

*Original Research Article*

## **Analysis on Fund Management Strategy of Auto Dealer Group**

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**Abstract:** In recent years, with the further development of the automobile industry, more and more enterprises have joined the industry, and the automobile sales competition has become increasingly fierce. Chinese automobile enterprises are facing severe internal and external challenges. The intensification of competitiveness makes capital risk increase. In order to develop stably and not be eliminated in the market, enterprises must take corresponding measures to solve the problems existing in capital management.

**Keywords:** Car Dealers; Fund Management; Corresponding Strategy

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The cost of automobiles is relatively high. For an automobile enterprise, it must have sufficient capital injection to survive in such a competitive market environment. Therefore, proper capital management of the enterprise will directly affect the development of the enterprise. This paper puts forward some suggestions on the problems existing in the fund management of automobile dealer group in the hope that the automobile market can develop healthily<sup>[1]</sup>.

### **1. Fund management status of auto dealer group**

#### **1.1 Status quo of financing management**

Enterprise financing is for better development, and solving the fund problem is very important to promote enterprise operation and development. The enterprise must carry on the reasonable management to financing. This requires enterprises to make the corresponding capital budget, but many enterprises even do the capital budget, there is still the use of funds at will. There is no reasonable overall planning for financing, which will increase the capital risk of enterprises.

#### **1.2 Current situation of inventory management**

Inventory management is the cornerstone of enterprise management, which can provide effective buffer period for automobile from production to sales, and is also an important link of automobile sales<sup>[2]</sup>. Under normal circumstances, automobile dealers will be configured according to the stake-and-sales ratio to provide the corresponding pre-sales volume, but in the actual operation process, the automobile sales situation will be worse than the market situation, resulting in inventory overstock, which can also lead to inventory overhang due to buyouts.

### **2. Problems existing in the fund management of automobile dealer groups**

#### **2.1 Increase in operating costs and capital shortage**

Working capital management is a very important part of enterprise financial management. However, due to a series of reasons, working capital management is not good enough, which leads to the shortage of capital. First of all, due to

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the lack of enterprise working capital, most dealers have to borrow loans. Secondly, since many dealers are leased land to build shops, the operating cost of car dealers will increase with the increase of land price. Finally, as a result of tight money, auto companies are now financing costs have risen sharply. At the same time, due to the shortage of talent and management problems lead to the increase of labor costs<sup>[3]</sup>.

## **2.2 The control of working capital is not strict, and there is a risk of losing control of capital**

Nowadays, many dealers in China are faced with the problem of capital turnover. The lack of working capital within enterprises, difficulties in external financing and the risk of losing control of capital may lead to the rupture of enterprise capital chain at any time. Many small and medium-sized enterprises in our country, there is no scientific and reasonable management method to control the flow of money into and out of China. Cash management is unscientific and unreasonable to use, thus it appeared two extremes. It is affected by investment growth mode, enterprise appropriation of liquid funds for investment in fixed assets, which greatly exceeded the liquidity of bear ability, increase liquidity shortage, the contradiction of shortage of liquidity is more outstanding; on the other hand, some small and medium-sized enterprises (SMEs) that the more cash reserves, the better, the enterprise idle money in the bank, rather than using in production and business operation activities, cause cash to spare, no revitalize the stock of cash, greatly reducing the profits of the enterprise<sup>[4]</sup>. In addition, due to the lack of capital and blind investment, it is easy to cause capital shortage, and aggravate the risk of capital out of control.

## **2.3 Low efficiency of inventory management**

Inventory management is very important for the operation and management of enterprises. However, some internal and external factors lead to low efficiency of inventory management. From the perspective of the internal factors of the enterprise, the management of the enterprise's understanding of the nature of inventory defects, so that the company's inventory overstocked. The lack of effective communication between the functional departments of the enterprise makes the inventory unable to meet the market demand. And the defective internal control system makes the inventory supervision inefficient. The lack of professional quality of managers makes it difficult for enterprises to determine the scientific inventory. Failure to combine inventory management with logistics management leads to overstocking. From the perspective of external factors, the change of national macro-control policies, the continuous rise of price level and the acceleration of market demand will lead to the overstocking of inventory, thus making inventory management inefficient<sup>[5]</sup>.

# **3. Corresponding strategies for dealer group fund management**

## **3.1 Continue to expand financing channels and increase capital input**

To expand the diversification of financing channels, the first way is to borrow money from banks, which is a relatively common channel, but the cost and requirements are relatively high. Second is to seek support from policy guarantee. Third is to seek help from investment companies to achieve a two-way win-win situation.

## **3.2 Strengthen the control of working capital and reduce the risk of out-of-control capital**

There are four requirements for working capital management. The first one is to ensure the needs of production and operation, and to economize and rationally use funds. Second is to combine the fund management and asset management. Third is to ensure the use of funds and materials movement in combination, adhere to the balance of money and goods and abide by the settlement discipline. Fourth is to use working capital for the needs of turnover in production and operation, not for capital construction and other expenditures<sup>[6]</sup>.

In order to strengthen the control of liquidity, enterprises need to further enhance the understanding, strengthening program management, improve the constraint mechanism, implementing the economic responsibility system and do well in cooperation and cooperation. To improve the budget fund management system, the fund budget should run through the whole process of fund management. The management should confirm the operation budget, the financial

department should confirm the fund budget and the key performance indicators of each key position. It is important to standardizing the fund management system of the enterprise and each fund trend needs to be confirmed by the financial director. The company's fund management should adopt the management methods of unified planning, unified fund-raising, unified scheduling, unified settlement and unified assessment.

### **3.3 Optimize the inventory structure rationally and improve the efficiency of inventory management**

Inventory optimization can be carried out in four ways. Firstly, inventory level analysis should focus on three factors: demand variability and safety inventory level, purchase lead period variability and purchase order placement point setting, and maximum inventory setting<sup>[7]</sup>. Secondly, the analysis of procurement strategy should include the analysis of procurement economic volume, procurement lead time, and procurement lead time variability (supplier supply reliability). Thirdly, in the analysis of inventory allocation strategy, it should be noted that the inventory of different nodes in the supply chain should be considered, whose inventory allocation strategy will affect the service level and inventory cost. Fourth, in the demand analysis of service level, service level refers to the time period and performance rate for material supply to meet the demand, but the time period is shortened, the difficulty of performance is increased, and the requirement of service level is raised<sup>[8,9]</sup>. Therefore, the reasonable setting of service level is conducive to the reduction of inventory level.

## **4. Conclusion**

With the improvement of people's living standard, cars, as a means of transportation, are more and more commonly used in our life, and people's demand is also constantly improving. Car dealers are facing fierce market competition and will be eliminated by the market if they make any mistake. In order to run an enterprise successfully, capital management is an indispensable part. However, there are more or less some problems in the fund management of automobile dealer groups. To solve these problems, corresponding measures must be taken to expand financing channels, strengthen the control of working capital, and optimize the inventory structure reasonably, so as not to be excluded in such a fierce market environment.

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