

Analysis of Light Asset Operation Mode and Effect

-- Taking Semir Clothing as an Example

Yanhong Nie *, Lunzhi Gan

School of Management, Sichuan University of Science & Engineering, Yibin, China

* Corresponding author: Yanhong Nie

Abstract: With the continuous impact of foreign clothing brands and intensified competition in the clothing industry, the light asset operation model centered on high value-added links has been adopted by more clothing enterprises. Semir clothing, as a typical representative, has significant research value. This article explores the light asset operation model of Semir Clothing and finds that the light asset operation model has a positive effect on the performance of Semir Clothing.

Keywords: Asset-light strategy, Performance research, Semir.

1. Introduction

Enterprises operating under the light asset operating model have more advantages than those operating under the traditional operating model, greatly reducing the cost pressure on the enterprise, saving investment in equipment and labor manufacturing costs, and enhancing the core competitiveness of the enterprise. The current industrial structure of China's clothing industry is constantly transforming and upgrading. As an important driving force for China's economic development, the clothing industry adopts a light asset operation model to reduce production costs for enterprises, while investing main resources in brand design, marketing channels, and supply chain management, making enterprises more competitive. Therefore, this article takes clothing company Semir Clothing as an example to analyze its financial performance under the light asset operation model and propose optimization suggestions.

2. Overview of Light Asset Operation Model

2.1. Connotation of Light Asset Operation Mode

Light asset operation is a development model centered around light assets. "Light assets" refer to intangible assets such as technology research and development, brand, customer relations, human resources, etc. that occupy less capital and are lightweight and flexible compared to heavy assets (equipment, factories) that occupy a large amount of capital. Its essence is the optimized allocation of enterprise resources, that is, under the condition of limited resources, fully integrating internal and external resources with the principle of leverage, and achieving maximum value with the lowest investment. Generally speaking, enterprises operating in the asset light mode usually do not make major fixed assets investment, or only invest a small amount of exclusive fixed assets. They leverage other enterprise resources through product manufacturing and retail business outsourcing, and focus on research and development, design, brand, marketing channels and other high value-added links to achieve efficient operation of enterprises.

2.2. The role of Light Asset Operation Mode

2.2.1. Reduce enterprise costs

The light asset operation model reduces the investment of enterprises in fixed assets, thereby significantly reducing their operating costs. By transferring some heavy asset processes, such as the production of products and components with lower technological content, to companies with cost advantages for production, enterprises can save a lot of infrastructure, equipment investment, and labor costs. This cost saving not only directly enhances the profitability of enterprises, but also enables them to respond more flexibly to market changes.

2.2.2. Improve enterprise flexibility

Light asset operation enables enterprises to quickly adjust their strategies, adapt to market changes, and seize new opportunities. Due to the relatively low investment in fixed assets, enterprises can more easily adjust their business and allocate resources based on market demand and competitive trends. This flexibility enables enterprises to maintain competitiveness in rapidly changing market environments and respond quickly to market changes.

2.2.3. Enhance the brand influence of enterprises

Light asset operation helps companies concentrate more resources on brand building, enhancing their market competitiveness by enhancing brand awareness and reputation. Under the light asset operation model, enterprises can focus more on shaping and disseminating brand image, as well as enhancing brand value. The enhancement of brand influence not only helps companies attract more consumers and partners, but also enhances the overall value of the enterprise.

2.2.4. Optimize resource allocation

Light asset operation helps enterprises concentrate their resources on core business and advantageous areas, achieving optimized resource allocation. By outsourcing some non core or low value-added business processes to professional service providers, enterprises can invest more energy and resources into core businesses and advantageous areas, thereby enhancing their overall competitiveness and profitability.

3. Introduction to Semir

Semir Clothing is a light asset clothing enterprise mainly engaged in adult leisure clothing and children's clothing. It was established in Hangzhou in 2002 and officially listed on the Shenzhen Stock Exchange on March 2, 2011. The business scope includes clothing design, research and development, outsourcing manufacturing, and clothing sales and distribution. The products mainly include Semir brand casual clothing and balabala brand children's clothing, with a focus on casual clothing and children's clothing. As early as its establishment, Semir Clothing established a virtual operation model, and with the establishment of Semir E-commerce in 2012, it clearly stated in its reports that "Semir focuses on production outsourcing and resource integration to ensure the successful implementation of the light asset operation model."

4. Analysis of Light Asset Operation of Semir Clothing

4.1. Motivation for Implementing Light Asset Operations

4.1.1. Optimize resource allocation and improve profitability

The light asset operation model optimizes the resource allocation of enterprises by reducing investment in fixed assets such as production lines and factories, and allocating more funds to technology research and development, brand operation, and talent management. This strategy helps companies concentrate resources on high value-added areas and improve overall profitability. By outsourcing low value-added production processes, Semir Clothing can focus more on core areas such as brand building and marketing, improving asset quality and operational efficiency. This model makes enterprises more flexible and efficient in a fiercely competitive market environment.

4.1.2. Enhance market competitiveness

The light asset operation model enables Semir Clothing to respond more quickly to market changes and consumer demand. By flexibly adjusting production plans, product design, and marketing strategies, enterprises can quickly seize market opportunities and increase market share. Semir Clothing has increased its investment in brand building and market promotion to enhance brand awareness and reputation. This helps to enhance the market competitiveness of enterprises, attract more consumer attention and purchases.

4.1.3. Reduce operational risks

Outsourcing the production and manufacturing process to other enterprises can reduce the risks of production and inventory for Semir Clothing. This model enables enterprises to focus more on core areas such as brand building and marketing, reducing operational risks caused by production fluctuations. The light asset operation model helps Semir Clothing improve financial stability. By optimizing asset structure and improving operational efficiency, enterprises can better control costs, increase revenue and profit levels, thereby enhancing financial stability.

4.1.4. Promote innovative development

The light asset operation model enables Semir Clothing to invest more funds in technology research and product innovation. This helps enterprises to continuously launch new products and services that meet market demand, enhance

brand competitiveness and market position. Utilize advanced technologies such as big data and cloud computing to optimize supply chain management, marketing, and other aspects. This helps to improve the operational efficiency and market response speed of enterprises, providing strong support for their innovative development.

4.2. Semir Clothing Light Asset Operation Measures

4.2.1. Production outsourcing, virtualization management

Semir Apparel has adopted an asset-light operating strategy, outsourcing low-value segments such as production and processing, packaging, and distribution to more cost-competitive firms, and focusing on its core business and brand building. This model not only reduces investment in plant and equipment, but also saves labor costs and reduces production costs. Moreover, this strategy enables Semir Apparel to maintain the soundness of capital operation and realize a high degree of flexibility at lower operating costs. In the downstream sales segment, in addition to direct sales, Semir also actively absorbs franchisees from a variety of channels in order to save capital and utilize the remaining capital flow for other important segments, thus creating a larger profit margin. Through this model, Semir Apparel has succeeded in realizing efficient resource allocation and flexible market responsiveness while maintaining its core competitiveness.

4.2.2. Emphasize research and development, enhance brand added value

Semir Apparel now owns two major apparel brands, Semir and Balabala, as well as five subsidiaries and eight branches. The company adopts the strategic concept of diversified brand marketing, through product design, product display, store upgrading, advertising and promotion, signing celebrity interaction and other marketing activities, and has two major brands of popular casual wear, "Semir" and "Barabara", under the long-term investment and careful construction. Popular casual wear brands. Semir Clothing has invested significantly in research and development, for example, its R&D investment in 2023 will amount to 280 million yuan, accounting for 2.06% of its operating income. The enterprise focuses on the field of product design, actively integrates the world's leading fashion resources, and actively learns high-quality design concepts. In 2018, the enterprise established an intelligent digital R&D center and set up a standard product database, hoping to carry out innovative research and development of apparel with the help of digital R&D technology and the corresponding database, as well as conducting virtual 3D testing.

4.2.3. Control inventory in the logistics process and optimize supply chain management

In order to speed up the product turnover, Semir Apparel has carried out reasonable pre-planning, flexible adjustment and timely after-sale treatment of the goods through reasonable planning beforehand, flexible adjustment and timely after-sale treatment, so that the enterprise inventory has been well controlled, and the level of the enterprise inventory has been controlled within a reasonable range. In addition, Semir Clothing and suppliers to establish long-term strategic partnership, through sharing resources, optimize the process, to achieve the synergies of the industry chain. This mode of cooperation helps to reduce production costs and improve supply chain efficiency, thus increasing profitability.

4.3. Financial Characteristics of Light Asset Operation of Semir Clothing

4.3.1. Low proportion of fixed assets

Enterprises of light asset type usually pay more attention to the high returns brought by intangible assets, and invest less in fixed assets. As can be seen from Table 1, the proportion of fixed assets to total assets in 2019-2023 of Semir Apparel is less than 20%, or even less than 10%, in the process of reading the literature, some experts said that the proportion of fixed assets is less than 30% of the enterprise that belongs to the type of light assets, Semir Apparel also belongs to the scope. The enterprise's investment in fixed assets is mainly placed in the business process 100% of the buildings or equipment, non-essential or infrequent use through the lease or outsourcing of the link, in this way, the enterprise will have sufficient liquidity, they can invest these funds in research and development, brand image and marketing and other high value-added aspects, and thus be able to accelerate the pace of enterprise The pace of development can be accelerated.

Table 1. Proportion of fixed assets

	2018	2019	2020	2021	2022	2023
Fixed assets (RMB 100 million)	19.86	19.86	21.42	19.48	18.10	16.45
Total assets (in billions of yuan)	165.68	165.68	171.70	197.78	182.71	179.37
Proportion of fixed assets to total assets	11.99%	11.99%	12.47%	9.85%	9.91%	9.17%

4.3.2. High research and development expenses

In the process of enterprise development, research and development design has always been a high value-added link, especially the asset-light operation of the enterprise research and development design is the centralized performance of enterprise competition. Semir Clothing attaches great importance to the R&D design of the enterprise, so the enterprise has invested a lot of money in many aspects related to R&D. In recent years, the proportion of R&D expenses has fluctuated slightly around 2%, reflecting the company's emphasis on the R&D aspect, and the continuous improvement of product quality and brand value-added. The company continues to strengthen technological innovation, develops different series to meet diversified consumer needs, gradually expands the number of consumer groups, broadens sales channels, maintains high investment in R&D expenses to meet the needs of asset-light operations, and ultimately realizes the goal of improving operating income.

4.3.3. High proportion of current assets

Enterprises in the adoption of asset-light operation mode, in order to ensure that enterprises hold sufficient funds for investment and resource allocation will generally show a high proportion of current assets, the proportion of non-current assets will gradually decrease. As can be seen from Table 2, Semir apparel in 2019-2023 five-year current assets is increasing trend, in 2021 increased to 76.28%, current assets accounted for a higher proportion of side reflects the low inventory turnover rate of the enterprise, the backlog of a large number of inventories, but also shows that the enterprise assets of the liquidity of the ability to be strong, the stronger the short-term debt servicing ability. The stable holding of

current assets is a favorable guarantee for the enterprise, which can ensure good capital operation and more effective operation of the enterprise's asset-light mode.

Table 2. Proportion of current assets

	2018	2019	2020	2021	2022	2023
Current assets (in billions of yuan)	112.41	113.14	127.51	150.87	136.7	134.06
Total assets (in billions of yuan)	165.68	166.21	171.7	197.78	182.71	179.37
Proportion	67.85%	68.07%	74.26%	76.28%	74.82%	74.74%

Through the above analysis, the financial characteristics of Semir Apparel under the asset-light operation mode can be summarized as follows: low proportion of fixed assets, high proportion of current assets; high investment in research and development costs, the above characteristics are consistent with the general characteristics of asset-light operation mode. Through the asset-light operation to reduce the cost of capital, improve the capital structure, reduce the dependence on financial institutions to borrow, so that it is in a healthy financial environment, for the company's sustainable development to lay a solid financial foundation.

5. Financial Performance Analysis Under the Light Asset Operation Mode of Clothing

5.1. Debt Paying Ability Analysis

The solvency of a company is usually defined as the level of payment of debts from existing assets over a stable operating cycle. Generally stated in terms of the proportionality of the various items on the financial statements, it is the focus of a company's ability to continue operating successfully in the face of risk.

Table 3. Analysis of Semir Apparel's Debt Repayment Ability (2019-2023)

	2019	2020	2021	2022	2023
Current ratio	2.83	2.57	1.95	1.91	2.13
Quick ratio	1.80	2.07	1.43	1.37	1.70
Asset liability ratio	0.29	0.33	0.41	0.40	0.36

From Table 3, we can see that the quick ratio of Semir Clothing fluctuates around 2 during the five years, and the reasonable value of quick ratio should be 1. The value is high, which indicates that its current assets occupy more funds, which is harmful to the turnover of funds, and also indicates that the company's ability to realize the cash is not strong enough. However, the overall trend of this ratio is decreasing, which shows that Samsonite Apparel has been carrying out the implementation of improvement work. Comparative analysis shows that its current ratio and quick ratio maintain a similar fluctuation trend. The difference between the two stems from the high proportion of inventory of Semir Apparel, but the high proportion of inventory is not a unique existence in the apparel and textile industry. Overall, under the influence of the asset-light operation mode, the short-term solvency of Semir Garment is in the upper class in the whole apparel industry, but of course there is room for improvement.

The gearing ratio maintained between 40%-60% is the most stable, and in 2021, the ratio rises to within a reasonable range, which indicates that Semir Apparel has reasonably utilized the method of raising debt to operate in 2021, which has broadened the market and created new opportunities for development. In this case, the company's financial risk is also reasonably prevented and minimized to a manageable level. This trend is attributed to the asset-light operating model, which reduces the proportion of heavy assets as collateral and limits the amount of debt funds that can be obtained.

5.2. Operational Capability Analysis

Operational capacity is the ability of an enterprise to make a profit given the current condition of its assets. Operating capacity analysis is to analyze the effect of enterprise operation by calculating various indicators related to the efficiency of asset use. Under the asset-light operation mode, the enterprise has fewer fixed assets, so it has sufficient funds for capital operation, and it can create more cash flow through sales, and the higher operation level can attract more high-quality partners and reduce the possibility of business risks.

Table 4. Analysis of Semir Apparel's Operating Capability (2019-2023)

	2019	2020	2021	2022	2023
Accounts receivable turnover ratio	9.85	9.04	10.85	9.82	10.48
Inventory turnover rate	2.61	2.74	2.71	1.99	2.32

Accounts receivable turnover ratio to a greater extent in the enterprise can collect accounts receivable on time, if the value is small, it indicates that the enterprise can not high-speed recovery of money, which will also lead to the generation of bad debts; on the contrary, if the value is large, it indicates that the enterprise high-speed recovery of high-quality accounts receivable, but also indicates that the enterprise has a sound credit policy. The overall trend of accounts receivable turnover ratio of Semir Group is upward. 2020 has a small decrease, which is affected by the new crown epidemic, and the enterprise's accounts receivable in that year has also decreased. From Table 4, we can see that the accounts receivable turnover ratio of Semir Clothing is fluctuating and rising, indicating that Semir Clothing has not slowed down the recovery of accounts receivable in recent years, and the operating capacity has been improved.

As can be seen from Table 4, its inventory turnover ratio fluctuates and changes as a whole, and even shows a decreasing trend in general. This is because in the previous years, in order to develop in the field of e-commerce, Semir Apparel needs high inventory, so it has established warehouses in four regions, namely Wenzhou, Shanghai, Jiaxing and Tianjin, in order to alleviate the pressure of inventory and ensure timely delivery of inventory, Semir Apparel has made countermeasures. The company's inventory turnover rate in 2022, the same significant decline in corporate inventory turnover days has always remained above 100 days, the company's inventory operations and management efficiency there is still a lot of room for improvement. In the context of the overall downturn in the market, the company is more likely to need to improve the efficiency of capital utilization, strengthen the detailed management of inventory, and enhance the ability to monitor

and manage inventory to avoid capital utilization and asset impairment.

In general, after adopting the asset-light operation mode, the business condition of Semir Garment has gradually improved, and the accounts receivable turnover ratio has shown a trend of gradual increase, and the resource allocation of the enterprise is more reasonable, but it should strengthen the management of inventory, broaden the sales channels, and reverse the declining trend of accounts receivable turnover ratio.

5.3. Profitability Analysis

Profitability refers to the ability of a business to make a profit. If any enterprise wants to develop for a long time, it not only needs to have a reasonable financial structure, but also needs to have a strong ability to earn revenue. For investors, the profitability of the enterprise is an important consideration when they invest, and for shareholders, the most direct indicator to see the return on investment is also the income, the more the income the stronger the profitability, the enterprise's sustainable operation and development will be more secure. Enterprises that implement asset-light operations have better profitability under this mode of operation because they focus on the sales process, which can earn high profits.

Table 5. Profitability Analysis of Semir Apparel (2019-2023)

	2019	2020	2021	2022	2023
Return on equity	13.6	7.01	12.70	5.70	10.06
Gross profit margin	42.53	40.34	42.58	41.30	44.02

Semir Apparel's gross profit margin on sales fluctuates and grows during the period from 2019 to 2023. Initially, the gross profit margin declined due to the impact of the epidemic, but then the company effectively improved the gross profit margin by strengthening online business expansion, optimizing sales channels, deepening cost control and supply chain management, and strengthening brand and product strategies. In particular, the rapid growth of online business became an important driving force for gross margin improvement. Meanwhile, the improvement of market environment and consumers' pursuit of quality and brand also provided favorable conditions for the company's gross profit margin improvement.

As can be seen from the return on net assets, the profitability of the company's unit assets and its own capital has likewise declined, and the quality of corporate earnings has decreased. According to the annual report data, in addition to the epidemic, the company's decline in earnings quality is mainly due to the decline in gross profit margins of products in online sales channels and franchise sales channels. 2020 Semir Apparel's return on net assets declined in 2020, firstly, 2020 was affected by the epidemic, which led to Semir Apparel's operating income that year fell by 21.56% year-on-year, while the operating profit and net profit fell by nearly half; secondly, the French children's clothing brand kidiliz acquired in 2018 suffered consecutive losses, and in 2020, Semir Apparel decided to sell KIDILIZ for RMB 680 million and suffered a net loss of RMB 160 million as a result, which further exacerbated the pressure on the company's performance. The performance of Semir Apparel dropped greatly in 2022, and the return on net assets ratio was even the

lowest in all the years, which Semir said was a result of the overall demand of the domestic apparel market Weakness, high raw material costs impact.

5.4. Development Capability Analysis

Development capacity refers to the ability of an enterprise to expand its operations on a continuous basis. If an investor is willing to invest in a company, he should focus on the development ability to see whether the enterprise can bring benefits to shareholders in the future and whether it has value for investment. In this paper, the growth rates of net profit and operating income are chosen to be analyzed.

Table 6. Analysis Table of Semir Clothing Development Capability (2019-2023)

	2019	2020	2021	2022	2023
Net profit growth rate	-8.78	-48.21	86.88	-58.93	83.62
Revenue growth rate	23.01	-21.37	1.41	-13.54	2.47

Semir apparel net profit growth rate fluctuation change, 2021 Semir apparel revenue slightly increased but net profit soared, Semir apparel said, mainly because the same period last year, the company's operating results by the epidemic and the French KIDILIZ group loss of double factors, the base is low. For the significant growth in net profit in 2023, the main reasons include organizational change, model innovation, process reengineering and other aspects of the work, strengthened the retail business organizational capacity, and promote the new retail model. These initiatives have improved the quality and efficiency of the Company's operations, and both gross sales margin and inventory operating efficiency have improved.

The growth rate of operating income of Semir Apparel fluctuated significantly, and the operating income in 2020 was 15.205 billion yuan, a year-on-year decline of 21.37%. In this year, the company's overall operating income declined due to changes in the market environment and other factors. In 2021, the company promoted the growth of operating income through the construction of core competencies such as brand operation, product innovation, retail experience, supply chain management and other measures such as digitalization transformation. In 2022, the company's operating income was again affected by market fluctuations and competitive pressures, which led to the decline of the company's operating income. From high growth in 2019 to a significant decline in 2020, and then a slight recovery in 2021 and 2023, it shows the Company's ability to adapt to changes in the market environment and the effectiveness of its adjustment strategy. In the future, with further changes in the market environment and the continuous upgrading of consumer demand, Semir Apparel will need to continue to strengthen its brand building and market insight capabilities to cope with more intense market competition.

6. Measures to Improve the Financial Performance of Semir Apparel Under the Light Asset Operation Mode

6.1. Improve Inventory Management System

After analyzing the operating capacity of Summa Clothing,

it is found that the company's inventory turnover is slow, the inventory scale is large, and the large number of commodities hoarding makes the liquid capital of the enterprise reduce rapidly, which brings capital pressure to the enterprise and also reduces the capital turnover rate to a certain extent. At the same time, the market environment of consumer goods is changing rapidly, and the popular style of clothing is also changing, too much inventory of goods is likely to bring about inventory decline, reduce operating profit, and then bring financial risk for the enterprise. Although part of the reason for the high number of inventories is that the company has established four logistics and warehousing bases in order to adapt to the rapid development of the e-commerce business, it also represents the unreasonable design of the enterprise's production and sales program. To address the problem of slow inventory turnover, companies need to develop a reasonable inventory management system, and supervise the effective implementation of the monitoring system.

6.2. Enhance R&D Capabilities and Leverage Brand Effects

Such as Semir clothing such as clothing and textile companies, research and development capabilities is an important way to obtain high value-added enterprises, research and development design is a key factor in the core competitiveness of enterprises. Only by continuing to increase investment in research and development, improve the original innovation ability, and continuously design products that meet the market needs, we can achieve long-term, stable development.

6.3. Optimize the Management Model for Outsourcing Providers

Enterprises adopting the asset-light profit model will generally outsource all or part of their products, so it is necessary to pay attention to two aspects of outsourcing product quality assurance and cost control, and also beware of confidentiality leaks, so it is necessary to continue to optimize the management of outsourcing vendors. In the selection of outsourcing vendors, first of all, we should examine the qualification level of the outsourcing company and equipment and facilities, in order to lay a solid foundation for product quality. Secondly, we should also pay attention to the protection of the enterprise's core technology; to prevent the leakage of confidentiality, you can set up a special legal department or consult a lawyer, do a good job of intellectual property protection.

7. Conclusion

Under the asset-light operation mode, the performance development of Semir Clothing is relatively excellent. Enterprises can firmly grasp the core of the asset-light operation mode, the technology research and development continued to invest a lot of money to maintain the enterprise's innovation and research and development capabilities, diversified marketing measures to help the continuous improvement of brand value. However, the asset-light operation process of Semir Apparel still shows some problems, product homogenization, inventory management problems, slow flow of funds, and e-commerce so that the potential customers diverted to the online platform, and due to the e-commerce initial customer acquisition cost is lower than the physical store, resulting in a variety of brands

specializing in online, the impact on the competitiveness of the market of the Semir Apparel is huge. In this paper, we believe that Semir Apparel should learn from the lessons, strengthen inventory management, increase R&D expenses, accelerate sales returns, attract and cultivate R&D and design talents, optimize the details of supply chain, and improve the level of data.

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