



# U.S. Expansion a Profitable Strategy for Box Maker

If the owners at Rebox Corp. had a compass that could pinpoint hot spots of opportunity over the next decade, that device's needle would likely swing wildly between north and south. In the last two years, the company's U.S. customers have accounted for almost half of its profits.

"It's gone from 15 per cent of our sales and profits to close to 50 per cent," says Mark Young, one of three partners at Rebox, a Montreal-based company that buys and sells used cardboard boxes. "We see this as a continuing trend. We already do business in many parts of the United States and are now in the process of expanding into the southwest, in places like Nevada and California."

The resurgent U.S. economy, coupled with a greater imperative among companies to incorporate environmentally responsible solutions into their business practices, is driving greater sales and profits for Rebox south of the border, says Mr. Young, whose 24-year-old company now has 60 employees.

Rebox operates in a niche market with a unique and specialized offering: it buys corrugated boxes in bulk from companies that used the boxes in their business operations and would have sold them to recyclers for less than what Rebox pays. Rebox then sells the boxes to companies that would typically have bought new boxes to ship their products.

By doing what it does, Rebox reduces costs for its customers, increases revenue for its suppliers and makes it easier for everyone to do better by the environment.

Expanding into the U.S. has proven to be a smart play for the company, says Keith Primeau, a former National Hockey League player who joined Rebox two years ago as a shareholder and managing partner.

"Even as our business was slowing down in Montreal, our overall numbers were increasing," says Mr. Primeau. "We are growing at a nice clip."

Last year, Rebox acquired a competitor in Michigan, a move that boosted its strength on the supply side.

"We bought the business from a friendly competitor – a gentleman we had gotten to know over the years," he says. "After being in the business for about 35 to 40 years, he was looking to get out. And we were looking to pick up supply, which is actually harder than the sell side."



Expanding into the U.S. market has paid off for Rebox, a company that sells used cardboard boxes to customers looking to reduce costs and lower their environmental impact, says partner Mark Young.



Succeeding in the U.S. market – or any market outside Canada – is not an easy feat, says Mr. Young. It took years for Rebox to build a stellar reputation and to forge strong relationships with suppliers and customers.

Jenifer Bartman, a business adviser in Winnipeg who runs an independent consulting firm, says small businesses seeking opportunities outside Canada should have a carefully considered plan for entering and growing in the target foreign market.

“Foreign markets aren’t something that a company should just jump into,” she says. “Recognize that foreign markets bring differences, including business practices, regulatory environments and consumer preferences.”

It’s also important to have clear and measurable targets, says Ms. Bartman. Entrepreneurs sometimes get so caught up in the excitement of doing business abroad that they fail to analyze whether or not they can actually build a meaningful presence in that market.

“Foreign markets can take years to really understand, so ensure that research is a tangible part of everything you do,” she says.

A solid understanding of the U.S. market led Rebox to rethink its business strategy and model south of the border, says Mr. Primeau.

“With our Canadian business, our sales people were on the ground selling to a lot of mom-and-pop stores,” he says. “In the United States, where the volumes are so much bigger, we use third-party logistics providers around the country. This gives us the reach we need without the cost of hiring local managers and employees.”

Mr. Primeau’s advice to other small businesses that want to venture outside Canada’s borders echoes that of Ms. Bartman’s.

“Have a plan and be prepared to follow that plan,” he says. “It really is a different market on the other side of the border, so you need to be ready for that.”

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## CIBC Tips: First Steps to Exporting

Exporting is a big step, but it doesn’t have to be a leap into the unknown. Take the right approach and you can enter new markets without exposing your business to unnecessary risk.

1. **Consult experts** Identify areas where you will need additional knowledge and don’t be afraid to reach out to your network.
2. **Conduct extensive market research** Understand levels of demand, potential supply chains, areas of growth, industry structure, established competitors and cultural considerations.
3. **Consider the best options to take your product to market** Determine how you will deliver your product and the implications that climate and the political environment may have on your strategy and the appropriate sales channels.
4. **Get paid** Going global means longer cash cycles, which can impact your cash flow and may require specialized trade financing.
5. **Legal matters** As the exporter, you are responsible for the majority of the paperwork, so ensure you understand what is required to expedite any necessary export documentation.

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