

# ENTREPRENEUR



TIM FRASER AT NATIONAL POST

Dave Klass, Darryn Cohen and Dave Rosen are partners and co-owners of Mississauga, Ont.-based Zebra Paper Converters.

## Full package

Vertical integration and a key acquisition allowed Zebra Paper Converters to keep apace with the industry

**JOHN SHMUEL**  
in Toronto

**W**hen the three founders of Zebra Paper Converters Inc. launched their company in 2003, their attempt to enter the paperboard packaging market was more of a stumble than a big splash.

But during the next 18 months, the Mississauga, Ont.-based company gradually developed a more refined business plan — and purchasers in the market took notice. Zebra diversified its product lineup and decided to integrate the processes involved in making their paperboard packaging, making them a one-stop shop in a market otherwise fragmented with hundreds of suppliers and manufacturers.

“There were very few people who were able to bring a variety of paperboard and specific products under one umbrella,” said David Rosen, one of the founders of the company. “Basically, there wasn’t a single place where purchasers could pick up a bunch of different stuff.”

Zebra produces and designs packaging using paperboard, a thick, paper-based material. Its integrated options offer everything from custom-made packaging to large, generic industrial boxes. It counts some big corporate names as among its customer base, including Nestle, Clorox and Porter Airlines. Most of those companies would usually have to go through several paperboard converters to get the necessary supplies for their packaging, but with Zebra’s model, everything can be bought under one roof.

Zebra’s integrated model began with the company’s founding eight years ago. Mr. Rosen, with partners David Klass and Darryn Cohen, bought an existing paperboard converter business that was breaking even, bringing in about \$300,000 in sales a year. The trio felt they could make the company much more profitable, particularly because they were relatively new to the industry and brought fresh perspectives and entrepreneurial energy along with them.

One of the first ways they decided to shake up the packaging marketplace was with a creative spin on

how they promoted themselves. The most obvious first step was their company’s name.

“We chose Zebra so we would stand out in people’s minds, so our customers would remember us,” Mr. Rosen said.

The trio also used social media to connect with potential clients, as well as sending out eye-catching invoices that, in some instances, had candy tucked away into the envelope. That sense of fun also extended to Zebra’s offices.

“We’re very big on always running our companies internally like the dot-com companies,” Mr. Klass said. “We’ve painted a lot of our walls in chalkboard paint, and everyone’s written their goals. We basically try to create a very different vibe.”

Zebra also focused on continually building the business to go toe-to-toe

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with its bigger competitors. An integrated product-offering played a big part of that, and one of the key ways Zebra perfected that was through a merger.

Terdun Material Management Inc., also based in Mississauga, was a competing paperboard packaging company that offered an attractive product that used reclaimed paper. Zebra’s owners decided early on they would have a strong focus on environmentally-friendly packaging, and Terdun’s recycled lineup of products made the company a natural acquisition target.

A scheduled buyout was reached in 2007, and Terdun was brought into the Zebra fold. Mr. Rosen said the merger made sense, given the fact that at the time, Terdun’s owner John Klass (father of David Klass) was 65 years old and looking for a succession plan for his company.

“It allowed us to not only organically grow, but also, it was essentially our first acquisition to kind of make stuff happen for us, and to build our

business to a new level in a faster way,” Mr. Rosen said.

Adding Terdun expanded Zebra’s product offering substantially, enhancing its environmental image as well as vastly improving vertical integration with the equipment acquired.

“It gave us full control over how we cut our material, converted our material, printed our material and made finished products,” Mr. Rosen said. “We now have full control, and it allows us to get a better handle on pricing to service our customers in a more efficient and fast manner.”

Mr. Rosen also said the added level of integration from the Terdun acquisition allowed Zebra to keep a lower profile among competitors. With more production done in-house, fewer competitors got wind of new offerings the company had in the works.

“That’s really, really key in the business,” Mr. Rosen said.

Becky Reuber, professor of strategic management at the Rotman School of Business, said vertical integration is not for every business. Zebra’s success, she said, was more that it was a newcomer that brought a fresh perspective to the market. That, in turn, allowed it to see the need for integration in an industry with a lot of fragmentation, which may not hold true for other industries.

“It’s usually the fresh eyes that can come in and see all the players as able to be moved, manipulated and merged, whereas everyone else might just see a chess board and say ‘this is how the game is played,’” Ms. Reuber said.

Zebra is continuing to work on expanding its integration and has big goals for growth in place. Last year, the company says it grew by 16.5% and is targeting growth of 22% this year. As well, Zebra is looking at opening a warehouse in Quebec and is eyeing the United States.

“The next natural progression for us will probably be to open up a warehouse in Quebec and continue to build out from there,” Mr. Rosen said. “After that, we’ll most likely move out to the eastern U.S., and that whole process will probably be in the next 18 months to the next three-to-four years.”

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### COMMENT

## SMB minister is cut out for the job

**Bernier hails from Quebec’s innovation realm**



**RICK SPENCE**  
*Growth Curve*

**A**t last, a heavy hitter in the small business portfolio.

The federal government has never really known what to do with the position of minister of small business and tourism. It’s a junior job generally held by cabinet newcomers, which demonstrates how successive federal governments have underrated entrepreneurship and innovation.

Hands up if you can name the previous minister of state for small business (New Brunswick’s Rob Moore). He’s probably best known for handing out lots of infrastructure money to schools, community centres and arenas, because that’s how big government thinks economic development works.

With Stephen Harper’s unveiling of his new cabinet last week, the small business portfolio finally has a minister who understands his brief: former industry minister Maxime Bernier. If he can bring to the post a creative strategy that melds his oft-contrarian views, business experience (he’s worked in banking and economics) and innovative instincts (he’s one of a handful of Conservative MPs to blog), Bernier might actually do something with the portfolio.

Yes, this is the guy who left behind confidential cabinet documents at the home of his ex-girlfriend, a former biker chick with problematic friends. But those familiar with entrepreneurship tend to be forgiving — they credit people who make mistakes with the ability to learn from them. Bernier has also been a skeptic (though not a “denier”) on climate change, which puts him at odds with the media mainstream. But this rogue positioning may help him understand the rough ride many innovative entrepreneurs endure every day.

Certainly, Bernier’s roots are in the right place. He hails from the Beauce, a creative, hard-working group of communities sprinkled halfway between Quebec City and the northern tip of Maine. Known locally as the *royaume de l’entrepreneuriat*, the Beauce proudly boasts of its lack of natural resources or convenient transportation. It has always had to survive on its ability to process manufactured goods that people want to buy — from steel joists to Vachon cakes.

In the 1920s, local farmers Joseph-Arcade Vachon and Rose-Anna Giroux borrowed \$7,000 to purchase a bakery in Sainte-Marie-de-Beauce, in the hope that baking sweet brioches would encourage their children to return from the U.S., where they had gone to look for jobs. (Their strategy worked. In fact, you already know the names of two of those sons, from Vachon’s famous chocolate/cream snack: Jos & Louie.)

What will Bernier bring to the small business portfolio? He was unavailable for an interview last week. But given his track record, it seems un-

likely he will be throwing money at small businesses. Which is fine, because there is much else Bernier can do to create the economic and cultural conditions necessary for small business to succeed.

Every entrepreneur who starts a business and fends for themselves is a load off the dole and a net source of tax revenue. What Bernier could do is ensure the federal government invests in entrepreneurial infrastructure: surely a safer bet than renovating arenas. That means:

**Leaning on the banks to up their support for small business.** Entrepreneurs shouldn’t have to borrow against their homes to get a business loan. And the banks should go back to training their loans officers to help small business, rather than turn them into salespeople peddling wealth-management products. I hear more entrepreneurs these days complaining they have to teach their bankers to read a balance sheet.

**Support coalitions dedicated to building stronger entrepreneurship networks.** The feds’ support for the Canadian Youth Business Foundation (which supplies interest-free loans and mentorships to entrepreneurs 18 to 34) has been exemplary, but much more can be done. Most entrepreneurs aren’t joiners, so many programs targeting local entrepreneurs, youth, women, aboriginals and technology entrepreneurs are struggling. The feds don’t have to fund such organizations; they could invest in sharing resources and best practices, and encouraging collaboration and cross-marketing. Community futures development corporations across Canada do amazing work with shoestring budgets; more flexibility on program funding could help them do much more.

**Upgrade CanadaBusiness.com,** the dishwasher-dull Industry Canada website that carries most of the burden for entrepreneurial education for all levels of government. Make it brighter, more fun, more lively; a place where entrepreneurs want to go for information, stimulation and motivation, rather than a last-resort online lecture hall.

**Eliminate remaining barriers to angel and private-equity investment.** Canada is underserved in private investment and the coming baby-boomer succession crisis (as thousands of aging entrepreneurs try to sell their businesses at the same time) will stretch our capability to the breaking point. **Invest more in entrepreneurial education, training, and encouraging more entrepreneurial attitudes.** Support academic research that will help more entrepreneurs learn what it takes to succeed in Canada’s unique marketplace. In the global economy, knowledge is a weapon. **Invest more in DFAIT’s export services.** Last week, I heard a number of people describe the Canadian Trade Commissioner Service as Canada’s “best-kept secret.” I’ve been hearing that old chestnut for 20 years; let’s find better ways to get the word out.

Developing an entrepreneurial economy isn’t about throwing money around. It’s really about culture, education, collaboration and commitment. That’s how they do it in the Beauce. That’s how we can do it across Canada.

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