



AS BUSINESS

Paper 2 Business 2

Insert

Source 1: Hoods Ltd

Hoods Ltd

Hoods Ltd designs, manufactures and sells hoodies and other sportswear to retailers in the UK and Europe. Hoods Ltd was set up in 2002 by an entrepreneur, Habib. The business is successful and has grown quickly. It has four factories in the UK. 1

The product portfolio for Hoods Ltd has grown in the last three years. It now includes tracksuits, t-shirts and swimwear, as well as the original hoodie design. The clothes are made from high-quality materials. Hoods Ltd sources these from suppliers that use ethically sourced raw materials. 5

Habib started Hoods Ltd with the aim of wanting the business to be different from regular sportswear businesses. Hoods Ltd competes against global brands. These brands spend heavily on promotion. Habib decided to only use suppliers that sign up to Fair Trade and other similar agreements. Habib created a mission statement that he feels has set Hoods Ltd apart from other brands. 10

Hoods Ltd mission statement: 'Hoods Ltd only uses ethically sourced raw materials. This ensures excellent quality for our clothes and shows our commitment to being part of a more sustainable world.' 15

Using Fair Trade suppliers means that Hoods Ltd pays premium prices for materials. In the last year, the cost of materials has increased drastically. Habib has reassured the shareholders that these cost increases can be passed on to customers. He believes the Hoods Ltd brand and the quality of the clothes are strong enough to justify any price increase.

The marketing manager, Clara, is concerned that Hoods Ltd relies too heavily on repeat customers and is not promoting the company sufficiently. Following a recent dip in sales, Clara wants to increase the spending on promotion to reach more customers. Hoods Ltd has a website and Instagram account but these are not regularly updated. Habib does not agree with Clara and sees the dip as a temporary issue. He feels that the brand is well established in the market and that the clothes will 'sell themselves'. Habib estimates that the price elasticity of demand for Hoods Ltd's products is -0.1 20 25

Hoods Ltd employs 70 production staff who work in one of the four factories across the UK. Each factory has a site manager. The site managers regularly complain that they are not trusted to make decisions for their sites. Last week one of them left the business to work for a competitor. Habib is the majority shareholder and manages the company. His role includes setting and analysing all of the operational budgets for the company. Recently, Habib has struggled to manage this workload and decision-making has been slow. He is considering delegating the control of the budgets to the site managers which means they will allocate and decide how the money is spent. 30

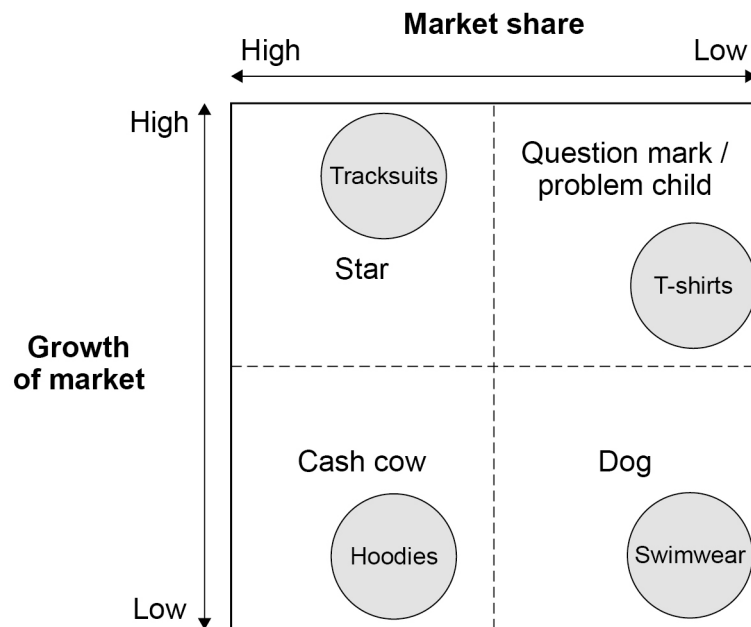
The company has always generated healthy profits and had positive cash flow. However, in the last two years, there have been some major cash flow issues. One of the large retail customers for Hoods Ltd closed down without paying for its recent orders. The finance manager, Parvin, believes that many of Hoods Ltd's retail customers value the 60 days they have to pay for their orders. Parvin, therefore, suggests that Hoods Ltd should take out an overdraft, despite knowing that interest rates are currently high and may increase. Some of the shareholders are worried that this financial situation may continue and have asked Habib to urgently look at the cash flow position. 35 40

Figure 1: Financial data for 2022 to 2024

	2022 £m	2023 £m	2024 £m
Sales revenue	5.75	6.21	6.90
Cost of sales	4.30	4.60	5.07

Figure 2: Average time taken for customers to pay (days)

	2022	2023	2024
Hoods Ltd	60	60	60
Industry average	60	45	30

Figure 3: Hoods Ltd Boston matrix product portfolio 2025**END OF SOURCE**

There are no sources printed on this page

Copyright information

For confidentiality purposes, all acknowledgements of third-party copyright material are published in a separate booklet. This booklet is published after each live examination series and is available for free download from www.aqa.org.uk

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and AQA will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team.

Copyright © 2025 AQA and its licensors. All rights reserved.

