

# Research on Working Capital Management Performance of Wuliangye from the perspective of supply chain

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**Abstract:** During the process of the firm's continuing existence and expansion, the working capital of the enterprise, which is the most liquid asset of the business, plays a critical part in the process. The liquor industry has been under the simultaneous strain of market consumption structure upgrade and overcapacity in recent years. Both of these pressures have been a challenge for the sector. As a consequence of this, the amount of competitiveness that exists within the industry has recently increased. Therefore, the industry needs to leave its old way of thinking, which focuses on the management of its internal working capital, and instead pay more attention to the performance that is brought about by coordinating with important firms in the supply chain. This is because performance is directly related to the efficiency of the supply chain. Using Yibin Wuliangye Co., Ltd. as the research object, this paper first examines the internal structure of the company's working capital, then, from the perspective of the supply chain, from the procurement, production, and sales of three links, conducts an in-depth analysis of the status quo of the company's working capital management, discovered that Wuliangye in the management of the working capital of the three links of the problem of occupying too much of the funds of the suppliers, higher production costs, and the reduction of contractual liabilities. In conclusion, it provides targeted recommendations for optimisation with the purpose of enhancing Wuliangye's capability to adequately manage its working capital and promoting the long-term growth of the company.

**Keywords:** Supply chain, Wuliangye, Working capital management.

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## 1. Introduction

During the course of a business's day-to-day operations, the flow of funds known as working capital is an essential component. The majority of the studies that have been conducted so far concentrate on net working capital, which is defined as the difference between current assets and current liabilities. The purpose of these research is to demonstrate that efficient management of working capital enables businesses to engage in production and operation activities in a normal manner [1]. The movement of working capital, on the other hand, is directly tied to supply chain management. This is because both current assets and current liabilities are related to the upstream and downstream operations that occurs outside of the firm. Supply chain management emphasises that the flow of working capital from suppliers to enterprises and then to customers is regarded as a chain [4], and the member enterprises of the chain carry out close cooperation to optimise the logistics, capital flow and information flow, so as to enhance the competitiveness of the whole chain [2], and promote the sustainable development of the enterprise.

As a result of the integration of the global economy and the increase of market competitiveness, the competition that was formerly between businesses has evolved into competition between supply chains. As a result of this new pattern of supply chain competition, working capital, which is an essential component for the operation of the supply chain, is integrated with the supply chain. This integration can provide businesses with the ability to more effectively manage the flow of capital, optimise the allocation of resources, and enhance the responsiveness and operational efficiency of the supply chain. On the basis of this, Wang Zhuquan and

colleagues proposed a new viewpoint regarding the research on working capital management. They argued that the research on working capital management should begin with the relationship between working capital and supply chain or channel as an entry point. Furthermore, they proposed that working capital should be classified into marketing, production, and purchasing working capital in order to assist businesses in achieving more efficient management of their working capital [3]. Using Wuliangye as an example, this paper first conducts an analysis of the company's internal structure of working capital. Next, based on the supply chain perspective, an in-depth analysis of Wuliangye's working capital management performance from purchasing, production, and sales is carried out. Finally, optimisation suggestions are proposed for the problems that were discovered in order to improve the enterprise's overall operational efficiency and competitiveness.

## 2. The Current Status of Wuliangye's Working Capital Management Based on Supply Chain

The Yibin Wuliangye Company, Ltd. is a famous liquor brand in China, one of the leading enterprises in the industry, and a sizable enterprise group that is owned by the state. Using Wuliangye as its primary product, Wuliangye has established itself as the dominant player in the Chinese liquor market due to the exceptional quality of its products and the significant cultural legacy they possess. Its exceptional flavour and one-of-a-kind brewing technique have garnered widespread praise from customers around the world. Additionally, it has been honoured with the title of "National

Famous Liquor" as well as numerous other accolades, which exemplifies its outstanding standing in the business. With a strong market influence and competitiveness, Wuliangye has been ranked in a number of worldwide brand value lists, and its brand value has been steadily increasing over the course of the past several years.

## 2.1. Analysis of the Internal Structure of Wuliangye's Working Capital

### 2.1.1. Analysis of the size and internal structure of current assets

**Table 1.** Size of Wuliangye's current assets and percentage of major items

Items	2019	2020	2021	2022	2023
Size of liquid assets (billions of dollars)	966.27	1023.56	1221.38	1375.66	1471.82
Total asset size (billions of dollars)	1063.97	1138.93	1356.21	1527.15	1654.33
Current assets to total assets (%)	90.82%	89.87%	90.06%	90.08%	88.97%
Currency funds as a percentage (%)	65.45%	66.64%	67.41%	67.14%	78.44%
Accounts receivable as a percentage (%)	0.14%	0.04%	0.05%	0.03%	0.03%
Notes receivable as a percentage (%)	15.15%	18.14%	19.53%	0.09%	0.00%
Inventory as a percentage (%)	14.16%	12.92%	11.47%	11.62%	11.81%

As can be seen in Table 1, the scale of Wuliangye's current assets grows from 2019 to 2023, and its share of total assets essentially remains at 90%. This is a reflection of the enterprise's favourable operating conditions and the demand that is present in the market. The constant rise in sales revenue and rapid sales return that Wuliangye has had, which has resulted in the accumulation of a significant number of current assets, is the primary reason for the high share of current assets that the company possesses. The firm possesses steady money fund reserves, good asset liquidity, and high risk resistance, as evidenced by the fact that money funds accounted for the biggest proportion of current assets, which averaged out to be 68%. Second, the proportion of notes

receivable and inventory, the proportion of notes receivable dropped sharply to 0.09% in 2022 and 0% in 2023, primarily because the enterprise reduced the scale of notes receivable in order to recover the sales payment in a timely manner; the proportion of inventory showed a trend of decreasing and then increasing, indicating that the inventory management level of Wuliangye declined slightly, and that the operation ability and cost control level needed to be strengthened. In 2023, the proportion of inventory has remained unchanged.

### 2.1.2. Analysis of the size and internal structure of current liabilities

**Table 2.** Size of Wuliangye's current liabilities and percentage of major items

Items	2019	2020	2021	2022	2023
Size of current liabilities (billions of dollars)	300.35	258.79	336.16	357.59	326.83
Size of total liabilities (billions of dollars)	303.01	261.35	342.29	360.31	330.84
Current liabilities to total liabilities (%)	99.12%	99.02%	98.21%	99.25%	98.79%
Accounts payable as a percentage (%)	10.85%	13.07%	16.08%	20.27%	27.12%
Notes payable as a percentage (%)	1.40%	2.95%	2.59%	2.48%	2.24%
Advance receipts and contractual liabilities as a percentage (%)	41.72%	33.39%	38.88%	34.66%	21.06%
Employee compensation payable (%)	11.97%	14.03%	9.92%	9.44%	11.85%
Taxes payable as a percentage (%)	26.43%	21.42%	15.45%	14.83%	19.18%
Other accounts payable as a percentage (%)	7.63%	10.82%	10.99%	12.95%	16.48%

As can be seen in Table 2, the entirety of Wuliangye's total liabilities is comprised of current liabilities. Furthermore, the proportion of all of these liabilities in the past five years tends to be close to one hundred percent. This further demonstrates that the funds for Wuliangye's own development are derived from the non-interest-bearing funds of the businesses that are located upstream and downstream of the industry chain that it occupies. In addition, Wuliangye does not have any short-term borrowings, and the share of accounts payable is increasing. This is an indication that the enterprise's operations are becoming better, that procurement activities are growing, and that the funds that are being occupied by suppliers are expanding. Along with the fact that Wuliangye permits its distributors to use bankers' acceptance bills and other methods to settle payments, the combined share of advance receipts and contract liabilities stabilises at over thirty percent between the years 2019 and 2022, and then decreases to twenty-one percent in 2023. This is a reflection of the fact that Wuliangye has adopted a strategy of becoming more lenient in its collection strategy and has provided its

customers with more flexible payment methods. In the year 2023, there was a discernible increase trend in taxes payable, which is indicative of ineffective tax administration and inadequate cost control.

## 2.2. Current Status of Wuliangye's Working Capital Management from The Supply Chain Perspective

Wuliangye is a major corporation in the production and sales of alcoholic beverages, and it has a supply chain structure that is both efficient and optimised. The company has successfully created a complete system that encompasses all areas, beginning with the procurement of raw materials and continuing through the production and sale of their final goods. The purpose of this article is to investigate the complex relationship that exists between the supply chain and working capital of Wuliangye. A breakdown of the analysis into its three primary components—procurement, production, and sales—is presented here.

### 2.2.1. Current status of working capital management in the procurement process

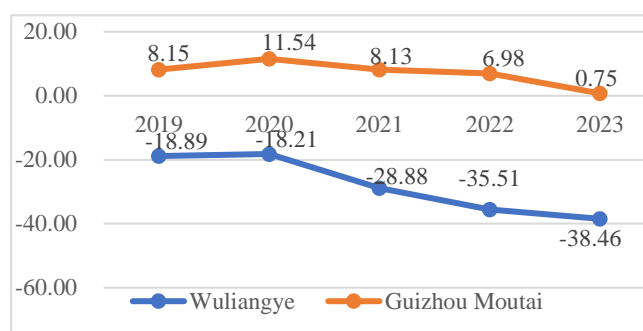
When it comes to procurement, Wuliangye mostly purchases raw materials and auxiliary materials, as well as materials for packaging, and so on. The proportion of raw materials acquired from cooperatives or farmers accounts for more than thirty percent of the entire amount of procurement. It takes a market-oriented approach to its procurement, and it logically organises its procurement plan and inventory level in accordance with market demand and capacity planning. After developing its procurement strategy, Wuliangye makes use of an electronic procurement platform to disseminate information regarding its material procurement requirements.

This ensures that suppliers are immediately updated on the most recent developments in the company's procurement process and are able to engage in competitive bidding activities in accordance with the plan. At the same time, Wuliangye is responsible for supervising and managing the procurement process through its supplier relationship management system. This system allows for the sharing of sales and inventory information between Wuliangye and its suppliers, which effectively improves the efficiency of procurement, results in cost savings for procurement, and assists Wuliangye in establishing channel advantages in procurement.

**Table 3.** Wuliangye Purchasing Segment Working Capital

Items	2019	2020	2021	2022	2023
Inventory of raw materials (billions of dollars)	8.15	10.01	7.69	7.02	5.30
Prepayments (billions of dollars)	2.32	2.47	1.96	1.36	1.69
Accounts payable (billions of dollars)	32.58	33.83	54.04	72.47	88.64
Notes payable (billions of dollars)	4.19	7.64	8.72	8.88	7.32
Operating income (billions of dollars)	501.18	573.21	662.09	739.69	832.72
Procurement segment working capital (billions of dollars)	-26.3	-28.99	-53.11	-72.97	-88.97
Working capital turnover in procurement (days)	-18.89	-18.21	-28.88	-35.51	-38.46

As can be seen from Table 3, the working capital turnover period of Wuliangye's procurement link between 2019 and 2023 is negative, indicating that the enterprise mainly relies on external capital turnover and uses less internal capital to accelerate the speed of capital turnover. The working capital turnover period shows a trend of increasing and then decreasing, reflecting that the working capital management level of Wuliangye's procurement segment gradually improves after 2020, and it is continuously strengthening its strategic cooperation with upstream suppliers. The absolute value of the working capital turnover period of Wuliangye's procurement segment reaches the minimum of 18.21 days in 2020, which is attributable to the outbreak of the nationwide New Crown Epidemic, and the decrease in the sales volume of the enterprise's products, which leads to an increase in the amount of raw material inventories caused by the decrease in sales of the enterprise's products. In addition, Wuliangye's accounts payable in the past five years showed an upward trend, an increase of 180%, indicating that the enterprise bargaining power to enhance the ability to occupy more upstream supplier funds, thus effectively reducing the enterprise in the procurement link raw materials occupied by the enterprise's internal capital pressure. However, for Wuliangye's small and medium-sized raw material suppliers, excessive accounts receivable will lead to more difficult liquidity, affecting their own profitability and development, thus preventing Wuliangye from making further purchases and affecting the normal operation of the production line.



**Figure 1.** Comparison of working capital turnover periods in procurement

It is clear from looking at Figure 1 that the number of days that Wuliangye's procurement link has a negative working capital turnover is indeed negative. It is clear that Wuliangye's working capital turnover period is much shorter when compared to that of the first Guizhou Moutai in the industry. It can be deduced from this that Wuliangye's management of the procurement channel is superior to that of Guizhou Moutai from the point of view of working capital. In addition, the degree to which the procurement link is occupied by funds belonging to other individuals is higher than that of Guizhou Moutai. Utilising payables to obtain the funds required for daily operation at low cost through strong bargaining power, which in turn enhances the efficiency of working capital turnover, and effectively reduces the high costs and potential risks that arise from external financing, is the primary reason for the difference in working capital turnover period between the two enterprises in procurement, as can be seen through comparative analysis.

### 2.2.2. Current status of working capital management in the production chain

According to market demand, sales predictions, and historical data, Wuliangye's annual production plan is comprised of monthly, weekly, and daily production plans. These plans are developed from the yearly production plan. With this plan, the entire year is covered. With the support of digital technology, Wuliangye builds a data management

system for the production process in the field of brewing production (also known as brewing production). The implementation of this system enables the strict management of the production process, which is accompanied by the tracking of data information; the accurate management of product inventory, which is carried out with the assistance of a logistics system in accordance with the requirements; the combating of counterfeits; the realisation of real-time supervision of the overall production process of the products;

and the effective reduction of redundant costs of management. At the same time, Wuliangye keeps the right innovation, combines big data modelling, empowers traditional brewing with modern technology through flexible bionics and human-machine synergy, and continues to push forward the development and upgrading of intelligent brewing technology in order to realise the transformation and upgrading of the whole process of modern intelligent brewing.

**Table 4.** Wuliangye Production Segment Working Capital

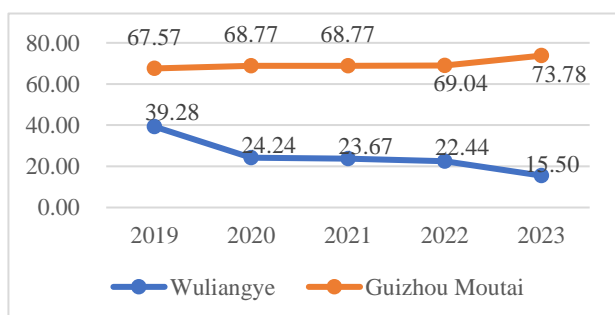
Items	2019	2020	2021	2022	2023
Inventory of products in process (billions of dollars)	9.21	9.64	11.40	11.99	12.63
Inventory of semi-finished goods (billions of dollars)	91.86	92.90	102.18	113.88	115.41
Other receivables (billions of dollars)	12.49	0.36	0.26	0.31	0.40
Employee compensation payable (billions of dollars)	35.95	36.30	33.36	33.76	38.72
Other accounts payable (billions of dollars)	22.93	28.01	36.94	46.31	53.86
Operating income (billions of dollars)	501.18	573.21	662.09	739.69	832.72
Working capital for production chain (billions of dollars)	54.68	38.59	43.54	46.11	35.86
Working capital turnover in production (days)	39.28	24.24	23.67	22.44	15.50

The working capital turnover period of Wuliangye's production segment is positive during the period of 2019-2023, as can be seen from Table 4. This is primarily due to the fact that the number of inventory-type accounts is greater than the number of other payables and employee compensation payable. Additionally, the working capital of the production segment has shown a year-on-year downward trend, which indicates that Wuliangye's working capital management of the production segment has been improved, and the overall occupancy of the working capital of the production segment has been reduced. At this point, it had already absorbed the finances of businesses that were located both upstream and downstream in the supply chain, and it had gradually grown the amount of cash that it used from businesses that were tied to it. In addition, the inventory of semi-finished products held by Wuliangye accounted for the largest share of working capital in the production chain over the course of the previous five years. This suggests that the enterprise's intermediate products occupied an excessive amount of capital, which easily impeded the process of rapidly realising products. Over the course of time, the amounts of Wuliangye's production inventory, other accounts payable, and employee compensation payable have all demonstrated significant growth. On the other hand, the number of other receivables has remained at a low level, which is a direct reflection of Wuliangye's increasing occupation of funds from other parties during the production stage. The rate at which the production segment's working capital is being turned over is steadily picking up speed, despite the fact that the proportion of inventory-type accounts in working capital is growing.

As can be seen from Figure 2, in the period from 2019 to 2023 as a whole, the working capital turnover days of Wuliangye's production link are lower than those of Guizhou Moutai, and they continue to maintain a downward trend even when Guizhou Moutai exhibits a steady increase in the trend. This is the case even if Wuliangye's production link is a more advanced company. This considerable difference indicates that Wuliangye's capital utilisation of upstream and downstream firms in the production link is greater than that of Guizhou Moutai, and it is superior to that of Guizhou Moutai in terms of the level of management of the production link's working capital. This is because Wuliangye has a higher working capital management level than Guizhou Moutai. It has been demonstrated that Wuliangye possesses a superior level of management specifically with regard to the production link's working capital. When compared to those of Guizhou Moutai, the number of working capital turnover days in the production chain at Wuliangye shown a much higher level. This was partly attributed to the fact that the quantity of products-in-process and self-made semi-finished products produced by Wuliangye was substantially lower than that being produced by Guizhou Moutai. As a consequence, the efficiency of Wuliangye's capital flow was significantly improved.

### 2.2.3. Current status of working capital management in the sales process

The production and sale of liquor constitutes the primary focus of Wuliangye's company, and the distribution and direct sales of products are the primary modes of product distribution. When it comes to the distribution mode, Wuliangye uses the settlement method of payment before delivery. This can help decrease the number of bad debts that are generated and protect the enterprise's working capital. While expanding its online sales channels through the Wuliangye Cloud Store and Smart Store, Wuliangye is working to improve its conventional offline speciality stores where customers can have a better shopping experience. Wuliangye is actively advocating for the reform of channel flattening, which has the potential to build contact with terminal customers and core retailers in a more direct manner, thereby enhancing the enterprise's power to manage the market and efficiently meet the demand of the market. While



**Figure 2.** Comparison of working capital turnover period in the production chain

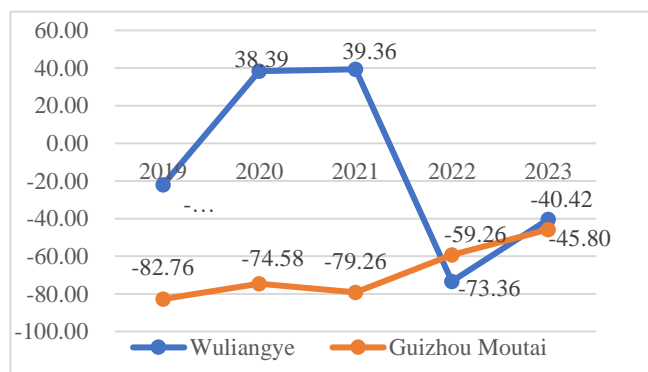
this is going on, Wuliangye is also constructing sales channels that are centred on new retail and corporate group purchases. Additionally, the company is aggressively laying out the

cultural wine market in order to provide customers with a wider range of options that are richer and more diverse.

**Table 5.** Wuliangye Sales Segment Working Capital

Items	2019	2020	2021	2022	2023
Finished goods inventory stock (billions of dollars)	26.18	16.87	15.78	24.68	37.57
Accounts receivable (billions of dollars)	1.34	0.41	0.64	0.36	0.43
Notes receivable (billions of dollars)	146.43	185.68	238.59	1.20	0.00
Advance receipts (billions of dollars)	125.31	0.24	0.11	0.16	0.18
Contractual liabilities (billions of dollars)	0.00	86.19	130.59	123.79	68.64
Taxes payable (billions of dollars)	79.39	55.42	51.92	53.02	62.68
Operating income (billions of dollars)	501.18	573.21	662.09	739.69	832.72
Sales segment working capital (billions of dollars)	-30.75	61.12	72.39	-150.73	-93.50
Sales segment working capital turnover (days)	-22.09	38.39	39.36	-73.36	-40.42

As can be observed in Table 5, the working capital turnover days of Wuliangye's sales segment exhibited unstable fluctuation from 2019 to 2023, reaching negative values in 2019, 2022, and 2023 consecutively. The working capital turnover days of Wuliangye's sales segment climbed from -22 days to 38 days between the years 2019 and 2020. This was mostly owing to the fact that Wuliangye's sales terminals got depressed, and its control over downstream was enhanced. The reduction in the number of advance receipts in the year 2020 was a direct consequence of the weakening of the discursive power of downstream enterprises. The working capital turnover days of the sales segment of Wuliangye decreased from 39 days to -73 days between the years 2021 and 2022. This was primarily due to the fact that Wuliangye, in an effort to increase its operating revenues, relaxed the conditions for distributors' pick-up of goods, made extensive use of bankers' acceptance bills for settlement, and converted this portion of the bills receivable into funds for accounts receivable financing. Wuliangye made adjustments to its sales strategy in 2023 in order to alleviate the financial pressure that dealers were experiencing. More specifically, the company decreased the proportion of cash that was received in advance receipts. This resulted in a fall in the total amount of advance receipts and an increase in the working capital turnover period in the sales segment.



**Figure 3.** Comparison of working capital turnover period in sales segment

Wuliangye's working capital management performance in the sales segment is notably weak in comparison to the procurement and production segments over the course of the past five years, as can be shown in Figure 3. Furthermore, the company's working capital turnover days are only positive in the years 2020 and 2021. Additionally, the working capital turnover period of Wuliangye's sales segment is longer than that of Guizhou Moutai during the period from 2019 to 2021.

This indicates that the level of working capital management of Wuliangye's sales segment is lower in comparison to that of Guizhou Moutai. This is primarily due to the fact that Guizhou Moutai has a strong brand advantage, which allows it to collect advance payment from its distributors in advance, thereby maintaining a lower level of receivables to a lesser extent. Following the implementation of an increased preferred approach for downstream distributors, Wuliangye was able to accomplish its goal of having a turnover period that was shorter than that of Guizhou Moutai in the year 2022. Nevertheless, in 2023, Wuliangye was able to make its sales segment working capital turnover period bigger than Guizhou Maotai once more. This was due to the fact that the quantity of Wuliangye's contractual liabilities had decreased to half of what it had been in 2022.

### 3. Problems with Wuliangye's Working Capital Management

#### 3.1. Excessive use of suppliers' funds in the procurement process

A prominent role in the upstream supply chain is held by Wuliangye as a result of the fact that it is a well-known liquor company that is listed on the stock exchange. As a consequence of this, the conditions that are required for it to make use of upstream funds for funding are extremely conducive to achievement. Wuliangye's currency fund holdings, on the other hand, have remained high for a lengthy amount of time, at roughly 68%, according to the data that was shown earlier in this paragraph. Despite the fact that considerable currency fund holdings are a reflection of the firm's solid financial position, the enormous quantity of occupancy is not helpful to the improvement of overall working capital management efficiency. This is contrary to the fact that the company is in a strong financial situation. The purchasing turnover index continues to be negative, which indicates that Wuliangye consumes a considerable amount of capital from suppliers further upstream. Despite the fact that the procurement turnover ratio of Wuliangye is higher than that of Guizhou Moutai, this is the situation that now exists. Wuliangye's upstream suppliers include some small and medium-sized businesses (SMEs), and the excessive occupation of their funds may easily result in the incapacity of the suppliers' funds to function normally. This is because SMEs are more likely to have limited resources. At the same time, the unexpected lack of raw materials will surely result in a rise in the cost of purchasing commodities, which will, in

turn, lead to an increase in the risk associated with the management of working capital.

### **3.2. Higher Production Costs in The Production Chain**

The quantity of semi-finished goods inventory in Wuliangye increased from 2019 to 2023, reaching a maximum of 11.541 billion yuan in 2023, according to the annual report of Wuliangye 2023. This information was obtained from the company's annual report by 2023. The annual report of the corporation was the source from which this information was collected. The inventory of semi-finished goods at Wuliangye is around 160,000 tonnes, and the average price per tonne is 72,100 yuan. This value is based on the current market conditions. The inventory of semi-finished goods in Guizhou Maotai in the year 2023 is 18.708 billion yuan, which is equivalent to approximately 270,000 tonnes, and the average price per tonne is 69,300 yuan. As can be seen, the cost of storing inventory of semi-finished items in Wuliangye is significantly greater than the cost of doing so in other regions. This is the case throughout the entire country. It is necessary for Wuliangye to store and mature its semi-finished and completed wines for a considerable amount of time in order to preserve the distinctive flavour and quality of its own liquor products. For the purpose of preserving the quality of its own liquor products, this is a crucial consideration. This technique will not only require a significant amount of storage space, but it will also require a significant amount of human and material resources for management and maintenance. In addition, this procedure will require a substantial amount of labour. The price of making Wuliangye will increase as a direct result of this process, which will lead to an increase in the overall cost.

### **3.3. Decrease in Holdings of Contractual Liabilities at The Point of Sale**

Throughout the course of the past five years, Wuliangye contract liabilities have shown a pattern of first increasing and then decreasing. This pattern has been observed continuously. Throughout the entirety of the time span, this pattern has been seen. Wuliangye contract liabilities were only 68.64 billion yuan at the end of 2023, according to the statistics; however, the data showed that they were 123.79 billion yuan at the end of 2022. So, the difference between the two years is significant. It was around forty-five percent of the total weight of the fall. Due to the fact that high-end liquor enterprises have a powerful voice, the ordering process requires money to be made in advance. This particular component of the advance payment that was made by the dealer is connected to the contract liabilities. As a direct result of this, liquor companies saw a significant decrease in the amount of contract liabilities they were responsible for, which had a significant influence on the growth of their businesses. There is a significant amount of evidence that indicates that traders are de-stocking in anticipation of a drop in the stockpile willingness. This is suggested by the consumption of contract liabilities. This further demonstrates that the sales of Wuliangye are not achieving their full potential, and that the demand from customers is in the process of decreasing. Nevertheless, the contract liabilities of its competitor Moutai have essentially remained over 13 billion over the course of the preceding many years, which shows that the performance has been steadier. Suggestions for Optimizing Wuliangye's Working Capital Management Issues

## **4. Suggestions for Optimizing Wuliangye's Working Capital Management Issues**

### **4.1. Stronger Supplier Relationships at The Procurement Level**

Upstream raw material suppliers are typically in a precarious position within the supply chain ecosystem that the liquor industry functions within. This is because raw material prices are vulnerable to a variety of factors, such as market fluctuations, and supply chain partnerships can become vulnerable due to sudden changes in market demand, uncertainty in contract enforcement, and other factors. The practice of liquor companies occupying upstream funds is rather common at the moment; nevertheless, an excessive number of funds being occupied actually weakens the robustness of the upstream supply chain, which in turn threatens the stable supply of raw materials in the production chain. A combination of Wuliangye's current high liquidity and the fact that it should give financial support to its upstream suppliers by either shortening the settlement cycle with them or raising the amount of prepayment is required in order to stabilise the relationship between the two parties. By doing so, Wuliangye will be able to get raw materials of a higher grade while simultaneously lowering the overall expenses of purchasing and transportation to a greater extent. In addition, in order to sustain its relationship with its upstream suppliers, it is important to regularly and dynamically assess and analyse the credit position of its suppliers using a range of different methods. This is in contrast to the traditional method of relying primarily on financial support. This is important in order to successfully avoid pricing fluctuations and supply chain disruption threats that are generated by suppliers' breach of trust. This will make it feasible to protect the long-term collaboration and joint development that exists between Wuliangye and its suppliers on a continuing basis.

### **4.2. Controlling Production Storage Costs at The Production Level**

About the manufacturing of Wuliangye liquor, the brewing cycle is longer, the production of different specifications and models of finished wine semi-finished goods in the maturation, storage duration is different, and the longer the time, the more fragrant the body of wine is. Wuliangye liquor is a premium brand of wine. A number of factors, including the fact that the inventory of Wuliangye's high-end liquor as well as low-end and medium-end liquor is growing year by year, and the fact that the brewing and preservation time of high-end liquor bodies is all over five to ten years, will result in an increase in the enterprise's production and storage costs, will cause the enterprise to incur higher costs. Through the development of maturation technologies that are more efficient and cost-effective, such as the utilisation of special material maturation containers to shorten the maturation time, and through the innovation of its sales strategy to lock in sales in advance and reduce excess inventory to avoid inventory backlogs, Wuliangye is able to reduce the costs associated with its production and management of its inventory. This allows Wuliangye to become more competitive in the market. Additionally, Wuliangye ought to create a long-term and dependable cooperation with its upstream suppliers in order to ensure its continued success. In addition, the organisation

needs to optimise its strategy for the acquisition of raw materials in order to efficiently manage and control the costs associated with the production process. Because of this, the company will be able to achieve the highest possible level of cost-effectiveness and achieve long-term advantages over its competitors.

### 4.3. Maintaining a Reasonable Level of Contractual Liability Holdings at The Point of Sale

In light of the fact that Wuliangye's contractual liability holdings have shown a rapid fall over the course of the previous two years, the sales policy of the company can be suitably altered in order to enhance the amount of contractual liability holdings. The installation of measures such as establishing a minimum consumption quantity, a minimum sales volume, and shortening the sales ledger period are all examples of ways in which this might be accomplished. By successfully favouring client money, these activities not only increase the efficiency with which the sales segment turns over its working capital, but they also strengthen the operational efficiency of the enterprise's overall working capital. As a matter of fact, when seen from the point of view of supply chain analysis, the high level of contract liabilities will not only make the burden of businesses farther downstream more difficult, but it may also make it more difficult for those firms to function. Over the course of a longer period of time, this presents a potential risk to the enterprise's ability to preserve its stability and guarantee that it will undergo continuous expansion. As a result, the amount of contractual liabilities ought to be maintained within a fair range, and the maximum limit of contractual liabilities can be established based on a particular percentage of the entire amount of payment for products. Additionally, stable clients who have a high degree of loyalty and trust should be offered appropriate preferred discounts. This should be done by carefully evaluating the comprehensive information that they provide. This is done in order to guarantee that the supply chain functions without any hiccups and that the business continues to grow in a manner that is consistent over time.

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