

# Analysis of the Influence of Business Model Innovation on the Operating Capacity of Enterprises: Taking Zhejiang Haers as an Example

Cao Mao\*

Geely University of China, Chengdu 641423, Sichuan Province, China

\*Corresponding author: Cao Mao, 594510001@qq.com

**Copyright:** © 2024 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0), permitting distribution and reproduction in any medium, provided the original work is cited.

**Abstract:** This paper takes the case of Zhejiang Haers as the object to explore the impact of business model innovation on the operating capacity of the enterprise, analyzes the impact on the operating capacity of the enterprise through the form of the business model of cooperation between Zhejiang Haers and various types of flow intellectual property (IP), analyzes the enterprise's inventory turnover, accounts receivable turnover, total asset turnover and net profit to a certain extent, and concludes that the innovation of business model will strengthen the operating capacity of the enterprise. By analyzing the inventory turnover rate, accounts receivable turnover rate, total assets turnover rate, and net profit of the enterprise, it is believed that the innovation of the business model will strengthen the enterprise's operating ability to a certain extent.

**Keywords:** Business model innovation; Operational capability; IP; Intellectual property rights

**Online publication:** September 27, 2024

## 1. Introduction

With the rapid development of information technology in China, the Internet has changed the basic business competitive environment and economic rules, marking the advent of the "digital economy" era. The Internet has made a large number of new business practices possible, and several new enterprises based on it have emerged<sup>[1]</sup>. Their emergence has had a far-reaching impact and influence on many traditional enterprises, making many traditional industries also innovate their business models to adapt to the new market environment.

Business model innovation refers to changes in the basic logic of enterprise value creation provision, that is, the introduction of new business models into the production system of society, and creating value for customers and themselves, in layman's terms, business model innovation refers to the enterprise to make money in a new and effective way. Business model innovation can be reflected in different forms, such as sales model,

publicity model, business model, profit model, and so on.

Traditional enterprises in the new Internet business model under the impact of the operating capacity have been greatly impacted and threatened, to cope with the Internet-era market as well as the ever-changing consumer. To cope with the market and consumer changes in the Internet era, traditional enterprises have also carried out a series of business model innovations. This study takes Zhejiang Haers as an example to study how it carries out business model innovation and the impact of its business model innovation on the operational capacity of the enterprise <sup>[2]</sup>.

## **2. Introduction to Zhejiang Haers**

Zhejiang Haers Vacuum Ware Co., Ltd. was established in 1996, formerly known as Zhejiang Haers Industry and Trade Co., Ltd. is a traditional manufacturing company, Haers is derived from the English word health, which means “healthy.” The company produces cups and jugs that are closely related to people’s health, covering stainless steel, glass, plastic, aluminum, and other materials, and advocates a healthy way of drinking water and lifestyle. The company is mainly engaged in the OEM processing of foreign thermal insulation cups, using the opportunity of OEM and ODM cooperation with foreign brands to accumulate a wealth of experience in product manufacturing and design, so the product quality and design level have been greatly improved, then began to naturally expand the industrial chain downstream into the downstream product market, to open up their brands <sup>[3]</sup>.

Haers focuses on the research and development, design, production, and sales of daily-use stainless steel vacuum insulation cups and utensils, after more than 20 years of development, has become one of the most influential and professional stainless steel vacuum insulation utensils manufacturers in China, the products cover the whole category of vacuum insulation cups, casserole pots and pans, smart cups, vacuum appliances, and so on, from stainless steel cups to Tritan plastic cups, smart cups, lightweight cups, have fully satisfied the different All of them fully meet the personalized needs of different people, and are exported to more than 80 countries and regions around the world. In 2011, the company was officially listed on the small and medium-sized board of the Shenzhen Stock Exchange, becoming the first listed stock in China’s stainless steel insulation industry.

## **3. Zhejiang Haers business model innovation**

The brand competition in China’s insulation cup industry is very fierce, Cuisinart, Elephant Print, Tiger, Peacock, Disney, Starbucks, Bubble Mart, and Kumamoto Bear, these familiar international first-tier brands occupy the domestic high-end market for insulation cups. Zhejiang Haers can only fight the price war in the low-end market, but the number of products in the low-end market is close to the ceiling. To have better development, they need to continuously improve the level of product design, expand product features, strengthen the construction of marketing networks, build their brand, business model innovation, and so on <sup>[4]</sup>. Zhejiang Haers reach the status of these international first-tier brands of insulation cups OEM products by building a good platform in the 2010 Shanghai World Expo, 2014 “Brazil World Cup”, “Shanghai World Expo”, “Brazil World Cup”, and so on. In 2015, Haers reached a partnership with China’s national mountaineering team and Disney and is committed to leading the brand to the world. In 2016, Haers was selected as the official cup and pot gift of the G20 Hangzhou Summit. In December 2016, Haers entered into a strategic partnership

with Eastman to promote the licensing of its Tritan™ brand, and in 2016, Haers successfully acquired the Swiss brand SIGG, which is known as “The Dwarf Marries Snow White.”

As of today, the Company and its subsidiaries have cooperated with IPs such as Disney, LINE FRIENDS, NetEase, Supreme, Rare Art, table tennis player Mr. Ma Long, RuiXiang Coffee, the Forbidden City Cultural and Creative Industries, China Aerospace ASES, Yuanlong Universe, and so on<sup>[5]</sup>. The original meaning of IP is “intellectual property”, but it has been given a deeper meaning on the Internet, which is capable of transforming a certain type of thing into a series of industrialized products.

In June 2015, Haers signed a cooperation agreement with Shanghai Disney. The agreement stipulates that from May 2015 to December 2017, Haers may use Disney trademarks, and related character archetypes, on the cup products it sells.

In September 2017, Haers signed a license with Mr. Ma Long, a famous table tennis player. From September 2017 to December 2018, Haers Digital was authorized to use the information related to his image, including but not limited to portraits, images, names, voices, signatures, movements, shapes, performances, filming footage, and so on, on “SIGG” brands and products worldwide for Haers Digital’s commercial and promotional activities<sup>[6]</sup>.

In August 2019, a cooperation agreement was reached with the Forbidden City Cultural Creation, the company can use cultural creation-related logos on the cups in 2019–2020. The flow effect of cultural and creative IP is high, and the attention is very high, and the Forbidden City Cultural Creation is to promote Chinese culture, which is highly sought after by young people.

In August 2021, it signed a 2-year brand cooperation contract with China Aerospace ASES to jointly promote the commercialization of the aerospace industry and the innovative development of its cultural industry and to promote and disseminate aerospace culture.

In January 2023, “Zuosuo Rabbit”, the first virtual pet of Yuanlong Universe, in the capacity of “Chief Product Experience Officer of Yuanlong Atlas”, officially launched the “Meng Rabbit Ride” jointly with Haers. The first virtual pet of the Yuanlong universe, “Zuosuo Rabbit”, in the capacity of “Chief Product Experience Officer of Yuanlong Atlas”, officially launched the “Moon-Rabbit Arrival” New Year’s Cup together with Haers.

In July 2023, Wang Yuan was officially announced as the spokesperson of the Haers brand.

Zhejiang Haers has changed its business model by partnering with various traffic IPs, so what exactly is the impact of changing the business model on a company’s ability to operate?

## **4 Operational capacity analysis**

### **4.1. Elements of operating capacity**

Enterprise operating capacity refers mainly to the efficiency and effectiveness of the enterprise’s operating assets. The efficiency of an enterprise’s operating assets refers mainly to the turnover rate or speed of turnover of assets. The efficiency of an enterprise’s operating assets usually refers to the ratio between the amount of output and the amount of assets used by the enterprise. The main elements include the following.

#### **4.1.1. Total asset operating capacity**

Through the analysis of the total assets output rate, total assets income rate, and total assets turnover rate, the reasons for the changes in the turnover rate and utilization efficiency of total assets are revealed, and the

operating capacity of total assets is evaluated.

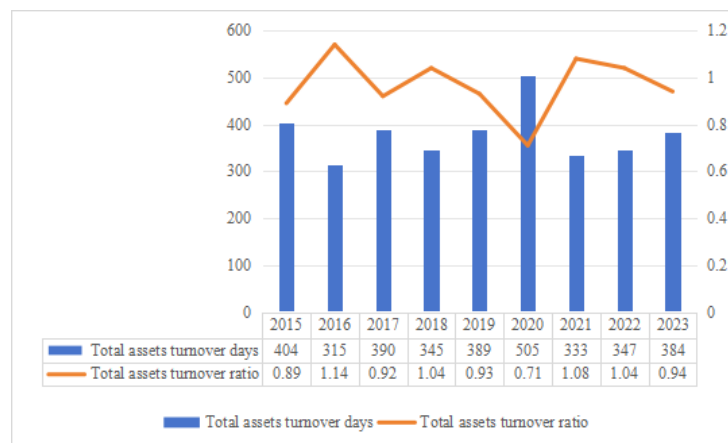
#### 4.1.2. Current asset turnover rate analysis

By analyzing the current assets turnover ratio, inventory turnover ratio, and accounts receivable turnover ratio, the study reveals the reasons for the changes in the current assets turnover speed and evaluates the efficiency of the utilization of current assets and the liquidity of assets.

### 4.2. Analysis of financial indicators

#### 4.2.1. Total asset turnover ratio

The total asset turnover ratio refers to the ratio of net sales revenue to the average total assets of an enterprise for a certain period, which is an indicator to measure the proportion between the scale of asset investment and the level of sales. It reflects the proportionate relationship between the total assets of the enterprise and the sales revenue accomplished by its turnover (**Figure 1**).

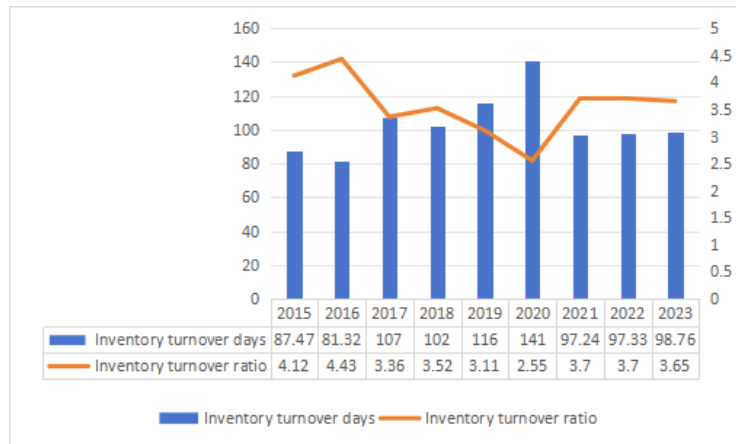


**Figure 1.** Haers' total asset turnover, 2015–2023; Source: Compiled from Haers' annual report

The chart shows that the total asset turnover ratio is greater than 1, which indicates that the company's total asset turnover is fast and sales capacity is strong. From 2016, after Haers and major IP cooperation, individual years of total asset turnover ratio is lower than initially, including 2020 total asset turnover ratio reached the lowest due to the pandemic, with a year turnover of 0.71 times, the rest of the year total asset turnover ratio is in the average of about 1. This shows that the overall operating ability of the enterprise is at a relatively sound level <sup>[7]</sup>.

#### 4.2.2. Inventory turnover ratio

Inventory turnover ratio refers to the ratio of the enterprise's operating costs (cost of goods sold) to the average inventory balance for a certain period, reflecting the ratio between inventory funds and the cost of goods sold completed by its turnover (**Figure 2**). This is used to reflect the speed of inventory turnover, that is, the liquidity of inventory and inventory capital occupancy is reasonable, prompting enterprises to ensure the continuity of production and operation at the same time, improve the efficiency of the use of funds, enhance the short-term solvency of enterprises. This is an important indicator of the strength of an enterprise's sales capacity and whether its inventory is excessive.

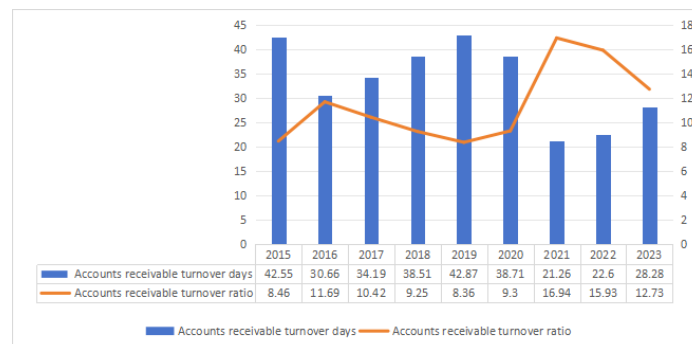


**Figure 2.** Haers' inventory turnover, 2015–2023; Source: Compiled from Haers' annual report

The chart shows that Haers' inventory turnover days have been stable around 80–100 days before, and the turnover rate is at 3–4 times. Due to the epidemic in 2020, the inventory turnover days rose to 140 days, but overall it stays at quarterly turnover and 3–4 times a year. Insulated cups are not seasonal, have a quarterly turnover, and the inventory will not have too much backlog, which can reduce warehousing costs <sup>[8]</sup>.

#### 4.2.3. Accounts receivable turnover ratio

The accounts receivable turnover ratio, also known as the collection ratio, refers to the average number of times accounts receivable are converted into cash within a certain period (usually one year), and is an important indicator of how quickly accounts receivable are realized (**Figure 3**).



**Figure 3.** Haers accounts receivable turnover 2015-2023; Source: Compiled from Haers' annual report

The chart shows that Haers' average turnover days are in more than one month and more than 10 times a year. Relatively speaking, the turnover days are not too high, with higher inventory turnover and higher accounts receivable turnover, so Haers' business cycle is relatively short, and can quickly go from production to sales process of cash recovery, to protect the supply chain system of high-speed operation.

#### 4.2.4. Current asset turnover ratio

The current asset turnover ratio refers to the ratio of net income from the main business to the average total current assets of an enterprise in a certain period. Net income from main business refers to the amount of

income from sales of products, commodities, provision of services, and other major operating activities, less discounts and concessions.

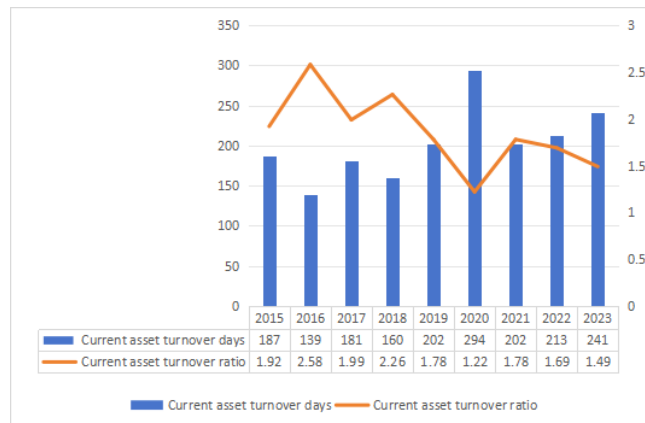


Figure 4. Haers current asset turnover 2015–2023; Source: Compiled from Haers’ annual report

Zhejiang Haers, as a manufacturing company with relatively few current assets, has a turnover ratio greater than 1 to indicate that its operating capacity is in a reasonable range. As shown in the chart above, Haers’ current asset turnover ratio is between 1 and 2, with the highest reaching 2.58 in 2016 when it first started working with IP; the lowest was in 2020 at the beginning of the outbreak, when its current asset turnover ratio was at 1.22, and the rest of the years were in a more robust range.

#### 4.2.5. Net profit

Net profit, which is the after-tax profit of an enterprise, refers to the total profit of an enterprise for the period minus income tax.

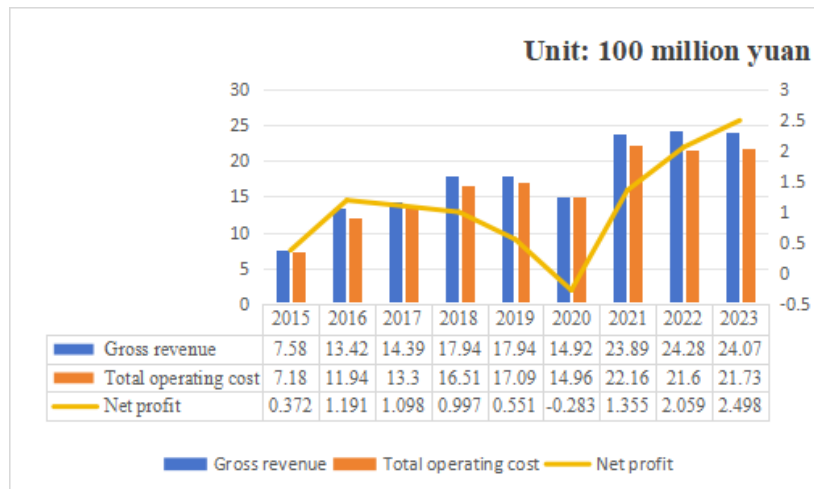


Figure 5. Haers’ net income 2015–2023; Source: Compiled from Haers’ annual report

The graph shows that Haers’ net profit has increased significantly from 2016 and there has been a substantial increase in revenue and costs from 2016. The business has been working with Disney IP since 2015, which has brought in significantly higher revenues through IP traffic; its costs have also risen sharply in the year, and the costs of working with IPs, especially such internationally recognized brands, are not low, so Haers

has seen an explosive increase in both revenues and costs from 2016 onwards<sup>[9]</sup>. After the cooperation through IP, except for the year 2020 when the net profit was not satisfactory due to the epidemic, the net profit of Haers in the rest of the years has been maintained at a relatively stable level, and the net profit of Haers after the epidemic even showed an explosive growth, and through the cooperation with a large number of IPs, the overall operating capacity of Haers has also been steadily increasing.

## 5. Conclusion

Zhejiang Haers has seen its revenue rise sharply after it cooperated with IP, and although its net profit has not increased by leaps and bounds, the net profit of the traditional industry is steadily increasing instead of decreasing under the strong impact of the emerging industry on the traditional industry. The fact that the enterprise does OEM for the internationally renowned insulated cup brand indicates that its production of insulated cups has a great deal of technology that is recognized by the market. Its total asset turnover rate, inventory turnover rate, and accounts receivable turnover rate are also faster, indicating that its operating cycle is shorter, to ensure the return of funds in the process of production to sales.<sup>[10]</sup>

Zhejiang Haers' cooperation with flow IPs such as Disney and the Forbidden City Cultural Creation has strengthened the company's popularity and enabled the national brand to occupy a place in the insulated cup industry. It can be seen that the innovation of business models can increase the operating capacity of enterprises.

## Disclosure statement

The author declares no conflict of interest.

## References

- [1] He JY, 2016, Analysis of Corporate Operating Capacity under DuPont Analysis: Taking Qingdao Haier as an Example. *Business Accounting*, 2016(12): 37–39.
- [2] Xu SY, Zhang Q, Li J, 2016, Analysis of the Operating Capacity of Strategic Emerging Industry Enterprises: Taking Listed Companies in Sichuan and Shanghai as an Example. *Friends of Accounting*, 2016(10): 44–48.
- [3] Sun B, 2023, Analysis of the Operating Capacity of Listed Companies: Taking Midea Group as an Example. *Accountant*, 2023(18): 25–28.
- [4] Yang YY, Gao X, Bao FY, 2021, A Study on the Relationship between Operation Management Capability and Technological Progress of Enterprises: The Case of Listed Companies in Tourism Industry. *Business and Economic Research*, 2021(11): 114–117.
- [5] Cheng XW, Cheng JJ, Ji G, 2021, Credit Resource Allocation, Financial Risk and Corporate Operational Capacity. *Journal of Beijing Technology and Business University (Social Science Edition)*, 36(03): 66–78.
- [6] Yang P, 2023, Analysis of Corporate Operating Capacity: Taking Vanke Group as an Example. *Investment and Entrepreneurship*, 34(03): 146–148.
- [7] Chen YT, 2023, Research on the Path of Enhancing the Operating Capacity of Enterprises: Taking S Company as an Example. *Accountant*, 2023(01): 74–76.
- [8] Zhao SD, 2022, Analysis of Operating Capacity and Countermeasures of an E-commerce Group. *China Collective Economy*, 2022(24): 55–57.

- [9] Jin CYY, 2024, The Innovation Path of Business Model of FMCG Enterprises in the Internet Era. *China Businessman*, 2024(07): 40–41.
- [10] Yan JW, Zhang KJ, 2024, Business Model Innovation of Azure Auto and its Financial Analysis. *Modern Business*, 2024(12): 35–38.

**Publisher's note**

Bio-Byword Scientific Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.