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LISBON**  
BUSINESS & ECONOMICS



**Strategy Case Study:**  
*Strategic Portfolio and Risk Management  
During COVID-19*

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Dissertation written under the supervision of Professor Ricardo Reis

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## Abstract

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**Title:** Canada Pay Case Study: Strategic Portfolio and Risk Management During COVID-19

**Author:** Jaiden William Thomas Winsor

**Key Words:** Crisis Management, Risk Management, Product Portfolio Management, FinTech, Strategy Adaption

This dissertation is a case study on the Canadian fintech referred to as Canada Pay (CP). The case will investigate CP's strategies during COVID-19 and the adaptive measures to alleviate risks and meet opportunities. The case will deep dive into the gaming and gambling sector. In this industry, CP has adjusted its resources, portfolio, and strategies to adapt to rapid shifts and enhance its competitiveness. It will aim to solve whether or not *CP should continue investing in product innovation and penetration in the G&G sector given the shifts caused by COVID-19*. The dissertation concludes with the recommendation of continuing investment into product innovation and market penetration for gaming and gambling. This is for 3 key reasons: CP's resources and dynamic capabilities provide a competitive advantage, the market's growth opportunities, and CP's portfolio and risk management that allow for high risk, high reward investments.

This case is suitable for academics seeking to perform analyses on the Canadian fintech market, strategic decision-making, or product portfolio and risk management. As the pandemic is still ongoing at the time of this dissertation's completion, academics will have greater information that may shift the findings and conclusions in the teaching notes.

Following the case, theoretical concepts and frameworks are provided for analysis. These should be utilized to address the case from a pedagogical viewpoint. Subsequently, there are teaching notes that are offered as a solution guide. Finally, limitations are provided at the end and may be used to understand where improvements could have been made.

## Abstrato

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**Título:** Canada Pay Case Study: Strategic Portfolio and Risk Management During COVID-19

**Autor:** Jaiden William Thomas Winsor

**Palavras-chave:** Crisis Management, Risk Management, Product Portfolio Management, FinTech, Strategy Adaption

Esta dissertação é um estudo de caso uma fintech canadiana real, mas que designamos genericamente Canada Pay (CP). O caso, investiga as estratégias da CP durante o COVID-19 e as medidas adaptativas, para mitigar riscos e responder a oportunidades. O caso aprofunda, especificamente o setor de pagamentos para jogos e apostas. Nesta área, um CP ajustou os seus recursos, portfólio e estratégias às mudanças verificadas e adotou métodos mais competitivos. O caso procura concluir se a CP deve investir inovação de produtos e na penetração no setor de jogos e apostas em face das mudanças provocadas pelo COVID-19. Três razões principais sustentam a recomendação de continuação destes investimentos: os recursos dinâmicos e recursivos da CP fornecem vantagens competitivas neste espaço, como oportunidades de crescimento do mercado e portfólio de produtos e gestão de risco da CP que permitem investimentos de maior risco e maior retorno.

Este estudo de caso é adequado para académicos que buscam realizar análises no mercado canadiano das fintech, na tomada de decisões estratégicas ou na gestão de portfólio de produto e risco. Como uma pandemia ainda está em curso, os académicos obtêm acesso a mais informações que podem mudar como descobertas e registradas nas notas pedagógicas.

O final do caso fornece os conceitos e enquadramento teórico para análise e para abordar o caso do ponto de vista pedagógico. Finalmente, as limitações serão fornecidas no final do artigo para o entendimento sobre os ser feitos.

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## List of Abbreviations

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<b>AMOP</b>	Alternative Methods of Payment
<b>BCG</b>	Boston Consulting Group
<b>CEO</b>	Chief Executive Offer
<b>CP</b>	Canada Pay
<b>ETC</b>	Etcetera
<b>Fintech</b>	Financial Technology
<b>GGF</b>	G&G Funders
<b>GPR</b>	General Purpose Reloadable
<b>G&amp;G</b>	Gaming and Gambling
<b>KBV</b>	Knowledge-Based View
<b>NPPM</b>	New Product Portfolio Management
<b>MER</b>	Management Expense Ratio
<b>OPV</b>	Online Payment Voucher
<b>PESTEL</b>	Political, Economic, Social, Technological, Environmental, Legal
<b>PIN</b>	Personal Identification Number
<b>PMI</b>	Project Management Institute
<b>RBV</b>	Resource-Based View
<b>RG</b>	Responsible Gambling
<b>ROI</b>	Return on Investment
<b>R&amp;D</b>	Research and Development
<b>SIM</b>	Subscriber Identity Module
<b>VP</b>	Vice President
<b>VRIO</b>	Valuable, Rare, (In)Imitable, Organization
<b>WFH</b>	Work From Home

## Article I. Canada Pay Product Portfolio Case Study

As requested, the true company name will remain anonymous and for the purpose of this case study, will be referred to as Canada Pay (CP). In addition, many of its partners, suppliers, and clients<sup>1</sup> have been given *alternative names* and some financial figures have been approximated to disguise the company in question.

CP is a Canadian company founded through the merger of two smaller entities in the early 2010s with the mission to provide payment solutions to Canadians. CP offers new innovative methods to make and collect payments, among other solutions, across Canadian industries. CP is currently a market leader in the card solutions space and a strong competitor in the online payment solutions market. Over the past decade, CP has seen great success with a strong product portfolio in these two segments. However, as CP continues its growth, the company must evaluate its product portfolio and make the necessary adjustments based on the opportunities and challenges of the future that have been shifted due to the COVID-19 pandemic. The purpose of this case study will be to evaluate CP's product portfolio with a focus on its offerings in the gaming and gambling (G&G) sector, the impacts of the pandemic on CP's previous strategy, and the major risks that may arise. Ultimately, academics should attempt to analyse and answer the question of: *should CP continue investing in product innovation and penetration in the G&G sector given the shifts caused by COVID-19.*

### Section I.01 Canadian Financial and FinTech Market

Arising in the most recent decades, digital access, and advancements in technology such as artificial intelligence and blockchain have worked in tandem with financial products to produce the new financial market known as financial technology or most commonly known as “fintech” (Clements, 2019). More specifically, the term fintech is described as “new tech that seeks to improve and automate the delivery and use of financial services” (Kagan, 2020). Since the early 2000s, the fintech industry has had exponential growth with incredible popularity inside the last 5 years. In Canada, fintech adoption had already grown significantly by 2015, with 8.2% of digitally active users utilizing fintech services, as reported by the EY Adoption Index (Shojai, 2015).

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<sup>1</sup> Altered names include Cards Canada, Security Card, Logistics Canada, and G&G Funders,

To date, the financial sector in Canada is largely dominated by 5 major financial institutions and as such, has high entry barriers caused by the large transaction costs involved in switching institutions and the hassle of moving money from various banking products (Clements, 2019). The Canadian financial services industry holds some of the highest rates and management expense ratios (MERs) in the world, which has caused many Canadians to advocate for the growth of fintech and general banking competition (Carmichael, 2018). Thus, in more recent years, the adoption of fintech has been reported by companies, such as VoPay, as nearly tripling in Canada, increasing from just 18% in 2017 to 50% in 2019. VoPay projects that the Canadian digital-only banks will experience an increase in account holders between 2020 and 2024 at an annual growth rate of 8.9% for reasons such as better rates, ease of account set up and management, and more innovative products and services. Due to this general push for competition, banks are now being forced to invest larger sums into R&D for fintech projects (Clements, 2019).

## Section I.02 Payment Solutions in Canada

For this section, the alternative payment solutions will be reviewed. Alternative methods of payment (AMOP) are any means of making payments other than cash or in contrast and on the retailer side, *alternative acquiring* is any means of acquiring payments. AMOP is an area in which CP focuses and is a niche market that includes payments made using a credit or debit card, loyalty program points, cryptocurrencies like bitcoin or virtual wallets (Downey, 2020). However, in the world of e-commerce, alternative payment methods are more typically a form of payment that is non-credit (Sherwin, 2019). As credit cards are by far the most commonly used form of payment on a global scale, other forms are referred to as alternatives as they are usually not considered a default method (Sherwin, 2019). In Canada, vendors utilize credit card services through processing companies such as Moneris and usually encounter a percentage of the transaction fee, which can often greatly inhibit profit margins. This fee can be around 1.5% - 2% of the transaction and is charged mostly by the financial institution with a small percentage also going to the collecting processor company. These large fees have provided the need for AMOP, which allow consumers and vendors to pay through non-credit card transactions (CP; CEO, 2021).

On the consumer side, there are several reasons why Canadians were sceptical or hindered in their everyday banking. For example, consumers may choose not to use credit cards due to poor previous credit performance, minimum balance requirements, low transparency, high fees, or

simply being too young (McMillin, 2020). However, arguably one of the biggest inhibitors to some is the depersonalization of the service, as many do not believe the banks have their best interest at heart (Servon, 2015). Whatever the reason, it was clear that the market for AMOP, while niche, was very necessary for many consumers and retailers.

### Section I.03 Canada Pay Early Years

In the early 2000s, Cards Canada was founded to provide retailers with alternative card payment solutions. Cards Canada would supply retailers with gift cards, prepaid telecom PINs, and prepaid credit cards that would then be sold to the end consumer. Cards Canada saw much success in this business and eventually grew to expand its product offerings to include reloadable cards. To successfully launch this offering, Cards Canada contracted a partnership with a terminal payment manufacturer and would distribute these terminals to its retail counterparts (see the figure below for depiction). After stable growth and success in the cards solutions market, Cards Canada observed potential in new emerging markets in which they had the resources, capabilities, and network to expand. However, to further develop its capabilities, in the early 2010s, Cards Canada merged with another smaller entity to grow its capabilities and ensure the longevity of its core business and success in new business segments (CP, 2021).

‘Thus, a new company was formed in the early 2010s with the intent to enable Canadian retailers to acquire payments through gift cards, prepaid credit cards, and online payment solutions. Utilizing the legacy offerings of prepaid SIM cards, reloadable credit cards, and terminal systems, CP offered one of Canada’s first reloadable card products with the convenience of reloading at select retail locations such as the main logistics provider of Canada. This new company would support Canadians in making their transactions across brick and mortar, as well as online and mobile. This newly formed entity was Canada Pay (CP, 2021).

*Figure I-1: Terminal Depiction*



*Source: Fillet, 2021*

#### Section I.04 Canada Pay Growth 2014-2018

Riding off the success of a partnership with the primary logistics provider of Canada, CP began to integrate its services into other sectors and business segments such as tax and bill payments, digital wallets, and alternative acquiring solutions. This new business line fell under the online solutions which complimented its previous legacy of prepaid SIM, gift cards, and general-purpose reloadables (GPR). These two business segments working in tandem led to highly successful years following and furthered the company's product and service portfolio (CP, 2021).

At this stage, a large portion of the revenue generation was within the prepaid and gift card business segment. However, with the segment becoming more saturated and growth beginning to stagnate for various reasons, CP believed that there was more potential within some of its other non-core segments. One sector that has gained a lot of momentum in the most recent few years was alternative payments. This is due to a lack of payment infrastructure for important transactions in Canada such as tax payments, where many were only able to use bill payments from domestic banks and thus unable to use foreign currencies or credit. The latter allows Canadians to not only segregate the payments and avoid paying large lump sums but also provides the opportunity to collect points and rewards from their financial institutions. Recognizing this, CP has been able to successfully create services that allow payers to employ these types of payments through its retail

partners and web platforms. Thus, CP ventured into the institutional sector, obtaining clients such as the CRA, hospitals, and universities (CP, 2021).

(a) Canada Pay Financials

By 2017, CP had grown to be a multimillion-dollar company, generating revenues above \$100 million with profits just shy of \$10 million<sup>2</sup>. As CP was a portfolio company with various offerings across sectors, it had multiple revenue streams. Cost-wise, CP continued to put the largest emphasis on its talent as its largest expense in 2017. Overall, the company had excellent financials in 2017, preserving upwards of \$5 million in retained earnings (CP; Annual Report, 2018).

Looking at ratios, it is noted that while the company performed strongly, it had a notable sum of debt, with its debt-to-equity ratio in 2017 being above 2 and its current ratio being below 0.5. While the consensus on the debt-to-equity ratio is that above a 2 may be considered too high, it is not surprising given the nature of CP's business. CP is considered to be a *daily company*, which means that while the end-of-year balance sheets indicated lower cash and higher debt levels, this was subject to change very quickly as the company flows large amounts of money through it and it must account for this as liabilities. Therefore, the executive team of CP is satisfied with their current performance (CP; CEO of CP, 2021).

By 2018, just before the year of the pandemic, CP was still performing strongly with an increase of 5.6% in revenue. Furthermore, all of CP's revenue streams appeared to have stable growth of approximately 4-7%, making the business outlook promising entering into 2019 (CP; Annual Report, 2018).

(b) Canada Pay Product Portfolio

CP has an organized process to bring new products to life and capitalize on market trends. The CEO and VPs often stated that CP is not conservative in its innovative approach and believe that its strategy in the product portfolio realm is to ensure that the most promising projects get the resources and attention needed to meet opportunity (CP; CEO & VP of Supply Chain, 2021). This mindset aligned well with its new product management process as CP had a very rapid and structured system to approve or kill projects in contrast to its many counterparts (CP; CEO, 2021). The process for allocating budget and resources for each segment was relatively simple and

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<sup>2</sup> The financials have been adjusted to ensure specific data is not released to the public.

involved each team presenting their performance, the observed trends, the correlating opportunities, and the resources needed to optimize performance. This is an oversimplification of the process and requests could be met with denial, but when six senior managers were interviewed, each indicated they were very satisfied with the process and felt it suited the needs of their team (CP, 2021).

When considering bringing a new project/product to the portfolio, CP benefited from being a small-to-medium sized company but having large amounts of financial reserves and enough human capital to quickly onboard new ideas. This innovative process encompassed a short process with four simple steps including the initial pitch, drafting of a business case, supporting with data, and road mapping the concept to its more successful stages. When the VPs and Payment Specialists were interviewed regarding this process, they believed it was far quicker and effective than many of the previous companies they had worked for. In fact, Senior Management, when independently interviewed, often gave very similar rankings of their perception of the process, which was often on average about a four out of five (CP, 2021).

*Figure I-2: Canada Pay Portfolio Interview Results (1/2)*

<b><i>Selection Model Related Questions</i></b>	<b><i>E-1</i></b>	<b><i>E-2</i></b>	<b><i>E-3</i></b>	<b><i>E-4</i></b>	<b><i>E-5</i></b>	<b><i>Overall</i></b>
<i>Do you believe your portfolio model fits management-style?</i>	4	4	3	5	4	4
<i>Do you believe this is a realistic/practical model?</i>	3	4	3	3	4	3.4
<i>How user friendly or easy to employ is this model?</i>	5	5	4	4	4	4.4
<i>Does this model effectively kill or approves projects?</i>	4	4	5	4	5	4.4
<i>Would you recommend this model to other businesses?</i>	4	5	4	4	4	4.2

*Source: Internal CP Interview*

**Figure I-3: Canada Pay Portfolio Interview Results (2/2)**

<b>Portfolio Related Questions</b>	<b>E-1</b>	<b>E-2</b>	<b>E-3</b>	<b>E-4</b>	<b>E-5</b>	<b>Overall</b>
<i>Does the CP portfolio hold the right number of projects</i>	4	3	4	4	4	3.8
<i>Does the CP hold high value projects?</i>	4	4	4	4	4	4
<i>Do you believe the portfolio is balanced in terms of short/long term and risk</i>	5	4	5	5	4	4.6
<i>Do you believe this portfolio offering aligns with the company strategy?</i>	4	5	5	4	5	4.6

*Source: Internal CP Interview*

### Section I.05 A Focus on Gaming and Gambling (G&G)

Leveraging its GPR and AMOP solutions, CP began to form partnerships with companies that supported the G&G industry due to its foreseeable growth. In Canada, it is important to note that most of the major banks do not allow or reserve the right to block any transaction related to gambling (Lars, 2020). While it is not illegal to play at online casinos in Canada, the major Canadian banks must abide by US law (the UIGEA) since many banks have head branches in the US (Lars, 2020). Therefore, Canadians are forced to leverage other sources to fund their online G&G accounts and find themselves using other reloadable card services that are accepted within the industry. Among these services, CP is partnered with and supporting the top companies supplying this segment.

Security Card<sup>3</sup> is one of the main suppliers in Canada of digital accounts, OPV's, and other payment solutions for the online G&G scene. Security Card has previously been able to offer deposits into its accounts of up to \$200,000, allowing high rollers to fund in large bulk and play with more money in their gambling activities. However, in 2020, Security Card had reduced its

<sup>3</sup> Security Card for the purpose of the case is both the name of the company and the product itself.

account limits to \$30,000 to proactively stop its consumers from gambling away large sums. This was in anticipation of changing regulations and the ongoing increase in the addiction of consumer gambling behaviour. This has hampered CP as the Security Card's loading transactions have been reduced by 85%. Currently, Security Card is the most essential supplier for CP and thus CP was heavily reliant on selling and reloading Security Card products for the G&G sector. In fact, Security Card made up about 70% of CP's sales in this sector, which was a major concern for the segment leader as this major reliance signified lack of diversification and a significant risk if Security Card chose to go direct to consumers. However, after further probing, it appeared that Security Card understood the benefits of CP services and at this time felt no need to go direct. There are also about three other companies that supply Canadians with sufficient payment solutions and CP helps integrate its services with retailers and online sites, but these other three partners are currently making up less than 30% of sales (CP; Annual Report; Supplier Website, 2021).

CP offers the ability to reload its partner's card through three main channels: in-store cash, online, and mobile. To meet the needs of customers who value face-to-face transactions, CP has a wide network of partnerships with logistics and retail providers in Canada where Canadians could simply bring a QR code or their reloadable card and pay by debit or credit to get an online payment voucher (OPV). The OPV would then be used for transactions on G&G sites or esports. For its online channel, CP had its platform where citizens could visit and make online transactions to purchase OPVs. In addition, CP's platform was linked to many of its partnered sites such as the Security Cards website which would forward its members to, to top off their cards. Finally, there was the option to purchase OPVs and manage their payments and cards through a mobile app that CP had created. This app would be a major platform of the future, since its release only a few years prior, the demand and usage for this app had grown significantly and had shown a promising outlook (CP; Internal Documents, 2021).

(a) The Competition

CP's competition was often difficult to classify as it had products and offerings across multiple segments and sectors. Thus, many of the companies that were competitors in some segments, were also clients, partners, or suppliers in others. For example, PayPal was a company that provided digital wallets and an alternative acquiring method and would compete directly with

CP in this space. But PayPal was also a supplier and partner to CP since CP would offer platforms and integration of services such as PayPal. This was often the case for many of CP's competitors.

Instead, CP considered its largest competitors to be the banks even though the banks did not operate in its immediate industry. However, the banking industry in a way competed with the alternative payment and online solutions industry, and since the banks had large dominance in the Canadian market, they could also invest further into R&D expand their offerings to alleviate some of the issues that have caused many Canadians to utilize services such as CP.

In the G&G market, there was only one true competitor with similar offerings to CP which employs a similar supply chain. This was a company called G&G Funders (GGF). GGF was the only other company to work with Security Cards and allowed for online reloadable options. GGF also worked with other smaller suppliers that were linked with CP, providing them with a very similar outlet of products and services. However, when it came to reputation, market share, and quality of service, CP was the clear winner, having a far wider span in terms of network and clients, and a stronger association with quality and security. This made GGF a smaller threat but still one to be considered in the future (CP, 2021).

(b) The Customers

The market in Canada for G&G has exploded in the last century and with advances in technologies, online gambling has become an incredibly popular pastime. As of 2021, Canada is ranked 8<sup>th</sup> worldwide in terms of online gambling participation with approximately 20 million Canadians taking part in online gambling activities. This has become an incredibly impressive market given Canada's total population being only about 37.5 million in 2021. As reported by the Canadian Gaming Association, the industry is worth over 15 billion Canadian dollars and provides upwards of 130,000 full-time jobs to individuals across Canada. In terms of the demographic split, Affiliate Insider reports that with regards to online gambling, the split between males and females is 57% and 43% respectively, with more female players taking to mobile channels. The most dominant age group for online gaming are those who fall within the age group of 18-34 (Affiliate Insider, 2021).

As the market grew, concerns grew as well. Increased awareness of the social costs was increasing. As an example, a study was performed in 2019/2020 in Canada pertaining to problem gambling. The study shown below concluded 52% were at no risk, 23% were at low-risk, 15%

were at moderate risk, and 10% were problem gamblers (Håkansson, 2020). However, many such studies were often under-supported and debunked as many of these costs could be linked to other variables and not isolated to gambling alone, providing little empirical evidence to suggest great social costs from gambling (Collier, 2013).

*Figure I-4: Survey on Gambler Segmentation in Canada*

	n (%)
Male gender	744 (75)
Age groups (years)	
18–24	11 (1)
25–29	45 (5)
30–39	134 (13)
40–49	162 (16)
50–59	265 (27)
60–69	217 (22)
70 and above	163 (16)
Living conditions	
Alone with children	70 (7)
Alone without children	246 (25)
With partner and children	304 (30)
With partner without children	363 (36)
With my parents	14 (1)
Occupation	
Working	600 (60)
Studying	18 (2)
Unemployed	38 (4)
Retired	309 (31)
Other	32 (3)
History of national self-exclusion	
Yes	66 (7)
No	925 (93)
Wish not to answer	6 (1)
Gambling severity	
No risk	514 (52)
Low risk	230 (23)
Moderate risk	154 (15)
Problem gambling	99 (10)

*Source: Håkansson, 2020*

### (c) The Market

Among the types of gambling activities in Canada, lottery tickets seemed to be most popular with almost half of Canadians have taken part in some lottery within the year. Following closely, scratch tickets and raffles were also quite popular, with physical and online casinos not too far behind. The less popular activities were made up of sports betting, card rooms, and horse

racing; each making up less than 5% in their respective categories. Overall, these activities made up an impressive industry in terms of revenue generation, with Canada producing \$2.65 billion overall and \$1.2 billion in the online sector in 2020 (Affiliate Insider, 2021)

Affiliate Insider states that based on estimations, annual revenues could grow to \$4 billion in the subsequent year if Canada adopted similar approaches to its British counterparts, allowing the online gambling market to be more diverse and relaxing regulations. This would involve creating legal requirements for online gambling providers to need a license through the provincial government.

#### Section I.06 Canada Pay Pre-COVID Strategy

In early 2018, the executive team had strong alignment on the strategy they would use to continue growing the business. Deploying representatives from each business segment to take part in a general analysis of their given product or service segment and whether there was a greater need for investment would be needed to take advantage of growth trends (CP, 2021).

As the CEO and VP began to dive deeper, they evaluated the potential in each market. Regarding its two major product segments, card solutions and payment solutions, CP had seen a stagnating market in card solutions while most products and sectors in the online payment solutions segment were growing. While card solutions still made up most of the company revenue, CP had penetrated this market and had the majority market share, which they intended to keep through appropriate levels of further investment. In contrast, the online solutions for alternative acquiring, digital wallets, and online transactions were growing along with the e-commerce sector, making these solutions more desirable to CP clients. Through this observation, CP's strategy was to continue penetrating the card solutions market through stable levels of investments. In contrast, CP would increase investment in R&D and seek potential M&A opportunities in the payment solutions segment, specifically pertaining to its online capabilities. To achieve this, CP would continue to leverage its wide network of partnerships to increase its visibility in a growing market, invest in growing sectors such as G&G, and push its alternative acquiring solutions to those without (CP; CEO & VP of Supply Chain, 2021).

## Section I.07 During the COVID-19 Pandemic

By May 2021, Canada had seen over 2 full years of COVID-19. The pandemic was an evident setback and a major disruptor in the lives of the average Canadian which subsequently hurt the overall well-being of many. Canadians were forced to quarantine, isolate, physical distance, and work from home (WFH), impacting their mental health and employment stability. By May of 2020, Canada had reached a record high of unemployment at 13.7% and in November of 2021, 33% of health care workers when surveyed, reported to have fair or poor mental health. However, despite the decrease in mental well-being, the majority of Canadians and health care workers believed their mental health to be in good shape. In addition, by November Canada had its cumulative employment loss down to 3.1% (Statistics Canada, 2021). Overall, Canada had done fairly well to support its citizens and businesses, providing massive stimulus and benefits to keep the economy afloat, and using all lines and proper restrictions to maintain both the mental and physical health of its people.<sup>4</sup>

While this endangered many industries, some also benefited. This included, but was not limited to, pharmaceutical, logistics, e-commerce, and fintech (Somanas, 2020). This presented opportunities to the emerging needs of consumers as they could no longer rely on their ordinary routines and had to find more virtual or digital methods. Individuals such as Peter Gordon, executive vice-president, and head of emerging payments at U.S. Bank further indicated this when interviewed, stating that he anticipated an increase in the online banking sector for companies such as PayPal and that he “believes this crisis will accelerate and move people to utilize all forms of digital financial services” (Somanas, 2020).

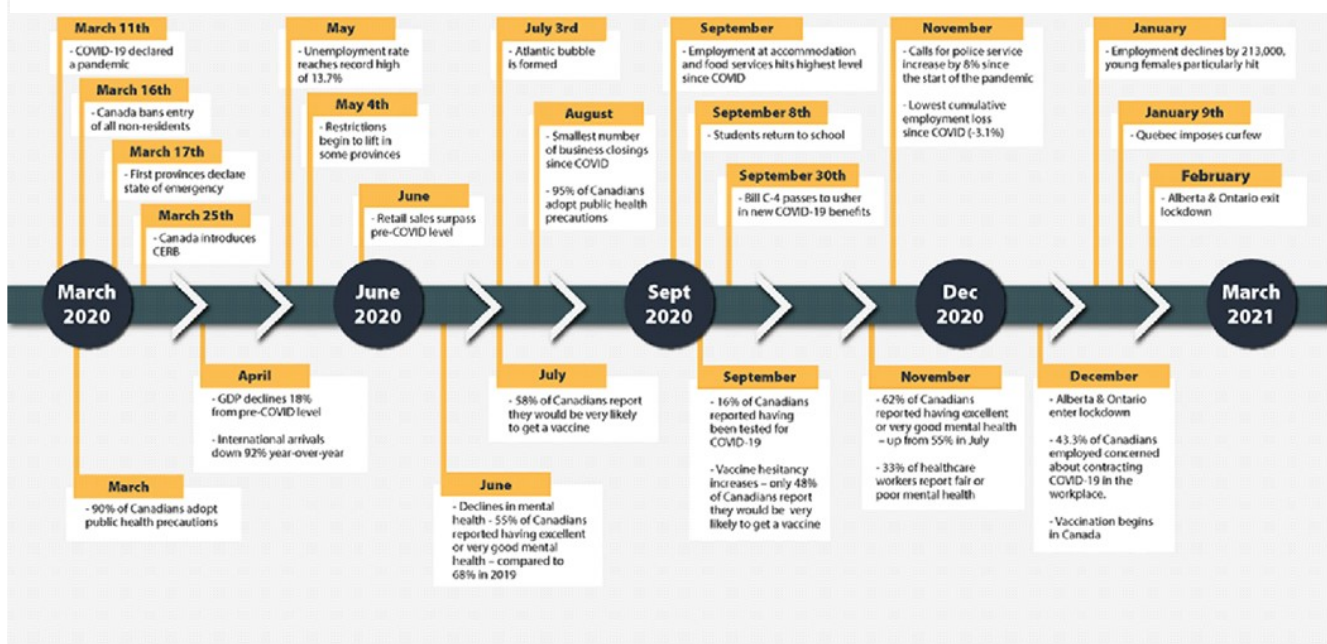
Rooted from the restrictions on physical presences in public spaces, restaurants, event venues, retail locations and more, there was a natural massive decline in sports events and physical betting activities. In response, it is reported that many have turned to online casinos (Håkansson, 2020). From a survey conducted in Ontario, Canada, it was concluded that there was a large shift towards online betting activities during the first few weeks of “lockdown”, with numbers increasing steadily over time (Price, 2020). This led to a booming market for the G&G companies and their supply chain, delivering many opportunities and sparking a push for the opening of

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<sup>4</sup> For more information on the COVID-19 pandemic, refer to multiple exhibits in the appendix.

regulations for licensing in the specific sector. However, with increased demand, there was also an increase in problem gamblers and the subsequent social costs.

Figure I-5: COVID-19 Social and Economic Impacts Timeline



Source: Statistics Canada, 2021

(a) Impacts on Canada Pay

The direct negative impacts on CP were not as harmful as many of the other Canadian businesses. As a fintech and small-to-medium-sized enterprise, CP had strong competencies in its *adaptability and innovation*, enabling itself to adjust its performance to meet the shifts from COVID-19. This included a quick shift to a hybrid model of WFH/in office when permission was given by the government and shifts in its cultural mindsets. Since the pandemic had forced Canadians into using more digital-friendly services, CP also had been provided with an opportunity to modify its portfolio to better serve the needs of Canadians and capture the prospects created from the unfortunate circumstances. This meant that while many businesses were forced to let go of their employees, CP was suffering from the exact opposite problem. With expansion into new areas, CP was actively growing and seeking top talent to aid in its development. While

CP was provided with the opportunity, the situation was not limited to it alone, but its supply chain as well. The shift to digital markets enhanced many of its partners' and suppliers' potential businesses. Generally speaking, fintech and digital companies such as CP, and its value chain have some "unique advantages that are allowing many to create new ways of providing value in this newly developed climate and enables themselves to thrive in the long-term" (Deloitte, 2020). This meant that if companies operating in this space could be flexible and adapt to the situation, there was a great benefit to be achieved.

(b) Strategy Realignment

In light of COVID-19 and the impact on CP's business segments, a re-evaluation of the given climate was necessary to ensure it would pick the best strategic path moving forward. In 2020, the CEO and VP of CP considered its product portfolio and, as per usual strategic planning sessions, followed up with each team lead on their analysis of their products and business sectors. The purpose of this was to provide an overview of their expectations and predictions of the ebbs and flows of their current segment with the ultimate objective of deciding whether further investment, divestment or a general change in strategy was necessary (CP, 2021).

Considering the physical presence restrictions within Canada, physical card payment solutions had been severely hurt and while reloading cards at brick-and-mortar locations had been a popular alternative payment method in the past, it was no longer a viable option in the current environment. However, with a shift to digital, the online payment solutions were skyrocketing, with OPV revenue growing by 26% from 2019 to 2020 and the priority using the online or mobile purchasing channels. When interviewing the CEO and Senior Management, the consensus was that COVID-19 had not shifted their overall strategy significantly, but rather accelerated it. With eyes on the future, CP was aware of the likely growth in its respective business segments and had appropriately allocated budget and human capital to the projects it expected to mature. However, with the rapid shift to digital and online products due to COVID-19, CP had found itself shifting its product portfolio and investment opportunities to grow segments that were still in the early stages. This was not a major issue for CP as it had the competencies in place to adapt to its market and a strategy that allowed for meeting market demands. Thus, the major shift in CP's strategy was with regards to how it would deal with unexpected growth in newly developed areas of

business. This was met through further project process improvements, collecting of market data, and leveraging of its network to enable itself for the future (CP, 2021).

## Section I.08 Future Outlook

CP is constantly adapting to an evolving environment to implement stronger portfolio and environment evaluation methods to better take advantage of trends and penetrate its given market. As the company evolves, it is forced to grow at a rapid pace to capture the opportunities that arise sufficiently and thus seeks to continue onboarding top talent to the company. With no sign of stagnation, CP was continuing to witness swift growth in its business and observed many opportunities in its markets with specific continued interest in the G&G sector further due to its great potential.

### (a) The Challenges Ahead

In the evaluation of CP's product portfolio and its major revenue streams, there were some areas in which its Senior Management had expressed concern. One of the main worries was its dependency on its supply chain in the G&G sector. With only four primary suppliers for its services in this market, CP knew it was heavily reliant on its partnerships (CP, 2021). Furthermore, the greatest area of concern was its dependency on Security Card's as the vast portion of its revenue generation in this sector was funnelled through this partnership (CP, 2021). If Security Card decided to go to its market directly or find a partnership which it preferred over CP, there could be major issues that would greatly hinder CP's performance in a sector that generates almost 30% of its revenue (CP; Annual Report, 2020). In addition, some risks were stemming from the large institutions in Canada. Currently, banks were not commercializing their e-transfer capabilities and were now fully allowing credit transactions in the G&G industry. If there was a shift in this mentality, there could be cause for concern as CP's services could become obsolete. This coupled with the bank's massive influence on the market could be a potential obstacle for CP in the future. There were also G&G specific threats that could arise in the future if the market continued to escalate. This could include the tightening of regulations to reduce gambling efforts, or limitations set by regulators and companies to reduce the amounts which participants can deposit/withdraw. This would hinder the revenues which CP could make and drive "high rollers" out of the online gambling market or the platforms where CP is present. Additionally, with G&G growth, there is likely to be a correlation between problem gamblers and the associated social costs. This may

produce a greater negative shift in the mindset of Canadians and the government towards G&G, ultimately affecting the sector's performance.

These are only a few of the challenges that may lie ahead for CP. While less impactful, CP could also have pressures from new entrants or current competitors if innovation is sparked among them. Overall, there are many areas that CP will need to monitor in the future, and it should craft contingency plans to best mitigate or react to each scenario if they were to occur.

(b) The Opportunities

CP was one of the lucky Canadian businesses that walked away from the pandemic with more potential than it had going in. In May of 2021, the company had seen strong and stable growth through the year and various segments were provided greater opportunity due to the shifts in consumer behaviours and the forced environment. Specifically, the online G&G sector had massive growth during the past 2 years and shows little sign of slowing (Affiliate Insider, 2021). This presented several opportunities for CP.

First, it could remain at its current investment levels and ride the wave in the sector, developing its stable and strong suppliers and partnerships.

Second, it could further invest in its current products such as web-based or mobile platforms that allow for easier connection to its consumers. Due to the restrictions imposed on in-store transactions, CP had seen a greater shift towards these channels and could look to further penetrate this market through actively developing and marketing itself among its current products.

Third, with restrictions lifting as the vaccines are administered, there is a large potential that Canadians will take to in-store purchasing again, utilizing CP's retail network for purchasing of its products once again. CP could realize this shift and further invest in its retail network and linked products to prepare for this potential trend.

Finally, CP could also look for further product innovation in this market, providing new sources of products and services to meet the incoming needs of Canadians. In general, there are large potentials with the legalization and drafted process for online gambling licenses in provinces and opening on physical-based betting.

## Section I.09 Closing Remarks

CP continues to perform and grow in the Canadian fintech market. With major shifts to the industry and consumer behaviour brought on by the COVID-19 pandemic, CP has and will adapt its product portfolio and strategic decision-making to best meet the needs of its clients. This will involve extensive data collection and analysis to best understand the challenges and threats to its business segments such as G&G. With much to consider, senior management must make its assessments to balance its short and long-term risks while capitalizing on the market trends through appropriate project investments.

## Article II. Theoretical Background

### Section II.01 Internal Analysis

In conducting analysis, students must thoroughly review the organization in question, deploying multiple internal analytical methods from academia. In this section, various methods from scholars will be reviewed to showcase the most prevalent frameworks that will be necessary for validating or rejecting the hypothesis: *CP should continue investing more into product innovation and penetration in the G&G sector.*

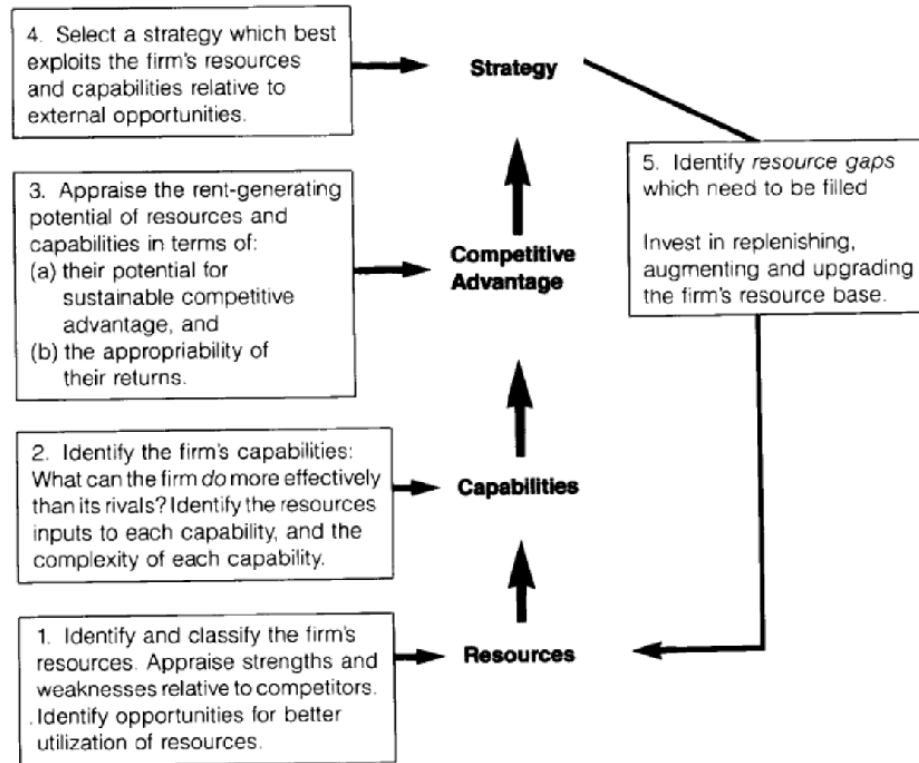
The internal analysis will aid in providing a clear picture of what is occurring within the company and the variables that may affect its abilities to penetrate or perform product innovation in the G&G sector. For the internal analysis, the following analytical methods will be reviewed: resources and dynamic capabilities, VRIO and sustainable competitive advantage, the growth-share (BCG) matrix, new product development and risk, and risk management.

#### (a) Resources and Dynamic Capabilities

To begin, an understanding of resources and capabilities is key in understanding how a company may develop a strategy and differentiate itself from the competition. In 1991, Robert Grant proposed that the process in which an organization accumulates its resources may result in a sustainable competitive advantage (Grant, 1991). Beyond this, Grant coined the term *resource-based view* (RBV) for strategic analysis (Grant, 1991). RBV stems from the perception that firm success is determined mainly by endogenous factors of the firm. This led to the *Resource-Based Approach for Strategy Analysis*, which is illustrated in **Figure II-1** below.

The resources as indicated by Grant could be broken down into two distinct buckets: tangible and intangible resources. The tangible resources as described by Grant and other literature can include plant and machinery, finance, and people, while intangible may be reflected as an organization's style, values, traditions, and leadership. This RBV demonstrates how an organization's resources and resource procurement process feeds into its capabilities, which provides a competitive advantage, and ultimately linking to the overall strategy (Grant, 1991). Grant then continued this analysis in 2005, where he connected the resources and capabilities with organizational structure and industry environment, thus crafting a more in-depth analysis of corporate strategy.

*Figure II-1: Resource-Based Approach for Strategic Analysis*



Source: Grant, 1991

In 2009, Theriou and his esteemed academic colleagues ran further probing into what is known as *knowledge-based view* (KBV) which can be segmented under intangible resources. The KBV success is described as when the capabilities of a firm enable the continued development of new knowledge-based assets which create further core competencies. KBV is assessed to have two major subgroups, one which associates largely with RBV and asserts that the strongest asset or capability a firm may occupy is that of knowledge (Theriou et al., 2012). In contrast, another view asserts that tacit and social knowledge is important and offers a lengthier insight into the types of behaviours that develop a firm's KBV. Both views are considered accepted and should be weighted into consideration when assessing the internal resources and capabilities of a firm.

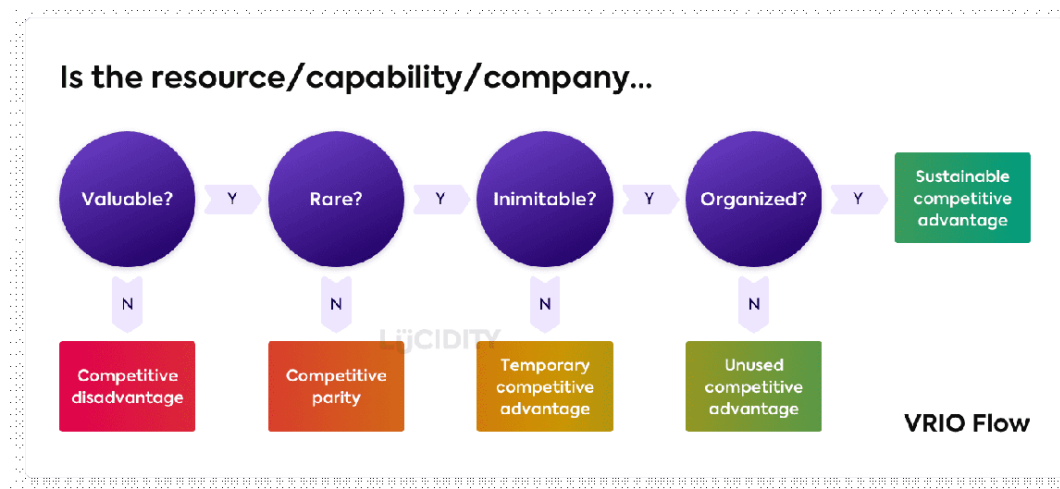
In 1997, Teeche et al. elaborated on the idea of dynamic capabilities, defining them as the capabilities that signify a firm's ability to meet the requirements of changing environments through

innovation in the form of competitive advantage (Teeche et al., 1997). This complimented the RBV and KBV as it provided further insight into how these resources and capabilities could feed into sustaining a competitive advantage (Theriou et al., 2009). The idea of a dynamic capability is of great significance to this report as the pandemic has caused massive fluctuations in the market and thus the dynamic capabilities possessed by a firm will be the ones that will allow it to continue innovation and adapt to its surroundings.

(b) VRIO Analysis and Sustainable Competitive Advantage

The VRIO framework was first introduced by Jay B. Barney in 1995; 1996 as a tool to analyse sources of competitive advantage and to illuminate which competitive advantage may be deemed sustainable. The VRIO framework considers the elements of *value, rareness, imitability, and organization* to gauge a firm's human resources and capabilities, finding which may be considered short-term vs long-term advantages (Barney, 1995;1996). In 1997, Wright performed ongoing work with Barney until 2009 to further develop and explain this framework. The concept of value or being valuable refers to the direct relation a capability has with its ability to increase revenues or decrease costs. Rareness stems from whether this resource or capability can be found within competing firms and imitability refers to the ease that a competing firm may be able to replicate this resource or capability. Finally, the organization is a characteristic of a firm to exploit the resource or capability in question, meaning if there are regulations or other such barriers that may lessen the degree to which an organization may actually utilize a resource or capability and thus limit the competitive advantage (Barney & Wright, 1997). For a greater understanding and visualization of the VRIO framework, please see **Figure II-2**.

*Figure II-2: VRIO/Sustainable Competitive Advantage Framework*

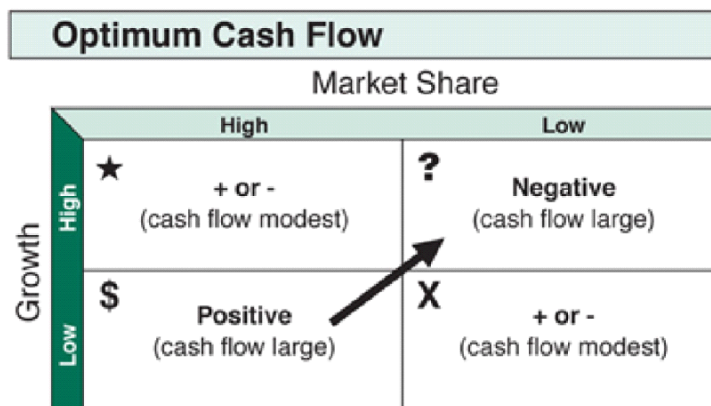


*Source: Lucidity, 2021*

(c) Growth-Share (BCG) Matrix

The Boston Consulting Group (BCG) Matrix, also known as product portfolio analysis or growth-share matrix, was first developed by the BCG founder, Bruce Henderson in 1970. As Henderson outlined, for a company to be successful, it should have a product portfolio with varying levels of growth and market share, which in turn would require different levels of funding. The reasoning behind this analysis was to better allocate funds to products that will yield higher returns. The model embodies a Cash Cow that yields high returns and can fund future opportunities, a Star where growth and market share are high, and a Question Mark that is considered to have the potential of turning into a Star product. The final space is the Pet (also known as Dog), which resembles the products that do not have growth potential and have little market share and should be considered for abandonment. Depending on your strategy, different funding sequences can be used to optimize success; however, the most common optimization model is illustrated in **Figure II-3** (Henderson, 1970).

Figure II-3: Optimal Investment Approach for Product Portfolio



Source: Henderson, 1970

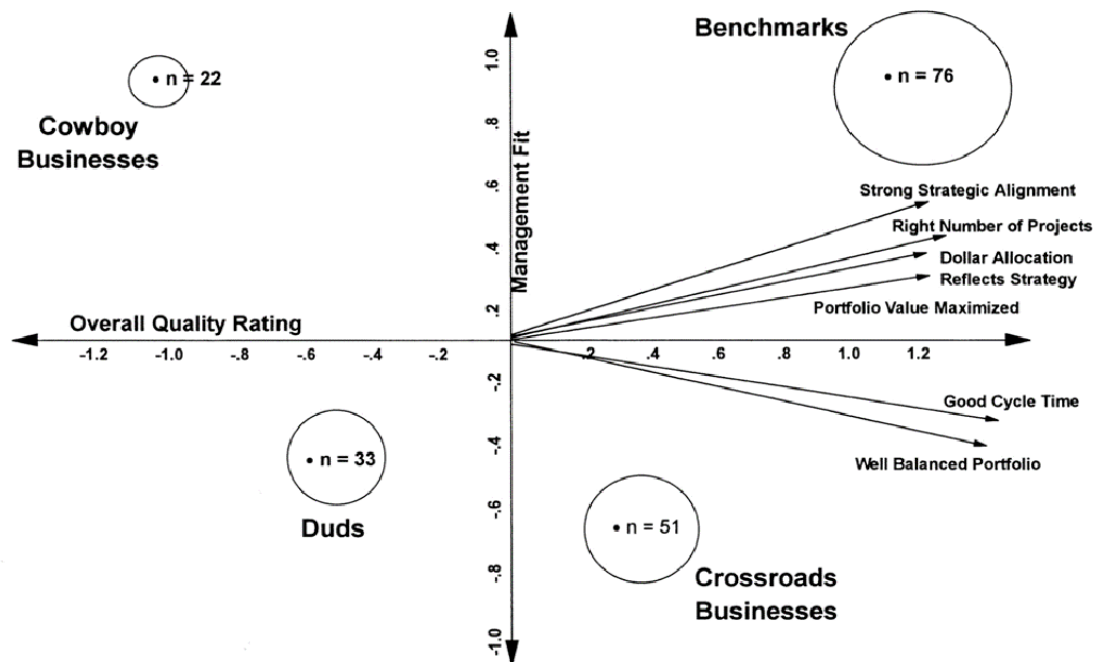
(d) New Product Development and Risk

In 1992, Cooper, Kleinschmidt, and Edgett studied product portfolio development and subsequently, how to measure risk. In their reviews, they observed that prior portfolio selection models of the 1960s and 1970s were “highly mathematical, and they employed techniques such as linear, dynamic, and integer programming”. Although these models appeared congruent, they believed that the models were overall, inadequate in the treatment of risk and uncertainty. Additionally, it was apparent that these models were often too difficult for the average manager to successfully apply. Since then, many others have developed alternative methods to evaluate portfolio risk using financial indices, probabilistic financial models, option price theories, and so forth; yet most of these models do not apply to a widespread of projects and product development options. As such, Cooper and Co. began to develop methods using previous principles and by clustering businesses by portfolio performance. To visualize the clusters, they mapped a two-factor matrix including management fit along the Y and quality rating on the X (see **Figure II-4**). The *Cowboys* are classified as a company that relies on a poor portfolio development model but a fitting style for management as they prefer to have an unstructured portfolio approach. *Duds* represent no portfolio approach and not befitting to management. *Crossroads* are perceived as portfolios that are realistic and recommended but are not to be considered effective or efficient by management. Finally, *Benchmarks* are those businesses that employ a strong portfolio approach and have good approval by management who will actively use their portfolio approach to approve or kill projects.

Once this matrix was established, Cooper and Co, interviewed businesses and scored them based on the perceived positioning on the two axes of the matrix.

The line of questions varied based on the purpose, but for the objective of scoring satisfaction of portfolio selection, employees and top management were asked questions about: *portfolio fit to management style, perception of effectiveness and efficiency, ease of use, practically utilized to go/kill projects, would recommend to other businesses.* The answers would be evaluated quantitatively out of a score of five (where five is the highest rating) and based on the scores in management fit and overall quality could be categorized into one of the aforementioned quadrants (Cooper, Kleinschmidt, & Edgett, 1992).

*Figure II-4: Example of Two-Factor Map with Performance Metrics*



Source: Cooper, Kleinschmidt, & Edgett, 1992

*Figure II-5: Management Satisfaction on Portfolio Management Methods Example<sup>5</sup>*

Measures of Management Perception and Satisfaction	Cowboys (1)	Crossroads (2)	Duds (3)	Benchmarks (4)
It is a realistic method	1.68	3.45	2.24	3.78
Would recommend method to others	1.63	3.03	1.96	3.72
Rate method as excellent	2.00	2.88	2.30	3.78
Truly used to make go/kill decisions	2.13	2.96	2.12	3.55
It is user friendly	2.59	3.15	2.51	3.56
Fit management's decision-making style	4.09	2.78	3.27	4.13
It is efficient	3.86	2.52	2.57	3.82
It is effective	3.27	2.94	2.57	4.01
Method is understood by management	2.54	2.49	2.21	3.97

*Source: Cooper, Kleinschmidt, & Edgett, 1992*

(e) Risk Management Methods

In 1969, the Project Management Institute (PMI) was founded to provide a clear structure and strategy for managing projects. To date, there are thirteen areas of knowledge management incorporated in the PMI literature, one of which is the risk management methodologies. In 2004, Becker of the PMI expanded on the risk assessments, concentrating the methods into an article entitled *a practical risk management approach*. Becker elaborates on two main models used to conduct risk management, the first of which includes the planning, identification, qualitative analysis, quantitative analysis, response planning, and finally monitoring and controlling (**Figure II-6**). Becker argues that the models may not always requires a quantitative assessment should also incorporate a feedback loop for improvements in the future. Thus, Becker proposes the PMI alternative (second) model which follows the same process but without a quantitative analysis and with a continuous loop from monitoring and controlling back to the identification stage, indicating that the risk management process in itself is iterative and repetitive through project or portfolio management (Becker, 2004).

*Planning stage:* Portfolio/Project Manager configures which criteria used to assess the risk.

*Identification stage:* ongoing process of identifying potential sources of risks.

*Qualitative & quantitative analysis stage:* assessing risks against assessment criteria.

<sup>5</sup> Questions may vary slightly depending on researcher.

*Response planning stage:* the creative process of crafting a strategy to respond to risks if they were to occur and how the plan is to be executed.

*Monitoring and controlling stage:* the process of monitoring risk event occurrence, reassessing likelihood and consequence, and re-evaluating response plan.

**Figure II-6: Risk Management Approach with Quantitative Assessment**



*Source: Project Management Institute, 2004*

Risk management approaches continued over the years, with academics adding new techniques to conduct more in-depth risk assessments. In most cases, these approaches would utilize a form of a risk register to capture the analysis and mitigation/response strategies. The Greater London Authority in 2018, for example, applied a register with the identified risks, the impact to the organization, the probability of occurrence, and the response plan. This method of capturing data is recommended for those individuals that seek to create a clear visual representation of risks and response planning (Greater London Authority, 2018; 2020). For an example of a form of risk register, please see the figure below.

**Figure II-7: Risk Register Example**

Risk #	Risk description and impact	Inherent risk assessment			Control measures/Actions	Action owner	Deadline/Completed	Residual risk assessment			Risk owner
		Prob.	Impact	Overall				Prob.	Impact	Overall	
1	[Cause, 'risk event', potential impacts]	[1-4]	[1-4]	[1-16]				[1-4]	[1-4]	[1-16]	
2											
3											
4											
5											
6											
7											
8											
9											

*Source: Greater London Authority, 2018; 2020*

## Section II.02 Market Environment Analysis

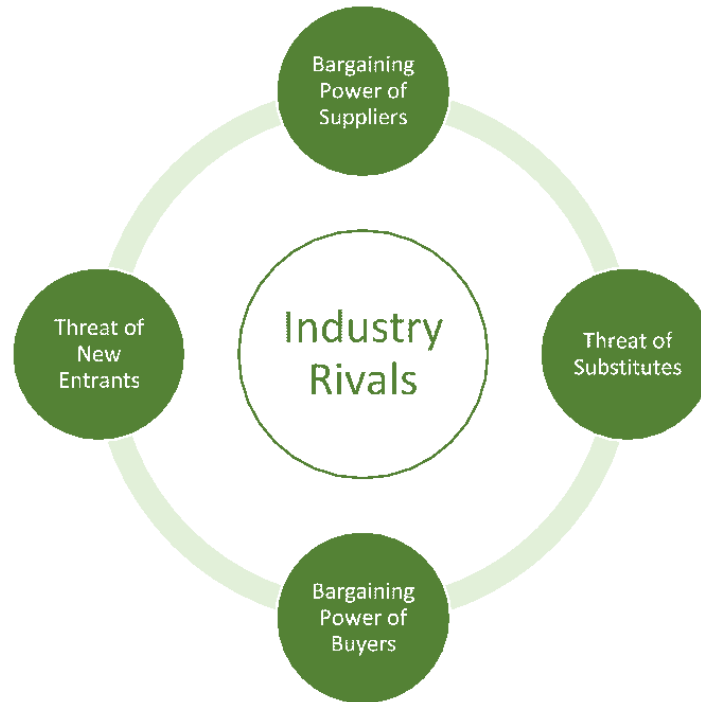
In evaluating how CP should conduct its future business, an external review of the macro and micro-economic environment must be included. The purpose of this analysis will be to better understand the competitive landscape, consumers, business partners, and general market in which CP operates. A major focus will be on the G&G sector, along with other external factors that may influence its strategic business decisions.

The external analysis will aid in assessing occurrences outside the company that may affect fintech's, G&G, or CP's value chain. For an external analysis, the following analytical methods will be reviewed: Porter's 5 Forces and PESTEL.

### (a) Porters 5 Forces

In 1979, Michael Porter introduced a revolutionary framework to evaluate how external competitive forces shape our business strategies. Initially, Porter's 5 Forces framework intended to measure external pressures on company profitability and has roots in industrial organization, therefore the priority focus is industry structures. As Porter outlined, the fundamentals involved in basic strategy formulation is how to best deal with the competition. The extent to which strategy is manipulated by competitive forces relies on the principle of 5 basic forces, including threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitutes, and the industry competition. In reviewing these basic forces, a firm can assess and rank the threat level of each source affecting the overall industry profitability and competition; accordingly devising a plan of action to mitigate areas that are most dominant against the firm. This allows the company to better understand and configure a favourable position in its given market while recognizing the larger risks to the firm (Porter, 1979). For a simple explanation of each force, please refer to **Figure II-8**.

*Figure II-8: Porter's 5 Forces Example*



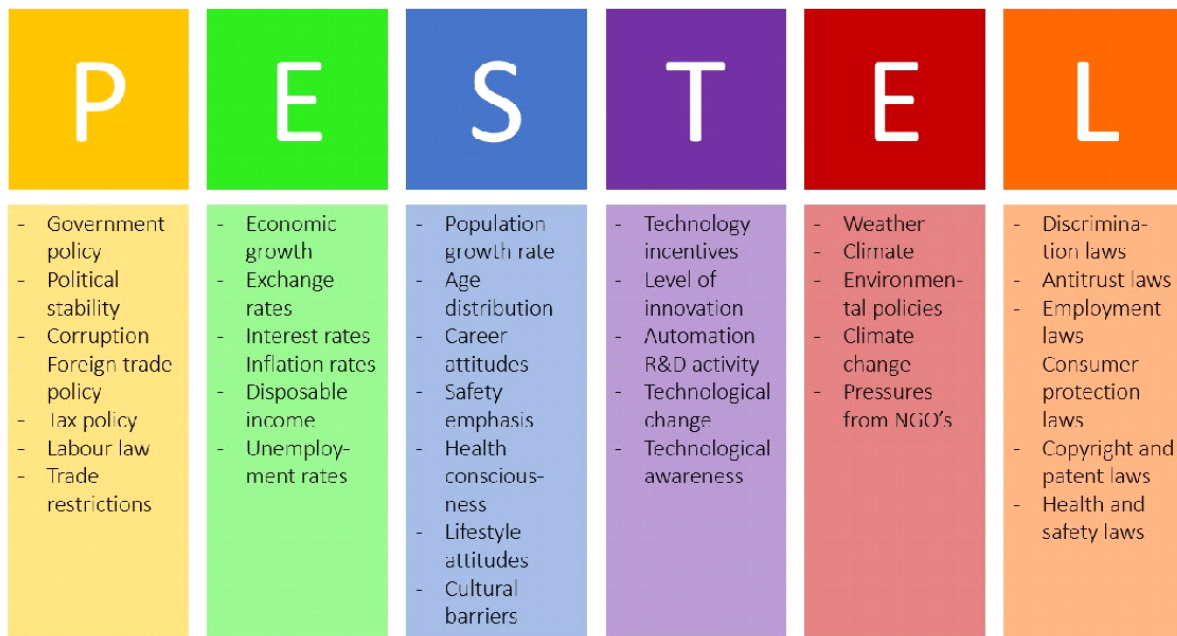
<b><i>Bargaining power of suppliers</i></b>	The power a supplier has to influence prices, quality, or output of a company and is normally determined by the concentration or availability of suppliers.
<b><i>Bargaining power of buyers</i></b>	The influence an individual buyer may have to pressure a company to change its pricing or product details and is often evaluated by the number of buyers in a market.
<b><i>Threat of substitutes</i></b>	The existence of products outside of the realm of the common product boundaries which increases the propensity of customers to switch to alternatives.
<b><i>Threat of new entrants</i></b>	The ability for new companies to enter and capture market share in the given market and the seriousness of the threat depends on the barriers to enter a certain industry.
<b><i>Threat from industry competitors</i></b>	The evaluation of competition intensity within the industry and is an analysis of the number of competitors and its capabilities to overtake market share.

*Source: Porter, 1976*

(b) PESTLE Analysis

The man accredited with the PESTEL frameworks induction is Francis Aguilar (1967) in his book *Scanning the Business Environment* and the model first included economic, technical, political, and social; originally making it the ETPS framework. Since then, this model has been extended to include environmental and legal elements and has encountered many variations (Frue, 2017). In general, the PESTLE framework was created to better evaluate and analyse the various macro-environmental factors that may impact a firm’s strategy. The political element refers to policies, grants, or other initiatives, economical referring to general economic wellbeing, inflation, or interest, social refers to any trends within cultures changes in lifestyle, and technological refers to any considerable advances in technology that may affect the given business (Ugale & Pawar, 2015).

**Figure II-9: PESTEL Framework**



*Source: Business-to-You, 2016*

## Section II.03 Threats of Sustainability

In 1991, Ghemawat performed an academic study on the considerations in sustaining competitive advantage within a company's given market. For this to be applied, a company must first undergo self-evaluation and understand its capabilities and competencies in comparison to its competition. To do this, a company would consider using frameworks previously mentioned such as a VRIO analysis, in which competitive advantages are highlighted with an emphasis on the elements that may be sustainable. Ghemawat's academic insights added to this evaluation of sustainable competitive advantage, assessing 4 main areas which may over time, degrade a competitive advantage and relocate a company's position within a given market. The elements Ghemawat brought to light were imitation, hold-up, slack, and substitution.

Imitation refers to the ability of a competitor to produce a similar product, process, or strategy that would remove a competitive advantage. When competitors can replicate a product or process, it reduces the speciality of that capability and cannot be considered as a differentiator in the market.

Hold-up is the bargaining power of a company's customers or suppliers, which if changed would shift the relationship and dependencies on one and other. This could then change pricing, processes, and ultimately capabilities which would damage a competitive advantage.

Slack is considered to be an internal issue regarding efficiency. As slack occurs, company efficiency decreases which may occur for several reasons such as inability to keep up with growth or change in organizational design.

Lastly, substitution arises with an increase in demand for more relevant products that can better satisfy customer needs. This happens often due to evolving consumer tastes, social trends, or new technologies that can outperform the previous generation of products.

## Article III. Teaching Notes

### Section III.01 Introduction and Synopsis

CP is a relatively young company that has grown exponentially in just 10 years. However, CP must now combat a newly arisen challenge: the COVID-19 pandemic. This pandemic presents both opportunities and challenges for the young company. This case study was initiated in 2021 to reflect on how CP has navigated the current pandemic. It will assess and provide insights as to how it may shift its strategy to mitigate potential impositions to the business and capture the advantages that may be provided. In analysing the business structure, dynamic capabilities, and the fintech and G&G industry in Canada, students will attain a greater understanding of how a start-up or growth staged company must adapt to its environment to ensure immediate and long-term success. This will specifically provide lessons in strategic crisis management, risk management, and product portfolio diversification.

It is important to note that the pandemic is ongoing, and its incoming disruptions and aftershocks may shift the position of CP after the publishing of the case study. The teaching notes will illustrate a set of potential solutions to the questions posed below. These are general recommendations provided through the process of data collection, internal and external interviews, and analysis of the industry. These are each one of many possible solutions and it should be mentioned that future analysis may consider other variables that may alter the recommendations to CP.

### Section III.02 Teaching Objectives

An investigation of the various strategic elements of CP will be analysed with the overall objective of providing academics with the opportunity to brainstorm solutions and apply frameworks. Utilizing these concepts and frameworks, students will be able to critically think of a strategic recommendation towards a practical scenario of a real company. This will engage students in creative thinking and discussion in the realms of crisis management, risk management, and product portfolio mix. No previous work experience is necessary, but some academics may consider outside data to support claims in the frameworks for a more thorough analysis of the G&G sector. To complete the case analysis all academics should read the complete case study to get a deep understanding of the situations occurring within the business. For a breakdown of the

teaching objectives and the posed questions to students, please consider the notes in the next section.

### Section III.03 Guiding Questions and Expected Response

- (a) Question 1: How would you assess the fintech and G&G industry and the effects caused by COVID-19?

#### **Teaching objectives**

- *Understanding the growth of the fintech and G&G industry*
- *Understanding the supply and value chain of the online and retail payment industry*
- *Understanding the changing variables within the industry that have been damaged or sparked due to the pandemic*

To best analyse this segment, students should consider using macro and micro-environmental analysis such as a PESTEL or Porter's 5 Forces. In doing so, students will be better equipped to understand the underlying conditions affecting the market such as the regulations and social trends, which are significant variables in this analysis. In addition, students will be able to identify the external entities that may put pressure on the business and industry in general, aiding the student to consider which are the areas exposed to the highest level of risks.

Figure III-1: PESTEL Analysis

Factors	Situational Outlook	Threat Lvl
<b>Political</b>	<ul style="list-style-type: none"> <li>• Political stability in Canada – Liberal minority government</li> <li>• Minor concerns of policy makers on casino impacts of employment and wages – low evidence to support claims</li> <li>• Jurisdiction for lawmaking and regulations of physical and online gambling mostly falls under provincial jurisdiction</li> <li>• Each province and territory have slightly different regulations towards gaming and gambling</li> <li>• Almost all types of gaming and gambling is accepted in Canada with minor exceptions</li> <li>• Ontario to pass new legislation to modernize gambling sector by this fall</li> <li>• Ontario seeks to create legal framework for online gambling services</li> <li>• Federal government has jurisdiction over financial and criminal laws, overlapping with minor areas of gaming and gambling regulations mostly pertaining to illegal betting and unlicensed betting houses</li> </ul>	<b>Mid</b>
<b>Economical</b>	<ul style="list-style-type: none"> <li>• Slow economy in Canada over past two years due to pandemic</li> <li>• IMF predicts a growth of 5% in 2021 and economic output to increase back to pre-pandemic levels</li> <li>• Claims on positive impact on local and regional economies generated from gaming and gambling via physical and online</li> <li>• Government currently takes a high percentage from casino and lotteries, resulting in positive revenue effects from casino legality</li> <li>• In Canada, reports state online casino sector grew by 77% over last year</li> <li>• Laxing of online licensing regulations similarly to British law may increase revenue by double which increases overall economy stimulation</li> <li>• Within five years of the passage of law, Canadian sports betting could grow from \$500 million to \$28 billion a year</li> </ul>	<b>Low</b>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Increasing awareness around gambling addiction and psychological harm in the gaming and gambling industry</li> <li>• Main concern around gambling are the social costs attributed to individuals that develop gambling problems and subsequently indulge in crime and/or bankruptcy</li> <li>• Some findings conclude casinos contributed to higher bankruptcy rates</li> <li>• Online casinos are more popular than ever amid COVID-19 pandemic</li> <li>• Social cost studies are controversial due to little agreement on the proper measurement of such costs</li> <li>• As of 2013, Canadians on average lose \$568 a year each from gambling, the fourth highest worldwide</li> <li>• Most efforts to stop gambling are increasingly focused on educating population on social costs through marketing</li> <li>• Studies suggested that up to 10% of suicide attempts in provinces such as Alberta are gambling related</li> </ul>	<b>High</b>

Source: Internal PESTEL Analysis 1/2<sup>6</sup>

<sup>6</sup> Sources used in PESTEL: Wu & Chen, 2015; GS.org, 2021; Collier, 2013; Deloitte Canada, 2020; Vandaele, 2021; Affiliate Insider, 2021; GREO, 2018; George-Cosh, 2021; Research Chair on Gambling Studies, 2020

<b>Technological</b>	<ul style="list-style-type: none"> <li>• Further advancements in ecommerce and digital adoption increase access to online gaming and gambling platforms</li> <li>• Increasing fintech growth allow for increased alternative acquiring/payment methods for casual/high wealth gambling</li> <li>• Global trends towards open banking</li> <li>• Growing of blockchain and secure methods of transactions</li> </ul>	<b>Low</b>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• General shift toward lowering carbon footprint</li> <li>• Several studies indicate that casinos produce positive environmental outcomes, including protection of nature, conservation of historical buildings, improvement of public transportation, upgrades in electrical facilities, higher medical standards, and revitalization of city landscapes</li> <li>• Other studies indicate negative effects such as escalation of trash, soil erosion, poor air quality, decline of scenic beauty, demolition of public infrastructure, and large tourist gatherings</li> </ul>	<b>Low</b>
<b>Legal</b>	<ul style="list-style-type: none"> <li>• Online gambling is legal in Canada, provided the online Casino site you are playing at is located offshore or licensed</li> <li>• Laws remain flexible while maintaining public welfare</li> <li>• Removal of promotion towards gambling activities across many provinces and territories</li> <li>• Online gambling often falls into somewhat of a grey zone</li> <li>• Canadian law does not prohibit the practice of betting via the Internet, but it does require a service to be licensed or owned by a provincial government to be considered legal</li> <li>• Bill C-13 proposes to lift the prohibition against provincial and territorial governments managing single event sports betting</li> <li>• Federal jurisdiction of Criminal Code includes: <ul style="list-style-type: none"> <li>• Section 201 – keeping a common gaming or betting house</li> <li>• Section 202 – illegal betting, bookmaking, and pool-selling</li> <li>• Section 206 – Offenses related to lotteries/games of chance</li> <li>• Section 209 – Cheating at games of chance</li> </ul> </li> </ul>	<b>High</b>

*Source: Internal PESTEL Analysis 2/2<sup>7</sup>*

The future of the gambling industry appears to be promising in Canada as the Pandemic has pushed forward the online gambling platforms and communities, increasing its number of participants. As provinces seek to create new frameworks for the legal licensing of online betting platforms and bills such as C-13, it is clear that many new opportunities will arise for Canadians in terms of G&G. Furthermore, there are critical financial opportunities in this online market and, although it has already become a billion-dollar global industry, in Canada, there are still massive

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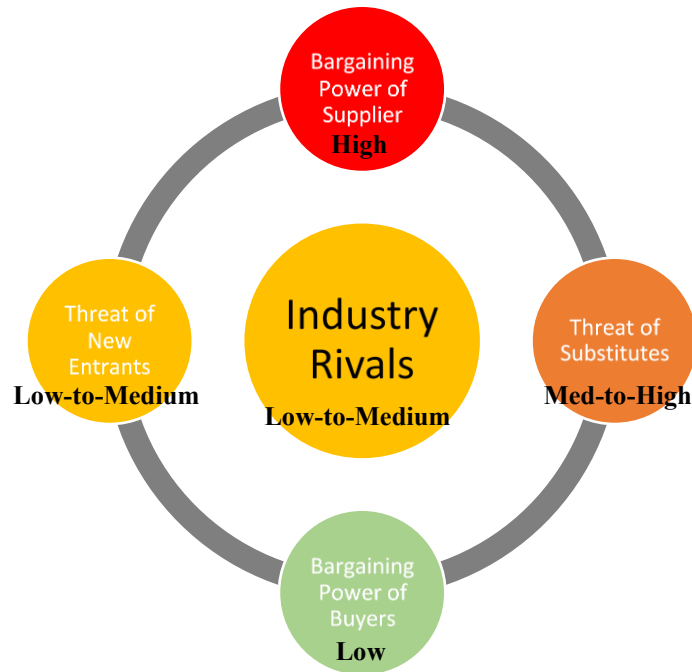
<sup>7</sup> Sources used in PESTEL: Wu & Chen, 2015; GS.org, 2021; Collier, 2013; Deloitte Canada, 2020; Vandaele, 2021; Affiliate Insider, 2021; GREO, 2018; George-Cosh, 2021; Research Chair on Gambling Studies, 2020

financial and economic incentives to lax regulations and open further gambling avenues. In addition, with the growth of technological hardware and software, access to online gambling platforms is becoming easier in Canada. In tandem with growing fintech, this has enabled Canadians to access and participate in the G&G community actively through the abundance of platforms and financial support offered.

The major threats to the industry are the social factors and subsequent legislature that may obstruct both physical and online G&G, thus the supply chain which leads to CP. The primary reasons that may spark such legislation to prohibit licensing, betting avenues, and other related activities stems from the social costs that are being exemplified across the nation. Currently, there is little concern over the environmental impacts brought on by the G&G industry aside from the high electrical usage and land degradation; however, the mindset in Canada over these variables are not presently strong enough to spark major controversy. In addition, the major issues arise from the social aspects of the industry, as there are links to major financial hindrances, addiction, and even suicidal tendencies. Currently, provinces are not actively pushing the legislature to inhibit casino and betting activities and are rather using marketing campaign efforts to promote responsible gaming (RG) and awareness of gambling addiction. This may be a source of concern in the future as social costs are rising due to the climate brought forth by the pandemic. However, the social costs as indicated in **Figure III-1** are still debated and much of the research put forth has been debunked by alternative studies. This illustrates the difficulties in proving the aforementioned social costs are as indicated or factually stemmed from gambling sources.

Generally, policies in Canada go through a vigorous process before approval and are much more likely to be passed if supported by credible evidence (GREO, 2018). Therefore, while legal and social aspects may be an area of concern, further studies must support the concepts of social costs in Canada from gambling and must be passed through the legal process which will ultimately takes considerable time. Furthermore, due to gambling activities being under provincial legislature, each province would have to pass a bill to effectively change the overall industry, thus the risks stemming from the legal perspectives are diminished as this legal process would have to be repeatedly passed through each province and territory before creating a high impact on the overall industry.

*Figure III-2: Porter's 5 Forces Analysis*



*Source: Internal Porter's 5 Forces Analysis*

### *Bargaining Power of Suppliers*

The threat classification of suppliers is *high*. This is predominantly due to the low number of suppliers in the G&G industry. Currently, there are only four main suppliers that provide their services to online G&G sites. Of those four, only one (Security Card) has access to all of the main revenue-generating services (Bet 365, PokerStar, etc...). Therefore, CP's business in this segment is highly reliant on a single supplier and if this supplier were to alter its mindset and choose a new business partner, CP would lose out on its primary revenue generator in this very profitable segment. In addition, the banks are not currently counted as the main supplier in this industry due to their general stance on gambling and are not of much concern. However, if this mindset changes among banks, there will be more suppliers and essentially reduce the need to use

alternative transactions, digital wallets, or prepaid credit card services in this industry. This could pose a significant threat to CP.

#### *Bargaining Power of Buyers*

The threat classification of buyers is low. Currently, buyers playing on G&G sites have limited options for transactions due to little support from the bank within the online gambling industry (see G&G section of the case study). Thus, buyers can only really use debit, prepaid credit, or alternative services to deposit funds and play in the online gambling scene. For example, if a buyer wants to play on Bet365, the buyer is likely limited to one or two services for transactions. In most cases, the buyer will buy a Security Card to make a deposit onto their Bet 365 account. To make the purchase or reload their Security Card online, there are only two options, CP, and its immediate competitor with far less market share and reputation, G&G Funders. In addition, since the industry is large, there are many buyers, and each individual has very little bargaining power to sway transaction fee pricing.

#### *Threat of New Entrants*

The threat classification of new entrants is low-to-medium. As examined in prior sections, CP operates in a niche market with few competitors. The main challenge in this niche market is competing with the banks which many consumers would use. In addition, the suppliers of services for CP and the online G&G sites have little need to purchase or use the service of more than one or two companies. Furthermore, the need for investment cost and a reputation is critical in this industry as most Canadians that make use of these services do so because they feel it is more secure, encrypted, and low in fees. This is a difficult reputation to build and requires the support of partners to become successful.

#### *Threat of Substitutes*

The threat classification of substitutable products is medium-to-high. While currently there are few services for consumers in the way that CP currently operates, there are two major threats that could substitute its services. First, there is the threat of suppliers such as Security Card cutting out the middleman (CP) and creating its own platform and service that allows the consumers to directly purchase its products. If Security Card (and other major providers) decided to create these services, CP's services would no longer be required and would be rendered obsolete. Second, there

is the threat of the banks providing credit transactions or commercializing their e-transfer capabilities. If this were to be implemented, businesses such as Security Card would surely see a great threat as its services would be less engaged, thus hindering CP services indirectly. The reason this is a medium-to-high despite the major threat is the unlikeliness for these options to occur anywhere in the near future. Having interviewed individuals at CP, they have expressed that Security Card sees no need for changing providers of its service or to offer substitutable services. Regarding the banks, the shift to the adoption of services such as this is incredibly bureaucratic and therefore slow. While the option presents a major threat, the probability of occurrence is not large enough to be considered a high threat.

### *Threat of Industry Rivals*

The threat classification of industry rivals is low-to-medium. In the G&G sector and alternative acquiring or online payment solutions segment, there are currently two main competitors. Both of these competitors in the Canadian market have considerably less market share, have a far worse network and reputation, and less integrated services, making them a small threat. However, if the banks were to be considered rivals, the threat could be classified much higher due to their major influence over Canadian consumers. It is hard to classify the banks as they do not operate in alternative payment solutions but are a competing industry and service.

- (b) Question 2: What are the internal resources and dynamic capabilities that have allowed CP to succeed?

### **Teaching objectives**

- *Understanding the core capabilities and competitive advantage embodied*
- *Understanding the limitations and capability gaps that may indicate potential threats*

To understand the resources and dynamic capabilities that have enabled CP to succeed and stay competitive, students should first understand the linkages between the resources, dynamic capabilities, and resulting outputs. Through this analysis, the capabilities that allow for the strongest performance in the value chain can be captured and further analysed in a VRIO framework. Through the performance of this analysis, students will be able to identify the

competitive advantages that yield long-term sustainability and thus should be a critical capability that can differentiate from CP's competitors.

### **Resource Analysis**

Diving into the tangible resources, as CP operates in the fintech space, its physical resources will be minor since the majority of products provided are non-tangible solutions. Nevertheless, there are some worth probing. For instance, although CP is not the manufacturer of such products, they do repair and distribute small terminals to retailers for quick and easy reloading and transactions. Furthermore, CP also distributes prepaid SIM cards, telecom PINs, GPRs, and gift cards. The financial and technological resources are the software, algorithms, platforms, big data, and codes that allow CP to host, receive, and deliver transactions for its clients. These are the main drivers for its online business segment and should be the significant components in the students' evaluation of tangible resources.

The intangible resources of CP may be more difficult to examine. First, an assessment of the human aspect of the business must be performed. Leadership has always been a significant variable for any start-up, and it is no different with CP. Riding off the success of the two prior entities, CP was formed in the early 2010s and embodied leadership that fostered creativity, adaptability, and inspiration. Specifically, the culture of CP stems from its leadership, enabling employees to take calculated risks, pitch new ideas, and work in spaces that fuel innovation. This culture has continued to satisfy and motivate CP employees, allowing for low attrition, high employee engagement, and innovation.

This leads to the next branch of intangible resources, innovation. While many start-ups benefit from a more relaxed and less structured environment, this culture has also been the downfall of many. Instead, CP applies a more structured approach that provides time for creative brainstorming but still requires support from data and team members for project approval. This has allowed the company to sink its teeth into the ideas that spark the greatest interest among leadership while simultaneously not wasting time on ideas that will likely fall flat. This structure's innovative aspect is the backbone of the company as the company has rapidly expanded itself into new segments and industries where it has found it can apply its resources and capabilities. This mindset and process is a major resource.

To conclude, the reputation of the company should be assessed. While many end consumers do not realize they have used CP services, its reputation among retailers, telecommunication companies, and institutions are well known. This focus on solely financial inclusion within Canada has let the company work with some of the largest retailers, logistics providers, and payment solution companies in Canada and around the globe. In securing these clients and branding in the Canadian network, the company has earned the top spot among payment solutions.

### **Capability Analysis**

The assessment of CP's resources will directly feed into its capabilities, as the capabilities are a company's abilities to transform or deploy its resources into an achievement. As a fintech company operating in the digital age, much of the company's capabilities are derived less from tangible resources, but rather from the more intangible or *knowledge-based resources*. When interviewed, most employees considered creativity and innovation as a key capability that has allowed the company to thrive. Benefiting from a medium-sized employee base and strong leadership, the company has enabled its members to constantly brainstorm new ideas and take advantage of opportunities and trends in sectors and segments where the company has applicable capabilities.

This funnels into the company's dynamic capability of adaptability. Still having a semi-start-up mindset, CP has created an infrastructure that has granted them proactivity and adaptability to its surroundings, jumping into projects at rapid paces, loosening budgets, and having cross-functional members supporting projects. This non-rigid structure enables CP to be as adaptable as needed in its budget and human resource allocation.

In addition to this, a key capability highlighted by CP members is its portfolio management and project selection process that has been derived from its leadership, project management systems, and reporting structure. This process is a capability that has permitted the company to quickly select or actively kill projects. Due to its concise process of four simple steps and the availability of senior leadership to hear out their employees, CP avoids the largely bureaucratic processes which can take weeks if not months to approve a project.

Finally, rooted in its reputation and brand resources, CP has been able to create an incredible network of trusted outlets and partners for its buyers. Exploiting this credibility, CP has

been active in spreading its name and partnerships throughout Canada, successfully achieving the largest number of outlets for its given markets compared to its immediate competitors. This capability of active outreach has empowered the company to meet the needs of many Canadians through convenience and is likely its most significant capability developed from its brand reputation.

*Figure III-3: VRIO Analysis*

	<b>Valuable</b>	<b>Rare</b>	<b>Inimitable</b>	<b>Org. Exploited</b>
<b>Innovation</b>	Yes	No	No	Yes
<b>Adaptability</b>	Yes	Yes	Yes	Yes
<b>Project Selection</b>	Yes	Yes	No	Yes
<b>Network Creation</b>	Yes	Yes	Yes	Yes

*Source: Internal VRIO Analysis*

Illustrated in **Figure III-2**<sup>8</sup> and mentioned in the *capability analysis section* of this thesis, there are four key capabilities considered in the VRIO analysis. These are innovation, adaptability, project selection, and network creation.

Assessing innovation and the project selection process, it is concluded that these will not be a sustainable competitive advantage. While the innovation capability is incredibly valuable, in

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<sup>8</sup> Authors own analysis and opinion on the 4 primary resources and capabilities that may be sustainable competitive  
 - Inimitable refers to being unable to imitate, thus “yes” refers to capability as being unable to replicate by competitors

the fintech or G&G industry, innovation is not rare and thus can be replicated through a company's processes. The project selection process is a competitive advantage in the industry; however, it is not considered sustainable. While the process is valuable and rare to CP, its concise and simple structure allows for easier imitation. Thus, while CP has exploited this advantage, if the process were to be leaked, it could be replicated with relatively little effort and thus not a likely lasting competitive advantage.

The dynamic capability of adaption is considered a sustainable competitive advantage for CP. It is valuable as it assists the company in managing crises, taking on new projects, and staying flexible to hiccups in the market. This is rare as many companies in this market are either start-ups or large institutions and thus are either burdened by a lengthy bureaucratic process or having limited financial and human resources, forcing companies to be more selective in their projects. This also makes it difficult to imitate as larger organizations cannot easily restructure and smaller companies cannot merely create financial and human resources out of thin air. This dynamic capability is proven to be organizationally exploited through its employees who claim that management is happy to pour resources into new areas.

The capability of network creation is projected by CP members to be the company's largest asset and is regarded as a sustainable competitive advantage. The vast network CP has created is inarguably valuable as no competitors in this space have close to its extensive partnerships and thus each across Canada. In terms of its inimitability, creating a network of this extent takes considerable time, money, reputation, and effort, making it incredibly difficult. Furthermore, CP benefits from a first-mover advantage as many of its clients and partners do not need further suppliers of the same product or service. This capability continues to be exploited as CP maintains reliance on its brand, recognition, and established network to consistently find new partners and clients.

From this evaluation of CP's (dynamic) capabilities, it is concluded that its ability to create networks and be adaptable to the market environment are sustainable competitive advantages and should be continuously attended to and improved to ensure CP's longevity, especially in the G&G market where it can be best applied.

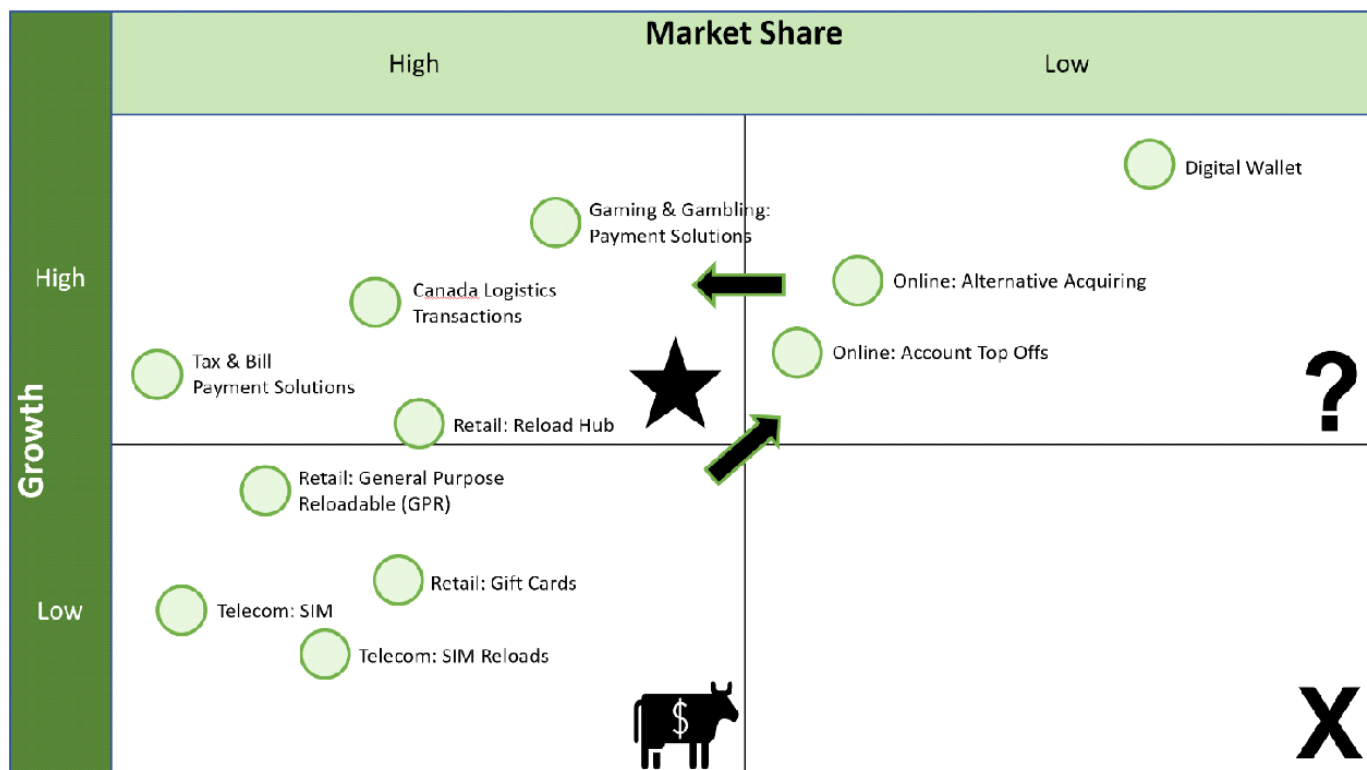
- (c) Question 3: What is your assessment of the product portfolio and where are the areas that may require further investment or divestment?

### **Teaching objectives**

- *Understanding the growing and dying segments of the business*
- *Understanding the immediate and potential risks of each business segment*

Assessing a product portfolio will require specific frameworks to understand the diversification of products and segments and where further investment and divestment may be needed. In addition, students should assess the company's new product portfolio management (NPPM) process, whether this product portfolio selection style best fits management, and whether it enhances the performance of the company. This will include balancing the short-term and long-term projects or products with a comfortable level of risk. To evaluate the portfolio and portfolio management style, students should engage in frameworks that provide outcomes in investments or divestments such as the growth-share matrix (BCG matrix) and a framework that deals in the assessment of portfolio product development. For visualization of product and channel breakdown of CP, please refer to the appendix.

Figure III-4: Growth-Share (BCG) Matrix



Source: Internal Growth-Share Analysis

In Figure III-3<sup>9</sup>, the BCG matrix is used to classify the products of CP based on the interviews conducted with five Senior Management employees and the financial data provided by the firm. The optimal investment flow stated from BCG’s reports is allocating the funds earned from cash cows to the question marks. This provides the opportunity to gain further market share and thus transitioning them to stars. Due to this, we notice that many of the legacy products of CP such as gift cards, GPR’s, and telecom SIMs have low expected growth but high current market share. As such, these products should not require heavy future investments and instead should have stable allocations to ensure their longevity and secured market share. The cash reserves generated from this section of the matrix should then be used to invest further into areas such as digital wallets, online alternative acquiring solutions, and online account top-offs. This creates the potential to turn them into star performers. In addition, the star performers that still have growth

<sup>9</sup> For simplification purposes, all products and channels for G&G have been bundled together due to their similarity in growth and market share

should have further investments to better penetrate the market or for greater product innovation in the segment.

### **New Product Portfolio Management**

Drawing from the interviews and analyses conducted on the portfolio and the new product development process, it can be concluded that the perceptions of CP and its employees are that the portfolio management falls under the “benchmark” category. This means that management believes that the portfolio has both excellent overall quality and management fit, when referring to the two-factor map by Cooper, Kleinschmidt, and Edgett, and thus should be a methodology other firms seek to replicate. The important aspects to highlight when analysing the interviews and subsequent data are the perceptions on the current portfolio with specific regards to short and long-term payoff and risk.

Overall, it appears that CP has both a strong portfolio and a new project development process. Assessing the BCG Matrix, a critical finding is that there are no current projects that are considered “pets” and thus should be eliminated from the portfolio. Instead, all projects are believed to hold value in some regard, whether it serves a strong revenue purpose, access to a specific channel, or compliments another product. Thus, the main takeaway is that CP should continue employing its project management process and should not make major shifts in terms of divestments. Instead, CP should invest moderately more into its question mark or partial star performers, especially in the G&G products where growth is highest and there is further market share to be obtained.

- (d) Question 4: Based on the previous assessments, capture the elements that may serve as major risks, their correlated impact, and craft a response strategy

### **Teaching objectives**

- *Understanding risk management approaches and how to identify and assess risk within a business segment*
- *Understanding financial and strategic impacts of risks and how to develop mitigation strategies to preserve business performance*

**Figure III-5: Risk Register**

<b>Risk Description</b>	<b>Qual. Impact</b>	<b>Quant. Impact</b>	<b>Probability</b>	<b>Response</b>
<i>Banks offer new services in G&amp;G</i>	Security Card and other services lose clients to banks	Loss of up to 90% of revenue stream in G&G	Low	Continue innovation in the secured legacy products
<i>Security Card goes direct to consumers</i>	Lose Security Card & forced reliance on other suppliers	Loss of up to 70% of revenue stream in G&G	Very Low	Enhance and support other growing partnerships in G&G
<i>New competitors enter the market</i>	Market competition increases and some market share is lost in G&G	Loss of up to 30% of revenue stream in G&G	Medium	Fortify key partnerships that allow for dominance in the market
<i>Regulation changes to online G&amp;G</i>	Limit services and transactions resulting in hindered G&G business	Loss of up to 50% of revenue stream in G&G	Low-Medium	Shift towards supporting physical G&G through legacy products and retail network
<i>Suppliers increase limits on deposits/withdrawals</i>	Loss of professional players and reduced transactions	Loss of up to 50% of revenue stream in G&G	Medium	Monitor and lobby partners to ensure proactivity in changing limitations in online sites
<i>Negative shift in consumers mindset towards G&amp;G</i>	Increased resilience, loss of moderately at-risk gamblers, & negative perception of CP	Loss of up to 15% of revenue stream in G&G	Medium	Proactive media campaigns to highlight benefits and risks of G&G activities
<i>Licensed online betting services leave the Canadian market</i>	No longer can service online G&G market and major loss in revenue	Loss of up to 80% of revenue stream in G&G	Very Low	Apply capabilities to support physical locations and diversify presence
<i>Interac prohibits its use in G&amp;G</i>	Loss of a main payment channel for online G&G	Loss of up to 20% of revenue stream in G&G	Low	Balance/diversify payment channels to mitigate loss

*Source: Internal Risk Analysis*

Via the brainstorming and identification of risks process, a risk register can be used to capture relevant data. In **Figure III-5**<sup>10</sup>, a risk register has been created to demonstrate the author's assessment of the key risks based on the case study data along with additional interviews and market research. Observing this, it can be noted that none of the mentioned risks have a high probability of occurring. However, if banks expanded offers to the G&G sector, Security Card decided to provide directly to consumers, or licensed betting services such as PokerStar decided

<sup>10</sup> *Quantitative impacts in Risk Register are approximated based on information given in the case as well as internal knowledge. Students will not be required to come a conclusive number but a logical approximation.*

to leave the Canadian market, there could be devastating impacts to CP's financials in the G&G sector. As Security Card transactions make up approximately 70% of sales in the online G&G sector, CP is incredibly dependent on its partnership and thus must be diligent in its response plan if shifts in its operations are to surface. To best respond to this threat, CP could seek to diversify its supply chain and presence in the physical G&G locations as the world begins to open up for business. In addition, due to CP's strong reputation and vast network in Canada, CP should continue to emphasize the value that it provides to highlight the benefits of the partnership.

For the medium-level threats such as negative perception shifts or decrease in deposit/withdrawal limits, it is recommended that CP be proactive in managing and monitoring its customers and supply chain. This will allow CP to be prepared for shifts in consumer mindset and supplier operations. Hence, through proper communication and campaigns, CP can avoid major shifts that will harm its business. By the implementation of these response strategies, CP will be able to better avoid and/or react to the risks that may occur.

- (e) Question 5: What would be your final recommendation to Canada Pay with regards to further investment in the G&G sector and correlated products?

### **Teaching objectives**

- *Understanding of company's strategy, objectives, and outlook*
- *Understanding how to synthesize all analysis into a final recommendation*

Given the previous evaluation of CP's performance in the G&G market and the challenges and threats ahead, it is recommended that CP continue its involvement in this sector and increase investment. This is concluded for 3 key reasons.

- 1) CP currently has a competitive advantage in this sector and benefits from a first-mover advantage, giving them access to the key partners in this industry. This strong network and supply chain creates major threats to new entrants and competitors, allowing CP to dominate. In addition, due to its dynamic capabilities which include adaptability and innovation, CP can react quickly to an evolving market, enabling them to stay diligent in this volatile environment.

- 2) The market itself may be exposed to particular risks such as regulation change, few suppliers, and increased competition, but the more likely outcomes hold a positive reflection. As outlined, Ontario is currently creating a framework to permit online gambling licenses, opening up further clients and revenue streams for CP. Due to the recent boom in this industry, many academics predict shifts that will make the sector more lucrative and thus offer increasing revenue potential. This is an industry that is incredibly promising and if aspects were to be legalized and open further, great benefits may be achieved.
  
- 3) CP holds a product portfolio and project development process that enables it to quickly acclimatise to emerging trends. In addition, the portfolio is perceived to be balanced in terms of short and long-term payoffs and risks and therefore can afford the added risks of investing further into this sector. Currently, only about 30% of CP's product portfolio is exposed to potential risks, as outlined in the prior risk register, and these risks as stated, are unlikely to occur. However, even if every "risk" project were to fail, CP would still survive from its stronghold in its other business segments. Furthermore, due to its risk management approaches, CP can continue to manage its risks and create response strategies as done in the previous analyses.

## Article IV. Concluding Remarks and Limitations

The purpose of this case study was to engage and prepare future academics for crisis management with specific respect to portfolio and risk management. As this case study does not focus intensely on the hindrances of the pandemic, but rather the opportunities provided, students should be prepared to utilize creative thinking and analysis to conclude how firms can shift strategies to mitigate risks and increase portfolio potential. A significant aspect of this case study is the major shifts that may occur in a market and the subsequent ambiguous future. Personally, I feel this case study is a story of how to turn around a poor situation and I hope to engage these strategic lessons in my future careers.

Throughout the data collection, analysis, and recommendation formulation of this case study there have been several limitations that may have affected the outcome. First, due to a large geographical separation from the firm highlighted in this case study, general interviews and access to information were limited. Second, because of the anonymity required by the firm, much of the information has been approximated or could not be disclosed to keep the identity of the firm secretive. Third, due to the nature of niche markets, much of the supply chain, partners, and clients did not have publicly available information aside from the websites, impeding the ability to capture all data pertaining to the value chain and overall market. Finally, with the ongoing pandemic, the market has constantly evolved over short periods, making it difficult to give any concrete conclusion or recommendations before the pandemic has officially concluded.

## Article V. Appendixes

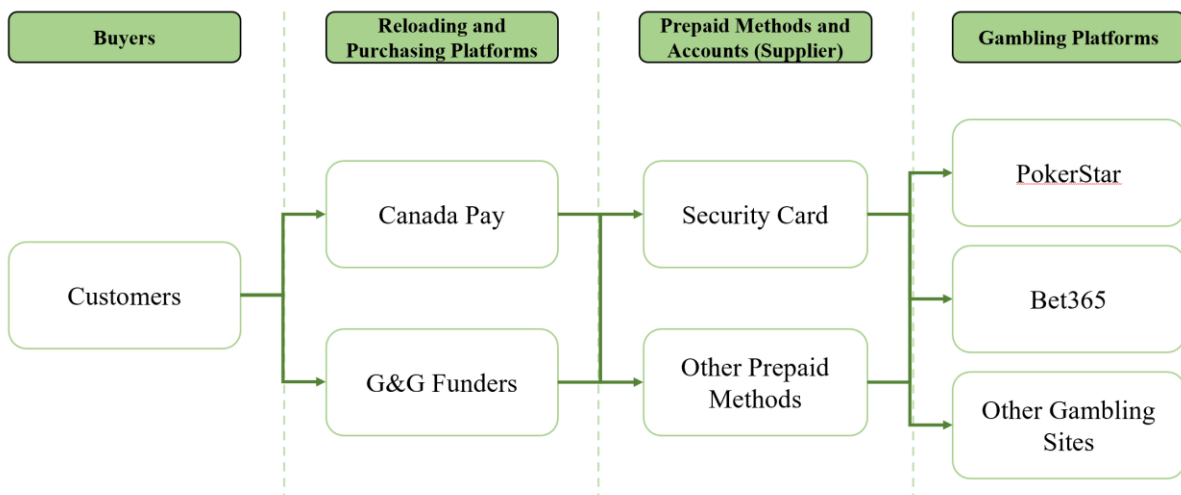
### Exhibit 1

#### Canada Pay Product Portfolio Overview

<b>Channels</b>	Retail	Online	Mobile
<b>Products</b>	G&G Payment Solutions Canada Logistics Transactions Reload Hub Tax and Bill Payments Gift Cards General Purpose Reloadable Telecom SIM	G&G Payment Solution Account Top Offs Tax and Bill Payments General Purpose Reloadable Telecom SIM Reloads Alternative Methods of Acquiring	Digital Wallet Card Management G&G Top Offs
<b>Channel Growth</b>	Low	High	High

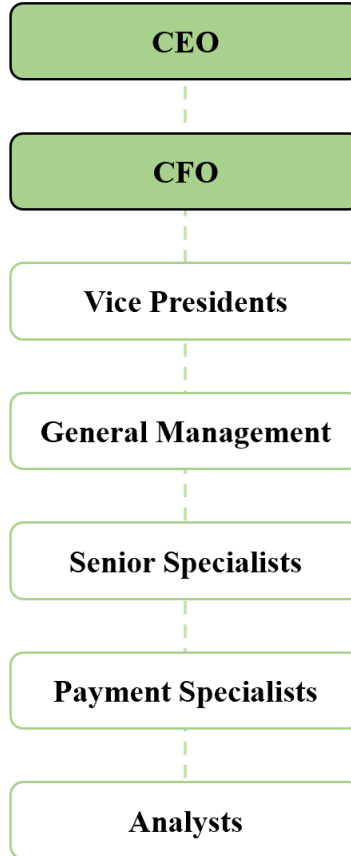
### Exhibit 2

#### *Simplified Gaming and Gambling Supply Chain*



**Exhibit 3**

*Simplified Organizational Design of Canada Pay*



**Exhibit 4**

*Gambling Overview in Canada*

<p><b>Gambling Laws in Prince Edward Island</b></p>	<ul style="list-style-type: none"> <li>• <b>Sports Betting</b> The Pro-Line service allows anyone 19 or older to make parlay bets on various sporting events. Tickets may be purchased online or at licensed land-based retailers.</li> <li>• <b>Lottery</b> The provincial lottery is operated by the Atlantic Lottery Corporation.</li> <li>• <b>Horse Racing</b> There are two racetracks on Prince Edward Island: Charlottetown Driving Park and Summerside Raceway. Unfortunately, there are no off-track betting facilities currently in operation.</li> <li>• <b>Video Lottery Terminals</b></li> </ul>
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	<p>In 2003, the Atlantic Lottery Corporation became the sole VLT operator for Prince Edward Island. In 2008, an initiative was enacted to reduce video lottery sites by 50% and the number of terminals by 20%. In 2014, there were 268 terminals at 39 sites, and rules were relaxed to allow these devices to operate every day of the week.</p> <ul style="list-style-type: none"> <li>• <b>Charitable Games</b> Non-profit organization can apply for a license to conduct charitable games such as bingo, raffles, and lottery-style contests.</li> <li>• <b>Online Gambling</b> Offshore gambling is unregulated, but it remains available to any PEI resident who can locate a site willing to accept their patronage.</li> <li>• <b>Casino</b> The only legal casino is a “racino,” as it combines harness racing and casino-style gaming. Blackjack, poker, and slots are available, and anyone over the age of 19 can take part.</li> </ul>
<p><b>Gambling Laws in British Colombia</b></p>	<ul style="list-style-type: none"> <li>• <b>Lottery</b> The British Columbia Lottery Corporation has been offering government-sanctioned games since 1985. Players must be 19 or older to buy a ticket, and winners have one year from the draw date to claim their prize.</li> <li>• <b>Horse Racing</b> Fraser Downs is the only active track in BC. For those who don’t want to drive to Surrey, off-track simulcasts can also be enjoyed at over 15 locations throughout the province.</li> <li>• <b>Casinos</b> There are over 15 casinos within the province, with a single facility belonging to the First Nations. The largest in terms of gaming space is Hard Rock Casino Vancouver, and it contains 1,000 slots, 70 table games, a poker room, and 8 baccarat tables in a high-limit room.</li> <li>• <b>Charitable Gaming</b> Non-profit organizations may apply for a license to conduct one of the following charitable events: ticket raffles, bingo, poker, wheel of fortune, and social occasion casinos.</li> <li>• <b>Online Gambling</b> The only regulated and entirely legal gambling site in BC is PlayNow, which is owned by the British Columbia Lottery Corporation. Launched in 2004, the site contains sports betting, lottery, bingo, poker, and casino games.</li> <li>• <b>Sports Betting</b> Tickets are available in convenience stores and other licensed locations. Players must wager on at least two games, and most contests require a 100% winning percentage to receive a payout.</li> </ul>
<p><b>Gambling Laws in Manitoba</b></p>	<ul style="list-style-type: none"> <li>• <b>Online Gambling</b> After British Columbia enjoyed success with a government-owned gaming website, Manitoba adopted the same business model in 2013. While over 1,000 unlicensed casinos and sportsbooks are available from offshore operators, PlayNow Manitoba is the only one operating within the borders of the province.</li> <li>• <b>Casinos</b></li> </ul>

	<p>Manitoba has a mixture of government-owned and First Nations casinos. Winnipeg has two of these facilities, and both are owned by the provincial government.</p> <ul style="list-style-type: none"> <li>• <b>Horse Racing</b> Both thoroughbred and Standardbred races are conducted in the province, and Assiniboia Downs is the only permanent track for such events. Winnipeg has several off-track betting facilities, and both live and simulcast events are overseen by the Manitoba Horse Racing Commission.</li> <li>• <b>Lottery</b> The Western Canada Lottery Corporation offers lottery tickets and scratch-off cards. These can be purchased online or at licensed retailers such as convenience stores.</li> <li>• <b>Charitable Gaming</b> Not-for-profit organizations within Manitoba can apply for a license to conduct one of the following forms of charitable gaming: bingo, raffles, break open, Monte Carlo, Calcutta auction, sports draft, and Texas Hold'em poker tournament.</li> <li>• <b>Sports Betting</b> The Sport Select system allows players to wager up to \$250 per day on two or more sporting event outcomes. The minimum age to play is 19, and participants can choose from options such as props, pools, and over/under.</li> <li>• <b>Video Lottery Terminals</b> These games of chance are confined to VLT lounges throughout the province and overseen by Manitoba Liquor &amp; Lotteries. The three most popular versions of the game are spinning reel, poker, and keno.</li> </ul>
<p><b>Gambling Laws in New Brunswick</b></p>	<ul style="list-style-type: none"> <li>• <b>Video Lottery Terminals</b> In 1990, New Brunswick became the first province to introduce video lottery terminals. The minimum payback percentage required by the Atlantic Lottery Corporation is 80%. Almost all of the province's 2,000 machines, however, have a 93% payout.</li> <li>• <b>Casinos</b> The only casino in the province is located in Moncton, and it contains an assortment of slots, table games, and poker.</li> <li>• <b>Horse Racing</b> Permanent racetracks are located in Saint John and Fredericton, while the Great Western Fair circuit brings the excitement of racing to various regions of the province on a rotating basis. As of 2015, off-track betting facilities were available in Dieppe and Quispamsis.</li> <li>• <b>Online Gambling</b> Residents can choose from a large number of offshore casinos and sportsbooks, although none of these is regulated by the government. In recent years, New Brunswick has openly discussed the idea of launching their casino website in the mould of Manitoba and British Columbia.</li> <li>• <b>Sports Betting</b></li> </ul>

	<p>The Atlantic Lottery oversees Pro-Line, a parlay-style sports betting game that can be purchased online or through hundreds of licensed dealers.</p> <ul style="list-style-type: none"> <li>• <b>Lottery</b> Lottery tickets can be legally purchased at over 900 land-based dealers. Drawings and payouts are conducted by the Atlantic Lottery Corporation.</li> <li>• <b>Charitable Gaming</b> Over 800 charitable licenses are currently issued to non-profit organizations within the province. Raffles are the most common, although bingo remains the most popular gambling activity among adults 65 or older.</li> </ul>
<p><b>Gambling Laws in Nova Scotia</b></p>	<ul style="list-style-type: none"> <li>• <b>Lottery &amp; Charitable Gaming</b> Video and ticket lotteries, as well as other charitable games such as bingo, fall under the domain of the Atlantic Lottery Corporation. Tickets can be purchased online or from over 1,000 retailers throughout the province.</li> <li>• <b>Casinos</b> There are two land-based casinos in Nova Scotia, and both are government-owned. Casino Nova Scotia has locations in Halifax and Sydney, and both facilities offer traditional slots and table games. The average payback percentage for slots, as reported by the Nova Scotia Provincial Lotteries and Casino Corporation, is 92%.</li> <li>• <b>Horse Racing</b> Three legal horse racing tracks are currently available in Nova Scotia: Inverness Raceway, Northside Downs, and Truro Raceway. A handful of teletheatres are also available for those who want to bet but can't make it to the track.</li> <li>• <b>Sports Betting</b> The Atlantic Lottery Corporation uses the Pro-Line system to allow residents to wager on sports. A minimum of two athletes or teams must be wagered on in parlay fashion, and this is common throughout the nation. Customers must be 19 or older to participate.</li> <li>• <b>Online Gambling</b> The province offers no gaming sites of their own, but residents can still seek out thousands of offshore casinos and sportsbooks without fear of legal troubles.</li> <li>• <b>Video Lottery Terminals</b> There are over 2,700 VLTs in Nova Scotia at more than 300 licensed retailers. The average prize payout ranges from 93% to 95% of the total wagers. Legal games are only found in age-restricted locations such as bars and liquor stores.</li> </ul>
<p><b>Gambling Laws in Quebec</b></p>	<ul style="list-style-type: none"> <li>• <b>Casinos</b> Quebec currently has nine land-based casinos, and these are popular with both locals and neighboring residents in New York, Vermont, New Hampshire, and Maine. All activities are overseen by the Quebec Alcohol, Racing, and Gaming Commission.</li> <li>• <b>Horse Racing</b> Only one race track currently exists in the state, and it primarily offers harness racing. In addition to placing wagers at the</li> </ul>

	<p>track, bettors can also pick their favorite ponies at several off-track facilities.</p> <ul style="list-style-type: none"> <li>• <b>Lottery</b> A wide range of lottery games is offered, from Lotto Max and Quebec Extra to Tout ou Rien. Drawings are held daily, and the lottery represents the oldest form of legal gambling in Quebec.</li> <li>• <b>Online Gambling</b> Residents can play at any online site that's willing to accept them, including the government-owned Espacejeux. This may soon change, however, as the Quebec government has announced plans to block any online gaming site that's not approved and licensed by Loto-Quebec.</li> <li>• <b>Sports Betting</b> Legal residents of Quebec can wager on sports teams or individual athletes through a game known as Mise-O-Jeu. Players can wager on two to eight options, although all picks must be successful to receive a payout. Wagers can be made online or at participating locations such as convenience stores.</li> <li>• <b>Video Lottery Terminals</b> Quebec was one of the last provinces to offer video lottery terminals. In 1994, it was estimated that over 40,000 illegal machines were in operation within the province. That number has dropped substantially since over 12,000 VLTs have been legally placed in select brasseries, bars, and gaming hall complexes.</li> <li>• <b>Bingo &amp; Charitable Gaming</b> From bingo and Kinzo to raffles, all charitable gaming within the province is regulated and licensed by Loto-Quebec.</li> </ul>
<p><b>Gambling Laws in Ontario</b></p>	<ul style="list-style-type: none"> <li>• <b>Casinos</b> Over 25 land-based casinos are active in Ontario, and these range from privately-owned entities to charitable locations run by the government.</li> <li>• <b>Slot Machines</b> In addition to casinos, slots may be found at racetracks and other select locations. There are more of these gaming devices in Ontario than in any other province in Canada.</li> <li>• <b>Horse Racing</b> Quarter horse, Standardbred, and thoroughbred racing is available at racetracks from Ottawa to Fort Erie. These tracks enjoyed great success when slot machines were added in 1998, but their withdrawal by the government in 2013 has resulted in a massive downturn.</li> <li>• <b>Sports Betting</b> Players may use the Pro-Line service to wager on multiple types of sports through the Internet or land-based lottery centres. At least two games must be wagered on, although the customer can choose from several betting options such as the point spread or over/under.</li> <li>• <b>Lottery</b> In addition to national lottery drawings, residents can take part in provincial drawings that are administered by the Ontario Lottery and Gaming Corporation. Ontario boasts one of the largest lottery</li> </ul>

	<p>networks in North America, and in 2011 their fiscal revenue was in excess of \$3 billion.</p> <ul style="list-style-type: none"> <li>• <b>Charitable Gaming</b> This includes raffles and bingo. The Ontario Lottery and Gaming Corporation oversees licensing of such games, and they also manage a number of eBingo websites. Along with various lottery games, bingo generates the largest amount of gaming revenue for Ontario.</li> </ul>
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*Source: GamblingSites.org*

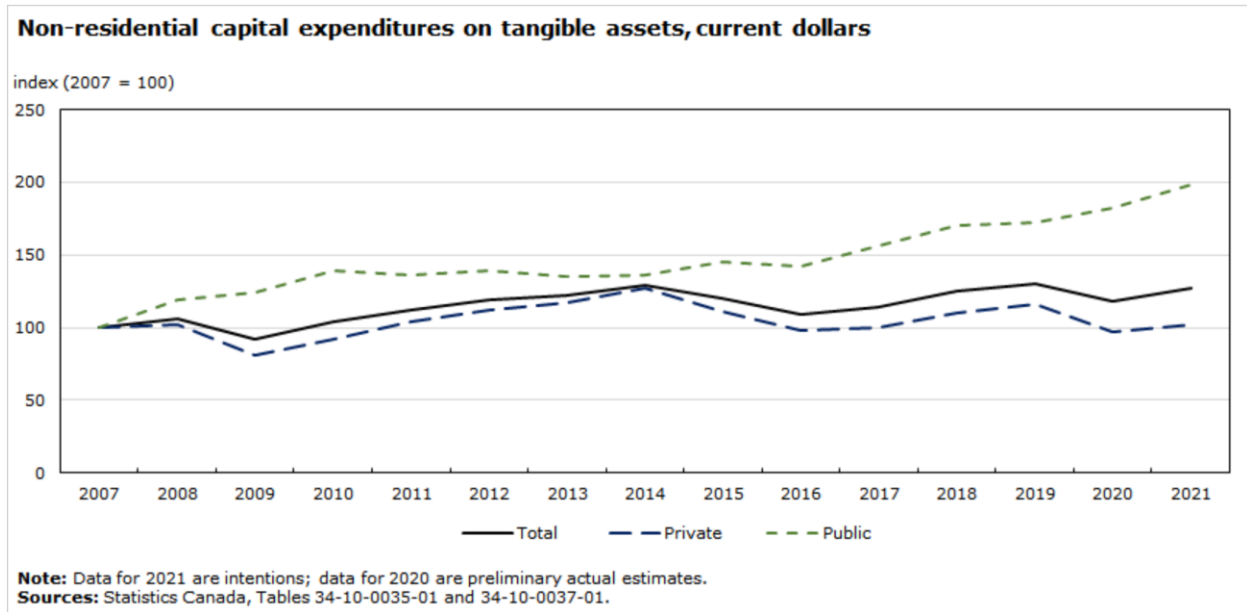
## Exhibit 5

### *Canadian Gambling Industry Overview*

<p><b>Statistics about the Gambling Industry in Canada</b></p>	<p>Canada’s betting industry has impacted all sections of the economy, and that’s why research is being done to evaluate the exact statistics of this booming industry in Canada.</p> <p>A research institute in Ontario noted that 25% of Canadians visit land-based casinos while 76.6% prefer online Canadian casino services. Out of these individuals, 66% play lotteries, 59% prefer poker, roulette is 45%, sports betting has 73%, horse racing is 64%, greyhound 48.6% while slot games are 77%. According to our <a href="#">source on the statistics about gambling with Real Money</a>, the above data show that Canadians prefer slot games and sport betting over other gambling options.</p>
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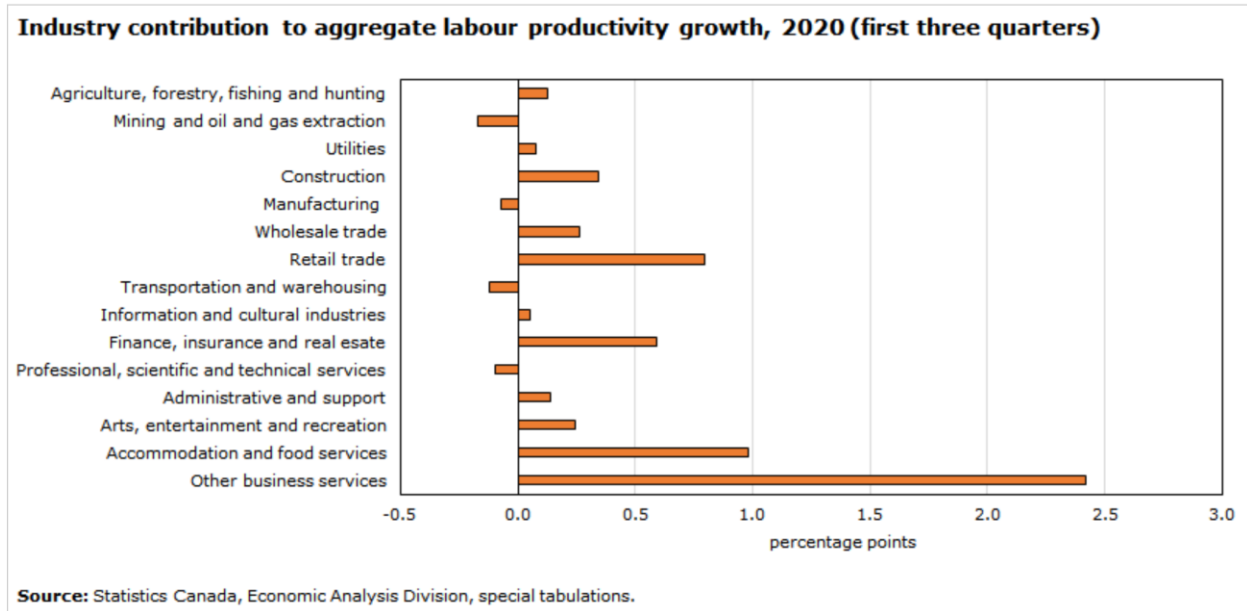
*Source: William, J. 2020*

**Exhibit 6**



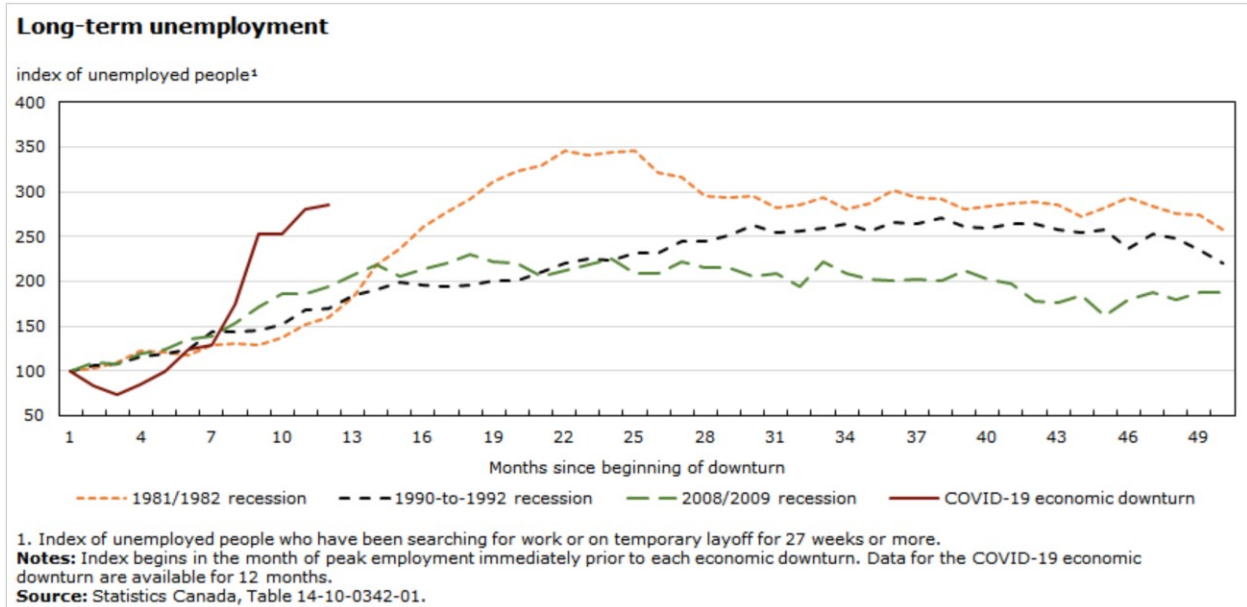
Source: Statistics Canada, 2021

**Exhibit 7**



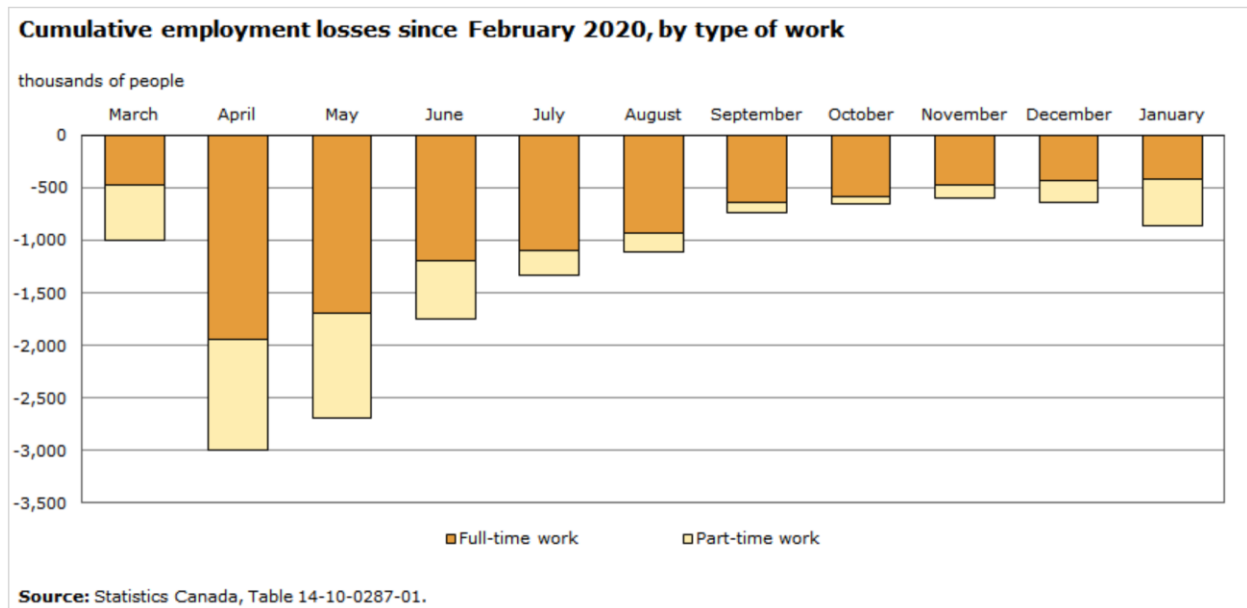
Source: Statistics Canada, 2021

**Exhibit 8**



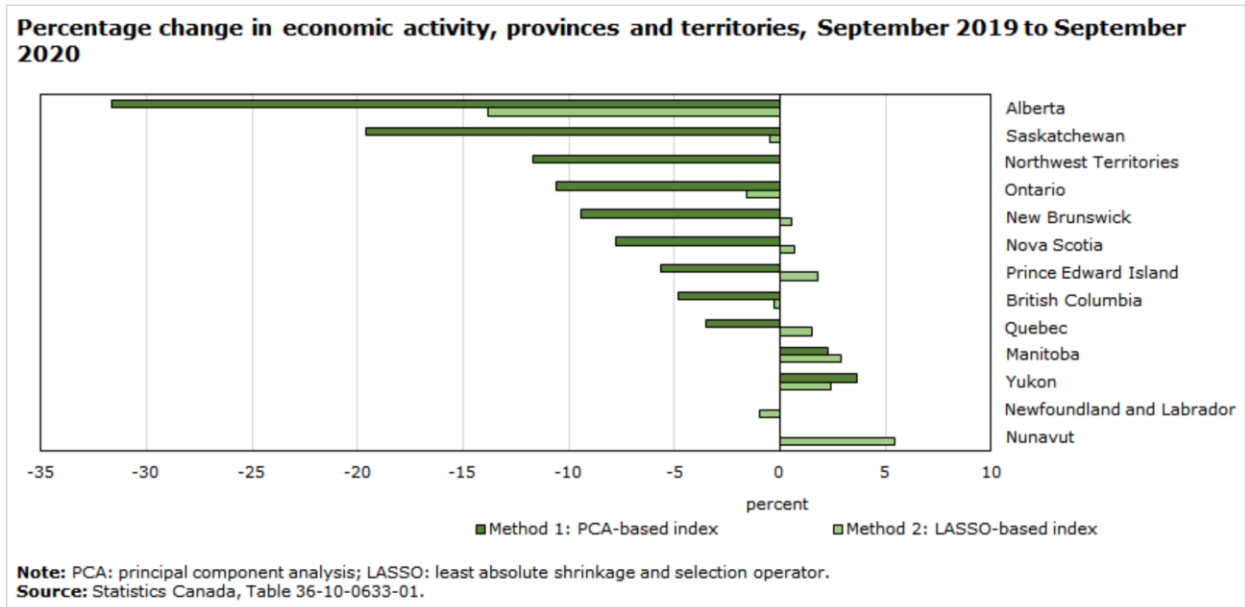
*Source: Statistics Canada, 2021*

**Exhibit 9**



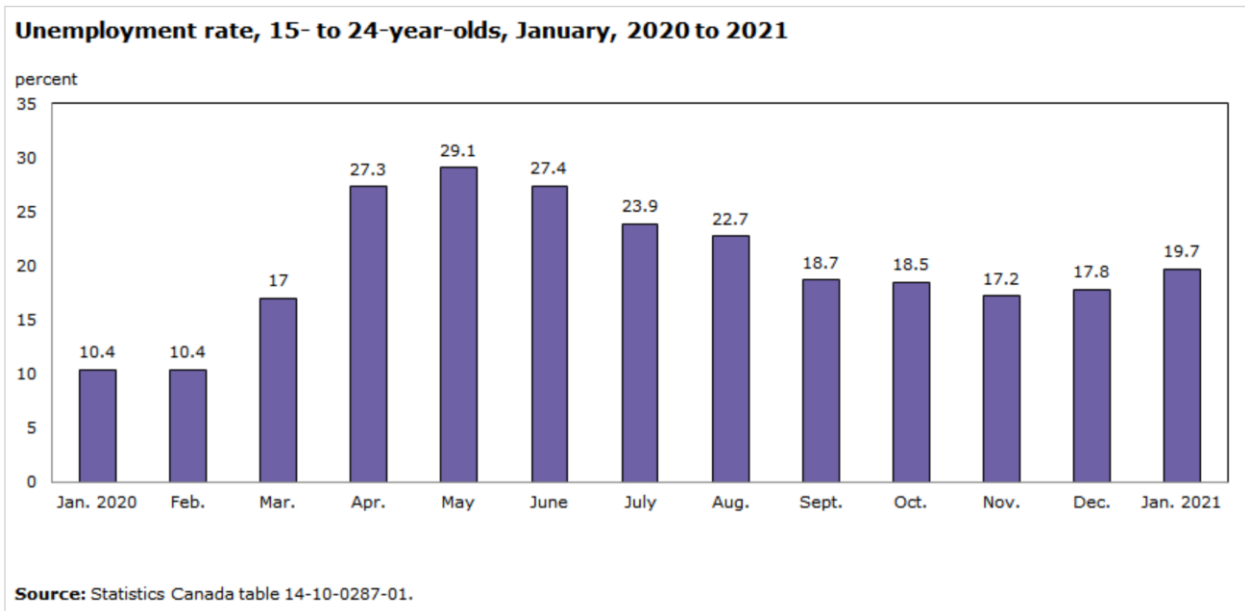
*Source: Statistics Canada, 2021*

**Exhibit 10**



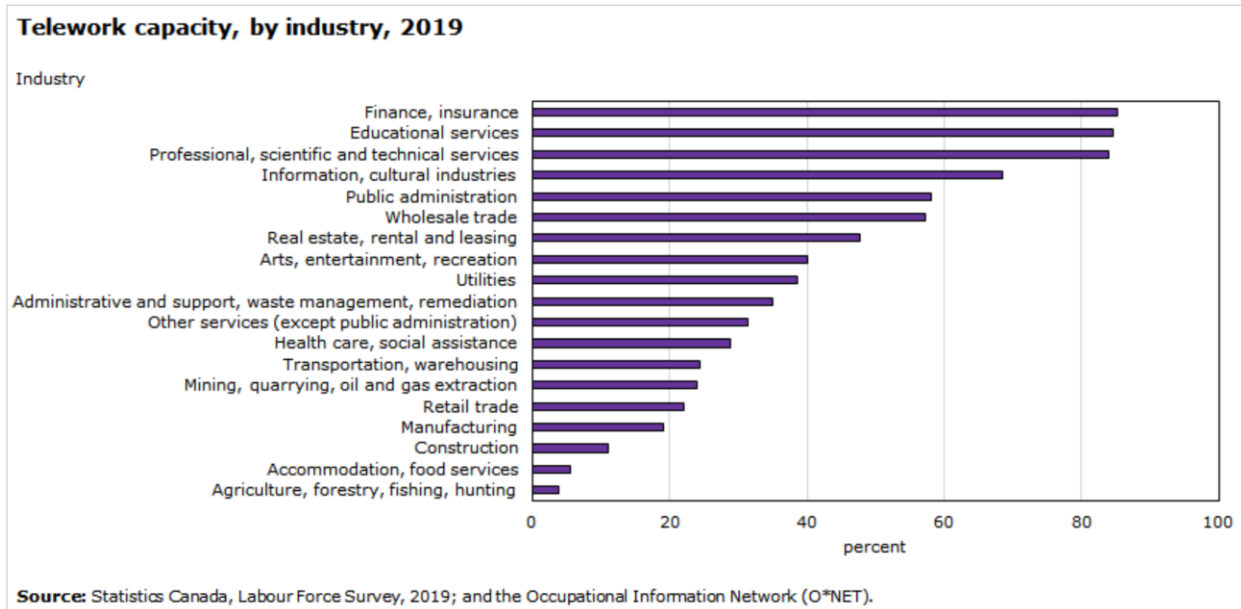
*Source: Statistics Canada, 2021*

**Exhibit 11**



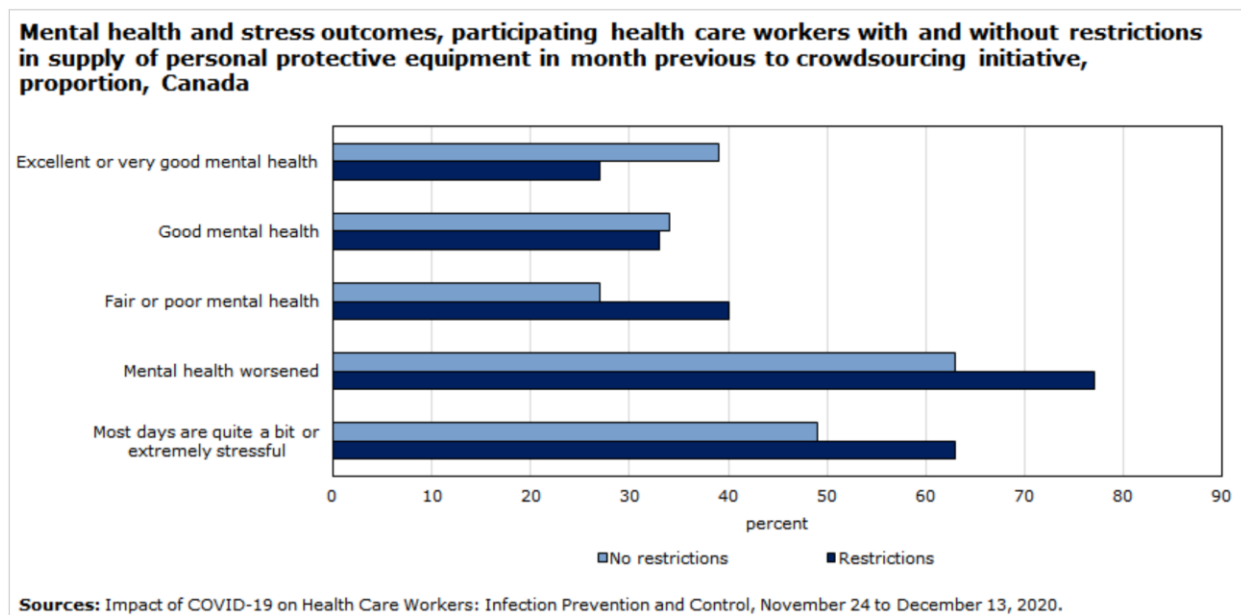
*Source: Statistics Canada, 2021*

**Exhibit 12**



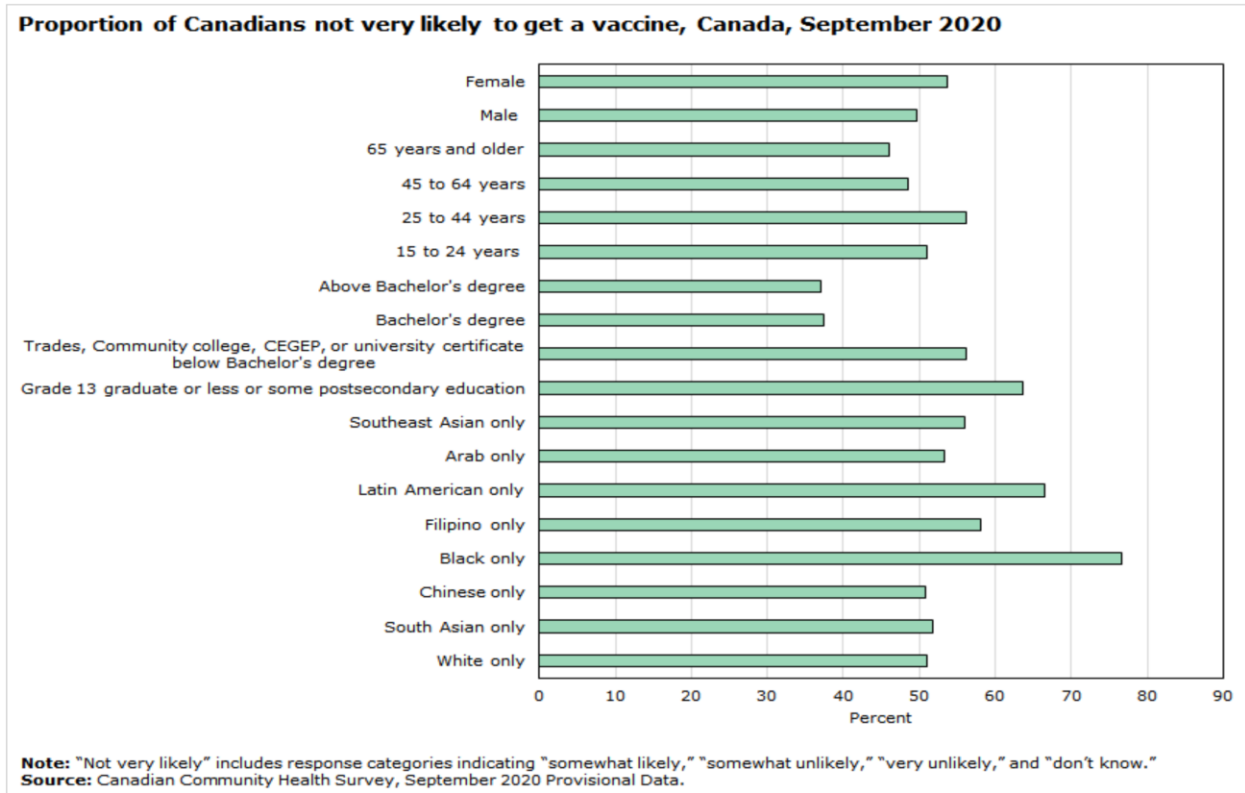
*Source: Statistics Canada, 2021*

**Exhibit 13**



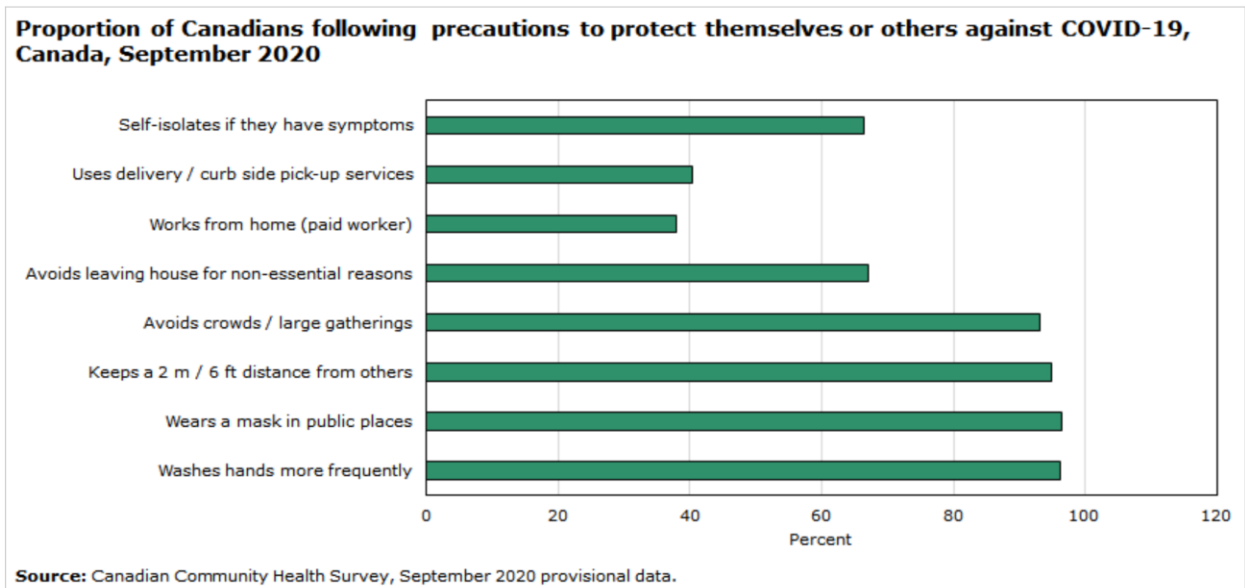
*Source: Statistics Canada, 2021*

**Exhibit 14**



Source: Statistics Canada, 2021

**Exhibit 15**



Source: Statistics Canada, 2021

**Exhibit 16**

	Total (n=2,001)	Casino Visitor (n=746) [A]	Non-Casino Visitors (n=1,255) [B]	Non-Casino Visitors (Millennials) (n=356) [C]	Non-Casino Visitors (35+) (n=899) [D]	Sports Bettors (n=236) [E]	Non-Sports Bettors (n=461) [F]	Slot Players (n=604) [G]	Non Slot Players (n=142) [H]
<b>GENDER</b>									
Male	46%	46%	45%	27%	53% C	70% F	58%	50% H	37%
Female	54%	52%	55%	73% D	48%	30%	42% E	50%	63% G
<b>AGE</b>									
18 to 34	30%	32%	28%	100% D	-	37% F	25%	25%	45% G
35 to 54	40%	41%	39%	-	55% C	46%	43%	43% H	32%
55 and over	31%	28%	32% A	-	45% C	18%	32% E	29%	23%
Mean	44.9%	43.9%	45.5 A	26.2	53.2 C	41.2	46.2 E	44.9 H	39.5
<b>REGION</b>									
Alberta	11%	11%	11%	13%	10%	10%	10%	10%	16%
British Columbia	13%	14%	13%	11%	14%	16%	11%	14%	11%
Manitoba	4%	4%	4%	3%	4%	4%	4%	4%	3%
New Brunswick	3%	3%	2%	2%	2%	2%	4%	4%	1%
Newfoundland and Labrador	2%	<1%	2% A	3%	2%	1%	2%	0%	1%
Nova Scotia	3%	2%	4% A	2%	5% C	4%	2%	2%	2%
Ontario	39%	42% B	36%	36%	37%	43%	41%	42%	43%
Quebec	24%	21%	26% A	27%	25%	16%	24% E	21%	20%
Saskatchewan	3%	3%	3%	4%	3%	3%	2%	3%	3%

Source: Stern, 2020

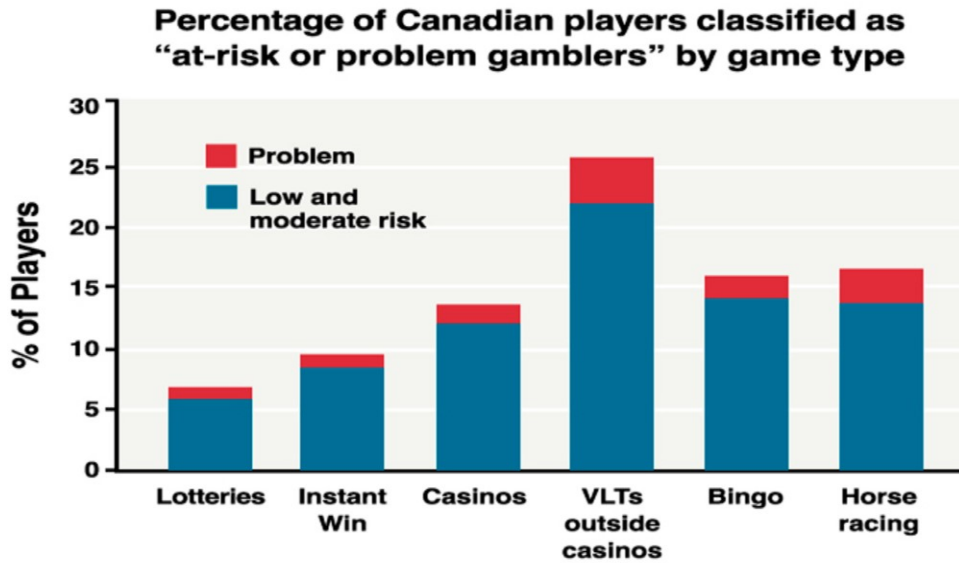
**Exhibit 17**

Province	Gambling problems (%) <sup>a</sup>		
	Total	Moderate	Severe <sup>a</sup>
Manitoba	2.9	2.3	0.6
Saskatchewan	2.9	1.9	1.0
Alberta	2.2	1.7	0.5
Nova Scotia	2.0	1.1	0.9
Ontario	2.0	1.6	0.4
Newfoundland	1.9	1.4	0.5
Prince Edward Island	1.9	1.4	0.5
British Columbia	1.9	1.4	0.5
Quebec	1.7	1.3	0.4
New Brunswick	1.5	1.1	0.4

<sup>a</sup>Estimates of severe problems only were obtained by subtracting the moderate column from the total column. Because of the small sample sizes for severe problems only, bootstrapped results are not reported: some of the coefficient of variation values exceeded the 33.3% cut-off recommended by Statistics Canada. All the other prevalence figures were bootstrapped.

Source: Cox et al., 2005

**Exhibit 18**



*Source: Goldberg, 2021*

**Exhibit 19**

Province	Gambling problems (%)	VLTs per 1000 population	Presence of permanent casinos
Manitoba	2.9	5.3	Yes
Saskatchewan	2.9	4.8	Yes
Alberta	2.2	2.8	Yes
Nova Scotia	2.0	4.5	Yes
Ontario	2.0	0.0	Yes
Newfoundland	1.9	6.2	No
Prince Edward Island	1.9	4.1	No
British Columbia	1.9	0.0	Yes
Quebec	1.7	2.7	Yes
New Brunswick	1.5	4.9	No

Information on the number of VLTs per 1000 population and the presence of casinos was derived from published reports from Canada West Foundation (12) and KPMG (19), respectively.

*Source: Cox et al., 2005*

**Exhibit 20**

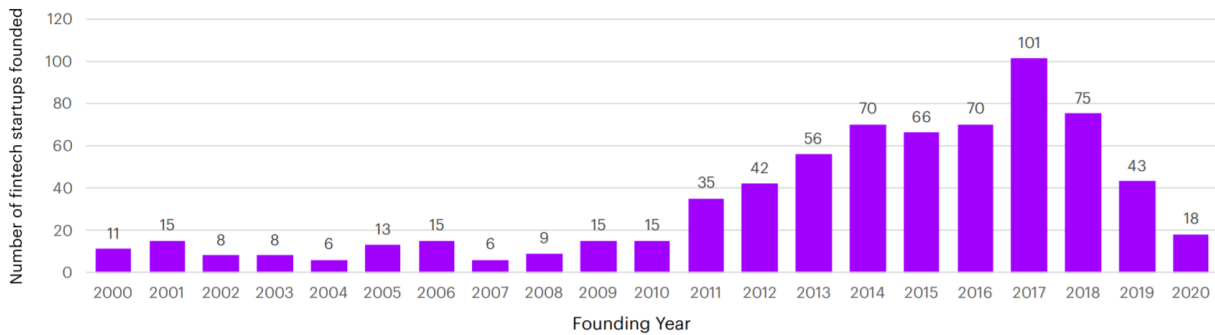
Table 3. Frequency of Past Year Gambling Involvement for Individual Types of Gambling among Canadian Adults (18+) in 2018 (weighted).

	Lottery or Raffle Tickets	Instant Lottery Tickets	Electronic Gambling Machines	Casino Table Games	Sports Betting	Bingo	Other Types	Speculative Financial
Never	46.4%	65.9%	87.0%	92.3%	92.1%	96.0%	97.4%	96.4%
Less than Once a Month	25.3%	20.4%	10.1%	6.5%	6.0%	2.7%	1.8%	2.0%
Once a Month	7.7%	5.3%	1.4%	.7%	.7%	.3%	.3%	.5%
2 to 3 Times a Month	6.4%	3.4%	.9%	.2%	.4%	.3%	.1%	.3%
Once a Week	11.8%	3.9%	.4%	.1%	.5%	.6%	.3%	.2%
Several Times a Week	2.5%	1.0%	.1%	.1%	.3%	.1%	.1%	.5%

Source: Williams et al., 2020

**Exhibit 21**

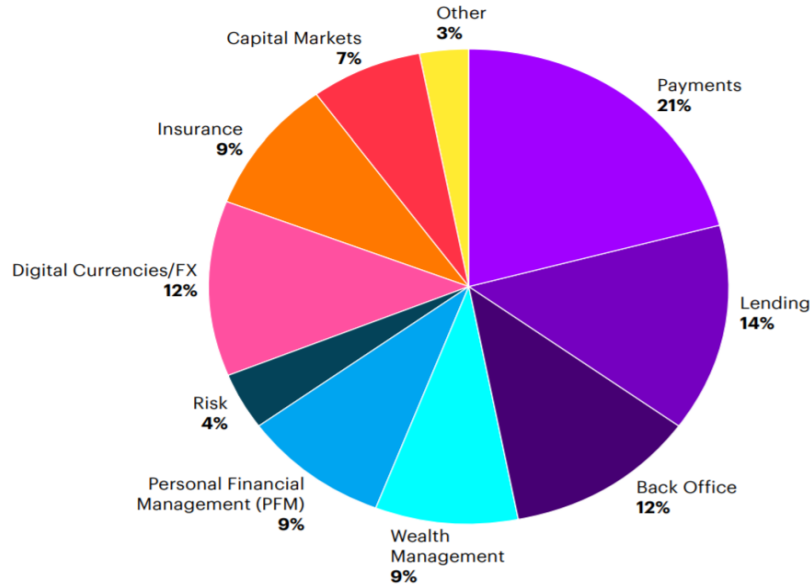
Figure 1.1: The number of Canadian fintechs founded, 2000 – 2020. The number of new fintech companies established has declined since 2017.



Source: Accenture Fintech Report, 2021

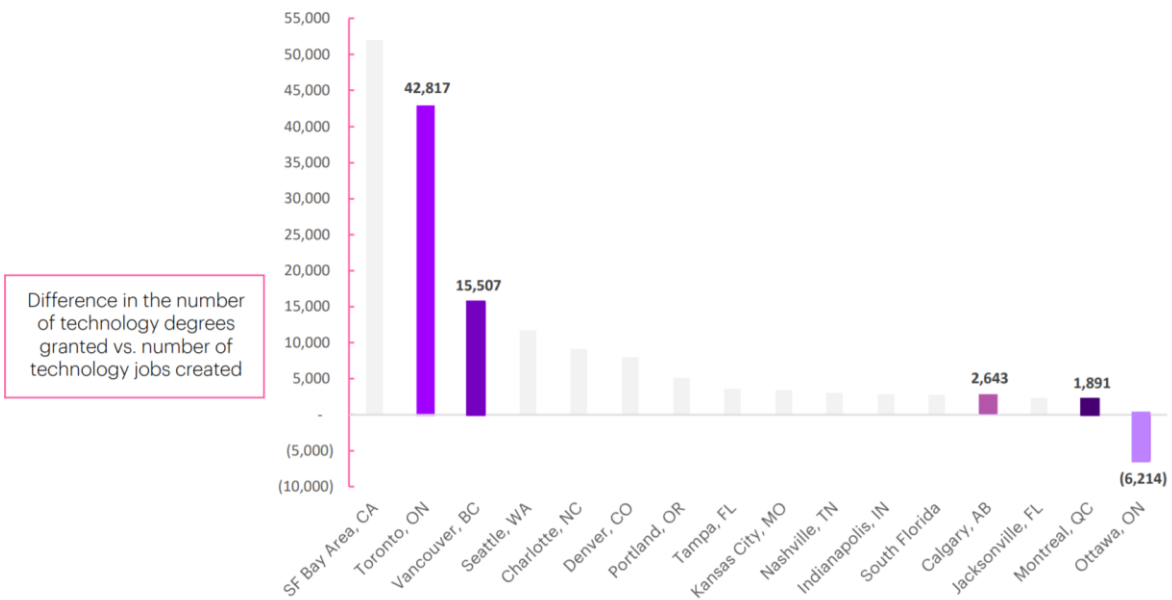
**Exhibit 22**

**Figure 1.3:** The distribution of Canadian fintechs in operation by service offering, 2020.



Source: Accenture Fintech Report, 2021

**Exhibit 23**



Source: Accenture Fintech Report, 2021

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