3.6 SWOT Analysis and Choosing a Strategic Option: 30-minute Pack

Total Marks

AQA 7132 · Calculators not allowed · about 30 minutes

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Full sentences are required for all explain, analyse and recommend questions. Show your working for any calculation.

1 State two risks common to both Option A and Option B that Riverbend should consider when choosing its strategic option.

(Total for Question 1 is 2 marks)

2 Using SWOT thinking, give two analysis points (one positive and one caution) about Option A, 'build a national distribution network and expand production capacity'.

(Total for Question 2 is 4 marks)

3 Explain one reason why Option B, investing in R&D and premium branding for £120,000, might be a better strategic fit with Riverbend's existing strengths than Option A.

(Total for Question 3 is 3 marks)

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4 Riverbend provides the following additional data to inform a SWOT: annual production 1,200 units, average selling price £1,500, gross margin per unit £400, a backlog of 300 orders awaiting better distribution, R&D tax credit available, and local competitors offering £1,000 imports. Using this data, write one clear point for each SWOT quadrant to include in a SWOT grid for Riverbend Bikes.

(Total for Question 4 is 6 marks)

5 Riverbend Bikes must choose between Option A, investing £250,000 to build a national distribution network and expand capacity, and Option B, investing £120,000 in R&D and premium branding. Using the completed SWOT evidence from this pack, recommend which option Riverbend should choose. Justify your recommendation with balanced analysis of both options and a clear final decision.

(Total for Question 5 is 9 marks)

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Mark scheme · 3.6 SWOT Analysis and Choosing a Strategic Option: 30-minute Pack

Question 1

risk 1, e.g. the required investment may strain cash flow **B1**

risk 2, e.g. market demand could change or imports could intensify, reducing expected returns **B1**

Answer: Two risks: investment may strain cash flow; market demand could change or imports could intensify, reducing returns.

Question 2

positive analysis linked to SWOT, e.g. turns weakness (limited distribution) into strength, allowing Riverbend to fulfil backlog and grow sales **B1**

positive development, e.g. increased volume can reduce average unit cost and protect margins **B1**

caution linked to SWOT, e.g. high investment of £250,000 increases financial risk and might be vulnerable to the threat of cheap imports **B1**

caution development, e.g. if demand falls or imports undercut prices, expanded capacity could become underused and costly **B1**

Answer: Positive: Option A converts the distribution weakness into a strength, enabling backlog fulfilment and sales growth, and higher volumes could lower unit costs to protect margins. Caution: the £250,000 investment raises financial risk and could leave Riverbend exposed if cheap imports force prices down and capacity becomes underused.

Question 3

identifies a reason, e.g. aligns with the in-house battery design team strength **B1**

develops the reason, e.g. R&D leverages technical skills to create superior batteries and justify premium pricing **B1**

links to strategic fit, e.g. lower investment compared with Option A and better defence against cheap imports through differentiation **B1**

Answer: Option B fits existing strengths because it leverages the in-house battery design team to create superior batteries, supporting premium pricing and differentiation at a lower upfront cost than Option A, helping defend against cheap imports.

Question 4

strength point referencing data, e.g. healthy gross margin per unit of £400 indicating room to invest in quality **B1**

weakness point referencing data, e.g. limited annual production capacity of 1,200 units and backlog of 300 indicating supply constraints **B1**

opportunity point referencing data, e.g. R&D tax credit plus strong selling price gives scope to invest in battery R&D exploiting demand **B1**

threat point referencing data, e.g. local competitors selling £1,000 imports threaten volume and price competitiveness **B1**

analyse interaction, e.g. strength and opportunity combined: gross margin enables R&D investment to differentiate from imports **B1**

analyse interaction, e.g. weakness and threat combined: limited capacity plus cheap imports could lead to lost market share if distribution not improved **B1**

Answer: One suitable grid entry each: Strength: £400 gross margin per unit gives room to invest in quality; Weakness: production 1,200 units pa and 300 unit backlog shows limited capacity; Opportunity: R&D tax credit and price point allow investment in battery R&D to exploit demand; Threat: local competitors selling £1,000 imports threaten volumes. Then two analysis links: margin enables R&D to differentiate, but capacity limits risk losing share to imports if distribution is not fixed.

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Question 5

Level 1 Offers simple, undeveloped points about Option A or Option B, with limited reference to the pack figures and no clear recommendation. **1-3**

Level 2 Provides developed analysis of one option using SWOT points and some pack figures, or compares both options but with limited evaluation and an unclear recommendation. **4-6**

Level 3 Compares both options using SWOT evidence and the pack figures, weighs risks and benefits clearly, and gives a justified recommendation with a concise final decision linked to the SWOT analysis. **7-9**

Indicative content:

- Use strengths such as the in-house battery design team and £400 gross margin to argue for Option B, where R&D leverages technical skill and margin to create differentiation and justify higher prices.
- Use weaknesses such as limited production capacity and 300 unit backlog to argue for Option A, which addresses supply constraints and could increase sales if distribution is improved.
- Consider opportunities: growing UK demand and R&D tax credits make both options plausible; Option B can exploit demand faster through premium positioning, Option A can capture more volume if demand is financed.
- Consider threats: surge in cheap imports makes differentiation important; Option B directly addresses this by increasing product value, while Option A risks building capacity that imports can undercut unless Riverbend also differentiates.
- Consider costs and risk: Option A costs £250,000 and increases financial exposure; Option B costs £120,000 and is less risky, with faster potential payback through higher margins.
- Judgement might balance whether Riverbend prioritises volume growth and long-term scale (Option A) or quicker defence through differentiation and margin improvement (Option B). A strong conclusion will choose one option and justify it using the SWOT links above.

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