Analysis of Cash Flow Turnover Efficiency and Risk Prevention in Retail Enterprises—Taking Yonghui Superstores as an Example

Ruoqi Li

Major of Finance and Banking, University College Dublin, Singapore 228095, Singapore
CT0385995@kaplan.edu.sg

Abstract. Cash flow is the crucial aspect in studying a company's operations. The retail sector currently serves as an important foundation for achieving rapid economic growth. Given the industry's extreme reliance on inventory and its core dependence on cash flow for survival, inefficient cash flow turnover may precipitate bankruptcy. This paper uses literature analysis alongside quantitative and qualitative methodologies to collect recent financial data from Yonghui Superstores. It examines annual variations and trends in cash flow metrics, which show a decreasing trend. This identifies the challenges faced by Yonghui, for example, the continuous losses in revenue, high level of debt and high pressure of cash flow and the high cost of adjusting stores resulting from the transformation. The suggestion for Yonghui is that it should focus on the strategy, increase profitability and manage the cash flow efficiency. In short run, Yonghui can optimize its inventory management and allocation of assets to decrease the financial pressure and then develop its supply chain and set its own logistics.

Keywords: Cash Flow Turnover Efficiency, Risk Prevention, Retail Enterprises, Yonghui Superstores.

1 Introduction

The retail industry of the modern world is remarkably competitive and the demands of customers change at a blistering rate. Cash flow has become a crucial parameter when it comes to the evaluation of the level of operational efficiencies and sustainable developmental capabilities. Retailers presented with their roles as contrasted to manufacturing include rapid inventory turnover, a large transaction frequency which makes the industry very sensitive to the efficiency in turnover of cash flows. A business that has poor cash flow management will either become in liquidity or may even result in operational misfortunes although the profit on account may be well. In turn, it is significant to optimise the efficiency of cash flow turnover and reinforce risk prevention measures.

The cash flow turnover efficiency is mainly measured in terms of how it is possible to create cash flow through the operating activities, how the accounts receivable and payable are managed and the rates at which the inventories turnover. Effective cash flow turnover will not only lower the dependence on external funding, but it will also

© The Author(s) 2026
L. C. Yoong (ed.), *Proceedings of the 2026 2nd International Conference on Financial Innovation and Marketing Management (FIMM 2026)*, Advances in Economics, Business and Management Research 408,
https://doi.org/10.2991/978-94-6239-801-6_64

make a company more flexibility in the price competition, supply chain negotiation and market expansion. Nonetheless, in real operation, retailers usually tend to be influenced by the various forces like disruption on supply chain and growing digital transformation expenses. As such, it ought to also give thought to the cash flow with regard to the investing activities and financing activities.

Over the last few years, new retail models that have appeared and the extensive use of digital technology in retailer industry has led to the chance of drastic shifts in the cash flow structures and risk profile of a retailer. The online channel and offline channel integration, real-time delivery services, and the operations built upon platforms have on the one hand increased the efficiency of sales and at the same time increased the specifications on the capital usage requirements and settlement periods. Conversely, the information systems and data analytic applications have resulted in new opportunities in the area of refined cash flow management and timely warning systems of risks. It is with this background that analytically studying the main risks that retailers are exposed to in terms of cash flow turnover efficiency and discussing relevant strategies to prevent and control risks has great theoretical and practical importance.

Upon this, this paper has used Yonghui Superstores as a research subject and analyzed its cash flow turnover efficiency and risk prevention and control. It tries to unlock the process where cash flow management can affect the operations stability of any retail enterprise and also give a reference and insights when retailers want to maximize their cash flow structure and improve their capacity to prevent and control risks.

2 Analysis of the Current Financial Strategy for Cash Flow Management

Having been among the most prominent fresh produce retailers in China, Yonghui Superstores represents the attributes of the industry at large by offering an integrated online-offline model, inventory reliance, and challenge in using cash flow. Thus, this paper will consider Yonghui Superstore as a case study to give an example to other businesses.

2.1 Yonghui Superstores Overview

Yonghui Superstores is a leading retail enterprise that established itself in 2000 and joined Shanghai Stock Exchange in 2010 [1]. It is also one of the first retailers in the country to stock fresh agricultural produce in the supermarkets [1]. It has a high market share and strong brand influence within China. Yonghui Superstores currently operates through an integrated online-offline business model [2]. By the end of 2024, Yonghui Superstores has expanded its operations to 29 provinces in China, operating a total of 775 stores, and Yonghui expand its digital presence, primarily through proprietary e-commerce platforms named ‘Yonghui Life’ [3]. Additionally, Yonghui has expanded its logistics facilities to enhance the turnover efficiency of fresh produce and improve consumer service satisfaction [3].

2.2 Current Cash Flow Status of Yonghui Superstores

As a retail enterprise, liquidity is very important. Cash cycle is one of the key indicators used to measure the operational performance of a company. It is measured by inventory turnover cycle plus account receivables turnover cycle minus account payable turnover cycle [4]. The inventory turnover period of Yonghui increased in 2018, because of the changing operating planning, and then decreased in 2019, which was caused by the expanding strategy [5]. This shows that Yonghui has deficiencies in its inventory management. In 2021, the newly launched 'Hui Mama Home Delivery' attracted many customers and enterd the delivery market rapidly, which led to an increase in the accounts receivable turnover period [5]. The account payable turnover days become longer, which indicates the pressure for Yonghui's interest burden has decreased, which is good for cash cycle [5].

The cash flow statement can be divided into three parts: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities [6].

Cash flows from operating activities come from the core business operations like the cash received by selling products. Yonghui Supermarket's cash inflows mainly include cash collected from sales of goods, and other cash received in related to operations such as tax refunds. And its main cash outflows include purchasing products, paying to suppliers, paying salaries to employees, taxes payment and payments to other activities related to operations.

Table 1. Cash flow for Yonghui Superstores.

	2020	2021	2022	2023	2024
Net cash flow from operating activities (¥ in million)	61.40	58.27	58.64	45.69	21.91
Net cash flow from investing activities (¥ in million)	-21.71	-9.15	-0.87	2.57	-11.23
Net cash flow from financing activities (¥ in million)	1.06	-68.56	-69.82	-65.72	-29.32
Percentage change in op. activities (%)		-5.09	0.64	-22.09	-52.04

Data source: Yonghui Annual Report

According to Table 1, the net cash flow from operating activities of Yonghui has consistently shown a declining trend, with the decrease becoming particularly significant in 2024. The reason for this change is there was a decrease in revenue and gross profit margin, resulting in reduced gross profits, and the divestment of Yunjin Technology, which led to a decrease in loan recoveries [3]. Besides, the decrease in revenue was caused by the company has undertaken store optimization alongside strategic and operational model transformation, phasing out outdated items and introducing new ones, and in this case, gross profit margin was impacted in the short term.

Yonghui closed about 200 stores in 2024, and this act led to an increase in cash recovered from disposal of assets upon closure. And for the financing part, the finance lease payments received have decreased due to closing stores, so cash inflows have increased. However, since there were fewer stores, the loan repayments and minority shareholder dividends paid also decreased.

3 Yonghui Superstores Cash Flow Management Financial Strategy

Yonghui Superstores primarily employs direct sourcing from suppliers, which will make the company spend less and have better control over the product quality proving the supply chain efficiency. Yonghui procures goods chiefly across two categories: fresh produce and foodstuffs [7]. The chain manages inventory through automated systems that trigger alerts and replenish stock when levels fall below thresholds [3]. Concurrently, it enhances management oversight of slow-moving items to improve inventory turnover efficiency [3].

According to table 2, in Yonghui's current assets, inventory accounts for a high proportion, which is 40.87% (70.584/172.713), which is higher than the industry average. This stems from the short shelf life of fresh produce and a lagging replenishment system, resulting in higher wastage rates than the sector norm. The online business accounts receivable turnover period extended to 28 days, attributable to the relaxed credit limit controls for new users on 'Yonghui Life'.

Table 2. Yonghui Superstores 2024 current assets statement.

Current Asset (¥ in million)	2024
Cash and cash equivalents	39.962
Loans and Advances	0
Trading financial assets	32.905
Notes Receivables	0
Accounts Receivable Factoring	0
Accounts Receivables	2.627
Advance payments	7.912
Other Receivables	3.922
Inventory	70.584
Non-current assets due within one year	0.328
Other current assets	14.474
Total current assets	172.713

Data source: Yonghui Annual Report

In the past, Yonghui's operating costs have risen steadily, leading to an annual increase in its operating cash outflow [8]. This is because of the store's expansion, which has led to higher procurement costs. Therefore, in 2024, Yonghui has undergone a

transformation of its business model and implemented a store retrenchment strategy. Yonghui has also set up its own logistics centre to facilitate the efficiency of the inventory turnover. The latter facility will also allow logistics service delivery to suppliers and partners, which will bring extra revenue to Yonghui [8].

Also, Yonghui has been making efforts to concentrate on digital transformation, with the former Jingdong senior executive surprisingly given the role of digital transformation [9]. Yonghui has a group of 1000 people to facilitate the digital transformation under the guidance of this person [9]. Yonghui now has security and back-office management information systems, which allow their suppliers to process different orders more effectively and have also created online sales channels [2]. This digital transformation can be seen through its self- operated platform Yonghui Life. The registered number had reached more than 118 million on the platform Yonghui Life by the year ending 2024 with sales of 8.02 billion yuan [3].

4 Recommendations for Cash Flow Management Financial Strategy

4.1 Strategies for Optimizing Cash Flow from Operating Activities

Yonghui should adopt polished inventory management by setting up an efficient system of monitoring inventory. As an illustration, with the running of sensors that track the temperature and stock inventory quantities of fresh food, upon the system observing that inventory drops to or below the safety standard, it automatically sends out replenishment. Even though Yonghui already possesses such a system, there is some level of lag with it. The company can upgrade this system to allow it to automatically identify and record the inventory gains and dates effectively transforming a system that is totally automated and therefore convenient and efficient.

The uncertainty of the market fluctuations can also be solved by Yonghui optimizing supplier collaboration models, establishing a long term and stable relationship and negotiating flexible payment terms [10]. And also, Yonghui can make a self-supply sector or take a diversified supply chain to alleviate payment pressure.

Besides, Yonghui can enhance the cash flow efficiency of online operations, like the ‘Yonghui Life’. Through optimizing the online sales receivables collection process, strengthening the assessment of customer creditworthiness, implementing stricter credit policies for clients with low credit ratings to prevent cash flow disruptions caused by payment defaults, and at the same time, taking appropriate legal action against customers who fail to settle outstanding debts [10]. And it can reasonably control the marketing expenditure by supervising the operation and changing the strategies and budget in time.

4.2 Strategies for Optimizing Cash Flow from Investing Activities

Retail business is very competitive. As a strategy to differentiate, Yonghui needs to focus more on its main areas and beneficial formats, plan appropriately its investment strategy, cut down on expansion to non-essential outlets and increase its income on

investment. This is attributed to the fact that the blind growth can result to losses in new stores and compromise operational efficiency of Yonghui [11].

Yonghui ought to make long-term investments in stages instead of conducting a wholesale conversion, which would lead to massive outflow of capital and ruin the cash flow operations of the company. Yonghui can plan digital transformation and supply chain upgrades in a rationale way based on its current position in cash flow and only invest when the adequate liquidity can be guaranteed.

Simultaneously, the company must always be on the lookout, exercise a sound investment policy, and address volume of returns and risks comprehensively when making an investment decision.

4.3 Strategies for Optimizing Cash Flow from Financing Activities

Currently, Yonghui major sources of primary financing are relatively underdeveloped involving the use of deferred commercial credit payments and the collection of advance receipts of fast-moving customers. Nevertheless, in cases, when the number of current liabilities is an excessively high percentage, financial crises can easily emerge [5]. The reason behind this is that any failure in the supply chain can go a long way to increase the probability of a breakdown in corporate cash flow [5]. Enterprises ought to suitably increase the ratio of long-term liabilities to reduce the risks associated with the short-term debt financing, hence, providing stable operations. As a result, to prevent financial risk caused by shortage in cash flow, the retail businesses ought to take diversified sources of financing, including the long-term debt financing and equity financing as opposed to depending on the deferral payments and advance receipts alone. In this way, Yonghui was able to use diversified financing approaches and widen sources of investment and was able to sustain liquidity but protect the sustainable development of the company.

An additional way Yonghui could optimize the capital structure is to balance the debt and equity financing, with more focus on the debt repayment and expansion of working capital as a way of minimizing the high-cost leverage. Managing the cost of funding and directing investment in assets that generate revenue like logistics, will enhance cash flow and profitability and hence indirect pressure caused by financing costs.

5 Conclusion

The paper performs systematic research on cash flow turnover efficiency and risk prevention of the retailers. It evaluates cash flow operational features of retail businesses in three aspects, namely the operating activities, investing activities and financing activities. Additionally, it examines the paramount role of cash flow management in the long-term survival of the retailers due to the trend of industry development. The findings of the research show that cash flow turnover efficiency is not only a central measure of evaluating the operational potential and financial position of a retailer but is also one of the fundamental protective measures of enterprises in reducing the risks of operations and becoming more resilient to the fluctuations of the cycle.

To begin with, effective cash flow turnover will help the retailers lower both the cost of operations and efficiency of capital utilization. The retailers can create stable, sustained net operating cash inflows through optimizing inventory management, accelerating the collection of accounts receivables, and rational extension of accounts payable, which increases their flexibility and initiative in competition in the market. On the other hand, inefficient cash flow turnover tends to worsen the situation that includes inventory backlogs, cost increase and dependence on financing that poses a great financial risk.

Secondly, cash flow management is more forecasting and authentic in risk prevention and control than profit measures. Studies also show that although profitability might be acceptable, liquidity risks or operational crises can strike retailers as long as operating cash flows are continuously negative. In turn, the development of cash flow-oriented risk warning systems and the intensification of cash flow structure, stability, and volatility monitoring is the key to improvement of risk identification and response ability of retailers.

Lastly, due to constant improvement in digital technologies and supply chain management, retailers currently have additional avenues to improve the efficiency of cash flow turnover and prevention of risks. Retail business enterprises can grow their scale and compete on a steady rise through inventories driven by data, supply chain cooperation, and capital management efficiency, at the same time protecting liquidity. In general, enhancing the effectiveness of cash flow turnover and reinforcing the risk prevention strategies can be considered as a necessity decision of retailers aiming at gaining long-term competitive advantage and sustainable growth.

References

1. Yonghui: Company Profile. Walking into Yonghui (2020). https://www.yonghui.com.cn/html/web/zoujinyonghui/gongsijianjie/index.html.
2. He, Z., Li, J., Yao, Y., & Liu, R.: Financial Analysis of Fresh Food and Agricultural Products Supermarkets under New Retail Model--Taking Yonghui Superstores as an Example (2022)
3. Yonghui: Yonghui Superstores: 2024 Annual Report. Corporate Social Responsibility: Regular reporting (2025).
4. Karim, R., Mamun, M. A. A., & Kamruzzaman, A. S. M.: Cash conversion cycle and financial performance: evidence from manufacturing firms of Bangladesh. Asian Journal of Economics and Banking **8**(1), 67–82 (2024)
5. Sa, J.: Research on operating capital management of Yonghui Supermarket under the new retail model (2024).
6. Richard, L.: Cash Flow Analysis: The Basics. Investopedia (2025)
7. Chen, G.: Research on Working Capital Management of Yonghui Supermarket from the Perspective of Supply Chain (2024)
8. Lin, F.: Research on Cash Flow Risk Management of Yonghui Supermarket from the Perspective of Value Chain (2023)
9. Chen, J.: Yonghui Supermarket's Challenges and Improvement Suggestions in Digital Transformation. In 2025 International Conference on Financial Risk and Investment Management (ICFRIM 2025), 686–693 (2025)

10. Wang, S.: Financial Risk Management Strategies in Corporate Business Operations. Market Modernization (05), 177–179 (2025)
11. Yang, S.: The expansion of enterprise financial risk prevention and control research on Yonghui supermarket Limited by Share Ltd as an example (2018)

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (http://creativecommons.org/licenses/by-nc/4.0/), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

