNON'S PSYCHEDELIC-STYLED ROLLS-ROYCE PHANTOM V, US\$2.3 MILLION

Pattison Group founder Jimmy Pattison, whose net worth is roughly \$7.4 billion, bought the car in 1985 and gifted it to the Royal British Columbia Museum eight years later



THREE OTHER THINGS PATTISON HAS BOUGHT, JUST BECAUSE HE COULD

The dress Marilyn Monroe wore in 1962 to sing *Happy Birthday to President John F. Kennedy* (2017)

\$6.3 MILLION

Six pictures of Marilyn Monroe's dog Mafia—which was given to her by Frank Sinatra—as well as Mafia's dog tags and licence (1999)

\$288,000

Frank Sinatra's Rancho Mirage home, including the piano and gold records, in Palm Springs, California (1995)

US\$4.6 MILLION



DREAM BOATS

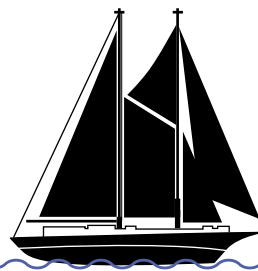
Owning a superyacht is formidably expensive: Annual operating costs can be 10% to 15% of the boat's value, and just filling the tank can cost tens of thousands

NOVA SPIRIT

Jimmy Pattison
Yacht value: \$25 million



46 m



51.6 m

METEOR

Clearwater Seafoods founder John Risley
\$30 million

HE'S CURRENTLY CONSTRUCTING A 100-METRE YACHT, NORTHERN STAR III

ZERO-GRAVITY FLEX

HIS NET WORTH:
\$1.5 BILLION



GUY LALIBERTÉ PAID NEARLY \$42 MILLION TO SPEND 12 DAYS ON THE INTERNATIONAL SPACE STATION IN 2009. AFTERWARD, HE EXPENSED THE ADVENTURE AS A BUSINESS TRIP

THE TAX COURT OF CANADA DISAGREED, RULING IN 2018 THAT IT WAS A TAXABLE BENEFIT

FLEX LIKE A

BILLIONAIRE

HIGH FLYERS' CLUB

WHAT Boeing 767

WHO OWNS ONE Drake (aspiring billionaire)

OTHER OWNERS Mark Cuban, Sergey Brin and Larry Page, Rolling Stones, Roman Abramovich, King of Bahrain Hamad bin Isa Al Khalifa

\$200 MILLION +



WHAT Bombardier Global Xpress series

WHO OWNS ONE Lawrence Stroll and John Risley

OTHER OWNERS Bill Gates, Elton John, Vince McMahon, Céline Dion

\$60 MILLION +



WHAT McDonnell Douglas MD-87

WHO Frank Giustra

OTHER OWNERS former Seattle Seahawks owner Ken Behring

\$55 MILLION +



WHAT Gulfstream G650

WHO Elon Musk

OTHER OWNERS Jeff Bezos, Phil Knight, Howard Schultz, Ralph Lauren, David Geffen

\$85 MILLION +



SO YOU NEED A...

DESTINATION

Harbour Island, Bahamas, has bumped St. Bart's as the getaway of choice for billionaires. Beloved for its pink sand beaches, 18th-century architecture and top restaurants—plus posh neighbours like designer Diane von Furstenberg, Michael Dell, Jennifer Aniston and India Hicks, bridesmaid to the late Princess Diana and 678th in line for the British Throne.

JEWELLER

If you're in search of a special piece—say, a 10-carat diamond or chandelier earrings in a rainbow of coloured gems—Mindham Fine Jewellery (whose owner is known simply as Myles to his clients) is on every uber-wealthy Canadian's speedial. It's the place to go for statement pieces including Verdura fine jewellery, named after a Sicilian duke who designed Coco Chanel's iconic Maltese Cross cuff.

QUATTROELLE

Financier Michael Lee-Chin
\$190 million

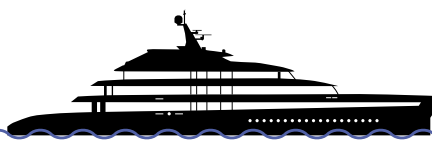
SOLD TO A SHEIKH IN THE UAE IN 2014; LEE-CHIN HAS SINCE COMMISSIONED AN EVEN LARGER YACHT

SAVANNAH

Mining titan Lucas Lundin
US\$140 million

FAITH

Lawrence Stroll
\$200 million



84 m



88 m



96 m



THE GLOBE AND MAIL PORTUGAL RIVER CRUISE

JULY 31 - AUGUST 7, 2019

The Globe and Mail invites you to experience Portugal like never before.

DAY 1 | JULY 31

Porto

MORNING

Arrive in the beautiful city of Porto and transfer directly to the luxurious 5-star Scenic Azure, where you can get settled in your cabin, meet your butler, and relax on the rooftop deck.



EVENING

Join your Globe hosts for an onboard welcome cocktail and attend our first port talk followed by a special welcome dinner in the Crystal Dining Room.



DAY 2 | AUGUST 1

Porto

MORNING

Go behind the headlines with our first **Insider Breakfast** with **Phillip Crawley**. Then, get ready for a walking city tour with entrance into the Bolsa Palace.



AFTERNOON

Visit the charming town of Guimarães and Ducal Palace with **Nathan VanderKlippe**, or get a tour and tasting at Quinta da Aveleda. Alternatively, join **Tara O'Brady** at a visit to a Portuguese sardine canning factory. Or see the well-known Port house, Taylor Fladgate, for a winery tour and Port tasting.

EVENING

Enjoy the sounds of Portugal with a classical concert at São Francisco Church.



DAY 3 | AUGUST 2

Régua



MORNING

Set sail to Régua, get to know your Globe hosts and attend the morning **Insider Breakfast** with **Phillip Crawley** while taking in the stunning scenery of the Douro Valley.



AFTERNOON

After arriving in Régua, visit the fascinating Museu do Douro, an ideal introduction to the region's wine, culture and identity.



DAY 4 | AUGUST 3

Pinhão

MORNING

After an **Insider Breakfast** with **Phillip Crawley** and **Nathan VanderKlippe**, choose from one of four activities: head to Monastery St. John of Tarouca in the wild Varosa Valley;



visit Mateus Palace with its full repertoire of Baroque garden art; sip and savour at Quinta do Têdo or travel with **Beppi Crosariol** to the heart of the Douro Valley wine region to visit Quinta do Crasto and Quinta Nova.^{††}

AFTERNOON

As we head from Pinhão to Vega de Terron, participate in a thought-provoking **Globe Forum** with **Nathan VanderKlippe**.



*Additional costs may apply. Pricing subject to change. Terms and conditions apply. ††Wine tours to Quinta do Crasto & Quinta de Nova, on board spa and visit to Six Senses Spa are at an additional cost. Terms and conditions apply. Itinerary provided is a summary; certain activities have add-on costs. See website for pricing, full details, itinerary inclusions and exclusions and Portugal River Cruise terms and conditions. Cruise provided by Scenic Canada. All travel arrangements, reservations and bookings will be made with Scenic, a company wholly independent of The Globe and Mail. Dates, itineraries, program details and costs are given in good faith based on information available at the time of posting, and subject to change. The Globe and Mail does not guarantee the attendance of any particular host. See website for host schedule. The Globe and Mail, its affiliates, and their respective officers and employees, do not assume any responsibility for the financing, arranging or conduct of the cruise and will not be liable for any damages or financial loss to person or property of any description that might occur in connection with the cruise operated by and arranged through Scenic. Pricing based on double occupancy. Single supplement applies. Please see website terms and conditions for details at www.globedourocruise.com

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CEO & Publisher



DAVID WALMSLEY
Editor-in-Chief



BEPPI CROSARIOL
Pursuits
Columnist &
Wine Writer



TARA O'BRADEY
Pursuits
Contributor &
Food Writer



NATHAN VANDERKLIPPE
Asia
Correspondent



JOHN IBBITSON
Writer-at-Large



ERIC REGULY
European
Bureau Chief

STARTING AT \$6,499* + AIRFARE + \$370 PORT FEES PER PERSON

DAY 5 | AUGUST 4

Salamanca, Spain



MORNING

Travel through the striking Douro International Natural Park, home to unique bird species and ancient landscapes. Once in Salamanca, a UNESCO World Heritage Site, visit the Plaza Mayor, one of the most beautiful squares in Spain, and tour the impressive, adjoining Old and New Cathedrals.



AFTERNOON

Enjoy some free time.

EVENING

Enjoy drinks and snacks with **David Walmsley**, **John Ibbitson** and **Eric Reguly**.



DAY 6 | AUGUST 5

Vega de Terron to Pocinho

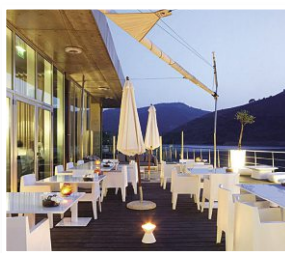
MORNING

First, an **Insider Breakfast** with **David Walmsley** and **John Ibbitson**, as we head from Vega de Terron to Pocinho. Then, get to know the Foz Côa Valley, a UNESCO World Heritage Site since 1998. Explore Palaeolithic art at the Côa Museum, go canoeing on the Sabor River, or enjoy a Côa Valley almond and olive tasting.



EVENING

In Pinhão, a special evening of dining awaits at the picturesque DOC restaurant on the banks of the Douro river!



DAY 7 | AUGUST 6

Pinhão to Porto



MORNING

Start your day at this morning's **Insider Breakfast** with **David Walmsley** and **Eric Reguly**.

A Scenic Luxury Cruise exclusive, visit the remarkable, mountaintop village of Provesende. Bask in stunning valley views, smells of freshly baked bread from the Padaria Fatmia, and the Morgadio da Calcada, a 17th-century manor house superbly restored.

AFTERNOON

While heading from Pinhão to Porto, attend a **Globe Forum** with **John Ibbitson** or simply relax on the sun deck.

EVENING

For our final dinner, we have exclusive access to The Graham's 1890 Lodge, the famed Port house.



DAY 8 | AUGUST 7

Porto

MORNING

Enjoy a final breakfast onboard the ship before disembarking. Saying adeus is the hardest part!



For more information, please visit GlobeandMailCruises.com
Call Scenic at 1 (855) 863-8683 to reserve your cabin now

SCENIC
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THE GLOBE AND MAIL



Last Word

Frank Vettese

Former CEO and chief inclusion officer of Deloitte Canada.
Family guy. Baseball fan

- **This is my last day in the office at Deloitte.** That's the hard part, because these are people I worked really closely with and mentored. It's like the end of high school.

- **The world now** is expecting organizations to do more than simply have a profit, growth or success orientation. Organizations have a really important role to play in society. And that's why purpose is so important.

- **Growing up,** the focus was on family. Community mattered. My parents, as Italian immigrants, emphasized keeping that firmly in sight. Those same ideals find their way into the workplace for me. It's about team and a broader purpose.

- **My parents had high expectations.** They believed we were in the best country in the world, with unlimited opportunity,

and we had to take advantage of it. There was never an expectation of what that would look like, other than find a passion, apply yourself, make a difference, give back.

- **I worked construction** with my dad. It was the first job I ever had, and the hardest. Digging foundations with him, the time went by really slowly. Yet, he always had a view on what was being built, calculating, measuring and perfecting. I took that to other jobs—the sense it's all about people coming together who share vision and values.

- **When I talk about inclusion,** a lot of people look puzzled and say, "Well, you're a 50-something-year-old white man. I don't get where this comes from." But when I grew up, I felt like I was different. We spoke a different language at home. I brought funny sandwiches to school in things called panini.

- **When I came into this role,** my objective was, we need to become an organization where the composition of our people at every single level, from entry right through to the most senior level, fully represents the Canadian population. That's in visible minority, gender, LGBTQ and so on.

- **Inclusion happens** one person at a time, and it's about people being able to bring who they are—their whole self—to work. It can't happen overnight, because if it's not authentic, and you haven't done the hard work to ready people, you set up individuals, and sometimes groups, for failure.

- **You have to step aside** at times to create opportunity. I sat on our global board. A group of us decided

we would have our seats represented by a senior woman from our teams so the board would start to resemble our communities. And it changed the conversation.

- **Would I do anything differently?** I feel that I devoted more of the best of me to the firm, which at times left more of the least of me for home. If I could have the chance to rebalance something, I'd certainly want to do that.

- **Now that I'm rolling off this job,** I'm going to make sure I find enough time to both play sports and enjoy sports. If you see me on a video, it probably won't be a business video. It might be on the large screen at the Blue Jays game, because I'm just enjoying myself a bit. /Interview by Kristy Woudstra

This interview has been edited and condensed.



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is driving
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in business.

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