

Peacebird Asset-light Operation Model and Its Performance Evaluation

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Abstract: As an important part of China's manufacturing industry, the garment industry has a pivotal position in the national economy. However, the current macro situation is not optimistic, with the downward economic growth rate, coupled with the impact of the new crown epidemic at the end of 2019, which has intensified the competition between enterprises, resulting in low operating profits, lack of supply chain management, and a decline in the level of sales in the I market. With this as the background, I companies are beginning to find that the asset-light operation mode is very suitable for the current market environment. This paper takes Peacebird as the case study enterprise of light asset operation mode, analyzes the operation status and performance of its light asset operation mode, finds the advantages and shortcomings of the enterprise's light asset operation, and finally puts forward the improvement suggestions for the shortcomings.

1. Introduction

Asset-light is composed of a company's brands, patents, customers and sales channels, research and development capabilities, supply and marketing relationships, etc.^[1], outsourcing the low technological capacity and low profitability of the value chain, so as to invest resources in the cultivation of innovation and competitiveness^[2]. As an early group of domestic enterprises adopting the asset-light operation mode, Ningbo Peacebird Fashion Garment Co., Ltd (hereinafter referred to as Peacebird) gave up its heavy asset operation mode after the financial crisis in 1998, sold most of its heavy assets and outsourced its production at the same time. After that, Peacebird utilized its limited capital to fully invest the franchisees' investment in product development and brand marketing by changing the company's operation strategy^[3], which gradually formed a benign operation cash flow, laying the foundation for it to become a leading company in the I industry. This paper examines the advantages and shortcomings of the asset-light operation mode of Peacebird, and puts forward relevant suggestions, hoping to help Peacebird broaden its development horizons, and provide reference for enterprises in the I industry that are confined to the operation mode.

2. Case Introduction

2.1. Basic Introduction of Peacebird

Ningbo Peacebird Fashion Garment Co., Ltd. was founded in 1996 in Ningbo, Zhejiang Province, and on January 9, 2017, it was listed on the Shanghai Stock Exchange. As a "fast fashion" company targeting young people, Peacebird's main business includes I R&D and design, I promotion and sales, covering children's I and young men's and women's I. Peacebird adopts an asset-light operation model, focusing on consumer value creation and digitizing the development, production and retailing processes to provide consumers with a high-quality shopping experience^[4]. By the end of 2022, Peacebird had opened 4,671 physical retail stores in 21 provinces and cities across the country; online also broadened its e-commerce business through strategic cooperation with online e-commerce platforms such as Jitterbug and Xiaohongshu, which accurately covered different circles of target customers, and its online operating income in 2022 reached 2,731,802,800 yuan.

2.2. Peacebird's asset-light features

2.2.1. Low share of fixed assets

The ratio of fixed assets to total assets is a key measure of how asset-light a company operates. In general, if the proportion does not exceed 30%, it is a company with light assets operation mode, at the same time, the lower the proportion, the higher the degree of light assets. The proportion of fixed assets in the past six years is not more than 20%, which is far below the standard of 30%. In summary, Peacebird meets the basic characteristics of asset-light enterprise, and maintains a high level of asset-light operation in a long period of time.

2.2.2. High proportion of current assets

The current assets of Peacebird have increased by 19.32% from \$4,767 million in 2017 to \$5,688 million in 2022. During these six years, the level of assets of Peacebird has increased significantly, while the current asset ratio is fluctuating slightly around 70%. The higher current asset ratio serves as a cornerstone that Peacebird can develop in the long run and reduces the company's business risk.

2.2.3. Higher current liabilities

Current liabilities, as an important part of the company's liabilities, is a liability that is due within one year, which includes short-term borrowings, accounts payable, notes payable and so on. The current liabilities of Peacebird account for a relatively high percentage, which is around 90% from 2017 to 2020, mainly because the number of stores of Peacebird is getting more and more, which results in the accounts payable of Peacebird is relatively high, which results in the current liabilities of the company occupying a large proportion of the company's total assets, which belongs to the structure of high liabilities, and then the company can effectively control the Peacebird's interest expenses, so that the company can invest more funds into the core segment.

3. Performance analysis under Peacebird's asset operation model

3.1. Operational capacity indicators

According to the table below, the current asset turnover ratio of Peacebird from 2017 to 2022 basically fluctuates around "1.5", and the asset flow speed is relatively fast; the accounts receivable turnover ratio of Peacebird decreased year by year due to the decline of retail sales in 2017-2019, and the value steadily increased after 19 years, indicating that the situation of Peacebird is relatively stable. The situation is relatively stable. The inventory turnover ratio of Peacebird has basically increased steadily, indicating the effectiveness and superiority of the implementation of Peacebird's asset-light operation.

Table 1 Peacebird's Operating Capacity Indicators, 2018-2022

	2018	2019	2020	2021	2022
Current asset turnover (times)	1.58	1.59	1.67	1.63	1.34
Accounts turnover (times)	14.32	13.03	13.36	15.49	14.81
Inventory turnover (times)	1.95	2.01	2.17	2.14	1.91

3.2. Profitability indicators

Peacebird's operating margin, cost-expense margin and return on total assets ratio will run smoothly in 2018-2020, and show a slight downtrend in 2021-2022, which is caused by the shrinking of online and offline sales due to the epidemic, as well as the rapid growth of store costs and marketing expenses. Despite the slight downtrend, PIL's profitability remains generally solid considering the impact of unfavorable external factors^[5].

Table 2 Peacebird Profitability Indicators, 2018-2022

	2018	2019	2020	2021	2022
operating profit margin	9.72%	8.97%	9.86%	9.04%	2.98%
cost-effectiveness ratio	8.92%	7.62%	8.49%	6.86%	2.22%
return on total assets	12.67%	10.53%	11.82%	10.8%	3.53%

3.3. Solvency indicators

The current ratio of Peacebird is greater than 1 from 2018 to 2022, while there is a slow upward trend, indicating that the short-term solvency of the enterprise is strengthened. The balance sheet ratio of Peacebird basically stays around "50%", which shows that Peacebird has a relatively smooth long-term solvency. On the whole, the debt structure of Peacebird clothing is more excellent, the solvency is relatively good.

Table 3 Solvency Indicators for Peacebird, 2018-2022

	2018	2019	2020	2021	2022
gearing	0.47	0.5	0.54	0.58	0.51
current ratio	1.86	1.48	1.39	1.53	1.76
Interest-bearing debt ratio	0.05	0.077	0.058	0.129	0.129

3.4. Development capacity indicators

The growth rate of revenue, total asset growth rate and net profit growth rate of Peacebird from 2017 to 2021 are basically positive, indicating that the revenue of Peacebird is in a growth trend during this five-year period, and the company maintains a strong growth ability, and the decline of the three values after 2021 is due to the large-scale expansion of franchises over the past few years, which has led to a large backlog of inventory and increased costs. Overall, PIL still has a relatively good development situation, but timely measures should be taken to be alert to future market changes.

Table 4 Peacebird's Development Capacity Indicators, 2018-2022

	2018	2019	2020	2021	2022
Revenue growth rate	7.78%	2.8%	18.41%	16.34%	-21.24%
Total asset growth rate	7.24%	5.68%	21.75%	19.35%	-16.12%
Net profit growth rate	27.51%	-3.5%	29.24%	-4.99%	-72.73%

4. The improvement of the effect of the implementation of asset-light Peacebird suggestions

4.1. Strengthening investment in research and development

With the iteration of contemporary information wave and the improvement of people's consumption level, the mainstream consumer group is constantly expanding and updating, and people's aesthetics are also changing from time to time. For example, in previous years, they may prefer foreign designs, while this year, they prefer Chinese aesthetics, leading the national trend. Therefore, in the I industry, enterprises should provide consumers with good after-sales service, use the information feedback channels to collect consumers' favorite styles and fabrics, and make timely improvements. In addition, the I industry itself is also gradually revealed the tendency of youth and popularity. Online live and small programs and other marketing methods have also replaced the offline stores have received more attention.

4.2. Creating a flexible supply chain

At present, the I industry is committed to building a flexible supply chain to cope with the rapidly changing market and consumer demand, the supply chain system can not only effectively shorten the time for goods to reach the hands of the customer, but also improve the accuracy of information transfer between the various links to reduce the risk. At the same time, the supply chain helps

enterprises to respond to changes in the market more easily during the production process, so as to adjust the output of products accordingly. Instead of rushing to produce new products in large quantities, it first uses small batches of goods to test and observe the market's response, and then expands the output of the products appropriately when the response is good, and then adjusts the style and price of the products in a timely manner if the expectation is not met.

4.3. Broadening the sinking market

The meaning of the sinking market refers to the consumer market below the third tier, and contemporary enterprise marketing are committed to the first and second tier cities in the high-end market, the sinking market is little attention, so the bird can maintain the current marketing efforts at the same time, appropriate to broaden the sinking market. The reason is not only that the market has a large consumer group, but also the group under the community network is developed, people form an efficient chain of communication, so it is more convenient for enterprises to carry out marketing and publicity. Compared with the fierce competition of metropolitan brands, sales growth has slowed down, enterprises to expand to the sinking market, often a better solution to the backlog of inventory and rising costs, coupled with the enhancement of China's residents' consumption ability and the entry of foreign brands, prompting the industry to accelerate the development of new markets, and on this basis for a deeper level of layout.

5. Conclusion

Choosing the asset-light operation mode, Peacebird outsources low value-added manufacturing processes and invests its own resources in high value-added processes, such as product design and brand marketing, to create its own competitive advantages through the brand effect, and at the same time establishes a flexible supply chain and refines business processes, thus highlighting the positive effect of the asset-light operation mode on the daily operation of the enterprise. Unlike the heavy asset operation mode, it invests a lot of resources in the company in order to squeeze the market and overloads the company's capital with too many fixed assets.

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