

A Work Project, presented as part of the requirements for the Award of a Master's degree in International Management from the Nova School of Business and Economics.

How can CSS expand the Elderly unit in a sustainable way?

Maria Sequeira Taborda Freixa

Work project carried out under the supervision of:

José Miguel Pita

17-12-2021

Abstract

The Elderly unit whose mission is to improve the well-being of seniors in Rio Tinto and Corujeira, asks the question: how to expand its services in a sustainable way to better serve the senior population and, thus increase sources of revenues? To achieve an adjusted value proposition, a deep market research and marketing case was developed. The result focus on one of the social answers of the Elderly unit, SAD, consisting of a Day and a Night Service, at competitive prices and offering, placed at the home of its users, and which can be promoted through partnerships and digital channels.

Keywords (Social Enterprise, Finance, Social Impact, Management)

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

The Elderly unit has three social responses –Day Center (DC), Social Center (SC), and Home Support (SAD) – that aim to guarantee the well being of seniors in Rio Tinto and Corujeira.



2.1 Value Proposition

2.2

2.3

2.4

Social Center (SC)



Day Center (DC)



Home Support (SAD)



Mission

Fight social exclusion by offering a center for seniors with **high autonomy** to **socialize** in the **afternoon**.

Fight social exclusion and promote the **mental/physical health** of seniors with **medium autonomy** in an **all-day center**.

Guarantee the **well-being** of seniors with **low autonomy** in situations of **isolation** at their own **home care**.

Services Rendered

- Activities of sociocultural animation, sports and recreation
- Laundry care
- Provision of hygiene care
- Psychosocial support

- Activities of sociocultural animation, sports and recreation
- Laundry care
- Provision of hygiene care
- Psychosocial support
- Meal provision

- Activities of sociocultural animation, sports and recreation
- Laundry care, house cleaning and small repairs
- Daily lunch distribution
- Provision of hygiene care
- Psychosocial support

Schedule

- 2pm – 6pm

- 9am – 6pm

- 40 min in the morning or afternoon

The three social answers are below max capacity with long waiting lists, caused by the lack of labor. SAD has the greatest potential for growth as it does not depend on physical resources.

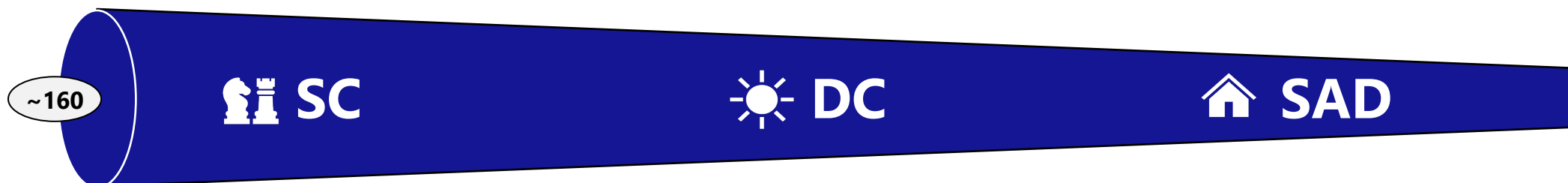


2.1 Value Proposition

2.2

2.3

2.4



Clients Capacity

Soutelo
Corujeira
Home Care

- **38% occupancy** (15 clients / 40 max)
- **0% occupancy¹** (56 clients registered/ 60 max)
- **80% occupancy** (31 clients / 40 max)
- **83% occupancy** (25 clients / 30 max)
- **44% occupancy** (35 clients / 80² max)

HR

Soutelo
Corujeira
Home Care

Director, support assistants, technicians, cook

- **7 collaborators**
- **5 collaborators**

Shared resources within SC and DC

Director, support assistants, technicians, cook

- **8 collaborators**

Consumer Journey

Application to CSS → Candidate screening according to determined preferences of Elderly unit coordinator → Waiting List → Admission

Bottlenecks

- **COVID-19** and remodelations decreased usage of the SC in Corujeira
- **Soutelo SC clients act as DC clients**
- **Long waiting list**
- **Insufficient HR**
- **Overworked** HR with additional tasks outside the SS protocol
- **Long waiting list**
- **Insufficient HR**, and **meal** supplies
- **Overworked** HR with additional tasks outside the SS protocol

¹Currently the SC does not have any active customer

²The max level of clients for SAD is determined by the maximum level of meal supplies

For further details refer to appendix chapter 2: Revenues September 2021 and HR Costs September 2021

The Elderly unit business model comprises fees paid by clients and fixed SS contributions. SAD is the largest revenue driver of the three social answers (53% of total revenues).



2.1 Value Proposition

2.2

2.3

2.4

Business model

1st Step

Average monthly payment (AMP) comes from **monthly fees** paid by clients (vary according to the social scale) and a **fixed amount** by **SS**.

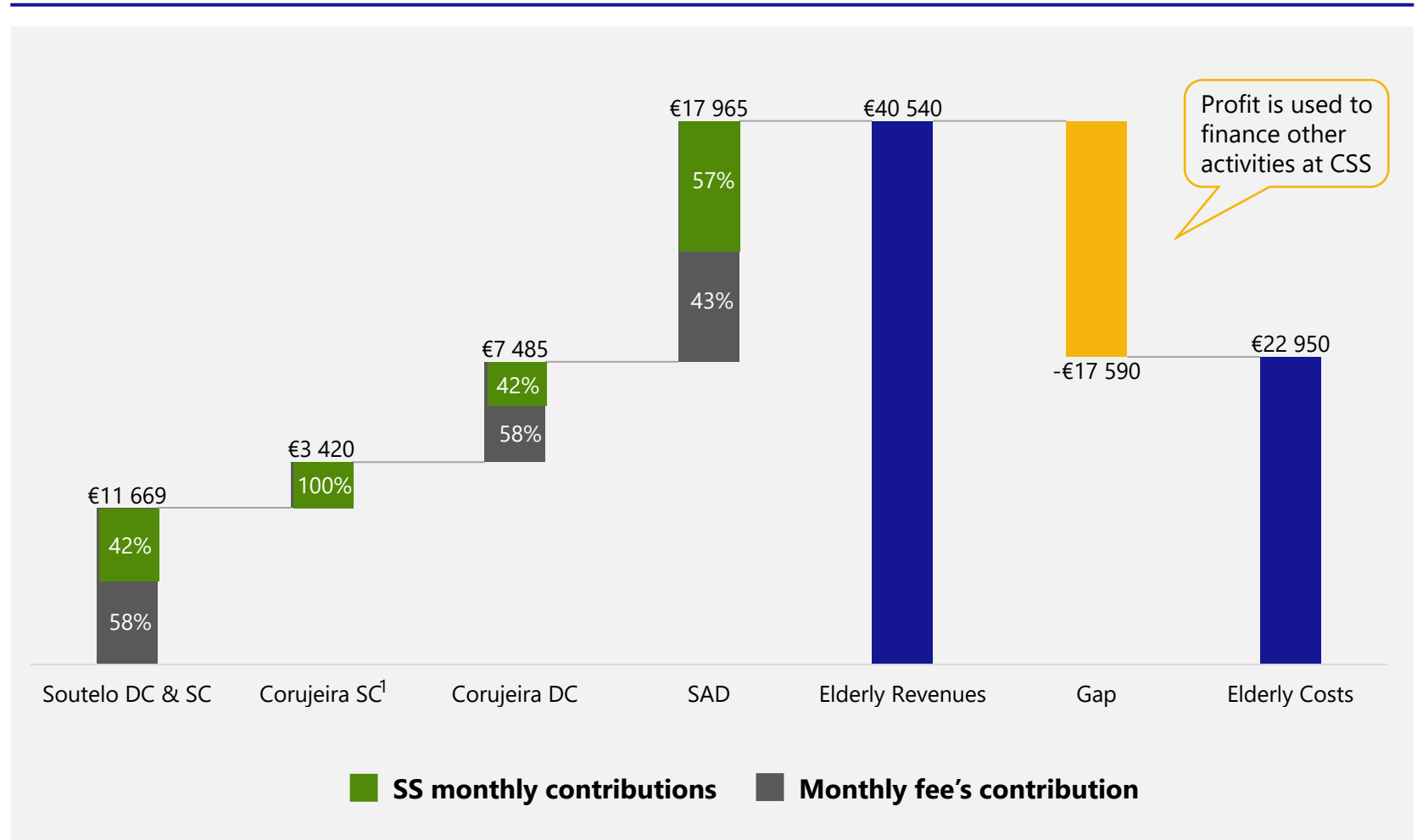
2nd Step

Revenues are used to cover **costs**, which are mainly driven by **HR** who work across the **three service lines**.

3rd Step

Capacity is **not optimized** and therefore **revenues can be increased** by fulfilling their capacity **and/or offering new services**.

Financial Overview



¹Currently the SC in Corujeira does not have any active customer and is not receiving their monthly fees however 53 customers are registered thus CSS receives their SS contributions.

For further details refer to appendix chapter 2: Revenues September 2021 and HR Costs September 2021

Using the same business model, at full capacity of clients, CSS would increase the operating profit per month by €27 515, with the greatest contribution coming from SAD (75%).



2.1 Value Proposition

2.2

2.3

2.4

How would the Elderly units look if it achieved its maximum capacity while using the same business model?

| 1 st Step Identify the unused capacity for each unit | 2 nd Step Incremental costs for HR and services | 3 rd Step Incremental revenues from AMP | 4 th Step Additional profit from unused capacity |
|--|---|---|--|
| <p>Number of clients that need to be included in each unit to fulfill its full capacity:</p> <p>Soutelo CS & DC → 34 clients</p> <p>Corujeira SC → 60 clients</p> <p>Corujeira DC → 5 clients</p> <p>SAD → 61 clients</p> | <p>Expected incremental costs based on the additional number of consumers:</p> <p>→ €3 249</p> <p>→ €2 756</p> <p>→ €484</p> <p>→ €6 037</p> | <p>Expected incremental revenues based on the current business model AMP:</p> <p>→ €5 574</p> <p>→ €6 183</p> <p>→ €1 497</p> <p>→ €26 787</p> | <p>The profit associated with the incremental costs and revenues is:</p> <p>→ €2 325</p> <p>→ €3 427</p> <p>→ €1 013</p> <p>→ €20 750</p> |

Potential additional profit = €27 515 → 75% would come from the maximization of SAD's capacity

Assumptions

- Soutelo CS & DC BUs were grouped due to the nature of its activities and shared resources
- Corujeira SC is not currently serving any consumers for its services thus, 60 consumers were considered the additional capacity of this BU
- Services include all expenses not HR related (e.g.: meals and laundry care)

To reach its goal of expanding the Elderly unit, CSS should focus on new customers, as the current ones are less willing to pay for more services and are satisfied with the current offer.





2.1 > 2.2 Market Analysis > 2.3 > 2.4


Senior Market

Current Customers

As the seniors at CSS's Elderly Unit have a low purchasing power and are satisfied with the current offer, there are low cross-selling opportunities.


 **About 160** users that comprise the ages of 60 to 96 years old, with the majority in **situations of isolation** and need for **medical care**.


 **Low purchasing power** as the greater part receive low pensions and/or are depend on their relatives, thus have a minimum consumption budget.


 **Satisfied with current offer**, especially with the staff and activities realized.¹ Besides, customers at the Elderly unit are used to having more services than the ones they pay for.

New Customers


The senior population in Great Porto is growing, and presents different purchasing power and needs, hence forming opportunities for the Elderly unit to reach new customers and generate additional revenue.

 The **Elderly**² account for **25% of the total** population in Great Porto, with a **high growth forecast** for the following 50 years.

 Highly **heterogeneous group**, formed from *baby boomers* to *the silent* generation, with great differences in terms of needs and purchasing power.

 The **demand** for **senior care** is **increasing** with the **shift** of the **family nucleus**:

- increase of the single-parenting family;
- greater inclusion of women in the labour market;
- raising emigration rate.

 Market with a **great potential** for **diversification of products/services**: seniors are more educated, informed and more demanding on what they consume.

¹Based on 8 interviews conducted with the Elderly unit's DC customers and 4 staff members.




²Elderly Population was considered 65+ years old.

For further details refer to appendix chapter 2: Interview Transcript and Interviewee's Characteristics

Within the senior population there are three customer groups segmented by age. The Dogs (70-85 years old) and the Turtles (85+ years old) are the best fit with CSS's current offer.



Senior Market – New Customers Segments

| |  Butterflies |  Dogs |  Turtles |
|----------------------|--|---|---|
| Main characteristics | <ul style="list-style-type: none"> 65 – 70 years old Recent retiree, with the great majority educated and employed Highly autonomous and with high mobility levels | <ul style="list-style-type: none"> 70 – 85 years old Medium - low levels of education Becoming more dependent on additional support (i.e., family, and senior care operators) and decreased mobility levels | <ul style="list-style-type: none"> 85+ years old Low levels of education Highly dependent on additional support (specially senior care operators) and low mobility levels |
| Size | ~ 105 000 habitants in the Great Porto area | ~ 225 000 habitants in the Great Porto area | ~ 55 000 habitants in the Great Porto area |
| Key Needs | <ul style="list-style-type: none"> Low amount of pathologies Seek an active / social lifestyle | <ul style="list-style-type: none"> Medical treatments (mainly physiotherapy, and psychotherapy) Refrain from isolation | <ul style="list-style-type: none"> Higher need for intensive medical care, for physical and mental health Daily and night assistance |
| WTP | <ul style="list-style-type: none"> Medium - high Larger savings and pensions, willing to spend on better offerings | <ul style="list-style-type: none"> Medium - low Dependent on relatives / friends or state financing | <ul style="list-style-type: none"> Low Highly dependant on relatives / friends or state financing |



- Largest size**
- Best fit with CSS's SC and DC**

- Most attractive** (growing demand)
- Best fit with CSS's SAD**

The Dogs care supply is mainly composed of SCs and DCs from the social sector, however for Turtles, RSEs and SADs are the largest offer and are mainly owned by private groups.



2.1 > 2.2 Market Analysis > 2.3 > 2.4

The supply for the Dogs segment is mainly comprised of SC and DC, and for the Turtles are the SAD and RSE.

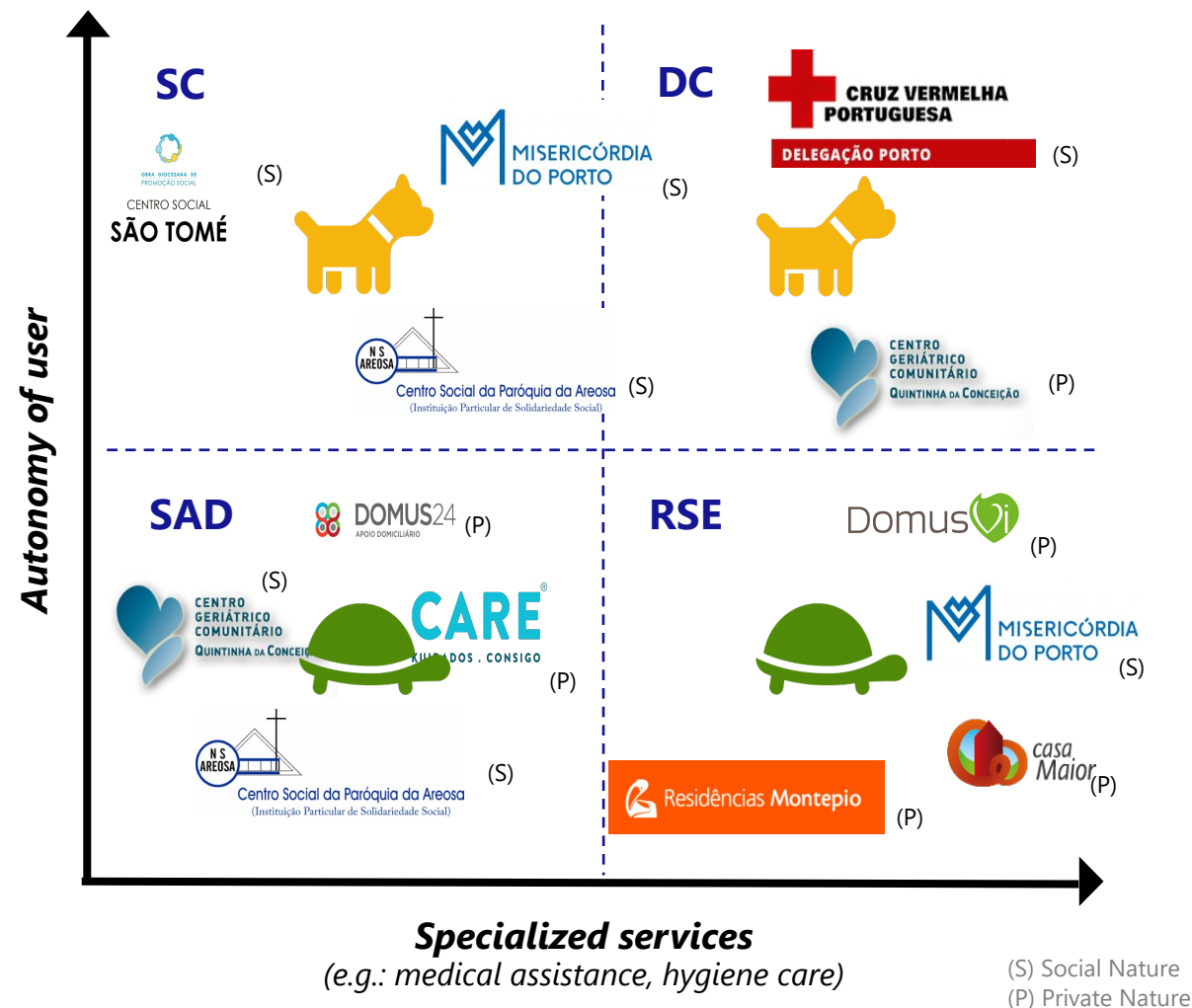
Structure of Supply

- **Residential structures for the elderly (RSE)**, or elderly homes, the most common service, for seniors with medium/low autonomy or in need for permanent medical care.
- **SC / DC**, target seniors with medium/high autonomy and in cases of social isolation.
- **SAD**, target seniors with a medium/low degree of autonomy that wish to maintain their lifestyle while benefiting from daily services or even night support.

The senior market is split between the tertiary sector, which dominate the SC and DC offer, and the private sector, which dominate the SAD and RSE offer.

Nature of Supply

- **Tertiary sector of the social economy**, which dominates the market and has a limited offering.
- **Private operators**, whose recent entrance has a more premium offering, and are located in higher purchasing power and higher population density locations, such as Lisbon and Porto.



CSS outstands from the competition especially in SAD due to their lower prices creating gaps for the Elderly unit to be positioned and better serve the Turtles customer segment.



2.1 > 2.2 Market Analysis > 2.3 > 2.4

Value added attributes

| | SC | DC | SAD |
|----------------------|---|--|---|
| Points of Difference | CSS <ul style="list-style-type: none"> • Renown quality & service • Additional services <ul style="list-style-type: none"> ○ Hygiene and personal care ○ Transportation services | CSS <ul style="list-style-type: none"> • Renown quality & service • Additional services <ul style="list-style-type: none"> ○ Medication ○ Hygiene and personal care ○ Transportation services | CSS <ul style="list-style-type: none"> • Lower prices Competitors <ul style="list-style-type: none"> • Medical treatments (e.g.: for pathologies as Alzheimer and Parkinson) • Night services |
| Points of Parity | Affordable prices and additional services to what the SS protocol defines, such as socio-cultural animation and psycho-social support , are a common attribute amongst competitors and CSS. Some institutions do also offer transportation services to their facilities such as CSS. | | Due to their private nature, most institutions offer is more complete however more expensive than the CSS's Elderly unit, nevertheless at its basis they all include services as: hygiene and personal care, psychosocial support, and supermarket shopping. |

Price Range – Monthly Fee

| Market | SC: €25 - €150 | DC: €100 - €600 | SAD: €550– €1 320 |
|----------------------------|----------------|-----------------|-------------------|
| CSS's Average ¹ | SC: ~ €40 | DC: ~ €200 | SAD: ~ €144 |

¹Average fee paid by seniors at CSS as SS contributions cover the rest of the expenses
For further details refer to appendix chapter 2: Benchmark RSE, Benchmark SC, Benchmark DC

To increase the sources of revenue and become more self-sufficient, the Elderly unit should privatize services, focusing on SAD, as it has the largest potential growth.



2.1 > 2.2 Market Analysis > 2.3 > 2.4

Key Takeaways

To become more self-sufficient, the Elderly unit should privatize some of its services. SAD outstands as it has the largest potential for growth.

The Elderly unit should reach to customers outside CSS, targeting customer aged 85+ years old with a focus on SAD as it has the greatest market opportunities.

Goals

- The Elderly unit aims to **become more self-sufficient financially** in the long-run to not only be able to sustain and develop its activities but to also **generate an extra cash-flow** for the whole CSS.
- The Elderly unit also aims to **increase its social impact** and reach a larger number of seniors in need.

Financial Analysis

- The business model is sustainable however, the Elderly unit is **under maximum capacity in terms of clients**, mainly due to the **lack of HR**.
- By **reaching full capacity**, there will be additional **profits** generated, mainly from SAD. However, to **become more self-sufficient** and rely less on SS contributions, it should fill the pipeline with customers not covered by SS with a **privatized solution**.

Segmentation and Targeting

- To **sell privatized services** the Elderly unit should **focus on customers outside CSS** as the current ones are less willing to purchase.
- The **target** should be on the **Turtle** (85+ years old) **customer segment** as it has the **highest growth forecast** within CSS's Elderly unit and has **increasing market opportunities due to the lack of affordable competitor options**.

Positioning

- Within the **Turtles segment**, the Elderly unit can be perceived as a **lower cost offering** in **SAD** in contrast to highly priced privately held companies.





SAD 2.0

SAD's Product & Price 2.0 consist on a Day Service, equal to the current offer at a higher but still competitive price, and a Night Service to better meet the customer's needs.



2.1 2.2 2.3 Product & Price 2.0 2.4

SAD Product & Price 2.0

| Packages | Services | Monthly Price ¹ |
|---|---|----------------------------|
|  Current Offer = Day Service | <ul style="list-style-type: none"> Meal provision Personal Hygiene Personal Care (e.g.: medication) Home Care Psychosocial support and sociocultural animation Laundry care | €500 |
|  Night Service | <ul style="list-style-type: none"> Personal Care (e.g.: medication) Overnight surveillance and customer support | €900 |

Rationale

Day Service Product

- **Replicate the current offer** as it is diverse and with very high quality

Day Service Prices (positioned based pricing)

- Prices based on the current pricing and competitor's **benchmark** to achieve an optimal and competitive offer

$$\text{Current Price} < \text{Price} < \text{Competition's Price}$$

$$€150^2 < €500 < [€550 - €715]$$

Night Service Product

- **Expand current offer** to meet a growing need of the senior population

Night Service Prices (positioned based pricing)

- Prices based on competitor's **benchmark**

$$\text{Price} < \text{Competition's Price}$$

$$€900 < [€1\ 100 - €1\ 320]$$

¹By point 7 of the article 9 of CIVA, the prices charged by CSS are VAT free.

²Average fee paid by seniors at CSS as SS contributions cover the rest of the expenses

The projected operating margin pp for Day Services is 50% (€279), 6% higher than the current values. For Night Services, the operating margin pp is 22% (€195).



2.1 2.2 2.3 Product & Price 2.0 2.4

Cost Drivers



Personnel expenses (65% of Total Costs)

→ Average monthly salary (€705) based on the predicted minimum wage for 2022

- Day Services: ratio 8 workers for 35 customers
- Night Services: ratio 1 worker for 1 customer



Meal expenses (35% of Total Costs)

→ Based on current meal expense (€2,70) per day

- Day Services: 1 meal per day per customer

Revenue Drivers



Price per service

- Day Services: €500 based on actual prices and competitors' benchmark
- Night Services: €800 based on benchmark



Quantity of customers

Monthly Profitability per person (pp)

Current Services / SAD 1.0

Revenue pp > OPEX > Operating Margin
 €439¹ > €221 > 50% (€218 pp)

Day Services

Revenue pp > OPEX > Operating Margin
 €500 > €221 > 56% (€279 pp)

RECAP

Current Price < Price < Competition's Price
 €144² < €500 < [€550 - €715]

Night Services

Revenue pp > OPEX > Operating Margin
 €900 > €705 > 56% (€195 pp)

RECAP

Price < Competition's Price
 €900 < [€1 100 - €1 320]

¹AMP received per customer considering the fee plus the SS contributions
²Average fee paid by seniors at CSS as SS contributions cover the rest of the expenses
 For further details refer to appendix chapter 2: OPEX Model

Profit growth is restricted by the number of FTEs hired. If Day Services have an additional FTE, the operating profit increases by €1 223, while in Current Services is only by €956.



2.1 > 2.2 > 2.3 Product & Price 2.0 > 2.4

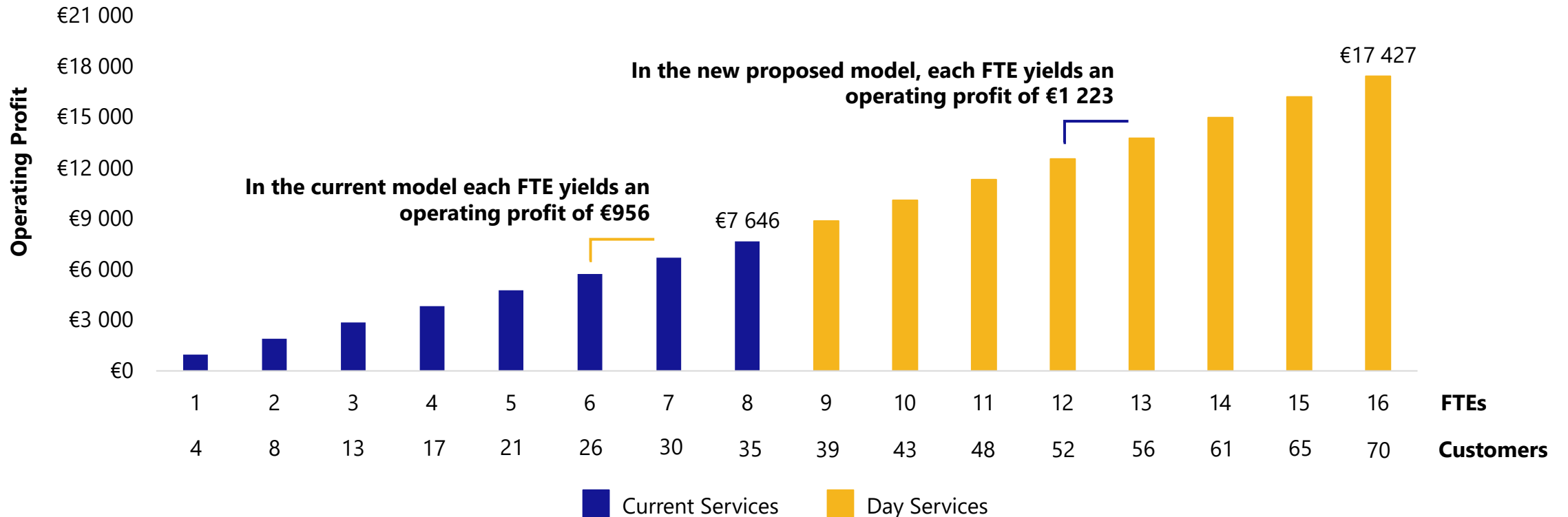
Operating profit scenarios for Current and Day services according to the number of FTEs employed

Current Services

Currently there are **8 FTEs** who yield **€956** each that give us an **operating profit of €7 646**.

Day Services

With the **new proposed model** each FTE would yield **€1 223** and with **8 extra FTEs** the operating profit would **more than double**.



SAD Place & Promotion 2.0 maintains the current home-of-the-client logistic and expands the communication channels to include a webpage, and partnerships with city councils.



2.1 > 2.2 > 2.3 > 2.4 Place and Promotion 2.0

SAD Place and Promotion 2.0

Place

Due to its nature, **CSS's SAD will remain at the home of its customers**, within the community of Rio Tinto and Corujeira.

How will it be promoted?

Even though seniors are the final consumer, the **families of seniors are the direct target of the promotion** as they are the decision-makers.

1 Webpage

Create a webpage **within CSS's website to further promote SAD** to include clients' testimonials, disclosure of the existing offer and to receive applications.

2 City Council

Partner with **Porto Cidade Amiga das Pessoas Idosas**, initiative from OMS to respond to the increasing number of seniors and their necessities.

The first event was held in January 2019 where the projects of the City Council were presented.

3 Word of Mouth

Promote clients to **spread the supply of this service** to friends and familiars to build a higher reputation for the CSS.

4 Online Partnerships

Invest in **advertising campaigns in reference websites** of the elderly industry such as *Lares Online*.

5 Social Media

Promote the services offer in the **Facebook page of CSS** or in the **City Council Facebook page** that has **more than 150k** followers.

Consumer Journey



Families of the seniors can visit CSS, call or go to their **website to enroll** them in SAD.



Seniors are accepted and **choose** the type of services they want.



Families of the seniors advocate the offer to relatives and friends.



SAD 2.0 comprises two value propositions that are competitive in terms of offering and price. Nevertheless, labor shortage is an existing threat to growth which needs to be addressed.



2.1 2.2 2.3 2.4 Place and Promotion 2.0

SAD 2.0

Differentiated Value Proposition

SAD 2.0 comprises two **value propositions** (Day Services and Night Services) that are both **competitive** in terms of **offering** and **price**.

Financially Self-Sustainable

SAD 2.0 allows CSS to **sell SAD services without being covered by the SS protocol** and still cover all operating costs related to its activities.

Additional Cash-Flows

SAD 2.0 value proposition allows CSS to **increase** its **revenue sources** due to the **higher price** for **Day Service** and **additional Night Service**.

Increase Social Impact

SAD 2.0 allows CSS to **meet a growing need of the Elderly Population** (Night Services) and with the additional revenues to grow the Elderly unit to **serve more seniors** or other areas of need at CSS.



Objectives met

Risks / Restrictions to growth

Labor shortage

Due to the **nature of geriatric work**, there is a **difficulty in acquiring and maintaining workforce**. Might require CSS to have a large pool of workers on call and that aren't FTE.

Adapting to a new business model

Currently **CSS depends on the SS** contributions and with the new business model revenues are to be subsidized by seniors and their families.

Future Considerations

Provide additional services

As the **Elderly** population **needs** regarding **health and wellness** raise, **CSS could provide services within those areas** by **outsourcing local professionals** and pay them on commission.



Nurse/doctor



Hairdresser



Nutritionist



Physiotherapist