

Tuopai Shede Co., Ltd. Based on Value Chain on Working Capital Management

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Abstract: Working capital is like the relationship between blood and people for the production and operation of enterprises, and the quality of working capital management also directly affects the success or failure of enterprises. In order to be noticed in their respective industries, many companies continue to change and innovate the way they manage working capital. Among them, value chain theory has been accepted by most enterprises. By combining value chain management with enterprise working capital management, we can not only break the traditional way in management ideas and methods, but also strengthen capital management at the strategic level of sustainable development of enterprises, so as to complete the integration of enterprises. Based on the theory of value chain management, combined with literature research and case study, this paper systematically and comprehensively discusses the current situation of brand working capital management in value chain. It is hoped that this article can provide effective help for China's small and medium-sized enterprises in managing working capital.

Keywords: Small and medium-sized enterprises, Working capital, Value chain management.

1. Introduction

Working capital occupies an important position in many business processes of the company. Working capital is the prerequisite for all activities. Without it, the company will not be able to operate, and people often use the company's "blood" to describe working capital. For sales companies, sales companies have the characteristics of strong liquidity and dispersed funds. Therefore, the security of funds has become very important. Looking at China's sales enterprises in recent years, it is not difficult to see that most enterprises still use traditional management, so there will be many difficulties affecting the good development of sales companies. Now some foreign countries have flexibly integrated value chain management into capital management, forming new ideas and bringing many advantages to the company, Therefore, Chinese enterprises need to use the concept of value chain management to guide working capital management and adapt to the development trend.

2. Working Capital Management Theory Based on Value Chain

2.1. Value Chain Theory

2.1.1. Concept of Value Chain

The original concept of "value chain" was put forward by Michael Porter, a professor at Harvard Business School, in 1985. Porter believes that "every company is a whole and can carry out a series of activities in the process of designing, producing, selling, delivering and assisting its products, all of which can be illustrated by a value chain." In fact, the process of creating value for each company is assembled from a series of decentralized activities, which are generally divided into two categories: first, the main and most basic activities, known as basic activities, are composed of internal and external logistics, marketing, production and operation and after-sales service; The second category, that is, the first category of supplementary assistance, known as ancillary activities, is probably composed of material procurement, technology research and development, infrastructure and

human resources. Although these economic activities are different in nature, they are related, and together constitute a dynamic process value chain that can create enterprise value.

The value chain penetrates deeply into economic activities, connects all links between the enterprise sectors, so that they can operate smoothly, and each economic activity in the value chain will affect the ultimate value of the enterprise.

2.1.2. Value Chain Management

The company should vigorously implement the chain management process from upstream suppliers to core important enterprises to downstream final consumers. Duoduo advocates that the company implement value chain management and efficiently integrate the company's production, sales, finance, human resources and other business activities. Then make the various links inside and outside the company a related whole, improve the ability of each link to create high value, so that it can handle the flow of funds, logistics and related information. Therefore, the company integrates a complete system in a set of economic activities such as supply, production and sales, and achieves better economic benefits in the company's value chain management.

2.2. Working Capital Management Theory Based on Value Chain

2.2.1. Meaning of Working Capital Management Based on Value Chain

While value chain management focuses on the management of internal and external activities of the company, we should also pay attention to the relationship between external companies so that we can find suitable partners. A complete value chain management system in an enterprise is inseparable from good working capital management. When it cooperates with upstream suppliers, it needs funds to purchase raw materials, when it needs to produce finished products, it also needs working capital to adjust, and it also needs to pay wages to people who contribute, and when it sells, it needs to recover funds. Managing working capital from the perspective of value chain requires us to pay more energy and resources to achieve the enterprise value we want.

2.2.2. Objectives of Working Capital Management Based on Value Chain

Enterprises manage working capital from the perspective of value chain, and the goal is to guide the company into a good working capital management mode and determine a correct management direction. The goal of the value chain based on working capital management is to ensure the safety of funds in the operation stage of the company and maintain the synergy between relevant economic activities inside and outside the company. Enterprises should establish a set of value chain concepts suitable for their own development in their own companies, and then manage the company's working capital from the perspective of value chain, so that the company's business activities can be carried out efficiently, and the resources of various departments can be allocated reasonably, which is that the company's working capital has good liquidity.

2.3. Relevant Indicators

The operating cash ratio is used by an enterprise to measure the ability of the company to obtain cash from a business after the completion of sales. Its formula is:

$$\text{operating cash ratio} = \frac{\text{cash flow from operating activities}}{\text{operating income}} \quad (1)$$

The quality of income from operating activities is usually used to evaluate the ability of recent operating profits to flow into the company in cash, and its formula is as follows:

$$\text{the quality of income from operating activities} = \frac{\text{net cash flow generated by operating activities}}{\text{operating profit}} \quad (2)$$

Inventory turnover rate is an indicator used to measure and evaluate inventory management in a certain period. Its formula is:

$$\text{inventory turnover rate} = \frac{\text{cost of goods sold}}{\text{average balance of inventory}} \quad (3)$$

$$\text{inventory turnover period} = \frac{360}{\text{inventory turnover rate}} \quad (4)$$

The turnover rate of accounts receivable is an indicator to measure and evaluate the management of accounts receivable in a certain period. The formula is:

$$\text{turnover rate of accounts receivable} = \frac{\text{main business income}}{\text{average balance of accounts receivable}} \quad (5)$$

$$\text{turnover period of accounts receivable} = \frac{360}{\text{turnover rate of accounts receivable}} \quad (6)$$

The profit margin of the main business is a supplement to the profitability of the main business, which reflects the share of the profit of the main business in the total profit of the enterprise. The formula is:

$$\text{net profit margin of the main business} = \frac{\text{net profit}}{\text{net income of the main business}} \quad (7)$$

Return on net assets is the proportion of net profit to the average total assets. The higher the index, the stronger the company's ability to use its assets to obtain profits. The calculation formula is:

$$\text{return on net assets} = \frac{\text{net profit}}{\text{average total assets}} \quad (8)$$

3. Analysis of Working Capital Management of Tuopai Shede Liquor Company

3.1. Introduction to Tuopai Shede Liquor Company

Sichuan shede Liquor Co., Ltd. is a high-quality Chinese spirit producer with an annual production capacity of 300000 tons and a storage capacity of high-end aged wine. It has formed a conglomerate covering packaging, pharmaceuticals, commerce, logistics and other fields. It has 20 sub groups of glass bottles, drugs and thermoelectric materials, with total assets of more than 5 billion yuan.

During the 13th Five Year Plan period, for a long time, the company began to thoroughly implement the scientific outlook on development and understand the spirit of the 18th National Congress of the Communist Party of China. According to the development strategy and deployment arrangement of "China platinum triangle" implemented by the provincial Party committee and the provincial government, relying on the harmony of heaven and earth to benefit the world is our own responsibility, adhering to the company concept of "people oriented, excellent quality, scientific development, seeking benefits for others and pursuing a happy life", and implementing the general requirements of "ecology, high-quality, high-yield, low-carbon, safety and efficiency". In practice, we emancipate our minds and, Understand the flash points and advantages of Tuopai's cause in the unified development. Actively respond to the new situation in the market, constantly achieve new breakthroughs, create new achievements, and vigorously build their own brand business cards with green, science and technology, ecology, efficiency and harmony.

3.2. Current Working Capital Situation of Tuopai Shede Liquor Company

3.2.1. Internal Structure of Current Assets

The main components of current assets of Tuopai shede liquor company from 2016 to 2020 are shown in table 1 below:

Project/year	unit:%				
	2016	2017	2018	2019	2020
Monetary funds	20	33	27	39	33
Accounts receivable	1	1	4	3	6
Inventory	79	66	69	58	61
Total	100	100	100	100	100

As can be seen from table 1, in the past five years, the proportion of monetary capital in Tuopai shede liquor company has been rising a little, while the proportion of inventory has gradually declined, but it is far less than inventory. Inventory still plays a powerful role in current assets, but it has maintained a relatively stable state compared

with these two accounts receivable, and its proportion has been very small, It shows that there are fewer credit sales accounts in product sales, but the proportion of inventory in this table is relatively high, so the management should pay attention to it, conduct corresponding market research and formulate procurement plans in line with the current situation,

at the same time, supervise inventory management to see whether it is true, constantly update inventory management strategy, pay more attention to market demand, and make corresponding marketing strategies to prevent squeezing a large number of inventory, There is an inventory dilemma that

can only come in and out.

3.2.2. Internal Structure of Current Liabilities

The constituent items of current liabilities of Tuopai shede liquor company from 2016 to 2020 are shown in Table 2:

Table 2. Main components of current liabilities unit:%

Project/year	2016	2017	2018	2019	2020
Short-term borrowings	71	50	50	53	31
Accounts payable	14	12	13	11	7
Other	15	38	37	36	62
Total	100	100	100	100	100

As can be seen from table 2, short-term borrowing business in Tuopai shede liquor company in recent years, relatively speaking, accounts for a high proportion of total current liabilities, which is due to the company's poor ability to raise funds itself, resulting in excessive reliance on bank loans to raise funds, so the company will face potential huge financial risks and debt repayment pressure. According to the statement, the company's accounts payable accounted for a relatively high proportion in 2016, while from 2017 to 2020, it showed a downward trend, but the proportion was not low enough. Therefore, if Tuopai shede liquor company does not actively improve the company's financing methods, once the national macro policy is adjusted and the capital is tightened, it can be

expected that the company will fall into financial tension.

3.3. Analysis of the Current Situation of Working Capital Management Based on Value Chain

3.3.1. Value Chain Analysis of Tuopai Shede Liquor Company

(1) Internal value chain of Tuopai shede liquor company

According to the daily business activities of Tuopai shede company, combined with Michael Porter's enterprise value chain structure model constructs the company's own proprietary value chain structure model, as shown in Figure 1,

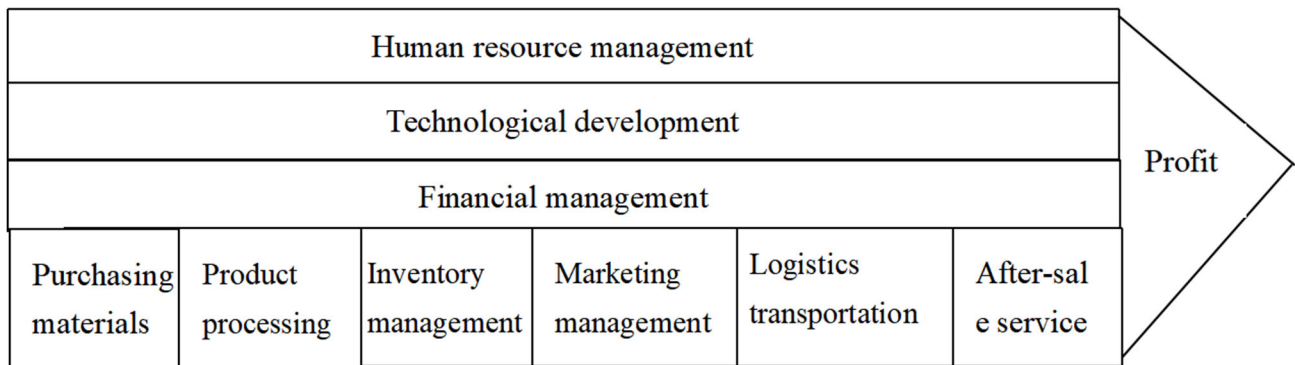


Figure 1. Value chain structure model of Tuopai shede liquor company

According to Porter's value chain analysis model, the process of creating value by Tuopai shede liquor company is also assembled from a series of decentralized activities, which is basically divided into two parts: the first part is the main and most fundamental. A company selling products must first process the raw materials of products, and then process and polish them to generate finished products after purchasing, and then enter the warehouse for storage, Waiting for market sales, when there is an order, the finished product is sold to the buyer, and its rights and interests are transferred to consumers and related after-sales services are provided to them. The company's auxiliary value activities are composed of human resources management, technology development

and financial management. Although the auxiliary value activities can not directly affect the production value, they pave a way for the company's basic value activities and indirectly create useful value for the company. Whether it is the company's basic value activities or its auxiliary value activities, their continuous completion is a good reflection of the company's products from procurement to value acquisition, packaging and final sales. Every aspect here is the process of the company's continuous realization of value, that is, to buy products from upstream supply and marketing, and then to sell products to downstream consumer customers.

(2) Tuopai shede liquor company's external value chain, as shown in Figure 2.

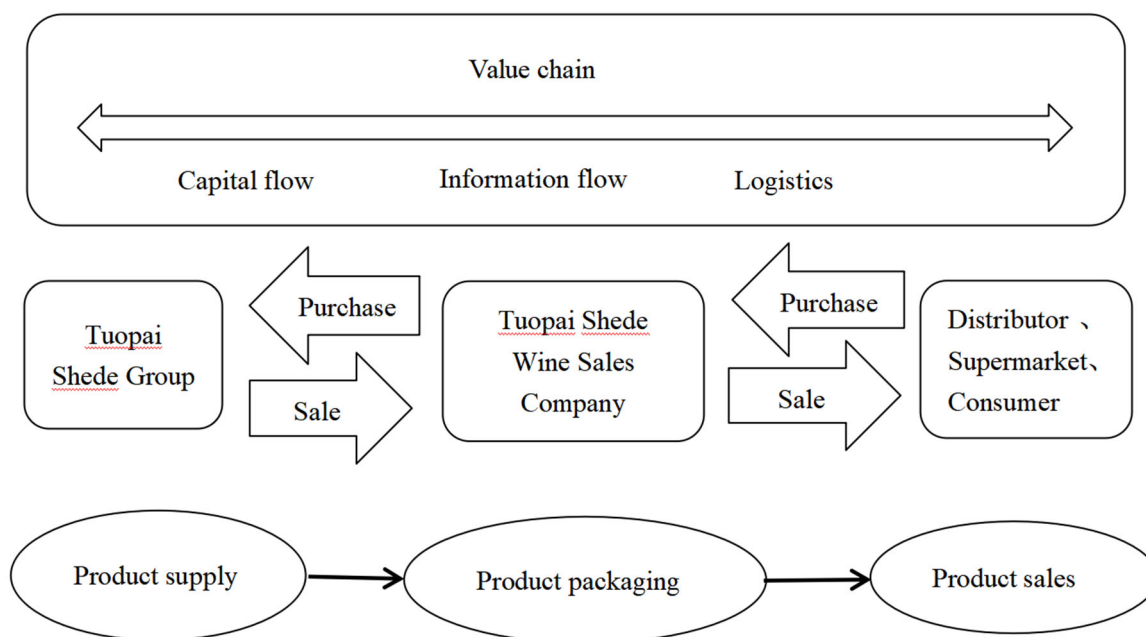


Figure 2. External value chain relationship chart of Tuopai shede liquor company

According to the understanding of the current operation situation and market situation of Tuopai shede liquor company, 2013 and 2014 are the low ebb periods for the development of the Chinese spirit industry. As far as I know, after the Third Plenary Session of the 13th Central Committee, the government fought corruption and advocated honesty, and all localities are doing their best to resist extravagant and wasteful life. Therefore, the Chinese spirit industry has been hit repeatedly, so the sales performance has been declining all the way, especially in 14 years, which is too low to be lower. With fewer consumers, people began to reflect on themselves, change their sales routines, and can not blindly immerse themselves in the ranks of high-end consumer liquor. Since 15 years ago, the Chinese spirit industry has adjusted its policies in the industry, began to transform to mass consumption, and then the industry has slowly recovered, and slowly began to improve after 16 years. From the perspective of external value chain, changes in national policies affect the number of customer service consumption, and some customers can not sell a large number of Chinese spirit

wholesale, resulting in inability to pay for the goods, which will play a joint and several role, and there are major problems in the system and mechanism. In this case, the company needs to start from the perspective of the whole value chain and business process reengineering, from upstream suppliers to final consumers, and collect various liquidity fund management methods, effectively integrate, coordinate and control all aspects of the company's material procurement, product packaging, sales and other links, so as to make the whole form a close relationship and resist the influence of the outside world.

3.3.2. Analysis of Working Capital Management in Material Procurement Stage

The material procurement link in the operation of Tuopai shede liquor company is inseparable from capital. The starting point of an enterprise's operation lies in whether the capital is sufficient. The recent cash adequacy analysis of Tuopai shede liquor company is shown in Table 3.

Table 3. Cash adequacy indicators

Project/year	2016	2017	2018	2019	2020
Net cash flow from operating activities (100 million yuan)	2.303	4.256	4.432	6.676	9.972
Operating income (100 million yuan)	14.62	16.38	22.12	26.50	27.04
Operating profit (100 million yuan)	1.818	2.018	4.423	7.120	7.683
Operating cash ratio (%)	15.75	25.98	20.04	25.19	36.88
Quality of revenue from operating activities (%)	126.68	210.9	100.2	93.76	129.79

It can be seen from Table 3 that the operating cash ratio and revenue quality of operating activities of the company from 2016 to 20 years were fairly good. In view of the company's operation in recent years, the upstream suppliers of the company began to change the relevant policies on goods sales since 15 years ago, collecting money for some goods in advance, and also began to shorten the collection period of the enterprise's accounts receivable. Delivery payment or payment before the agreed date cannot be credited. Based on

the recent situation, we can see that the company's cash is increasing little by little to meet the basic needs of operations. However, because the company relies too much on upstream suppliers, some of their changes will affect the overall situation of the company. Therefore, I think the company should think about it, correctly handle its relationship with suppliers, strengthen its relationship management, and strengthen its own operation ability, instead of always thinking about relying on others, otherwise it will always

suffer losses. In general, the Company is relatively unstable in terms of cash inflow. The Company's liquidity is a little weak, which is really not a good thing for the Company.

3.3.3. Working Capital Management Analysis in Inventory Management Stage

The accounts receivable and inventory turnover capacity indicators of Tuopai Shede Liquor Co., Ltd. are shown in Table 4:

Table 4. Accounts receivable and inventory turnover index

Project/year	2016	2017	2018	2019	2020
Turnover rate of accounts receivable	42.11	38.41	16.31	19.05	14.53
Inventory turnover rate	0.62	0.61	1.31	1.25	1.32
Turnover period of accounts receivable (days)	8.55	9.37	22.07	18.9	24.77
Inventory turnover period (days)	581.49	590.16	274.81	288	272.73

According to the data analysis of Tuopai Shede Liquor Co., Ltd. from 2016 to 2020, we can clearly see that the turnover period of accounts receivable of the company from 18 to 20 years has exceeded 10 days, which is thought-provoking. It seems that it is the side effect of the company's efforts to develop consumer groups in response to the "three duties", while actively expanding production. On the other hand, loose credit conditions were given to customers and a large number of credit sales policies were implemented, which led to most of the working capital being deposited in the sales process, thus making the working capital turnover period longer. Therefore, the company should understand the problem as soon as possible, and should not blindly expand without considering the capital recovery rate.

The company should pay attention to the management of downstream customers and develop a set of scientific account management methods, so that the company can maintain a

relatively stable situation and create value. It can also be seen that the inventory cycle of the company in 2016 and 2017 is very large, because the company has raised product prices and changed its sales strategy. These changes have made a large number of downstream dealers unable to sell their goods, not only affecting the existing inventory plan of the company, but also causing some customers to suffer losses that should not have occurred. After careful consideration, it is the mistakes of Tuopai's own strategy that lead to these problems.

3.3.4. Analysis of Working Capital Management in the Sales Stage

The sales link of Tuopai Shede Liquor Co., Ltd. is the stage when the enterprise creates profit value, so the profitability analysis of the enterprise is the key. The following is the profitability analysis of the company, as shown in Table 5:

Table 5. Working capital turnover period

Project/year	2016	2017	2018	2019	2020
Total assets (100 million yuan)	36.65	46.99	48.43	57.77	64.54
Main operating income (100 million yuan)	14.62	16.38	22.12	26.50	27.04
Operating profit (100 million yuan)	1.818	2.018	4.423	7.120	7.683
Net profit (100 million yuan)	0.802	1.421	3.729	5.384	6.073
Profit margin of main business	0.05	0.09	0.17	0.20	0.22
Net asset interest rate	0.021	0.031	0.077	0.093	0.094

In the past five years, the average profit margin of the company's main business was about 0.15, and the average net asset interest rate was about 0.06. Both are at a low level. In general, the profitability of the company is relatively weak, but it has been growing steadily since 2016. In the future development process, the company should control costs and expenses. On the one hand, we should pay attention to the price changes of upstream suppliers, and on the other hand, we should always pay attention to the development costs of downstream. Effective management of it can improve the profitability of the company to a certain extent.

Based on the previous analysis of the working capital management of Tuopai Shede Liquor Company, it is found that the current business philosophy of Tuopai cannot meet the needs of the rapid development of the company at this stage. As a matter of fact, the company's business management ability is still a little weak, and it needs to be further improved to make up for its poor performance in terms of operating ability. Moreover, the company is also weak in the business of repaying short-term loans, with the possibility of financial risk at any time. In summary, the company is

faced with serious operational risks. Although the company has shown relatively stable profitability in recent years, it has accumulated many business problems in the past few years, which makes it still in a less optimistic state in terms of the management of working capital. In a short time, the capital turnover will not come, and there will be a risk of rupture in the capital chain turnover.

3.4. Problems and Cause Analysis in the Management of Working Capital of Tuopai Shede Liquor Co., Ltd

3.4.1. The Company's Working Capital Management System Is Not Yet Mature

In the organizational structure of the company, employees follow the instructions of their superiors and only complete the tasks they are responsible for, while the overall work quality of the team is not guaranteed and supervised by anyone. The company's after-sales service module also failed to reach the level of customer development, and there was no person in charge directly facing customers, which made it impossible to receive the corresponding payment for goods

on time even though the products were sold. In addition, there was a long-term lack of joint cooperation between various departments, and the implementation was not enough, which led to the failure of effective cooperation within the company and the low operating efficiency of the company. The company did not understand the decentralized working conditions among various departments, so it blindly increased the coordination organization and coordinator of the company. Accordingly, it not only increased the company's costs, but also many useless personnel without any reason, which led to a significant increase in the operating costs of Tuopai Shede, reduced the company's ability to deal with the market, and had a greater impact on the company's own operating efficiency.

3.4.2. Lack of Working Capital Management System

In the years of development, although the company has a more complete financial management system than other enterprises, there are still many deficiencies in the specific working capital management, such as the company's accounts receivable project is not in place, sometimes high or low, and there is no accurate policy and standard to deal with the market; In addition, the inventory management is not good, and the purchase situation cannot be well understood, and the market demand cannot be met. The inventory management level is low. On the one hand, the above problems reflect that the company's existing management system does not keep pace with the times, and the old generation's management standards are applied mechanically, which is not in line with the company's contemporary development requirements; On the other hand, it also shows that the company's management did not specifically coordinate the development of various departments, resulting in unclear what was done here and what was done there, and the business of various departments was not very similar.

3.4.3. Working Capital Operation Efficiency is not High

According to the inventory turnover index of the company from 2013 to 2017, it is difficult to understand that as a sales company, it has such a long inventory turnover period. How can it make a good profit? As far as I know, in the middle of the period, the company tried to expand the market size and the consumer group purchased a large number of raw materials, which increased the number of products, led to overstock of products, and the inventory management was relatively backward. As a result, the company's inventory turnover efficiency is low, and the company will now face greater inventory management pressure. At present, the company's inventory management mainly includes: cargo transportation management, customer order and product distribution management. The current market is highly competitive. The specific information and needs are not disclosed to the market, and no one understands its true situation, which will test people and make its management very uncertain.

4. Improvement Measures for Working Capital Management of Tuopai Shede Liquor Co., Ltd

4.1. Accelerate the Operation of Working Capital to Enable All Employees to Establish the Value Chain Idea

The integration of the company's internal and external value chain is a cooperative relationship between partners in the value chain. It is a cooperative management method that

can bring customers higher profits and enhance their competitive advantage in the market. The integration of relevant value chains inside and outside the enterprise is to integrate all nodes in the value chain of the company into a complete system, coordinate other relevant businesses with core businesses, and achieve an efficient operation mode at a low cost, so that the enterprise can create more value. In addition, we need to know more about the internal part of our company, be clear about each position and function, and then integrate them effectively. There should be no useless positions and waste of personnel. This is the optimization and integration of its internal value chain. The next step is the integration of the external value chain, which means that we can create a good partnership with enterprise customers and suppliers. By integrating internal and external business processes, we can improve suppliers and markets while meeting customer needs.

4.2. Improve the Strategic Management Level of the Company's Value Chain and Improve the System Construction

In this era of fierce competition in the liquor industry, we not only need to implement a good marketing oriented strategy, but also need to strengthen our own working capital management system. In marketing, the company should ensure that the sales payment can be recovered in time. Secondly, the company has a wide range of products, after all, greed is not good. Therefore, we should conduct market research, carefully find out which products are our brand's best-selling products and consumers' favorite products, and then formulate corresponding purchase plans to avoid the embarrassing situation that supply exceeds demand. On the other hand, the company needs to change its existing budget method and take the initiative in purchasing to improve budget management. We cannot rely entirely on the annual plan allocated by the group company for budget management. Instead, we should put ourselves in the position of focusing on customer needs and always pay attention to market changes, so that the enterprise can respond well to the new market situation, maintain the idea of innovation and development, and constantly improve its market forecasting ability. To ensure that the finished products sold by the company meet the needs of mass consumers, this method not only helps the company improve inventory management and turnover, but also imperceptibly improves the overall operation speed of the value chain.

4.3. Improve the Company's Internal Management Process and Improve the Efficiency of Capital Operation

For every company, there are many links in the business process, and working capital is very common in each link. Each business link of the company may be the link of the company's competitive advantage. We should attach importance to each link and carry out effective management to ensure that working capital can be smoothly operated in all aspects of the company's capital operation. After all, it is highly recommended that everyone gather firewood. Only when everything is ready can its value be maximized. To study the current working capital situation of the company from the perspective of the value chain, we need to break through one by one from the total to the minute. First, we start from the overall operation of the company, and then break it

down one by one, specifically to each important link in the actual operation of the company. Then we will focus on the observation and analysis of the links that cover working capital, and carry out in-depth excavation of the value they obtain. Through the previous analysis of the company's operation and the understanding of the management of working capital, it can be concluded that the company's internal information implementation is not completely coordinated at the beginning, and the company needs to optimize its internal value chain, so as to enhance the smoothness of information transmission within the company and ensure the efficiency of working capital operation.

5. Conclusion

In recent years, the liquor industry has been affected by the slow development of China's economy. China has accelerated the construction of urbanization, resulting in a shortage of rural labor, which has led to a decrease in rural grain output. After all, hope is the most important thing, so the price of grain has risen and remains high. Therefore, the liquor industry is faced with two major difficulties: first, the grain price plays a decisive role in the production cost, and the rising grain price increases the production cost and increases the burden on enterprises; On the other hand, due to the reduction of grain output, the country has changed its policy to encourage people to transform the grain wine industry into fruit wine. Compared with fruit wine, liquor consumes a lot of grain. However, the growth of grain output today is too slow to provide sufficient raw materials, which will limit the

production of liquor to a certain extent. At the same time, the increasing variety of alcohol substitutes makes the road of expansion very bumpy. For example, many consumers accept western culture and like alternative products such as beer, foreign wine and wine, which has shaken the share of liquor in the Chinese market. In this context, working capital management based on value chain began to emerge at the right time. Based on the value chain management, the company needs to improve the working capital management in the internal and external value chain by combining the internal and external management conditions; At the level of strategic management, the company needs to integrate internal and external business activities to enhance the company's in-depth management of working capital.

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