Answers

In the Strategic Professional Examinations it is not always possible to publish suggested answers which comprehensively cover all the valid points which candidates might make. Credit will be given to candidates for points not included in the suggested answers, but which, nevertheless, are relevant to the requirements. In addition, in this integrated case study examination candidates may re-introduce points made in other questions or parts of questions as long as these are made in the specific context of the requirements of the question being answered.

The suggested answers presented below inevitably give much more detail than would be expected from most candidates under examination conditions, and include most of the obvious points evidenced from the case information. The answers are therefore intended to provide a structure of the approach required from candidates, and cover the range and depth of knowledge relating to each task which might be demonstrated by the most well prepared and able candidates. They are also intended to support revision and tuition for future examinations.

1 (a) FAO: Jerry Krantz, Finance director
From: Senior corporate business analyst
Briefing notes: Customer segmentation

(i) The value of customer segmentation analysis

Customer segmentation divides our broader customer population into smaller groups or subsets with similar needs, interests, preferences, and characteristics. The ways in which this could be of value to Optima are as follows:

Target customers effectively

Customer segmentation is critical to target our customers effectively, since customers are unique individuals with various needs and preferences. As far as our fitness and leisure services are concerned, there is no 'one-size-fits-all' solution when marketing to members and potential members. Through customer segmentation and more personalised marketing campaigns, we can reduce the risk of running campaigns to uninterested consumers, thus increasing marketing campaign efficiency and optimising the use of our resources.

Increase competitiveness

By focusing on specific customer segments, competitiveness in our targeted market segment should also increase. Our market share could also increase by focusing on certain market segments. For instance, with a demographic-based marketing strategy, we can tailor part of our marketing campaigns specifically to the over 65s, a potentially untapped and affluent segment of the fitness and leisure market.

Prioritise customer segments

Launching marketing campaigns designed specifically for distinct groups also allows us to prioritise customer segments who are more likely to engage and convert to membership of our clubs. By concentrating conversion efforts on specific segments, instead of spreading resources evenly across all segments, time and money can be used more effectively.

Improve relationships

The process of customer segmentation revolves around constantly learning more about our customers so we can better match their needs to serve them better. It makes sense that the more we get to know them, the stronger our communication and overall relationship with them becomes. Improved relationships then make it harder for them to leave, i.e. greater customer retention. As we then use customer segmentation to adapt to their changing circumstances – they marry, have families, change jobs, develop new interests, etc – we can continue to market to them appropriately. By marketing products and services which appeal to customers at different life stages, we can retain customers, one of the most challenging issues facing our industry.

Increased reach

Market segmentation provides an opportunity to reach an even wider audience with the most appropriate media of communication for those segments. Whether we are targeting men, women, seniors or younger people, each group will respond differently to marketing tactics. For example, social media marketing may be effective on younger people but less effective for more senior customers. By splitting our target audience into groups, we can properly and effectively reach a wider audience and potentially save money and time by using our marketing budget effectively.

Market segmentation gives us the opportunity to better serve members' needs. Although there will be some overlap in communications, it is important that members feel listened to and valued.

(ii) Types of customer segmentation

Customer segments can be established using three general criteria:

- Homogeneity – common needs within a segment
- Distinction – uniqueness from other segments
- Reaction – a similar response to marketing tactics

Using these three criteria, we could divide our customer market further using the following main types of customer segment:

1. Demographic segmentation

This is one of the simplest and most used types of customer segmentation. It sorts our members/potential members by factors such as age, gender, marital status, family size, income, education, race, occupation, nationality or religion. Demographic segmentation is seen in almost every industry because customers' buying behaviour is largely influenced by their demographics. As we cater for a wide range of demographics, splitting customers into age range or by stage of life (single, married, family groups, retired couples) would also be a useful segmentation approach for Optima. For example, the marketing message we would use to attract young single customers wanting to stay fit and achieve sporting performance goals would need to be different from the marketing message we send to our family groups or our members over 65, who use our facilities to relax and socialise.

2. Behavioural segmentation

Behavioural segmentation divides our members/potential members based on individuals' behaviour, choices, decision-making patterns, and product usage. For example:

- How they use our facilities (regularity of visits, frequency and length of visit, facilities used).
- How much they know about our facilities and services (stage of the customer's journey, such as whether they are new members or whether they have passed through several stages of their life as members).
- How much they use our facilities (repeat customers; light, medium, or heavy usage/social usage).
- How they make decisions (carefully and slowly, or more impulsively).

This may be more difficult to determine but if we can understand how and why our members use our services and facilities, we can tailor these more specifically to them. For example, if we know that we have a group of members who use our gym facilities only at the weekend, then we could offer specific weekend only membership deals.

3. Psychographic segmentation

This type of segmentation takes behavioural segmentation one step further by considering the psychological aspects of customer buying behaviour – their lifestyle, interests, values, opinions, personality traits, attitudes, etc.

For example, psychographic segmentation can sort our members into categories of people interested in different aspects of health and fitness. For instance, although we offer a wide variety of fitness facilities, we would only market certain services to certain segments, depending on their interests and lifestyles (weightlifting, fitness classes, personal training and coaching, leisure and relaxation only).

Summary

I would suggest that a combination of all three types of segmentation could be used, to identify the needs and desires of our member groups. We have a wide range of demographics, from small children, through to retired members and we have a wide range of services and facilities which will motivate and attract different groups and their needs. Therefore, there is a real opportunity to exploit market segmentation to target our marketing message more effectively and assist in improving retention rates.

(b)

CSR: Importance in relation to customers and staff

- Increase loyalty
- Impact on customer retention
- Attract a whole new set of socially responsible customers
- Improve reputation
- Attract top quality staff
- Retain top quality staff

Slide 1

Notes

The example of the Leenz Fitness 'Don't Judge' initiative to prevent bullying demonstrates that businesses in our industry can make a positive social impact. Our own work which we do in the community with local children and elderly customers shows our own commitment to demonstrate social responsibility in our industry.

Demonstrating CSR is strategically important for us, as it should help us to encourage customer loyalty and interest, if we are seen to be a strong corporate citizen which considers its impact on the society and actively contributes to its communities.

Customer loyalty can also equate to better customer retention, which is a significant issue for the whole fitness and leisure industry. Additionally, by being a good corporate citizen, we could also attract a whole new set of customers who are attracted by our social responsibility stance and commitment. If we focus on the impact which we can make to customers' lives and the wider environment and community, then this will improve their lives and our reputation in the industry.

Having a reputation for high standards of social responsibility is likely to mean that we are in a better position to retain staff who want to be associated with a business with a reputation as a good corporate citizen.

It also is likely to attract high quality staff to want to work for us. This, in turn, is an advantage to our customers as they will gain the highest standards of services from the highest quality staff available in the industry.

CSR: Importance in relation to wider external stakeholders

- Investors – Ethical investors attracted to invest
- Media – Positive publicity
- Government – Funds/grants
- Wider community – Improved relationship

Slide 2

Notes

As a good corporate citizen, we are likely to attract more investors, particularly those ethical investors who are interested in and wish to be further associated with a socially responsible business. Ethical investors are growing in number and we could take advantage of this if we operate sound CSR policies.

The media may present Optima favourably and are likely to promote our CSR activities to the wider community. This could provide positive publicity which could attract more interest in what we do and, in turn, this could attract more members and more investors.

Demonstrating sound social responsibility is also likely to be looked on favourably by the government, which may attract funding and grants to operate social projects or partnerships. Again, the favourable publicity we may gain from such partnerships on social schemes may also attract more interest in our business and more members.

Having a positive impact on the wider community and acting as a good corporate citizen improves our relationship with the wider community, at all age ranges and interests. Additionally, interest in our activities could also potentially attract new members. Having a strong relationship with our community could also give us a competitive advantage over other rival businesses.

2 **To: Jerry Krantz, Finance director**
From: Senior corporate business analyst
Date: 7 September 2021

B-Fit programme – Proposal evaluation

Delivered in partnership with the Department of Health

(a) Introduction

The following report sets out several key issues which the board of Optima should consider in relation to the proposal to partner with Ceeland's Department of Health to deliver its proposed B-Fit programme. The proposal to work in a collaborative partnership with the Department of Health is an interesting one, with several opportunities and threats we need to consider. In particular, working with a public sector partner will present a number of challenges which we must be fully aware of before taking part in such a collaboration.

Opportunities

The first opportunity is that participating in a programme such as this could raise our profile across Ceeland, and further enhance our position in the Ceeland fitness and leisure market. Association with a high-profile, country-wide initiative such as this, which importantly also demonstrates our focus on social responsibility, should improve our reputation in the market and potentially attract new members.

A further opportunity is that this may open up opportunities to deliver more programmes such as this in the future. The proposal suggests that this is just a trial period of six months and if successful, could become a significant part of our business profile, if the government decides to extend the reach of the programme to more schools across Ceeland. This could lead to further programmes and partnerships in the future with the government and other organisations, which could open up a whole new market for us.

From Optima's perspective, the long-term benefits of participating in this programme will be the potential increase in our national profile and the potential to attract more customers in the long term. However, we would need to be cautious here as this may be limited, as our current profile and marketing message would not necessarily attract lower income individuals and therefore converting the participating children and their families into future customers of Optima may be limited. However, our general profile in the wider community should be increased due to the additional publicity which this programme will attract, which should attract more interest in our business.

Both Optima and the Department of Health will be working towards the same aim of improved levels of health and fitness for the children of Ceeland. Therefore, this should be a positive aspect of this collaborative relationship and should make our working relationships with the government department easier to manage as we will be working towards the same social

objective. If we work closely enough with the government, Optima could be listed as an approved provider on their official B-Fit website which promotes this initiative. This should also raise our profile with ethically driven customers and potential investors.

Threats

Public and private sector collaborations often fail. Therefore, the first potential threat is that should the programme be perceived by the participants and/or the wider public as a failure, it could damage our reputation.

There is also a potential threat that current members may be adversely affected by this proposal, in that qualified fitness instructors will be absent from our clubs during the times when they are delivering the programme within schools. This may affect the quality of our members' experience in the gym or in the fitness classes they attend.

This programme is likely to be incredibly time consuming for our staff, who will be expected to not only deliver this programme but also will be responsible for monitoring and reporting in the performance of children taking part. Most will not be used to working in such an environment. Extra training will be needed and presumably we will need to ensure that our own gyms and fitness classes are adequately covered when staff are working on the programme. It may be difficult to source enough temporary staff to support this and the cost may also be high. There is also a potential threat that our current instructors may not be happy to work on this programme as they may feel unprepared or under pressure. Staff may leave, rather than be forced to take part in this programme, which may then leave us under-resourced.

A further threat is that the Department of Health is likely to have different overall objectives for this programme to Optima. Its focus will be on the measurable improvements to the health and fitness of the children participating. For Optima, our objective will of course be the same, but in addition we must also consider the impact of the programme on our long-term business reputation and its impact on profitability. Our investors will want to be reassured that our focus remains on being profitable.

There will also be challenges in managing the partnership. It is clear from the current outline proposal that the mechanisms suggested to measure performance have not been fully finalised and I would suggest that we need to be involved in the agreement and finalisation of any performance measures to ensure that we are in agreement as to how these will operate and how our own performance will be measured. It is going to be extremely difficult to establish the direct impact of our participation in the programme, as its success will be influenced by many external factors, particularly as our staff will only be in contact with children for short periods of time over the duration of the programme. Therefore, we must establish how the Department of Health intends to measure the overall success of the programme and how they intend to measure our impact on that. It is likely that any direct outcomes will only be confirmed in the long term, certainly beyond the timeframe of the programme. We must ensure that our own reputation is not damaged by inappropriate short-term measures which are not reflective of our own input into the programme.

(b) Value for money (VFM)

VFM principles focus on the three aspects of 'economy', 'efficiency' and 'effectiveness'. Economy focuses on delivering services within budget and within the resource constraints. Efficiency focuses on achieving an acceptable return on the resources invested in a service (that is, getting as much as possible from the amount put into a service). Effectiveness focuses on the degree to which the organisation has delivered what it intended to deliver.

As a public sector organisation, the Department of Health is funded by the government of Ceeland and will be tightly controlled in what it can do and how it spends the money which it has been allocated. As it is funded by public money, it must be efficient in the resources it has been allocated and be strategically effective in the delivery of the objectives it has been set.

This VFM focus may create challenges for Optima in participating in the delivery of the B-Fit programme. In terms of 'economy', our own business operates as a mid-to-high quality fitness provider and our strategy is one of differentiation, with a focus on quality rather than being a low-cost provider. However, the Department of Health's required focus on 'economy' will be based on providing the highest quality for the most appropriate/lowest cost possible. Ensuring quality will be an important factor in this programme and while this should not be compromised, we must ensure that whatever we deliver is within the budget set ($10 million). This equates to $500 per pupil. Therefore, we will need to carefully assess what we can realistically achieve over the six-month trial period which will achieve this budget level.

In terms of 'efficiency' in achieving an acceptable return on the resources invested in the programme, our current focus on efficiency may not be completely in line with the VFM approach of the Department of Health. As a private sector organisation, of course our shareholders will expect that we do not waste resources and that we invest money to generate a return. However, our primary focus is on delivering top quality facilities and services and creating an excellent experience for our members. This may not always be in line with optimising efficiency and therefore we may not be fully aligned in our overall approach here with the Department of Health requirements.

In terms of effectiveness, Optima's primary focus is on the delivery of excellence and achieving high levels of overall quality of services and facilities we offer. Currently, this is completely determined and influenced by Optima. However, the effectiveness of the outcomes of this programme will depend on many other external factors and on the efforts of the children and schools taking part in the programme. Optima should not be held solely responsible for the effectiveness of the delivery of the programmes and the final outcomes, as we are only one factor in their achievement. Therefore, having only partial control of the effectiveness of the programme may be a challenge for Optima.

As a private sector organisation, we may have some differing overall aims and objectives to those of the Department of Health and therefore we may not be completely aligned with all of the VFM principles driving this programme which we must take into consideration before progressing further.

Conclusion

This is a highly interesting proposal and one which Optima is well placed to deliver. There are several potential benefits to participation in the programme but we must fully consider the potential challenges which it may also create. It is recommended that we open up a dialogue with the Department of Health as soon as possible.

3 FAO: Jerry Krantz, Finance director
From: Senior corporate business analyst

(a) Opportunities and threats of implementing big data analytics

Opportunities

Big data analytics could help us examine the data we already currently collect from members and create actionable information, especially that which relates to retaining our members.

1. Timely decisions

   We could identify patterns and trends which may give us better insight into our business, on a continual basis. One issue with the exit interviews which we undertake, as mentioned in the meeting by the marketing director, is that this information comes too late. If we had meaningful information which we analysed continually, we could know much earlier why a member would want to cancel and therefore be able to address this in advance. Therefore, the exit interviews highlighted by the marketing director, though useful to understand why members are leaving, may not help us to retain those specific members.

2. Understand behaviour and building loyalty

   By undertaking big data analytics, we can detect member behaviour and steer them in a direction which is best for them and for us. Perhaps a club has a member paying a premium price for an all-access membership who only uses the gym at weekends. By analysing their behaviour and usage patterns, we could encourage that member to switch to a gym member pass only. Having a more engaged member, even if it is at a lower price point, will better satisfy that member and therefore hopefully retain them. Ultimately, building loyalty is about giving people what they want and responding to the things they do not like. We can only know that if we collect and analyse a wide range of customer data continuously, as members' needs are changing continuously.

3. Better use of data held

   As highlighted by the marketing director, we collect a significant amount of information about our members, through surveys, emails and membership forms. Through big data analytics, we would use the information we have better. This could be done by connecting all of the member feedback and membership data in ways which allow us to better understand which clubs are doing well, what is keeping members engaged, what makes members loyal to a club and what the threats to that loyalty are (such as competition nearby or a change in club policy). Big data analytics is not about collecting more data, as suggested by the marketing director; it is about analysing better and more productively the information we already have.

4. Satisfy multiple user needs

   Obviously, we would have to invest in a data analytics software system which can connect and analyse member feedback with members' transactional data and ensure that it gets to the right people within Optima. For example, club managers can view information relating to individual club retention rates by age group or demographics, whereas Optima's executives can focus on information such as why the top 10 performing clubs are doing better than the bottom 10 clubs. We may not currently be a 'technology focused' business, as suggested by the HR director, but that does not mean that we should not make use of available data analytics technology to better understand our business. In fact, we may be at a competitive disadvantage if we do not.

Threats

1. Security

   Holding large quantities of data opens us up to the threat of hackers who wish to exploit or corrupt the data we hold. We will be holding not only vast amounts of personal information about members, but also information on their activities, interests and personal transactions. We must ensure that this data is held securely which, in turn, is likely to increase costs.

2. Cost

   The commercial director correctly mentioned the cost of big data analytics, It could cost a significant amount in software installation and in acquiring or training staff with the necessary skills to utilise and manage the system effectively. As we are not entirely sure of the return on such an investment and have no current expertise in big data analytics, costs may be significant without an adequate return. Therefore, we will need to undertake a detailed cost benefit analysis.

3. Data overload

   It would be easy to make the wrong decisions based on too much information. With no current experience of big data analytics, management could spend time trying to determine patterns and trends in the data instead of concentrating on

running the business. As the commercial director commented, having lots of data does not guarantee that it will be useful. The commercial director therefore has some valid concerns that data analytics may not be an effective use of management time.

(b) The use of mobile technology

Mobile technology is an exciting development in the fitness industry. The advent of smartphones has created the potential of having a fitness trainer and a mobile marketing device in everyone's pocket. This provides us with many possibilities to connect and engage with our members. Mobile technologies such as mobile apps and social media marketing could be adopted by Optima to help engage with customers more effectively.

Benefits for the member

A mobile app could help members to conveniently track their fitness goals, keep up to date with the latest information on class availability, opening times or special events wherever they are, 24 hours a day, seven days a week. This extra convenience should help to keep members engaged and satisfied. The HR director's comments that members want to exercise and socialise is true, but they also use their mobile devices to keep connected with friends and to organise their time. A mobile app would in fact assist this, not hinder it.

A mobile app also allows members to feed back to us instantly. A facility within the app could allow members to message clubs with feedback or to ask general queries. This accessible two-way communication facility should encourage active engagement with us, even when not on site.

A mobile app would allow us to build a sense of community and affiliation – even when members are not physically at the club. By being constantly present in members' lives, even when they are not on site at the club, allows us to actively engage with members and retain their interest in us.

Benefits for Optima

Using the app as a marketing tool allows us to instantly and conveniently contact members, providing them with our latest information, offers and updates. This instantaneous communication is cheaper than traditional marketing and ensures consistency of message to all users. This should increase engagement as different customers would receive tailored messaging which applies and is most relevant to their own needs and personal interests.

We will be able to continually collect feedback and data from customers, through direct and constant interaction with them. We would not have to wait until exit interviews or annual surveys to know what customers think of us. We can use the data we collect through the app continually as part of our data analytics to better understand members and provide them with more tailored services and information. We can create an interesting and engaging environment to deliver exercise content and marketing messages which we know will directly be seen by our target audience.

This does not mean that we should forgo all other forms of contact and interaction with members. We must make sure that our older members do not become disengaged with us, should they not use our mobile app. However, it may in fact be a misinterpretation by the commercial director to suggest that only young people are engaged with technology. More and more people of all ages now have access to smartphones. Therefore, we need to make sure we understand all our members' needs across all demographics to ensure that we use technology effectively.

Evaluating the usage of the smartphone app would give us a clear picture of the demographics of its usage and therefore we could identify if our marketing messages need to be delivered in alternative ways for different customer segments.

4 **To: Jerry Krantz, Finance director**
From: Senior corporate business analyst
Date: 10 September 2021

An evaluation of Optima's internal control activities

Introduction

The recent internal audit review of Optima's internal control activities has identified several weaknesses which need to be addressed. This report evaluates those weaknesses and makes several recommendations on how these may be addressed. The report will also briefly consider the importance of the control environment in ensuring an effective system of internal control.

Issue 1: Review of monthly performance reports

The lack of review by 20% (or 11 of the 55) club managers of their monthly performance reports is a weakness in our management controls. Performance reporting is a critical aspect of the control environment and it is an expectation of all club managers to use these reports to monitor and manage their club's performance. Reviewing of performance reports is a key activity for all managers at all levels of the organisation and if not done, then poor performance can go unchecked without suitable corrective action. On a monthly basis, some issues may not seem significant, but if left unnoticed and unchecked over several months, these could become major operational issues. Control activities must be carried out by club managers based not only on their own in-depth knowledge and understanding of their club but also on the performance information they receive. Club managers are obviously receiving performance information but are not using it, which demonstrates a weakness in their understanding of its importance to the operations of the whole business.

Recommendation: All club managers should be required to report to a senior manager at head office or to a regional level manager on a monthly basis to demonstrate the actions they have taken in response to the performance report. Tolerances should be set for any variances in performance which must be reported on by club managers on a monthly basis to ensure that action is being taken where necessary. All actions required must be followed up by a senior manager at head office to ensure that issues are actively addressed.

Issue 2. Unqualified staff

Over 12% of the current fitness instructors employed are not appropriately qualified. Having such a high proportion of fitness instructors employed in our gyms across Ceeland without the relevant qualifications or without having undergone the correct induction and training is an example of weaknesses in our personnel controls. By employing unqualified and untrained staff, we run the risk that they could provide inappropriate advice or assistance to members which could, in turn, result in accidents and/or injury and consequently, potential litigation. This could have disastrous consequences for Optima's reputation.

Recommendation: Human resource staff at head office must authorise all appointments and must check all CVs and employment references before appointment commences, particularly if Optima engages in the B-Fit programme which may involve physical trainers working with school children. All staff must undertake the required interview process, inductions and training prior to commencement of their duties on site and this process must be fully documented and authorised by an appropriate member of the human resources department. Annual performance appraisals should also be reviewed by HR staff to ensure that actions relating to training needs identified are properly actioned. Additionally, staff should be encouraged to undertake continuous professional development (CPD).

Issue 3. Security issues

Unauthorised access and potential security breaches within nearly 15% (8 of 55) of clubs is an example of weaknesses in our physical controls. The physical controls we set up, in relation to access codes and security passes given to our members, have been breached on many occasions meaning that potential non-registered and non-authorised individuals are gaining access to our facilities. This not only leads to a loss of revenue but also poses serious security risks to both our members and our staff.

The lack of action by the club managers who are aware of these weaknesses in the physical controls is a serious issue and a breach of management control, as they are aware of the control weakness but seemingly are not doing anything to rectify the issue.

Recommendation: Our access and security systems must be improved immediately. Facilities such as member security pass scanners, security barriers or physical checks of members' passes by reception staff must be fully operational at all clubs. Access to areas must be restricted to designated pass holders only and these need to be randomly checked by staff on a daily basis. Club managers who know about these security weaknesses and who are not actioning them must be disciplined. Security systems should be tested regularly and any faults must be reported and actioned immediately.

Issue 4. Approval and payment refurbishment work

The organisation of the swimming pool refurbishment and the authorisation of the work without following the proper tendering process is a breach in the management controls and in the control of segregation of duties. The club manager should not have authorised this work themselves without following the company-wide tendering process. This breach of controls could be viewed as potential fraud and would certainly be viewed as quite unethical, since the work was carried out by a business owned by the club manager's husband. This could impact on the reputation of Optima, if this becomes public knowledge.

Recommendation: The club manager should be disciplined and instructed on the proper tendering process which must be followed to undertake such work. All club managers must be made aware of their responsibilities and their authority limits in tendering for capital investment projects. All capital projects must be authorised by head office before commencement and no payments authorised or contracts signed until the full and correct tendering process has been documented and signed off.

It is important to maintain a balance in terms of having autonomy at a local level to improve connection with the members and ensuring that the necessary control environment is maintained to prevent potential fraud.

1 (a) (i) 1 mark for each relevant point relating to the value of customer segmentation analysis.

(Up to a maximum of 6 marks)

(ii) 1 mark for each relevant point made relating to the types of customer segmentation appropriate to Optima.

(Up to a maximum of 6 marks)

(Up to a maximum 12 marks in total)

Key points:

(i) Value of customer segmentation

- Reduce risk of running campaigns to uninterested consumers
- Increases marketing campaign efficiency
- Increase competitiveness in market segment
- Increase market share
- Prioritise customer segments which are more likely to engage
- Serve customer needs better
- Strengthen communication and relationship with customers
- Retain customers
- Tailor marketing and product/service offerings and membership types
- Tailor marketing to specific needs and attitudes

(ii) Types of customer segments

- General criteria: homogeneity/distinction/reaction
- Demographic segmentation – single, married, family groups, retired couples
- Behavioural segmentation – regularity/length of visit/facilities used/frequency
- Psychographic segmentation – lifestyles/interest/values/attitudes

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
commercial acumen skills in showing awareness of the usefulness of customer segmentation analysis to Optima. Briefing notes	*The candidate has demonstrated no understanding of how/why Optima could use customer segmentation analysis. The answer is purely theoretical.*	*The candidate demonstrated some commercial judgement in understanding the general benefits of segmentation to Optima but there was limited application and discussion of the types most applicable to Optima.*	*The candidate demonstrated good commercial judgement in recognising the benefits and most appropriate types of segmentation which Optima should adopt.* *The answer is presented in the correct format.*	*The candidate has demonstrated excellent commercial judgement and awareness of the benefits and appropriate customer segmentation types most applicable to Optima.* *The answer is presented in the correct format.*
	0	1	2	3

(b) Award a maximum of 6 marks for each slide presented and its notes.

(Up to a maximum 10 marks in total)

Slide 1
- Maintain customer loyalty – considers impact on society
- Equate to better customer retention
- Attract new set of social responsibility customers
- Retaining customers cost less than winning new customers
- Improve our reputation
- Retain high quality staff
- Attract high quality staff

Slide 2
- Investors – ethical investors interested in socially responsible businesses
- Media – present and promote our business favourably
- Government – attract funding and grants
- Attract more interest nationally and potentially more customers
- Being a good corporate citizen improves relationship with the wider community
- Encouraging positive external relationships

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
communication skills in concisely informing the board members of Optima of the strategic importance of its social responsibility activities. Presentation slides and notes	*The answer failed to focus on the strategic importance of Optima's social responsibility activities. The presentation would be totally inappropriate for the intended audience.*	*The slides and notes were both limited in coverage and therefore failed to communicate effectively the strategic importance of Optima's social responsibility activities to the intended audience.*	*The slides and notes were adequate and the points made sufficient to explain the strategic importance of Optima's social responsibility activities to the intended audience.* *The answer is presented in the correct format.*	*The slides and notes are logical and presented in a concise and appropriate way to explain the strategic importance of Optima's social responsibility activities to the intended audience.* *The answer is presented in the correct format.*
	0	1	2	3

2 (a) Up to 2 marks for each relevant opportunity identified and discussed.

Up to 2 marks for each relevant threat identified and discussed.

(Up to a maximum 13 marks in total)

Key points

Opportunities
- Raise profile
- Consolidate position
- Demonstrates focus on social responsibility
- Attract more customers
- Deliver similar programmes in the future
- Lead to further high-profile partnerships
- Working towards same aim – positive aspect of collaborative relationship

Threats
- Public/private sector collaborations often do not succeed
- Failure could harm Optima's reputation
- Current customers adversely affected
- Impact quality of current customers' experience
- Time consuming for staff
- Extra cost of training needed
- Staff may not be happy to work on this programme
- DoH may have different overall objectives
- Challenges in managing the partnership

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	**Not at all**	**Not so well**	**Quite well**	**Very well**
analysis skills in objectively considering and reflecting on the available evidence relating to the proposed collaborative partnership. **Report**	*The candidate has failed to adequately consider and appropriately reflect on most of the relevant evidence available relating to the proposed partnership.*	*The candidate has considered some of the potential opportunities and threats but there was limited evidence of real reflection of the most relevant information presented.*	*The candidate demonstrated some evidence of sound analysis by reflecting on several important opportunities and threats from the information presented.* *The answer is presented in the correct format.*	*The candidate has demonstrated excellent analysis skills. The candidate clearly considered and reflected on the key opportunities and threats of the collaborative partnership.* *The answer is presented in the correct format.*
	0	1·33	2·66	4

(b) 1 mark for each correct explanation of the VFM principles (3 Es).

Up to 2 marks for each relevant point explaining why Optima might face challenges in meeting the VFM principles set out by the DoH.

(Up to a maximum of 10 marks in total)

Note: *If the candidate has not specifically used the 3 Es but has used alternative terminology which is appropriate, then give the same credit as above.*

Key points

- Economy – delivering services within budget and resource constraints
- Efficiency – achieving acceptable return on the resources invested
- Effectiveness – degree to which partnership has delivered what it intended to deliver

Challenges for Optima:

Economy – Optima strategy aligned to differentiation
- Focus on quality not low-cost
- Programme based on highest quality for most appropriate/lowest cost possible
- Not necessarily low quality – no compromise on quality of delivery of programme
- Focus on ensuring delivery within budget set

Efficiency – current focus may not be in line with VFM of Department of Health
- Optima primary focus on delivering top quality facilities and service/creating excellent experience
- May not be in line with optimising efficiency

Effectiveness – Optima primary focus – overall quality of services/facilities offered
- Depend on external factors beyond Optima's control
- Should not be held solely responsible for effectiveness of delivery
- Different overall aims and objectives to Department of Health
- Not completely aligned with the VFM principles driving this programme

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
evaluation skills in assessing the challenges of meeting public sector performance criteria. Report	*The candidate has failed to demonstrate any understanding of the challenges faced by Optima in meeting the VFM criteria. The answer is wholly theoretical.*	*The candidate has appraised a limited range of challenges in meeting the VFM criteria. The appraisal was limited and lacked sufficient focus on Optima.*	*The candidate made a reasonable attempt at considering the relevant challenges for Optima in meeting the VFM obligations, but some of the key challenges were missed.* *The answer is presented in the correct format.*	*The candidate presented a clear and well-structured appraisal of most/all of the most important and relevant challenges for Optima in meeting the VFM obligations of the DoH.* *The answer is presented in the correct format.*
	0	1	2	3

3 **(a)** Up to 2 marks for each opportunity to Optima of implementing big data analytics identified and discussed.

Up to 2 marks for each threat to Optima of implementing big data analytics identified and discussed.

(Up to a maximum of 12 marks in total)

Key points:

Opportunities
- Create actionable information relating to retention of members
- Identify patterns and trends on a continual basis
- Exit interviews are too late – decision to leave already made
- Analyse data continually – know in advance why members cancel
- Steer members in a direction which is best for them
- Improve satisfaction and retention
- Encourage member to be more engaged – retain them
- Better analysis of information Optima has
- Need transactional and non-transactional information
- Analysis must get to the right people within Optima

Threats
- Data security
- Increased threat of hackers
- Increased security increases costs
- Significant cost – technical hardware/software and acquiring or training staff
- No assurance of return on such an investment
- No current expertise in big data analytics
- Risk of data overload
- Easy to make wrong decisions based on too much information
- Distract management
- Having lots of data does not guarantee that it will be useful to us

(b) Up to 2 marks for each benefit explained and applied directly to the members.

Up to 2 marks for each benefit explained and applied directly to Optima.

(Up to a maximum 8 marks in total)

Key points:

Benefits for the customer
- Help members track fitness goals/keep up to date with latest information
- Convenience – keep members engaged and satisfied
- Assist members to connect with friends and organise time
- Allows members to feedback to Optima – keep customers engaged
- Build a sense of community and affiliation

Benefits for Optima
- Marketing tool – quickly and conveniently contact members
- Instantaneous communication – cheaper than traditional marketing
- Ensures relevance of message
- Continually collect feedback and data from customers
- Create interesting and engaging environment
- Make sure older customers do not become disengaged
- May be misinterpretation to suggest only young people engaged with technology
- Need to understand all customers' needs across all demographics

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	**Not at all**	**Not so well**	**Quite well**	**Very well**
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. **Briefing notes**	*The candidate has failed to question any of the opinions made by the board members, and therefore has presented no evidence of challenging those opinions.*	*There was some limited evidence of questioning the opinions of the board members, but it was not done in the most appropriate or professional way.*	*The candidate has correctly and appropriately questioned some of the opinions of the board members on several occasions and has presented some evidence to support these challenges in a professional way.* *The answer is presented in the correct format.*	*The candidate has correctly and appropriately questioned most/all of the opinions made by the board members and has supported this fully with appropriate evidence, in a highly professional way.* *The answer is presented in the correct format.*
	0	1·33	2·66	4

4 1 mark for each point made in relation to the four control weaknesses identified.

1 mark for each recommendation made.

(Up to a maximum of 15 marks)

Key points:

Issue 1: Review of monthly performance reports
- Weakness in management controls
- Poor performance unchecked without suitable corrective action
- Operational issues missed over time
- Weakness in understanding of importance to the operations of the whole business
- Club managers should report to senior regional manager/HO on monthly basis
- Demonstrate actions taken in response to performance report
- Tolerances set for variances in performance
- Must be reported on by club managers each month

Issue 2. Unqualified staff
- Weakness in personnel controls
- Risk of inappropriate advice/assistance to members
- Result in accidents and/or injury and consequently, potential litigation
- Consequences on our reputation
- Human resource staff must authorise appointments and check all CVs/references
- All staff to undertake interview process, inductions, training prior to commencement
- Process must be fully documented and authorised by appropriate member of HR

Issue 3. Security issues
- Weaknesses in physical controls
- Potential non-registered/unauthorised individuals gaining access to our facilities
- Potential loss of revenue
- Security risks to both members and staff
- Breach of management control – managers aware of weakness but not rectifying
- Member security pass scanners, security barriers or physical checks of members' passes by reception staff must be implemented
- Access to areas must be restricted to designated pass holders only
- Randomly checked by staff on a daily basis
- Club managers who know about security weaknesses should be disciplined
- Regular testing of security systems

Issue 4. Approval and payment of refurbishment
- Weakness in control of segregation of duties/management control
- Club manager should not have authorised this without proper tendering process
- Could be seen as potential fraud
- Club manager should be disciplined
- Head office authorisation for capital projects of specified value
- Club managers must be made aware of responsibilities and authority limits

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
evaluation skills to objectively appraise the implications of the internal control weaknesses identified and to make well-reasoned recommendations for improvement. Report	*The candidate has failed to make any attempt to appraise the implications for Optima of the control weaknesses identified. No realistic recommendations for improvement were made.*	*The candidate has attempted to appraise the implications for Optima of the control weaknesses identified, but these were limited. The candidate made weak and unjustified recommendations for improvement.*	*The candidate has presented evidence of some objective appraisal the implications for Optima of the control weaknesses and there were some reasonable and well justified recommendations for improvement.* *The answer is presented in the correct format.*	*The candidate has clearly and correctly appraised most/all of the most relevant implications of the internal control weaknesses and has made a number of relevant and well justified recommendations for improvement.* *The answer is presented in the correct format.*
	0	1	2	3