Financial Analysis of Bestore Based on SWOT Analysis

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Abstract. Bestore was established in 2006 and is a professional brand that integrates leisure food research and development, processing and packaging, and retail services. It has developed from a physical store in 2006 to more than 2,700 stores and was the first in the industry to position itself as a high-end snack in 2020. It has continuously innovated marketing strategies, improved the operating model, strengthened data-driven, and increased the turnover of Bestore. At the beginning of the article, the internal and external environments of Bestore are firstly analyzed from four aspects by using SWOT analysis: Strength, Weakness, Opportunity and Threat. Secondly, analyze the financial status of Bestore from four aspects: solvency, operating capacity, profitability, and development ability. Then, considering the development environment and financial status of Bestore, this article provides corresponding suggestions for the development of the enterprise, which is of great significance to advancing the high-quality development of enterprises.

Keywords: Bestore, SWOT analysis, retail industry, financial analysis.

1. Introduction

Casual food is a food that people like to eat during their spare time and rest. They are a category of fast consumer goods. They have always been loved by the people. With economic development and the improvement of people's living standards, consumers' demand for leisure food quality and quality is also growing. At present, casual food companies with major market share on the market include Bestore, Three Squirrels, and LYFEN. The analysis objects in this article are Bestore.

The traditional financial analysis is mainly based on the analysis and evaluation of the financial status and business results provided by the financial statement provided by the enterprise. However, in this process, there may be the following problems: ① The possibility of false error reports in the information of financial statements or incomplete information disclosure; ② The use of financial analysis methods in the analysis will sometimes be affected by the macro environment, leading to different periods of finance in different periods of finances. The report does not have comparability; ③ The financial indicators used to evaluate the efficiency of enterprises are one-sided. At the same time, traditional financial analysis ignores the impact of the external macro environment on enterprises. Only the financial analysis results of the internal environment of the enterprise are not objective and comprehensive. Therefore, financial analysts should choose scientific and reasonable financial analysis methods.

Based on the above considerations, The article takes the Bestore as the analysis object. The SWOT analysis was performed first, taking into account the internal and external environment faced by Bestore. Then a comprehensive financial analysis of Bestore was conducted. Starting from the ratios of solvency, operating capacity, profitability, and development ability, to provide a detailed analysis of the company's current financial situation. Expanding the object of traditional financial analysis from single financial data to non-financial information in related fields such as the industry environment in which the enterprise is located, to better make appropriate recommendations for the enterprise.

2. SWOT

SWOT is Boston Analysis, also known as Dawes Matrix, Situational Analysis. Using SWOT analysis, the many elements of the research object can be divided into internal and external aspects,

the internal factors refer to the research object's strengths and weaknesses, and the external factors refer to the potential opportunities and existing threats. The factors are listed one by one after careful investigation, and then arranged in a matrix to match and analyse each element, and finally obtain substantial and decision-making conclusions [1].

2.1. Strength

2.1.1. Omnichannel marketing

Bestore has rich sales channels and implements an omnichannel marketing strategy. Omnichannel refers to the sales method in which enterprises integrate as many retail acquisitions as possible to meet customers' shopping, entertainment, and social needs [2]. Bestore has over 2700 stores and has developed and designed its own app. It also opens online stores in third-party channels such as Tmall, JD.com, Taobao, and Dangdang. This online and offline simultaneous operation model significantly improves the inventory turnover rate of goods.

In addition, Bestore has invested heavily in the digital management of enterprises. Relying on information technology and internet platform data, Bestore can reasonably allocate goods and assist in supply chain management and platform operation through information technology [3].

2.1.2. Franchise

Franchise allows a certain discount to be obtained based on the final price based on wholesale group purchase prices, customer qualifications, transaction amounts, cooperation prospects, etc. The franchise model can not only increase profits for Bestores by obtaining corresponding franchise service fees through franchise behavior, but also improve the competitiveness of the enterprise by delivering the headquarters' characteristic service projects and products to various franchise stores [4].

2.2. Weakness

The development of online and offline channels in Bestore is gradually becoming more balanced. However, the high price of products at Bestore has deterred some customers. Besides, the brand characteristics and positioning of Bestore are not clear enough, which leads to monotonous and less distinctive content published on social media, and lacks attractiveness to consumers. The above shortcomings are especially obvious when compared to competitor Three Squirrels. Based on the online sales share collected in the past few years, the online sales share of the Three Squirrels has maintained a leading position while also increasing year by year. By comparing the Three Squirrels with online display platforms such as Bestore’s Weibo and Tiktok, it is found that the Three Squirrels have far more followers and likes than Bestore. Compared to the content of the two brands' posts, as well as their customer awareness and responsiveness, the content of the three squirrels is commercial videos and promotional videos based on their IP image, which are more attractive and have stronger consumer communication power.

2.3. Opportunity

2.3.1. The rapid development of the healthy snack market

With the popularization of the concept of healthy living, people's demand for healthy snacks continues to rise. Bestore can meet the market demand by launching more healthy products.

2.3.2. Acceleration of the urbanization process

The acceleration of urbanization has driven consumption upgrading, and Bestore can further expand the coverage of offline stores and enhance brand influence.

2.3.3. Obtain significant cash flow

The successful listing of Bestore has generated a large amount of cash flow for it, and in the future, the company can invest more capital in product development and quality.

2.4. Threat

2.4.1. Serious product homogenization

Although Bestore has a wide variety of leisure snacks, it has strong replicability, little difference from other brands, and low conversion costs for consumers, resulting in great competition pressure.

2.4.2. Intensified market competition

The competition in the snack market is fierce, and Bestore needs to compete with other brands to maintain its market position. Three Squirrels, one of the three giants in the snack industry, has been online for many years and has gained the favor of a large number of young consumers. The e-commerce snack giant Be&Cherry, which started offline and switched to online, has also begun to return offline, launching subway model stores and commercial district model stores. The competition within the industry is becoming increasingly fierce, and for good quality stores, this is a protracted war.

3. Comprehensive analysis

3.1. Solvency

Solvency refers to the ability of an enterprise to repay its debts with existing assets. Analyzing the characteristics of solvency can reflect the current risks and future operating income of the enterprise, reflect the financial status and operating ability of the enterprise, and determine whether the enterprise can sustain and develop healthily. It is specifically divided into short-term debt paying ability and long-term debt paying ability. Moderate debt is beneficial for the production and operation of enterprises, promoting their long-term development. Conversely, it may lead to the enterprise going bankrupt [5].

Table 1. Solvency Sheet of Bestore

Indicator	Year		
	2022	2021	2020
Current Ratio	1.45	1.32	1.61
Quick Ratio	1.08	0.95	1.31
Assets-liabilities ratio/%	52.38%	60.33%	50.15%

Table 2. Balance Sheet of Bestore (ten thousand yuan)

Indicator	Year		
	2022	2021	2020
Current assets	356,277.71	404,351.47	336,692.87
Non-current assets	147,308.27	138,627.44	81,695.52
Total assets	503,585.98	542,978.91	418,388.39
Current liabilities	245,140.45	307,153.36	209,073.70
Non-current liabilities	18,662.51	20,413.01	767.89
Total liabilities	263,802.96	327,566.38	209,841.59
Paid-up Capital	40,100.00	40,100.00	40,100.00
Retained earnings	121,660.57	96,896.07	85,017.33
Equity	239,783.02	215,412.54	208,546.80

From Table 1 and Table 2, it can be seen that the company's current ratio reached 1.61 in 2020, but decreased to 1.32 in 2021, and then increased to 1.45 in 2022. For the quick ratio, it decreased from 1.31 in 2020 to 0.95 and then increased to 1.08 in 2021. The decline from 2020 to 2021 may be related to the digital transformation of Bestore. This is because, during the digital transformation period, enterprises invested heavily in building unmanned warehouses and updating information systems, resulting in a decrease in liquidity and a certain impact on their debt repayment ability [3].

From Table 1, it can be seen that the asset-liability ratio of Bestore increased to 60.33% in 2021 and decreased to 52.38% in 2022. Analysis shows that the company has made significant improvements through digital transformation, but compared to companies in the same industry, it is relatively larger and has higher credit risk. This is because when Bestore lays out its online and offline multi-channel system, it adopts the settlement method of delivering goods first and then receiving payment for goods, which results in differences in the settlement time of many goods. Once again, merchants have a strong layout of online channels, with online revenue continuously increasing and higher than offline revenue, resulting in a higher assets-liabilities ratio of the enterprise [3].

3.2. Operational Capacity

Operational capability is an indicator used to measure the efficiency and profitability of asset operations. Its essence is to hope that enterprises can create the highest profit with the least resources, which is an important guarantee for the healthy development of enterprises. Managers of enterprises should conduct reasonable and necessary management of enterprise funds to ensure good liquidity, which is conducive to the better development of the enterprise [6].

Table 3. Operational Capacity Sheet of Bestore

Indicator	Year		
	2022	2021	2020
Accounts Receivable turnover	13.54	18.28	25.52
Inventory turnover	6.68	7.80	6.91
Total assets turnover	1.80	1.94	1.97

From Table 3, it can be found that the accounts receivable turnover rate reflects the speed at which a company's accounts receivable are collected, and can also indirectly reflect the efficiency of the company's fund utilization. Between 2020 and 2022, the accounts receivable turnover rate of Bestore showed a downward trend, from 25.52 turnover times per year to 13.54 turnover times. The reasons are as follows: Firstly, with the continuous promotion of digital transformation, there are more and more sales channels, more diverse settlement methods, and a decrease in the accounts receivable turnover rate [7]. Secondly, in order to further optimize the inventory management of franchisees, alleviate the inventory pressure of franchisees, and monitor the sales status of products in real time, Bestore generally recognizes the revenue generated from franchise business only when franchisees achieve terminal sales.

The inventory turnover reflects the ability of a company to convert its inventory assets into cash. The higher the inventory turnover rate, the stronger its liquidity. This indicator is calculated by dividing operating costs by the ending inventory balance. Prior to 2021, the company's inventory turnover rate remained at a high level and steadily increased, indicating a fast and high inventory turnover rate. This is because Bestore uses the SAP system for enterprise management, utilizing information systems to optimize the operational efficiency of key links such as procurement, warehousing, and distribution, accelerating the flow of goods through various channels, improving warehouse response speed, and improving inventory management [3]. However, the inventory turnover rate decreased in 2022, mainly due to delayed information transmission between channels, which has led to product compression and affected the inventory turnover efficiency.

The total asset turnover rate is a comprehensive evaluation indicator for the utilization efficiency of all assets in a company. From Table 3, it can be seen that the total asset turnover rate of Bestore has been continuously decreasing in the past three years, indicating that the overall asset utilization efficiency of the enterprise is showing a downward trend. It is suggested that enterprises can dispose of idle assets, slow down their expansion speed, increase sales revenue, and thereby increase the total asset turnover rate.

3.3. Profitability

Profitability is the verification of a company's operating results and also determines whether the company can achieve sustainable development. Enterprises have good profitability, which can enable them to have core competitiveness in the trends of the times and be in a leading position in the industry.

Table 4. Profitability Sheet of Bestore

Indicator	Year		
	2022	2021	2020
Operating profit margin	4.62%	4.03%	6.13%
Net profit margin	3.54%	3.03%	4.36%
Return on total assets	6.39%	5.88%	8.59%

As can be seen from Table 4, this is a benefit from the establishment of an omnichannel sales model by enterprises, precise marketing to customers through digital technology, and the creation of popular items. At the same time, the enterprise accelerated the layout of social media channels such as Tiktok and Little Red Book, and cooperated with online celebrities and anchors to promote the brand, resulting in a sharp increase in the number of orders, a continuous strengthening of the profit margin, and a return on assets of 8.59%.

However, in 2020-2021, due to the rising labor costs and raw material costs in some regions since the outbreak of the COVID-19 epidemic, the normal production order will be affected. The outbreak of the epidemic in Wuhan in 2020 will seriously affect the offline earnings of good shops, thus reducing the profit margin and return on assets. But Bestore enterprises can respond on time, and take measures, and even when the epidemic repeats, they can still regroup and quickly recover, raising various profit indicators.

3.4. Development Ability

The development ability reflects the potential value and room for improvement of an enterprise. The development of an enterprise should be based on long-term goals rather than short-term economic benefits. Therefore, evaluating the development ability of an enterprise can predict its future development situation and provide feasible suggestions to formulate appropriate strategies. The stronger the development ability of an enterprise, the more competitive it can be in the same industry.

Table 5. Development Ability Sheet of Bestore

Indicator	Year		
	2022	2021	2020
Revenue growth rate	1.24%	18.11%	2.32%
Rate of total assets	-7.26%	29.78%	9.19%
Net profit growth rate	18.29%	-17.88%	-1.38%
Net asset growth rate	11.31%	3.29%	42.34%

Table 5 shows that from 2020 to 2021, the growth rate of business income has increased significantly, which is because enterprises have adjusted policies in a timely manner in the post-epidemic era. Faced with the rise of short videos, enterprises have accelerated the layout of Tiktok and other channels, built a series of talent anchor resource matrices and self-broadcast anchor matrices, and increased publicity; In addition, the online and offline multi-channel sales model has led to a continuous increase in sales revenue. At the same time, it can be seen that even though offline stores are mostly concentrated in Wuhan, the central area where COVID-19 broke out in 2020, they will still maintain positive growth in the first half of 2020, which reflects their relatively stable business development ability [8].

At the same time, from 2020 to 2021, companies faced challenges such as changes in the online business environment, rising raw material prices, and multiple outbreaks of COVID-19, which had a significant impact on high-quality stores, resulting in a decrease in net profit for the company. From this, it can be seen that the ability of good shops to resist risks needs to be improved. However, in

2022, the net profit growth rate of Bestore has significantly increased, indicating its significant operating effect.

4. Suggestions

4.1. Strengthen the Connection Between Brands and Consumers

Since its establishment over a decade ago, Bestore has gradually established a sense of familiarity and closeness with the brand in the minds of consumers. However, with the development of the Internet, the problem of serious homogenization of Bestore store products and monotonous content on social media has become increasingly prominent. This not only makes new customers unattractive but also leads to the loss of existing consumers. In an environment where internet traffic is generally slowing down and the total number of users remains stable, it has become a consensus among peers to deeply explore the value of old users. Many companies choose to attract consumers through offline, live streaming, short videos, and other means, shifting from initially emphasizing "click through rate, exposure rate, and conversion rate" to emphasizing "dissemination rate and repurchase rate", and not relying on media platforms to directly reach consumers.

In today's new retail business model, Bestore should make better use of brand advantages and integrate emerging forms such as live streaming with shopping scenarios to help brands effectively reach and influence the sinking market. In addition, through precise algorithms, they can directly reach the core consumer group, establish trust relationships, improve the repurchase rate of old customers, and bring new customers through good word-of-mouth, achieving efficient drainage [9]. At the same time, maintain close communication with consumers, establish a dedicated customer service component cloud experience center, responsible for pre-sales consultation and after-sales service, collect consumer opinions, suggestions, and complaints, and provide efficient feedback to form a good and orderly mechanism, improve customer service level, increase customer stickiness, and let consumers feel a more high-quality shopping experience.

4.2. Strengthen Comprehensive Quality Control

Bestore has a strong ability to repay long-term and short-term debts, relatively good liquidity of funds, and relatively stable profit levels, showing an upward trend year by year. However, the management of inventory and accounts receivable in enterprises should be given corresponding attention and improvement. Enterprises should ensure the safety and quality of their products while reducing product costs. Good food quality is the cornerstone for enterprises to achieve good profits, and without the guarantee of safety and quality, everything is in vain [10]. Therefore, this places higher demands on the supply chain of enterprises. If many intermediate links in product production are independent of each other, it is not conducive to product quality control and efficiency improvement.

Therefore, Bestore needs to accurately grasp every step from research and development to after-sales, and deeply participate in every process. In the research and development process, based on the collected information about consumer needs and feedback, effectively and timely adjust the product portfolio, and continuously reflux data to form a digital closed-loop. In the procurement process, directly connect with agricultural cooperatives, farmers, etc., establish sustained and stable cooperative relationships with suppliers in the core raw material production areas, and grasp the quality of raw materials while reducing procurement prices. In the warehousing process, fully utilize the advantages of information technology data to monitor inventory order information in real-time, accurately understand and grasp inventory demand, and control inventory turnover days at a relatively low level. In the delivery process, Bestore can improve the fast response speed of product delivery and improve the consumer shopping experience through self-owned, leased, or third-party warehouse allocation methods.

5. Conclusion

In the Internet era, the interactive potential of online media is becoming more and more obvious. The food retail industry should make full use of the advantages of the Internet, explore the interactive potential of the Internet, and make full use of the interesting features of online advertising to communicate with consumers in order to expand their benefits, avoid disadvantages, and maximize their interactive marketing capabilities. In recent years, due to the impact of the epidemic, Bestore's solvency has decreased. Although the asset-liability ratio has declined, it is still at a high level. At the same time, profit margins and asset turnover have also been negatively affected, and cost control has been relatively slow. In addition, the management of inventory and account receivables needs to be further strengthened. However, there is a good trend in the development ability-related ratios of Bestore, indicating that their risk resistance has improved and their business effectiveness is significant.

There are still some deficiencies in the research of the paper, mainly in the following: ① At present, the development of the domestic retail industry is unstable. Therefore, the financial analysis of Bestore is not deep enough. Besides, there is not enough comparative analysis of Bestore and its competitors. ② The data in this paper mainly come from the financial statements of listed companies, and there is no guarantee whether the data are exaggerated or distorted. In future research, it is still necessary to further a lot of research to obtain more accurate data and to explore and improve the relevant indicators. In response to the above shortcomings, the author will further improve it in my future research. The author will continue to pay attention to the development of Bestore, select outstanding domestic and foreign companies in the retail industry for comparative analysis, and make an in-depth sub-folding based on the relevant financial information and non-financial information to draw a comprehensive conclusion.

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