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# OPERATING RESULTS OF DRUG WHOLESALERS 1953



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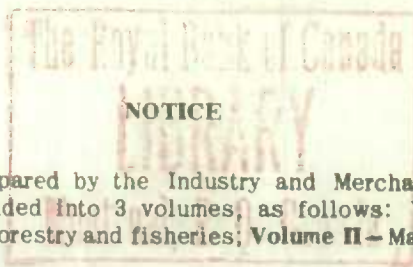
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The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** - The Primary Industries, including mining, forestry and fisheries; **Volume II** - Manufacturing; **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 (not issued 1953)
- 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 Supplies Wholesalers, 25¢
  - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

#### Part II - Retail Statistics

- E - General Review - (Discontinued)
- F - Retail Trade, 50¢
- G - Retail Chain Stores, 50¢
- H - Operating Results of Chain Food Stores, 25¢
- I - Operating Results of Chain Clothing Stores, 25¢
- J - 1 Operating Results of Chain Variety Stores, 25¢
  - 2 Operating Results of Chain Drug Stores, 25¢
  - 3 Operating Results of Chain Furniture Stores, 25¢
- \* K - Operating Results of Independent Food Stores, 25¢
- \* L - Operating Results of Independent Clothing Stores, 25¢
- \* M - Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
- \* N - Operating Results of Filling Stations & Garages, 25¢
- \* O - 1 Operating Results of Independent General Stores, 25¢
  - 2 Operating Results of Independent Restaurants, 25¢
  - 3 Operating Results of Independent Fuel Dealers, 25¢
  - 4 Operating Results of Independent Drug Stores, 25¢
  - 5 Operating Results of Independent Jewellery Stores, 25¢
  - 6 Operating Results of Independent Tobacco Stores, 25¢
- P - Retail Consumer Credit

#### Part III - Services and Special Fields

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- R - Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S - Hotels, 25¢
- T - Sales Financing, 25¢
- U - Farm Implement and Equipment Sales, 25¢
- V - New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W - Advertising Agencies (Memorandum), 10¢
- X - Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

- \* Biennial reports - not issued for 1953.

## CONTENTS

|  | Page  |
|--|-------|
| INTRODUCTION.....                          | D-4-5 |
| REVIEW OF RESULTS, TABLES, AND CHART ..... | D-4-7 |

### Operating Results—List of Reports

#### WHOLESALE TRADE (1947, 1949, 1951 and 1953)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Automotive Parts and Accessories Wholesalers
4. Drug Wholesalers
5. Hardware Wholesalers
6. Plumbing and Heating Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

#### INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948, 1950 and 1952)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. General Stores
6. Restaurants
7. Fuel Dealers
8. Drug Stores
9. Jewellery Stores
10. Tobacco Stores

#### RETAIL CHAIN STORES (1947, 1949, 1951 and 1953)

1. Chain Food Stores
2. Chain Clothing Stores
3. Chain Variety Stores
4. Chain Furniture Stores
5. Chain Drug Stores

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Note: "Operating Results of Drug Wholesalers" was formerly contained in "Operating Results of Miscellaneous Wholesalers".



# OPERATING RESULTS OF DRUG WHOLESALERS

1953

## 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. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only.

### Purpose

The primary purpose of the operating costs 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.

### Period Covered

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





## DRUG WHOLESALERS

## Description of Reporting Firms

| Item                                       | Firms with 1953 sales of |                         | Total<br>all<br>sizes |
|--|--------------------------|-------------------------|-----------------------|
|  | Under<br>\$1,000,000     | \$1,000,000<br>and over |                       |
| Number of firms .....                      | 10                       | 12                      | 22                    |
| Form of organization:                      |                          |                         |                       |
| Individual proprietorship .....            | 3                        | —                       | 3                     |
| Partnership .....                          | —                        | —                       | —                     |
| Incorporated company .....                 | 7                        | 12                      | 19                    |
| Number of firms operated as:               |                          |                         |                       |
| Single establishment .....                 | 10                       | 9                       | 19                    |
| Multiple establishment .....               | —                        | 3                       | 3                     |
| Distribution of sales:                     |                          |                         |                       |
| To retailers .....                         | 98.12                    | 93.49                   | 93.80                 |
| To other wholesalers and large users ..... | 1.88                     | 6.51                    | 6.20                  |

Of the 22 firms reporting, all but three were incorporated companies. Similarly, all but three were operated as single established firms. Sales to retail stores accounted for 93.80 per cent of total

sales by all firms reporting. The remaining 6.20 per cent were sales made to other wholesalers and large users.

## REVIEW OF 1953 OPERATING RESULTS

## Profit and Expense Ratios

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. When comparing 1953 results with 1951, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, 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. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales-size ranges as a

guide to individual wholesalers wishing to compare their results. 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.

Drug wholesalers obtained an average gross profit ratio of 12.36 per cent of average net sales on 1953 operations, slightly lower than the 1951 ratio. This indicates that the average gross profit declined at a greater rate than the average net sales for all reporting firms. It should be noted that the lower dollar values determined from the 1953 results are primarily due to the inclusion of more firms in the smaller sales-size category. The total operating expenses also showed a ratio decline from 10.95 per cent in 1951 to 10.44 per cent in 1953. Drug wholesalers therefore, obtained a 1953 net operating profit ratio of 1.92 per cent of net sales. This ratio was supplemented by a net gain from non-trading operations which resulted in a ratio of net profit before income tax deduction of 2.81 per cent on 1953 operations.

TABLE 1. Operating Results of Drug Wholesalers, 1953, by Size of Firm

| Item   | Firms with 1953 sales of |                         | Total<br>all<br>sizes |
|--|--------------------------|-------------------------|-----------------------|
|  | Under<br>\$1,000,000     | \$1,000,000<br>and over |                       |
| Number of firms reporting .....                        | 10                       | 12                      | 22                    |
| Average net sales per firm .....                       | \$ 355,634               | 4,038,360               | 2,364,394             |
| Average cost of goods sold .....                       | \$ 312,070               | 3,538,658               | 2,072,027             |
| Stock turnover (times per year) .....                  | 6.26                     | 6.71                    | 6.68                  |
| Average beginning inventory .....                      | \$ 45,116                | 527,163                 | 308,050               |
| Per cent of average net sales .....                    | 12.68                    | 13.05                   | 13.03                 |
| Average ending inventory .....                         | \$ 54,656                | 527,373                 | 312,502               |
| Per cent of average net sales .....                    | 15.37                    | 13.06                   | 13.22                 |
| <b>PROFIT AND LOSS DATA</b><br>(Per cent of net sales) |                          |                         |                       |
| Gross profit .....                                     | 12.25                    | 12.37                   | 12.36                 |
| Operating expenses:                                    |                          |                         |                       |
| Selling expense:                                       |                          |                         |                       |
| Salaries .....   | 1.55                     | 1.65                    | 1.65                  |
| Travelling .....                                       | 0.82                     | 0.38                    | 0.41                  |
| Advertising .....                                      | 0.09                     | 0.21                    | 0.20                  |
| Other selling expense .....                            | 0.11                     | 0.12                    | 0.12                  |
| Total selling expense .....                            | 2.57                     | 2.36                    | 2.38                  |
| Warehouse and delivery expense:                        |                          |                         |                       |
| Salaries and wages .....                               | 2.34                     | 2.09                    | 2.10                  |
| Maintenance of delivery equipment .....                | 0.35                     | 0.22                    | 0.23                  |
| Outward freight .....                                  | 0.51                     | 0.13                    | 0.16                  |
| Warehouse supplies .....                               | 0.11                     | 0.08                    | 0.09                  |
| Other warehouse and delivery expense .....             | 0.16                     | 0.02                    | 0.03                  |
| Total warehouse and delivery expense .....             | 3.47                     | 2.54                    | 2.61                  |
| Administrative and general expense:                    |                          |                         |                       |
| Salaries .....   | 2.63                     | 2.75                    | 2.75                  |
| Employees' benefits .....                              | 0.08                     | 0.43                    | 0.41                  |
| Occupancy .....  | 0.88                     | 0.58                    | 0.60                  |
| Light, heat and power .....                            | 0.11                     | 0.10                    | 0.10                  |
| Taxes <sup>1</sup> .....                               | 0.16                     | 0.06                    | 0.07                  |
| Insurance <sup>1</sup> .....                           | 0.18                     | 0.09                    | 0.09                  |
| Office supplies .....                                  | 0.19                     | 0.22                    | 0.22                  |
| Communication .....                                    | 0.20                     | 0.28                    | 0.27                  |
| Bad debts-written off .....                            | 0.17                     | 0.03                    | 0.04                  |
| All other expense .....                                | 0.44                     | 0.94                    | 0.90                  |
| Total administrative and general expense .....         | 5.04                     | 5.48                    | 5.45                  |
| Total operating expenses .....                         | 11.08                    | 10.38                   | 10.44                 |
| Net operating profit .....                             | 1.17                     | 1.99                    | 1.92                  |
| Non-trading income .....                               | 0.33                     | 1.10                    | 1.05                  |
| Non-trading expense .....                              | 0.26                     | 0.16                    | 0.16                  |
| Net profit before income tax deduction .....           | 1.24                     | 2.93                    | 2.81                  |
| <b>MISCELLANEOUS DATA</b>                              |                          |                         |                       |
| Credit sales:  |                          |                         |                       |
| Average per firm .....                                 | \$ 321,529               | 3,912,767               | 2,281,404             |
| Per cent of average net sales .....                    | 90.41                    | 96.89                   | 96.49                 |
| Accounts outstanding:                                  |                          |                         |                       |
| Average per firm .....                                 | \$ 35,304                | 324,368                 | 192,779               |
| Per cent of average credit sales .....                 | 10.98                    | 8.29                    | 8.45                  |
| Sales per 1,000 sq. ft. of floor space .....           | \$ 123,020               | 109,874                 | 110,690               |

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



## Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of all drug wholesalers, increased slightly from 13.03 per cent at the beginning of the year to 13.22 per cent at the end of the year. Although the difference is slight, it is significant in that it is a reverse in trend from the 1951 survey results. This trend was most definite for the firms in the lower sales-size category. The larger firms'

average inventories remained at almost the same level. The rate of stock turnover—average of beginning and end of year inventories divided into cost of goods sold—amounted to 6.68 times per year, a slightly higher rate than was determined from the survey of 1951 results. As might be expected, the firms in the larger sales-size category reported a higher rate of stock turnover.

## Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, was 96.49 per cent for all drug wholesalers, only a slight decline from the 1951 rate of 97.27 per

cent. Accounts outstanding as at the year-end averaged 8.45 per cent of credit sales for all respondents.

## Comparison of 1951 and 1953 Identical Firm Results

As indicated in the following table the 1953 results of all respondents included a higher proportion of smaller firms than the 1951 survey results. Consequently the average sales of all respondents showed a decline from 1951 whereas the matched

firms data indicated an increase. Nevertheless, the ratios almost eliminated this influence of the concentration of these larger firms in the identical firm portion of the table, resulting in a high degree of comparability between the two sets of results.

TABLE 2. Operating Results of Drug Wholesalers, 1951 and 1953 Compared

| Item                             | All respondents |           | Identical firms |           |
|----------------------------------|-----------------|-----------|-----------------|-----------|
|                                  | 1951            | 1953      | 1951            | 1953      |
| Number of firms .....            | 16              | 22        | 14              | 14        |
| Average net sales per firm ..... | 2,947,348       | 2,364,394 | 3,118,782       | 3,348,282 |
| (Per cent of net sales)          |                 |           |                 |           |
| Gross profit .....               | 13.43           | 12.36     | 13.12           | 12.65     |
| Operating expenses:              |                 |           |                 |           |
| Selling .....                    | 2.18            | 2.38      | 2.12            | 2.51      |
| warehouse and delivery .....     | 2.68            | 2.61      | 2.60            | 2.65      |
| Administrative and general ..... | 6.09            | 5.45      | 5.85            | 5.46      |
| Total operating expenses .....   | 10.95           | 10.44     | 10.57           | 10.62     |
| Net operating profit .....       | 2.48            | 1.92      | 2.55            | 2.03      |

## Incorporated Companies 1953

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in ratios were negligible. This similarity was to be expected because nearly all reporting firms were incorporated. Net profit before

income tax, expressed as a proportion of net sales, was 2.84 per cent and 2.81 per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' profit ratio to 1.91 per cent, a decrease of 33 per cent.

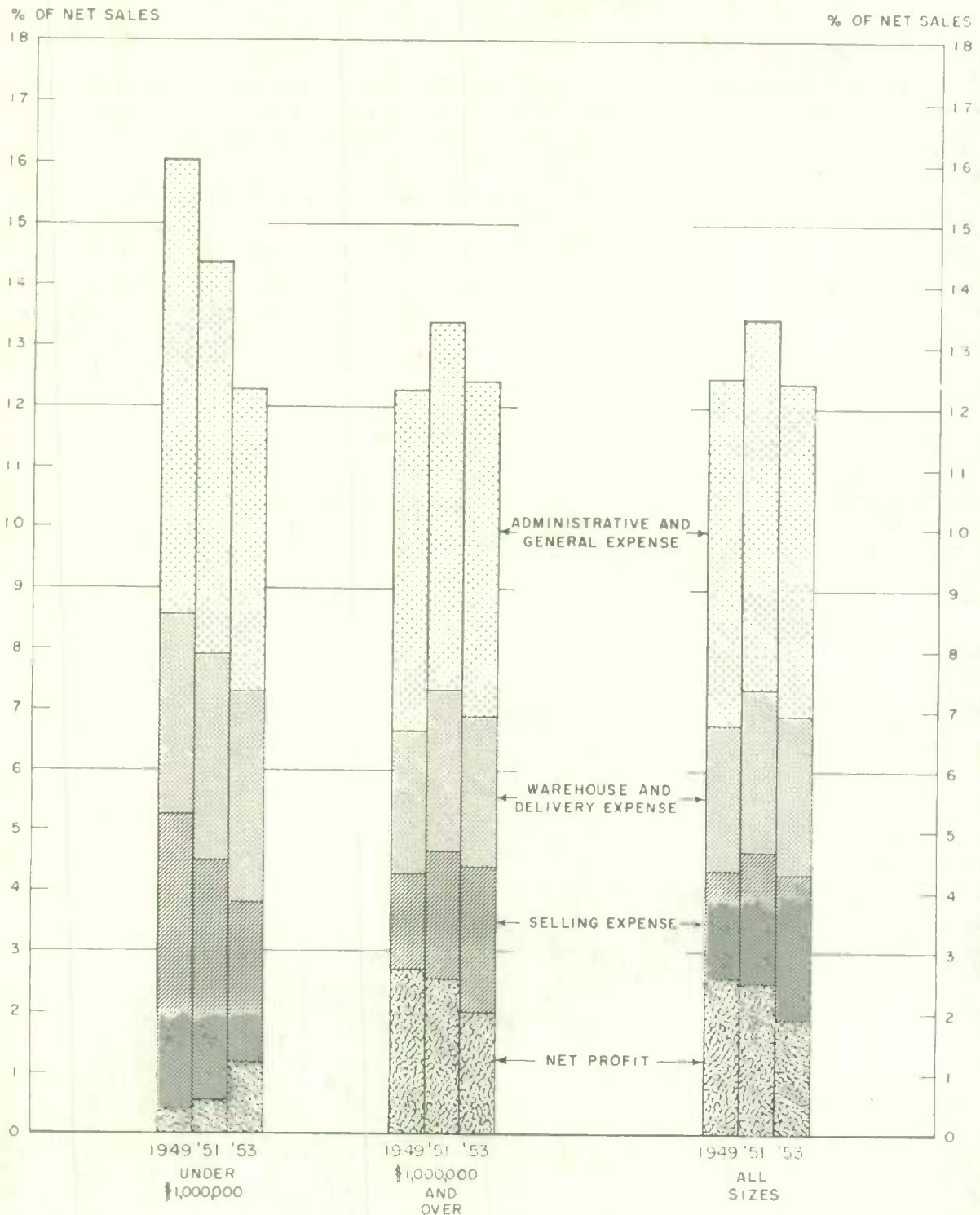
TABLE 3. Operating Results of Incorporated Drug Wholesalers, 1953, by Size of Firm

| Item   | Firms with 1953 sales of |                         | Total<br>all<br>sizes |
|--|--------------------------|-------------------------|-----------------------|
|  | Under<br>\$1,000,000     | \$1,000,000<br>and over |                       |
|  | (Per cent of net sales)  |                         |                       |
| Gross profit .....                           | 12.29                    | 12.37                   | 12.37                 |
| Operating expenses .....                     | 10.91                    | 10.38                   | 10.42                 |
| Net operating profit .....                   | 1.38                     | 1.99                    | 1.95                  |
| Non-trading income .....                     | 0.39                     | 1.10                    | 1.05                  |
| Non-trading expense .....                    | 0.31                     | 0.16                    | 0.16                  |
| Net profit before income tax deduction ..... | 1.46                     | 2.93                    | 2.84                  |
| Income tax .....                             | 0.38                     | 0.97                    | 0.93                  |
| Final net profit .....                       | 1.08                     | 1.96                    | 1.91                  |

# OPERATING RESULTS OF DRUG WHOLESALERS

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

1949 - 1951 - 1953



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