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## Small tech company hooks a big first customer

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About 18 months ago, Greg McGovern was lamenting to his wife that even with 500 channels on their satellite service, there was nothing to watch. So he started a company to do something about it.

A technology expert and marketing consultant, McGovern and his team at Recast Media Inc. believe the best way for broadcasters to compete in the digital era is to deliver content and advertising tailored to each consumer's personal tastes and preferences.

McGovern spent four months developing the idea with his part-time chief technology officer, Arnaud Selvais.

In April, Recast landed a big fish: Corus Interactive and Integrated Solutions, a division of Corus Entertainment, one of Canada's biggest radio and TV companies.

"It's a good feeling to know, when you start a young company with a totally new idea, that somebody actually buys into it. That's an incredible feeling," says McGovern, 37.

There was work to be done — and fast.

The first thing the company needed was an infrastructure. Even though it had teams of developers in the U.S. and Europe, McGovern had been working out of the basement of his home in Richmond Hill.

"We needed an office. We needed to hire a couple of people. We needed equipment," he says. "We also needed simple things, such as a travel expense budget, because you realize that you're going to a lot of meetings and buying lunches."

Managing growth properly — planning ahead while keeping a watchful eye on cash-flow and execution — can take a small business to the next level.

Failure to do this — through a lack of working capital or focus — can send a company under.

"It's a sink-or-swim situation," says Jane Gertner, small business advisor at the Innovation Synergy Centre in Markham.

"It's a real challenge, because managing growth is a multi-dimensional problem. It's not just, 'What are we going to do to fill this order?'" she says. "It's also, 'Do we have the systems and the processes in place to manage a business of that size? Do we have the right people and infrastructure in place internally?' And, 'Do we have the capital?'"

With help from ISCM's Investment Network, McGovern and Selvais raised \$150,000 by last December to build a prototype. They also secured partnerships with Bach Technology Ltd. of Norway, whose founders are best known for creating MP3 audio files, and two key research partners: The math department at the University of Waterloo and Imagine Research Inc. of San Francisco.

"That initial investment funding allowed us to get to the stage we're at now, which is signing our first big deal with Corus," McGovern says.

Recast developed an on-demand service for premium content at Corus's [exploremusic.com](http://exploremusic.com) website.



Recast Media CEO Greg McGovern works on a presentation with chief technology officer, Arnaud Selvais, reflected in monitor, at their office in Thornhill.

Aaron Harris/for the Toronto Star

The deal is based on a variable pay model: Recast only gets paid if Corus makes money from the website.

“The number-one thing you have to do when you sell is minimize the risk for that client,” McGovern says. “If they choose IBM, they’re not going to get fired. If they choose me, they might. So we took a very cost-effective approach, which made it very low risk for them.”

It can be difficult to hire a small, unknown firm for a big project, says David Huszar, vice-president and general manager of Corus Interactive and Integrated Solutions.

“Of course, there is always some reservation when you’re dealing with a company without a track record that we can use for referrals,” he wrote in an email to the *Star*. “But, in those cases, we base our decisions on the prospective partners’ understanding of the business, the quality of any demo applications they may be able to show us, our perception of the people we are engaging with and our ability to work collaboratively with them.

“Recast understood the business need we had, demonstrated the quality of the work they can do, and are good people to work with: flexible, responsive, knowledgeable.”

One of the biggest pitfalls for small companies trying to manage sudden growth is not understanding the changing competitive landscape, says Gertner, who served as McGovern’s mentor and also advises other entrepreneurs at the small business centre in Markham.

Being able to adapt, even while completing that big project, is key.

“Once you start to engage with the client and understand their business, you start to understand the real concerns or problems or issues they’re trying to solve,” McGovern says. “What happens is that your product adapts and changes.”

Recast, for instance, has learned that security is still a huge issue for broadcasters, and is developing methods to prevent consumers from copying content. These products will attract other potential clients, McGovern hopes.

He expects his company to be cash-flow positive by the end of this year. Eventually, he hopes to move into creating personalized broadcast streams for television.

For now, Recast is moving into an office in Thornhill that will have enough room for more staff. They will bring with them a reminder of their modest beginnings.

“When we started the business, we asked all our friends and contacts to send us ideas and words that we could look to, to remind us when things are down that we have a good network supporting us,” McGovern says.

“When we got our first cheque from Corus, we photocopied and framed it and put it among the nice quotes. Now we’re saying, ‘Let’s get that next cheque up there as quickly as we can.’ ”