3.6 SWOT Analysis and Choosing a Strategic Option

AQA 7132 · Calculators not allowed · about 55 minutes · Write-in edition

Total Marks

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 Riverbend Bikes is a small UK electric bicycle maker. Read the short case and assign each numbered statement to the correct SWOT quadrant: strength, weakness, opportunity or threat. Case facts: Riverbend sells 1,200 e-bikes per year, has an in-house battery design team of 6 staff, recently won a local sustainability award, lacks a national distribution network, faces a surge in imported cheap e-bikes, and sees growing UK demand for low-carbon commuting options.

(a) Statement 1: 'In-house battery design team of 6 staff.' Which SWOT quadrant? **(1)**

(b) Statement 2: 'Lacks a national distribution network.' Which SWOT quadrant? **(1)**

(c) Statement 3: 'Growing UK demand for low-carbon commuting options.' Which SWOT quadrant? **(1)**

(d) Statement 4: 'Surge in imported cheap e-bikes.' Which SWOT quadrant? **(1)**

(Total for Question 1 is 4 marks)

2 State two internal factors, other than those in question 1, that Riverbend Bikes might list in the strengths or weaknesses quadrants when assessing its strategy.

(Total for Question 2 is 2 marks)

3 Riverbend's sales grow from 1,200 units to 1,560 units after a pilot marketing push. Calculate the percentage growth in units sold. Show your working.

(Total for Question 3 is 2 marks)

4 State two external opportunities Riverbend Bikes could seek to exploit, given the case facts of growing low-carbon commuting demand and a sustainability award.

(Total for Question 4 is 2 marks)

5 Riverbend is considering two strategic options: Option A, invest £250,000 to build a national distribution network and expand production capacity; Option B, invest £120,000 in product R&D and premium branding to justify higher prices. State two pros of Option A and two pros of Option B, each as short bullet points.

(Total for Question 5 is 2 marks)

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

(Total for Question 6 is 2 marks)

7 Explain one threat to Riverbend Bikes from the surge in imported cheap e-bikes, and how that threat might affect the firm's pricing or margins.

(Total for Question 7 is 3 marks)

8 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 8 is 4 marks)

9 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 9 is 3 marks)

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10 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 10 is 6 marks)

11 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 11 is 9 marks)

Mark scheme · 3.6 SWOT Analysis and Choosing a Strategic Option

Question 1

(a) strength, in-house technical capability **B1**

(a) Answer: Strength: in-house battery design team.

(b) weakness, internal limitation in distribution **B1**

(b) Answer: Weakness: lacks a national distribution network.

(c) opportunity, external positive market trend **B1**

(c) Answer: Opportunity: growing UK demand for low-carbon commuting.

(d) threat, external competitive pressure **B1**

(d) Answer: Threat: surge in imported cheap e-bikes.

Question 2

any one internal factor not given in question 1, e.g. limited production capacity, strong brand locally, poor after-sales service **B1**

a second internal factor, e.g. high manufacturing costs, inexperienced senior management, a small marketing budget **B1**

Answer: Any two internal factors not given in question 1, for example: limited production capacity; high manufacturing costs.

Question 3

method seen: (1,560 - 1,200) / 1,200 **M1**

30% cao **A1**

Answer: 30%.

Question 4

identifies an opportunity, e.g. partnering with local councils on cycling schemes **B1**

identifies a second opportunity, e.g. marketing the sustainability award to win corporate or commuter fleet contracts **B1**

Answer: Any two, e.g. partner with councils on low-carbon commuting schemes; use the sustainability award to win fleet or corporate contracts.

Question 5

one pro for Option A, e.g. reduces the backlog and increases sales reach **B1**

one pro for Option B, e.g. increases differentiation and allows premium pricing **B1**

Answer: Option A pro: reduces backlog and widens market reach. Option B pro: increases product differentiation and supports premium pricing.

Question 6

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 7

identifies a threat, e.g. price competition from cheaper imports **B1**

develops the effect, e.g. downward pressure on prices or loss of sales to lower-priced rivals **B1**

links to an outcome, e.g. reduced profit margins or the need to cut costs or add value to remain competitive **B1**

Answer: Cheap imports create price competition that can force Riverbend to lower prices or lose sales, which would squeeze profit margins and force cost reductions or increased investment in differentiation.

Question 8

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 9

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 10

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.

Question 11

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.