

Analysis on the Sales Links of Listed Companies Based on Value Chain Theory

-- Taking Great Wall Motor as an Example

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Abstract: This paper takes Great Wall Motor as the research focus, and studies and analyzes the sales links of Great Wall Motor. First of all, the research background and related theoretical basis and concepts of this paper are expounded. Secondly, from the perspective of value chain, this paper focuses on the sales link of Great Wall Motor, analyzes its relevant data in the past five years, and expounds the current situation of profitability in the sales link. Carry out a comparative study of comparable companies, find out the problems existing in the sales process of Great Wall Motor compared with comparable companies, and analyze its advantages and disadvantages. Thirdly, the problems existing in the sales of Great Wall Motor are described and analyzed. Finally, according to the data and problems of Great Wall Motor, practical solutions are put forward in the sales process, which will help to change the status quo and enhance profitability.

Keywords: Great Wall Motor; Comparable enterprises; Value chain; Sales link.

1. Introduction

In China's modern industrial system, the automobile industry has always occupied a very important position, and even some experts regard the level of automobile manufacturing as a symbol of a country's industrial level. The automobile manufacturing industry involves production, design, research and development, and so on^[3]. Behind every automobile enterprise, there are countless suppliers of related upstream enterprises. The quality of the automobile itself is closely related to the quality of raw materials in addition to its scientific and technological level. China, as the most populous country in the world, is also the largest market of automobile industry in the world, with the largest automobile consumption in the world. In the vast automobile market, well-known automobile brands have attracted much attention. Although the development of domestic automobile brands in China is late but fast, compared with foreign automobile brands, it is still congenital deficiency and late fatigue. If national automobile brands want to stay in the global automobile market, expand their own advantages and even beat foreign brands, they must make a qualitative leap. Therefore, it will play a positive role in promoting the development of China's automobile industry to analyze and study China's automobile industry from the perspective of value chain.

For the actual profitability of China's automobile enterprises, it is very necessary to establish a long-term and sustained profitability evaluation mechanism, so as to further improve the profitability of the current automobile manufacturing industry. As one of the most representative brands in China's automobile industry, how Great Wall Motor can make a difference in this context, how to cope with the opportunities and challenges of global development, how to develop and transform new energy vehicles, how to enhance the brand image of enterprises, and more importantly, how to improve the profitability and ability will have certain reference value for the entire automobile industry. On this basis, this paper makes a further in-depth analysis of the

profitability of Great Wall Motor from the perspective of value chain.

2. Theoretical Basis

(1) Concepts related to value chain

The concept of value chain was first put forward by American scholar Porter in the 1980s, and the enterprise was attributed to the process in production and operation activities, which was a collection^[1]. Therefore, enterprises will inevitably go through a series of links in social and economic activities. From the initial procurement and processing of raw materials, to the warehousing and storage of raw materials, and then to the workshop production, and finally through a series of sales services, a complete business chain of the enterprise has been formed, and these processes are interrelated, interdependent and indispensable. The formation of value chain depends on transaction costs. Transaction cost is the cost of various economic activities carried out by enterprises in order to realize the value exchange with customers. According to the value chain analysis method, enterprises can divide their production and business activities into two categories: main activities and auxiliary activities on the basis of the value chain^[2].

The main activities are divided into: input logistics: receiving, storing and distributing related activities; Production: input into related activities in the form of the most total product; Export logistics: focus on the related activities of sending products to buyers; Marketing: transmitting information, guiding and consolidating the relevant activities of the buyer; Service: to provide services and activities to meet customer needs and maintain product competitiveness.

Auxiliary activities are divided into: enterprise infrastructure: management, planning, accounting, law, etc.; Human resource management: organize the recruitment, training and development of employees at all levels; Technology development: basic research, product design, process research and design, etc. Purchasing management: purchasing various input activities in the value chain, such as

purchasing materials, machinery and equipment, etc [5].

(2) Value chain theory

The value chain was put forward by Porter in his book "Competitive Advantage". Through in-depth analysis of the competitive advantage of companies, Porter believes that the competition between companies lies not in products, prices and channels, but in the competition between companies[1]. Porter believes that in order to gain competitive advantage, an enterprise needs to conduct a comprehensive analysis of all its business activities, that is, to use the analysis of value chain to find the relationship between its own value creation and external value, and to clarify the relationship between them. In the final analysis, if an enterprise wants to gain a competitive advantage, it is necessary to establish a most competitive value chain management process.

With the continuous prosperity and development of the market and the deepening of globalization, based on this, from the perspective of value chain, this paper continuously analyzes the value chain process and profitability of enterprises, continuously optimizes the production and operation chain of enterprises, improves the added value of the company's products, reduces the company's production and operation expenses, and thus improves the profitability. The ultimate goal of enterprise value chain is to increase the profitability of enterprises, enhance their core competitiveness and make them one of the best in the industry [4]. For example, from the perspective of value chain, analyze and find the links that are time-consuming, laborious, inefficient and waste resources in all aspects of the enterprise, understand the problems in a targeted manner and propose solutions.

3. Research on Profitability of Great Wall Motor

This section analyzes the profit fluctuation of Great Wall Motor from the perspective of profitability and the income statement of Great Wall Motor.

The profit of Great Wall Motor has been increasing slowly in recent years, affected by the impact of new energy vehicles, epidemic situation and automobile price war. According to the latest data released by Great Wall Motor, the sales rate of Great Wall Motor has dropped by nearly 4% since 2023 compared with the previous period, and the WEY brand has dropped by 75.81%. Only Great Wall pickup truck is the only growing model, which makes Great Wall Motor stand firm in this context. However, it has reached the edge of danger. According to the data, the sales rate continues to decline. In today's era of new energy vehicles, the traditional fuel vehicle industry has entered a downward trend of development. Such poor and satisfactory profit data has also made Great Wall Motor the one with the largest data decline among the 15 mainstream automobile companies, which has directly affected the competitiveness of Great Wall Motor in the market.

Great Wall Motor's profitability needs to be improved. As an old-fashioned fuel vehicle, Great Wall Motor has a great disadvantage compared with the emerging new energy vehicles. In this automobile war, Dongfeng Motor, Geely and other automobile brands have adopted the form of subsidies to downstream dealers, which enabled them to continue to develop in such fierce competition, but they did not participate in the automobile price war and still remained calm. Compared with BYD, Great Wall Motor's new energy transformation process is very slow. Naturally, its sales data are not optimistic. Nowadays, five famous brands of Great Wall Motor have entered the era of Waterloo. It is still unknown whether Great Wall Motor can build a new energy Great Wall under such a difficult background.

4. Profitability Analysis of Sales Links

(1) Research on the Profitability of Great Wall Motor in the Sales Process

From 2018 to 2022, Great Wall Motor's gross profit margin, net profit margin and return on equity are shown in Table 1:

Table 1. Analysis of profitability indicators of Great Wall Motor

Project/Year	2018	2019	2020	2021	2022
Sales expense ratio (%)	5.51	4.09	4	3.81	4.28
net profit margin on sales (%)	5.29	4.71	5.19	4.93	6.01
Rate of Return on Common Stockholders' Equity (%)	20.24	8.45	9.58	11.26	12.96

From the point of view of sales expense ratio, since it reached the highest value of 5.51% in 2018, it declined in the following years, but it also rose to 4.28% in 2022, which shows that Great Wall Motor's level of managing supply chain declined in the following years, but the decline was not large and remained at an average level.

From the perspective of sales net profit, the trend is gradually rising, and in 2022, the sales net profit reached the highest value of 6.01%, which is closely related to the background of domestic sales. After the COVID-19 epidemic was gradually fully liberalized, the sales data eased, and it will not be the lowest value of sales net profit during the COVID-19 epidemic. Great Wall Motor should also seize this development trend.

From the perspective of ROE, with the full liberalization of the COVID-19 epidemic, the sales revenue of Great Wall

Motor is increasing, but it can't recover its decline. Compared with the ROE of 20.24% in 2018, the gap is still huge. Although the "Five Golden Flowers" model once built by Great Wall Motor is gradually falling, along with the transformation of Great Wall Motor to new energy, models equipped with Hi4 technology will be launched soon. In 2023, Great Wall Motor is expected to launch dozens of models one after another, and more models are also under consideration. We have reason to believe that Great Wall Motor will get out of the predicament and continue to develop.

(2) Research on Profitability of Comparable Automobile Sales Process

The comparison of sales expense ratio between Great Wall Motor and comparable automobile enterprises in recent five years is shown in Table 2:

Table 2. Comparison of sales expense ratio between Great Wall Motor and comparable companies

Enterprise/Year	Sales expense ratio (%)				
	2018	2019	2020	2021	2022
Great Wall Motor	5.51	4.09	4	3.81	4.28
BYD	3.64	3.4	3.23	2.81	3.56
Shanghai automotive group	7.03	6.82	3.45	3.78	3.92

From the perspective of sales expense ratio, the sales expense ratio of Great Wall Motor is higher than that of BYD and SAIC, and the sales expense ratio of Great Wall Motor is generally high in the industry, which shows that the sales expense ratio of Great Wall Motor has increased after Great Wall Motor got into sales difficulties. However, because the management of the company is optimistic about the future performance space, there will be huge sales space and market in the future, which is also closely related to Great Wall

Motor's "2025 strategy" and is expected to realize the transformation to new energy, so even though it is higher than other enterprises in the same industry, Great Wall Motor is actively seeking changes and constantly increasing the research and development of new energy.

The comparison of the net profit rate of Great Wall Motor and comparable automobile enterprises in recent five years is shown in Table 3:

Table 3. Comparison of Sales Net Profit between Great Wall Motor and Comparable Companies

Enterprise/Year	Net profit margin on sales (%)				
	2018	2019	2020	2021	2022
Great Wall Motor	5.29	4.71	5.19	4.93	6.01
BYD	2.73	1.66	4.1	1.84	4.17
Shanghai automotive group	5.36	4.19	3.93	4.35	3.24

From the perspective of net sales profit rate, the average net sales profit rate of Great Wall Motor is higher than that of some car companies in the same industry. Although the net sales profit rate of Great Wall Motor has been declining since 2018, the net sales profit rate of car companies in the same industry is not high due to the impact of the COVID-19 epidemic, which shows that the response measures of Great Wall Motor are reasonable, and the sales volume of Great Wall Motor in overseas auto markets has remained stable as a whole. Therefore, the net profit rate of sales in 2022 has also

increased, which is inseparable from its clear positioning. However, compared with some excellent car companies, it is still insufficient, and there is still a lot of room for improvement. Under the impact of mainstream joint ventures, Great Wall Motor needs to improve itself and enhance its market competitiveness.

The comparison of the return on equity between Great Wall Motor and comparable enterprises in recent five years is shown in Table 4:

Table 4. Comparison of ROE between Great Wall Motor and comparable companies

Enterprise/Year	Rate of Return on Common Stockholders' Equity (%)				
	2018	2019	2020	2021	2022
Great Wall Motor	20.24	8.45	9.58	11.26	12.96
BYD	5.89	3.44	10.1	5.36	15.68
Shanghai automotive group	17.38	12.06	9.56	10.62	6.94

From the perspective of ROE, from 2018 to 2022, the ROE of Great Wall Motor is higher than that of BYD and SAIC, and the ROE of Great Wall Motor in 2018 is the best, but with the external expansion of Great Wall Motor and a large amount of investment, its ROE is gradually decreasing compared with the highest value, but it still belongs to the upstream level in the industry.

5. Problems in Sales Links

Marketing is one of the important links in enterprise economic activities, which can make goods flow to consumers and realize profits. Sales can also improve the market competitiveness of enterprises. Doing a good job in the marketing of goods or services in the sales process can attract consumers more effectively, help to increase sales volume, increase sales revenue and enhance the profitability of enterprises.

(1) The level of asset profitability is unstable

Great Wall Motor, as a traditional fuel automobile enterprise and a former "national god car", has no doubt about its popularity. However, with the impact of new energy vehicles, more customers prefer new energy vehicles, and the traditional fuel automobile market is in a downturn. Some consumers mention that Great Wall Motor is more linked to fuel vehicles, but what they don't know is that Great Wall Motor began to transform and upgrade to new energy in 2018, and then its new energy vehicles also accounted for more than 10% of its total sales. Due to the inherent impression of the brand, Great Wall Motor's new energy vehicle business has also made slow progress. The profitability of Great Wall Motor is still at a low level compared with some excellent automobile companies, and the profitability of its own assets is unstable. After 2017, Great Wall Motor did not achieve the profitability comparable to that of joint venture brands after entering the high-end field, indicating that its own asset profitability level is seriously insufficient.

(2) Brand management confusion

Great Wall Motor brand management is very chaotic. In the past years, Great Wall Motor has believed in the strategy of "having more children and fighting". In the past, this strategy has also made great contributions to Great Wall Motor, but now it is more in the chaos of brand management. Wei Jianjun, the chairman of Great Wall Motor, once admitted that what Great Wall Motor lacks is not only new energy technology, but also the chaotic planning of product system, such as Haval's first love, God beast, Wei brand mocha, latte, etc. These messy brands not only affect the image of Great Wall Motor, but also consume marketing resources in vain, dazzling consumers. Some brands are over-marketed, and some brands are not known, which are all noteworthy issues.

6. Promotion Measures of Sales Link

(1) Accurate positioning of the market

In the sales process, Great Wall Motor should improve the quality of the car, starting with the purchase of raw materials, selecting high-quality raw materials, doing a good job in product design and research and development, putting quality management in the first place, adhering to customer demand-oriented, fully considering customer demand, and improving the durability and aesthetics of products. Great Wall Motor should make full use of the Internet and self-media, adopt the marketing mode of combining online and offline sales, and boldly use new sales modes such as online shopping and live broadcast. Personalized sales, accurate market positioning according to consumer preferences in different regions, and a large number of market research, while doing a good job in quality management, grasp the reputation of consumers. By adopting new marketing channels, products can be publicized through Internet platforms such as JD.COM, Weibo and Aauto Quicker, so as to show the positive image of enterprises, increase the sales volume of products and enhance the profitability of enterprises.

(2) Strengthen brand marketing

Pay attention to enhancing the corporate image and brand influence. The quality of products is the most basic condition for the sales and profitability of enterprises. After improving the design on this basis, we should increase publicity on the quality and service of products, focus on the advantages of products, and seize the psychological demands of consumers. Change people's traditional stereotype of Great Wall Motor in the past, devote themselves to social welfare undertakings, and take the initiative to assume the social responsibilities and obligations of enterprises, be responsible for customers, the market and the society.

7. Research Conclusion

As the first batch of domestic brands since the reform and opening up, Great Wall Motor's development has also attracted the attention of the people. It achieved some success in the early days of its establishment, but with the progress of the times, its development disadvantages are gradually emerging, such as more brands and militarized management. With the development of new energy technology, the impact

of artificial intelligence, internet technology, etc., if Great Wall Motor is still addicted to its past success and does not make progress, it will always be eliminated by the times. Therefore, according to the current situation of Great Wall Motor, this paper subdivides the problems existing in the sales link of Great Wall Motor from the perspective of value chain, analyzes and puts forward the solutions, and draws the following conclusions through research.

(1) It is feasible to analyze the development status of Great Wall Motor from the perspective of value chain, and it also provides some reference opinions for other automobile enterprises. This analysis method breaks the profit-oriented theory of enterprises in the past, that is, managers only care about the financial statements and profits of enterprises, and do not see the whole process of profit generation or the irrationality in sales links, which is worth promoting. From the perspective of value chain, it is conducive to truly seeing the problems in the development of enterprises, effectively identifying and preventing risks and improving profitability.

(2) This paper analyzes the profitability of Great Wall Motor's sales link and finds some shortcomings in this sales link. Summarizing the problems that affect the profitability of enterprises in the sales process, analyzing and solving the problems after putting forward the problems will greatly improve the production and operation efficiency and enhance the profitability of enterprises.

(3) Great Wall Motor should research and develop new energy technologies accurately, determine the development strategy and core of the enterprise, and attach importance to the competition dominated by new energy vehicles in the future market competition. Finally, improve the quality of employees, especially the quality of sales staff, pay attention to recruiting high-level employees, improve incentive measures, improve the overall quality of employees, build a reasonable employee system, and maximize the profitability of enterprises.

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