# Strategic Business Leader

## Sample Exam – December 2021

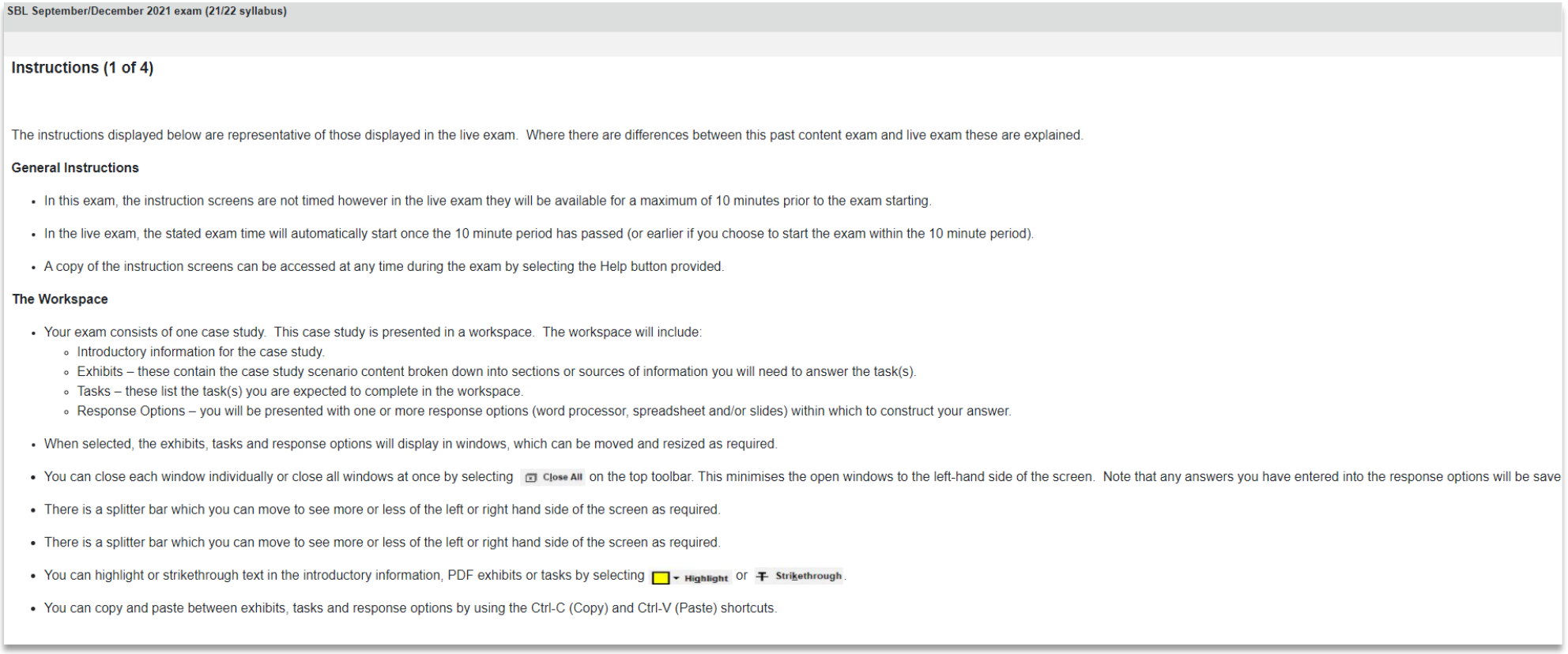
### Get to know your exam

*These graphical representations are intended to give an indication of exam requirements and associated question content.*

*Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.*

*We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.*

# Instruction screens



SBL September/December 2021 exam (21/22 syllabus)

**Instructions (1 of 4)**

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this past content exam and live exam these are explained.

**General Instructions**

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

**The Workspace**

- Your exam consists of one case study. This case study is presented in a workspace. The workspace will include:
  - Introductory information for the case study.
  - Exhibits – these contain the case study scenario content broken down into sections or sources of information you will need to answer the task(s).
  - Tasks – these list the task(s) you are expected to complete in the workspace.
  - Response Options – you will be presented with one or more response options (word processor, spreadsheet and/or slides) within which to construct your answer.
- When selected, the exhibits, tasks and response options will display in windows, which can be moved and resized as required.
- You can close each window individually or close all windows at once by selecting Close All on the top toolbar. This minimises the open windows to the left-hand side of the screen. Note that any answers you have entered into the response options will be save
- There is a splitter bar which you can move to see more or less of the left or right hand side of the screen as required.
- There is a splitter bar which you can move to see more or less of the left or right hand side of the screen as required.
- You can highlight or strikethrough text in the introductory information, PDF exhibits or tasks by selecting Highlight or Strikethrough.
- You can copy and paste between exhibits, tasks and response options by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts.

# Instruction screens (continued)

SBL September/December 2021 exam (21/22 syllabus)

## Instructions (2 of 4)

**Navigation**

- The case study number you are viewing is displayed in the top display bar. This exam will display '1 of 1' as it contains only one case study.
- You can navigate between screens by selecting Next → or ← Previous. As this exam contains only one case study, you should note that if you select Next → from the workspace, you will be taken to the Item Review Screen.
- You can change your answers at any time during the exam.

**Flag for Review**

- If you wish to revisit/review the case study later in the exam, click Flag for Review. As this exam only contains one case study you may choose not to use this feature.
- Click the button again to remove the flag.

**Help**

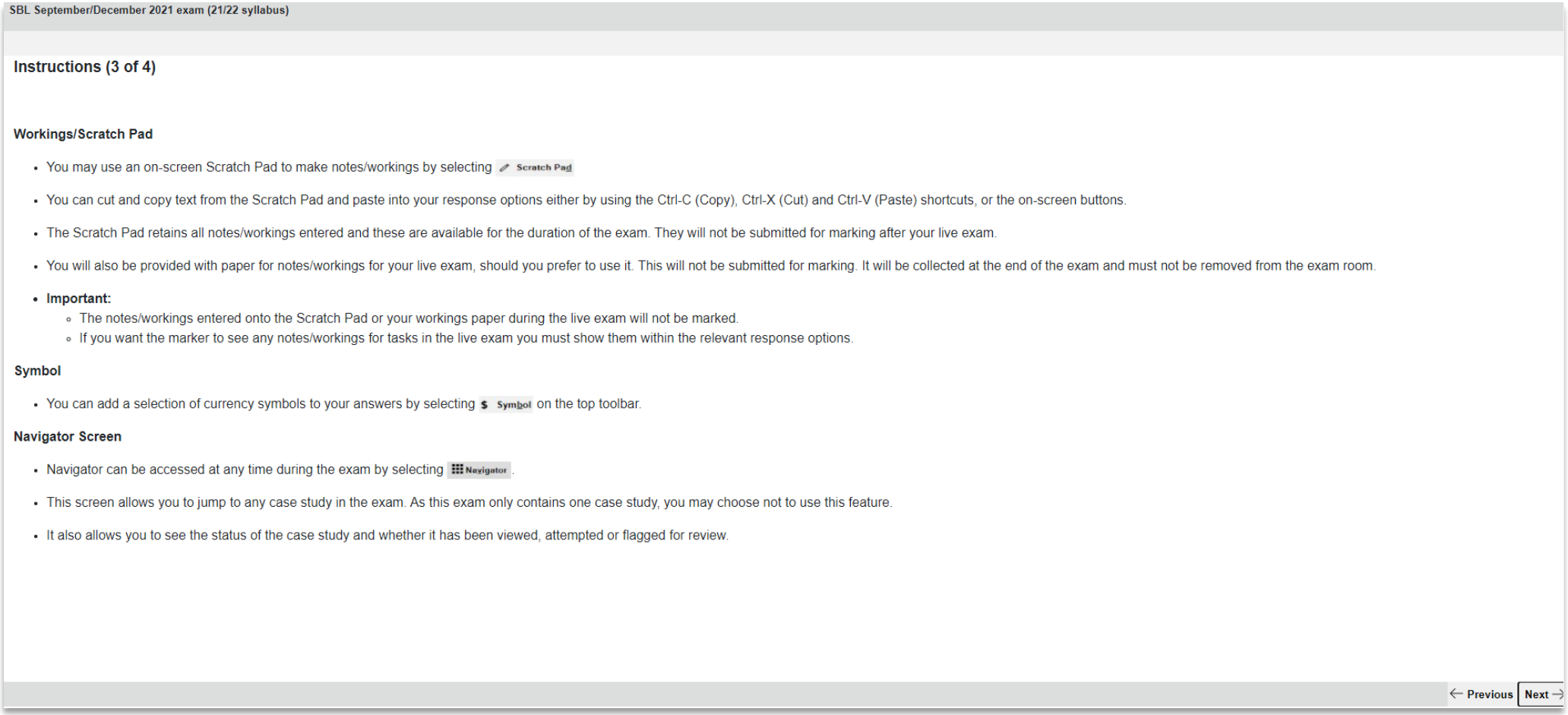
- Click Help to access:
  - A copy of these exam instructions.
  - Help and guidance on the workspace.

**Calculator**

- You have the option to use the on-screen standard or scientific calculators by selecting Calculator
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

← Previous Next →

# Instruction screens (continued)



# Instruction screens (continued)

SBL September/December 2021 exam (21/22 syllabus)

## Instructions (4 of 4)

**Reviewing the Exam**

- You can review this exam before exiting.
- To do this, click Next→ at the bottom of workspace.
- This takes you to the Item Review screen.

**Item Review Screen**

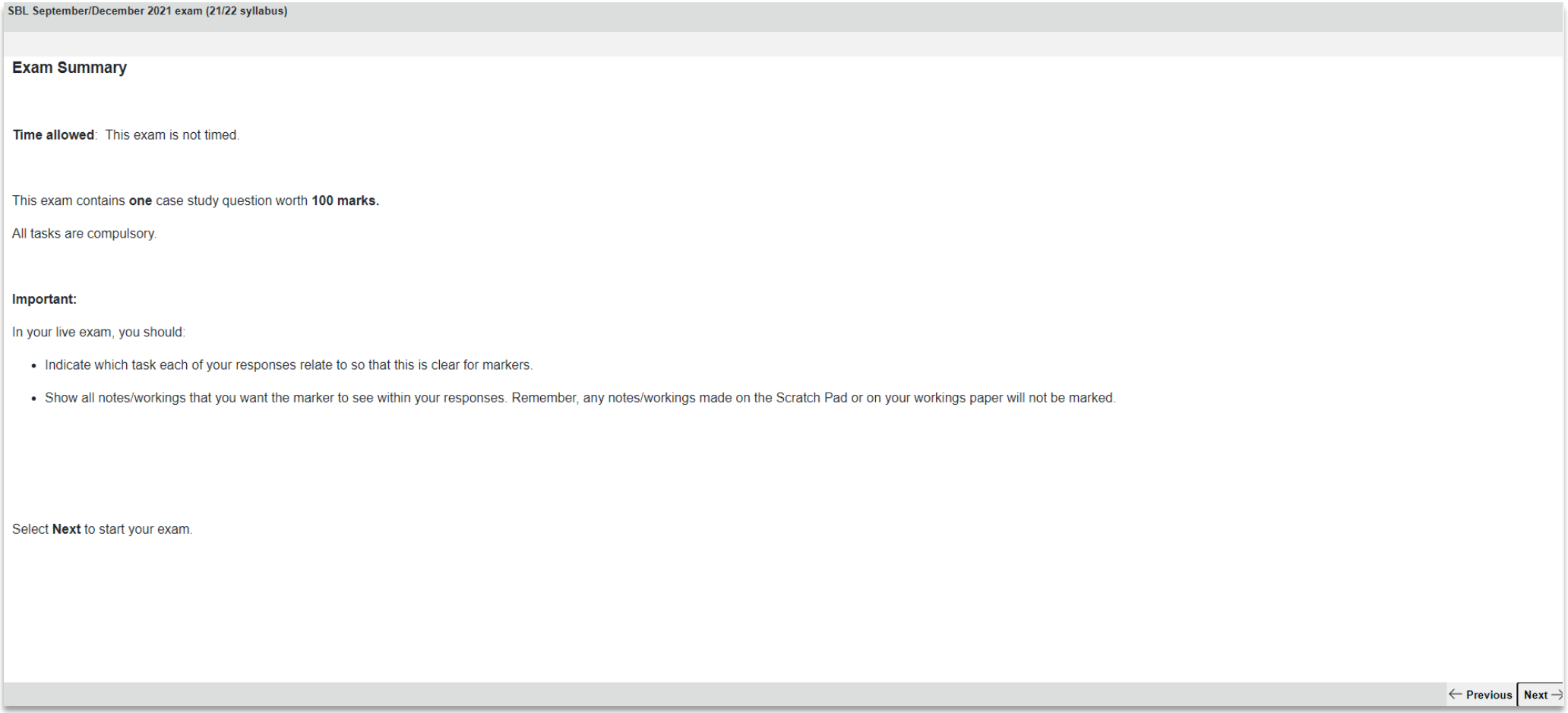
- This screen gives you a final opportunity to see the flag and attempted status of the case study and to review your answers before you exit the exam.
- You can revisit the case study by selecting the case study number from this screen.
- During the item review period Navigator is not available.
- When reviewing the case study you can change your answers and click Next→ or →| Review Screen to view any updated status on the Item Review screen.

**Ending the Exam**

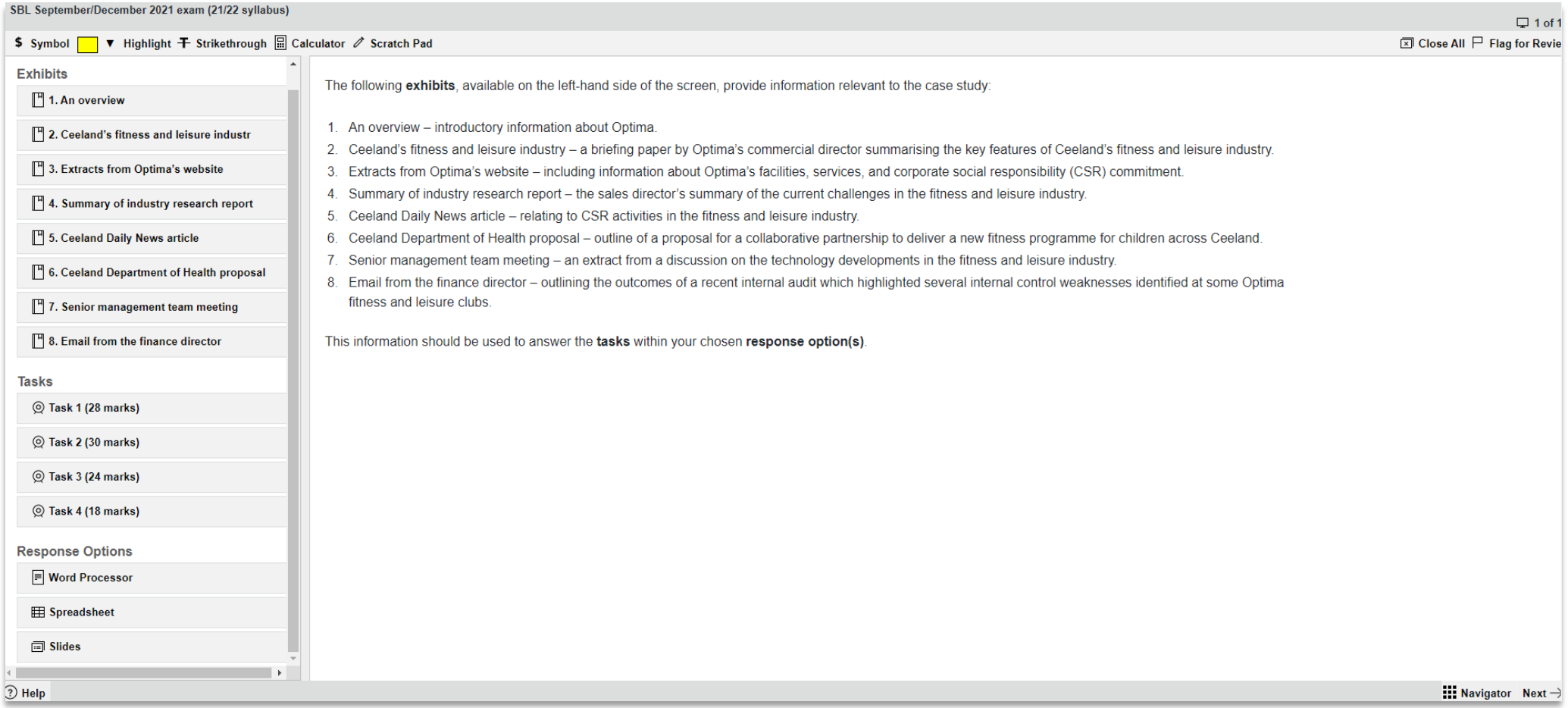
- Once you have completed your item review and wish to finally end the exam click End Exam from the Item Review Screen.
- Once you end the exam, you cannot revisit the case study. Your answers will then be available for marking and review.

← Previous Next →

# Exam summary screen



# Scenario 1 – Initial screen



# Scenario 1: requirements

**Task 1 (28 marks)**

As a result of several challenges affecting the fitness and leisure industry in Ceeland, Optima's board is about to meet to discuss how it should strengthen and protect its position in the market. The finance director has asked you to assist him in preparing for these discussions.

**(a) Prepare briefing notes for the finance director which:**

**(i) Assess the value to Optima of undertaking customer segmentation analysis; and**
**(ii) Advise on the most appropriate ways that Optima could segment its customers in order to target them more effectively.**

(12 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in showing awareness of the usefulness of customer segmentation analysis to Optima.

(3 marks)

Following recent media coverage, the finance director has been asked by the chief executive to make a presentation to the board, outlining the strategic importance to Optima of maintaining a strong focus on corporate social responsibility (CSR).

The finance director has asked for your assistance in drafting the presentation.

**(b) Prepare TWO presentation slides, with accompanying notes, which explain why it is of strategic importance to Optima to demonstrate a strong focus on CSR for:**
**(i) Its customers and staff; and (ii) Its wider external stakeholders (investors, government and wider community).**

(10 marks)

Professional skills marks are available for demonstrating *communication* skills in concisely informing the board members of Optima of the strategic importance of its social responsibility activities.

(3 marks)

# Scenario 1: requirements (continued)

**Task 2 (30 marks)**

Optima's chief executive has been approached by the Ceeland government's Department of Health to work on a collaborative partnership to deliver the 'B-Fit' fitness programme for children from low income families. The finance director has been asked by the chief executive of Optima to undertake a preliminary evaluation of this proposal.

**Prepare a report for the finance director which will:**

**(a) Analyse the potential opportunities and threats which Optima must consider in relation to undertaking a collaborative partnership with the Department of Health to deliver the 'B-Fit' programme.**

(13 marks)

Professional skills marks are available for demonstrating *analysis* skills in considering and reflecting on the available evidence relating to the proposed collaborative partnership.

(4 marks)

**(b) Explain what is meant by the 'Value For Money' obligation of the Department of Health, as mentioned in its proposal, and evaluate the potential challenges this may pose for Optima in delivery of the 'B-Fit' programme.**

(10 marks)

Professional skills marks are available for demonstrating *evaluation* skills in assessing the challenges of meeting public sector performance criteria.

(3 marks)

# Scenario 1: requirements (continued)

**Task 3 (24 marks)**

You have just attended a meeting, on behalf of the finance director, with several of Optima's senior management team. At the meeting the latest applications of data analytics and mobile technology in the fitness and leisure industry were discussed (some of which are being used by several of Optima's competitors in Ceeland). The IT director has proposed that some of these technologies be implemented by Optima. However, some of the other directors at the meeting did not agree that this is necessary for Optima.

**Prepare briefing notes for the finance director which:**

**(a) Discuss the opportunities and threats to Optima of implementing big data analytics to assist in improving engagement with its members.**

(12 marks)

**(b) Discuss the benefits for both Optima and its members of using mobile technology to market and deliver its services.**

(8 marks)

Professional skills marks are available for demonstrating *scepticism* skills in questioning the opinions and assertions made in the meeting about the use of big data analytics and mobile technology, presenting evidence to challenge these in a professional way.

(4 marks)

## Scenario 1: requirements (continued)

**Task 4 (18 marks)**

The senior management team of Optima has always placed emphasis on local autonomy, allowing local managers at each fitness and leisure club to make decisions which best suit their local members and market conditions. However, the finance director has received an internal auditors report on Optima's control activities which has identified several weaknesses at some of Optima's fitness and leisure clubs. The finance director has asked you to help him prepare a report which he will present at the next board meeting.

**Prepare a report for presentation at the next board meeting which evaluates the potential impact of the weaknesses which have been identified in Optima's internal control activities and recommends actions to address these weaknesses.**

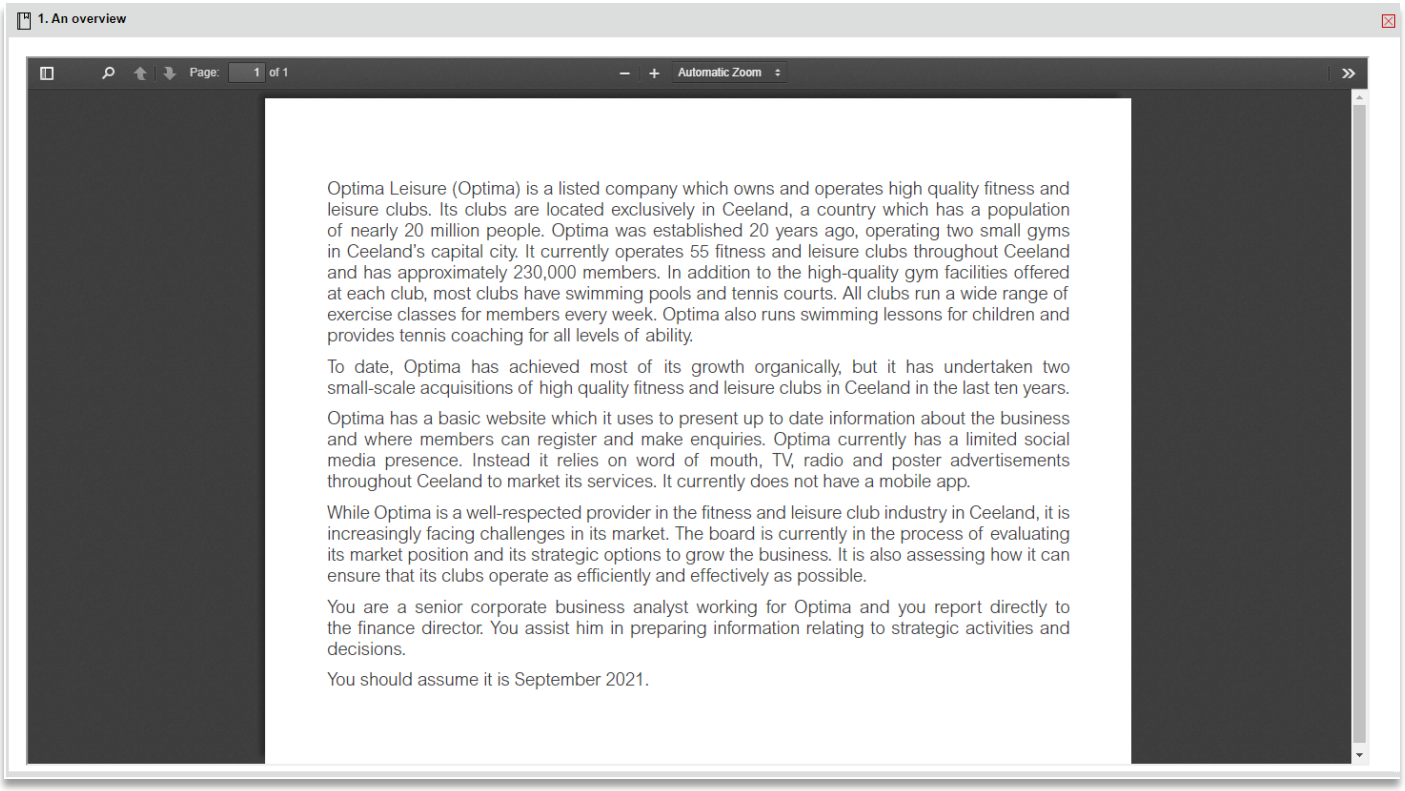
(15 marks)

Professional skills marks are available for demonstrating *evaluation* skills to objectively appraise the implications of the internal control weaknesses identified and to make well-reasoned recommendations for improvement.

(3 marks)

# Scenario 1: Exhibits

## Exhibit 1: An overview




Optima Leisure (Optima) is a listed company which owns and operates high quality fitness and leisure clubs. Its clubs are located exclusively in Ceeland, a country which has a population of nearly 20 million people. Optima was established 20 years ago, operating two small gyms in Ceeland's capital city. It currently operates 55 fitness and leisure clubs throughout Ceeland and has approximately 230,000 members. In addition to the high-quality gym facilities offered at each club, most clubs have swimming pools and tennis courts. All clubs run a wide range of exercise classes for members every week. Optima also runs swimming lessons for children and provides tennis coaching for all levels of ability.

To date, Optima has achieved most of its growth organically, but it has undertaken two small-scale acquisitions of high quality fitness and leisure clubs in Ceeland in the last ten years.

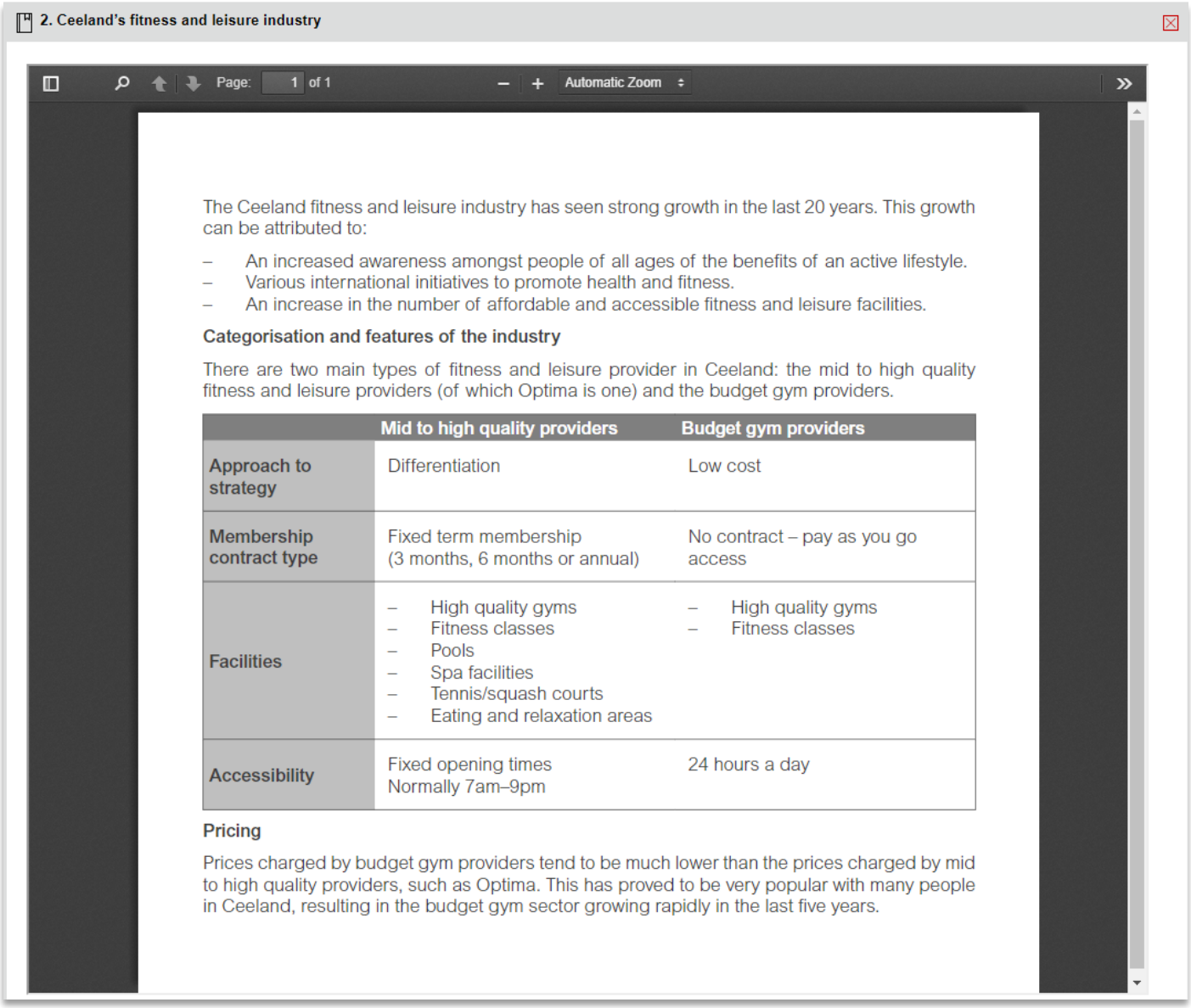
Optima has a basic website which it uses to present up to date information about the business and where members can register and make enquiries. Optima currently has a limited social media presence. Instead it relies on word of mouth, TV, radio and poster advertisements throughout Ceeland to market its services. It currently does not have a mobile app.

While Optima is a well-respected provider in the fitness and leisure club industry in Ceeland, it is increasingly facing challenges in its market. The board is currently in the process of evaluating its market position and its strategic options to grow the business. It is also assessing how it can ensure that its clubs operate as efficiently and effectively as possible.

You are a senior corporate business analyst working for Optima and you report directly to the finance director. You assist him in preparing information relating to strategic activities and decisions.

You should assume it is September 2021.

# Exhibit 2: Ceeland's fitness and leisure industry



2. Ceeland's fitness and leisure industry

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The Ceeland fitness and leisure industry has seen strong growth in the last 20 years. This growth can be attributed to:

- An increased awareness amongst people of all ages of the benefits of an active lifestyle.
- Various international initiatives to promote health and fitness.
- An increase in the number of affordable and accessible fitness and leisure facilities.

**Categorisation and features of the industry**

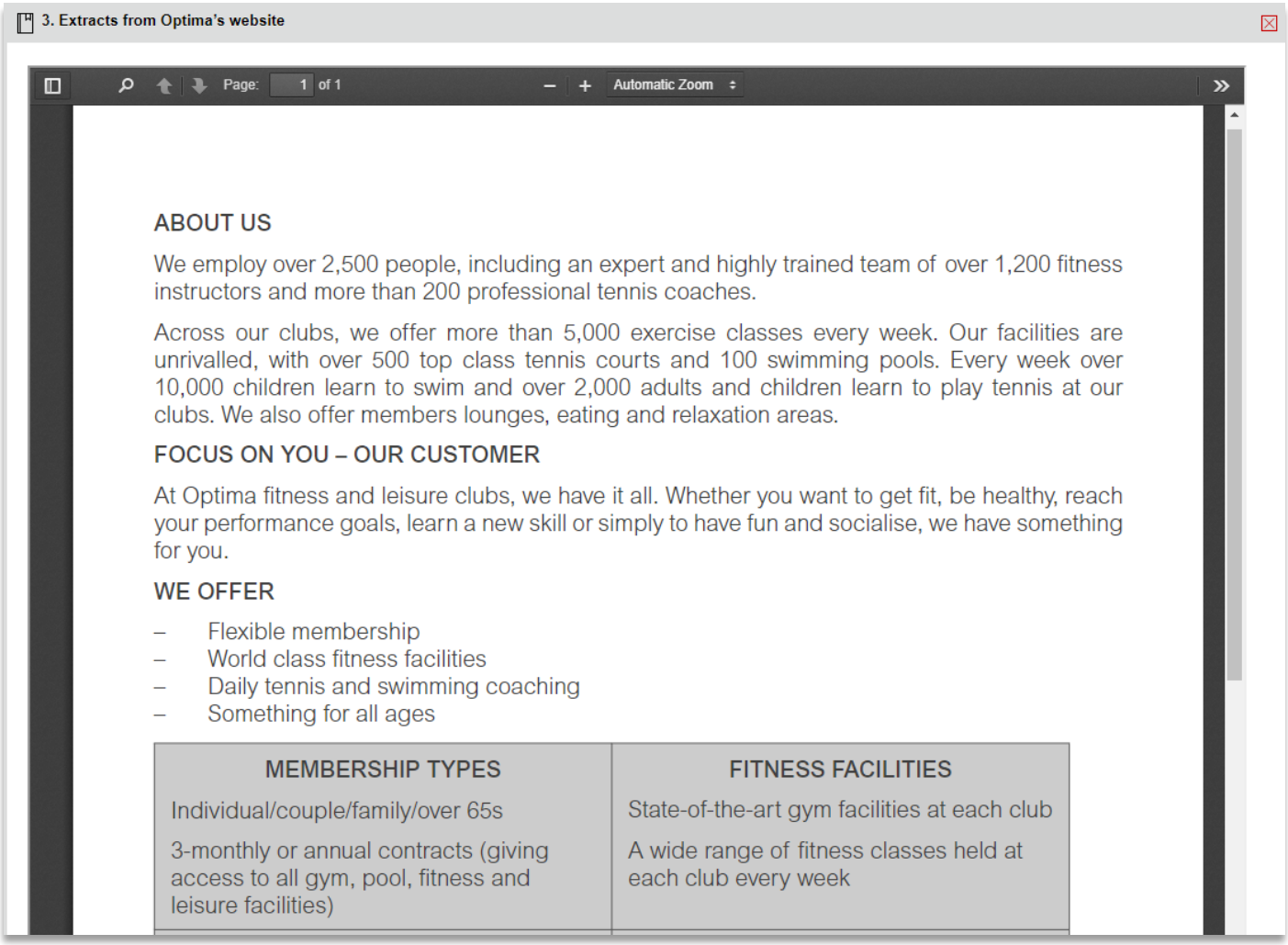
There are two main types of fitness and leisure provider in Ceeland: the mid to high quality fitness and leisure providers (of which Optima is one) and the budget gym providers.

| | Mid to high quality providers | Budget gym providers |
|---|---|---|
| **Approach to strategy** | Differentiation | Low cost |
| **Membership contract type** | Fixed term membership (3 months, 6 months or annual) | No contract – pay as you go access |
| **Facilities** | – High quality gyms<br>– Fitness classes<br>– Pools<br>– Spa facilities<br>– Tennis/squash courts<br>– Eating and relaxation areas | – High quality gyms<br>– Fitness classes |
| **Accessibility** | Fixed opening times<br>Normally 7am–9pm | 24 hours a day |

**Pricing**

Prices charged by budget gym providers tend to be much lower than the prices charged by mid to high quality providers, such as Optima. This has proved to be very popular with many people in Ceeland, resulting in the budget gym sector growing rapidly in the last five years.

# Exhibit 3: Optima's website



3. Extracts from Optima's website

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## ABOUT US

We employ over 2,500 people, including an expert and highly trained team of over 1,200 fitness instructors and more than 200 professional tennis coaches.

Across our clubs, we offer more than 5,000 exercise classes every week. Our facilities are unrivalled, with over 500 top class tennis courts and 100 swimming pools. Every week over 10,000 children learn to swim and over 2,000 adults and children learn to play tennis at our clubs. We also offer members lounges, eating and relaxation areas.

## FOCUS ON YOU – OUR CUSTOMER

At Optima fitness and leisure clubs, we have it all. Whether you want to get fit, be healthy, reach your performance goals, learn a new skill or simply to have fun and socialise, we have something for you.

## WE OFFER

- Flexible membership
- World class fitness facilities
- Daily tennis and swimming coaching
- Something for all ages

| MEMBERSHIP TYPES | FITNESS FACILITIES |
|---|---|
| Individual/couple/family/over 65s | State-of-the-art gym facilities at each club |
| 3-monthly or annual contracts (giving access to all gym, pool, fitness and leisure facilities) | A wide range of fitness classes held at each club every week |

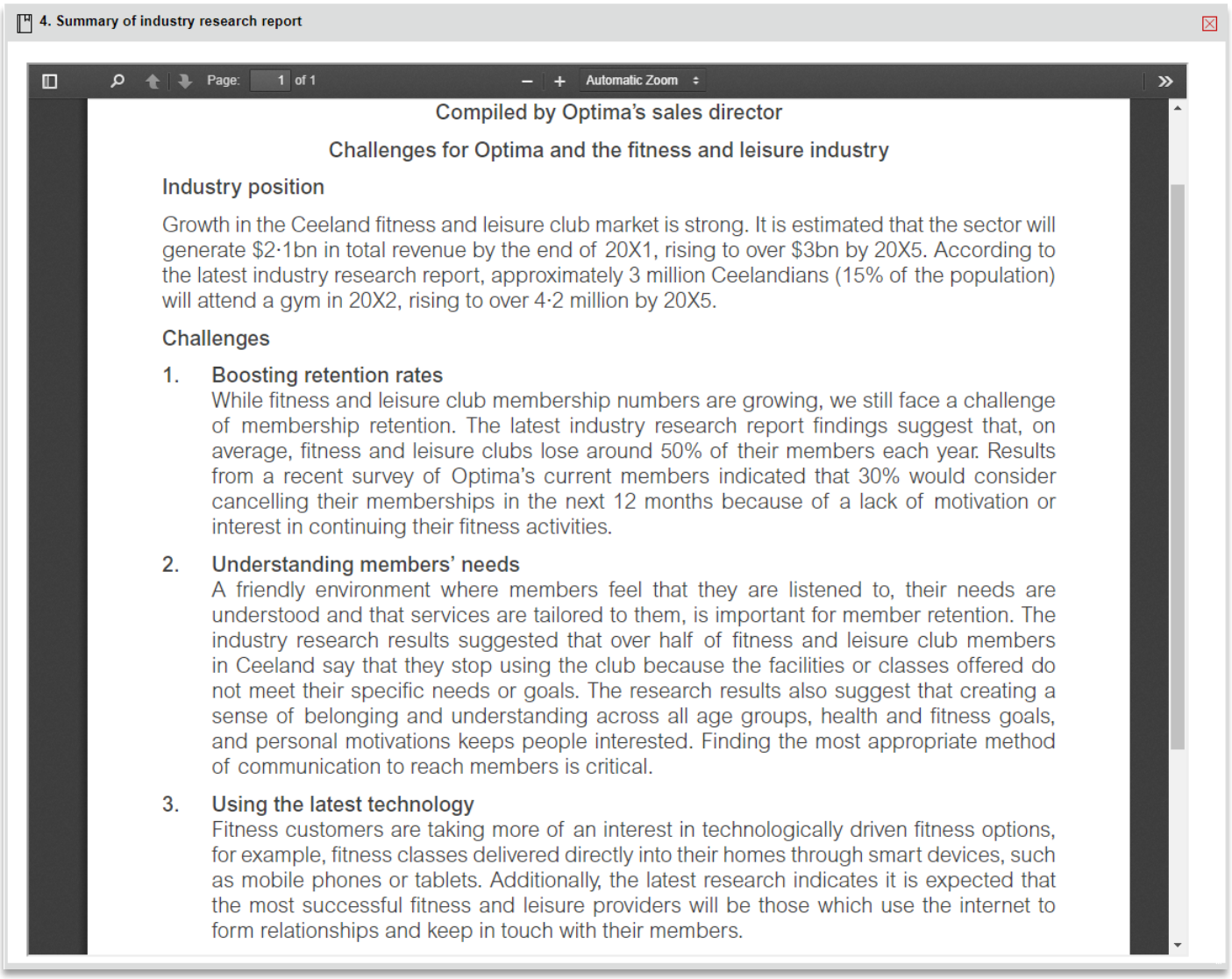
| TENNIS AND SWIMMING | ALL AGES |
|---|---|
| Professional tennis coaches offering individual and group lessons | Child-care facilities |
| Tennis court hire available every day | A wide range of fitness activities and after school exercise classes for 6–18 years |
| Children's swimming lessons every day | Fitness sessions exclusively for over 65s |

## CORPORATE SOCIAL RESPONSIBILITY – HEALTHY SOCIETY

We recognise the importance of our role in contributing to a healthy society. We aim to provide the best facilities, innovative services and classes, and unrivalled expertise for our members. Our aim is to motivate people to maximise their potential and achieve their goals. In the wider community, we positively encourage the development of relationships between our clubs and local groups and institutions. This includes using our expertise to inspire the wider community through working within schools and with elderly people.

In the last five years, we have organised many events to raise money for local charities and have invested some of our profits into international initiatives to improve the health and well-being of children across the world.

# Exhibit 4: Summary of industry research report




Compiled by Optima's sales director

Challenges for Optima and the fitness and leisure industry

## Industry position

Growth in the Ceeland fitness and leisure club market is strong. It is estimated that the sector will generate $2·1bn in total revenue by the end of 20X1, rising to over $3bn by 20X5. According to the latest industry research report, approximately 3 million Ceelandians (15% of the population) will attend a gym in 20X2, rising to over 4·2 million by 20X5.

## Challenges

1. **Boosting retention rates**
   While fitness and leisure club membership numbers are growing, we still face a challenge of membership retention. The latest industry research report findings suggest that, on average, fitness and leisure clubs lose around 50% of their members each year. Results from a recent survey of Optima's current members indicated that 30% would consider cancelling their memberships in the next 12 months because of a lack of motivation or interest in continuing their fitness activities.

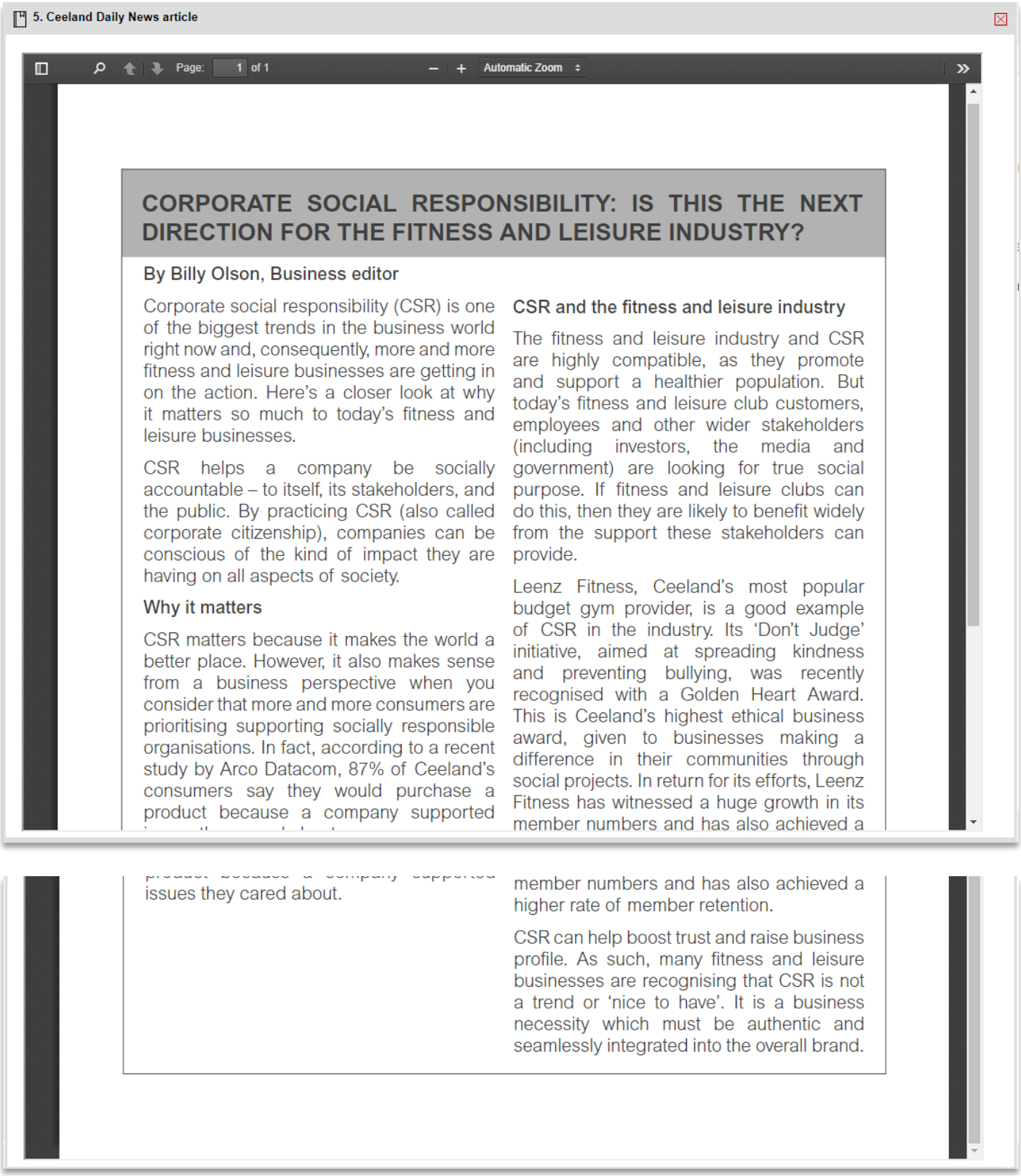
2. **Understanding members' needs**
   A friendly environment where members feel that they are listened to, their needs are understood and that services are tailored to them, is important for member retention. The industry research results suggested that over half of fitness and leisure club members in Ceeland say that they stop using the club because the facilities or classes offered do not meet their specific needs or goals. The research results also suggest that creating a sense of belonging and understanding across all age groups, health and fitness goals, and personal motivations keeps people interested. Finding the most appropriate method of communication to reach members is critical.

3. **Using the latest technology**
   Fitness customers are taking more of an interest in technologically driven fitness options, for example, fitness classes delivered directly into their homes through smart devices, such as mobile phones or tablets. Additionally, the latest research indicates it is expected that the most successful fitness and leisure providers will be those which use the internet to form relationships and keep in touch with their members.

## Implications for Optima

The next few years look set to provide further growth opportunities for Optima. Although the increased popularity of the budget sector has driven much of the industry growth seen recently, fitness and leisure clubs such as ours are also well-positioned to exploit the market-wide growth. Therefore, Optima's focus should be on targeting our offerings more directly to specific customer segments to improve retention and to make better use of technology which can deliver and market our products and services more effectively.

# Exhibit 5: Ceeland Daily News article




## CORPORATE SOCIAL RESPONSIBILITY: IS THIS THE NEXT DIRECTION FOR THE FITNESS AND LEISURE INDUSTRY?

By Billy Olson, Business editor

Corporate social responsibility (CSR) is one of the biggest trends in the business world right now and, consequently, more and more fitness and leisure businesses are getting in on the action. Here's a closer look at why it matters so much to today's fitness and leisure businesses.

CSR helps a company be socially accountable – to itself, its stakeholders, and the public. By practicing CSR (also called corporate citizenship), companies can be conscious of the kind of impact they are having on all aspects of society.

### Why it matters

CSR matters because it makes the world a better place. However, it also makes sense from a business perspective when you consider that more and more consumers are prioritising supporting socially responsible organisations. In fact, according to a recent study by Arco Datacom, 87% of Ceeland's consumers say they would purchase a product because a company supported issues they cared about.

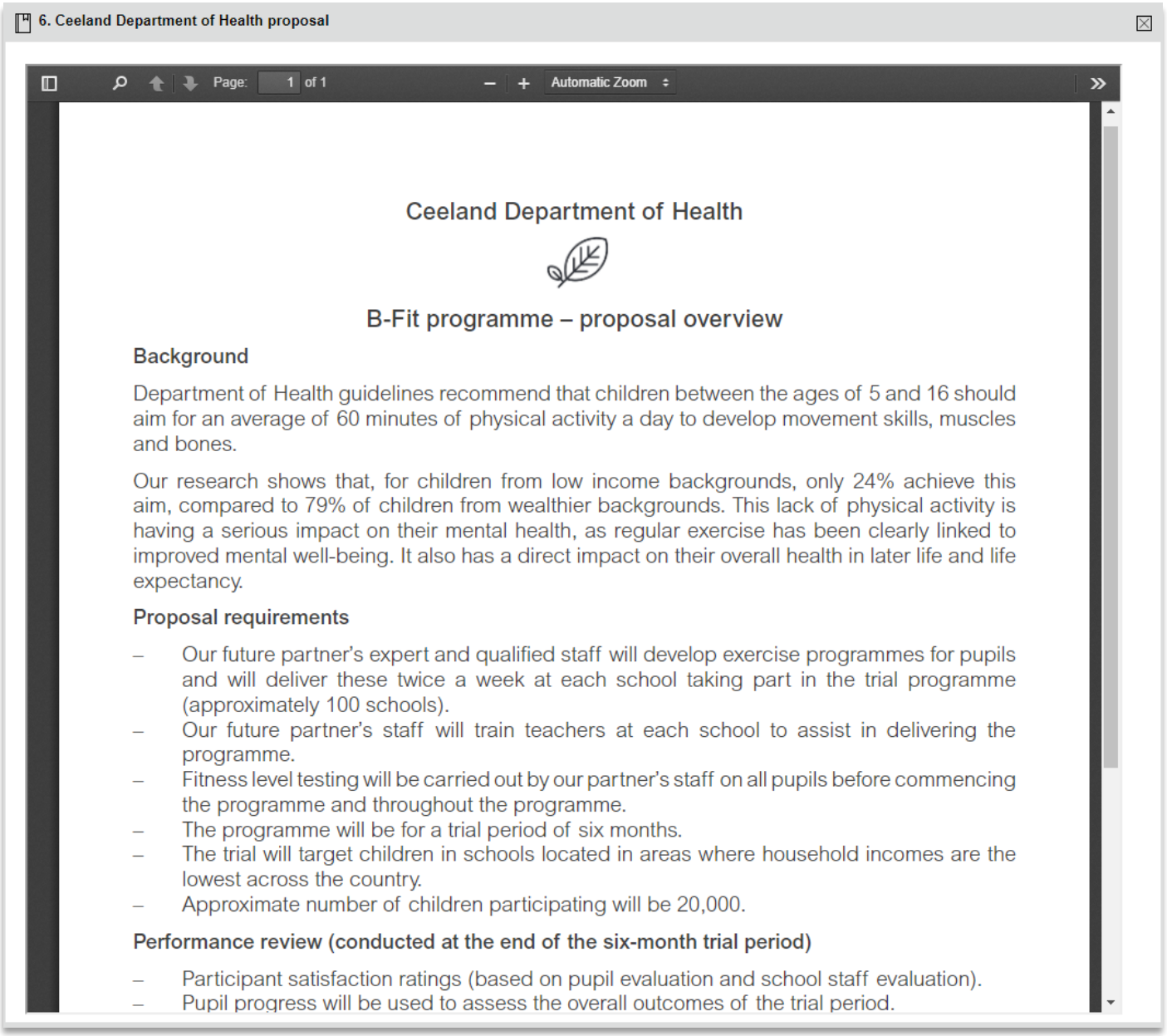
### CSR and the fitness and leisure industry

The fitness and leisure industry and CSR are highly compatible, as they promote and support a healthier population. But today's fitness and leisure club customers, employees and other wider stakeholders (including investors, the media and government) are looking for true social purpose. If fitness and leisure clubs can do this, then they are likely to benefit widely from the support these stakeholders can provide.

Leenz Fitness, Ceeland's most popular budget gym provider, is a good example of CSR in the industry. Its 'Don't Judge' initiative, aimed at spreading kindness and preventing bullying, was recently recognised with a Golden Heart Award. This is Ceeland's highest ethical business award, given to businesses making a difference in their communities through social projects. In return for its efforts, Leenz Fitness has witnessed a huge growth in its member numbers and has also achieved a higher rate of member retention.

CSR can help boost trust and raise business profile. As such, many fitness and leisure businesses are recognising that CSR is not a trend or 'nice to have'. It is a business necessity which must be authentic and seamlessly integrated into the overall brand.

# Exhibit 6: Ceeland Department of Health proposal



6. Ceeland Department of Health proposal

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## Ceeland Department of Health

## B-Fit programme – proposal overview

### Background

Department of Health guidelines recommend that children between the ages of 5 and 16 should aim for an average of 60 minutes of physical activity a day to develop movement skills, muscles and bones.

Our research shows that, for children from low income backgrounds, only 24% achieve this aim, compared to 79% of children from wealthier backgrounds. This lack of physical activity is having a serious impact on their mental health, as regular exercise has been clearly linked to improved mental well-being. It also has a direct impact on their overall health in later life and life expectancy.

### Proposal requirements

- Our future partner's expert and qualified staff will develop exercise programmes for pupils and will deliver these twice a week at each school taking part in the trial programme (approximately 100 schools).
- Our future partner's staff will train teachers at each school to assist in delivering the programme.
- Fitness level testing will be carried out by our partner's staff on all pupils before commencing the programme and throughout the programme.
- The programme will be for a trial period of six months.
- The trial will target children in schools located in areas where household incomes are the lowest across the country.
- Approximate number of children participating will be 20,000.

### Performance review (conducted at the end of the six-month trial period)

- Participant satisfaction ratings (based on pupil evaluation and school staff evaluation).
- Pupil progress will be used to assess the overall outcomes of the trial period.
- Pupil progress measures will be determined by the Department of Health and will be based on factors such as increased number of hours participating in active exercise both during and after the programme delivery, weight loss achievement, and well-being assessment (physical and mental). These measures are yet to be confirmed.

The Ceeland government will pay $10 million to the chosen partner for its participation in this trial programme: 60% up-front payment and 40% on successful delivery of the programme.

**NOTE: As a publicly funded department we have an obligation to deliver value for money in all initiatives and partnerships which we undertake.**

# Exhibit 7: Senior management team meeting

**7. Senior management team meeting**

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| | |
|---|---|
| IT director | We must make better use of available technology. As we all know, one of our biggest challenges is customer retention. Using data analytics technology could reduce membership cancellations by allowing us to examine member data and better understand their needs. I think big data analytics could play a particularly important part in member retention, engagement, and understanding member trends. |
| Marketing director | I'm not sure. Our exit interviews have always been our most useful source of information to understand member behaviour. And, in addition to exit interviews, all our clubs obtain member feedback through surveys, emails and the customer feedback forms we use when members renew their membership. We have lots of information in Optima. We don't need any more. |
| IT director | Yes, we have lots of information, but we should make better use of that information, as understanding customer behaviour is critical. We could achieve this with big data analytics, something we don't currently do but most of our competitors are doing.<br><br>I also think that mobile technology will be a game-changer in the fitness and leisure industry in the near future. People are becoming much more reliant on mobile applications nowadays.<br><br>I think we need to develop an Optima mobile app as soon as possible. This would allow us to better engage with members, using features such as mobile fitness programmes and challenges, rewards programmes, community interest forums and push notifications. Importantly, an app would also provide an opportunity to have a two-way interaction with members, beyond the times when they are physically in the club. It presents us with an opportunity to change how we approach traditional marketing, by making use of social media marketing. |
| Commercial director | That's all very interesting but my main concern is how much all of this will cost and whether it will merely waste management time. |

## Exhibit 7: Senior management team meeting (continued)

| | |
|---|---|
| Marketing director | Yes, and I'm also not sure that all our members will want to use a mobile app. Many will not want to be continuously interrupted by notifications telling them to get up and exercise. It could put people off! And social media will be unfamiliar for some of our older members. Our current marketing approach is very successful. |
| Commercial director | I agree. While younger people and other technologically aware customers might embrace mobile technology, adjusting to mobile marketing and engagement may be harder to sell to older members. Many of our older members come to play tennis and socialise and don't engage with technology in the same way as younger people. We cannot ignore these very important members. |
| HR director | We are not a technology focused business. Our staff don't have the skills to carry out complex data analytics nor engage in social media marketing. Also, people come here to exercise and socialise, not to look at their phones. |

1

| | |
|---|---|
| IT director | There are plenty of potential benefits and challenges for both data analytics and mobile technology for us to consider. Thank you all for your input. |

2

# Exhibit 8: Email from the finance director

