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CANADA

# OPERATING RESULTS OF AUTOMOTIVE PARTS AND ACCESSORIES WHOLESALERS

## 1955



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## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
  - 2 Operating Results of Drug Wholesalers, 25¢
  - 3 Operating Results of Hardware Wholesalers, 25¢
  - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
  - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

### Part II — Retail Statistics

- E — General Review — (Discontinued)
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- \*O — 1 Operating Results of Independent General Stores, 25¢
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\* Biennial reports — not issued for 1955.

# OPERATING RESULTS OF AUTOMOTIVE PARTS AND ACCESSORIES WHOLESALERS 1955

## INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

### Scope

This study is confined to wholesale merchants, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributors are not included.

### Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared although reports from Newfoundland wholesalers are not included. Proprietors' salaries were included with administrative salaries. A table showing income tax was made for incorporated companies only.

### Purpose

The primary purpose of the operating results surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

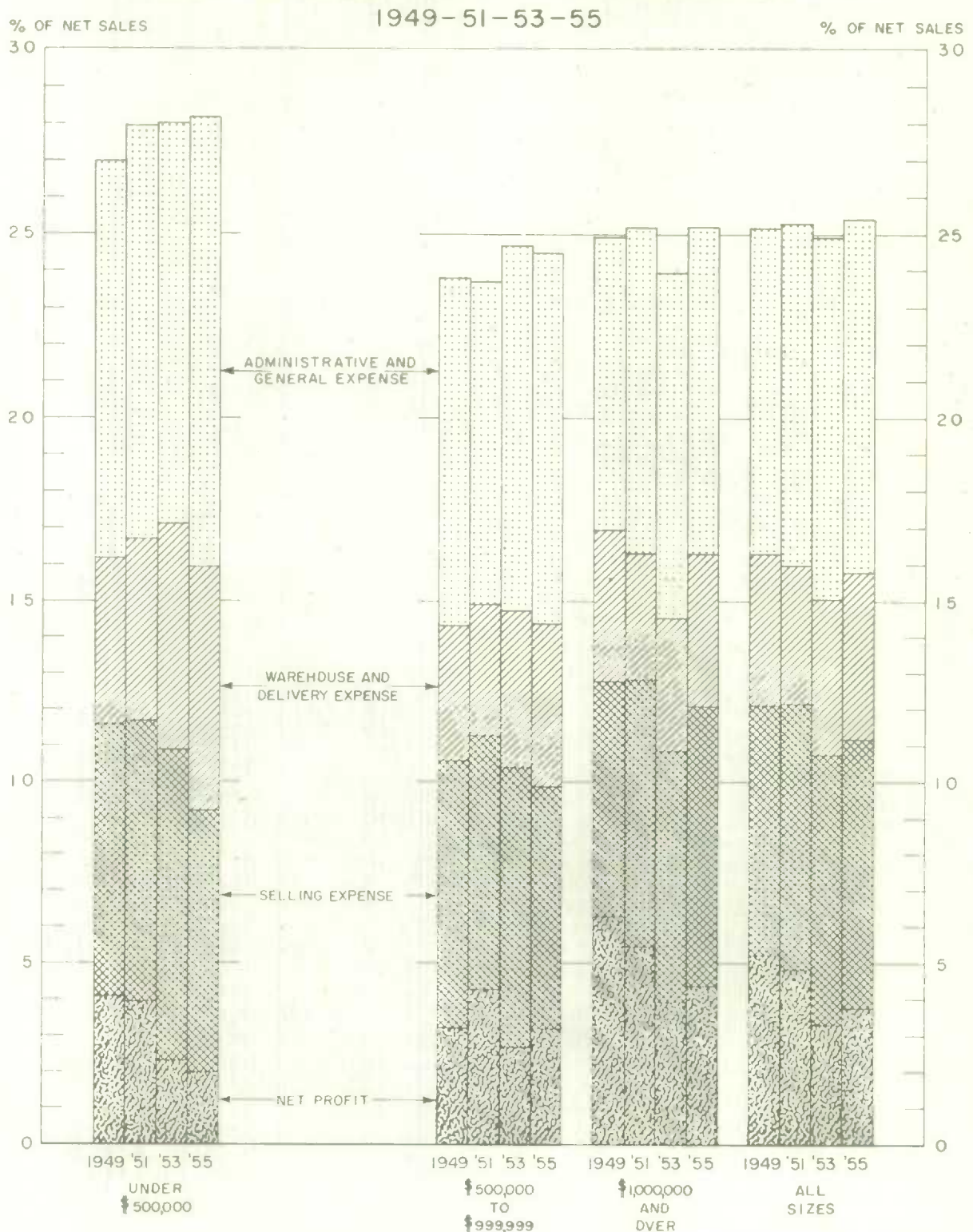
The average — i.e., arithmetic mean — operating results of all wholesalers classified under "Wholesalers Proper" would be, however, misleading as, by definition, "Wholesalers Proper" includes subsidiary companies performing the wholesaling function of parent companies whose marketing policies with regard to profit and expense ratios may be atypical of the trade. In addition, "Wholesalers Proper" includes those firms whose revenues are derived in part from a type of activity — e.g., manufacturing, retailing — which may be uncommon to the trade. Consequently, it is thought that average operating results of the more typical establishments within a trade would be of superior value in view of the purposes for which the series on operating results is designed. Firms with atypical policies and/or activities have, therefore, been excluded from the computations of the average operating results published herein.

### Period Covered

This report deals largely with 1955 operations and is the fifth biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1953 and 1955. The chart shows the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classification for each trade.

# OPERATING RESULTS OF WHOLESALERS OF AUTOMOTIVE PARTS AND ACCESSORIES, BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES





# OPERATING RESULTS IN WHOLESALE TRADE

## AUTOMOTIVE PARTS AND ACCESSORIES WHOLESALERS

### Description of Reporting Firms

| Item                                    | Firms with 1955 sales of |                        |                      | Total all sizes |
|---|--------------------------|------------------------|----------------------|-----------------|
|   | Under \$500,000          | \$500,000 to \$999,999 | \$1,000,000 and over |                 |
| Number of firms .....                   | 26                       | 17                     | 16                   | 59              |
| Form of organization:                   |                          |                        |                      |                 |
| Individual proprietorship .....         | 6                        | —                      | —                    | 6               |
| Partnership .....                       | 4                        | 1                      | —                    | 5               |
| Incorporated company .....              | 16                       | 16                     | 16                   | 48              |
| Number of firms operated as:            |                          |                        |                      |                 |
| Single establishment .....              | 20                       | 12                     | 7                    | 39              |
| Multiple establishment .....            | 6                        | 5                      | 9                    | 20              |
| Distribution of sales:                  |                          |                        |                      |                 |
| To garages and filling stations ..... % | 50.02                    | 45.89                  | 66.77                | 59.53           |
| To wholesalers ..... %                  | 34.25                    | 37.70                  | 20.20                | 26.27           |
| To industry and large users ..... %     | 14.04                    | 13.75                  | 11.80                | 12.56           |
| To others ..... %                       | 1.69                     | 2.66                   | 1.23                 | 1.64            |

Of the 59 firms reporting, 48 were incorporated, and the remaining 11 were comprised of six individual proprietorships and five partnerships. Only 20 firms operated more than one establishment. Sales distribution figures indicate that sales to

garages and filling stations and to wholesalers accounted for 59.53 per cent and 26.27 per cent of net sales, respectively. Sales to industrial and large users made up 12.56 per cent of the 14.20 per cent unaccounted for portion of net sales.

### REVIEW OF 1955 OPERATING RESULTS

#### Profit and Expense Ratios

Automotive parts and accessories wholesalers obtained an average gross profit or margin of 25.41 per cent of average net sales. The middle size group had the lowest ratio of 24.50 per cent and the smallest sales-size had the highest, 28.12 per cent. Ratios for total operating expenses decreased as sales sizes increased from 26.14 for smallest size to 20.82 per cent for the largest firms. The "\$500,000 to \$999,999" group had 21.33 per cent, closest to all sizes ratio of 21.63. Ratios for net operating profit, however, increased with sales-sizes ranging from 1.98 per cent to 4.38 per cent. The composite ratio was 3.78 and the medium sized firms showed 3.17 per cent. Non-trading operations increased profit ratios in each group bringing the total all sizes ratio up to a net operating profit before income tax of 4.19 per cent of net sales.

#### Inventories and Stock Turnover

Average inventories in 1955, expressed as ratios of average net sales of responding firms.

increased from 17.03 per cent at the beginning of the year to 18.69 per cent at the end of the year. This trend was common to all three sales-size categories as well as the 1953 survey results. The rate of stock turnover — average of beginning and end of year inventories divided into cost of goods sold — was 4.18 times per year for all wholesalers of automotive parts and accessories, only slightly below the 1953 rate.

#### Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, were 92.49 per cent for all automotive parts and accessories wholesalers, approximately the same level as determined from the survey of 1953 results. Accounts receivable as at the year end averaged 15.35 per cent of credit sales with the largest and smallest proportions, 15.85 per cent and 15.21 per cent, occurring in the smaller and middle firm-size groups respectively.

**TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, 1955,  
by Size of Firm**

| Item   | Firms with 1955 sales of |                           |                         | Total<br>all<br>sizes |
|--|--------------------------|---------------------------|-------------------------|-----------------------|
|  | Under<br>\$500,000       | \$500,000<br>to \$999,999 | \$1,000,000<br>and over |                       |
| Number of firms reporting.....                         | 26                       | 17                        | 16                      | 59                    |
| Average net sales per firm..... \$                     | 227, 161                 | 659, 452                  | 1, 803, 814             | 779, 286              |
| Average cost of goods sold..... \$                     | 163, 283                 | 497, 878                  | 1, 349, 258             | 581, 312              |
| Stock turnover (times per year) .....                  | 4. 10                    | 4. 37                     | 4. 12                   | 4. 18                 |
| Average beginning inventory..... \$                    | 39, 529                  | 109, 069                  | 309, 405                | 132, 753              |
| Per cent of average net sales .....                    | 17. 40                   | 16. 54                    | 17. 15                  | 17. 03                |
| Average ending inventory..... \$                       | 40, 169                  | 118, 858                  | 345, 463                | 145, 634              |
| Per cent of average net sales .....                    | 17. 68                   | 18. 02                    | 19. 15                  | 18. 69                |
| <b>PROFIT AND LOSS DATA</b><br>(Per cent of net sales) |                          |                           |                         |                       |
| <b>Gross profit .....</b>                              | <b>28. 12</b>            | <b>24. 50</b>             | <b>25. 20</b>           | <b>25. 41</b>         |
| Operating expenses:                                    |                          |                           |                         |                       |
| Selling expense:                                       |                          |                           |                         |                       |
| Salaries .....   | 5. 34                    | 5. 05                     | 5. 57                   | 5. 41                 |
| Travelling .....                                       | 1. 39                    | 0. 84                     | 0. 76                   | 0. 86                 |
| Advertising .....                                      | 0. 39                    | 0. 44                     | 0. 47                   | 0. 45                 |
| Other selling expense .....                            | 0. 11                    | 0. 38                     | 0. 87                   | 0. 66                 |
| <b>Total selling expense .....</b>                     | <b>7. 23</b>             | <b>6. 71</b>              | <b>7. 67</b>            | <b>7. 38</b>          |
| Warehouse and delivery expense:                        |                          |                           |                         |                       |
| Salaries and wages .....                               | 4. 92                    | 3. 12                     | 3. 24                   | 3. 43                 |
| Maintenance of delivery equipment .....                | 0. 89                    | 0. 58                     | 0. 22                   | 0. 39                 |
| Outward freight .....                                  | 0. 51                    | 0. 20                     | 0. 45                   | 0. 40                 |
| Warehouse supplies .....                               | 0. 18                    | 0. 21                     | 0. 19                   | 0. 19                 |
| Other warehouse and delivery expense .....             | 0. 20                    | 0. 38                     | 0. 14                   | 0. 21                 |
| <b>Total warehouse and delivery expense .....</b>      | <b>6. 70</b>             | <b>4. 49</b>              | <b>4. 24</b>            | <b>4. 62</b>          |
| Administrative and general expense:                    |                          |                           |                         |                       |
| Salaries .....   | 5. 63                    | 5. 47                     | 4. 34                   | 4. 79                 |
| Employees' benefits .....                              | 0. 28                    | 0. 27                     | 0. 40                   | 0. 35                 |
| Occupancy .....  | 2. 35                    | 1. 54                     | 1. 42                   | 1. 57                 |
| Taxes <sup>1</sup> .....                               | 0. 19                    | 0. 14                     | 0. 13                   | 0. 14                 |
| Insurance <sup>1</sup> .....                           | 0. 38                    | 0. 30                     | 0. 22                   | 0. 26                 |
| Office supplies .....                                  | 0. 43                    | 0. 38                     | 0. 44                   | 0. 42                 |
| Communication .....                                    | 0. 71                    | 0. 49                     | 0. 48                   | 0. 51                 |
| Bad debts—amount written off .....                     | 0. 40                    | 0. 48                     | 0. 47                   | 0. 46                 |
| All other expense .....                                | 1. 84                    | 1. 06                     | 1. 01                   | 1. 13                 |
| <b>Total administrative and general expense .....</b>  | <b>12. 21</b>            | <b>10. 13</b>             | <b>8. 91</b>            | <b>9. 63</b>          |
| <b>Total operating expenses .....</b>                  | <b>26. 14</b>            | <b>21. 33</b>             | <b>20. 82</b>           | <b>21. 63</b>         |
| Net operating profit.....                              | 1. 98                    | 3. 17                     | 4. 38                   | 3. 78                 |
| Non-trading income .....                               | 0. 91                    | 0. 79                     | 0. 75                   | 0. 77                 |
| Non-trading expense .....                              | 0. 39                    | 0. 30                     | 0. 38                   | 0. 36                 |
| <b>Net profit before income tax deduction .....</b>    | <b>2. 50</b>             | <b>3. 66</b>              | <b>4. 75</b>            | <b>4. 19</b>          |
| <b>MISCELLANEOUS DATA</b>                              |                          |                           |                         |                       |
| Credit sales:  |                          |                           |                         |                       |
| Average per firm..... \$                               | 198, 800                 | 612, 919                  | 1, 683, 448             | 720, 739              |
| Per cent of average net sales .....                    | 87. 51                   | 92. 94                    | 93. 33                  | 92. 49                |
| Accounts outstanding:                                  |                          |                           |                         |                       |
| Average per firm..... \$                               | 31, 508                  | 93, 215                   | 257, 677                | 110, 622              |
| Per cent of average credit sales .....                 | 15. 85                   | 15. 21                    | 15. 31                  | 15. 35                |
| Sales per 1,000 sq. ft. of floor space .....           | 50, 103                  | 59, 085                   | 68, 717                 | 63, 190               |

1. Excludes amount attributed to real estate which is in occupancy expense.

## Regional Results

Average net sales showed a substantial increase for each of the selected regions for the automotive parts and accessories wholesalers. The gross profit ratios ranged from 23.72 per cent for Maritimes and Quebec region to 26.38 per cent for Ontario. The lowest and highest ratios for total

operating expenses were in Prairie Provinces and Ontario 20.47 and 23.02 per cent respectively. The Prairie provinces had the highest net profit ratio of 5.54 per cent in 1955 and British Columbia the smallest ratio of 2.35 per cent; the other two regions were closer to the Canada ratio.

**TABLE 2. Operating Results of Automotive Parts and Accessories Wholesalers, 1955, by Regions**

| Item                                  | Maritimes<br>and Quebec | Ontario       | Prairie<br>Provinces | British<br>Columbia | Canada        |
|---------------------------------------|-------------------------|---------------|----------------------|---------------------|---------------|
| Number of firms .....                 | 16                      | 27            | 11                   | 5                   | 59            |
| Average net sales per firm ..... \$   | 761, 698                | 625, 016      | 1, 160, 891          | 829, 099            | 779, 286      |
| (Per cent of net sales)               |                         |               |                      |                     |               |
| Gross Profit .....                    | 23. 72                  | 26. 38        | 26. 01               | 24. 50              | 25. 40        |
| Operating expenses:                   |                         |               |                      |                     |               |
| Selling .....                         | 6. 53                   | 7. 08         | 8. 39                | 8. 00               | 7. 38         |
| Warehouse and delivery .....          | 4. 11                   | 5. 81         | 3. 74                | 3. 93               | 4. 62         |
| Administrative and general .....      | 10. 08                  | 10. 13        | 8. 34                | 10. 22              | 9. 63         |
| <b>Total operating expenses</b> ..... | <b>20. 72</b>           | <b>23. 02</b> | <b>20. 47</b>        | <b>22. 15</b>       | <b>21. 63</b> |
| Net operating profit .....            | 3. 00                   | 3. 36         | 5. 54                | 2. 35               | 3. 77         |

## Incorporated Companies 1955

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the ratios were fairly close. Net profit before income tax, expressed as a portion of net sales,

was 4.24 per cent and 4.19 per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms profit ratio to 2.62 per cent, a decrease of 38 per cent.

**TABLE 3. Operating Results of Incorporated Automotive Parts and Accessories Wholesalers, 1955, by Size of Firm**

| Item   | Firms with 1955 sales of |                           |                         | Total<br>all<br>sizes |
|--|--------------------------|---------------------------|-------------------------|-----------------------|
|  | Under<br>\$500,000       | \$500,000<br>to \$999,999 | \$1,000,000<br>and over |                       |
|  | (Per cent of net sales)  |                           |                         |                       |
| Gross profit .....                           | 26. 72                   | 25. 03                    | 25. 20                  | 25. 30                |
| Operating expenses .....                     | 24. 55                   | 22. 00                    | 20. 82                  | 21. 46                |
| Net operating profit .....                   | 2. 17                    | 3. 03                     | 4. 38                   | 3. 84                 |
| Non-trading income .....                     | 0. 61                    | 0. 82                     | 0. 75                   | 0. 76                 |
| Non-trading expense .....                    | 0. 32                    | 0. 32                     | 0. 38                   | 0. 36                 |
| Net profit before income tax deduction ..... | 2. 46                    | 3. 53                     | 4. 75                   | 4. 24                 |
| Income tax .....                             | 0. 71                    | 0. 89                     | 2. 02                   | 1. 62                 |
| Final net profit .....                       | 1. 75                    | 2. 64                     | 2. 73                   | 2. 62                 |





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## Comparison of 1953 and 1955 Results

The main table shown in this publication only dealt with firms that reported in 1955, irregardless of whether they were used before or not. Consistency is not the essence of such a presentation, rather the aim is to afford the best available ratios. However, for best comparison, between two years results of identical firms should be used. The following table presents firms that reported for both survey years under study.

Profit and expense ratios represent portions of the average net sales' dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%,

the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Annual net sales increased from \$713,010 in 1953 to \$793,734 in 1955. The gross profit increased at a faster rate, 24.76 per cent in 1953 climbing to 25 per cent in 1955. Total operating expenses decreased from 21.34 per cent in the earlier year to 21.16 per cent in 1955. The improvement of marginal profit and expense ratios over the last survey raised the net operating profit ratio from 3.42 per cent in 1953 to 3.84 per cent in 1955.

**TABLE 4. Operating Results of Automotive Parts and Accessories Wholesalers, 1953 and 1955, Compared**

| Item                                | 1953                    | 1955    |
|-------------------------------------|-------------------------|---------|
| Number of firms .....               | 55                      | 55      |
| Average net sales per firm ..... \$ | 713,010                 | 793,734 |
|                                     | (Per cent of net sales) |         |
| Gross profit .....                  | 24.76                   | 25.00   |
| Operating expenses:                 |                         |         |
| Selling .....                       | 7.29                    | 7.23    |
| Warehouse and delivery .....        | 4.36                    | 4.40    |
| Administrative and general .....    | 9.69                    | 9.53    |
| Total operating expenses .....      | 21.34                   | 21.16   |
| Net operating profit .....          | 3.42                    | 3.84    |