

# *Analysis of Profitability in the Apparel Industry—A Case Study of Bosideng*

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**Keywords:** Apparel Industry; Profitability; Bosideng

**Abstract:** Against the ongoing transformation of China's apparel industry and the rapid expansion of the online apparel market, this paper focuses on Bosideng Co., Ltd., a leading enterprise in the Chinese down jacket sector, to analyze its profitability. The study aims to clarify the key drivers of Bosideng's profitability, pinpoint operational challenges, and propose targeted development strategies. Methodology-wise, it conducts a systematic analysis of core profitability metrics—including gross profit margin, return on equity (ROE), return on total assets (ROTA), and earnings per share (EPS)—using the company's financial data from 2022 to 2024. Results show Bosideng maintains a steady upward profitability trend, with a dominant down jacket market share of over 40% and key indicators (e.g., net profit margin, asset return rates) witnessing notable growth. However, it faces constraints like limited category expansion space, constrained product premium capability, and seasonal operational risks. Correspondingly, strategies such as establishing professional competitive barriers, consolidating strategic focus, and strengthening operational stability are proposed. This research provides implications for Bosideng's sustainable development and serves as a reference for other apparel firms in profitability management.

## **1. Introduction**

### **1.1 Research Background**

Nowadays, with the rapid development of China's economy, market competition is becoming increasingly intense.[5] Profitability directly affects a company's future, as every company wants to find its place in the market and continue to develop. Accurately analyzing a company's profitability is crucial for its development. By virtue of these indicators, the causes behind the changes can be examined and timely adjustments can be implemented. Improving profitability is a source of employment for company employees and also a source of more financial resources.[6]

The apparel industry has a decisive impact on the development process of China's economy. It plays a significant role in promoting market prosperity and increasing employment.[3] Following China's reform and opening-up drive, China's garment industry achieved rapid development driven by the accumulation of human capital. This paper takes Bosideng Company as a case study, analyzes its profitability, and makes predictions about Bosideng's future development. This research holds certain theoretical and practical significance for corporate managers and various types of investors.

## 1.2 Research Purpose

Analyzing a company's profitability aims to enable the rational allocation of company resources, thereby balancing the company's funds over a longer period and achieving the company's long-term interests. Profitability analysis is vital to the sustainable and steady development of a company.

## 1.3 Research Significance

Drawing on the evaluation outcomes of profitability, managers are able to implement timely measures to enhance a company's profit-making capacity. As a core financial metric, profitability exerts an impact on creditors, investors, government authorities, other relevant institutions, and staff members. Additionally, profitability analysis is categorized under the domain of financial analysis and management.<sup>[4]</sup> This study conducts an analysis of Bosideng Co., Ltd.'s profitability, identifies the factors contributing to the growth of its profitability and its future development tendencies, and meanwhile offers reference for other enterprises.<sup>[8]</sup>

## 1.4 Literature Review

Western profitability analysis theory is relatively mature<sup>[9]</sup> but has not yet been specifically applied in enterprises.<sup>[10]</sup> Domestic scholars started their research later, using profitability for indicator analysis, employing information technology and scientific methods as means,<sup>[7]</sup> utilizing various resources as components, and using the connections between variables as a bridge to save and reduce costs, thereby maximizing corporate profits.

Profitability has the greatest impact on corporate operating performance and also reveals problems in business management and entry points for improvement.<sup>[1]</sup> Profitability analysis not only helps business operators understand the company's financial status and future development direction but also assists in improving management levels, enhancing competitiveness, and facilitating the sound and sustainable development of the enterprise<sup>[2]</sup>.

## 2. Conceptual Definition

### 2.1 The Concept of Profitability

Profitability denotes an enterprise's capacity to create profits, also known as enterprise capital, meaning capital appreciation, usually indicated by the amount and level of profits over a certain period. Profitability ranks among the most crucial metrics within a company's financial analysis, providing accurate information for managers. A company's profitability is positively correlated with multiple core indicators: the higher it is, the greater the return to shareholders, the higher the corporate value, the stronger the cash flow the company generates, and the enhanced solvency of the enterprise.

### 2.2 Factors Influencing Profitability

#### 2.2.1 Marketing Capability

When analyzing a company's profitability, product marketing approaches take precedence, followed by market operation and control, while capability ranks as the least important factor. Against the backdrop of national economic development, ensuring a company's competitiveness in the market requires continuously expanding production scale and increasing sales revenue, reducing expense expenditures, and improving profits. Only by enhancing the company's market

competitiveness, increasing product sales volume, increasing operating income, and making sufficient preparations for obtaining net profit can the company's profit be raised to a higher level.

### **2.2.2 Asset Management Level**

Assets refer to resources owned and possessed by the enterprise that can create economic benefits. The management level of the enterprise is reflected both in its management of assets and in its ability to coordinate the operation of capital. To some extent, a company's strength depends on the scale, structure, and efficiency of its assets. The quality of asset management directly affects whether corporate profits can grow steadily and the relationship between security risks and risk returns.

### **2.2.3 Cost and Expense Management Level**

Profit is the surplus after costs and expenses. To increase profits, two approaches are available: boosting revenue and cutting costs. The most efficient way lies in cost control. The lower the costs and expenses, the more effective the company's cost control management system, the stronger its risk resistance, the greater its profit margin, and the more profits it can create.

### **2.2.4 Capital Structure**

This mainly manifests as a proportional relationship between debt and equity. The capital structure determines the direction in which owners and managers pursue the maximization of enterprise value in their operations. Whether the capital structure is reasonable and stable is a factor affecting the level of a company's profitability. Moderate borrowing can reduce tax pressure because interest on debt is included in financial expenses and deducted before tax, and it can utilize financial leverage to increase the return on investment for shareholders.

## **3. Case Introduction**

### **3.1 Current Situation of the Apparel Industry**

The current apparel industry commonly faces many problems such as overcapacity, huge inventories, redundant intermediate channels in the industrial chain, unclear market positioning, imitation in performance, appearance, and even marketing methods among different brands within the same major category, resulting in gradual homogenization and a shortage of numerous professionals, all of which impede the industry's sustained growth. The "manufacturer-brand company-agent-retailer-consumer" model severely restricts further breakthrough development in the industry, and calls for reforming and reshaping the industrial chain are growing louder.

In recent years, the apparel industry has actively embraced the internet and made various attempts, such as direct sales models involving cooperation between manufacturers and merchants; manufacturers trying to optimize intermediate links by directly opening custom physical stores or through investment cooperation, which have also achieved certain results. However, these are mainly partial improvements based on the traditional industrial chain model. The road to industrial upgrade is long and arduous, requiring continued exploration.

### **3.2 Introduction to Bosideng Co., Ltd.**

Bosideng Company was founded in 1976 and is headquartered in Changshu, a place with a long history, beautiful scenery, and a gathering of talents. In China's most competitive garment industry, Bosideng started with 8 sewing machines. After more than 30 years of development, it has grown into

the largest down jacket manufacturing enterprise in Asia in terms of scale, and is one of China's 16 world-renowned enterprises, its brilliant achievements astonishing the world. From the beginning of its brand creation, Bosideng aimed to create the "King of Down Jackets in China" and build world-famous down jackets. In this context, having secured achievements in the domestic market, Bosideng has also expanded overseas to tap into the international market.

#### 4. Analysis of Bosideng's Profitability

In the financial analysis of an enterprise, profitability analysis is indispensable. Profitability analysis aims to identify problems from the outset, improve the company's financial situation, enhance its solvency, thereby strengthening its operating capacity and promoting continuous development. When analyzing corporate profits, the focus is on the analysis of company profits. It can be analyzed from the following three aspects.

##### 4.1 Profitability Analysis Related to Sales

###### 4.1.1 Gross Profit Margin

Gross profit margin is a company's initial profitability, representing the gross profit generated by each unit of total sales revenue, that is, the degree of profit obtained from total sales revenue. It has a strong cost coverage ability; when the gross profit per unit of revenue is high, the profit level is high.

Table 1 Changes in Bosideng's Gross Profit Margin

Year	2024	2023	2022	2024 vs. Previous Year	2023 vs. Previous Year
Operating Income (Billion Yuan)	232.10	167.70	162.10	64.40	5.60
Operating Cost (Billion Yuan)	93.80	67.98	64.76	25.82	3.22
Gross Profit (Billion Yuan)	138.30	99.76	97.37	38.54	2.39
Gross Profit Margin	59.59%	59.47%	60.06%	0.12%	-0.59%

From Table 1, it is evident that from 2022 to 2024, both operating income and operating cost maintained an increasing trend, with respective growths of 70.00 billion yuan and 29.04 billion yuan. The gross profit margin decreased from 60.06% to 59.47%, and then increased to 59.59% in 2024, showing a pattern of first decreasing and then increasing.

###### 4.1.2 Sales Profit Margin

The sales profit margin often uses sales revenue as the basis to analyze the profitability of an enterprise, reflecting the level of corporate profitability, that is, the profit brought by each unit of sales revenue. Given that operating income is fixed, the greater the net profit, the higher the sales profit margin. Thus, increasing revenue and maximizing net profit ensure an increase in the sales profit margin.

Table 2 Changes in Bosideng's Sales Profit Margin

Year	2024	2023	2022	2024 vs. Previous Year	2023 vs. Previous Year
Operating Income (Billion Yuan)	232.10	167.70	162.10	64.40	5.60
Net Profit (Billion Yuan)	30.74	21.39	20.62	9.35	0.77
Sales Profit Margin	13.24%	12.75%	12.72%	0.49%	0.03%

From Table 2, it is observable that during the period from 2022 to 2023, the company's operating

income rose by 5.60 billion yuan, net profit grew by 0.77 billion yuan, while the sales profitability rate edged up from 12.72% to 12.75%, representing a slight increase of 0.03%; from 2023 to 2024, operating income increased by 64.40 billion yuan, net profit increased by 9.35 billion yuan, and the sales profit margin increased from 12.75% to 13.24%.

## 4.2 Profitability Analysis Related to Investment

### 4.2.1 Return on Equity (ROE)

Return on Equity reflects the degree of return on shareholders' equity and can be used to measure the return on a company's own capital. The higher the indicator, the higher the return on investment for that project.

Table 3 Changes in Bosideng's Return on Equity

Year	2024	2023	2022	2024 vs. Previous Year	2023 vs. Previous Year
Net Profit (Billion Yuan)	30.74	21.39	20.62	9.35	0.77
Return on Equity	23.39%	17.29%	17.73%	6.10%	-0.44%

From Table 3, it can be seen that the return on equity continued to rise from 2022 to 2024. During the 2022–2023 period, Bosideng's net profit rose from 20.62 billion yuan to 21.39 billion yuan, registering a modest growth of 0.77 billion yuan and delivering a relatively high return to shareholders. For the 2023–2024 period, its net profit grew from 21.39 billion yuan to 30.74 billion yuan, marking a substantial rise of 9.35 billion yuan year-on-year. Meanwhile, the return on equity climbed from 17.29% to 23.39%, up by 6.10 percentage points.

### 4.2.2 Return on Total Assets (ROTA)

Return on Total Assets indicates the size of an enterprise's profit-making ability; a higher ratio indicates better asset utilization efficiency, high experience management level, and similarly strong corporate profitability.

Table 4 Changes in Bosideng's Return on Total Assets

Year	2024	2023	2022	2024 vs. Previous Year	2023 vs. Previous Year
Total Assets (Billion Yuan)	257.70	209.40	212.80	48.30	-3.40
Average Total Assets (Billion Yuan)	233.55	211.10	201.20	22.45	9.90
Operating Profit (Billion Yuan)	43.98	28.26	25.69	15.72	2.57
Return on Total Assets	18.83%	13.39%	12.97%	5.44%	0.44%

From Table 4, it is apparent that during the 2023–2024 period, operating profit rose by 15.72 billion yuan, with the return on total assets improving steadily. From 2022 to 2023, total assets decreased from 212.80 billion yuan to 209.40 billion yuan; however, the return on total assets still edged up from 12.97% to 13.39%, a 0.44 percentage point improvement that reflects the company's strong profitability. During the 2023–2024 period, total assets grew from 209.40 billion yuan to 257.70 billion yuan, while the return on total assets saw a significant surge—jumping from 13.39% to 18.83%, representing an increase of 5.44 percentage points. more than the previous year, showing an overall upward trend and profitability.

## 4.3 Profitability Analysis Related to Capital

### 4.3.1 Earnings Per Share (EPS)

Earnings per share is generally used to reflect a company's operating results and measure the profit level and investment risk of the stock. For investors, the level of earnings per share is a major financial indicator to consider when making relevant economic decisions; a higher ratio indicates higher profits.

Table 5 Changes in Bosideng's Earnings Per Share

Year	2024	2023	2022	2024 vs. Previous Year	2023 vs. Previous Year
Earnings Per Share (Yuan)	0.28	0.20	0.19	0.08	0.01

From Table 5, it is evident that from 2022 to 2023, earnings per share rose from 0.19 yuan to 0.20 yuan, representing a growth of 0.01 yuan per share; from 2023 to 2024, earnings per share climbed from 0.20 yuan to 0.28 yuan, with a per-share after-tax profit increase of 0.08 yuan. This shows that Bosideng's operating condition has been good in recent years, with continuous increases in earnings, continuously improving profit levels for common shares, and continuously enhancing profitability.

### 4.3.2 Price-to-Earnings Ratio (P/E Ratio)

When measuring whether a stock price is reasonable, the price-to-earnings ratio is one of the most common indicators. It is a very valuable stock market indicator. A high P/E ratio, to some extent, reflects investors' acknowledgment of a company's growth potential. Theoretically, a high P/E ratio is a rational expectation because the market has a relatively reasonable forecast for future earnings.

Table 6 Changes in Bosideng's Price-to-Earnings Ratio

Year	2024	2023	2022	2024 vs. Previous Year	2023 vs. Previous Year
Market Price Per Share (Yuan)	5.57	3.25	3.02	2.32	0.23
Earnings Per Share (Yuan)	0.28	0.20	0.19	0.08	0.01
Price-to-Earnings Ratio	19.88	16.24	15.78	3.64	0.46

From Table 6, it can be seen that between 2022 and 2024, capital market operations were stable, stock prices were objective, showing a gradual upward trend. From 2022 to 2023, the per-share market price rose by 0.23 yuan, and the price-earnings (P/E) ratio climbed by 0.46—yet the overall level remained modest, reflecting relatively low investment risk. During the 2023–2024 period, the per-share market price saw a substantial surge, jumping from 3.25 yuan to 5.57 yuan (an increase of 2.32 yuan). The P/E ratio also increased, rising from 16.24 to 19.88, which signals heightened investment risk while indicating that the stock market holds higher expectations for Bosideng's future development prospects.

In summary, Bosideng's profitability continues to strengthen, showing an overall upward trend. The stable growth in gross profit margin is mainly due to the increasingly prominent profitability of the branded down jacket business. As the average customer spending continuously increases at the sales end, the gross profit margin reached 59.59% in 2024, and the sales profit margin also increased year by year to 13.24%, indicating that the company effectively controlled costs and expenses while increasing revenue. The return on equity rose notably to 23.39% in 2024, while the return on total assets climbed to 18.83%, reflecting a significant improvement in asset operation efficiency and capital return capability. The capital market performance is equally impressive, with earnings per share increasing from 0.19 in 2022 to 0.28 in 2024, and the P/E ratio rising to 19.88, indicating that



the market holds a positive attitude towards Bosideng's future growth. Overall, it can be seen that Bosideng has formed strong profitability, performs well in all aspects, and has good development potential, but it also needs to pay attention to potential risks arising from fluctuations in gross profit margin and rising valuation.

## **5. Problems in Bosideng's Profitability**

### **5.1 Category Development Encounters Bottlenecks**

Down jackets, as a main winter category, are produced by almost every apparel enterprise. However, due to their often insufficiently fashionable styles, market promotion for down jackets is weak. In the fashion-driven apparel industry, down jackets are only a supplementary product for winter, lacking innovation, making it difficult to create market fluctuations. Bosideng already dominates the down jacket field, with a brand market share of over 40%. Compared to Nike, the leading brand in the sportswear category, Nike's market share in the sports industry is only about ten percent. Therefore, whether viewed from the entire apparel industry or the down jacket market, Bosideng's development space is quite limited.

### **5.2 Limited Premium Pricing Ability**

As an industry leader, although Bosideng has a leading market share, increasing product premiums is key to maintaining growth. However, an aging customer base, limited product innovation, and marginalized channel layout have trapped Bosideng in a "no promotion, no sales" dilemma. Even hiring designers from Moncler has failed to break through the problem of "not being able to sell at high prices."

### **5.3 Severe Operational Constraints**

For Bosideng, the single category and single sales season bring two major challenges that are difficult to resolve:

First, down jackets primarily meet warmth needs; sales are better in colder weather, and conversely, sales targets are difficult to achieve. Weather is unpredictable and unchangeable. Second, during the hot summer, although off-season sales of down jackets are possible, the income can hardly cover store rents and personnel costs. Most stores choose to close or sublet during the off-season. For mainstream commercial entities like shopping malls, they generally do not allow brands to close stores or sublet. Even off-season sales of down jackets are often not permitted for entry or obtaining prime locations due to the lack of in-season products, which affects the shopping mall's image. This leads to a massive loss of sales staff during the off-season, requiring re-recruitment and training during the peak season. These operational constraints pose huge challenges to operational stability.

## **6. Strategies for Bosideng's Sustainable Development**

### **6.1 Establishing Professional Barriers**

First, build product defense barriers around the positioning of the down jacket expert. Enterprises should establish a product structure matrix, categorizing or supplementing different theme series in the middle. They need to optimize the product structure to upgrade its product lines, eliminate duplicate styles, consolidate classic styles, focus on innovative styles, and launch styles with market potential. Enterprises should fully integrate the end-to-end value chain of products, continuously

strengthen and consolidate the cognitive value chain and operational value chain, and continuously enhance the competitive advantage of the down jacket expert.

Second, build channel defenses for the down jacket industry expert. The down jacket market has obvious seasonality, facing cost pressures during the off-season and potential sales peaks during the peak season. For the down jacket expert, fully utilizing the sales potential during the peak season while avoiding channel and human resource costs during the off-season is the best strategic choice. During the peak season, strategically deploy temporary stores, promote new campaigns, new images, new products, and new achievements to reach mainstream consumers and capture the winter sales peak. During the off-season, stores can be closed to effectively save channel costs.

Finally, establish a mental cognitive barrier as a down jacket expert. A brand's development relies heavily on cognitive shaping at every touchpoint. To achieve a qualitative leap, the following measures are of vital importance: First, design and launch at least one to two marketing campaigns that resonate with consumers emotionally each year. Second, the numerous marketing initiatives and touchpoints should "maintain consistency in core messaging despite their variety." Managing a business is essentially managing customers' perceptions, and a mental barrier is the highest level of competitive barrier.

## 6.2 Establishing a Strategic Pivot

The view that "operating an enterprise requires strategic determination" has always been valued and is common. However, for entrepreneurs and enterprises, determining exactly which aspects require unwavering commitment is a clear yet complex challenge. Therefore, only by establishing a clear strategic core and maintaining its stability can an enterprise ensure operational certainty while achieving continuous growth.

First, have foresight and broadly gather resources. Enterprises should continuously focus on exemplary customers as the core, establish advantageous cognition, and through product and channel operational activities, continuously attempt to reach more customers who are willing to consume but are temporarily unable or unable to afford consumption. Second, enterprises need to boost the business's added value. Enterprises should reassess the matter from the standpoint of customer value: If "Bosideng is synonymous with down jackets," why not make "down jackets mean more"? All efforts should center on customer value. Third, enterprises should expand related diversification. The development of any enterprise, sooner or later, will inevitably undergo a process of diversification. Similarly, when launching new businesses, it is necessary to first formulate a business development strategy.

## 6.3 Determining Enterprise Resilience

All things stem from their roots, and faith arises from the steadfastness of one's beliefs and convictions. For enterprises, this "root" usually originates from the original aspiration of entrepreneurship. Mr. Gao Dekang, founder and Chairman of the Board of Bosideng, has also emphasized on multiple occasions the need to uphold the original aspiration of entrepreneurship, focus on real industry, and strengthen the core business. Bosideng once embarked on a tortuous path of blind diversified expansion, which led to scattered resources and pushed its development into a crisis. In 2017, Junzhi helped Bosideng return to its original entrepreneurial aspiration, focus on the main track and core brand, and establish itself as a leading down jacket expert. This adherence to the original aspiration has enabled Bosideng to maintain strategic resolve in the complex and volatile market environment, resist the temptation of short-term interests, remain undisturbed by external factors, and move forward steadily along the established strategic direction.

In the future, Bosideng will still face many uncertainties. Therefore, the company must rely on its



own strategic resolve and the belief in long-termism to withstand the "cold" from the outside world, identify certainty in operations, and forge ahead steadily amid constant changes and innovations. This resolve stems from upholding its original aspiration, from a clear understanding of its strategic direction, and from profound insights into customer value.

## 7. Conclusion

Overall, Bosideng's current profitability is relatively high. Due to its excellent products, brand, and innovation potential, Bosideng has achieved a growth trend and sustainability for five consecutive years. In 2024, Bosideng's turnover increased by 27.76% year-on-year, reaching 232.1 billion yuan.

Bosideng, as a domestic down jacket brand, relying on its own resource advantages and brand recognition, far surpasses other brands in sales volume. The brand's products are available in roughly 80 countries and regions. However, as the era gradually progresses, market competition is becoming increasingly fierce. Under such great pressure, how Bosideng finds strategies beneficial to enterprise development, how to secure a greater market share and enhance their operating efficiency etc., requires continuous innovation in management and development strategies for the enterprise to achieve long-term development.

During the pandemic, the market environment and performance of most apparel enterprises were affected, and their operations suffered certain impacts. The performance growth of Bosideng, which was in the same environment, also attracted industry attention, achieving globally leading operating income. This was primarily attributed to the enterprise's emphasis on its core operations and substantial resource allocation in the down jacket industry, increased R&D and promotion efforts, forging a firm foundation for the group's comprehensive performance enhancement..

Through various efforts, Bosideng has achieved results matching its investment. During its development process, the enterprise attaches importance to quality, emphasizes design and quality, strictly follows relevant standards for development, and investment in production and R&D leads to technological breakthroughs; strict requirements in production and operation not only significantly improve technology and technology but also lay an important foundation for management to conduct financial data analysis and make operational decisions.

By conducting an analysis of Bosideng Co., Ltd.'s profitability, this paper analyzes and studies various profitability indicators from the perspectives of sales, investment, and capital, discovers the reasons for the increase in its profitability, and forecasts the trends of its future development, in the hope of promoting Bosideng's better development prospects.

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