

Research on Working Capital Management Performance of Wuliangye under the Dual Perspective of "Factor + Channel"

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ABSTRACT

As the most liquid asset of an enterprise, working capital runs through the daily production and operation of the enterprise's various capital flows, and sufficient working capital is an indispensable condition for the enterprise to carry out production and operation activities. The traditional working capital management performance is to analyse each "factor", only focusing on inventory, accounts receivable and other single items for consideration, but ignoring the overall relevance and coordination of working capital. The enterprise's working capital is divided into different channels for analysis, can be the enterprise procurement, production and sales as a value chain, for each channel of working capital input and recovery efficiency analysis, so that the working capital management more to meet the value of the enterprise's pursuit of the goal.

KEYWORDS

Working capital; Channel management; Working capital management; Value chain

1. INTRODUCTION

Since 2023, China's basic liquor consumption appeared obvious structural differentiation, the circulation side, the supply side have appeared different degrees of involution situation, the industry's overall growth rate slowed down significantly, the liquor market has entered a new round of adjustment period, from the past incremental development has been fully into the stock of competition and even shrinkage of the competition in the new stage, in the future, the industry competition will be more centralised, more polarised, and more intense. However, in the process of normal operation of enterprises, working capital as the enterprise's "blood", throughout the whole process of enterprise development, including procurement, production, sales and other links, the importance of its self-evident. Working capital management is the key to enterprise financial management, but also an important basis for normal business, so enterprises need to pay attention to and strengthen its working capital management, identify the weaknesses of its links, and constantly improve and perfect their working capital management. 21st century, market competition has been transformed into the supply chain competition, based on a single element of the traditional working capital management model has been unable to make the enterprise in market competition, and therefore the need to integrate the elements of the working capital management model into the supply chain, so as to ensure that the enterprise will not be able to compete. The traditional working capital management model based on a single element can no longer enable enterprises to occupy an advantageous position in the market competition. Therefore, it is necessary to merge the element perspective and channel perspective to consider the enterprise's operating activities from a holistic point of view and analyse the enterprise's working capital management, so as to improve the comprehensiveness and accuracy of the analysis of the performance of the working capital management.

2. ANALYSIS OF THE SIZE AND INTERNAL STRUCTURE OF WULIANGYE'S WORKING CAPITAL

Yibin Wuliangye Company Limited (hereinafter referred to as Wuliangye), established in 1998, is a listed company under the Wuliangye Group, and is mainly engaged in the brewing, sales and related businesses of Wuliangye series of liquors. Wuliangye's main product is "Wuliangye Liquor", which is a typical representative of China's strong-flavoured liquor and a well-known national brand, and has been awarded the title of National Famous Liquor for many times, and has been selected as one of the first protected lists under the Agreement on Geographical Indications of China and Europe. In addition, Wuliangye has developed a series of liquor products with a complete range and clear hierarchy, such as Wuliangchun, Wuliangol, Wuliangshu, and Jianzhuang, to meet the needs of different consumers.

2.1. 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 (billion yuan)	966.27	1023.56	1221.38	1375.66	1471.82
Total asset size (billion yuan)	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%
Notes receivable as a percentage (%)	15.15%	18.14%	19.53%	0.09%	0.00%
Receivables financing as a percentage (%)	3.57%	1.98%	1.34%	21.01%	9.57%
Inventory as a percentage (%)	14.16%	12.92%	11.47%	11.62%	11.81%

As can be seen in Table 1, the size of current assets of Wuliangye increases steadily with the growth of total assets from 2019 to 2023, from 96.627 billion yuan in 2019 to 147.182 billion yuan in 2023, an increase of up to 52.32%, and the proportion of current assets to total assets basically stays at about 90% in the past five years, which reflects the good operating conditions of the enterprise. In 2023, the proportion decreased by 1 percentage point, mainly due to the growth of total assets was larger than the growth of current assets. The high proportion of current assets of Wuliangye was attributable to its stable growth in sales revenue and rapid sales returns, which led to the accumulation of a large amount of current assets. It is worth noting that the more current assets an enterprise has, the more capable it is of withstanding business risks, but there will be a large amount of idle funds, which will affect the enterprise's revenue and reduce its profit potential.

The current assets of Wuliangye are mainly composed of monetary funds, accounts receivable items and inventories. From the above table, it can be seen that money funds account for the largest proportion of current assets, and the overall trend of year-on-year increase during the period 2019-2023, and the average proportion of current assets over the five years is 68%, indicating that the enterprise's money fund reserves are stable, asset liquidity is very strong, and risk resistance is high, but it also reflects that Wuliangye's idle funds are more, which to a large extent reduces the profitability of the enterprise. The second item that accounts for a large proportion of current assets is accounts receivable, which mainly includes the two items of notes receivable and accounts receivable financing. The proportion of notes receivable dropped sharply to 0.09% in 2022 and 0 in 2023, mainly because enterprises reduced the scale of notes receivable in order to collect sales payments in a timely manner, while the proportion of accounts receivable financing increased sharply to 21.01% in 2022, with an amount of 27.262 billion yuan increased year-on-year, mainly due to the fact that in 2022, the purpose of the vast majority of the notes receivable holdings was changed to namely to collect contractual cash flows and also to sell, and was recorded as receivables financing resulted. During the 4-year period from 2019 to 2022, the proportion of receivable items from the

overall perspective was increasing year on year. In order to support its downstream dealers, Wuliangye relaxed its sales strategy and allowed its dealers to purchase goods with a large number of bank drafts, thus alleviating the pressure on the dealers' capital chain, which, on the other hand, reflected the downstream dealers' stronger voice. In 2023, Wuliangye strengthened the recovery of receivables, which led to a year-on-year reduction of the amount of receivable items by nearly half, reducing the downstream companies' possession of Wuliangye's funds. The proportion of inventory to current assets in the past five years showed a downward and then upward trend, remaining at around 12% overall, indicating that Wuliangye has achieved a better dynamic balance in inventory management, effectively reducing unnecessary inventory backlogs while ensuring sufficient inventory to support production and sales demand, demonstrating the efficiency and flexibility of its supply chain management. As a whole, nearly 70% of Wuliangye's current assets are currency funds. Utilising idle currency funds for production or investment to further expand the company's benefits is the key to working capital management in the next step.

2.2. 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 (billion yuan)	300.35	258.79	336.16	357.59	326.83
Size of total liabilities (billion yuan)	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%
Advance receipts and contractual liabilities as a percentage (%)	41.72%	33.39%	38.88%	34.66%	21.06%
Percentage of 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%

As can be seen in Table 2, the scale of current liabilities of Wuliangye shows a fluctuating trend between 2019 and 2023, and decreased in 2020 and 2023 respectively, with an insignificant decrease, a trend that indicates that Wuliangye has a certain degree of flexibility and adaptability in responding to changes in the market environment, adjusting its business strategies and managing its capital flows. As a whole, the proportion of Wuliangye's current liabilities scale to total assets is at a low level, and has generally shown a decreasing trend in the past five years, accounting for 19.76% in 2023, a decrease of 8.47% compared with 2019, which can be seen that Wuliangye adopts a more conservative fundraising strategy, and faces a smaller financial risk.

The current liabilities of Wuliangye mainly consist of accounts payable, receipts in advance, contract liabilities, employee compensation payable, tax payable and other payables, and Wuliangye has no short-term borrowings, which indicates that most of the funds for Wuliangye's own development come from the non-interest-bearing funds of the enterprises up and down the supply chain. Because Wuliangye is in the core enterprise of the supply chain, it has an advantage in the capital occupation of the enterprises at the upper and lower ends of the supply chain, and from the above table, we can see that the proportion of Wuliangye's current liabilities occupying the funds of other enterprises is higher, and it doesn't need to use short-term borrowings to supplement its working capital. In addition, during the five-year period from 2019 to 2023, the proportion of current liabilities accounted for by accounts payable has a rising trend, increasing from 10.85% in 2019 to 27.12% in 2023, which indicates that Wuliangye has expanded the appropriation of funds from upstream suppliers by taking advantage of its position as a core enterprise in the supply chain, which enhances Wuliangye's liquidity, but at the same time, it may increase the financial pressure on upstream suppliers and affect the supply chain. suppliers' financial pressure, affecting the stability and co-operation of the supply

chain. The ratio of total receipts in advance and contract liabilities will stabilise at over 30% between 2019 and 2022, and decline to 21% in 2023. This, together with the fact that Wuliangye allows its distributors to use bank acceptance bills in large quantities to settle payment for goods, reflects that Wuliangye has become more lenient in its collection strategy towards its downstream distributors, and has given its customers more flexibility in their payment methods. The share of employee compensation payable has averaged around 11.44% over the past five years, reflecting Wuliangye's robust strategy in supply chain management and continued investment in human resources. Taxes payable showed an upward trend in 2023, indicating poor tax management and weakened cost control.

3. ANALYSIS OF WULIANGYE'S WORKING CAPITAL MANAGEMENT PERFORMANCE BASED ON THE DUAL PERSPECTIVE OF "FACTOR-CHANNEL"

3.1. Analysis of Wuliangye's Working Capital Management Performance Based on the Perspective of Factors

According to factor theory, the core content of working capital management includes inventory, accounts receivable and accounts payable. Indicators to measure the management performance of various elements of working capital mainly include:

$$\text{Inventory turnover period} = ((\text{ending inventory balance} + \text{beginning inventory balance}) / 2) / (\text{operating cost} / 360) \quad (1)$$

$$\text{Accounts receivable turnover period} = ((\text{accounts receivable ending balance} + \text{accounts receivable beginning balance}) / 2) / (\text{operating income} / 360) \quad (2)$$

$$\text{Accounts payable turnover period} = ((\text{Accounts payable ending balance} + \text{Accounts payable beginning balance}) / 2) / (\text{operating cost} / 360) \quad (3)$$

3.1.1. Inventory turnover period

Inventory turnover period refers to the enterprise from raw material procurement, production to sales until the time experienced, the shorter the time it takes, the stronger the liquidity, the lower the cost of working capital, indicating that the enterprise inventory management level is more efficient.

Table 3. Inventory Turnover Period by Enterprise (day)

Enterprise	2019	2020	2021	2022	2023
Wuliangye	358.18	326.99	300.50	297.01	297.98
Kweichow Moutai	1182.04	1195.45	1247.57	1287.90	1293.20
Luzhou Laojiao	403.50	531.49	729.97	914.46	1092.21
Yanghe shares	769.44	900.81	910.90	813.00	805.22
Industry averages	621.94	735.43	682.57	740.73	752.76

As can be seen from Table 3, Wuliangye's inventory turnover period as a whole showed a decreasing trend during 2019-2023, shortening from 358.18 days in 2019 to 297.98 days in 2023, which was mainly due to the fact that Wuliangye had continued to aggressively expand its sales channels and strengthen its marketing since 2019, which had increased its product sales and market share, and had acquiesced to the fact that its downstream dealers to use banker's acceptance bills in large quantities for withdrawals to help the enterprise further deplete its inventory, while digitalised inventory management also improved the efficiency of inventory management and reduced the inventory

turnover period. The increase in the inventory turnover period of Wuliangye in 2023 was attributable to the enterprise's early stockpiling in order to capture the sales of the New Year's spring peak season, which resulted in a relative increase in the inventory of high-end wines and a slowdown in the rate of turnover.

Between 2019 and 2023, the inventory turnover period of Wuliangye is lower than that of the control companies Kweichow Moutai, Luzhou Laojiao, Yanghe Stock and the industry average, which indicates that Wuliangye's working capital management level in terms of inventory is higher than that of the benchmark companies within the liquor industry and the average of the liquor industry, and that it is able to convert its inventory into sales revenue more quickly in order to reduce the occupation of funds on inventory and improve the efficiency of the use of funds. The inventory turnover period of the baijiu industry is generally higher than that of the benchmark companies in the baijiu industry and the baijiu industry average. The liquor industry's inventory turnover period is generally higher, mainly caused by product brewing and storage characteristics, market demand and sales strategy, industry characteristics and seasonal fluctuations, inventory management and risk control and other aspects, such as Kweichow Moutai's soy sauce liquor storage life of up to five years, strict quality control, limited sales and other characteristics of its inventory turnover period is longer, such as Luzhou Laojiao and Yanghe shares of the two and Wuliangye with the same. The two enterprises with Wuliangye, such as Luzhou Laojiao and Yanghe, have a longer inventory turnover period due to the different brewing process of the winery and poorer inventory management ability. Overall, Wuliangye's short inventory turnover period stems from its comprehensive advantages: the short sealing time of strong-flavoured liquor reduces storage costs, the efficient production process accelerates the launch of products, the strengthening of inventory management reduces backlogs, and the multi-channel sales enhance market coverage and sales volume, which together promote the rapid turnover of inventories.

3.1.2. Accounts receivable turnover period

Accounts receivable turnover reflects an enterprise's bargaining power and market position when dealing with downstream distributors and end consumers. The shorter its elapsed time, the higher the enterprise's bargaining power, the faster the recovery of working capital, and the greater the liquidity of funds.

Table 4. Accounts Receivable Turnover Period by Enterprise (day)

Enterprise	2019	2020	2021	2022	2023
Wuliangye	0.94	0.55	0.29	0.24	0.17
Kweichow Moutai	0.00	0.00	0.00	0.03	0.10
Luzhou Laojiao	0.33	0.21	0.03	0.05	0.14
Yanghe shares	0.17	0.17	0.04	0.28	0.26
Industry averages	4.91	4.49	3.94	3.93	3.41

As shown in Table 4 above, Wuliangye's accounts receivable turnover period showed a year-on-year decline during 2019-2023, mainly due to Wuliangye's remarkable achievements in digital transformation since 2019, and after entering the accelerated development stage of digital transformation in 2019-2021, Wuliangye, through the dual drive of digital marketing and brand system improvement, has made the accounts receivable Accounts receivable turnover period dropped sharply from 0.94 days in 2019 to 0.29 days in 2021. During this five-year period, Wuliangye has basically completed the first phase of its digital marketing project, with the whole process of marketing being managed visually, and has standardised its merchant team and increased its control efforts in the process of continuously optimising its sales channels, effectively reducing accounts receivable and the generation of bad debts. Meanwhile, Wuliangye has formulated a policy of charging interest-free bank acceptance bills in response to dealers' capital pressure and profitability,

which has reduced dealers' capital occupation of the company's accounts receivable and further accelerated the turnover of accounts receivable.

Comparison from the above table reveals that the accounts receivable turnover period of Wuliangye was much lower than the industry average during the past five years, reflecting Wuliangye's higher level of accounts receivable management in the liquor industry. However, Wuliangye's accounts receivable turnover period still has a large gap with Kweichow Moutai and Luzhou Laojiao during the four years after the digital transformation, with the gap peaking in 2021. The latter's fast collection speed, short average collection period and fast asset flow indicate that the latter implements a more stringent credit policy due to the implementation of more stringent credit policy, and possesses a higher right to speak in its transactions with downstream distributors. By 2023 Wuliangye has strengthened its accounts receivable management, and the gap between its accounts receivable turnover period and Kweichow Moutai and Luzhou Laojiao is gradually becoming smaller. Overall from 2019-2023, Wuliangye's accounts receivable turnover period is still higher compared to Kweichow Moutai and Luzhou Laojiao, indicating that Wuliangye has adopted a more lenient credit sales policy to extend the cycle of accounts receivable recovery, and there is still corresponding room for improvement.

3.1.3. Accounts payable turnover period

The existence of accounts payable can reflect the status of the enterprise in the upstream suppliers, the longer its consumption time, the stronger the bargaining power of the enterprise, the longer the occupation of other people's funds, the more favourable to the enterprise's working capital management. However, the longer the turnover period of accounts payable is not the better, too long a time will also cause dissatisfaction of the suppliers, reduce the commercial credit of the enterprise, and is not conducive to achieving a win-win situation for both parties.

Table 5. Accounts Payable Turnover Period by Enterprise (day)

Enterprise	2019	2020	2021	2022	2023
Wuliangye	90.13	80.70	96.92	125.26	143.87
Kweichow Moutai	65.22	63.05	67.17	78.79	83.44
Luzhou Laojiao	185.59	285.15	306.34	252.78	237.59
Yanghe shares	70.41	76.36	74.70	66.40	61.51
Industry averages	104.12	123.41	125.07	144.54	142.21

As can be observed in Table 5, during the period 2019-2023, Wuliangye's accounts payable turnover period as a whole exhibits a year-on-year increasing trend, extending from 90.13 days to 143.87 days, a trend which indicates that Wuliangye's bargaining power in negotiating with its upstream suppliers has been enhanced along with the background of the improvement of its brand value and changes in its consumption structure, which enables the enterprise to gradually extend its payment to suppliers cycle, thereby making more effective use of suppliers' funds to support its operations and development. In 2020, Wuliangye's accounts payable turnover period showed a decline of 9.43 days year-on-year, probably due to the impact of the epidemic, the liquor industry as a whole was facing financial constraints, and Wuliangye chose to accelerate payments to its suppliers in order to maintain the stability of its supply chain.

Wuliangye's accounts payable turnover period is lower than the industry average in 2019-2022 and higher than the industry average in 2023, suggesting that Wuliangye recognises its shortcomings in this regard and has begun to consolidate its upstream resources and gradually increase its voice over upstream companies in order to extend its accounts payable turnover period. Wuliangye's accounts payable turnover period has been longer in the last five years compared to Kweichow Moutai and Yanghe, suggesting that it has adopted a stronger payable strategy than the latter in dealing with its suppliers. Luzhou Laojiao's accounts payable turnover period in 2019-2023 is significantly higher

than that of Wuliangye, the other two liquor companies and the industry average, but it starts to decline after reaching a peak of 306.34 days in 2021, suggesting that Luzhou Laojiao's degree of occupying other people's funds has reached its limit, and at the same time, because of the prolonged occupancy of its suppliers' funds has led to a reduction in their trust in the company and their decision to recover the payment for the goods earlier.

3.2. Analysis of Wuliangye's Working Capital Management Performance Based on the Channel Perspective

According to the channel theory, working capital management can be divided into operating activities working capital management and financial activities working capital management. Among them, the working capital management of business activities can be divided into: the working capital management of purchasing channels, the working capital management of production channels and the working capital management of sales channels. The main indicators to measure the management performance of each channel of working capital are:

$$\text{Procurement channel working capital turnover period} = (\text{raw materials} + \text{prepaid accounts} - \text{accounts payable} - \text{notes payable}) / (\text{operating income} / 360) \quad (4)$$

$$\text{Production channel working capital turnover period} = (\text{products in process} + \text{semi-finished products} + \text{other receivables} - \text{employee salaries payable} - \text{other payables}) / (\text{operating income} / 360) \quad (5)$$

$$\text{Sales channel working capital turnover period} = (\text{finished products} + \text{accounts receivable} + \text{notes receivable} - \text{prepaid accounts} - \text{taxes payable}) / (\text{operating income} / 360) \quad (6)$$

3.2.1. Procurement channel working capital turnover period

Table 6. Procurement channel working capital turnover period by Enterprise (day)

Enterprise	2019	2020	2021	2022	2023
Wuliangye	-18.89	-18.21	-28.88	-35.51	-38.46
Kweichow Moutai	8.15	11.54	8.13	6.98	0.75
Luzhou Laojiao	-37.71	-55.30	-36.94	-29.66	-24.32
Yanghe shares	-11.56	-14.09	-14.79	-11.37	-10.86
Industry averages	-26.94	-31.5	-33.35	-29.86	-29.41

As can be seen from Table 6, the working capital turnover period of Wuliangye's procurement link is negative from 2019 to 2023, indicating that the enterprise mainly relies on external capital turnover and uses less internal funds to accelerate the speed of capital turnover. Overall, the working capital turnover period shows a trend of increasing and then decreasing, reflecting that the working capital management level of Wuliangye's purchasing segment gradually improves after 2020 and is increasing the occupation of upstream suppliers' funds. The absolute value of Wuliangye's purchasing segment working capital turnover period 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 of enterprise's products, which makes the raw material caused by the increase in the amount of inventory.

And as can be seen from the above table, during the period from 2019 to 2023, the working capital turnover period of Wuliangye's purchasing segment showed a shrinking trend in the past five years, and was lower than that of Luzhou Laojiao and the industry average after 2022, which was mainly due to the fact that Wuliangye's industry position and brand influence continued to strengthen, and it gained a more significant right to speak upstream of the supply chain, which led to the increase of Wuliangye's accounts payable year after year. The main reason for this is that Wuliangye's accounts payable have increased year on year due to the fact that its industry position and brand influence have continued to grow and it has gained a more significant voice upstream in the supply chain. Moreover,

compared with other liquor enterprises, the scale of accounts payable of Wuliangye was even larger, which resulted in a shorter capital turnover period for Wuliangye in this segment. In addition to Kweichow Moutai, the procurement working capital turnover period of Wuliangye and Luzhou Laojiao, Yanghe and the industry average are all negative. According to the formula for calculating the procurement working capital turnover period, it can be seen that the negative value of this indicator indicates that Wuliangye, like other large-scale liquor enterprises, has taken up a large amount of funds upstream of the supply chain, whereas the positive value of the indicator for Kweichow Moutai reflects the fact that the upstream suppliers have taken up funds of Kweichow Moutai, as a large-scale liquor enterprise, which has taken up funds of the upstream suppliers. As a large-scale liquor company, sharing the financial pressure of upstream suppliers is conducive to obtaining more high-quality suppliers and higher-quality raw material supply.

3.2.2. Production channel working capital turnover period

Table 7. Production channel working capital turnover period by Enterprise (day)

Enterprise	2019	2020	2021	2022	2023
Wuliangye	39.28	24.24	23.67	22.44	15.50
Kweichow Moutai	67.57	68.77	68.77	69.04	73.78
Luzhou Laojiao	32.66	58.32	69.50	78.12	89.52
Yanghe shares	89.37	191.60	162.08	144.46	144.22
Industry averages	87.19	122.11	109.25	112.93	110.63

During 2019-2023, the working capital turnover period of Wuliangye's production segment was positive, mainly caused by the amount of inventory-type accounts being larger than the amount of other payables and employee compensation payable, and the working capital of the production segment showed a year-on-year downward trend, indicating that Wuliangye's working capital management of the production segment was improved, and that the overall occupancy of the working capital of the production segment was reduced, and that the absorption of the funds of upstream and downstream enterprises in the supply chain, and gradually increasing its use of funds of related-party enterprises.

Comparison of the above table can be seen, Wuliangye, the other three liquor enterprises and the industry average production channel working capital turnover period are positive, indicating that the industry in the production of their own funds occupied more than external funds, mainly due to the characteristics of liquor production, liquor production process is complex and long brewing cycle, the need to accumulate a large number of products and semi-finished products to ensure that the production continuity, to meet the market demand and the quality of final products This is also the reason why the working capital turnover period of the liquor industry is generally higher than that of other industries. The working capital turnover period of Wuliangye's production chain in the past five years has been decreasing year by year, and its turnover period is much lower than the average value of the other three liquor enterprises and the industry, reflecting Wuliangye's high level of working capital management of the production chain in the industry. And in the trend that the working capital turnover period of production of other three liquor enterprises and the industry average are increasing year by year, Wuliangye is still able to accelerate its working capital turnover period of production, thanks to its all-employee, all-process, all-factor, all-data quality control system based on informationisation and digitisation, which ensures that its production improves quality and increases efficiency.

3.2.3. Sales channel working capital turnover period

Table 8. Sales channel working capital turnover period by Enterprise (day)

Enterprise	2019	2020	2021	2022	2023
Wuliangye	2.69	51.10	48.29	67.31	20.47
Kweichow Moutai	-82.76	-74.58	-79.26	-59.26	-45.80
Luzhou Laojiao	-7.49	10.44	-1.17	13.25	31.67
Yanghe shares	-96.34	-149.35	-217.92	-128.10	-90.42
Industry averages	-25.21	-29.70	-44.69	-28.60	-22.15

Among the above four enterprises, Yanghe has the best overall performance in terms of sales segment working capital turnover because it has a large number of contractual liabilities and occupies the funds of downstream distributors much more than its own funds; followed by Kweichow Maotai and Luzhou Laojiao; Wuliangye lags behind in terms of performance, and in the case of a generally negative working capital turnover period in the liquor industry, Wuliangye's sales segment working capital turnover period is positive. Wuliangye's positive working capital turnover is mainly due to the fact that Wuliangye has a large number of receivables, and its use of its own funds is higher than the use of external funds. As a whole, the working capital turnover period of Wuliangye's sales segment rises from 2.69 days in 2019 to 20.47 days in 2023, mainly due to a significant decrease in Wuliangye's contract liabilities in 2023, contract liabilities are the payments received in advance from distributors by liquor companies, and the decrease in contract liabilities means that the willingness of distributors to make payments is decreasing, except for 2020 due to the impact of the epidemic, the distributor The decrease in willingness to take goods makes contract liabilities decrease to 8.642 billion yuan, the amount of contract liabilities of Wuliangye in the three years of 2019, 2021 and 2022 are higher than 12 billion yuan, and the amount decreases to 6.882 billion yuan in 2023, which indicates that Wuliangye's ability to take up the funds of its customers is decreasing, and its bargaining power is also weakening. In 2022, Wuliangye's working capital in the segment of the turnover period increased to 67.31 days because Wuliangye, in order to ease the pressure on its distributors, increased the efforts of its distributors to settle the payment of goods with bank acceptance bills, which led to a large increase in receivables, thus causing its turnover period to rise.

4. PROBLEMS AND OPTIMISATION SUGGESTIONS OF WULIANGYE'S WORKING CAPITAL MANAGEMENT

4.1. Problems with Wuliangye's Working Capital Management

4.1.1. Taking up more funds from upstream suppliers

As a leading enterprise in the liquor industry, Wuliangye's volume far exceeds that of most listed liquor enterprises. Its upstream suppliers are mostly raw material suppliers, and there is an adequate and stable supply of grain and cereal raw materials used in the market for the brewing of liquor, thus Wuliangye occupies an advantageous position among its upstream suppliers, which further suggests that the conditions for it taking up of upstream funds for financing are feasible. However, in the analysis in Section 2, the amount of money funds held in the account of Wuliangye is very high, and the large amount of money funds held as part of the working capital is bound to be unfavourable to the working capital management performance. And from the table, it can be seen that the working capital turnover period of Wuliangye's purchasing segment has been gradually higher than the industry level in the past five years, but the indicator is negative, which indicates that Wuliangye has taken up more funds from its upstream suppliers. Therefore, Wuliangye should not take up too much of its suppliers' funds when its working capital is so loose. The level of funds occupied by upstream suppliers = (accounts payable - prepaid accounts) / working capital.

The level of capital employed by the upstream suppliers of the four enterprises is shown in the following table.

Table 9. Upstream supplier capital utilisation levels by enterprises

Enterprise	2019	2020	2021	2022	2023
Wuliangye	4.54%	4.10%	5.88%	6.98%	7.59%
Kweichow Moutai	-0.03%	0.32%	1.00%	0.90%	1.73%
Luzhou Laojiao	18.02%	20.83%	14.35%	9.60%	6.11%
Yanghe shares	5.32%	5.06%	5.73%	4.32%	3.89%

As can be seen from the above stock market, in comparison with Kweichow Moutai as well as equally competitive Luzhou Laojiao and Yanghe shares, the level of funds occupied by Wuliangye from upstream suppliers in the past five years has been rising year on year and is significantly higher than that of Kweichow Moutai, exceeding the occupancy level of the remaining three companies in all of 2023. Wuliangye's total working capital is at the top of the industry, second only to Kweichow Maotai, but it is occupying more upstream funds. Therefore, Wuliangye should reduce its capital consumption of upstream suppliers under the current pressure of no working capital demand. From the perspective of supply chain management, on the one hand, it is a short-sighted behaviour for enterprises to use their competitive advantages to enhance the liquidity of their funds, which is not conducive to the establishment of a long-term good cooperative relationship; on the other hand, the upstream suppliers of liquor are often small in scale, and excessive occupation of their funds for a long period of time will cause capital pressure on the suppliers and even trigger operational difficulties. This will not only indirectly increase the procurement cost of Wuliangye, but also may affect the stability of Wuliangye's own supply chain due to the supplier's operational risk, which in turn will damage the enterprise's market reputation and brand image. Therefore, the financial policy of Wuliangye for upstream suppliers should be changed to Guizhou Maotai, gradually reduce the occupancy of funds in the upstream of the supply chain, and even increase the number of prepaid accounts, in order to reduce the financial pressure on the upstream enterprises, and to attract more high-quality suppliers to co-operate.

4.1.2. Significant reduction in contractual liability holdings

Contract liabilities are advance receipts from liquor companies to distributors, and the size of contract liabilities reflects the willingness of distributors to make payments and their expectations of the market. Wuliangye adopts the sales model of payment before delivery, and the distributors will make payment before receiving the goods, and this part of the received or receivable amount is presented as contract liabilities. As can be seen through Table 10, the contract liabilities of Wuliangye in the past five years showed a trend of first decline, then increase and then decline, due to the impact of epidemic control in 2020 the contract liabilities of Wuliangye fell to 8.619 billion yuan, by 2021 the epidemic was controlled market consumption recovery, the contract liabilities of Wuliangye increased. However, during the period 2021-2023, Wuliangye's contractual liabilities were on a downward trend and dropped significantly to 6.864 billion yuan in 2023, a decrease of up to 44.55% compared with 2022. The contractual liabilities of Kweichow Maotai and Yanghe shares, although declining in 2023, are low and the amount is much higher than that of Wuliangye.

Table 10. Total Contractual Liabilities by Enterprise in billion yuan

Enterprise	2019	2020	2021	2022	2023
Wuliangye	125.31	86.19	130.59	123.79	68.64
Kweichow Moutai	67.54	88.01	158.05	137.42	111.05
Yanghe shares	137.4	133.22	127.18	154.72	141.26

The sharp decline in Wuliangye's contract liabilities reflects the reduced incentive for dealers to make payments and the worrying health of the channel. Behind this phenomenon, low channel profits is one of the core reasons. The long-standing price inversion problem between the ex-factory price and wholesale price of Wuliangye has not only seriously compressed the profit margins of channel distributors, which to a certain extent has also weakened their sales incentives and willingness to expand the market, thus leading to a lower contractual liability. At the end of 2022, some liquor distributors of Wuliangye adopted price reduction and promotion behaviours in order to reduce inventory to recoup funds, which further exacerbated the problem of price inversion of Wuliangye and formed a vicious cycle. In addition, the online e-commerce platform, with its advantage of lower operating costs, sells liquor at lower prices, which constitutes an impact on the price system of the offline channel, making the offline dealers, who are already in the predicament of price inversion, even worse. Therefore, Wuliangye need to strengthen the control of the channel, by increasing sales costs, optimise the price strategy and other means to enhance the level of channel profits, so as to stimulate the enthusiasm and loyalty of dealers, to promote the contract liabilities of the rebound.

4.1.3. Large amounts of currency funds lying idle, reducing the efficiency of the use of funds

Money funds are highly liquid but have a low rate of return, so a large amount of idle money funds will lead to a waste of funds, affecting the company's level of profitability, and also affecting the performance of the enterprise's working capital management. From the analysis of the internal structure of Wuliangye's current assets in Section 2, it can be seen that the proportion of Wuliangye's money funds in current assets is around 68% on average during the period from 2019 to 2023, and it shows a rising trend year by year. Based on Table 1, Wuliangye's proportion of money funds in current assets in the past five years is higher than that of the other three liquor enterprises and the industry average, indicating that in terms of working capital management, compared with other enterprises, Wuliangye's utilisation of money funds is not efficient enough, which in turn affects its overall profitability.

Table 11. Money Funds as a Percentage of Current Assets by Enterprise

Enterprise	2019	2020	2021	2022	2023
Wuliangye	65.45%	66.64%	67.41%	67.14%	78.44%
Kweichow Moutai	59.79%	58.45%	50.85%	52.93%	57.22%
Luzhou Laojiao	11.37%	19.45%	42.11%	47.32%	49.13%
Yanghe shares	8.33%	19.44%	23.47%	26.90%	30.67%
Industry averages	38.09%	38.26%	38.69%	39.51%	40.37%

Most of Wuliangye's monetary funds are in the form of bank deposits, and it lacks active investment operations, resulting in idle funds failing to give full play to their value-added potential. The reason for this is that Wuliangye tends to be conservative in its fund management strategy. In order to reduce costs, it seldom makes use of short-term borrowing and long-term borrowing to raise funds; instead, it makes use of its brand name advantage and absorbs funds from upstream and downstream enterprises in order to realise commercial credit financing. In addition, it maintains high liquidity of funds by holding a large amount of currency funds in order to increase its risk-taking ability, which leads to lower investment returns. Currently, Wuliangye holds a large amount of monetary funds, however, it seldom makes external investments, leading to a lower efficiency in the use of funds.

4.2. Wuliangye Working Capital Management Optimisation Recommendations

4.2.1. Establishment of a harmonious and win-win supplier partnership

In the Chinese liquor supply chain, the upstream raw material suppliers are often in a relatively weak position, the current liquor enterprises for the upstream capital occupation situation is very common,

excessive occupation of funds will make the upstream supply chain become fragile, threatening the stable supply of raw materials in the production process, which in turn poses a risk to the continuous operation of the entire supply chain. Combined with the current relatively loose demand for Wuliangye's funds, Wuliangye should actively take up its social responsibility and role as an industry leader, take the initiative to take measures to alleviate the financial pressure on upstream suppliers, and provide financial support to upstream suppliers by reducing the occupancy of the upstream credit period or increasing the amount of pre-paid accounts, so as to enhance the liquidity of the suppliers' funds and their risk-resistant ability. This not only establishes a more harmonious and win-win supplier relationship and improves the overall stability of the supply chain, but also promotes suppliers to increase their inputs to provide Wuliangye with better quality raw materials as well as reduce procurement and transportation costs. In addition, Wuliangye should not only provide financial support to its upstream suppliers unilaterally, but also make full use of its supplier management system, adopt diversified assessment methods and conduct a comprehensive review of the credit status of its suppliers, so as to prevent the risk of price fluctuations and production stoppage caused by suppliers' dishonesty.

4.2.2. Optimise channel management and enhance contract liabilities

For Wuliangye, a liquor enterprise still mainly relying on the distribution model, keeping the channel with appropriate profits is not only the core element to ensure smooth sales, but also a key factor to enhance the level of contract liabilities. Wuliangye should first solve the long-standing problem of price inversion between the ex-factory price and the wholesale price, and reasonably adjust the price strategy through market research and data analysis to ensure that the channel distributors have reasonable profit margins, which will stimulate their sales enthusiasm and willingness to expand the market. At the same time, Wuliangye strengthened channel control, screened and cultivated high-quality dealers, and provided a full range of support and services, including training, technical guidance, marketing resources, etc., in order to consolidate and deepen the cooperative relationship. In addition, Wuliangye also needs to continue to increase the investment in sales expenses, using a variety of marketing means such as tasting sessions, promotional activities, advertising, etc., to enhance the brand influence and market penetration, to attract more consumer attention, and to enhance the status of Wuliangye's liquor brand in the minds of consumers. In terms of coping with the impact of online e-commerce platforms, Wuliangye should actively explore the omni-channel sales model that integrates online and offline, make use of Internet technology to accurately locate the target customer groups, and strengthen the cooperation with e-commerce platforms to jointly safeguard the stability of the market price system, and prevent the impact of online price wars on offline channels. Through the implementation of these comprehensive measures, Wuliangye is able to comprehensively improve the level of channel profits, stimulate the enthusiasm and loyalty of dealers, thus effectively promoting the rebound of contract liabilities and laying a solid foundation for the sustainable development of the enterprise.

4.2.3. Enhanced utilisation of idle funds

A large amount of funds held by an enterprise can play a role in financial risk prevention, but too much existing funds will weaken its profitability. Therefore, in the process of managing its working capital, Wuliangye needs to accurately grasp the amount of money funds retained to achieve the double guarantee of safety and efficiency of funds. Wuliangye can reasonably allocate its monetary funds, firstly, to ensure sufficient funds to meet the daily procurement of raw materials, promotion and publicity, and secondly, to set up special funds to cope with emergencies and potential risks. In addition, Wuliangye should actively seek investment channels to reduce the holding of monetary funds and improve the efficiency of capital utilisation. On the one hand, it can invest in other high-quality enterprises, share their growth earnings through equity cooperation or financial investment, etc., to achieve capital appreciation. On the other hand, idle funds can also be used to invest in the upstream and downstream enterprises of the supply chain to strengthen the relationship between supply chain related parties. Enterprises overcrowding the funds of related parties will harm the

interests of other enterprises in the supply chain, which in turn will affect the stability and long-term nature of the co-operative relationship. Therefore, Wuliangye should establish a win-win development mechanism with its suppliers and distributors to promote mutual growth by sharing development goals, resources and benefits, which can also diversify each business risk for the enterprise to a certain extent. Investing idle funds in high-quality customers in the supply chain enhances the connection between them and also provides better control over the operating conditions and dynamics of the customer companies in the supply chain.

ACKNOWLEDGEMENTS

(1) Sichuan Liquor Development Research Center Project (CJZ24-01); (2) Key Laboratory Project of Liquor Quantity Intelligent Management and Ecological Decision Optimization in the Upper reaches of Yangtze River (zdsys-09).

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