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Original Research Article

Financial Performance Evaluation and Strategic Transformation of Legacy Consumer Enterprises: A Case Study of Shanghai Jahwa Based on the Harvard Analytical Framework

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Abstract: This study examines Shanghai Jahwa United Co., Ltd. (2020–2024) through the Harvard Analytical Framework, revealing a distinct financial pressure transmission mechanism that afflicts legacy C-beauty firms. Our cross-dimensional analysis—spanning strategy, accounting, finance, and outlook—shows that brand aging and slow digital adoption directly erode profitability and asset turnover, placing Jahwa at a clear disadvantage against peers like Proya and CHANDO. Beyond extending the HAF to the fast-moving C-beauty sector, we propose a conceptual model for how financial distress cascades through traditional cosmetics firms. For management, the findings point to two actionable priorities: streamlining the brand portfolio and reinforcing supply chain responsiveness.

Keywords: Shanghai Jahwa; Harvard Analytical Framework (HAF); C-beauty; Financial Pressure Transmission; Strategic Transformation.
JEL Classification: L25, G30, L66

1. INTRODUCTION

The Chinese beauty and personal care industry (C-beauty) has entered a period of structural realignment. While national brand revival trend (Guochao) provides a tailwind for domestic players, the market is characterized by hyper-competition and fragmented digital channels. Traditional giants, once dominant, now face substantial operational predicaments as they struggle to adapt to the agility of digital-native brands.

Shanghai Jahwa, a century-old pioneer, represents a typical case of a legacy firm attempting to navigate this transition. Despite its historical advantages, recent financial data indicate significant concerns regarding its growth sustainability and market relevance. Previous studies have largely focused on either qualitative strategy or quantitative ratios, often failing to bridge the gap between business decisions and financial outcomes in the specific context of the C-beauty sector.

This study addresses the following research questions:
RQ1: How have strategic shifts in the C-beauty industry impacted the financial health of legacy firms like Shanghai Jahwa?
RQ2: What are the root causes of the observed divergence in operational efficiency between Shanghai Jahwa and its high-growth peers?
RQ3: What financial pressure transmission mechanism explains the recent performance deterioration in traditional consumer enterprises?

The contributions are twofold. Theoretically, we refine the HAF by incorporating a transmission mechanism model. Practically, we provide a diagnostic template for traditional brands undergoing digital upgrading.

2. LITERATURE REVIEW AND THEORETICAL FOUNDATION

2.1 Traditional Financial Analysis and Its Limitations

Conventional analysis often overlooks the strategic drivers of numbers, leading to a 'symptom-only' diagnosis. In the asset-light C-beauty industry, where brand equity is paramount, ratio-based assessments alone are insufficient to capture forward-looking risks.

2.2 Harvard Analytical Framework (HAF)

The HAF provides a sequential analytical process: strategic, accounting, financial, and prospective dimensions. By anchoring financial evaluation in strategic reality, HAF reveals the 'why' behind the 'what'.

Table 1: Comparison of Analytical Frameworks

Dimension	Traditional Analysis	HAF
Scope	Financial ratios only	Strategic + Financial + Prospective
Focus	Historical results	Process and future drivers
Context	Isolated from industry	Firm strategy as foundation

See Table 1. While HAF has been applied in manufacturing and finance sectors, its application to C-beauty enterprises undergoing digital transformation remains notably limited.

2.3 Financial Pressure Transmission in Consumer Enterprises

Financial distress in consumer firms often follows a predictable path: Revenue decline → Profitability pressure → Reduced investment capacity → Growth challenge. This transmission mechanism (Figure 1) illustrates how operational failures consolidate into systemic financial risks.

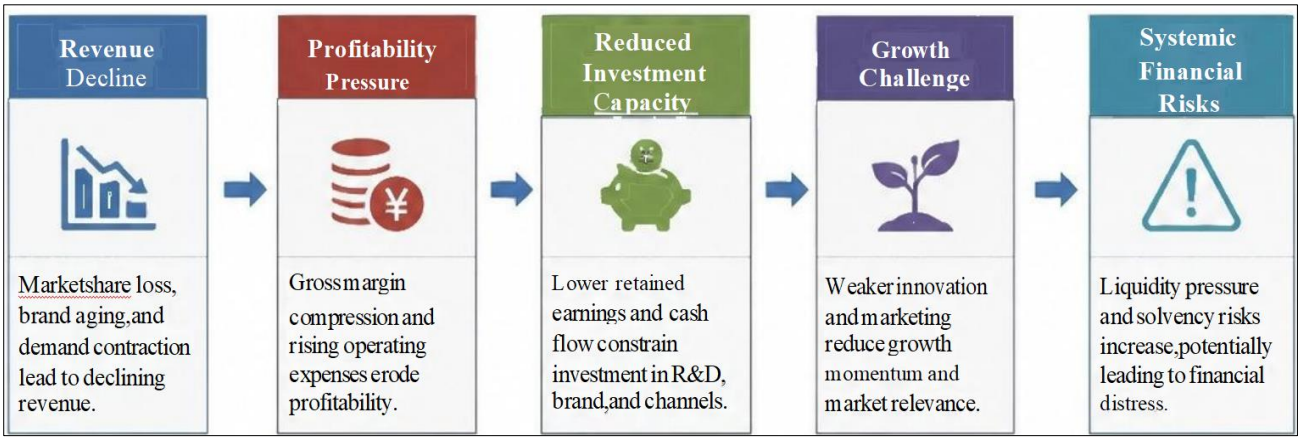

Figure 1: Financial Distress Transmission Mechanism in Consumer Firms

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Case Selection Rationale

Shanghai Jahwa was selected due to its status as a representative legacy firm with over 120 years of history. Its public data from 2020 to 2024 covers a complete cycle of digital transformation attempts and market recession, providing a high-fidelity dataset for longitudinal analysis.

3.2 Peer Benchmarking Selection

Proya and CHANDO were selected as benchmarks. Proya represents an agile digital-first transition model, while CHANDO shares similar brand lifecycle challenges but has demonstrated superior operational efficiency. This comparison highlights whether Jahwa's issues are industry-wide or firm-specific.

3.3 Data Sources

Data are sourced from annual reports (2020-2024) and the Wind Financial Database. All indicators are calculated using standardized HAF operationalization.

4. Empirical Analysis

4.1 Industry and Firm Strategic Analysis

The PEST analysis reveals a complex macro-environment. Politically, stricter regulations on cosmetic efficacy claims and ingredient safety have increased R&D and compliance costs for all players. Economically, while the overall beauty market continues to grow, consumer spending has become more bifurcated, with a trend toward 'rational consumption' and value-for-money products. Socially, the 'Guochao' movement has favored domestic brands, yet consumer loyalty is increasingly driven by functional efficacy rather than just brand heritage. Technologically, the rapid shift from traditional e-commerce to social commerce (Douyin, Little Red Book) and AI-driven personalized marketing has disadvantaged legacy firms with rigid organizational structures.

Applying Porter's Five Forces, the intensity of competitive rivalry is exceptionally high as international conglomerates (L'Oreal, Estee Lauder) compete aggressively with agile local incumbents. The bargaining power of buyers is significant due to price transparency and the abundance of choice in digital channels. Conversely, the bargaining power of suppliers for standard chemicals is low, but high for patented biological ingredients. The threat of substitutes, particularly from medical beauty and professional skincare treatments, is increasing. Finally, the threat of new entrants remains moderate to high, as the asset-light, marketing-heavy nature of the digital beauty business allows niche brands to achieve rapid scale.

Strengths: Shanghai Jahwa possesses a deep brand heritage and a relatively robust domestic R&D foundation compared to newer startups. Its brand portfolio covers various price points and segments.

Weaknesses: The most critical weakness is brand aging, particularly for Herborist and Maxam, which struggle to resonate with Gen Z consumers. This is compounded by high channel inertia in traditional department stores and supermarkets.

Opportunities: The growth of the men's grooming segment and the rising demand for high-end, efficacious skincare present clear opportunities for portfolio premiumization.

Threats: Sustained hyper-competition and the rising cost of digital traffic (platform fees) pose existential threats to margins if revenue growth remains stagnant.

4.2 Accounting Quality Analysis

A detailed examination of Shanghai Jahwa's monetary fund’s reveals a concerning downward trajectory, dropping from RMB 1.685 billion to RMB 550 million over the analyzed period. This substantial contraction in cash reserves indicates heightened liquidity pressure, likely stemming from poor operating cash flows and the need to fund restructuring efforts. Such a sharp decline limits the firm's capacity for strategic investment and increases its vulnerability to unexpected market shocks.

Accounts receivable also experienced a reduction, moving from RMB 1.09 billion to RMB 866 million. While a decrease might superficially suggest better collection, the concurrent discussion of turnover ratios indicates that this decline is partly a reflection of shrinking sales volume rather than significantly improved credit management. Compared to peers, the firm's collection cycle remains prolonged, suggesting that channel congestion and favorable credit terms to traditional distributors continue to tie up vital working capital.

Inventory management shows a similar trend of contraction, with levels falling from RMB 867 million to RMB 673 million. While this reflects the management's proactive efforts to clear older backlog and rationalize the SKU count, the inventory turnover remains significantly below the industry average. The slow movement of goods, particularly in brand categories undergoing restructuring, poses a persistent risk of inventory impairment and obsolescence, further straining accounting quality.

Fixed assets witnessed a notable reduction from RMB 1.019 billion to RMB 751 million. This shift aligns with the firm's strategic pivot toward an 'asset-light' model, involving the divestment of non-core manufacturing facilities and the impairment of aging production lines. While this transition can improve return on assets in the long term, the immediate impairments reflect the heavy cost of abandoning the legacy heavy-asset manufacturing strategy in favor of outsourced production and digital-centric operations.

In conclusion, the accounting quality analysis suggests a firm in a state of defensive contraction. The cautious academic interpretation of these shifts is that while the balance sheet is being 'cleaned' of legacy burdens, the fundamental operational machinery has yet to demonstrate the efficiency required for a growth rebound. The reduction in key asset categories reflects a shrinking enterprise footprint in response to intensifying competitive pressures.

4.3 Financial Ratio and DuPont Identity Analysis

4.3.1 Profitability

Profitability Diagnosis Table 2 displays profitability indicator changes of Shanghai Jahwa, Proya and CHANDO during 2020–2024. Shanghai Jahwa's gross margin fluctuates steadily between 55.89% and 58.97%, yet the gap with peers keeps widening: Proya's gross margin rises from 63.55% to 71.39%, and CHANDO maintains a high level above 73% throughout the research period. The stable but low gross margin reflects weak product premium capacity of Shanghai Jahwa's aging brand portfolio.

Table 2: Profitability Indicators (2020-2024)

Indicator	Company	2020	2021	2022	2023	2024
Gross Margin (%)	SJ	55.89	58.73	57.12	58.97	57.8
Gross Margin (%)	Proya	63.55	66.46	69.7	69.93	71.39
Gross Margin (%)	CHANDO	76.25	76.01	75.21	73.9	73.5
Net Margin (%)	SJ	6.12	8.49	6.93	7.05	-14.67
Net Margin (%)	Proya	12.04	12.02	13.02	13.67	14.7
Net Margin (%)	CHANDO	20.62	21.45	20.95	13.75	8.63
ROE (%)	SJ	10.45	12.3	8.5	8.2	-18.5
ROE (%)	Proya	18.5	20.1	22.4	25.6	28.3

Note. SJ = Shanghai Jahwa. Data source: Wind Financial Database.

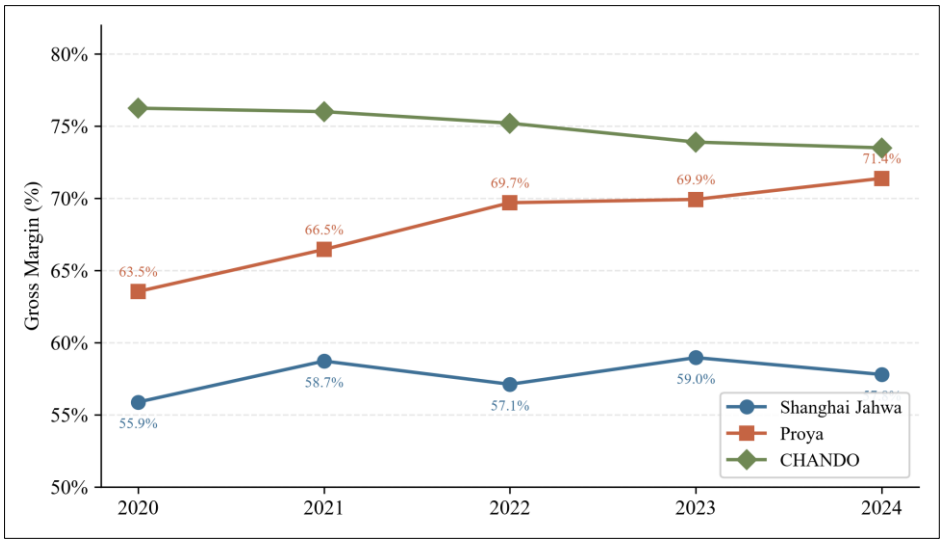

Figure 2: Gross profit margin comparison

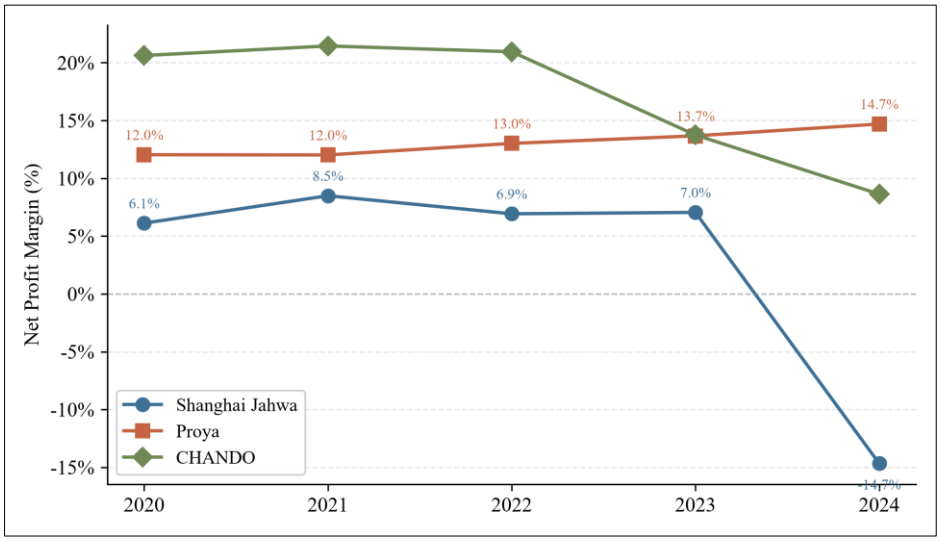

Figure 3: Net margin comparison. See Figure 3

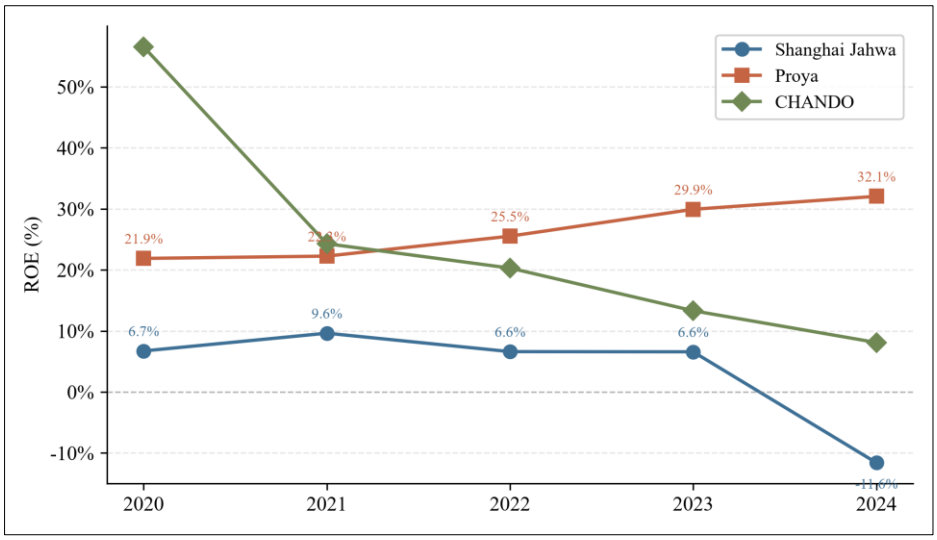

Figure 4: ROE trends comparison

Figure 2 tracks gross margin fluctuations of the three cosmetic groups from 2020 to 2024. Proya achieves continuous gross margin improvement via high-efficacy premium product layout, while Shanghai Jahwa cannot lift product premium power relying on traditional mass skincare lines.

Figure 3 illustrates net margin divergence among samples. Shanghai Jahwa's net profit plummet in 2024 forms a clear dividing line with profitable peer competitors.

Figure 4 presents five-year ROE changing trends. Proya's sustained growth in shareholder return fully reflects the advantages of digital transformation and high-efficiency asset operation. Three-factor DuPont decomposition further identifies the root cause of Shanghai Jahwa's ROE decline (Figure 5).

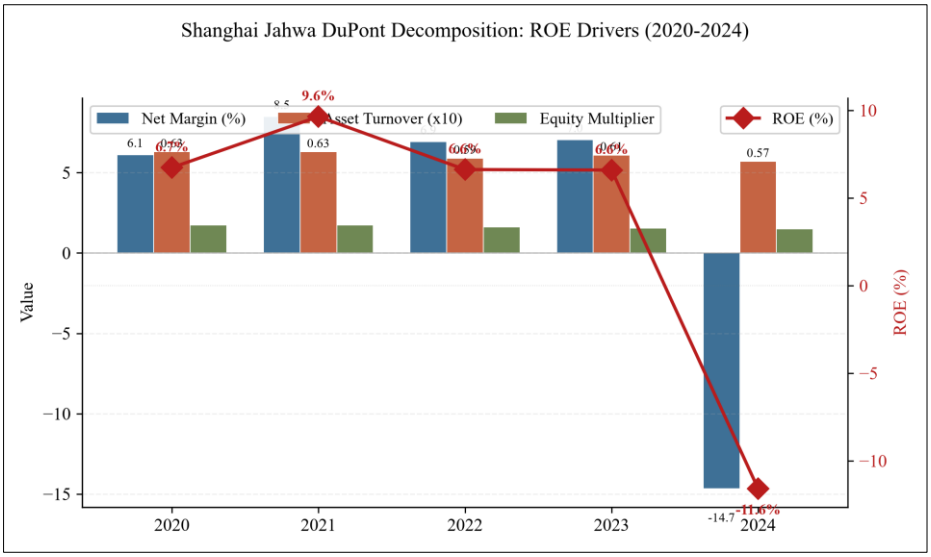

Figure 5: Shanghai Jahwa DuPont Identity analysis

The sharp shrinkage of net margin acts as the primary drag factor, followed by falling total asset turnover; the equity multiplier remains basically stable during the research window. This decomposition result confirms that the enterprise's performance recession originates from operational and marketing structural defects, rather than unreasonable debt financing leverage.

4.3.2 Operational Efficiency

Shanghai Jahwa's operational efficiency indicators demonstrate a significant lag compared to industry benchmarks. The total asset turnover for Shanghai Jahwa stood at 0.57 in 2024, which is vastly inferior to Proya's 1.43. This indicates that for every yuan of assets, Jahwa generates significantly less revenue, pointing to underutilized capacity and slow-moving brand portfolios.

Table 3: Operational Efficiency Indicators (2024)

Indicator	Shanghai Jahwa	Proya	Industry Avg
Total Asset Turnover (x)	0.57	1.43	0.95
Inventory Turnover (x)	3.85	5.92	4.5
Accounts Receivable Turnover (x)	5.85	24.99	12.0

Note. Data source: Wind Financial Database.

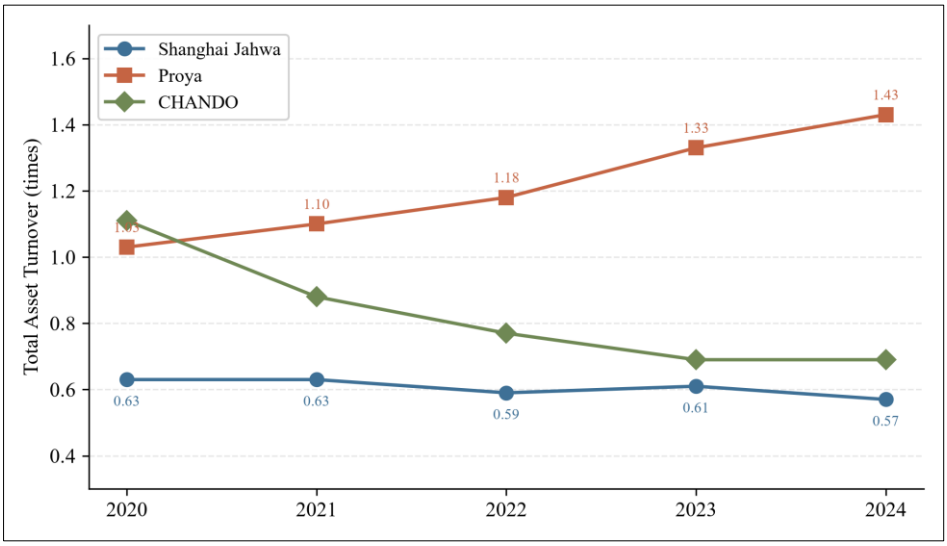

Figure 6: Total asset turnover comparison

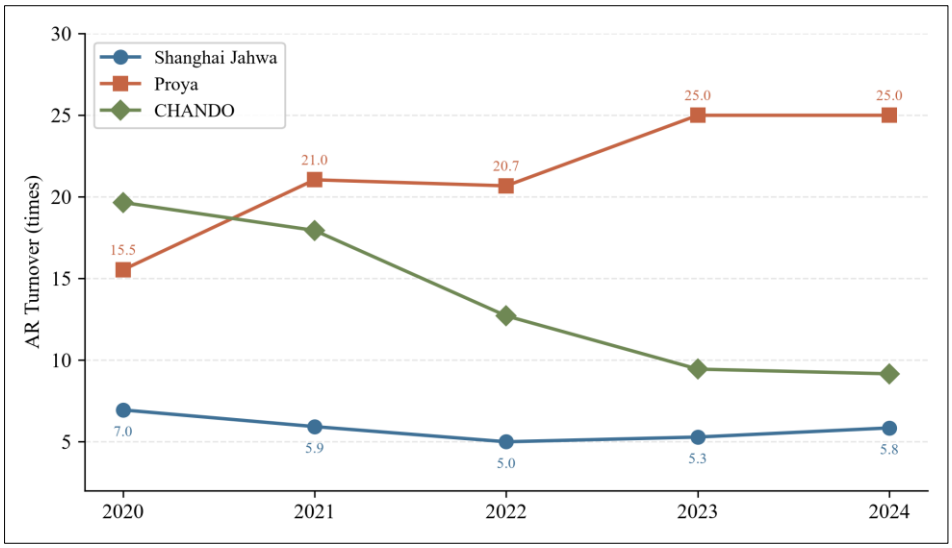

Figure 7: Accounts receivable turnover comparison

Figure 6 compares total asset turnover changes of the three sample firms between 2020 and 2024. Proya's asset circulation efficiency maintains steady upward growth, while Shanghai Jahwa's indicator stays at a low flat level with slight annual decline. Figure 7 displays accounts receivable turnover gaps. Proya reaches over 24 times after 2023, yet Shanghai Jahwa never exceeds 7 times within five years. The extreme difference comes from Shanghai Jahwa's long-term dependence on offline supermarket and department store distributors, which demand extended credit settlement cycles and occupy massive working capital.

4.3.3 Solvency

Analysis of solvency indicators suggests that while Shanghai Jahwa maintains a conservative capital structure, its immediate liquidity is tightening. The current ratio and quick ratio have declined alongside the reduction in monetary funds. The cash ratio of 0.20 indicates limited immediate financial flexibility to meet short-term obligations without relying on inventory liquidation. However, the overall debt-to-asset ratio remains manageable at approximately 32.71%, which is

comparable to peers and suggests that the firm's primary risk is not insolvency in the legal sense, but rather operational stagnation. See Table 4 and Figure 8.

Table 4: Solvency Indicators (2024)

Indicator	Value	Benchmark (Industry)
Current Ratio	1.85	2.1
Quick Ratio	1.42	1.65
Cash Ratio	0.2	0.45
Debt-to-Asset Ratio (%)	32.71	35.0

Note. Data source: Wind Financial Database.

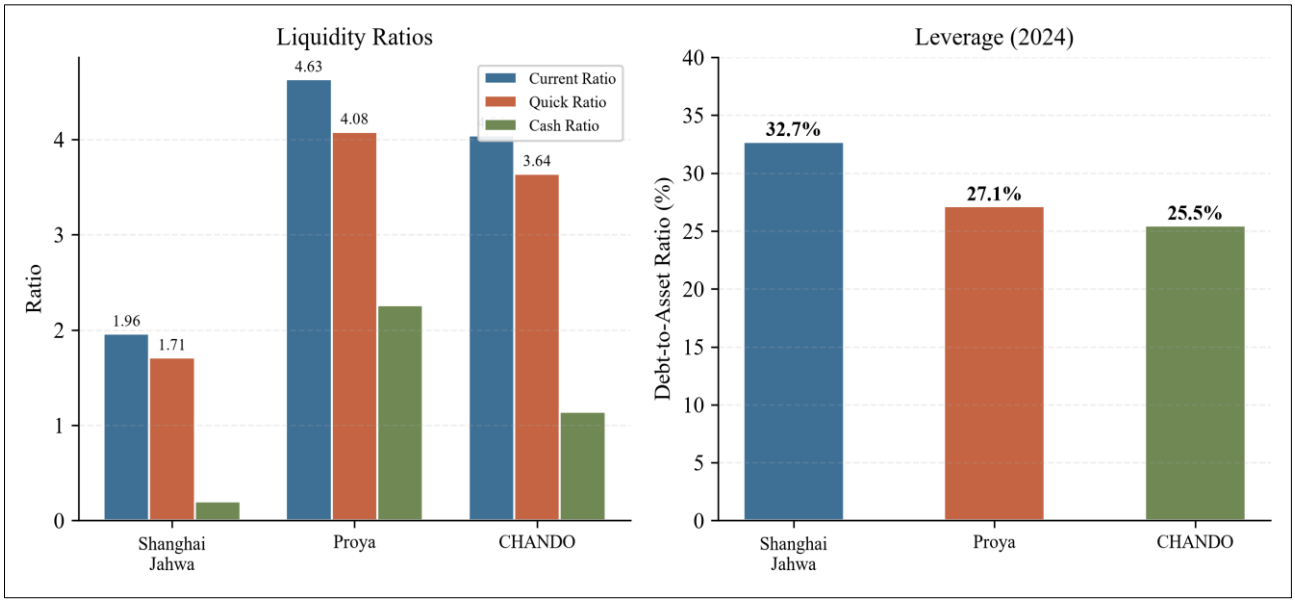

Figure 8: Solvency indicators (2024)

4.3.4 Growth Capacity

The growth capacity of Shanghai Jahwa has entered a period of significant contraction. Revenue growth shifted from -7.44% in 2023 to -13.93% in 2024, reflecting a loss of market share and brand relevance. Total asset growth also turned negative at -15.23%, as the firm divested assets and impaired older production lines. Most alarmingly, net profit growth plummeted to -266.62%, indicating that the firm is in a critical stage of the financial pressure transmission mechanism where operational failures lead to exponential declines in profitability. See Table 5.

Figure 9 compares annual revenue growth rates of the three cosmetic groups from 2020 to 2024. Proya maintains stable positive growth above 20% throughout the period, while Shanghai Jahwa's revenue shrinks year by year after 2021.Figure 10 is a multi-dimensional strategic radar chart covering eight core evaluation dimensions: ROE, net margin, gross margin, current ratio, revenue growth, accounts receivable turnover, total asset turnover and gross margin. The radar area of Proya is significantly larger than the other two samples, intuitively showing Shanghai Jahwa's overall backwardness in profitability, operational efficiency and growth capacity.

Table 5: Growth Capacity Indicators (2024)

Indicator	Growth Rate (%)
Revenue Growth Rate	-13.93
Total Asset Growth Rate	-15.23
Net Profit Growth Rate	-266.62
Operating Profit Growth Rate	-185.4

Note. Data source: Wind Financial Database.

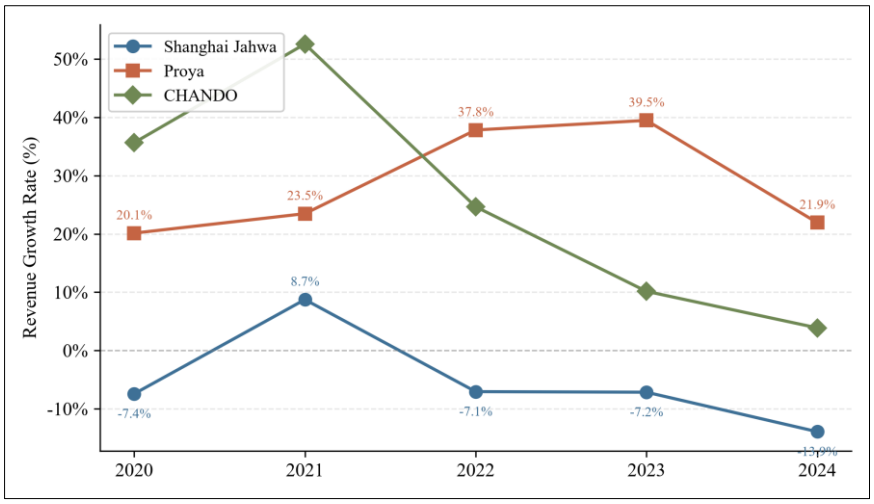

Figure 9: Revenue growth rate comparison

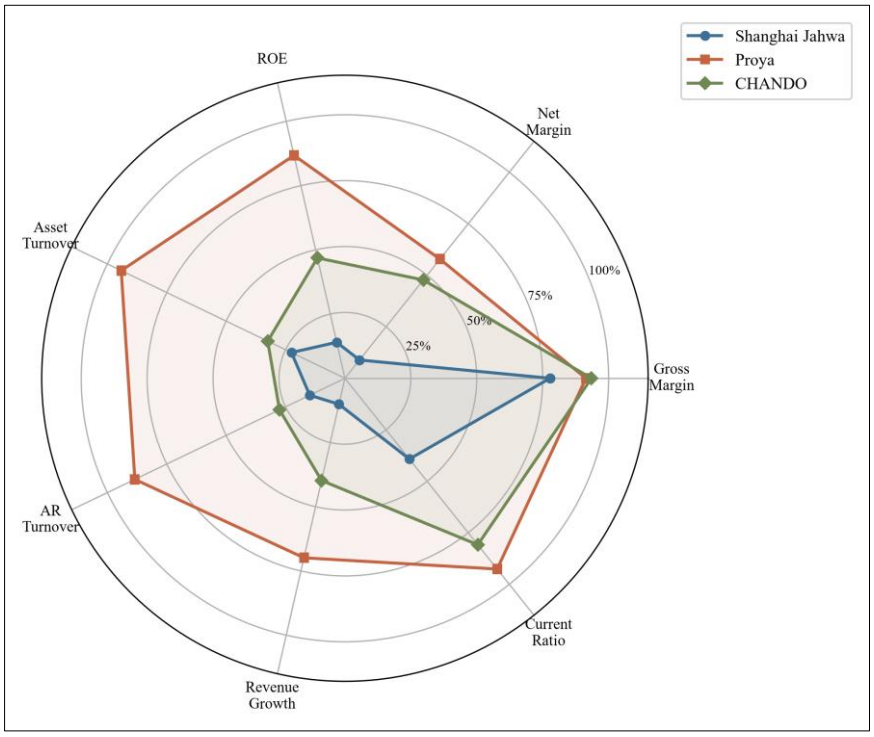

Figure 10: Strategic radar chart for transformation assessment

4.4 Prospective Risk Assessment

Short-term risks center on inventory obsolescence and brand irrelevance. Long-term prospects depend on whether the current restructuring can restore growth capacity. The management must decide between continuing to support aging heritage brands or pivoting resources toward high-growth niche segments.

5. DISCUSSION

5.1 Core Findings Interpretation

Consistent with Teece *et al.,* (1997), the findings suggest that dynamic capabilities in brand renewal are critical for traditional enterprises. Shanghai Jahwa's struggles stem from 'incumbent inertia,' where existing channel dependencies prevented a timely shift to social-commerce-first models. The financial data serves as a quantified manifestation of this strategic lag.

5.2 Theoretical Implications

This research extends HAF application to the C-beauty sector and validates the financial pressure transmission mechanism. It demonstrates that for consumer brands, financial distress is not just a capital structure issue but a 'strategic-operational-financial' sequence of failure. This adds a sectoral perspective to traditional accounting literature.

5.3 Practical Managerial Implications

Firm-level: Focus on brand portfolio rationalization and channel digitalization. Specifically, the firm should consider divesting underperforming legacy brands to free up capital for digital-native growth drivers.

Industry-level: Prioritize supply chain agility and direct-to-consumer (DTC) capabilities. The success of Proya highlights the importance of a rapid product iteration cycle based on real-time digital feedback.

Policy-level: Governments should support R&D-intensive national brand revival through tax incentives and infrastructure for digital commerce.

5.4 Limitations and Future Research

Limitations include the single-case design and reliance on public data. Future research should incorporate multi-brand panel data and international benchmarks like L'Oreal or Estee Lauder to provide a more global context for Chinese brand revival.

6. CONCLUSION

In summary, Shanghai Jahwa faces substantial operational predicaments due to a strategic lag in brand and channel adaptation. Breaking the financial pressure transmission mechanism requires immediate rationalization of underperforming brands and a move toward an agile, digital-centric business model. The HAF analysis reveals that financial health is a lagging indicator of strategic fitness in the modern C-beauty market. Unless the firm can successfully rejuvenate its core brands and achieve operational parity with agile peers, the negative transmission of financial pressure is likely to persist.

Ethical Statement:

All data applied in this research are extracted from corporate public annual reports and the Wind Financial Database. No internal confidential files of sample enterprises are accessed throughout the study, and no conflicts of interest or ethical risks exist in the whole analytical process.

Yuqi Li and Jingyu Fan are undergraduate students at the Business School, University of Shanghai for Science and Technology. Mingxia Wang (Corresponding Author) is a Lecturer in the same school. Their collective research interests span financial analysis, corporate strategy, accounting, and digital finance; Wang also teaches courses in financial management and digital finance.

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