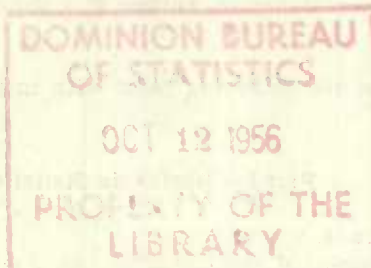


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CANADA



OPERATING RESULTS OF DRUG WHOLESALERS 1955

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Misc

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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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- I — Operating Results of Clothing Store Chains, 25¢
- J — 1 Operating Results of Variety Store Chains, 25¢
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- *M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
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- 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¢
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- X — Motion Picture Production (Memorandum), 10¢

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

* Biennial reports — not issued for 1955.

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3. Automotive Parts and Accessories Wholesalers
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OPERATING RESULTS OF DRUG 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. Proprietors' salaries were included with administrative salaries. An income tax tabulation 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.

Period Covered

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

DRUG WHOLESALERS

Description of Reporting Firms

Item	Firms with 1955 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Number of firms	7	17	24
Form of organization:			
Individual proprietorship	1	—	1
Partnership	1	—	1
Incorporated company	5	17	22
Number of firms operated as:			
Single establishment	7	11	18
Multiple establishment	—	6	6
Distribution of sales:			
To retailers	100.00	89.29	89.72
To wholesalers	—	4.81	4.61
To large users	—	5.33	5.12
To others	—	0.57	0.55

1. Hospitals, Institutions, etc.

Of the 24 firms reporting, all but two were incorporated companies. Similarly, all but six firms (operating 18 establishments) were operated as single established firms. Sales to retail stores ac-

counted for 89.72 per cent of total sales by all firms reporting. The remaining 10.28 per cent were distributed as above.

REVIEW OF 1955 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 1955 results with 1953, 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 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. 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 in 1949 were presented in a way that cooperative wholesalers were segregated from the rest, in so doing permitting a clearer picture of each category. In 1955 another attempt was made to show such a breakdown although only four firms belong to the cooperative group. The average gross profit ratio of 12.73 per cent for the total of all wholesalers in 1955 showed an increase over 1953. This gross margin ratio coupled with a total operating expense ratio of 10.47 per cent resulted in a net profit ratio of 2.26 per cent, an increase from 1.92 per cent in 1953. The increase of almost all ratios in 1955 compared with the previous survey indicates that the expenses increased at a faster rate than the average net sales of reporting firms. Cooperative wholesalers obtained an average gross profit of 8.71 per cent, enough to satisfy the total operating expense ratio of 8.49 per cent with 0.33 per cent of net operating profit remaining. Four of the five firms reporting in the cooperative wholesalers class in 1949 also reported in 1955. Average net sales in 1955 amounted to \$9,113,821 more than doubling 1949 average net sales. Generally, ratios in 1955 were substantially higher when compared with 1949, a normal increase for the period.

TABLE 1. Operating Results of Drug Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of		Total all sizes ¹	Co-operative Wholesalers
	Under \$1,000,000	\$1,000,000 and over		
Number of firms reporting	7	17	24	4
Average net sales per firm \$	413,394	4,028,641	2,974,194	9,113,821
Average cost of goods sold \$	372,714	3,511,077	2,595,721	8,319,818
Stock turnover (times per year)	6.37	6.81	6.79	15.02
Average beginning inventory..... \$	55,057	494,882	366,600	508,084
Per cent of average net sales	13.32	12.28	12.33	5.57
Average ending inventory \$	61,979	536,747	398,273	599,459
Per cent of average net sales	14.99	13.32	13.39	6.58
PROFIT AND LOSS DATA				
(Per cent of net sales)				
Gross profit	9.84	12.85	12.73	8.71
Operating expenses:				
Selling expense:				
Salaries	1.48	1.16	1.18	0.64
Travelling	0.58	0.31	0.31	0.07
Advertising	0.03	0.15	0.15	0.08
Other selling expense	0.01	0.23	0.22	0.03
Total selling expense	2.10	1.85	1.86	0.82
Warehouse and delivery expense:				
Salaries and wages.....	1.57	2.46	2.42	2.89
Maintenance of delivery equipment	0.23	0.22	0.22	0.14
Outward freight	0.21	0.14	0.14	0.05
Warehouse supplies	0.14	0.10	0.11	0.17
Other warehouse and delivery expense	0.04	0.06	0.06	0.03
Total warehouse and delivery expense	2.19	2.98	2.95	3.27
Administrative and general expense:				
Salaries	2.28	3.06	3.02	2.56
Employees' benefits	0.05	0.40	0.38	0.27
Occupancy	0.41	0.79	0.78	0.57
Taxes ²	0.09	0.07	0.07	0.06
Insurance	0.23	0.09	0.10	0.05
Office supplies	0.16	0.20	0.20	0.43
Communication	0.18	0.28	0.28	0.15
Bad debts-written off	0.11	0.07	0.07	0.04
All other expense	0.33	0.78	0.76	0.27
Total administrative and general expense	3.84	5.74	5.66	4.40
Total operating expenses	8.13	10.57	10.47	8.49
Net operating profit	1.71	2.28	2.26	0.22
Non-trading income	0.15	0.92	0.89	0.28
Non-trading expense	0.06	0.19	0.18	0.17
Net profit before income tax deduction	1.80	3.01	2.97	0.33
MISCELLANEOUS DATA				
Credit sales:				
Average per firm \$	383,557	3,840,593	2,832,291	3
Per cent of average net sales	92.78	95.33	95.23	3
Accounts outstanding:				
Average per firm \$	44,221	334,134	249,576	3
Per cent of average credit sales	11.53	8.70	8.81	3
Sales per 1,000 sq. ft. of floor space	132,955	107,129	107,980	166,920

1. Includes co-operative wholesalers.

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

3. Not available.

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of all drug wholesalers, increased from 12.33 per cent at the beginning of the year to 13.39 per cent at the end of the year. This increase was common for both sales-size classes and the pattern was the same for 1953. The rate of stock turnover—average of beginning and end of

year inventories divided into cost of goods sold—amounted to 6.79 times per year a slight increase from 6.68 times in 1953. Cooperative wholesalers' rate of stock turnover was 15.02 in 1955 compared to 13.52 in 1949; this was more than double the stock turnover rate of all reporting wholesalers combined.

Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, were 95.23 per cent for drug wholesalers, a slight decline from the 1953 rate of 96.49 per cent.

Accounts receivables as at the year-end averaged 8.81 per cent of credit sales.

Comparison of 1953 and 1955 Results

Comparisons shown in Table 2 for 1953 and 1955 are for 16 of identical firms. The gross profit ratio decreased from 12.49 per cent in 1953 to 11.81 per cent in 1955. Operating expenses,

lower in 1955, did not offset the gross profit decrease with the result that drug wholesalers experienced a lower ratio (2.31 per cent) of net profit in 1955 compared with 1953 (2.36 per cent).

TABLE 2. Operating Results of Drug Wholesalers, 1953 and 1955 Compared

Item	1953	1955
Number of firms	16	16
Average net sales per firm	2,954,274	3,475,306
	(Per cent of net sales)	
Gross profit	12.49	11.81
Operating expenses:		
Selling	1.48	1.52
Warehouse and delivery	2.72	2.79
Administrative and general	5.93	5.19
Total operating expenses	10.13	9.50
Net operating profit	2.36	2.31

Incorporated Companies 1955

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 2.97 per cent both for "incorporated firms" and "all firms". Income tax reduced the incorporated firms' profit ratio to 1.93 per cent, a decrease of 35 per cent.

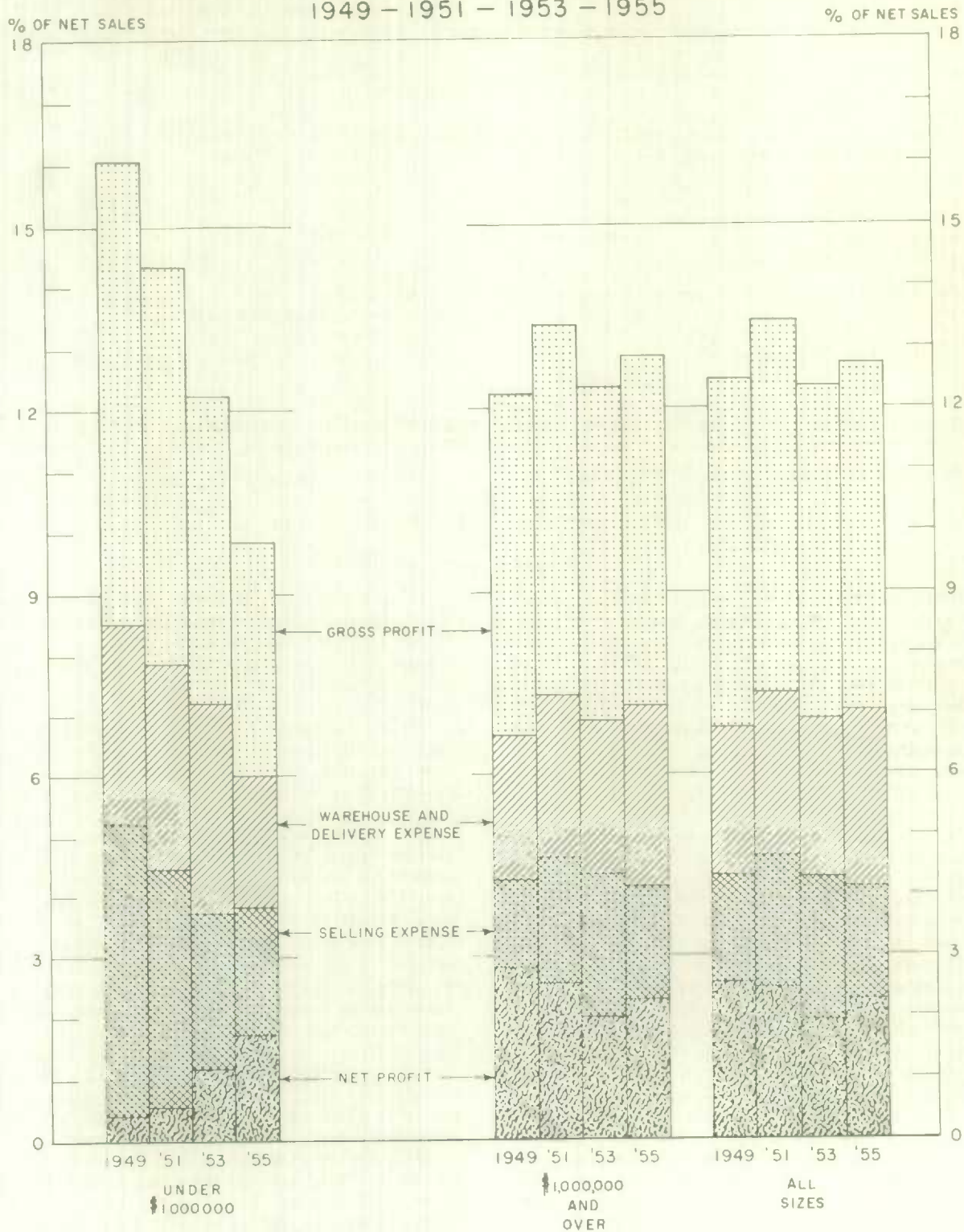
TABLE 3. Operating Results of Incorporated Drug Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
	(Per cent of net sales)		
Gross profit	9.19	12.85	12.71
Operating expenses	7.57	10.57	10.45
Net operating profit	1.62	2.28	2.26
Non-trading income	0.16	0.92	0.89
Non-trading expense	—	0.19	0.18
Net profit before income tax deduction	1.78	3.01	2.97
Income tax	0.43	1.07	1.04
Final net profit	1.35	1.94	1.93

OPERATING RESULTS OF DRUG WHOLESALERS BY SIZE OF FIRM

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

1949 - 1951 - 1953 - 1955



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