

Research on the Problems and Countermeasures of Enterprise Inventory Management

-- Taking Panda Dairy Group Co., Ltd. as an Example

Haiqing Tao*, Xinting Xu, Yu Wang, Liangyue Zhu

School of Finance, Anhui University of Finance and Economics, Bengbu, Anhui, China

*3434864831@qq.com

Abstract

Inventory, as an integral part of the current assets of an enterprise, will lead to many problems, such as difficult capital turnover and increased business risks, which will affect the survival and development of the enterprise. Therefore, enterprises should pay attention to efficient inventory management in the process of operation and management. However, in the current fierce market competition environment, most enterprises still do not realize that effective inventory management is closely related to the fate of enterprises. Under this background, taking Panda Dairy Group Co., Ltd. as an example, this paper analyzes the current situation of inventory management of Panda Dairy Group by using the methods of literature research and case analysis, and provides specific suggestions and countermeasures for the existing problems.

Keywords

Inventory management; Panda dairy products; Counter-measure.

1. Introduction

At present, there are many problems in inventory management of Chinese enterprises, such as low degree of inventory informatization, imperfect inventory management system and unscientific inventory purchase plan. The dairy industry is closely related to people's lives. At present, the economic structure of China has undergone tremendous changes, and the direction of social and economic development is gradually changing. In this case, the needs of consumers have begun to transition to personalized and diversified directions. Under the background of this market environment, the dairy industry, especially the concentrated dairy industry, is still in the early stage of development, with huge market space and great development potential in the future. Therefore, in view of this problem, this paper analyzes the present situation of inventory management of Panda Dairy Group Co., Ltd. in dairy industry as the starting point, studies the existing problems of inventory management of this group, and puts forward improvement measures for the existing deficiencies, so as to improve the level of enterprise inventory management.

2. The Basic Overview of Inventory Management

2.1. Inventory

Inventory, that is, the assets used by enterprises for sales or production activities, is the basis to ensure that manufacturing enterprises can maintain their operations. Because the problem of inventory management runs through the whole production and operation process, the turnover rate of inventory has a strong correlation with the efficiency of capital use and the speed of cash realization, and these indicators represent the short-term solvency and

operational ability. Therefore, the inventory management ability determines the market competitiveness of an enterprise to a certain extent. Excellent inventory management ability can not only maintain the daily operation of manufacturing enterprises, but also maximize the benefits of enterprises under the condition of implementing low-cost strategies, thus further improving the strength of enterprises [2].

2.2. Inventory management

Inventory management (also known as inventory management) refers to a management process used to establish and maintain the necessary inventory level of the company to ensure that the company can effectively and correctly complete the customer's order. The main content of enterprise asset management is to reduce costs, control inventory and increase the utilization rate of enterprise capital. Therefore, in the process of enterprise management, enterprise managers must pay more attention to inventory management and use different scientific management models to maximize the use value of inventory, reduce unnecessary inventory and reduce costs, thus strengthening the flexibility of enterprise capital utilization and improving the overall development level of enterprises [3].

2.3. Inventory management model

In order to reduce the total cost of enterprise inventory and increase the economic benefits of enterprises, the following inventory management model can be used for reference.

(1) Vendor managed inventory. Vendor managed inventory (VMI) can realize information sharing between retailers and suppliers. Suppliers coordinate production through more accurate data provided by retailers, which makes the inventory management level higher [4].

(2) ABC inventory classification management method. ABC inventory classification management method is a method to classify a large number of inventory items in order of importance and order for inventory management. In enterprises, Class A inventory is small in quantity but high in value, which needs careful management. Class C inventory has a large quantity but low value, so it doesn't need to spend too much energy, so it can be managed and controlled by simple methods. Class B is in the middle level, with average value.

(3) ERP model method. ERP model method is to systematize enterprise inventory data by using modern science and technology, and provide a clear service platform for managers to make decisions on production and operation. The ERP system combines discrete and process production functions, and can seamlessly integrate customer relationship management, financial decision management, enterprise project management, inventory distribution management, and daily office management.

3. Analysis of the Situation of Panda Dairy Inventory Management

3.1. Basic information of the company

Panda Dairy Group Co., Ltd. is a leading enterprise in condensed milk industry in China. The "Panda" brand was founded in 1956, and it is the "Zhejiang Time-honored Brand". It is the "second condensed milk brand" in the domestic market, and its market share is second only to that of the multinational company Nestle, which is called "the first condensed milk share". [5]. Since its establishment in 1996, the company has been deeply involved in the research, development, production and sales of condensed milk for more than 20 years. The company's main business is the research, development, production and sales of concentrated dairy products and dairy trade. The company's main products include "Panda" brand series of sweetened condensed milk, full-fat sweetened condensed milk, sweetened condensed milk, full-fat sweetened condensed milk, sweet milk sauce, mozzarella cheese, children's cheese, cheese snacks and thin cream.

3.2. Analysis of the current situation of company inventory management

3.2.1. Analysis of company inventory book data

The relevant information of inventory book data in the financial statements of Panda Dairy Group Co., Ltd. from 2018 to 2022 is shown in the following table 1.

Table 1. Book Data of Panda Dairy Group's Inventory Unit: 100 million yuan

	2018	2019	2020	2021	2022
Inventory amount	0.56917	0.64773	1.03575	1.33758	1.76833
total of current assets	2.80199	3.31681	7.08748	7.24843	7.19238
Inventory in current assets (%)	20.31292	19.52863	14.61381	18.45335	24.58616
Total assets	5.47848	5.92099	9.83852	10.66445	10.78939
Inventory in total assets (%)	10.38910	10.93917	10.52751	12.54241	16.38952

According to the annual report data of Panda Dairy Group Co., Ltd. from 2018 to 2022, the inventory of Panda Dairy Group accounted for 14%-25% of current assets from 2018 to 2022, with an average of 19.5%, and the total assets accounted for 10%-17%, with an average of 12.2%. It can be seen that the inventory and total assets of Panda Dairy Group are on the rise in recent years, and the proportion of inventory in total assets is increasing year by year, especially in 2022, from 12.5% to 16.4%. This shows that the inventory backlog problem of Panda Dairy Group is gradually becoming prominent.

3.2.2. Analysis of major financial indicators

The main financial indicators in the financial statements of Panda Dairy Group Co., Ltd. from 2018 to 2022 are shown in Table 2 below.

Table 2. Major financial indicators of Panda Dairy Group Unit: 100 million yuan

	2018	2019	2020	2021	2022
Operating income	6.02770	6.03753	6.84346	8.56897	8.91622
net profit	0.96483	0.67645	0.83199	0.81214	0.55149

According to the annual report data of Panda Dairy Group Co., Ltd. from 2018 to 2022, the operating income of Panda Dairy Group from 2018 to 2022 was between 600 million yuan and 900 million yuan, with an average of 730 million yuan, and the net profit was between 500 million yuan and 100 million yuan, with an average of 800 million yuan. It can be seen that from 2018 to 2022, the operating income of Panda Dairy Group showed an upward trend, but the net profit generally showed a downward trend. Except for the rebound in 2020, the other years showed a downward trend, which means that while the cost rose, the increase in income could not offset the cost consumption.

3.2.3. Analysis of inventory turnover data

The inventory turnover days and inventory turnover rate of Panda Dairy Group Co., Ltd. from 2018 to 2022 are shown in Table 3 below.

Table 3. Inventory turnover days and inventory turnover rate of Panda Dairy Group

	2018	2019	2020	2021	2022
Inventory turnover days (days)	61.32159	50.90231	58.82116	65.13044	77.66841
Inventory turnover rate (times)	5.87069	7.07237	6.12025	5.52737	4.63509

According to the relevant data of Panda Dairy Group Co., Ltd., from 2018 to 2022, the inventory turnover days of Panda Dairy Group are between 50 and 78 days, with an average of 62.8 days, and the inventory turnover rate is between 4 and 8, with an average of 5.8. It can be seen that from 2018 to 2022, the inventory turnover days of Panda Dairy Group generally showed an upward trend, and the inventory turnover rate generally showed a downward trend. The inventory turnover days increased from 61.3 days in 2018 to 77.7 days in 2022, indicating the existence of inventory accumulation.

3.2.4. Profitability analysis

The gross profit margin and return on assets of Panda Dairy Group Co., Ltd. from 2018 to 2022 are shown in Table 4 below.

Table 4. Gross profit margin and return on assets of Panda Dairy Group

	2018	2019	2020	2021	2022
Gross profit margin (%)	33.36814	28.72651	24.72149	23.45479	19.26979
Return on assets (%)	21.05839	13.74478	12.23043	9.34466	5.71484

According to the relevant data of Panda Dairy Group Co., Ltd., from 2018 to 2022, the gross profit margin of Panda Dairy Group was between 19% and 34%, with an average of 25.9%, and the return on assets was between 5% and 22%, with an average of 12.4%. It can be seen that from 2018 to 2022, the gross profit margin and return on assets of Panda Dairy Group showed a downward trend, especially in 2022, the return on assets dropped to 5.7%, which indicated that Panda Dairy Group lacked reasonable adjustment in profitability this year. One of the reasons is the backlog of the company's inventory.

4. The Analysis of the Causes of the Inventory Management Problems

4.1. The backlog of inventory

According to the data in the above table, it can be seen that the proportion of current assets occupied by Panda Dairy Group's inventory and the proportion of total assets occupied by inventory are both large, and the inventory amount is increasing at a rapid rate in recent years. The shorter the inventory turnover days of the enterprise, it means that the inventory of the enterprise can be sold or realized in a short time. Through the analysis of the inventory turnover data of Panda Dairy Group, it is not difficult to draw a conclusion that with the gradual lengthening of the inventory turnover days of Panda Dairy Group, a large backlog of the company's inventory is gradually caused. Therefore, more effective measures should be taken to solve the problem of inventory backlog.

4.2. Low inventory turnover efficiency

According to the above analysis of the inventory turnover data of Panda Dairy Group, the inventory turnover times of Panda Dairy Group are gradually decreasing, while the inventory turnover days are gradually increasing, which means that Panda Dairy Group may be unsalable. Enterprise inventory turnover refers to the ratio of the average balance of enterprise inventory to the cost of sales within a specified period, which reflects the inventory turnover, that is, whether the liquidity of the company's inventory and the proportion of the company's inventory funds are appropriate, so as to maintain the continuity of production and operation, improve the efficiency of capital utilization, and thus enhance the solvency of enterprises.^[3] However, the decline in the inventory turnover times of Panda Dairy Group shows that the amount of funds occupied by Panda Dairy Group is not very reasonable, so appropriate measures need to be taken to improve the inventory turnover times of Panda Dairy Group.

4.3. Inventory management methods need to be improved.

It is a very important part of an enterprise's inventory management to adopt an appropriate inventory management method, which is the key to determine whether an enterprise's inventory management is good or bad. In the process of implementing inventory management in current enterprises, if only traditional methods are adopted, the inventory information of enterprises can not be obtained in time and accurately, thus affecting the operation management and capital occupation of enterprises. Enterprises do not pay attention to inventory management, which leads to the failure of enterprise inventory management methods to achieve great results.

5. Suggestions on Improving the Inventory Management

5.1. Reduce the inventory backlog

The inventory of Panda Dairy Group mainly comes from purchasing and production, which not only affects the allocation of funds, but also affects the specific quantity of inventory. First of all, the management of the company should formulate a scientific, reasonable and sound procurement and production mechanism according to the specific situation of the company, and improve the professional knowledge and comprehensive skills of procurement and production personnel. By improving internal management, such as setting up inventory supervision department, the standardization of inventory procurement and production can be improved. Secondly, from the above data analysis process, we can also find that the inventory turnover days of Panda Dairy Group are increasing year by year, reflecting the problem of inventory backlog. Therefore, Panda Dairy Group should also pay attention to appropriately reducing the inventory turnover days, shortening the inventory turnover days of commodities as much as possible and improving the inventory turnover rate. Moreover, enterprises should find out the causes of the backlog of inventory in time and make timely adjustments to avoid large losses.

5.2. Speed up inventory turnover.

The number of inventory turnover of an enterprise is an important indicator to measure the level of current assets of an enterprise, and it can also reflect the production and operation of an enterprise and the inventory management level of an enterprise. According to the above research on the inventory turnover data of Panda Dairy Group, we can find that the inventory turnover rate of Panda Dairy Group is low and the inventory turnover days are long. Therefore, if Panda Dairy Group wants to improve the inventory turnover rate and reduce the inventory turnover days, it must strengthen the propaganda of the enterprise, develop new products and gain popularity at the same time, so as to increase product sales and then increase the inventory turnover times. Therefore, Panda Dairy Group can increase product sales, control product inventory in a reasonable range, and take appropriate measures to deal with unsalable products.

5.3. Improve the inventory management methods

In order to solve the inventory management problem of Panda Dairy Group, the inventory management mode should be improved. The traditional inventory management method is obviously not applicable in the fierce market competition environment. Enterprises should adopt effective inventory management methods suitable for their own development, such as supplier management inventory, ABC inventory classification management method and ERP model method. Moreover, in all aspects of inventory management, it should be supervised by two or more people. At the same time, enterprise managers should pay attention to the regular inventory of enterprises, arrange special personnel to conduct regular inventory, and clean up

the inventory in time to reduce the inventory backlog, thus improving the efficiency of enterprise inventory management.

6. Conclusion

Based on the current background of enterprise inventory management in China, this paper analyzes the present situation of panda dairy group's inventory management, and holds that the enterprise has the problem of inventory backlog, low inventory turnover efficiency and inventory management methods still need to be improved. This paper holds that it is necessary to improve the inventory management level of enterprises from the following three aspects: first, to reduce the inventory backlog by improving internal management; Second, increase the popularity of promotional products to speed up inventory turnover; Third, improve the inventory management mode to improve the inventory management level of enterprises. Through the above methods to improve the inventory management level of enterprises, the inventory management system of enterprises is more scientific and reasonable, thus improving the core competitiveness of enterprises and promoting the long-term healthy and stable development of enterprises.

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