BUS.AL25 SWOT Analysis and Choosing a Strategic Option

AQA 7132 · Calculators not allowed · about 60 minutes

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)

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2 Which one of the following best explains why SWOT groups factors into internal and external categories for strategic choice?

- ☐ A) To separate short-term from long-term issues
- ☐ B) To distinguish issues the business can control from those it cannot
- ☐ C) To show financial ratios next to marketing data
- ☐ D) To rank employees by performance

(Total for Question 2 is 1 mark)

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3 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 3 is 2 marks)

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4 Explain one way Riverbend Bikes could turn the identified strength 'in-house battery design team' into a strategic advantage when competing against cheap imports.

(Total for Question 4 is 3 marks)

5 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 5 is 2 marks)

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6 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 6 is 3 marks)

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

(Total for Question 7 is 6 marks)

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8 Riverbend sold 1,200 units when the total UK e-bike market was 6,000 units. Calculate Riverbend's market share as a percentage. Show your working.

(Total for Question 8 is 2 marks)

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9 Explain one strategic implication for Riverbend Bikes of holding a 20% market share in the UK e-bike market, using SWOT terms.

(Total for Question 9 is 3 marks)

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10 Riverbend is considering two strategic options: Option A, invest 250,000 pounds to build a national distribution network and expand production capacity; Option B, invest 120,000 pounds 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 10 is 2 marks)

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11 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 11 is 4 marks)

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12 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 12 is 2 marks)

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

(Total for Question 13 is 3 marks)

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

(Total for Question 14 is 2 marks)

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15 Using the SWOT points you constructed earlier and the cost figures for each option (Option A 250,000 pounds, Option B 120,000 pounds), give one evaluative judgement comparing the options in terms of risk and speed of impact. Use one short paragraph.

(Total for Question 15 is 2 marks)

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16 Riverbend Bikes must choose between Option A, investing 250,000 pounds to build a national distribution network and expand capacity, and Option B, investing 120,000 pounds 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 16 is 9 marks)

Mark scheme · BUS.AL25 SWOT Analysis and Choosing a Strategic Option

Question 1

- (a) **B1** strength, in-house technical capability
- **(a) Answer: Strength: in-house battery design team.**
- (b) **B1** weakness, internal limitation in distribution
- **(b) Answer: Weakness: lacks a national distribution network.**
- (c) **B1** opportunity, external positive market trend
- **(c) Answer: Opportunity: growing UK demand for low-carbon commuting.**
- (d) **B1** threat, external competitive pressure
- **(d) Answer: Threat: surge in imported cheap e-bikes.**

Question 2

- **B1** B cao
- **Answer: B**

Question 3

- **B1** any one internal factor, e.g. skilled engineering staff, limited production capacity, strong brand locally, poor after-sales service
- **B1** a second internal factor, e.g. high manufacturing costs, proprietary battery IP, inexperienced senior management
- **Answer: Any two internal factors, for example: skilled engineering staff; limited production capacity.**

Question 4

- **B1** identifies a use of the strength, e.g. improving battery performance or creating a longer warranty
- **B1** develops how this affects customers, e.g. better range or reliability compared with cheap imports
- **B1** links to an outcome, e.g. supports premium pricing, brand differentiation and customer loyalty
- **Answer: Use the in-house team to develop higher-performance, longer-lasting batteries so Riverbend offers greater range and reliability than cheap imports, allowing premium pricing and stronger customer loyalty.**

Question 5

- **B1** 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
- **Answer: Any two, e.g. partner with councils on low-carbon commuting schemes; use the sustainability award to win fleet or corporate contracts.**

Question 6

- **B1** 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
- **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 7

- **B1** strength point referencing data, e.g. healthy gross margin per unit of 400 pounds 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 pound 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
- **Answer: One suitable grid entry each: Strength: 400 pound 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 pound 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 8

- **M1** method seen: 1,200 / 6,000
- **A1** 20% cao
- **Answer: 20%.**

Question 9

- **B1** identifies an implication, e.g. reasonably strong market position that can be leveraged
- **B1** develops the point in SWOT terms, e.g. as a strength it supports negotiating with distributors or attracting partners
- **B1** links to a strategic outcome, e.g. suggests focus on scaling distribution to convert share into higher profits before imports erode it
- **Answer: A 20% share is a solid position that can be treated as a strength to negotiate with distributors and partners; strategically Riverbend should scale distribution to convert market share into profit and protect it from import competition.**

Question 10

- **B1** 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
- **Answer: Option A pro: reduces backlog and widens market reach. Option B pro: increases product differentiation and supports premium pricing.**

Question 11

- **B1** 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 pounds 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
- **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 pound investment raises financial risk and could leave Riverbend exposed if cheap imports force prices down and capacity becomes underused.**

Question 12

- **M1** method seen: (1,560 - 1,200) / 1,200
- **A1** 30% cao
- **Answer: 30%.**

Question 13

- **B1** 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
- **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 14

- **B1** 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
- **Answer: Two risks: investment may strain cash flow; market demand could change or imports could intensify, reducing returns.**

Question 15

- **B1** evaluative point on risk, e.g. Option A is higher cost and higher financial risk while Option B is lower cost and less risky
- **B1** evaluative point on speed, e.g. Option B likely gives faster product differentiation benefits while Option A may take longer to deliver sales increases through distribution
- **Answer: Option A carries higher financial risk because of the 250,000 pound cost and will take longer to scale distribution, whereas Option B is cheaper at 120,000 pounds, lower risk and likely to show faster benefits through product differentiation and higher margins.**

Question 16

- **Level 1** (1-3): Offers simple, undeveloped points about Option A or Option B, with limited reference to the pack figures and no clear recommendation.
- **Level 2** (4-6): 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.
- **Level 3** (7-9): 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.
- **Indicative content:**
  - Use strengths such as the in-house battery design team and 400 pound 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 pounds and increases financial exposure; Option B costs 120,000 pounds 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.