



SWOT-Based Financial Analysis of Yili Enterprises

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Abstract. This article uses Inner Mongolia Yili Group Co., Ltd. as a case study, employing a combination of SWOT analysis and financial analysis to conduct a comprehensive assessment of its internal and external business environments. The study reveals that Yili has built core competitive advantages through robust profitability and superior control over milk sources. However, it also faces disadvantages such as a financial structure characterized by high levels of both deposits and loans, as well as weak expansion beyond liquid milk products. Additionally, the paper explores opportunities arising from policy support and consumption upgrades, alongside challenges from industry competition—including intense rivalry with domestic dairy firms like Mengniu and potential threats in food safety. In summary, this paper proposes optimization recommendations for Yili Group's future development strategy, highlighting the importance of balancing financial management and strategic innovation within China's dairy industry. It aims to provide reference for enhancing the competitiveness of Chinese dairy enterprises.

Keywords: Yili, Financial Analysis, SWOT.

1 Introduction

1.1 Background

With the rapid development of the dairy market, a large number of outstanding dairy enterprises have emerged domestically. Among them, Inner Mongolia Yili Industrial Group Co., Ltd. has long maintained its position as the industry leader. Leveraging its full industrial chain advantages, it holds strong positions in ambient milk, milk powder, yogurt, and other sectors, covering the entire spectrum from premium to budget offerings. In recent years, the company has continuously advanced its international expansion through mergers and acquisitions and strategic global. Benefiting from favorable macroeconomic conditions, China's dairy industry is currently undergoing a phase of rapid development. As the world's second-largest economy and one of the fastest-growing nations, China boasts a vast dairy consumption market and an expanding base of dairy consumers [1]. With the nation's economic development and rising household incomes, China's dairy consumption market will continue to expand, exhibiting a trend of steady and rapid growth.

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1.2 Research Gap

However, China's dairy industry still lags behind international standards in areas such as technological innovation, brand development, and enhancing product value-added. In recent years, despite the continuous expansion of China's dairy market, frequent safety incidents have severely eroded consumer trust, placing the industry under immense pressure [2]. In addition, competition in the international market has intensified, with imported dairy products posing significant competitive pressure on domestic raw milk production and dairy processing enterprises.

1.3 Research Objectives

Through a SWOT-based financial analysis of Yili Co., Ltd., peer dairy enterprises can gain deeper insights into consumer demands, preferences, and behavioral patterns within the dairy sector. This analysis enables them to identify their own strengths, weaknesses, and gaps, thereby adjusting marketing strategies to develop products and services that better align with consumer expectations. Ultimately, this approach fosters distinctive competitive advantages. This paper provides a comprehensive analysis on enhancing the profitability of dairy enterprises by identifying internal strengths and weaknesses and analyzing the numerous external opportunities and challenges.

2 Theory Basic

Financial analysis is an economic management activity that utilizes accounting records, financial statements, and other relevant data [3]. It employs a series of specialized analytical techniques and methods to evaluate the profitability, operational efficiency, debt-paying capacity, and growth potential of past and present financing, investing, operating, and distribution activities within economic entities such as enterprises. SWOT analysis organizes a company's internal conditions by arranging various factors affecting its development into a matrix, then analyzes and presents the results. Typically, companies use this framework to identify internal strengths and weaknesses alongside external opportunities and threats. By listing and displaying these elements, it offers clear structure and rigorous logic, enabling a straightforward comparison of the company's advantages and disadvantages. It simultaneously helps mitigate risks and seize opportunities. By comprehensively considering multiple factors during analysis, SWOT analysis offers systematic insights, and its findings provide actionable decision-making guidance.

3 Case Study Analysis

3.1 Corporate Background

Inner Mongolia Yili Industrial Group Co., Ltd., headquartered in Hohhot, Inner Mongolia Autonomous Region, is China's largest dairy company with the most compre-

hensive product portfolio. Primarily focused on the processing, manufacturing, and sales of dairy products, its core offerings encompass liquid milk, powdered milk and dairy products, frozen desserts, and yogurt. As one of the top five global dairy companies by revenue, it has maintained its leadership position in the Asian dairy market for a decade. In 2023, the company achieved total operating revenue of 126.179 billion yuan, once again surpassing its historical best performance. Yili Group has consistently earned recognition from authoritative bodies both domestically and internationally for its exceptional product quality [4], leading service system, and sustainable development capabilities. As one of the world's top five dairy companies, its service network spans premier international events—including the Beijing Olympics, Winter Olympics, and Hangzhou Asian Games—as well as high-profile summits such as the Shanghai World Expo, G20 Hangzhou Summit, and World Economic Forum [5]. It stands as the sole dairy enterprise to have consistently served multiple editions of these global gatherings. This sustained, deep involvement in world-class events underscores both its formidable industry influence and leadership position, while also validating its comprehensive supply chain management capabilities [6]. Looking ahead to its long-term strategy, Yili has established the vision of ranking among the top three global dairy companies by 2025 and becoming the global leader in the dairy industry by 2030, building upon its current strengths [7].

3.2 SWOT Analysis

Strength Analysis. First, Yili Group maintains a high level of overall profitability. Profitability refers to a company's ability to generate profits through its business activities, serving as a direct reflection of its internal management and operational efficiency [8]. Based on 2025 data, Yili Group's net profit margin is generally higher than that of other dairy companies. This indicates that Yili Group holds a competitive edge over other brands in areas such as cost control, product pricing, and expense optimization, enabling it to generate higher profits at comparable revenue scales [9]. This enables Yili Group to maintain stronger financial stability and profitability in market competition, allowing it to better navigate market fluctuations and industry rivalry.

Second, Yili Group maintains high-quality milk sources. The Group implements its core philosophy—"Yili means quality"—through its "3210" framework for ensuring premium milk sources. This system guarantees rigorous and meticulous oversight at every stage from pasture to plate, providing institutional and procedural safeguards for its high-quality milk supply [10].

Domestically, Yili controls dairy enterprises in the three major premium milk source bases of Xinjiang, Inner Mongolia, and Hulunbuir, boasting China's largest high-quality milk source bases with nearly 800 premium pastures. Yet Yili does not rest on its domestic milk supply, instead securing the world's finest milk sources through global expansion. Simultaneously, Yili Group has established significant milk sourcing advantages through both proprietary and cooperative milk sources. Since 2015, the proportion of large-scale, intensive milk sources within Yili Group has reached 100%, achieving a standardized industrial chain from dairy farming and milking to production and packaging.

These advantages collectively form Yili Group's core competitiveness in milk sourcing, laying the foundation for its sustained market leadership.

Weakness Analysis. First, Yili Group exhibits the phenomenon of high cash reserves coupled with high debt. This typically refers to a company holding unusually high cash balances on its financial statements while simultaneously carrying an exceptionally large amount of interest-bearing debt—a situation that defies sound business logic. Generally, this dual high of cash and debt leads to persistently high financial expenses, low capital utilization efficiency, and increased operational and financial risks for the enterprise. At the end of 2023, cash and cash equivalents accounted for 28.6% of Yili Group's total assets, while short-term borrowings represented 26.22% of total assets. In contrast, short-term borrowings reached 48.34% of total assets at the end of 2022. Yili Group's dual high levels of cash holdings and borrowings may impact its credit rating, potentially increasing its borrowing costs in the future.

Second, Yili Group's diversified business development remains underwhelming, with an overreliance on star products. As a leading dairy company in the industry, Yili has consistently maintained top market positions in liquid milk and frozen desserts for multiple years, and its overall infant formula sales have now surged to the forefront of the Chinese market. However, Yili Group has underperformed in beverage and fresh milk segments. Despite past attempts to expand into these areas—such as launching sub-brands like “Tea & Tea Seek” in 2022 and “Yike Huichuan Fresh-Brewed Tea” in 2023—it has failed to gain traction in the fiercely competitive beverage market. Yili's entry into the beverage sector faces challenges in brand recognition, with relatively low consumer acceptance and approval of its products. Significant marketing expenditures are required to build brand awareness and attract consumers.

Opportunity Analysis. In terms of national policy support, during the 14th Five-Year Plan period, the government has encouraged dairy enterprises to achieve full-industry-chain integration through policies such as the Action Plan for Enhancing Dairy Industry Competitiveness during the 14th Five-Year Plan Period. These initiatives emphasize the development of domestic brands and quality enhancement. Such policies guide enterprises in rationally planning production and investment, driving the overall upgrading of the industry. Yili Group can actively respond to national policies by strengthening the construction and management of its own dairy farms to ensure the quality and safety of milk sources. By strictly controlling key aspects such as cattle feeding and feed selection, the company safeguards raw milk quality at its source.

In terms of digital transformation trends, with the continuous advancement of technology and the increasing diversification of consumer demands, digital transformation has become an inevitable trend in the dairy industry. For Yili Group, actively driving digital transformation enables control and enhancement of production efficiency and quality control. It also facilitates the collection and analysis of vast amounts of consumer data, making it easier to grasp market trends and gain insights into consumer demands. Simultaneously, digital transformation optimizes supply chain management by improving transparency and coordination. Leveraging big data to analyze market

demand allows for rational planning of production and distribution schedules, avoiding excess or insufficient inventory while reducing supply chain costs.

In addition, in recent years, all manufacturers have launched their premium products into the market, which have been met with enthusiastic reception. Following the dairy quality issues, consumers are willing to pay more for high-quality dairy products. Consequently, the premium segment of the dairy industry has experienced rapid growth and will become the mainstream of future dairy consumption. More new categories of milk will emerge in the market.

Threat Analysis. In terms of intensifying industry competition, multiple brands under Yili Group face strong competitors vying for market share. In 2023, Mengniu Dairy achieved operating revenue of 98.62 billion yuan, continuing its growth trajectory in recent years. Meanwhile, a number of emerging dairy companies have also entered the market. These brands typically position themselves through innovative products, unique marketing approaches, or targeting specific consumer segments to carve out a niche. Consumers can gain insight into the milk production process by adopting cows, enhancing product transparency and credibility.

As food safety oversight intensifies, people's living standards continue to rise, driving ever-increasing demands. Expectations for food extend beyond mere sustenance, placing greater emphasis on quality and safety. Food safety concerns are gaining heightened attention as they directly impact everyone's health and quality of life.

However, if problems arise in food production, processing, or sales, the consequences could be dire. As one of the largest enterprises in China's dairy industry, YL Group must prioritize product quality. Should a food safety incident occur, its brand image would suffer severe damage. Consumer trust would collapse instantly, and its reputation would plummet. This would trigger a sharp decline in market share, leaving the company vulnerable to consumer boycotts, stringent penalties from regulatory authorities, and scrutiny from partners—resulting in devastating impacts.

4 Conclusion

Through financial analysis of dairy enterprises, Yili is currently at a critical juncture of transformation and upgrading within the dairy industry, facing an exceptionally favorable external environment and development opportunities. Government policy support, the upgrading of dairy consumption, and the overall rise in societal consumption levels have collectively provided the company with advantageous conditions for growth. The company should seize these opportunities to achieve faster and better development, thereby securing a competitive edge in the dairy market.

However, shortcomings remain in brand strength, product portfolio, and diversification efforts, necessitating enhanced marketing strategies to bolster market competitiveness. This will enable sustained growth and maximize brand value.

In future research, Yili can optimize its capital structure, strengthen capital management, and conduct precise assessments of its funding needs to avoid excessive borrowing. Secondly, the company can leverage brand extension and integration to

develop differentiated products. By capitalizing on the group's brand recognition and reputation, it can establish independent sub-brands and create products featuring novel flavors and unique designs, showcasing Yili Group's diverse product strengths and characteristics to consumers.

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