

How the World Leader in the Employee Benefits Market Face the Digitalization Upheaval with Competitive Intelligence

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Introduction

As most of industries, the employee benefits industry is facing a market transformation due to the digitalization, which can be defined as the use of digital technologies and data to create revenue, improve business, replace or transform business processes and create an environment for digital business, whereby digital information is at the core. In this context, new expectations are coming from customers, new competitors are entering the market such as pure digital players (e.g., banks), for which companies should adapt. Most business leaders see the digital revolution as an opportunity, with the two main characteristics being enhanced, i.e. customer relationships and greater value chain integration. It is important to take into account the proactive customer orientation, which means that nowadays, customers no longer only expect companies to respond to their expressed demands, but implicitly expect organizations to anticipate and address their future needs before they realize them.

In this transformation, changing is not a matter of choice, it is a matter of survival (Bisson, 2013). For these reasons, companies should take part in the digital transformation trends reshaping the industries. Indeed, the ones which will have an advantage are the ones that strengthen

their strategies now. As a matter of survival and to keep improving their position in the markets and the gap they can build between them and the competitors, it is important to shift their resources to new digital initiatives and redesign their organization and culture to fit in this transformation.

In this study, we aim to analyze the micro and macro markets, define the main market scenarios of Edenred, the World leader in prepaid corporate services, in the next three years (the main horizon to be investigated in such sector) then to simulate the consequences of the most impacting scenario through war game. Therefore, we target to provide new knowledge on the market which is the only way to get competitive advantages as obtaining data, information, knowledge become commodities (see Bisson and Tang Tong, 2018), and to help the company to anticipate which is congruent with the Competitive Intelligence definition of Bisson and Barnea (2018).

Edenred is present in more than 42 countries, and we will focus on employee benefits in Romania. Employee benefits can be defined as non-wage compensations provided by companies to employees, in addition to their normal wages. We focus on meal vouchers and gift vouchers, as they represent the majority of Edenred business in Romania.

Figure 1. Stratbrain (Module 4: Strategic Early Warning System)

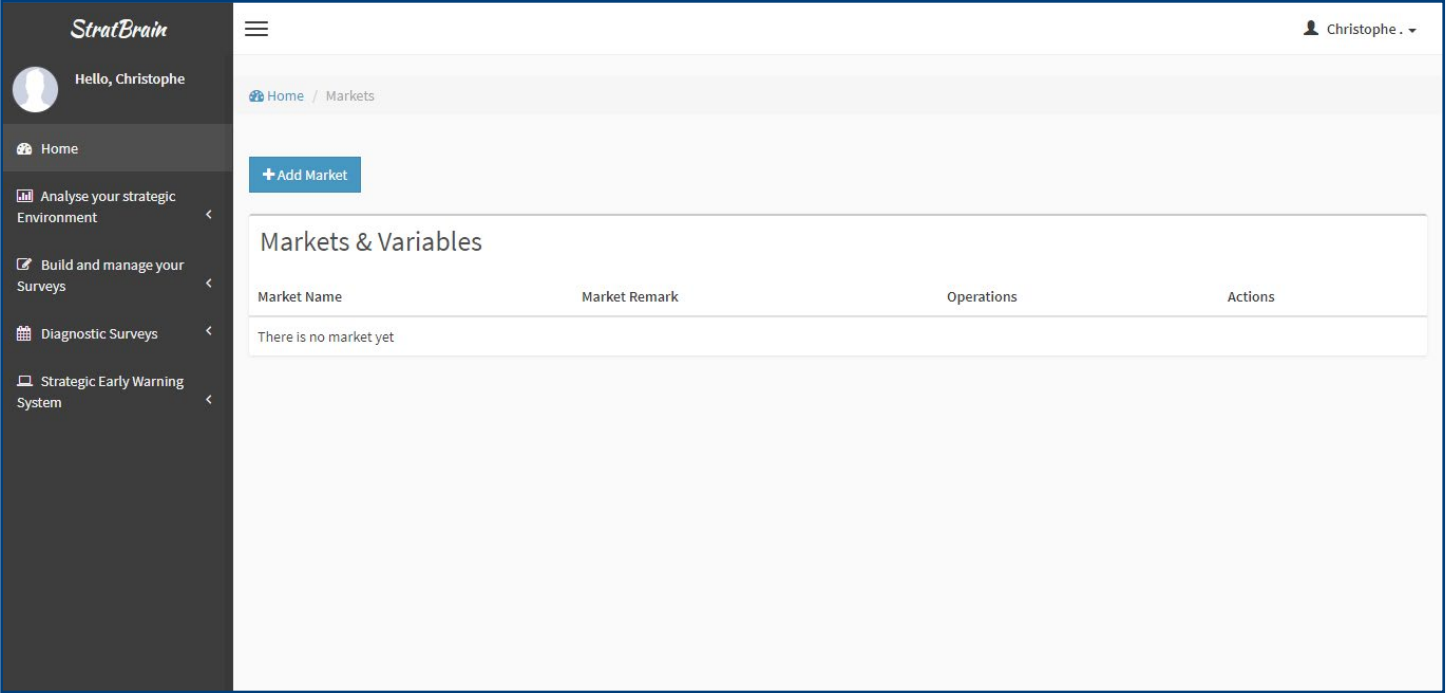
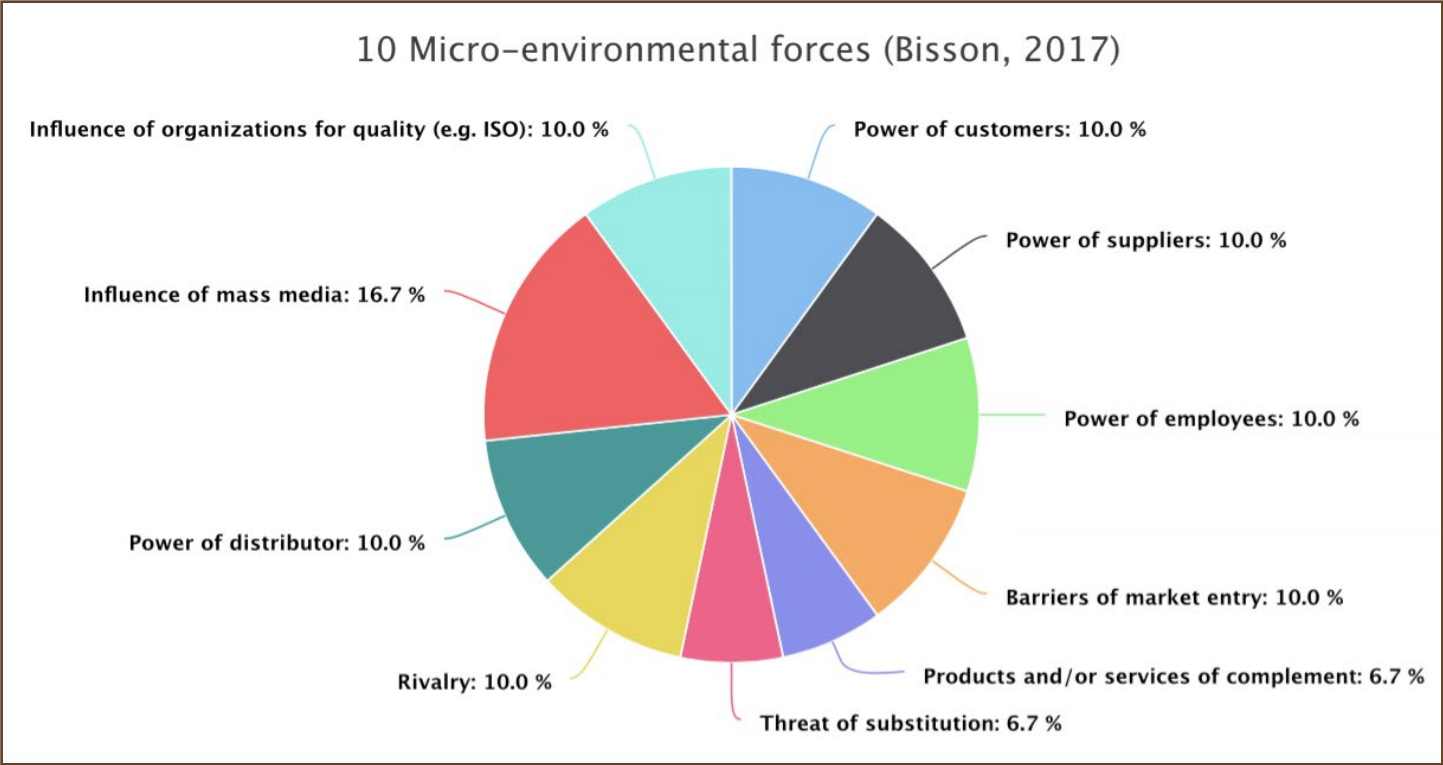


Figure 2. The Micro-Environment of Edenred



1. Analysis of the Strategic Environment

We collected data, information, knowledge through multi-channels encompassing the web, informal sources, and papers. Thereafter, the analysis has been done using Stratbrain (see Figure 1).

1.1 Analysis of the Micro-Environment

One tool we used to analyze the micro-environment of Edenred is the ten forces developed by Bisson (Bisson and Dou, 2017). It is composed of the traditional Michael Porter (1980) five forces to which have been added the bargaining power of qualified employees and distributors, the influence of mass media and organization for quality, and the potential co-production with other companies. According to the sector, some forces can be added or subtracted.

As can be seen in Figure 2, the most impacting force over Edenred is the influence of mass media. This could be positive as well as negative. Thus, it is important for the company to monitor the mass media in order to be able to react quickly when a news is spread. Secondly, the organization has to face medium bargaining power from the customers, suppliers, employees, as well as distributors. Then, we can consider that organization for quality also has a medium influence, together with

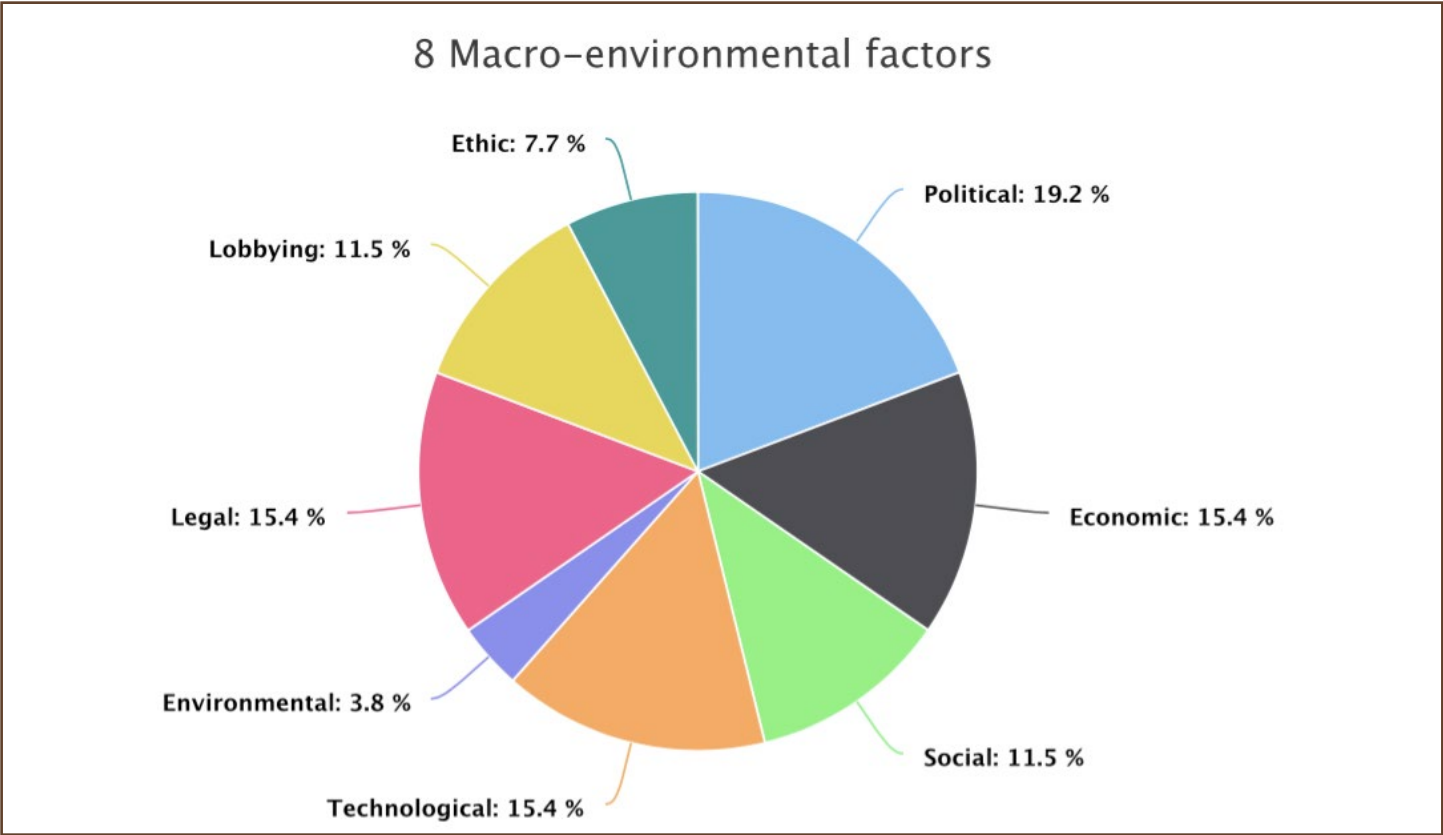
the rivalry which is increasingly coming from the start-ups and fintechs, despite the relatively high barriers of entry. Complementary products and services, as well as substitutes, do not have any strong influence.

1.2 Macro-Environmental Analysis

A tool used to analyze the macro-environment of Edenred is PESTELLE, which deals with political, economic, social, technological, environmental, legal, lobbying, and ethical factors. A focus on the technological factors is particularly interesting in these times of digitalization. Regarding the macro-environment, Figure 3 shows the importance of the political factor over Edenred industry. This can be easily explained by the tax exemption provided by the products.

The second most influencing forces are equally the technological environment, the legal and economic ones. As most of Edenred products are in employee benefits, they are directly linked with the companies' situation, which is impacted by the employment rate and economic growth. Moreover, as the products are related to money, they are closely linked with the technological environment in which can be found the evolution of payment technologies. Finally, a change in the legislation can highly impact the company that is why the legal environment also has a strong influence over Edenred.

Figure 3. The Macro-Environment of Edenred



2. The Different Scenarios of the Future Market

2.1 Calculation of Scenarios and Related Parameters

According to all the variables' input defined previously, Stratbrain analyzed Edenred strategic environment based on algorithms and mathematics formulas (Machine Learning can be used as well) and determined all the potential impacting scenarios for the next three years.

These scenarios represent some potential events which can impact positively or negatively Edenred. Thus, they can be considered as some pictures of what can happen in the next three years. These pictures can help Edenred to take some actions and define the best strategy to be prepared to face these potential events.

The Romanian market has been taken as a case study, and four scenarios have been calculated by Stratbrain. The following results are thus examples of possible scenarios which can happen in the future. Figure 4 shows that out of the four scenarios calculated by Stratbrain, the first one would be the most impacting, but it has the same probability of happening than the three others

(see Figure 5). This reflects a relatively stable market for the three years to come, which will continue to grow but presents some risks that need to be monitored.

2.2 Scenario 1 Analysis

The first scenario calculated by Stratbrain, which is the most impacting one for Edenred in the next three years, reveals that more variables may have a positive impact on the company's industry than a negative one. Indeed, the first scenario shows that the market will have a positive shift in which mass media will have the strongest impact, closely followed by the economic environment, and the political one. Having a weaker impact but still important, the social environment and technological one will play their roles. However, lobbying will have a low negative impact, which should be taken into consideration as well. Other variables such as legal, substitutes and rivalry will be quite stable but still expected to impact negatively Edenred, while suppliers, new entrants, and ethic will be stable. According to this scenario and the variables analyzed in the previous part, we can guess that in the next three years, Edenred will evolve in an environment where mass media will increase its brand awareness and its potential market shares, by spreading good things about the company. Its revenues

Figure 4. Scenarios' Impact

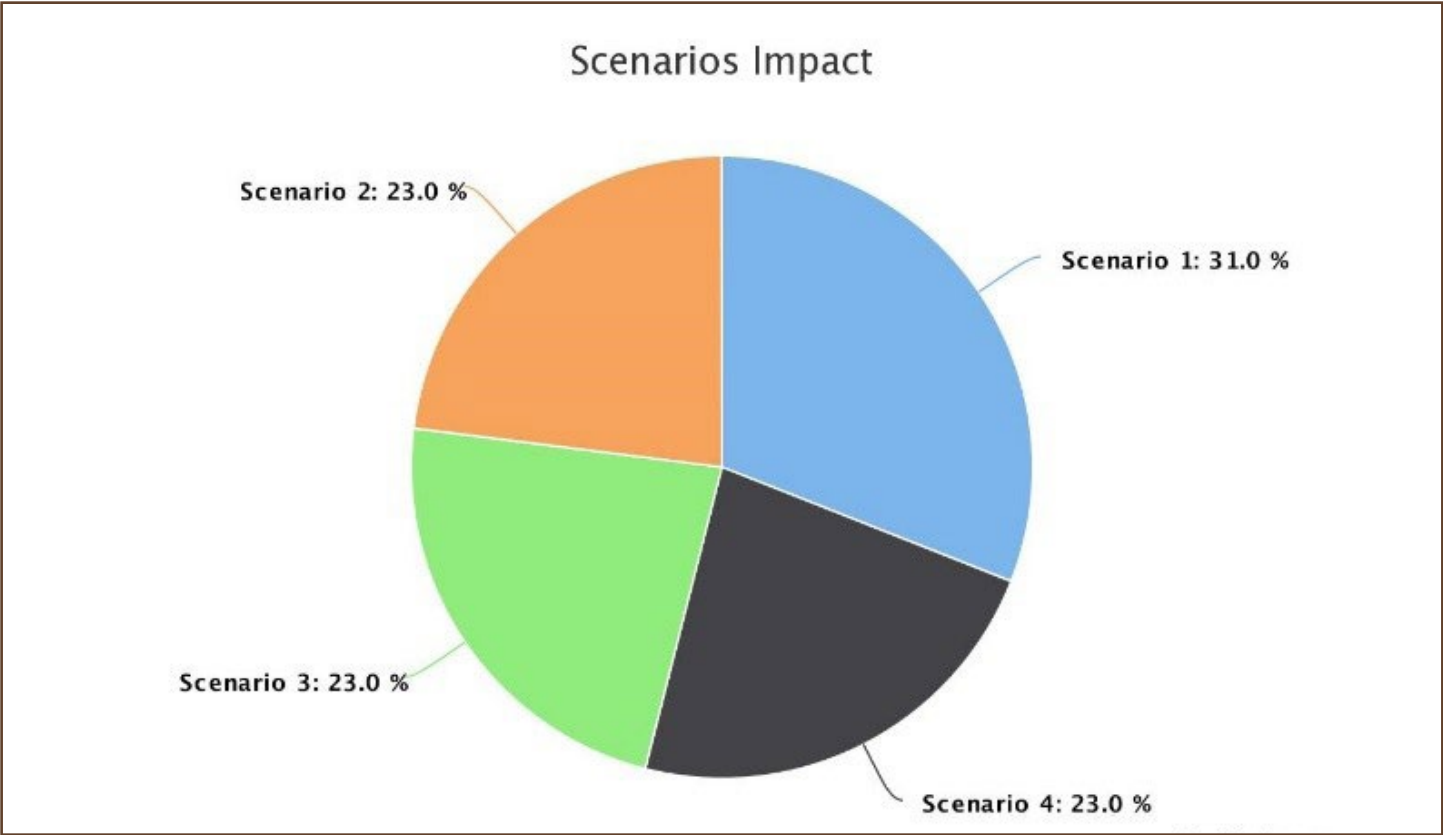
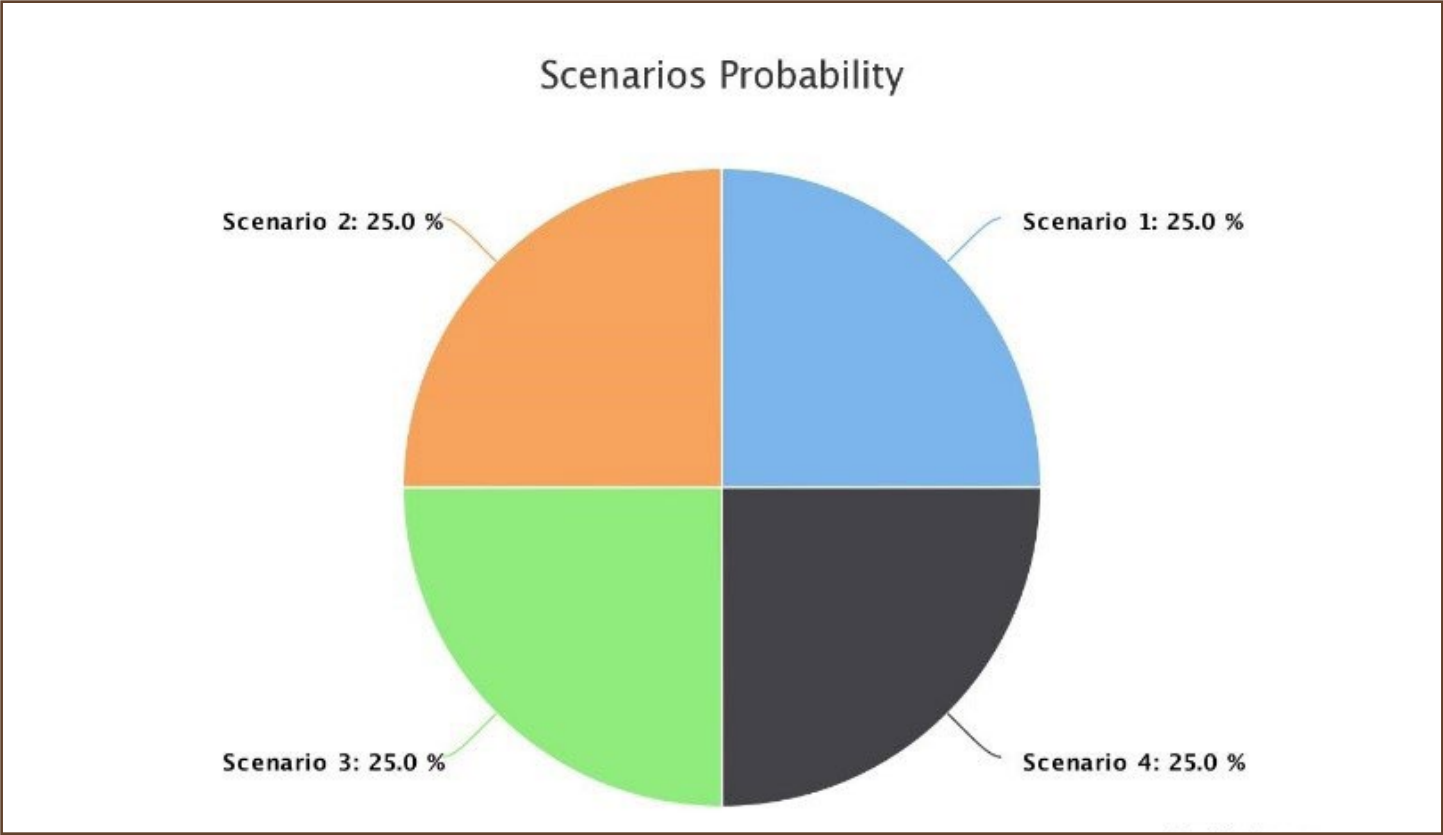


Figure 5. Scenarios' Probability



will increase, because of the promising economy. Indeed, the economic growth, also supported by the favorable political environment in which public wages will increase, and the decreasing unemployment rate will both impact positively the number of users. Moreover, inflation will lead to an increase in the vouchers' face values. Then, the favorable social and technological environment will trigger opportunities to develop. However, Edenred will likely face some difficulties with lobbying, as some risks of change in the legislation could be felt. While the technological environment is expected to present some opportunities to develop, and thus will positively impact the company, it will also create opportunities for competitors to arrive in the market and strengthen rivalry in the industry.

2.3 The Other Scenario Analysis

The three other scenarios calculated by Stratbrain have exactly the same components. Moreover, the only thing that differs from the most impacting scenario is the mass media variable. Indeed, it is expected to be stable in the other scenarios, whereas it is supposed to have a big impact in the first scenario.

3. Strategic Recommendations Through the War Game

In order to define a strategy for the next three years, the first scenario and its parameters is the one we firstly used for the game, because it is the most impacting one, thereby it is the most interesting one to explore.

Therefore, based on all the parameters of the scenario provided by Stratbrain, we could simulate the consequences as much as possible in "real situation" if this was happening three years after.

When looking at this first scenario, three strategic guidelines appeared that should be followed by Edenred:

- 1. Strengthening the lobbying activity
- 2. Diversifying its products
- 3. Embracing the new opportunities brought by technologies, firstly focusing on mobile payments.

These strategies are formulated according to the variables on which the company can act, being lobbying and technological evolutions. Indeed, all the other variables are entirely external to the organization.

Conclusion

The business environment in which companies operate is evolving fastly. This is particularly true when looking at digitalization. Disruption is happening in the employee benefits industry, whether it is due to payment innovations, or the digitalization of services, with new expectations coming from clients and retailers, or to newcomers entering the market. When living through the change, in many cases firms are not aware of all the changes. In a disruptive business world, technology is attacking every piece of the value chain. The difficult point is that by the time companies become aware of what is happening, it will have happened... Competitors such as start-ups focusing on one point of the customer journey will take a part of the market, and traditional actors will face some troubles to catch up.

In order to avoid this situation and to be prepared to face different changes, it is important for companies to analyze the environment, forecast possible future events as sharply as possible, simulate the consequences to optimize the related actions and finally scan their strategic environment to be able to better detect weak signals and interpret them for stronger actions, higher market shares and benefits.

By doing so, companies will be able to define the right strategy in advance, before the events come. Therein, Edenred will be better prepared to face any challenge of the future employee benefits industry and will strengthen its leadership in the market through cutting edge Competitive Intelligence tools and methods.

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