

# PIVOT



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**BEST ISSUE**  
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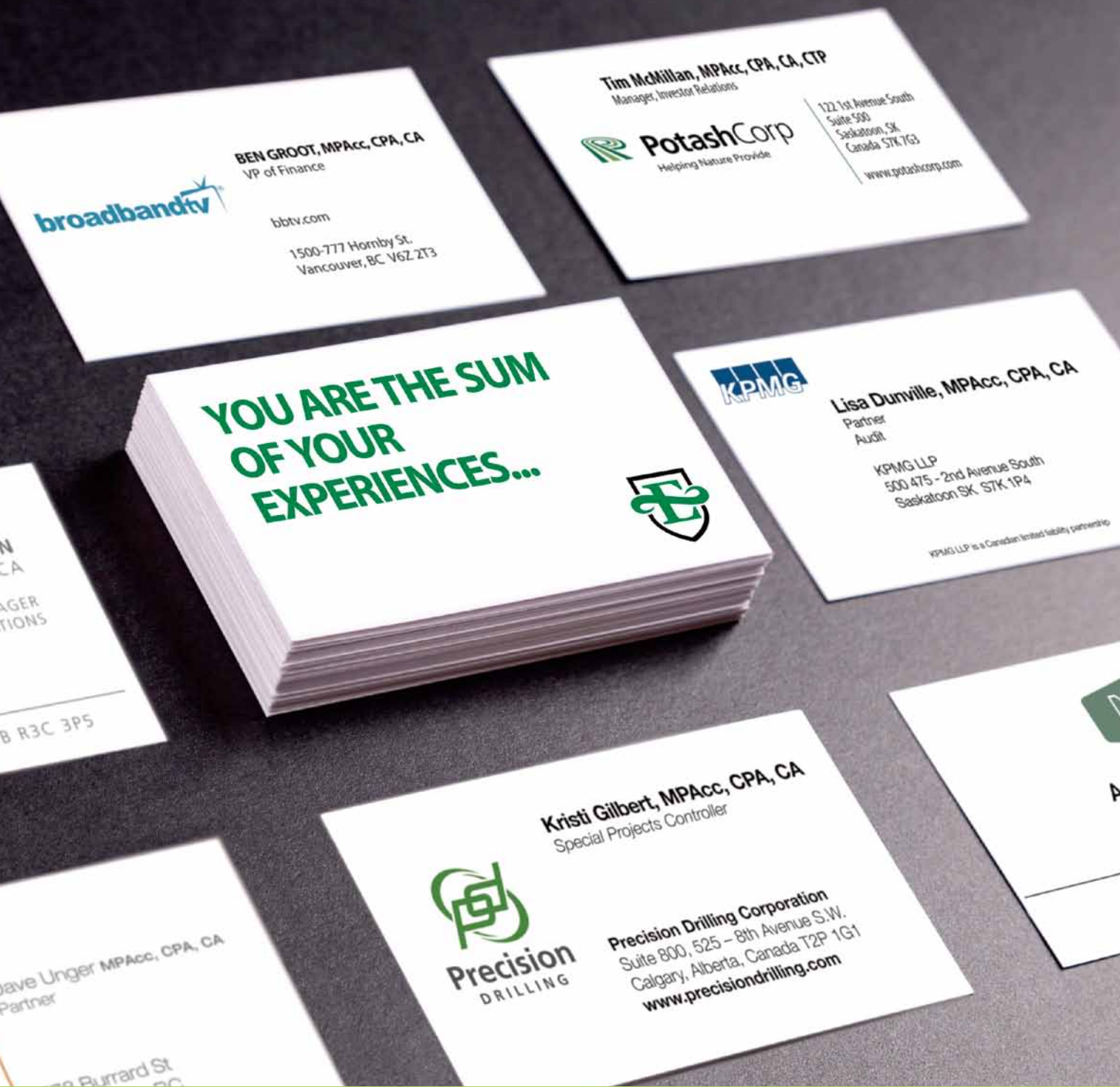
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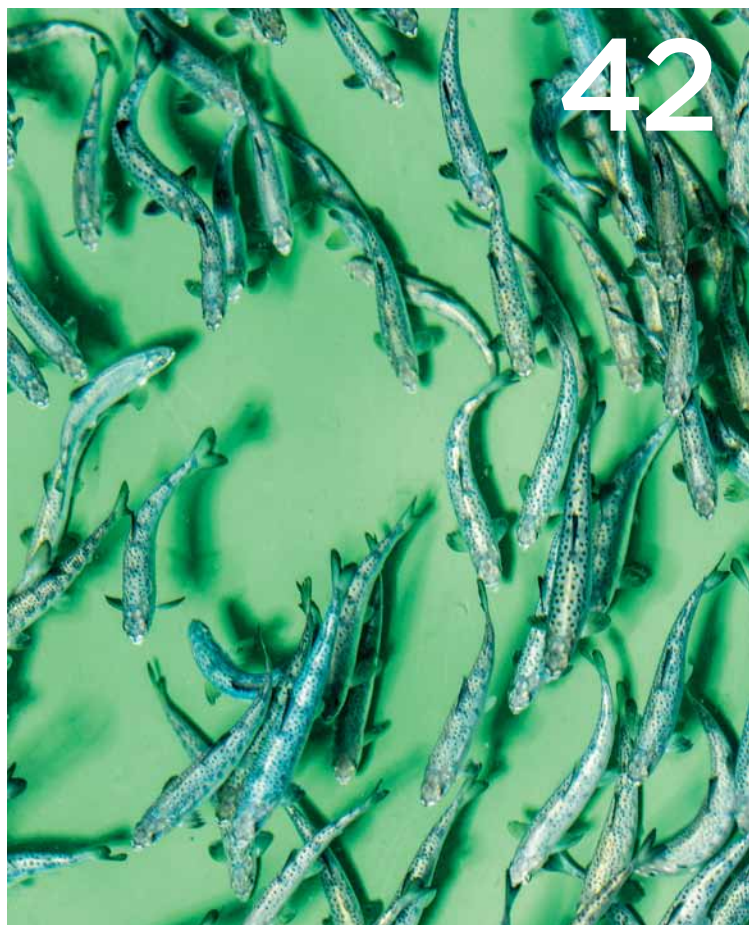


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**WHAT DO YOU THINK?**

Send your letter to the editor to pivot.letters@cpcanada.ca or to 277 Wellington St. W., Toronto, ON M5V 3H2.

Letters may be edited for length and clarity.

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## CALM, COOL AND COLLECTED

In a time of crisis, CPAs are the trusted voice that business leaders need **BY JOY THOMAS**

**As my CPA Canada colleagues** and I were social distancing in our home offices this spring, I reread the four scenarios we had developed as part of Foresight, our initiative to reimagine the future of the accounting profession. I found myself paying close attention to the scenario called Phoenix Rising. In this future, devastating shocks—such as climate disasters, pandemics and financial disruptions—sweep the world in the early 2020s, leaving no one, including the very wealthy, untouched. Political leaders, businesses and popular movements unite around a shared commitment to civil society, agreeing that profit and prosperity are important, but not at the expense of future generations.

Though Foresight was never meant to be a crystal ball, this hypothesis strikes me now as extraordinarily prescient. Many industries—especially

retail, hospitality, tourism and other sectors of the service economy—have taken a very hard hit. Others are hanging on, while some, such as video-conferencing services, are thriving. Innovative ideas are sweeping aside old ways of doing things that proved to be untenable during the lockdown.

The Phoenix Rising scenario anticipated a recovery period marked by cooperation and collaboration. In many ways, this has come true: Government, business and labour groups worked with each other to craft appropriate stimulus policies, and scientists around the world are pulling together to find new testing methods, treatments and a possible vaccine. But some nations' responses to the pandemic—hoarding medical equipment, closing borders—have been more in line with My Way, a scenario characterized by nationalism and international

fragmentation. Meanwhile, Tech Titans, a third scenario that imagines tech giants assuming ever more power, is also unfolding, as Amazon tightens its hold on ecommerce and tech-backed philanthropy begins to rival the influence of governments.

The accounting profession, at least, has displayed an encouraging spirit of collaboration, both domestically and at international accounting tables. Our clients—from individual tax filers to small owner-operated businesses to large publicly traded companies—are contending with profoundly disruptive events: cash flows that have slowed to a trickle, a cascade of unpaid bills, audits that must now be conducted virtually.

Indeed, the shifts we now see taking place are nothing less than seismic. In an April essay in *The Economist*, Mark Carney, the former governor of the banks of Canada and England, predicted that the pandemic will accelerate global fragmentation, alter the way companies assess risk and recast the relationship between the state and the private sector. “All this amounts to a test of stakeholder capitalism,” he wrote. “When it’s over, companies will be judged by ‘what they did during the war,’ how they treated their employees, suppliers and customers, by who shared and who hoarded.”

Given all that upheaval, many people, quite understandably, are seeking authoritative voices. In fact, trust in stable political leadership, the media and government has risen during the crisis. The same has been true for professional advisors, including accountants. We have, over many years, fostered a culture of trust, rooted in sound judgment, accuracy and problem-solving skills. In this moment of chaos, CPAs are providing a calm voice.

As indicated in our Foresight initiative, the profession is ready to embrace new ways of working, conducting business and providing assurance. Businesses are doing their best to stay afloat and position

themselves for a recovery, and this has meant, for many, a profound shift in their relationships to digital technology—a lifeline at a time when conventional face-to-face work is not possible. CPAs will be able to guide employers and clients through that transition, as we have spent the past few years adjusting our own practices and standards to highly disruptive technologies, such as artificial intelligence, blockchain and Big Data.

## OUR PROFESSION HAS FOSTERED A CULTURE OF TRUST. IN THIS MOMENT OF CHAOS, WE ARE A CALM VOICE.

The Phoenix Rising scenario predicted that accountants would need to consider new forms of assurance, fundamental changes in corporate governance and increased reliance on performance indicators that go beyond numbers. If the economic disruption of the next few years turns out to be as grave as predicted, there's little doubt that the profession will have to both confront and guide the business world through these changes.

On pg. 30, "From the ashes" further examines the Foresight scenarios through the lens of the COVID-19 crisis, while "The show must go on" on pg. 16 explores the pandemic's implications for audit. Of course, no one knows for sure what the future holds, but one fact is now abundantly clear: It is here. The good news is that our profession began adapting long before it arrived. ♦

Have your say about the ways COVID-19 is affecting the profession. Participate in the Foresight discussion at [cpacanada.ca/en/foresight-initiative](http://cpacanada.ca/en/foresight-initiative).

# PIVOT

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**Homeward bound**

The ability to work remotely is a blessing, and the COVID-19 pandemic has proved it. Ali Amad's article "Home advantage" (Jan./Feb. 2020) illustrates all the benefits for companies that offer telecommuting. Although my workplace had the resources to provide us this option, we only began taking it seriously once the pandemic alert was issued. Companies need to embrace this change. Those that have are surely seeing the benefits.

—Carlos Nogueira, CPA  
Brampton, Ont.

**Not so fair after all?**

I was disappointed by the condescension and arrogance with which "Fair and flush" (March/April 2020) was written. The column implies the oil and gas business and its investors are wrong and without conscience. Is it really necessary to be so offensive (not to mention inaccurate)? Thousands of accountants work in this industry. Thousands more provide accounting, management and tax services to the contractors who serve the industry. Most of these accountants have



I appreciate the levity of this month's @CPACanada Pivot magazine article about @NoNameBrands. Hanging on to anything that can make me smile these days.  
—@RobynL McDonald

Every time I get a new issue of the @CPACanada magazine, I hear Ross Geller in my head.  
—@newmusic michael

consciences. They employ good business practices of governance and social awareness. I dare say there are even a few who are aware of global warming! They are cognizant of the need to shift from fossils to sustainable energy and to support it. I find it disheartening that this type of polarized opinion is supported by CPA Canada's magazine.

—David Richards, CPA  
Moose Jaw, Sask.

**Don't return to sender**

"Sham, wow" (Jan./Feb. 2020) details the fraud-fighting efforts of a student named Ross Walsh. Brilliant idea! However, Walsh should be advised that one is best off ignoring and deleting scam emails. One doesn't know what could happen to one's computer or email address by replying. A bot sends these emails to thousands of addresses. The sender behind the bot has no idea which email addresses are legit. Once you reply, they can target you specifically in a more sophisticated, deceitful way that might actually fool you.

—Al Mathias, CPA, CGA  
Mississauga, Ont.

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## PURPOSE DRIVER

# SWEET SUCCESS

After fleeing Syria in 2012, chocolatier Tareq Hadhad rebuilt his family business from scratch **BY MELISSA BUOTE**

**Tareq Hadhad vividly remembers** the day he arrived in Canada. It was Dec. 18, 2015, three years after he and his family fled war-torn Syria after losing everything—including the chocolate company his father had started in Damascus in 1986—for a refugee camp in Lebanon. Now Hadhad is the CEO of Peace by Chocolate, one of the largest chocolate producers in Atlantic Canada. He also sits on the board of directors of the provincial government fund Invest Nova Scotia.

Four years after starting out in the family kitchen, Peace by Chocolate has between 45 and 55 employees—the numbers fluctuate seasonally—and the capacity to manufacture tens of thousands of chocolates a day. The company's products are sold by huge grocery retailers like Sobeys, Safeway and Foodland, as well as dozens of specialty stores across Canada.

Anyone who grew up in North America in the 1980s remembers the old Music Television slogan, “I want my MTV.” But to Hadhad, “MTV” stood for something else: Montreal, Toronto, Vancouver. Settling down in Antigonish was never part of the plan. “We were like, ‘Who is going to buy chocolate in Antigonish? Who is going to drive there?’ But we figured out it’s a small world now. What you make in Antigonish might end up in Vancouver in three or four days.”

### **How did Peace by Chocolate come together?**

If you arrive in a small town, usually there is a lot of competition for employment because of the lower number of jobs. So we started making chocolate in our kitchen. It was such a marvellous time. We sold it at farmers’ markets and local events. We made chocolate for many, many provincial and national events. Right away we got custom orders. We were wrapping them by hand.

Two months after moving production from our kitchen to our basement, we asked the community if there was any chance to build a small factory outside of the house. That was when we told them we cannot get loans from the banks because that is not a part of our culture, and the community offered us an interest-free loan. We bought the first machine, the chocolate wheel [a machine for tempering chocolate]. We bought some display units. We started designing packaging. We started bringing in tools and building [a factory out of] the shed beside the house. Everyone came to support us.

### **Is that why you’ve decided to reinvest in Antigonish and build your business there?**

Yes. We have to give back to the community members who stepped up to support us. In 2017 we had to move our factory into a storefront—it’s now on Bay Street in Antigonish. It’s funny that I arrived





Hadhad with family at the grand opening of the Antigonish factory in 2017

## “IT’S IMPORTANT FOR BIG CORPORATIONS TO TAKE OFF THE DOLLAR-SIGN GLASSES AND SEE THE WORLD IN SELFLESS WAYS”

on Bay Street in Antigonish and not Bay Street in Toronto, where I originally wanted to be. But the business has been growing ever since then, and we opened a factory in the county a five-minute drive from where we started.

### What else has the company done to give back to the community?

We were inspired to start a society called Peace on Earth when there were wildfires in Fort McMurray in 2016. There were so many families leaving their houses and losing everything. My family knows that exact feeling, so we use our products as fundraising opportunities. We have a partnership with the Canadian Mental Health Association, as well as a collaboration with the Refugee Hub at the University of Ottawa, which supports resettlement and immigration services for newcomers to Canada. We have another product called Nitap. Nitap means *buddy* in Mi’kmaq. We launched the product in 2018 and the goal was to raise awareness in supporting Indigenous efforts. The last one that we

started in 2019 was a Pride Bar to support the LGBTQ community. The proceeds of that bar go toward Phoenix Youth Programs, a Halifax-based youth support organization.

### It sounds like intersectionality and inclusion are core values for your business.

Part of our major core values is to give back, to support multiculturalism, inclusion and diversity as part of our strengths. If we were not given a hand when we got here, we would not be where we are now. So now it’s our turn to lend a hand to those in the community, to those who are coming to Canada. We announced in 2019 that by 2022 we will hire 50 refugees and we will support 10 businesses run by refugees with distribution and marketing.

### What is the most valuable thing you’ve learned throughout this experience?


To be honest, I had lost faith in humanity before I arrived in Canada because of the fighting in Syria. When I got to Antigonish it was like, yes, there is good in the world. They look out for each other. There is so much power in the fact that one life can change the lives of hundreds. The people that started the community group called SAFE (Syria-Antigonish Families Embrace) have changed the lives of hundreds of Syrian newcomers and they changed perspectives everywhere.

### What are your goals for the business going forward?

There are always goals and I am hopeful for the business to expand. But also I really hope to see that my family, by 2040 for example, or 2050, will win a Nobel Peace Prize. I’m thinking a lot about big goals for our family. We have learned a lot. We don’t call things mistakes, we call them lessons. You are not failing, you just learn.

### It seems like it’s really important to you to have a real human element in everything that you’re doing. Is that something that defines a successful business today?

I think it’s important for big corporations to take off the dollar-sign glasses and see the world in selfless ways. It’s time to switch gears and steer the world toward being selfless as much as possible because the world is changing every day. Now we are facing something that didn’t exist a few months ago with the coronavirus. You just never know where life can go. So it is very important to not be greedy, to give back, to share wealth and knowledge. When we take care of each other, everyone succeeds. ♦



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## PICTURE THIS

## COMMON GROUND

Inside Canada's first ever co-roasting facility **BY MEGAN JONES**

**Coffee is a \$6.2-billion industry** in Canada, where the average adult drinks 2.8 cups a day. But it can be a challenging business to enter, as Andy Kyres can attest. Kyres, 35, is the owner of Montreal's Tunnel Espresso and the co-founder of the Canadian Roasting Society, a facility designed to give members access to state-of-the-art roasting equipment and other services without the hefty overhead and startup costs.

The coffee industry tends to be secretive—roasters are reluctant to open their doors to anyone other than current employees. The idea of starting a communal facility came to Kyres when he tried to start roasting his own beans but couldn't persuade any roasters to let him practise on their machines. So Kyres and his friend Scott Rao, who helped launch the Montreal coffee chain Café Myriade, decided to team up on a roastery of their own.

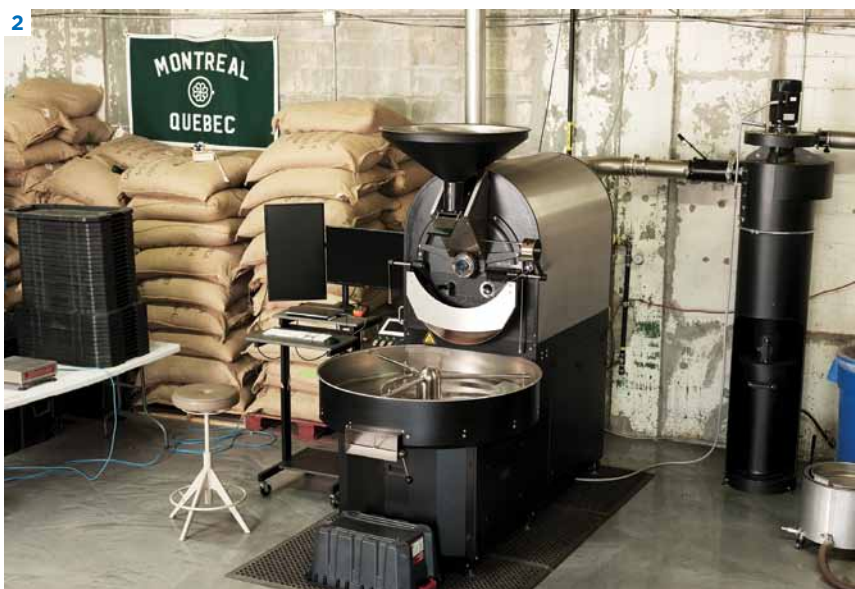
While there are a handful of co-roasting spaces south of the border, no such facility existed in Canada. Its arrival comes at an opportune time, as coffee consumers are increasingly looking for custom blends and unique small-batch options. At the same time, rents in most major cities have skyrocketed in recent years, posing a challenge for independent roasters and café owners. And while the coffee-shop business has a relatively low barrier to entry, this is not the case for would-be roasters.

Kyres and Rao wanted to build a space where people could learn and innovate. The friends knew they'd found the perfect spot when they stepped into a 5,000-square-foot warehouse in Montreal's Pointe-Saint-Charles neighbourhood. The building, which had previously belonged to a flooring company, was close to downtown and insulated well enough to withstand the city's fluctuating climate. It was also airy, open and bright. "Most roasteries look more like dark, dank caves," Kyres says. "People work in private, closed rooms and there's a lot of secrecy."

The founders deliberately kept the facility open concept, allowing natural light to filter throughout the space, and placed a long cupping table in the middle of the room. They hoped the communal table would encourage members to socialize and collaborate—and it has. "Monday through Friday,



1



2

The production of coffee and tea in Canada grew by

**8.5%**

between 2014 and 2019

the atmosphere in here is lively," Kyres says. "It can get hectic but it's also pretty fun."

Since opening in 2018, the co-roasting space has attracted 15 members, who either own cafés, sell freshly roasted beans or do both. The facility charges \$90 an hour for the use of its smaller roasting machine and \$140 for the larger one. After a little over a year in operation, the roastery was beginning to break even—as their members' businesses grew, theirs did, too. The COVID-19 pandemic has slowed growth, but Kyres is optimistic that the upward trend will return once physical-distancing measures are lifted.

Kyres is excited to get back to collaborating—he's often on hand to train roasters and answer questions directly. He hopes that as the space grows, more women will join. "The coffee industry is still super male-dominated," Kyres says. "We miss out when we lack diversity." The society recently had a teenage girl come in to train. Within a few sessions, she was roasting independently. ♦



3



5



4



6

**1. & 2.** With the larger Probat **roasting machine**, members can roast about 160 pounds of coffee per hour. Most start with the smaller unit, however. It can roast as little as six pounds, leaving much more room for experimentation or mistakes.

**3.** **Andy Kyres** is the co-founder, with Scott Rao, of the Canadian Roasting Society.

**4.** Kyres says one of CRS's biggest perks is its **weigh-and-fill machine**. At \$20,000, a typical unit is a luxury most smaller companies can't afford. Bagging beans by hand can take days and require extra staff, Kyres says. But a machine can complete 100 bags an hour—allowing members to put the time and money saved toward marketing research or product design.

**5.** The storage space can hold about 75,000 pounds of green coffee on shelves that stand 12 feet high. Since the **warehouse** is well-insulated, unroasted beans taste fresh for up to a year depending on the type of coffee.

**6.** Members often congregate at the **cupping table** to sample each others' roasts and do quality control. "People aren't afraid to trade tips, pay each other compliments or be honest when something sucks," Kyres says. "It became obvious pretty quickly that collaboration produces better results."



## BURNING ISSUE

# THE SHOW MUST GO ON

The pandemic transformed the way auditors work—and some changes may stick around for good **BY JOHN LORINC**

In early April, Michael Paterson’s audit team watched and listened as a member of their client’s staff led a walk-through of a warehouse stocked with goods. But this wasn’t a garden-variety inventory count. Instead of following the inventory manager up and down the aisles on foot, the PwC auditors—Paterson is the firm’s national assurance leader for Canada and Asia Pacific Americas assurance leader—were in their home offices, tuning in remotely to a FaceTime video feed of the warehouse shelves from the employee’s iPhone. “It was like watching an audit live,” says Paterson.

As with so many sectors, auditing has been significantly disrupted by the COVID-19 outbreak. “All of this happened so quickly,” says Jean-François Trépanier, partner and national director of professional standards for Raymond Chabot Grant Thornton in Montreal. “On Monday, we were all in the office. By Friday, we were all working remotely.”

While the constraints of the pandemic have caused countless headaches for these CPAs, Paterson says they have also “forced innovation.” In response to physical-distancing requirements, auditors have developed new ways of conducting the quarterly reviews and annual audits that shareholders, lenders and capital markets depend on to make investment decisions. “Remote audits have been done before, but not on this scale,” says Rosemary

McGuire, director of external reporting and capital markets at CPA Canada.

For Paterson and many other auditors, life since mid-March—when governments across Canada, in consultation with health officials, declared states of emergency and began paring back the economy to essential services—has been a high-speed reality check on the preparedness of both client firms and their own. “From a risk assessment perspective, it is a bit of a wake-up call,” says Trépanier. “Some entities did not foresee this happening.” The crisis has also provided a crucial test for the cloud-based data-extraction audit systems that many large firms have been creating in recent years. “That whole virtual connection is there,” says KPMG Canada audit partner Kevin Kolliniatis. “It’s been a seamless transition for many of our clients.”

Still, the disruption has forced auditors and regulators to develop workarounds while maintaining established standards and delivering reliable assurance to the markets. “The real positive is that it is forcing people to think differently,” Paterson observes. “Things won’t be exactly the same as before, but no one wants this to be the new normal.”

**Early in Canada’s period** of emergency measures, federal and provincial securities regulators decided to allow issuers to take extra time to release their year-ends and first-quarter statements. (Few firms have taken advantage of the extension.) By late March, the Canadian Public Accountability Board (CPAB) also released guidance for auditors on topics like going concern evaluations, inventory counts and the implications of conducting audits from remote locations. In particular, regulators recognized that they’d need to make allowances for the fact that the early innings of the forced slow-down occurred at the very end of, and immediately following, what is for many the fiscal year-end in March, with crucial announcements about stimulus and business restrictions occurring in early April.

These moves dovetailed with similar policy and practice announcements from international bodies, such as the International Federation of Accountants (IFAC), which has provided FAQs and guidance on assessing pandemic-related events that occurred after the end of a reporting period but before financial statements were made public.

Because the first tranche of tough measures came in March, when many auditors were preparing for year-end audits, “the inventory count got raised right away,” says Canadian Public Accountability Board chief executive Carol Paradine, whose organization has been in frequent contact with



regulators, the leading audit firms and CPA Canada.

In some cases, Paterson says, auditors have allowed for deferred or rolled-back inventory counts. They are also developing new controls to ensure that remote inventory counts are reliable; counts must be streamed live rather than recorded, for example, since recorded video can be doctored. Even if clients' inventory managers are amenable to video audits, however, warehouses without WiFi connectivity can limit what's possible.

Some observers warn that, when working remotely, auditors may miss the important non-verbal or incidental clues that they typically gather when meeting a client's management team in person. "Remote auditing has long been a challenging topic for the profession because of the belief that auditors may be more likely to discover fraud, malfeasance or simple mistakes when they visit a site," noted a recent article in the *Journal of Accountancy*. "The worried look on a hurried senior manager's face, the use of antiquated technology and the unmistakable vibe of a toxic culture all may be cues that something is amiss that might be more easily observable during a site visit." As Paterson adds of the now-constant video conferences, "People need to learn how to read the room virtually."

Kaylynn Pippo, CPA Canada's principal for audit and assurance in research, guidance and support, adds that remote auditing raises a range of potential issues. There may be challenges in obtaining evidence from sources used in previous audits and making sure information received electronically is reliable and timely. Pippo adds that changes may be needed to the audit strategy, including team composition

and supervision. And remote work may be especially challenging for junior audit staff, who are accustomed to more hands-on oversight.

While on-site visits will resume after restrictions lift, other changes are here to stay. Some aspects of audit committee meetings, for example, may permanently migrate online. With large or global firms, virtual audit committee meetings are already commonplace, but they may well become the standard in certain circumstances, reducing travel demands on auditors. "We can be quite effective working remotely," says Sonya Fraser, EY's Canadian audit leader.

Distancing requirements have proved most challenging for some smaller firms that weren't as far along the "digital journey," Kolliniatis notes diplomatically. He says his firm's consulting service, KPMG Lighthouse, has been working with these kinds of firms to expedite the transition from paper-based record-keeping to cloud-based enterprise resource planning platforms. Some SMEs have welcomed the change, but others have struggled to get up to speed. "We're there to basically handhold and get them on a platform so they can collaborate," he observes. "In some cases, the feedback was, 'Wow, we can't believe how quickly we could transform.'"

Trépanier points out that, in Montreal, Raymond Chabot Grant Thornton's auditors have accelerated their use of technology, including confirmation platforms that allow auditors to get client customers, suppliers or bankers to electronically confirm the status of accounts or balances—a process that had been "very paper-based" for years, he says. "Teams are realizing this is a much more efficient process."

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auditors in light  
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**Apart from the logistical** and technological obstacles posed by COVID-19, auditors and regulators are also paying close attention to the way that widespread economic disruption is impacting their clients' operations and viability. These dramatic changes affect everything, including the notes to interim financial statements as well as crucial going concern and capital asset impairment evaluations.

Paradine and others say that auditors preparing going concern assessments are relying heavily on scenario-based forecasts and stress tests to disclose material uncertainties, which helps businesses present investors, shareholders and regulators with a range of possible outcomes. While the business impact of the pandemic is far-reaching, she points out that auditors and regulators are pushing firms to be highly specific about how the pandemic has affected cash flows and cash burn rates instead of filling the notes to audited financial statements with general cautions.

Some auditors have been relying more heavily on in-house actuaries and other advisers through this period. "I've got my valuation experts on speed dial," says Elliot Marer, KPMG's national and Greater



For more resources on what COVID-19 means for audit, visit [cpacanada.ca/covidaudit](http://cpacanada.ca/covidaudit).

Toronto Area accounting advisory leader. Some clients, he says, have argued that it's impossible to forecast in the current environment. But, Marer notes, "We're really pushing back and going to experts."

Still, many clients are glad to receive additional insights from auditors. "Our clients are more thirsty for that information-sharing than ever before," EY's Fraser says. She and others also stress that many clients have tried to internalize lessons about the flaws in their business models or operations that have surfaced during the crisis. "It's actually really inspirational to see how clients are thinking differently about their businesses."

Kolliniatis believes the pandemic will accelerate firms' and clients' adoption of artificial intelligence and machine learning algorithms, largely because events are moving so quickly that the demand for real-time insights has intensified. "The nirvana of continuous auditing is a notion that's been around for a while, but the pandemic is expediting that need."

Paterson sees positives in the pandemic, too, citing the accelerated investment in technology and the role that audit firms, and their consulting arms, are playing in advising clients on navigating the transition. "What we do is becoming even more important." ♦

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FRAUD

# FEAR FACTOR

Why the pandemic is open season for scammers **BY SINEAD MULHERN**

As COVID-19 spread across the world, so too did scams exploiting people’s fears about the coronavirus. In recent months, schemers have been hawking free masks (you just pay the shipping!), fake testing kits, miracle cures and even cleaning services that claim to rid your air vents of the virus. Between March 6 and April 23, during which time Canadians were encouraged to stay home, the Canadian Anti-Fraud Centre (CAFC) logged 643 fraud reports and 158 confirmed victims. Though likely short of the true total because fraud is not always reported, those figures represent a significant spike in fraudulent activity.

The pandemic has created the perfect working conditions for con artists. People are anxious, alone and online, digesting fear-inducing news and worrying about their health, jobs and high-risk relatives. “At this time, society has a heightened sense of anxiety and fear,” says Jeffrey Thomson, a CAFC criminal intelligence analyst. “It’s prime time for fraudsters. This is what an extortion scam is all about: You’re trying to create fear and anxiety in people to get them to react. Now people are more likely to be constantly in that state.”

In one of the more sinister coronavirus schemes, someone claiming to be the Canadian government sends a phony text or email directing you to provide your SIN, personal and banking information to claim the Canada Emergency Response Benefit. As Thomson points out, successful scams are a game of numbers, and since this one is going out in droves, it’s bound to take more victims.

Phishing, extortion and emergency scams are also on the rise, says Thomson. They can take many forms: A brand might offer you 20,000 loyalty points in light of the current situation, and then ask you to click a link and provide your personal information. Or a fraudster might impersonate a friend who’s stuck abroad and message you for emergency cash. One extortion scam that targeted the Chinese-Canadian community conned a victim out of \$60,000, the largest known loss to coronavirus-related fraud, according to Thomson. (The sum has since been recovered.)

Fortunately, it’s easy to avoid these scams if you know the warning signs. Be suspicious if you didn’t

initiate contact, don’t respond to fishy unsolicited messages, and think twice before clicking any links in a text or email. If a friend messages via social media for financial help, phone them to confirm. Verify websites claiming to be the government. When shopping online, make sure the seller is reputable. As for COVID-19 products, if it seems too good to be true, it probably is.

Still, if you get duped, collect details and events in chronological order and report them to police, the CAFC, the credit bureau and any other service providers involved. Even if you can’t recover your own money, you may help other Canadians keep theirs. ♦

Want to protect yourself against coronavirus-related scams? For more information, visit [cpacanada.ca/news/fraud](http://cpacanada.ca/news/fraud).

## SHAM, WOW

A catalogue of coronavirus scams **BY LUC RINALDI**

### \$300,000,000

Return on investment that California actor Keith Lawrence Middlebrook promised anyone who spent \$1 million to back his fraudulent coronavirus cures. The FBI arrested Middlebrook, whose credits include *Iron Man 2* and *Entourage*, when he unwittingly delivered pills to an undercover agent.



### 25

Number of fake COVID-19 test kits inside a parcel that Homeland Security agents intercepted at the U.S.-Canada border in late March. Toronto police tracked down and charged the sender with fraud and possession of a forgery device.



### \$155

Price of a “coronavirus protocol” kit, including CBD tinctures and tea, on offer from an American company. In March, the FDA demanded the company, and six others, stop selling products that claim to prevent, treat or cure the virus.



## “A despicable act”

How a Toronto resident described a text-messaging scam that invited recipients to click on a link to claim \$1,375.50 in emergency relief funds, only to steal their personal info. Justin Trudeau warned Canadians about the scheme in late March.

PHOTOGRAPHS: MIDDLEBROOK BY GETTY; PARCEL BY ISTOCK

BY THE NUMBERS

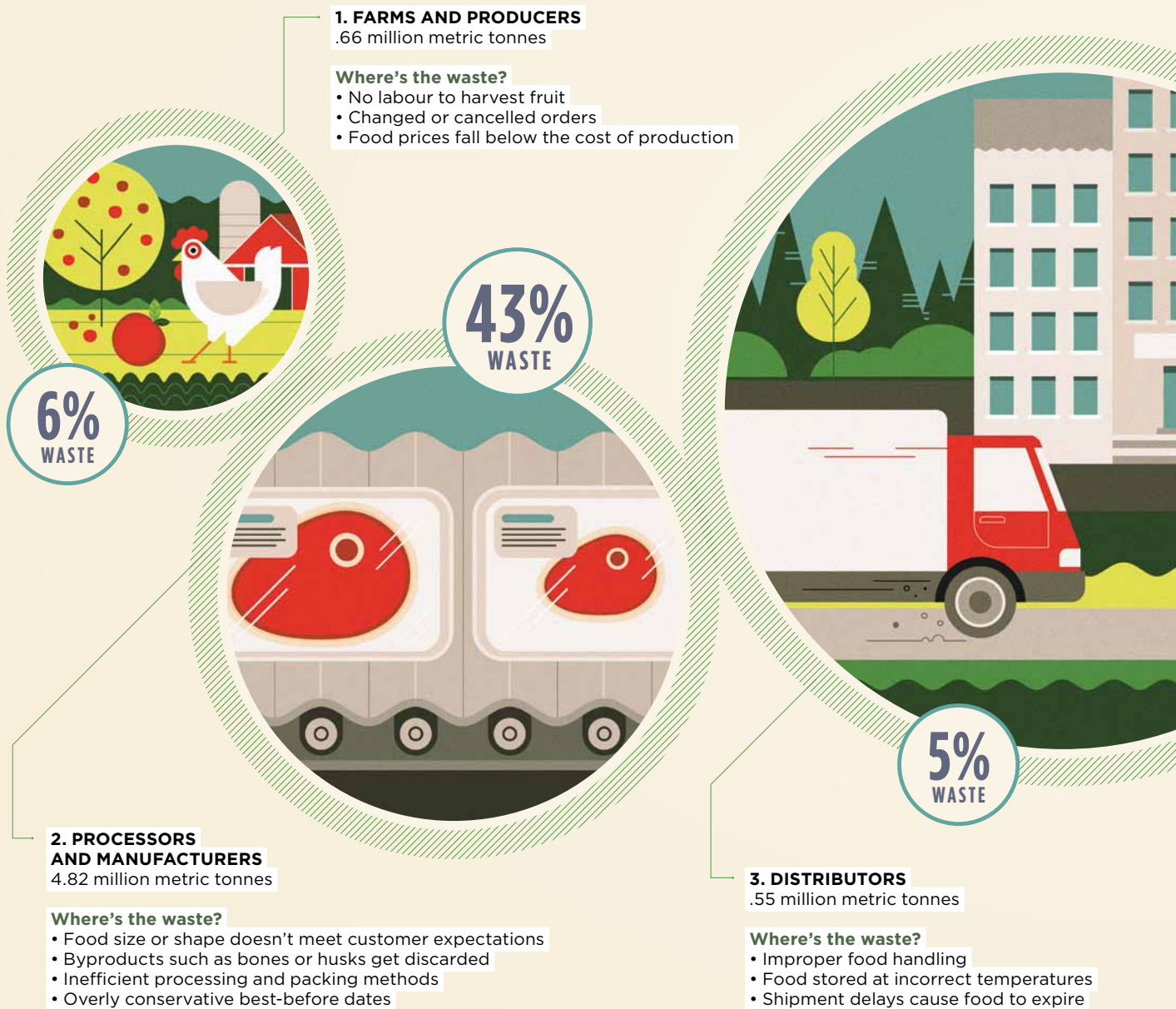
# A MATTER OF WASTE

More than half of all food produced in Canada gets thrown out—but not in the way you might suspect. Household waste, like the leftovers spoiling in the back of your fridge, accounts for just a fifth of the food our nation doesn't eat. The bulk of our losses occurs long before those ingredients show up on your plate or the grocery store shelf. According to a 2019 report by Second Harvest, Canada's largest food-rescue organization, the problem spans the entire supply chain: Fruit rots under trees due to a lack of labour, while surplus milk is poured down the drain. Here's what gets lost on the journey from farm to table. —*Steve Brearton*

The world wastes **1.3 BILLION** metric tonnes of food annually

Canada wastes **35.5 MILLION** metric tonnes of food annually

Of that, **11.2 MILLION** metric tonnes are avoidable



**Every day, Canadians throw out roughly...**

**470,000**

Heads of lettuce

**1,200,000**

Tomatoes

**2,400,000**

Potatoes

**750,000**

Loaves of bread

**1,225,000**

Apples

**555,000**

Bananas

**1,000,000**

Cups of milk

**450,000**

Eggs



**\$3,508**

Value of food wasted by a typical Canadian household in a year



**56.5 MILLION**

Metric tonnes of CO<sub>2</sub> attributed to food waste in Canada annually. That's the same as nearly **12 million** cars.



**How much food does the average person waste per year in...**



**12% WASTE**



**4. RETAILERS**

1.31 million metric tonnes

**Where's the waste?**

- Retailers overstock products because consumers prefer full shelves
- Workers and shoppers bruise produce
- Imperfect fruit and veg go unpurchased

**5. HOTELS AND RESTAURANTS**

1.44 million metric tonnes

**Where's the waste?**

- Prep waste and food scraps
- Unfinished meals

**21% WASTE**



**13% WASTE**



**6. HOUSEHOLDS**

2.38 million metric tonnes

**Where's the waste?**

- Purchasing more food than needed
- Food tossed before best-before date
- Discarding leftovers

## THE BUSINESS OF...

## RESTAURANT MAKEOVER

How eateries are coping with the pandemic—and what they might look like when it's over



RACHEL HEINRICHS

“It’s as if aliens came from outer space and decided to totally destroy restaurants.” This is how David Chang, the celebrated chef behind 16 Momofuku restaurants—two of which have already shuttered—recently described the utter shock of COVID-19’s impact on his industry.

By the end of March, the outlook was dire: According to a national survey conducted by the hospitality advocacy group Restaurants Canada, 800,000 employees had been laid off and nearly 10 per cent of restaurants had already closed permanently; by early May, seven out of 10 respondents worried they would not make it through the next three months. Those numbers represent a serious hit to the Canadian economy: Food service generates \$90 billion a year and employs seven per cent of the total workforce. And the loss of revenue reverberates well beyond dining rooms, through the intricate matrix of farmers, producers, suppliers and distributors that lie behind every plate. Consider, for example, the fact that Canadian potato farmers are sitting on a glut because 75 per cent of their spuds are served in restaurants, and you glimpse the seismic ripple effect of the industry’s collapse.

To survive, many restaurants retooled at breakneck speed. Takeout and delivery are deemed essential services, so several spots have simplified their menus and signed up with delivery services. In some cases, owners are driving deliveries themselves, not only to save the fee they’d have to pay an app like Uber Eats, which typically charges 30 per cent commission on every order, but to stay connected to their customers, who they hope will come back after physical-distancing rules are lifted.

Others are preparing meal kits: vacuum-packed, marinated meats; handmade pastas and sauces; charcuterie and cheese baskets—some accompanied by Instagram cooking demos from chefs. Still others are transforming their dining rooms into bodegas, where patrons can pick up salads and burgers alongside flour, eggs and toilet paper. And in several provinces where officials okayed the sale of alcohol to go as long as it’s accompanied by food, restaurateurs are selling off their cellars. (To meet the “with

**75%**  
of potatoes  
grown in Canada  
are served in  
restaurants

food” requirement, Zach Sloatsky, the owner of The Federal, a popular comfort-food spot in Toronto’s west end, offers rare bottles with a bag of Doritos.)

For business owners who didn’t have strong delivery games previously, these makeshift measures are largely unsustainable: A months-long shutdown still requires keeping some staff employed and paying suppliers, bank loans and, most urgently, rent, which can easily run upwards of \$30,000 a month in cities like Vancouver, Victoria and Toronto. “Restaurants operate on notoriously thin margins, just five per cent,” says John Sinopoli, partner and executive chef of Ascari Hospitality Group and the co-founder of Savehospitality.ca, a cross-country coalition of over 1,500 hospitality owners—representing over 78,000 workers—lobbying federal, provincial and territorial governments for help during COVID-19. “We’re a high-rent, high-labour, low-profit business that requires, on average, 15 workers to generate \$1 million in sales. If you reduce those sales by 50 per cent, we’re dead in the water.”



That’s why his group, along with Restaurants Canada and chefs all over social media, are calling for more than loans and rent and tax deferrals, which would only leave them in deeper holes to dig out of later on. As of late April, the federal government had offered a handful of interventions, including a 75 per cent wage subsidy for 12 weeks, loans of up to \$40,000, interest-free for the first year, and a program called the Canada Emergency Commercial Rent Assistance (CECRA), which made it possible for some small-business owners to pay just 25 per cent of their rents for the months of April, May and June—if their landlords were willing to participate.

If the closures clocked by Restaurants Canada continue apace, nearly 30 per cent of establishments will have papered over their windows by summertime. And it’s not just indie spots that are likely to shutter. Adam Brown, partner for value creation services and national restaurant sector leader for Deloitte

Canada, notes that COVID-19 has created financial stress across fast food, casual and fine-dining sectors. “Those that are going to emerge the strongest,” he says, “be they independents or part of a larger chain, are those that quickly made operational and cost-structure changes: They innovated their menus through meal kits and delivery, offering online ordering, no-contact payment and menu simplification. And they engaged with their loyal customers about the fact that they’re open and they’re safe.”

Even with lockdown orders lifted, reopenings may be more incremental than grand, with limited menus and hours as owners hire back staff in stages and adjust to physical-distancing reconfigurations, including fewer cooks crammed around stoves, fewer guests rubbing shoulders in dining rooms, and possibly even a fade-out of the communal tables, sharing plates and no-reservations policies that have been so popular for the last decade. “Marketing and brand promise will pivot toward safety to make customers feel secure,” says Brown, who lists no-contact transactions and single-use menus among the ways restaurants can put diners’ minds at ease.

To make up for lockdown losses, dishes are likely to go up in price. “Prices have gone up maybe five per cent since the 1990s,” estimates Sinopoli. “Meanwhile, costs have gone up 100 per cent, and that’s going to change.” Slootsky of The Federal hopes for a broader attitudinal shift when it comes to prices: “If restaurants became more expensive and that was culturally acceptable, it would allow owners to care for our workers.” Part of caring for workers in the post-pandemic world means simply keeping them on payroll, so servers and cooks may find themselves multitasking more feverishly than ever before as services that are often outsourced, like window washing, linen laundering, grease trap cleaning and dishwashing, move in-house—a shift that also cuts operational costs.

None of this can replace the intangible fizz you feel when you go out for a great meal—the precise cocktail of playlist and lighting, a room decorated just so, bathrooms with fresh flowers. For that, there may be a renewed appreciation as Canadians emerge from months of their own cooking. “Restaurants have survived big crises,” says J-C Poirier of St. Lawrence, a vaunted French-Canadian restaurant in Vancouver. “It’s a slower time for business, but the ones that have adjusted to the change will survive and continue on with a stronger sense of community and more gratitude for what we have.” ♦

*Rachel Heinrichs is a freelance writer and a former food and restaurants editor at Toronto Life magazine.*

## TABLE FOR NONE

How the coronavirus hastened the rise of the virtual restaurant

BY ALI AMAD

As the COVID-19 pandemic forced millions across Canada to stay home, one business model benefitted as the rest of the economy struggled: the virtual restaurant.

Also known as dark, cloud or ghost kitchens, virtual restaurants exist solely to take orders from food-delivery apps. Virtual restaurants don’t have dining areas or servers. They typically don’t even have storefronts. Their only physical component is a kitchen, from which drivers pick up customers’ orders.

The first ghost kitchen appeared in New York in 2013, and the concept has grown as rapidly as the delivery apps they serve. Online food delivery is big business—the US\$84.6-billion global market is projected to nearly double to US\$164.5 billion by 2024. In Canada, a third of the \$3.3-billion food delivery market goes through third-party apps like Uber Eats and SkipTheDishes.

Restaurant owners have obvious incentives to adopt ghost kitchens. Labour costs drain a third of a typical restaurant’s operating revenue. Ghost kitchens drastically cut those expenses by eliminating front-of-house staff. Owners can also offer several menus, or “concepts,” ranging from Mexican and Thai to burgers and sushi, all from the same kitchen, which can be set up almost anywhere. Some are rented spaces inside shared commissary kitchens, while others operate within existing restaurants. Ghost kitchens are even popping up in converted warehouses and parked trailers.

Regulation of virtual restaurants varies depending on the province, but they’re generally treated like any other food service establishment.



In Ontario, ghost kitchens have to be registered and are inspected before opening. Once operational, they’re also subject to regular and random inspections.

In April 2019, the Joseph Richard Group, a Canadian hospitality conglomerate, launched 100 virtual restaurants in 14 repurposed kitchen spaces in B.C.’s Fraser Valley region. Jackpot Brandz, which runs 13 virtual restaurants in the Greater Toronto Area, recently expanded into Alberta, and ghost kitchens in Calgary and Edmonton.

Despite concerns about lost dine-in revenue and diminished food quality—think soggy fries and wilted salads—the number of virtual restaurants is only multiplying. In 2019, a Restaurants Canada survey of 9,424 food service establishments found that while only four per cent of respondents nationwide operated ghost kitchens at the time, 17 per cent were planning on launching one within the next two years. Sixty-two per cent of Canadian quick-service restaurant operators already use one or more third-party delivery services like Uber Eats (which has 5,500 virtual restaurants on its platform worldwide), so ghost kitchens appear to be the logical next step. In fact, in the midst of the COVID-19 pandemic, virtual restaurants may be the only logical step.



Face shield  
by Tinkerine  
Studios Ltd.

# The ChangeUp

**Before the pandemic, they were  
carmakers, brewers and clothiers.  
Now they're making the things  
Canadians need to survive.**

**BY MATTHEW HAGUE**

**COVID-19** has affected every business in Canada. Most of the companies that survived lost clients, cut salaries and laid off employees. More than a million Canadians lost their jobs in March alone, and the national economy is expected to contract by more than six per cent in 2020, according to the International Monetary Fund.

Yet dire times have led to innovation. More than 5,000 Canadian companies—large, small and in between—have shifted their focus to help with the pandemic. Clothiers have switched from polo shirts to protective masks, breweries are making

hand sanitizer instead of beer, and auto manufacturers have pivoted to produce the desperately needed ventilators that keep those worst afflicted by the disease breathing.

Many of these companies are responding to a shuttering international supply chain, which has left Canada bereft of essential personal protective equipment: scrubs, masks and face shields. Others are keeping us well nourished despite restaurants closing en masse. Here, five companies across the country that reinvented themselves in the crisis.





## “Our moment to serve”

FCPA **Rick Jamieson** temporarily stepped away from his job as president and CEO of ABS Friction, a brake-pad manufacturer in Guelph, Ont., to co-found a company building 10,000 ventilators.

“In early March, I was at my winter place in Florida, playing golf, enjoying the sunshine. My wife and I flew back to Canada on March 12 for a meeting and a Leafs game, thinking we’d only be up north for a few days. We left one of our cars and all our summer clothes down south. I don’t know when we’ll get back there.

Soon after I came back to Canada, a friend of mine, Jim Estill, the CEO of Danby Appliances, asked me to join a consortium he was putting together, a group of manufacturers trying to find a solution to the ventilator shortage. I’m a CPA by background, a tax accountant. I’m not an engineer. And making brake pads is very different than ventilators. They aren’t something I could do at my factory in Guelph. But Jim persisted, putting together a diverse team in what is now called Ventilators for Canadians. We each bring something different, something valuable. Scott Shawyer, CEO of robotics company JMP Solutions, has a lot of engineering expertise. Paul L’Heureux, CEO of Crystal Fountains, a company

that makes architectural water features, can rapidly prototype anything. We have medical expertise through our partners Baylis Medical and Medtronic, both of which make medical devices.

My background as a CPA has helped a lot, too. It’s helped us in contract negotiations and in our thinking about all the risk management involved. Our original plan was to bootstrap, using money from our own companies. That plan, however, became difficult when the economy fell apart. Our businesses started to suffer and we all had to start laying off staff, so we decided to fundraise. Two very generous anonymous donors pledged \$3 million, so we put together a contract proposal for the federal government for further financing. In early April, we made a deal with the feds to deliver 10,000 ventilators by mid-September.

I think of the first few weeks of Ventilators for Canadians as a sprint, a dash to put together the plan and the money. Now I think that we’re in a marathon phase, doing the hard work to ensure the ventilators get made—that all the materials and parts come through, that our various assembling facilities produce what we need. Since mid-March, I haven’t had a day off. Most of my days have started at 6:30 a.m. and ended at 10:30 p.m. I’ve barely had time to think about my car and clothes in Florida, let alone my actual business, ABS Friction, which I’ve fortunately left in the care of two capable managers. But my partners—Jim, Scott, Paul—are grateful we have the energy and expertise to do this. None of us have ever fought in a war. We think of this as our moment to serve the country, much like our fathers did when they fought in World War II.”

# “Everyone needs comfort right now”



Montreal restaurateur **Mandy Wolfe** repurposed her restaurant chain, Mandy's Salads, into a mini grocery emporium that delivers free food to frontline workers.

“At the beginning of the shutdown in March, our restaurants immediately switched from being full-service to just takeout and delivery. Although it was emotionally very hard—we had to lay off some staff—logistically, it was a fairly easy transition, a bit like going back to our roots. Long before we had seven locations across Montreal, we operated out of the back of a woman’s dress shop and only did to-go orders because there was nowhere for people to sit.

In part because the initial transition was easy, we were able to change our business in bigger, more important ways. For example, our canned goods and fresh produce suppliers saw their businesses immediately dwindle. They normally shipped food

to university campuses, events venues and other restaurants—all of which had closed. Instead of letting food go to waste, we offered to sell the raw goods, by either delivery or pickup at Mandy’s. In addition to our regular salad bowls, customers can now get raw kale, kids’ snack packs, bags of chips—lots of things. In effect, we’ve become a little grocery store.

In order to remain operational, we are following all local public health guidelines to ensure that our staff and customers maintain physical distancing while either preparing or picking up orders. We have also learned a lot by researching Spanish chef José Andrés. He set up food tents outside of the Crown Princess cruise ships docked in Tokyo and Oakland, Calif., to help feed the people quarantined onboard. We have taped off paths through the stores that guide people to their orders, blocked off our staff behind Plexiglas screens, and keep staff two metres apart at all times.

Although the crisis has been exhausting—hasn’t this felt just like one long day?—it has also inspired us to be a lot more charitable. At the outset, the defencemen from the Montreal Canadiens gave us \$2,500, essentially pre-buying meals for frontline workers. That tab was used within 24 hours. But we’re still giving back to the community. Three days a week, we drop off hundreds of meals to local hospitals. Doctors and nurses are working around the clock and need sustenance to survive. Even for our regular customers, sometimes we throw free goodies into their grocery boxes, like freshly baked chocolate chip cookies that we haven’t sold by the end of the day. The cookies give people comfort, which everyone needs right now. We aren’t making any money doing any of this. All we are trying to do is keep the business alive during the pandemic in the hopes that it can flourish again afterwards.”



To-go bags at Mandy's Atwater location; above, Mandy Wolfe, left, and her sister and co-founder, Rebecca Wolfe



A worker handles fabric inside the Canada Sportswear factory in north Toronto

# “An important wake-up call”

**Ralph Goldfinger**, the co-CEO of Canada Sportswear in Toronto, stopped making pants and polo shirts and started making masks and gowns.

“We have been a family-owned apparel company for more than 65 years. We mainly wholesale outerwear—jackets, polo shirts, pants. With COVID-19, the demand for traditional clothing has been curtailed. As a business, we are here to serve people’s needs. So, we had to ask ourselves, ‘Okay, what is required today?’ People are looking for essential protective garments, including masks, gloves and hospital scrubs that tie up at the back. Doctors and nurses need them the most. But regular folks are also looking for masks, especially after the CDC and Health Canada reversed their positions, telling people to wear masks in public.

We’ve made a pivot to meet that demand. By the first week in April, we had orders for more than 100,000 masks and 60,000 gowns. We have a team of about 50 people sewing cloth masks and gowns at our factory in Toronto. With our sewing expertise, cloth masks are something we can do relatively easily. And our staff is very happy to be working on them. I mean, everyone is a bit tense showing up to work these days—including me. There’s a bit of fear. The mood at the factory is tense, because

people are afraid of getting sick. But we’re following health and safety guidelines, and the factory is large enough that we can keep people apart as they work. It’s also nice that we’ve been deemed an essential service, so we can keep the business going and keep people employed.

Compared to cloth masks, N95 masks are trickier to produce. They need to be fitted a certain way, require special fabrics that block out the smallest microbes, and aren’t usable on the front lines unless they have been approved by different health organizations, including Health Canada. We can’t just make those ourselves, but we’re looking for options to import from China or elsewhere.

A lot of the demand for masks is from health-related companies, including retirement homes and long-term care facilities. We’re also getting inquiries from retailers. Even when we get past the peak of the pandemic, I imagine that demand for masks will continue, though not at the same level. Culturally, many Canadians have never worn masks on a regular basis, the way you see in countries such as Japan. But I think that will change, and people will get used to it, to maintain a sense of caution until a vaccine or medication is available.

I also think that COVID-19 might be an important wake-up call for Canada. We have to be more independent when it comes to domestic manufacturing. As a company, Canada Sportswear has been producing clothing in Toronto since 1954. We’ve also seen how much production has been sent overseas because consumers won’t pay just a little more for made-in-Canada goods. Maybe that will shift. One thing the virus has shown is just how fragile international supply chains can be.”



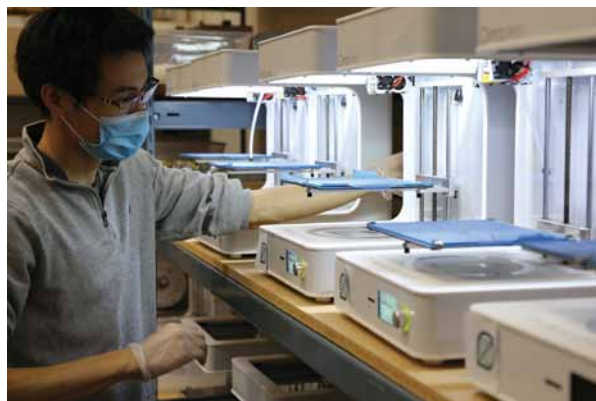
## “We wanted to help”

Tinkerine Studios Ltd. CEO and founder **Eugene Suyu** used to make 3D printers. Now the company produces 20,000 face shields for doctors and nurses every week.

“Tinkerine started out as a hardware manufacturer, making 3D printers as well as educational software and content for schools and teachers. COVID-19 closed schools suddenly, which might suggest that our core business was hurt. Although teachers haven’t been in classrooms, our clients, the school boards, are still running, and are still planning new orders for when schools reopen. But friends, family and the media kept telling our team that frontline workers needed personal protective

equipment. We wanted to help. We simply wanted to make an impact.

Producing face shields for nurses and doctors might seem like a big shift from producing 3D printers for schools. It’s not. Our manufacturing and design background gave us a good understanding of how to scale production. Much like we listened to the needs of our educators and students, we also



Suyu with Tinkerine’s fleet of 3D printers

listened to the needs of doctors and nurses, creating iterations of the face shields—eight in total—until we came up with a successful version.

At the outset, we mainly used our own 3D printers to produce the components for the face shields—the headbands and fastening clips—and a laser cutter to cut sheets of clear plastic for the visors. That allowed us to produce between 200 and 300 face shields a day. But we were getting orders from hospitals across North America for up to 30,000 face shields. To ramp up, we started using die-cutting and injection-moulding. That expanded our capacity to 20,000 face shields per week, each reusable if sanitized, all produced in accordance with Health Canada regulations.

I’ve always been an optimistic person. I think you have to be to work in education. It’s all about making the trajectory of the world better by reaching young people, doing things that will affect their lives in 10, 15 years. That motivation helps justify the long hours right now, especially when I can see our work making a difference. To further extend our capacity, we opened up our production to educational institutions and anyone else with a 3D printer, so that they could help by printing some of the components. When ready, they can send the pieces to us for sterilization and incorporation into the face shields. That might be a more powerful lesson than they could ever learn in a classroom.”

# “We met our goal, then doubled it”

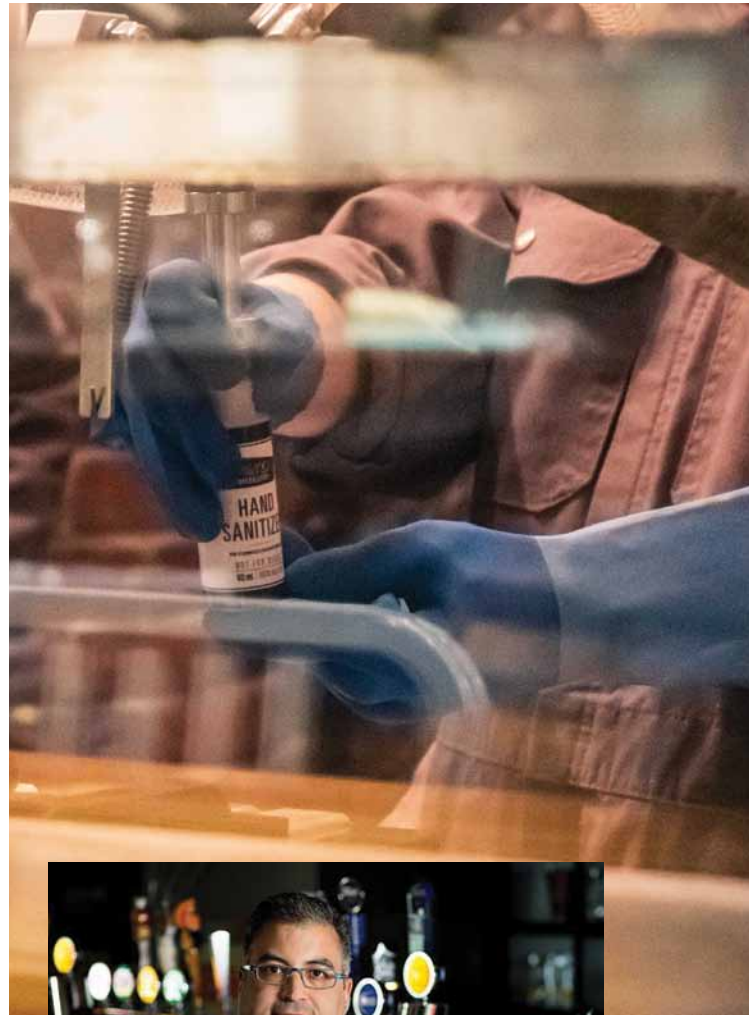
**Charlie Angelakos** is the vice-president of legal and corporate affairs at Labatt, which produced 100,000 bottles of hand sanitizer in breweries countrywide.

“Whenever there is a natural disaster—ice storms, droughts—Labatt shifts production at our facilities from beer to drinking water. During crises such as the 2016 Fort McMurray wildfires and the 2018 floods in New Brunswick, the Labatt Disaster Relief Program has provided more than 460,000 cans of clean drinking water to residents and on-the-ground responders.

So far, there has been no shortage of drinking water because of COVID-19. But alcohol-based hand sanitizers have been hard for many to find, even those who need them most, such as frontline workers. And the one ingredient we have readily available at our brewing facilities that’s critical to the production of hand sanitizer is alcohol.

The process of setting up the hand-sanitizer production has been much trickier than switching to drinking water. Because the sanitizer we’re producing has 80 per cent alcohol content, to meet the COVID-killing guidelines of the World Health Organization and Health Canada, our first step was to identify any of our facilities rated for flammable liquids. That also created a number of shipping considerations to deal with, as hand sanitizer must be handled as a ‘dangerous good.’ To boot, the process cannot be automated. It’s manual. All the mixing, filling, labelling and packaging is done by hand, which required special staff training. So we mobilized all of our facilities across Canada that had the capabilities to produce the hand sanitizer, including our plants in Vancouver, Edmonton, London, Toronto and Montreal. That localized model made it easier to distribute the sanitizer when ready.

Our initial goal was to make 50,000 250-mL bottles. After we met that goal, we doubled it. We are keeping some of the supply for our business-critical employees in our breweries, distribution centres and frontline sales. For the most part, though, with the help and direction of Food Banks Canada



Labatt VP Charlie Angelakos

and their national network, we are giving the bottles, free of charge, to groups and individuals that need them most. That includes frontline staff in restaurants that offer takeout and delivery. Many restaurants have been shuttered because of COVID-19, but those that are open are doing a lot to support their communities, keeping people fed. The least we can do is support those restaurants in return.” ♦

# FROM THE ASHES

**What kind of world—  
and what kind of  
profession—will  
emerge on the other  
side of the pandemic?**

**BY LUC RINALDI**

**A** year before the first reported case of COVID-19, CPA Canada published an eerily prophetic prediction. As part of Foresight, an ongoing project to future-proof the accounting profession, a wide-ranging team of experts imagined four ways the 2020s might unfold. In one of those scenarios, Phoenix Rising, a series of catastrophes beleaguers the planet, inspiring the sort of international co-operation necessary to tackle extreme poverty, inequality and climate change. Today's calamities, the scenario suggested, would lead to tomorrow's triumphs.

Just six months into the new decade, Phoenix Rising is no longer hypothetical. Its bleakest projections have become reality in the form of the coronavirus pandemic, a paralyzed global economy, untameable wildfires and record-breaking temperatures. Though these crises have sparked instances of global solidarity—medical teams collaborating across borders to develop a vaccine, for example—there's no guarantee these events will unite the world in pursuit of the common good.



In many ways, the opposite is true. This past spring, Donald Trump restricted immigration to the U.S., withdrew funding to the World Health Organization (WHO) and attempted to stop manufacturer 3M from exporting masks outside the country. Leaders worldwide have taken similarly nationalistic steps: closing normally porous borders, outbidding one another for vital medical equipment, moving manufacturing back home. Even if they're temporary, these me-first measures are symptoms of another, more antagonistic Foresight scenario, My Way. In contrast to Phoenix Rising, My Way imagines an inward-looking world, split apart by populism, a breakdown in global trade and distrust in political and financial institutions.

Or perhaps the future will resemble a third scenario: Tech Titans, in which technology conglomerates emerge as global superpowers with government-like influence over health care, transportation and the economy at large. In the early months of the pandemic, this prognosis began to play out. Amazon, for one, hired 175,000 extra workers to meet increased demand, developed a COVID-19 testing lab and watched its sales and stock price soar. And thanks to Trump's actions, the WHO's largest backer is now the Bill & Melinda Gates Foundation—an international-development charity that stems in part from the success of Microsoft—which has



**'A race against the disease': Canadian researchers part of global effort to develop COVID-19 vaccine**  
(CBC, April)

**Onset of COVID-19 pandemic boosts support for international cooperation**  
(UN News, April)

pledged more than US\$300 million to fight COVID-19. "If every government is in deficits of up to hundreds of billions of dollars to keep their own people and economies afloat, where's the money going to come from for relief to support developing countries?" asks FCPA Tashia Batstone, CPA Canada's senior vice-president of external relations and business development. "These technology companies probably have more financial resilience than any sovereign nation. They have access to enormous amounts of resources right now, and governments may not have the strength to counter that."

In the throes of the pandemic, it's impossible to know which scenario, or which elements of all three, will emerge as the dominant narrative of the 2020s. What's certain, though, is that it won't be the fourth and final scenario, Slow and Steady, which imagines a future characterized by stable yet sluggish progress. Without warning, the pandemic brought Foresight's central concerns—whether the international community will co-operate and embrace technological and social change—to the forefront and reinforced the need for CPAs to find new ways to create value.

No matter which scenario the future most resembles, the role and skills of CPAs will evolve. In a Phoenix Rising world, professional accountants would need to broaden the scope of information they report to include intangibles such as environmental, social and governance factors, which would become increasingly central to businesses' operations. After the pandemic, those businesses could also call on CPAs to pay particular attention to risk management, assessing companies' level of preparation for other catastrophic events and identifying assets, such as unwanted oil reserves or grounded planes, that could be stranded and lose their value in the transition to a low-carbon economy.

In an insular My Way future, by contrast, the profession's success would largely depend on CPAs' abilities to ensure the public trust, build personalized and locally focused relationships with clients, and become dependable insiders in a world wary of outsiders. The Tech Titans scenario, meanwhile, would require CPAs to orient their skill sets toward what tech firms deem most important and familiarize themselves with emerging technologies such as artificial intelligence, blockchain and Big Data.

The next phase of Foresight, which is currently underway, will propose concrete steps that the profession can take to acquire these urgently needed new skills.

"The pandemic has accelerated the pace of change," says CPA Gord Beal, who as CPA Canada's vice-president of research, guidance and support was involved in developing the Phoenix Rising scenario. It was one thing to imagine it; it's another to see it come to life. "It's been quite eye-opening how quickly our economic systems can be brought down by a natural phenomenon like this."

**B**efore the pandemic, the Foresight initiative proposed a bold reimagining of the accounting profession, one that positioned CPAs not just as keepers of finance but also as guardians of data integrity. "A data environment makes starkly new demands on CPAs," according to "The Way Forward," a report capping off the first phase of Foresight. "If data is power, then the profession's livelihood depends on its ability to determine the role it will play in identifying, measuring and creating value from this proliferation of data."

The pandemic only highlights the need for strong data governance, says Batstone. "The decisions we're making right now are so serious: where to direct medical aid, where to put ventilators, whether or not to reopen the economy. Without the right data, we could be making the wrong decisions." Even correct data can be misleading without a

## The coronavirus outbreak may exacerbate nationalism and stall climate change action

(MIT Technology Review, April)



## The Pandemic Feeds Tech Companies' Power

(New York Times, April)

dose of non-artificial intelligence. A data-savvy CPA, for example, might scrutinize Canada's COVID-19 numbers: Does Quebec truly have the most cases, or is the province simply testing more widely than others?

The pandemic has also reignited existing debates over data. As social and professional life migrated online in March, questions about who collects, owns and sells our data became even more pressing. Critics and consumers slammed the now-ubiquitous video-conferencing platform Zoom, for example, for a litany of flaws: Hackers could “Zoom bomb” private video chats or surreptitiously access users’ webcams

feeds, while the company itself has allegedly sold data to third-party firms with less-than-sterling track records of protecting it, such as Facebook.

While the outcry forced Zoom to provide software updates that bolstered privacy and security, other data-collection measures from the pandemic may have more long-term implications. Around the world, medical professionals are using smartphone data to conduct contact tracing—that is, determining who may have been in proximity to someone with COVID-19. In a pandemic, Canadians may be willing to disclose such information to government-run public health agencies. “But how much of this will we be willing to tolerate in normal times?” asks Rohinton P. Medhora, the president of the Centre for International Governance Innovation, a think tank in Waterloo, Ont. “I think awareness around what Big Data firms have done and how much privacy was invaded is now such a public conscience issue. The data firms have almost become the new tobacco firms.”

Canadians’ healthy skepticism reinforces the urgent need for robust data regulations and professionals who understand digital information. Without them, the world may emerge from the pandemic only to find itself in a dystopian Tech Titans scenario, one where unchecked Silicon Valley corporations consolidated influence while COVID-19 occupied policymakers. Working with the Canadian Data Governance Standardization Collaborative and the CIO Strategy Council, CPA Canada is actively helping to craft a comprehensive



national data strategy, but Medhora argues that no country can tackle this issue alone. “We can’t make much national progress on digital issues without having global conventions.”

**A**n appetite for international co-operation may be a silver lining of the pandemic. In the same way that the tragedies of the Second World War gave way to the United Nations, COVID-19 is placing renewed emphasis on the World Health Organization, the World Bank and the International Monetary Fund. The pandemic may even give rise to entirely new global institutions and processes, says Medhora.

Of course, the world could pursue an opposite path, one more aligned with the My Way scenario, where countries fight over an eventual vaccine the same way they competed for masks. “The optimistic part of me hopes the world will recognize that what we’re seeing here transcends borders,” says Batstone. “We can’t do this on a country-by-country basis. The solutions we need are global in nature, and this pandemic has done nothing but highlight that.”

Global unity is particularly essential in the fight against another existential threat: climate change. During the lockdown, the world witnessed not only economic devastation but also natural rejuvenation: clear skies in New Delhi, pristine waters in Venice, wildlife roaming the streets of Buenos Aires. The World Meteorological Organization, a United Nations agency, expects carbon emissions to drop by six per cent in 2020 as a result of the pandemic’s effects on air travel, energy and other greenhouse gas-producing industries. “But it is

not a substitute for sustained climate action,” the agency warned. “We need to show the same determination and unity against climate change as against COVID-19.”

The pandemic has shifted the dominant business narrative, at least temporarily, to one that emphasizes the planet and its people. “Companies are suddenly switching to very different ways of creating value, with much more of a stakeholder approach,” says Batstone. Rather than emphasizing the bottom line, businesses are prioritizing the common good. “Marketing today is all about working together to come out of this crisis, taking care of people, taking care of employees.” Batstone says this change in tone poses interesting questions for CPAs: Will this shift in narrative be reflected in corporate reporting? How should CPAs measure that value? What key performance indicators are in place behind the scenes?

These questions, however, may be moot if stakeholder capitalism gets forgotten amid frenzied efforts to create jobs and reboot the economy. “That’s obviously the danger: that we sacrifice all of these other things for the economy,” says CPA Canada’s Beal. To him, this moment represents a referendum on capitalism—and an opportunity to develop a more sustainable version of it. “We need to be looking for a new type of capitalism on the other side of this,” he says. “We need a better way to run our financial institutions, our businesses, our economies—a way that doesn’t identify the environment as an external issue. Nature and society have to be fully considered in the context of how we perform. If we’re measuring success in any other way than that, we’re not doing it right.” ♦



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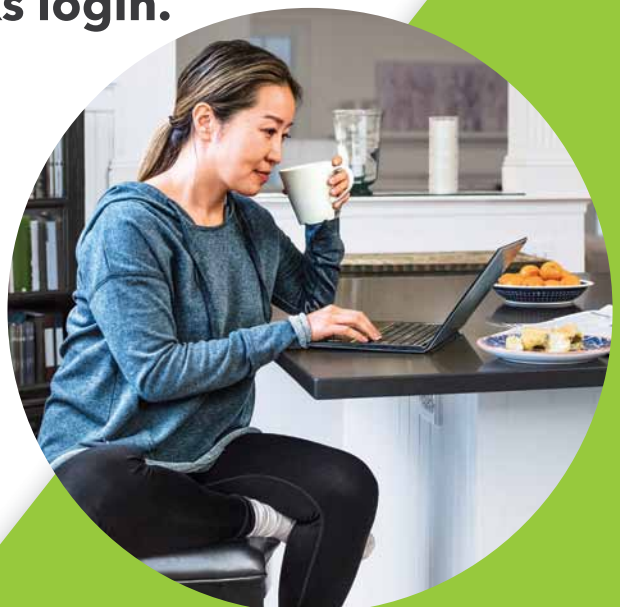
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# Crisis in aisle four

How the pandemic will change  
grocery shopping forever

BY REBECCA TUCKER

**Before COVID-19**, Mitch Orsatti loved to go grocery shopping. An event manager and avid home cook who lives in midtown Toronto with his wife and young son, he would visit multiple stores—Loblaws, No Frills, the fruit market down his street—throughout the week to find the best deals and freshest ingredients for whatever meals he had planned. If he was missing a fixing on any given night, he'd happily venture out to find it.

Then an employee at one of his regular stores tested positive for COVID-19, and what was once an enjoyable activity became an exercise in what he calls “minimizing exposure”—one trip to Loblaws, as short and infrequent as possible. “I’m legitimately afraid to go grocery shopping,” he says. “Ideally, we’d love to not have to go to the grocery store at all.”

The sentiment is shared by millions of Canadians for whom the exercise of buying groceries has transformed from a routine necessity to a terrifying psychological challenge. According to a nationwide study of 1,014 individuals conducted by Dalhousie University and Angus Reid in March, 65 per cent of Canadians reported being wary of entering public spaces to buy food.

The fear of setting foot in a supermarket is shaping how grocers have navigated COVID-19—and how they are planning for the future. Since lockdown and physical-distancing measures were implemented across the country, grocery stores have become a sort of manifestation of the progress of the virus: Initial waves of panic-buying gave way to foot-traffic restrictions, taped markings on floors, Plexiglas screens protecting cashiers from customers (and vice versa), dedicated shopping hours for vulnerable populations, and one-way shopping aisles.

Grocery store employees are afraid, too. While they are being lauded by politicians as heroic frontline workers, they are nevertheless at heightened risk; safety measures arrived only gradually, well after community transmission was underway. Recognizing the suddenly tenuous position such workers are in, four of Canada's major grocery chains—Metro, Loblaws, Walmart Canada and Empire, which owns Sobeys—increased hourly wages for their in-store staff in late March. Then, in May, the federal government announced it would earmark \$3 billion to top up the wages of frontline workers, with another \$1 billion coming from the provinces. But it is unclear how much will go to grocery workers or how long these provisions will last. Some accidental frontline workers are already fed up with their employers' cavalier attitudes toward their individual safety: Staff at Whole Foods, Walmart and Instacart have all staged strikes.

Increasingly, to protect both themselves and grocery store employees, shoppers are buying food online. Before the COVID-19 pandemic, only four per cent of Canadians even considered shopping for groceries online; in the time since, that number has jumped to 22 per cent. Grocery-subscription and meal-kit services are also booming; Goodfood, for one, recently announced plans to open a new fulfilment centre in Toronto to respond to increased demand. "[Grocery] was already moving to more online purchasing," says Jonathan Kallner, FCPA, KPMG's Canadian managing partner for clients and markets. "In just four weeks, it's just pushed them there faster."

The crisis marks a turning point for grocery stores. They have had to move quickly on multiple fronts, expanding online-shopping infrastructure, monitoring inventory more closely and bolstering health and safety measures for both employees and customers—all the while fending off newer, more nimble competitors in the direct-to-consumer landscape, such as restaurants, food-delivery services, farmers' markets and even individual farmers. Consumers' preferences may be permanently coloured by COVID-19, and the changes that grocery stores have made to accommodate them are not likely to be clawed back. As those preferences solidify, these shifts will be here to stay.

**Online grocery shopping** has been around since the 1990s but, until recently, it's been seen as a luxury—a burgeoning, if secondary, model for most large grocery chains. Overnight, it's been put on the front burner. Loblaws says it has invested in "more equipment, more capacity in pickup windows and more staff" for PC Express, the click-and-collect system it launched in 2014. Metro allows consumers to order items for delivery directly, while Sobeys is accelerating the launch of Voilà, its ecommerce wing.

Other big-box retailers, such as Walmart and Costco, already had robust online ordering capabilities; in the wake of COVID-19, these services have received more resources as consumer demand spiked.

That's not to say there haven't been growing pains. Chains' grocery-delivery services, overwhelmed by demand, have experienced enormous delays. According to a *Globe and Mail* report, North American order volume for Instacart, which delivers for Loblaws, jumped by 150 per cent over a few weeks in March—by mid-April the company was reporting a 500 per cent year-over-year increase—and online orders through Walmart Canada quadrupled over a two-week period in March. Around the same time, Metro requested that only high-risk customers or those experiencing COVID-19 symptoms order online, in an attempt to relieve untenable demand.

This has opened the door for businesses that might have otherwise never considered grocery delivery. Many cafés, restaurants and catering



Newly installed protective screens at Toronto's McEwan grocery store



Floor markings designate the flow of foot traffic in the aisles

companies have started selling pantry staples and fresh foods directly to consumers. Wholesale giant Sysco is doing the same, though some are skeptical their big-box approach will work in the long run. “Would you buy 28 steaks at a time?” asks Sylvain Charlebois, director of the Agri-Food Analytics Lab at Dalhousie University. Nevertheless, “[grocery stores] weren’t ready, which is allowing other companies to pivot” toward food retail.

**“There will be a shift even after we get back to normal. People will keep shopping online.”**

GoJava is one such company. The Toronto-based business used to refill coffee and tea supplies inside office towers. “When COVID hit, over the span of about a week all of our office customers were saying, ‘Our employees are going to be working from home so please pause all services,’” says founder and COO Evan Birmann. “Our revenue dropped by 90 per cent. So we thought, ‘Okay, what else can we do?’”

Now, instead of delivering only coffee and tea, the GoJava staff and fleet provide same- or next-day delivery of fresh produce, meat, cheese, bread and some pantry essentials within the Greater Toronto Area. GoJava sources products directly from purveyors, including Cheese Boutique and Woodward Meats. Business boomed in the first two weeks, but declined as major grocery retailers caught up and compensated for earlier in-store supply shortages and delays. But Birmann thinks that, post-COVID, consumers will appreciate a more competitive field of online food retailers, and therefore plans to stay in the business. “We are focusing on partnering with local food providers and suppliers,” he says, noting that this is one way GoJava can distinguish itself from larger retailers. “I think that there’s going to be a bit of a shift even after we get back to normal, whenever that may be. People will continue to shop for groceries online.”

**That online shift** will undoubtedly have implications for physical grocery stores. “If you allow me to take out my crystal ball,” says Charlebois, “I see fewer stores, fewer stock-keeping units and better infrastructure to support ecommerce.” He expects stores to have more limited offerings as they learn to specialize and as shoppers adjust to visiting multiple locations—both online and bricks-and-

mortar—for their household needs. “The cost to operate a store has increased by five to seven per cent since the start of COVID,” he adds. “Something’s got to give, right?”

As with any retail adjustment that replaces human labour with automated or online-based commerce, the skills market within the grocery store ecosystem will change fundamentally. “It’s great to reward people exposing themselves to more risks, but that’s a short-term solution,” says Charlebois, referring to recent wage increases for grocery store workers. “Over the longer term, some people will have to be retrained, some people won’t want to be retrained and some won’t be able to be retrained.”

As online retail inches toward the norm, independent and artisanal outfits will have no choice but to get in the game, if only to remain competitive. Already, farmers’ markets are finding ways to get their vendors’ wares to consumers, small-scale bakeries are on Uber Eats, and fishmongers, cheese shops and butchers are hitting the road and even partnering up to reach consumers faster. For \$100, B.C. residents can order an “emergency pantry food box” stuffed with coffee, condiments, snacks and other products from artisans across the province. In Toronto, Grow, Gather & Co., which launched a few weeks into the pandemic, offers products from pastemaker Famiglia Baldassarre, bread from Tasso Baking and dairy from Eby Manor, among other local purveyors. These small businesses might have struggled to reach consumers directly; by consolidating, they have become more competitive in a fast-changing market. And because they offer higher-quality ingredients, larger chains may have to adjust to keep pace.

It’s an interesting—and unexpected—development that is evening the food-retail playing field. “People will wait in line at the store, they’ll go in, they’ll do what they need to do,” says Charlebois. “But after that, they’ll start looking for specific products online.” After the pandemic, grocery consumers are likely to remain more mindful of where their groceries come from and what their options are. If artisanal producers are able to sell their wares online just as efficiently as big-box retailers, a more diverse range of sellers may enter the industry.

That’s good news for people like Orsatti, the home cook. He has begun investigating more online grocery options than ever before, visiting multiple websites, comparing prices and making lists—a virtual version of what he might have done pre-pandemic. Though he’s worried about the quality of the items he’ll receive—ordering ingredients sight unseen can be less than ideal—at least he’s not concerned about his safety. But, for him, online grocery shopping is a stopgap, not a long-term solution. He’s eager for the day he and his family can wander the aisles again, no mask required. ♦



# FACTORY

# FARMING

Startups got us hooked on faux meat. Now the food giants are jumping in. Inside the mad dash to make the perfect plant-based burger.

BY COREY MINTZ

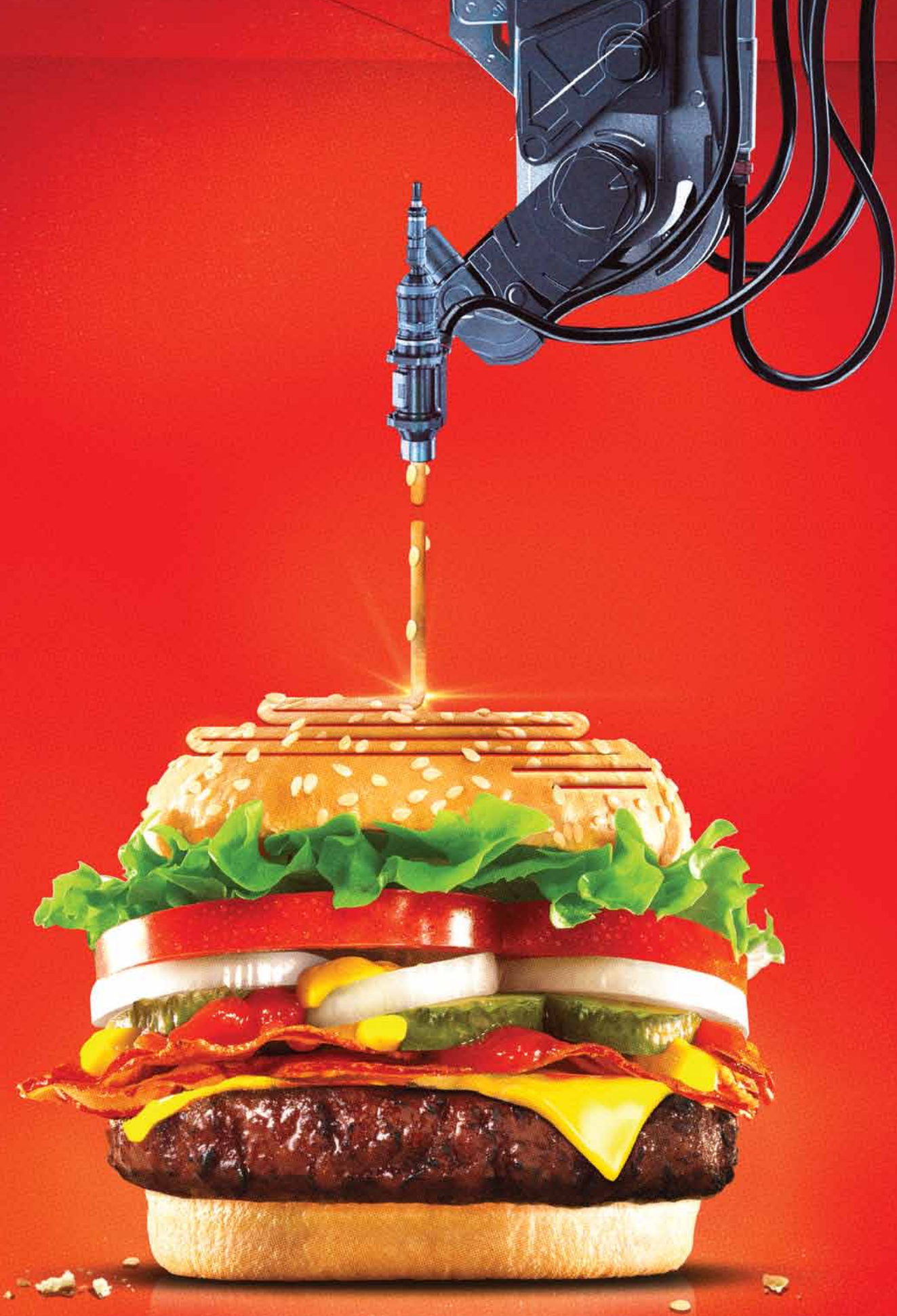
**T**his past January, back when people were allowed to gather in groups and travel to other countries, I found myself in a Lucky's Market in Naples, Fla., nearing the end of a research trip for my book. Waiting in the checkout line, I struck up a conversation with the woman behind me. She had a small child and was willing to indulge my anxious questions about how afraid I, a new father, needed to be of sugar. What a time it was, half a year ago, when my biggest concern was sugar.

The woman had a package of plant-based meat in her basket. I asked if she was trying it out. No, she said, it was just another item on her weekly list. Not long ago, that answer would have surprised me. In early 2019, when I asked supermarket employees in Toronto and Winnipeg where to find plant-based meats, they said that they had maybe heard about something like that. But today, the shops near our

home have three different faux burgers on the shelf: Beyond Meat, Lightlife and The Meatless Farm Co.

In just a few years, these products have entered the mainstream. In 2019, sales of plant-based meats, a category that didn't exist a decade ago, grew to US\$800 million in North America, up 37 per cent from 2017. According to research firm Euromonitor International, that could reach US\$2.5 billion by 2023. Every day, I get a pitch for another plant-based beef, pork, yogurt or ice cream, yet I rarely hear as much about traditional non-animal proteins and fats, like tofu or margarine.

Until recently, the faux meat conversation was dominated by two California-based startups, Impossible Foods and Beyond Meat. But you can sell only so many science burgers before the big meat companies decide that you're muscling in on their turf. Last year, for example, Perdue Farms launched Chicken Plus, a series of nuggets that blend chicken with cauliflower,



chickpeas and plant proteins. Seeing the same potential, Tyson Foods, one of the world's largest meat processors, unveiled its entries into the plant-based market: a meatless chicken nugget, to be followed by a beef-and-pea protein burger, both under the brand Raised & Rooted. Tyson also bought a minority stake in plant-based shrimp company New Wave Foods.

Maple Leaf, Canada's largest food processor, is placing an even bigger bet on the growth of the faux meat market. In 2017, the company acquired Massachusetts-based Lightlife Foods for US\$140 million. The following year, it spent another US\$120 million to gobble up Field Roast Grain Meat Co. It then united its plant-based brands under the Greenleaf Foods banner and began expanding plant-based production capacity in its two American facilities. (Roughly 95 per cent of the market for Lightlife and Field Roast products is in the U.S.) But that was a mere appetizer to Maple Leaf's 2019 announcement that it would build a massive, US\$310-million plant-protein processing facility in Shelbyville, Ind., which should be operational by the end of 2022.

The Shelbyville plant represents only a third of the money Maple Leaf is investing in the plant-based sector. "We've invested and committed close to a billion dollars against this segment," says Dan Curtin, CEO of Greenleaf. "Between our acquisitions, our capital, our plant and marketing, we are all in, and we are really excited about this category." While Maple Leaf's 2019 plant protein sales, \$176.4 million, were only 4.5 per cent of the company's total revenue, Curtin is confident that will change. "Plant-based is a big growth avenue for us. And you're going to see Greenleaf playing a larger part in the Maple Leaf portfolio."

While they may be late to the game, legacy corporations like Maple Leaf have the production and distribution capacity to make cheaper plant-based meat alternatives and get them on more shelves. Is that enough to help them leapfrog past the sector's pioneering startups and finally transform faux meats from culinary curiosities to grocery store staples?

**D**uring the first half of the 2010s, early news coverage treated plant-based meats, still in development, as a curiosity, a bizarre tech story. But in 2016, when Impossible Foods launched their burger in the U.S. through a partnership with the trendy Momofuku restaurant—and later with major chains like Umami Burger and White Castle—interest exploded. In Canada, Beyond Meat did the same through A&W and Tim Hortons. Though Tims removed the burger from its menu following a decline in same-store sales, the initial limited offerings generated media attention and consumer demand.

This surge isn't the result of a widespread shift to vegetarianism; less than 10 per cent of Canadians are vegetarian or vegan. Rather, it's the result of an increasing number of so-called flexitarians—omnivores who want to eat less meat but aren't ready to give it up entirely. Recent research by Maple Leaf Foods found that 90 per cent of consumers who tried plant-based meats in the past 12 months fit that description.

"Part of the reason why this industry has grown so quickly is because it has a very wide appeal," says June Cotte, professor of marketing at Western University's Ivey Business School.



She cites three main factors: perception of health (even though many plant-based alternatives are heavily processed and no better for us than meat, particularly when we eat them with french fries), environmental concern and animal welfare (a distant third).

Minh Tsai, the founder of a plant-based food manufacturer in Oakland, Calif., consulted for a leading faux meat producer and admits that he was caught off guard by consumer buy-in for this segment. "Impossible Foods did a fantastic job connecting to celebrity chefs and high-end restaurants, and managing the supply very tightly to create demand," he says. "The entire plant-based space benefited from the marketing of Impossible." As Tsai watched the space flourish, he pivoted his business to adapt, changing its name from Hodo Soy to Hodo Foods.

Demand has increased not just for faux meats, but for fake dairy products as well. Wanting to put a vegan cheese on the menu of Toronto's Pizzeria Libretto restaurants, co-owner Max Rimaldi (who studied accounting before becoming a restaurateur) tried store-bought versions but found they either didn't melt well or had a weird mouthfeel. "So we reverse-engineered a recipe and we're pretty happy with it. There's been quite a bit of demand for it." But that isn't why he began offering it—or, occasionally, Beyond sausage—to diners. "It was something I was looking for, personally," says Rimaldi, who like many of us has recently been eating less meat and dairy. "I want to be able to eat at my own restaurants, too."

Last year, Ian McGrenaghan, the co-owner of Toronto taco restaurant Grand Electric, began transitioning to a vegetarian menu. Unlike Rimaldi, he hasn't seen much consumer demand for plant-based meat. "No one has asked for it. We haven't put it on the menu," he says. "Unless it's on a fast-food hamburger,





Meat-free  
burgers from  
**Meatless  
Farm Co.**

Plant-based  
patties from  
**Beyond Meat**

and the toppings disguise the alien cat food that these things taste like, it's not a good replacement."

I tried both the Beyond and Lightlife burgers, pan-fried and charcoal-grilled. What's remarkable about both products is how closely they approximate the texture of ground beef. That's half the battle. And when coated in sugary ketchup and salty, melted cheese, the tongue can miss how far these burgers stray from the taste of beef. They certainly have a filling, umami impact on the tongue. And they remind you of animal protein—just not a cow.

Despite that, or perhaps because of it, in 2019, supermarkets still represented the minority of plant-based meat sales, with three-quarters happening through food service. This puts Greenleaf, which is focused on retail rather than hospitality, in an uphill position against Impossible and Beyond, which have established brand loyalty through their restaurant partnerships. "Both brands—Lightlife and Field Roast—their legacy had been in the retail sector," says Curtin, "mainly because that was the evolution of the category at the time."

While Greenleaf has partnered with A&W, Harvey's and Kelseys, as well as KFC on some chicken products, the closure of restaurants due to the COVID-19 pandemic has lately made grocery shelves the relevant battleground. But that arena can look very different depending on where you shop. In stores near me, dairy-free cheese is in the cheese aisle, plant-based burgers are with the meats and tofu is with the vegetables. But some grocers—including Whole Foods, Save-On-Foods, Sobeys and Metro—are now testing plant-based sections that combine these products in one place. While plant-based foods and producers have existed for more than a decade, says Tsai, "the tipping point was grocery stores inventing this set called plant-based. Over the last three years, every retailer

that I know has a plant-based buyer. The rise of this set is a function of everyone along the supply chain co-operating and marketing, with Impossible generating all that buzz."

If there are three phases to the plant-based burger wars, the first was five years of R&D, the second was five years of marketing through hospitality sales, and the endgame phase is going to be about price. While many consumers have integrated these products into their grocery habits, they are still more expensive than meat. For pasture-raised beef from my local butcher, I pay \$8 a pound. Or I can get ground beef at a supermarket for \$3 to \$5 a pound. At Loblaws, Beyond Beef is \$13.34 a pound and Lightlife is \$15.98 a pound.

"For costs to go down, these companies will have to choose better processing but also cheaper ingredients," says Tsai. Currently, the major common denominator between plant-based meats is pea protein, which is still expensive. (A typical plant-based burger also includes a legion of other ingredients, such as expeller-pressed canola oil, refined coconut oil, yeast extract, sunflower oil, dried yeast, ascorbic acid and beet extract.) "The cheapest and highest-quality protein is still soy," says Tsai. "They're stuck on pea protein, and they have to build the supply chain for that, which is not trivial."

Curtin believes that pea protein will come down in cost as domestic availability increases. "Pea is coming in from all over the world," he says. "When there is increased demand, increased supply is going to follow. And then the economy of scale will happen. And I think we will see that in the future."

While everyone agrees on the increased growth of plant-based products, the speed of that growth is up for debate. "How fast will demand grow?" asks Cotte. "It depends on the price. The price will be affected by how much supply we have."

Impossible and Beyond may have become household names through product development and marketing, but Maple Leaf and Tyson are massive companies, with the type of production capability to make a cheaper product and drive down the price of plant-based meats. Cotte notes that they have huge factory processing capacity and the ability to expand their supply chain through long-term relationships with the agricultural sector. Failing that, Maple Leaf and its ilk also have the resources to simply buy out the competition.

For the time being, however, the retail price of plant-based meats puts a limit on how the segment will penetrate the market. Without a price drop, says Cotte, the sales growth will be limited to an audience of the upper-middle class and above. It's no coincidence that I spotted that woman with faux meat in her basket at Lucky's, an upscale grocery store where shoppers drink wine while browsing the aisles. "If you're trying to go for a bigger, more mainstream income bracket consumer, you need that scale to drive down the cost," says Cotte. "If you think of the mainstream customer with an average Canadian income of \$60,000, they're not going to double what they pay to get better, ethical ground beef. It's not because they're not ethical. It's because they can't. If they're feeding a family of four on two minimum-wage jobs, that is probably not a decision they are going to make. Maybe it could be a once-in-a-while splurge. But wouldn't they splurge on something more enjoyable than a meat substitute?" ♦

**The world's first  
bioengineered salmon  
is cheap, sustainable  
and delicious.  
Will anyone eat it?**



# THE S E L

BY MATTHEW HALLIDAY

# 0 B

**In summer 2017**, somewhere in Canada, an unsuspecting diner became the first person in history to purchase, prepare and consume a genetically engineered animal. They likely had no idea of their barrier-breaking place in culinary history—the Atlantic salmon fillet they enjoyed was, in texture, flavour and appearance, indistinguishable from any other. The only hint of anything unusual was the import declaration accompanying the fish to Montreal’s Pierre Elliott Trudeau airport: The salmon originated from a small research facility in Panama, owned by Massachusetts-based AquaBounty Technologies.

The shipment was less than five metric tons, little more than a test run. But it was a milestone for AquaBounty: the first-ever consumer sale for the then-26-year-old company, whose

roots lie north of the border. AquaBounty's "broodstock"—the common ancestors of today's gene-altered fish—was created in a laboratory at Newfoundland's Memorial University in 1989, and its still-active first hatchery operates in a tiny town at the eastern edge of Prince Edward Island. Canadian governments, along with biotech giants and one Soviet oligarch, have bankrolled it to the tune of millions, for everything from R&D to hatchery expansions.

For decades, AquaBounty has been one of the main protagonists—or antagonists, depending on your point of view—in an intense battle between advocates and opponents of genetically engineered food. The fight has focused on its "transgenic" AquaAdvantage salmon, which combines genetic elements from chinook salmon and ocean pout, and which grows to market size, about five kilograms, in as little as 18 months instead of the usual 28 to 36 for conventional Atlantic salmon grown in sea cages.

"I like to classify AquaBounty as a 30-year-old startup that's been living hand to mouth," says CEO Sylvia Wulf, "thanks to a committed group of people that believe in the technology, and investors who have continued to invest even with the challenges we've faced."

Those challenges include lawsuits and protests from anti-GMO activists, constant financial precarity and a 20-year regulatory process with the United States' Food and Drug Administration (FDA). The company is positioning itself as a food-security game-changer, pumping out some of the world's healthiest protein in half the time nature can manage and reducing pressure on over-stressed wild fish stocks. Critics contend it's an ecological disaster in the making, should GMO fish ever escape into the wild.

Today, after three decades, 14 generations of transgenic salmon and nearly \$130 million in cash burn, AquaBounty is gearing up for its American debut. With a new farm in Indiana that will produce up to 1,200 metric tons of salmon per year, the company hopes to have transgenic fish in select U.S. markets by Christmas, and Canadian markets by early 2021.

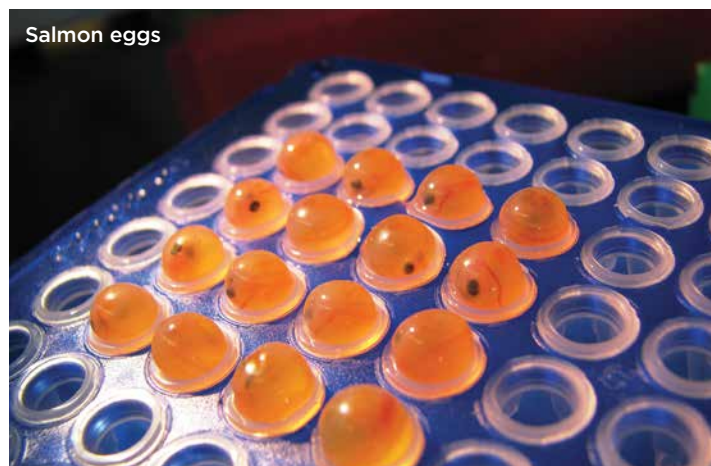
It will be one of the biggest gambles in the history of commercial food production. In the past few years, study after study has shown consumers are cautious or confused about GMO food: A 2017 poll by Angus Reid found that while 39 per cent of Canadians thought they were safe, the remainder were unsure or felt they weren't. An Ipsos-Reid poll conducted in 2015 found that two-thirds of Canadians would eat GMO foods, but only if they were clearly labelled. (In reality, we've all eaten them—it's hard to find a processed food product without some GMO component. Most corn is genetically modified, for example, so almost anything containing corn syrup, from Coca-Cola to granola bars, is a GMO. And labelling isn't required in Canada.) A 2018 study by Sylvain Charlebois, director of the Agri-Food Analytics Lab at Dalhousie University, found similar results.

"There's a lack of transparency across the board in the industry," Charlebois says. "That means ordinary consumers don't really understand what genetic engineering is all about." In part, he says that mistrust is the fault of food producers who are wary of calling attention to GMO products at all. And while plant-based products are one

thing, he says, "animals make for a whole other layer of complexity. I'm not convinced the market is ready."

Food retailers seem to be hedging their bets on AquaBounty's commercial prospects. In 2017, a Canadian anti-GMO advocacy group asked major Canadian supermarket chains—including Sobeys, Loblaws, Metro and Walmart—if they would stock AquaBounty's products. All declared they didn't intend to. (Though most left the door open for a change of heart, with wording such as "at this time" or "currently have no plans.")

Garth Fletcher, the Memorial University ocean scientist whose work produced the very first AquaAdvantage salmon, has waited half his professional life for this moment. He's optimistic that 2020 will be AquaBounty's big year. But, he acknowledges, "the real hurdle now is the marketplace."



From corn and soybean to apples and potatoes, GMO crops have been a staple of developed-world diets for decades. Anti-GMO advocates have often raised the prospect that GMO foods pose greater risks for cancer or allergies, though these concerns have mostly been put to bed by major health authorities including the FDA, Health Canada and the World Health Organization.

But the controversy that GMO animal projects have stirred up goes far beyond that directed at any gene-altered soybean. According to Andreas Boecker, chair of the University of Guelph's department of food, agricultural and resource economics, the reason is simple: Animals seem more like us. We give them names, keep them as pets, and at a genetic level, they're closer to our kin than a potato or an ear of corn. That "genetic proximity," says Boecker, "increases the yuck factor."

The yuck factor may well explain the fate of a project created by other researchers at Boecker's university: the Enviropig. Possibly the most famous GMO animal in Canadian history besides the AquaAdvantage salmon, the modified swine digested cereal grains more effectively, reducing phosphorus in manure. (Phosphorous was linked to algae blooms in bodies of water near pig farms—hence, Enviropig.)

That project became a major flashpoint in the battle between GMO advocates and opponents, who tarred the pigs as "Frankenswine." Unable to find a commercial partner willing to brave the market, the researchers eventually conceded defeat, slaughtering the 10 remaining Enviropigs in 2012.

But the golden age of transgenic-animal research dates all the way back to 1980, when scientists at Yale University first implanted DNA from the herpes virus into mice.

“Then it was easy for people to say, ‘Why don’t I try that with my favourite animal?’” says Eric Hallerman, a professor of fish conservation at Virginia Tech who was part of a Minnesota-based research team working on its own transgenic fish experiments in the 1980s.

That was more or less what Fletcher thought in 1982, when he and two colleagues—biochemists Choy Hew and Peter Davies—began working on transgenic “antifreeze” salmon, which could be cultivated in Newfoundland’s frigid inshore waters. An energetic 84-year-old, Fletcher can be found most days in his laboratory at Memorial’s Ocean Sciences Centre, where he’s been director for 11 years. Fletcher, a transplanted Scot with an ebullient personality and an unruly tuft of snow-white hair, joined Memorial in 1971, but it wasn’t until the 1980s that he began the work for which he’s become famous.



Tanks containing newly hatched fish at AquaBounty's Indiana facility

The idea was to take genes from winter flounder, which thrive in cold conditions thanks to a protein in their blood that binds to ice crystals, and transfer them to salmon eggs. In 1984, researchers at China’s Institute of Hydrobiology in Wuhan beat Fletcher’s team to creating the world’s first transgenic fish. But Fletcher and company were close behind, and in the following year they inserted the antifreeze gene into salmon eggs. The gene transfer was successful—the traits were passed down to subsequent generations. They had altered the species’ genetic destiny.

Showing genetic permanence was only the first part of the battle, however. “We were all optimistic,” says Fletcher, “that it would go a lot faster than it did.”

**Yuck factor aside**, there are plenty of genuine uncertainties surrounding AquaBounty and similar projects. In the early ’90s, Hallerman and a colleague named Anne Kapuscinski began raising questions about the ecological implications of transgenic fish. “Anne and I were outliers,” says Hallerman. “With backgrounds in fish biology and conservation, we saw that if these fish escaped and interbred in the wild, there would be issues.”

AquaBounty’s salmon are rendered sterile thanks to a process that creates a condition called triploidy (they have three chromosome sets, instead of two), a procedure that is 99.8 per cent effective. As an added containment measure, all the AquaBounty salmon are female. Still, if GMO fish managed to reach a

## “Biotechnology in food has arrived without any real social consent from consumers”

natural Atlantic salmon habitat, just a handful of fertile fish could conceivably interfere with the wild populations.

AquaBounty eventually asked Hallerman to conduct an unpaid risk assessment, which became the basis for containment measures on P.E.I., Indiana and a small research facility in the Panamanian highlands that the company opened in 2008 to incubate and hatch P.E.I.-fertilized eggs. (The Panama farm, which served the same purpose as the new Indiana facility, closed in 2019.)

Hallerman also advised the FDA on public hearings in 2010, which ended with the authority concluding that the salmon was safe to eat—though it held off on approval. Instead, it convened a special meeting of a committee of veterinary medicine experts and invited several fish genetics experts to provide feedback.

Anne Kapuscinski spoke at the meeting, and her response was unequivocal: While the salmon is probably safe—and AquaBounty’s safeguards in P.E.I. and Panama probably adequate—the FDA had failed to address more far-reaching concerns for such a precedent-setting case.

“They kept saying, ‘Well, the conclusion is that these fish will be raised in a contained facility and it will be safe;’” recalls Kapuscinski, who in 1997 was honoured by the U.S. Department of Agriculture for her work in promoting sound public policies on biotechnology and fish conservation. “That might be correct for [AquaBounty]...but I can imagine that if AquaBounty ends up being successful, this will stimulate other companies to do all kinds of things with aquatic organisms, and there’s no guarantee we’ll see transparency from them, or even know what they’re doing.”

The fish was finally approved for human consumption in 2015—though import restrictions on the GMO eggs, lifted last year, prevented the company from starting U.S. operations until last spring.

Lucy Sharratt is coordinator of the Canadian Biotechnology Action Network, a pan-Canadian network of 16 organizations critical of genetic engineering of food. She takes a harder anti-GMO line than Kapuscinski. But her broader objection is to AquaBounty’s Canadian approval in 2016.



Juvenile salmon

“There’s no consultation with the public,” she says, “no consultation with fisherfolk or farmers. They don’t look at the questions, ‘Do we need or want this technology?’ The regulatory system looks only at the question of safety and excludes those questions.”

In a statement, Health Canada responded that its assessment is based on “expert international consultation” spanning 20 years, with agencies including the World Health Organization and the Food and Agriculture Organization of the United Nations.

**Wulf’s “30-year-old startup”** presents itself as a scrappy upstart, cobbling together money year to year and even quarter to quarter to stay afloat. In the past 29 years, AquaBounty has been the recipient of Natural Sciences and Engineering Research Council grant money, loans from the government of P.E.I. and more than \$3.7 million from the Atlantic Canada Opportunities Agency, a federal agency that supports East Coast startups.

Private equity has played a role, too. In 2006, AquaBounty raised US\$28 million from an initial public offering on the London Stock Exchange’s Alternative Investment Market (AIM).

But bigger cash injections have come from heavier hitters. Between 2010 and 2012, Kakha Bendukidze—a now-deceased Soviet oligarch, industrialist and billionaire—rescued the company from insolvency by investing nearly US\$10 million in exchange for a 48 per cent stake. In 2012, he sold his stake to Intrexon (now Precigen, Inc.), a biopharmaceutical company then helmed by the billionaire American biotech entrepreneur Randal Kirk. Last year, another Kirk-controlled firm, TS AquaCulture, purchased Intrexon’s stake for US\$21.6 million. That hasn’t kept AquaBounty entirely out of the woods: The company’s own financial reporting indicated in 2019 that it didn’t have enough money to operate beyond this June.

The company completed another capital raise in February, which Wulf says will provide funding through most of 2021,

at which point it hopes to have revenue rolling in. The fish in Indiana will be ready for harvesting in October, and a smaller harvest on P.E.I. will be ready in the first quarter of 2021.

“This biotechnology in food has arrived without any sort of social consent provided by consumers,” says Dalhousie’s Charlebois. “It just happened, and that’s why we’ve seen this rebellion against GMOs in the past three decades.” Charlebois’s 2018 study of more than 1,000 Canadian consumers shows some glimmers of hope for AquaBounty: 65 per cent of respondents either believed GMO foods were safe or had no opinion. (It did find major regional discrepancies, however, with residents of Quebec and B.C. most opposed.)

It also found that younger respondents were less concerned about GMOs than older ones, and respondents of all ages ranked genetic modification well below other concerns, including nutrition, price, and hormones and antibiotics. “If you give a consumer a genetically modified fish and a conventional fish at the same price,” says Charlebois, “I expect they’ll buy the conventional. But what if the GMO is cheaper, or marketed as more environmentally friendly?”

Vanessa Matthijssen is a consumer products strategist with Deloitte in Australia whose clients include a panoply of food producers. She says that the surprise mass adoption of Beyond Meat and other plant-based foods in the past few years may suggest to retailers that niche markets can have broader appeal. “Sustainability and health are one of the most dominant things on people’s minds, and anything that claims to be better for you or the environment may have an advantage.”

That fits squarely in with AquaBounty’s messaging—besides relieving pressure on wild fish stocks, it stresses that its fast-growing fish consume less feed than conventional salmon.

In the U.S., AquaBounty will likely try to position its GMO provenance as a plus—it’s required by law to disclose bioengineered status on labels. In Canada, however, it will be able to choose whether to tout its GMO status, or slide quietly into the frozen seafood aisle with no labelling. Wulf says while the company may find an alternate way to communicate that its product is genetically engineered, it currently has no intent to label.

## “A product that claims to be better for you or the environment may have an advantage”

“Canadians are much more progressive and pragmatic,” says Wulf. “They’re just further ahead. We don’t have to label in Canada because Health Canada says it’s identical to Atlantic salmon.”

For now, AquaBounty remains a \$130-million gamble. In 2012, when the Enviropig project came to its unceremonious end, lead researcher Cecil Forsberg told *The New York Times* that when he began that project in 1995, “I had the feeling [that] in seven or eight or nine years that transgenic animals probably would be acceptable. But I was wrong. It’s time to stop the program until the rest of the world catches up.”

So has the world caught up by now? AquaBounty will soon find out. ♦

# Being human in the face of economic challenges

By Will Buckley

I've had a lot of conversations with small businesses facing the brutal realities of the pandemic. Amid these tough conversations, I keep on coming back to the value of soft skills in a time of hard decisions.

It's possible this isn't the time to be thinking about the so-called "soft" business skills. Or maybe it's exactly the right time.

In my view, soft skills have a real focus on empathy, active listening, emotional intelligence, or even building new digital expertise or critical thinking skills. That's not second nature for a lot of people — especially people who built careers at the other end of the business spectrum occupied by digits, data, tracking, accounting and forecasting.

I became an accountant because I wanted to learn the foundation of the numbers and support small businesses. However, I quickly found that most of the work was data crunching and providing insights far too late for them to be meaningful. Soft skills became an afterthought.

Yet even in those safer and more stable times, accounting professionals were hearing some version of a message that sounded like: "That day is passing. There's got to be more to what you do. Change or get left on the side of the road."

As firms evolve beyond traditional accounting to offer more developed advisory services, the "minimum viable offering" will include more emotional content and a requirement to engage our customers with a more genuine, human connection, awareness and understanding of their situations.

The good news is, the future will be a lot more familiar than we might think.

**Let's make this as tangible as tax management and show the fundamental connection to any customer's business.**

The question is about how we can extend the human connection, add a digital capability, scale the expertise, create a new service with new price points for smaller customers, and expand our influence.

**Is building increased empathy too vague? Then let's think in terms of accountants as translators.**

Accountants and bookkeepers are in the best position to truly understand a business's pressures and opportunities. Why not

take on the role of advisor on topics that fall beyond the expertise of the owner, like the relevance of advanced technologies from digital platforms to the cloud. Or apply that same level of insight to advise on the availability of employee resources in areas spanning individual financial planning or mental health.

**Is emotional intelligence too esoteric? Then let's reduce it to change management.**

We all know that in any change program, the big issues are about people – and are addressed via communication and clarity; listening and addressing what threatens people or activating what motivates them.

Right now, every small business is forced to play the ultimate short game – not as a matter of competitive advantage, but as a matter of survival — sorting out how to preserve staffing, adjust supply chains, defer payments, or negotiate collections.

If we had a deeper, broad-based, collective sense of empathy, awareness and understanding of another's situation, it is possible we could make better decisions and more of them. As we make those choices, some of these soft skills may be what makes the difference when we get our report card in the way of future business.

The choices we make now are choices we'll live with far beyond the current crisis. These so-called soft considerations – which all come back to empathy – matter, in the short and long term, perhaps now more than ever.



## About Will Buckley

Canada Country Manager, Xero

After pursuing a degree in accounting, Will spent the early years of his career in public and corporate accounting across public practice, corporate finance (M&A), commercial finance, and technology. In 2013, he founded buckleybrown, a 100% cloud accounting practice for small business owners in Australia. Will became head of finance for Xero's Australian market in 2015, but has recently focused on scaling Xero across North America. He led the charge to launch Xero in Canada in 2018 and became Xero's first Canadian Director. In 2019, Will was appointed to Country Manager of Canada to drive growth throughout the region and accelerate key partner channels. Will has been recognized by CPA Practice Advisor as a "20 Under 40 Influencer." He earned a Bachelor of Business degree in Accounting from the University of Technology Sydney and received a graduate diploma in Chartered Accounting.

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OFFICE SPACE

# THERE'S NO PLACE BUT HOME

A nation learns the challenges, and benefits, of working remotely **BY ALI AMAD**

Working from home was increasingly becoming a reality for office workers before the coronavirus hit. Now, for many of us, it's a necessity. The virus has forced those who are fortunate enough to be able to work from home to set up remote offices at kitchen tables and spare desks; to teach home-school lessons in between Zoom meetings; and to create boundaries between work-time and me-time. Below, seven CPAs describe how they've handled the transition.

For tips on how to stay healthy, happy and productive while working from home, visit [cpacanada.ca/remoteworking](http://cpacanada.ca/remoteworking).



## Kristina Ashqar

Audit partner, PSB Boisjoli  
Montreal

I've had to work out a few kinks since I shifted to working from home. I developed neck pain because I had my computers set up too low at first. Identifying consistent work hours has also been a challenge. I've found that I'm most productive early in the morning or late at night when I'm not bogged down by calls and emails.

One thing I haven't minded is the change in my attire. I prefer being as comfortable as possible, so I'm often in pyjamas or sweatpants.



## John Swain

President and CEO, Swain CPA  
Bridgewater, N.S.

Beyond accounting services, we provide coaching for small-business owners. Coaching is better in the physical world: I provide a comfortable setting for my clients, because these can be sensitive discussions about their livelihoods. It's been challenging recreating that atmosphere with video conferencing.

Surprisingly, we just had one of our best months for productivity. Meetings are tougher to set up, which means they're more direct and agenda-driven.



## Amanda Favot

Advisory partner, BDO Canada  
Vaughan, Ont.

It's been a challenge creating a consistent routine for me and my seven-year-old daughter, Victoria. I try to give her a schedule and some ground rules. It's just the two of us, so my focus is on getting my work done while making sure I have enough time to help her finish her school assignments.

I definitely don't miss the work commute. It takes more than two hours to drop off and pick up my daughter from school and take the train to and from work, and it's been nice having that extra time in my schedule.





## Daniela Carcasole

Assurance digital and innovation leader, EY Canada  
Toronto

At EY, we have a number of tools to make remote working successful, from Microsoft Teams to collaborate with colleagues, clients and third parties, to Webex to transition in-person events to webcasts. But my favourite tool at home is my espresso machine.

I can't help but miss seeing my colleagues around the office—I liked meeting in different collaboration rooms and hubs. At home, I've adopted the same approach by working at a table, listening to webcasts on my couch or taking a walk during a call.



## Joy Thomas

President and CEO, CPA Canada  
Kingston, Ont.

We had a liberal remote work policy in place before COVID-19, so the transition has been quite seamless. I think many of the meetings have been more efficient than face-to-face ones.

That said, I miss connecting in person with colleagues and brainstorming complex problems, which works better for me when we are all physically together and I can read the room. And it's hard to look out on a sunny day and not want to be outside playing with the dog.



## Elio Luongo

CEO and senior partner, KPMG Canada  
Vancouver

We were fortunate to be ahead of the remote-work curve, which has made the transition to working from home fairly smooth for me and all of the KPMG team.

I've started using video on my team calls and I make sure to focus on the personal—as well as the business—side on all calls. The biggest adjustment is that most of my interactions with people are now scheduled. Before the pandemic, I enjoyed chance meetings on the street or at events with friends and colleagues I hadn't seen in a while. I even miss seeing my competitors.



## Taryne Haight

Manager of finance, Toronto Zoo  
Toronto

I've been maintaining a clear line between my work and personal life. When my workday is over, I put my computer to sleep so it isn't pinging with notifications and distracting me. Switching to a new activity helps me reset, so I often exercise or meditate once I'm done with my work.

Besides the social connection, what I miss most is visiting the animals at work. I'd sometimes walk around the zoo on my lunch hour and visit the red pandas and the otters—they're always entertaining.

## EXTRAORDINARY ITEM

## PANIC AT THE METRO

Why Canadians flocked to a cheesy comfort food at the start of the shutdown

BY PETER SHAWN TAYLOR

At the height of the coronavirus-induced grocery shopping panic in March, a familiar blue and orange box suddenly found itself one of Canada's most coveted consumer products, alongside toilet paper and disinfectant wipes. For a few anxious days, Kraft Dinner, that cheesy orange mainstay of your youth, nearly disappeared from store shelves.

"In March, demand for KD was 15 million boxes, more than double a normal month," says Michael Gregoris, chief financial officer of Kraft Heinz Canada. "It was different from anything we've ever seen. Let's hope we never see anything like it again." To meet the unprecedented demand, the 960 employees at Kraft Heinz's plant in Montreal worked three shifts a day, seven days a week, turning out 600,000 boxes daily.

This all-hands-on-deck response meant less important product lines, like the Spicy or Extra Creamy varieties of KD, were temporarily paused as the firm focused on making as much as possible of its biggest seller. Trucking schedules and warehouse capacity suddenly became strategically crucial matters. "We wanted consumers to know they could count on us, that the shelves would be stocked again," says Gregoris. "There's a great deal of pride here, knowing the role we play in feeding Canadians."

This isn't the first time Kraft Dinner has served its country in troubled times. Introduced to North American shoppers in 1937 in the midst of the Great Depression, what was once billed as "macaroni and grated cheese" found its stride during the Second World War when meatless dinners became a patriotic necessity. Since



then, the brand has developed a deep connection with childhood and simple pleasures—particularly in Canada, where, in 2015, the company made its long-time nickname, KD, official.

Why the rush for Day-Glo powdered cheese at a time of crisis? "There are products you need, and products you want," says Simon Somogyi, Arrell Chair in the Business of Food at the University of Guelph. "And when the anxiety [about coronavirus] hit, people went back to comfort foods."

Beyond emphasizing the importance of nostalgia marketing, March's panic-buying episode reveals the gritty reality of supply chain logistics. At the height of the KD supply crisis, a crucial obstacle wasn't raw materials or labour but shipping capacity—for example, a lack of stretch wrap necessary to secure pallets of KD. For Somogyi, the relatively brief duration of most shortages in Canada

provides a glimpse into the unappreciated efficiency and resiliency of the country's modern food system.

"This has been an educational exercise for Canadians," he says. "Everyone has had to learn how their food actually gets on the shelf." And what sort of food they really, really want when those shelves start to look bare. ♦

### Companies With Purpose

## SPREADING THE LOVE



During the crisis, **Kraft Heinz Canada** donated:

More than **3,600** cases of baby food to the Daily Bread Food Bank in Toronto

**2,500** cases of Kraft Peanut Butter to a food bank in Montreal



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## RETAIL

## NINETEEN EIGHTY FORK

Grocers are using A.I. to make shoppers' trips faster, easier and far more trackable **BY CHARLENE ROOKE**

Imagine yourself tossing your pantry essentials into your grocery cart, wheeling out to the parking lot and zooming home. No checkout line, no human contact and no hot pursuit by security guards, as long as you tap your credit card on the cart before you unload your haul into the trunk.

It's already happening in Oakville, Ont., at the Glen Abbey location of Sobeys. Last fall, the grocer, which has 1,500 Canadian stores in 10 provinces, rolled out the pilot program using Smart Carts, a wheeled fleet developed and manufactured by the New York-based software firm Caper. The timing couldn't be better for Glen Abbey shoppers, now that concerns over COVID-19 are pushing in-store visitors to avoid high-touch points like the checkout lane.

Each Smart Cart has its own scanner customers can use to scan items with barcodes before placing them in the cart. If items like produce don't have barcodes, the cart's sensors weigh them. The carts will continually evolve using cameras, artificial intelligence and machine learning to recognize items placed into them without traditional barcode-scanning.

In today's retail landscape of one-tap payments and digital wallets, "there is an expectation of consistently fast service," says Mathieu Lacoursière, vice-president of retail support at Sobeys. That expectation may be amplified during the pandemic, as shoppers get in and get out fast.

And yet, despite a broad shift toward seamless purchasing, 90 per cent of Canadians' pre-outbreak shopping at grocery, discount and department stores was still happening at bricks-and-mortar locations, according to a 2017 study about "frictionless" retail from the Retail Council of Canada, Microsoft and the research tool WisePlum. But the expectations of those shoppers

are changing. According to U.S. data from market research company Mintel, more than half of 18- to 34-year-old consumers want technology that helps them avoid the checkout line. And a Dalhousie University survey conducted on March 17, 2020, found that nine per cent of Canadians were shopping for groceries online for the first time.

The so-called "invisible checkout" concept has been a feature of food

no checkout line to confront. And there's also the pleasure of avoiding the act of paying—the same way hopping in and out of an Uber imparts the feeling of a free ride, at least until your credit card statement arrives.

On the business end, the appeal is equally clear: AI innovations allow grocers to gather data about shoppers and their habits. Given that Canadian supermarkets and other grocery stores generated around \$7 billion a month in sales (more than \$84 billion in total) and grew by 3.1 per cent in 2019, according to Statistics Canada, the opportunity to leverage that data to grow the spend of a customer's grocery cart even incrementally is a huge one.



A Smart Cart at the Glen Abbey Sobeys in Oakville, Ont.

## GROCERS SEE AN OPPORTUNITY TO LEVERAGE DATA ABOUT SHOPPERS AND THEIR HABITS TO INCREASE SALES

retailers in Asia for several years. Now it's gaining enough steam among North American grocers that AI made Mintel's list of the top four food trends for 2020.

On the consumer side, the appeal of an automated in-store shopping experience is obvious. A shopper has complete control over how long a store visit will take, since there's

Sobeys' Lacoursière isn't framing automation as a way to save on staffing costs—the intention, he says, is to "give our in-store teammates more time to interact with customers and answer questions about food and new products"—but it wouldn't be surprising if, over time, innovations like the Smart Cart led to some reductions in personnel on the store floor.

The carts, which have an iPad-like screen and a PIN pad, will eventually be able to perform several functions: In addition to processing payments, they'll highlight promotions, help shoppers navigate the store and even suggest products to round out their purchases. The research suggests those aren't just frills but desired features. A 2019 survey from PwC Canada showed that 52 per cent of Canadians believe quick and convenient navigation of grocery stores would improve their shopping experience. "The Smart Cart also gives customers access to the total cost of their order during their shop, which is a great way to monitor their grocery budget," Lacoursière points out.

This march toward seamless purchasing is playing out elsewhere. In February, Amazon added the first Amazon Go Grocery outlet—a 10,000-square-foot location on Pike Street in Seattle—to its expanding group of 25 bricks-and-mortar Amazon Go stores. The idea is that customers never have to wait in line. Anyone with an Amazon account can download an app, scan a unique QR code upon entry and be automatically charged for items they remove from the store. The tech it uses "detects when products are taken from or returned to the shelves and keeps track of them in a virtual cart," using a combination of cameras and sensors.

A full-service grocery store with organics, ready meals, liquor and an emphasis on local food producers, the Amazon Go Grocery concept has implications for the Whole Foods grocery banner, which Amazon also owns. The only perceivable difference is that in the Go shops, bakery, deli and some produce items are prepackaged. (A trip to the Chicago location last summer revealed that at least a few humans were still present; employees were stocking shelves and available to answer questions.)

At Walmart's "urban supercentre" locations, customers can use the My Walmart app to scan products as they shop, bypassing checkout lines. They pay via smartphone, using

a credit card that's been registered with the store, and exit through Fast Lane checkouts, set off from the throng by arched gates. The number of shoppers who signed up to use the service was double the anticipated target, then-Walmart Canada CEO Lee Tappenden told *Canadian Grocer* last year.

Walmart has also established an incubator called Store No. 8 to develop new technologies—and corporate entities—that will transform shopping. One of its pilot projects is the Intelligent Retail Lab, which is testing AI-powered shopping experiences inside a 50,000-square-foot Long Island Walmart. It's experimenting with technologies that alert employees when more checkout lanes need to be opened and—more surprisingly—detect the ripeness of produce, alerting staff in real time when items need to be restocked. Until February, the company had experimented with a platform called Jetblack that allowed customers to order purchases via text message. Its latest project, started in October 2019, is InHome, which provides online shoppers in three U.S. test markets with a smart lock and delivers groceries directly into their fridges without requiring customers to be home. In the new world order, it seems, Big Grocer will have its eye on everything. ♦

#### BOOK VALUE

## POWER PLAY

Electricity is a key driver of climate change, but humans are hungrier for it than ever before

BY BRIAN BETHUNE

It's the electrical metaphors that really prove Robert Bryce's point. To demonstrate that electricity *is* modernity, the veteran energy journalist cites "electrifying performances," outliers living "off the grid" and angry people "blowing a fuse." But Bryce could have stopped with

the title of his compelling new book, *A Question of Power: Electricity and the Wealth of Nations*. Other forms of "power"—political, economic, military—are often modified by a clarifying adjective. But everyone knows what power means in an electrical sense, especially when it's out—just ask Puerto Ricans in the aftermath of Hurricane Maria.

Power is the appropriate word. Electricity is the apex predator of the energy kingdom, the one that consumes all the others. For all fossil fuels' significance in heating and transportation, humans mostly turn oil, gas and coal into electricity. That leads Bryce to the first of two themes he hammers home: Electricity is the true driver of climate change, responsible for far more carbon emissions than furnaces or cars. Secondly, electricity is inextricably intertwined with prosperity—there is no such thing as a low-energy, high-income country. Every year Americans use the entire annual electricity consumption of Albania just to run their Christmas lights. The world wants more electric power regardless of the cost, financial or environmental, writes Bryce, and generating capacity is set to double across the planet over the next few decades.

A key element in the fight against global warming—the transition of automobiles from gasoline-powered to electrical—demands more electricity. The International Energy Agency estimates that by 2050, the global demand for air conditioning will almost equal all the electricity currently used by China. Overall, though, demand will be driven by the fact that contemporary society lives by its networks: Communication, computation, education, health care and finance all depend upon electricity. Consider what Bryce calls the Giant Five, the major corporations of the new economy: Apple, Amazon, Alphabet/Google, Facebook and Microsoft. They collectively use staggering amounts of electricity and require ultra-safe grids, leading them

to invest tens of billions of dollars in private electrical systems that now have three times the capacity of Austin Energy, which provides power for one million people in Texas.

It is not a mystery to Bryce that the Five have also moved into their own payment systems, because electricity and money are more tightly bound than ever. Visa, which has 3.3 billion credit cards floating around the planet, won't even reveal where its U.S. Operations Center East is located, although it's happy to share that the centre is surrounded by a moat.

And there are profound health effects to a lengthy loss of electricity. In the years following 1991, after the U.S. Air Force devastated Iraq's electrical grid in the First Gulf War, the resultant loss of clean water and sewage systems meant outbreaks of cholera and other diseases that killed an estimated 70,000 Iraqis. When the COVID-19 pandemic hit Canada in early March and governments sent their citizens into lockdown, many utilities reported reduced usage, with increased residential demand

generating capacity in accord with what he calls "the iron law of electricity." When forced to choose between dirty electricity and no electricity, states "will choose dirty electricity every time." Renewables aren't capable of bearing the load, Bryce flatly states. They are too unreliable, too costly and use up too much land. Coal, cheap and reliable, powers 40 per cent of the globe. India, where 300 million people still live without any electricity, already gets 75 per cent of its electricity from coal, and currently has 36,000 megawatts of new coal-fired capacity coming on-line. Other energy-hungry nations are following suit.

That brings Bryce to his solution to the electrical conundrum, one the author realizes will bring him grief. Bryce, to put it briefly, is a nuclear guy. For him, there is simply no other way to square the circle, to meet the electrical needs of poorer nations without savaging the climate. He zeroes in on Indian Point Energy Center, a nuclear plant outside New York City, to demonstrate his point. Its two reactors occupy one square kilometre and



## BRYCE, TO PUT IT BRIEFLY, IS A NUCLEAR GUY. FOR HIM, THERE IS SIMPLY NO OTHER WAY TO SQUARE THE CIRCLE.

not matching the reduction caused by shuttered workplaces and cancelled sporting and entertainment events. Almost all utilities reported shifting loads, however, with private residences ratcheting up their demand at different times than normal business hours. The province of Ontario responded to that situation by moving all of its time-of-use pricing to the off-peak rate.

Small wonder that among those nations Bryce calls "the Unplugged," where per capita electricity use is less than 1,000 kilowatt hours per year (less than a quarter of Canadian usage), governments are pursuing

produce 16.4 terawatts of zero-carbon electricity annually, an amount of clean power that would require hundreds of wind turbines spread over 1,335 square kilometres to match. Despite those two highly prized attributes—zero emissions and limited footprint—Indian Point is one of 15 American nuclear power plants whose early closures have been announced, for no better reason, to Bryce's mind, than irrational paranoia. The world needs more Indian Points, he urges, not fewer. His is a hard case to make in an anti-nuclear age, but in *A Question of Power*, Bryce makes it forcefully. ♦

### PIVOT RECOMMENDS

## Off the clock

BY LARA ZARUM

### Read

With companies like Beyond Meat bringing mock meat to the masses, the tide is turning for the plant-based meat-substitute market. In ***Billion Dollar Burger: Inside Big Tech's Race for the Future of Food***, Chase Purdy explains how we got here. Purdy takes readers inside laboratories and boardrooms across the globe to describe how scientists, CEOs and activists are taking on the trillion-dollar meat industry.



### Watch

Everything old truly is new again: Late last month, HBO premiered its hottest new drama: ***Perry Mason***. Based on Erle Stanley Gardner's books about a criminal defence lawyer—which were adapted for TV in the 1950s—this version takes place in 1930s-era Los Angeles. HBO's *Mason* stars the brilliant Matthew Rhys, who in 2018 won an Emmy for his performance in FX's *The Americans*. Rhys sleuths for the truth Sundays at 9 p.m. ET.

### Listen

Mental health issues can affect even the most successful among us. That's the philosophy behind the *Harvard Business Review* podcast ***The Anxious Achiever***, hosted by the digital communications expert Morra Aarons-Mele. Each episode tackles a different topic at the intersection of mental health and work, from how to manage career transitions to the strain of starting a new business. The second season just wrapped, and the third launches in October; now's a great time to catch up.

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## TOP CHEF

Sarb Mund, a 40-year-old CPA, is the CEO of Commissary Connect Innovations Inc., a Vancouver company that rents commercial kitchen space to 60 restaurants and food trucks **BY ADRIENNE TANNER**

My first business was a food truck called Soho Road Naan Kebab. **I had never cooked anything in my life,** but I've always found it exciting to see chicken cook on the skewer or naan puff up against the wall of a tandoor. So I hired the coolest old chef, and he taught us how to cook Indian food.

**Running the food truck was probably the most fun I've had in my career so far.** I ran the tandoor oven, I cooked, I did everything.

I originally wanted to be a stockbroker, but that was before the market collapsed in 2008. I switched gears because I wanted to be a CEO. **Becoming an accountant was a perfect stepping stone.**

Working the food truck, I realized there was a massive gap in the marketplace for commissary kitchens. **People were cooking in community centres, church basements and commissaries run by landlords who just wanted to get the highest return.** So we created Commissary Connect.

**We needed a way to make our kitchens run efficiently to lower costs.** So we designed a "pay for what you use" technology that makes online scheduling easy and even turns on the gas or electricity when a client signs into the space.

Commissary Connect is perfectly timed. **People are sitting down to eat less often and ordering through services like Skip the Dishes,** especially since the coronavirus pandemic began. Food producers don't need retail space; they need commissary space.

In our three kitchens, you'll find entrepreneurs and their staff in hair nets and smocks, cooking everything: Indian food, dumplings, soups, water kefir. There are a lot of iPads, screens and other tech controlling the equipment. **They look like futuristic kitchens.**



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