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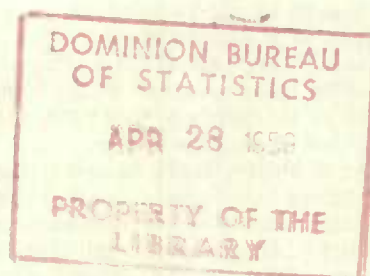
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OPERATING RESULTS OF DRUG WHOLESALERS 1957



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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
- B — Operating Results of Food Wholesalers
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers
- 2 Operating Results of Drug Wholesalers
- 3 Operating Results of Hardware Wholesalers
- 4 Operating Results of Plumbing and Heating Supply Wholesalers
- 5 Operating Results of Household Appliance & Electrical Supply Wholesalers
- E — Agents and Brokers, Wholesale Trade (Memorandum)

Part II — Retail Statistics

- F — Retail Trade
- G — Retail Chain Stores
- H — Operating Results of Food Store Chains
- I — Operating Results of Clothing Store Chains
- J — 1 Operating Results of Variety Store Chains
- 2 Operating Results of Drug Store Chains
- 3 Operating Results of Furniture Store Chains
- *K — Operating Results of Independent Food Stores
- *L — Operating Results of Independent Clothing Stores,
- *M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores
- *N — Operating Results of Filling Stations and Garages
- *O — 1 Operating Results of Independent General Stores
- 2 Operating Results of Independent Restaurants
- 3 Operating Results of Independent Fuel Dealers
- 4 Operating Results of Independent Drug Stores
- 5 Operating Results of Independent Jewellery Stores
- 6 Operating Results of Independent Tobacco Stores
- P — Retail Credit

Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers
- R — Motion Picture Theatres, Exhibitors and Distributors
- S — Hotels
- T — Sales Financing
- U — Farm Implement and Equipment Sales
- V — New Motor Vehicle Sales and Motor Vehicle Financing
- W — Advertising Agencies (Memorandum)
- X — Motion Picture Production (Memorandum)

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

* Biennial reports — not issued for 1957.

Prices of most reports released after January 1, 1959 have been increased. Information on the new prices of particular issues is available on request from the Information Services Division of the Dominion Bureau of Statistics.

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 average measurements of 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.

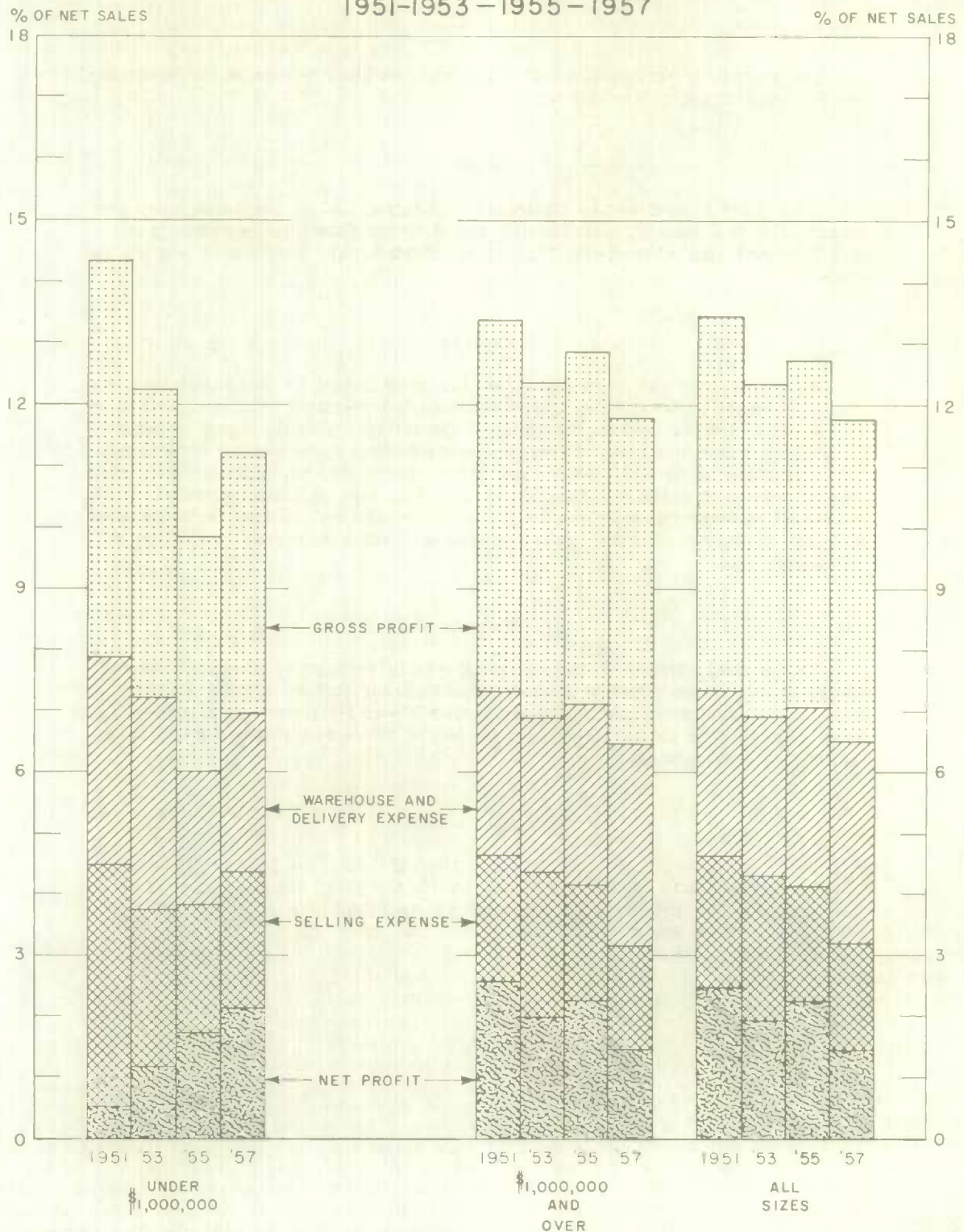
Period Covered

This report deals with operations for the calendar year 1957 or fiscal years which fell closest to the calendar year and is the sixth biennial publication in a series begun in 1947. A summary table shows results for 1955 and 1957. The chart shows the gross profit components for 1951, 1953, 1955 and 1957 by suitable sales-size classifications.

OPERATING RESULTS OF DRUG WHOLESALERS BY SIZE OF FIRM

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

1951-1953 - 1955 - 1957



OPERATING RESULTS OF DRUG WHOLESALERS

1957

Twenty-two of the 24 firms that reported for the 1955 survey of drug wholesalers reported for the 1957 survey and a report was received from one other firm. In all then, a panel of 23 firms provided the data used for the compilation of Table 1 of this report. This is one less than in 1955 and the decrease occurred in the \$1,000,000 and over sales size group of incorporated companies. Operating figures for 4 co-operative drug wholesalers were segregated, as in the 1955 report, and the results

shown in a separate column of this table. Table 2 is compiled from reports of 21 incorporated companies, and Table 3 from data submitted by the 22 firms that reported for both the 1955 and 1957 surveys. The purpose of the latter table is to compare the results of the same panel of firms for the two periods. More information about the firms in the panel, including sales distribution to various classes of customers, is shown in the table below.

Description of Reporting Firms

Item	Firms with 1957 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Number of firms	7	16	23
Form of organization:			
Individual proprietorship	1	—	1
Partnership	1	—	1
Incorporated company	5	16	21
Number of firms operated as:			
Single establishments	7	10	17
Multiple establishments	—	6	6
Distribution of sales:			
To retailers	% 93.47	95.71	95.64
To wholesalers	% 0.27	1.71	1.67
To large users ¹	% 6.26	2.37	2.48
To others	% —	0.21	0.21

¹ Hospitals, institutions, etc.

REVIEW OF 1957 OPERATING RESULTS

Profit and Expense Ratios

Table 1 shows that drug wholesalers in the panel surveyed realized an average gross profit of 11.79% of net sales, incurred average total operating expenses of 10.34% and, after allowing for non-trading items, had average net profit before income tax of 2.01% of net sales. In comparison, profit and expense figures for the 4 co-operative wholesalers in the survey, expressed as percentages of net sales, were as follows: average gross profit 8.96%, average total operating expenses 8.90%, and average net profit before income tax 0.22%. Detailed profit and expense data are shown in the table for two sizes of firms and for the co-operative wholesale firms.

As stated earlier, all but two of the firms that reported for the 1955 survey reported for the present survey and these reports, together with the report of one firm which did not submit figures for 1955, were used to compile Table 1. Consequently, the panel of firms surveyed for 1957 is slightly different and, although an attempt is made to restrict new

material used in this series of reports to data reported by typical firms in the trade, the results shown in Table 1 are not strictly comparable with the results of the 1955 survey.

Other Operating Features

Table 1 contains information with respect to stock turnover, inventories, credit sales and accounts outstanding. Stock turnover, which is computed by dividing the cost of goods sold by the average of the beginning and end of year inventories, was estimated at 8.06 times per year for the panel of firms as a whole and 14.08 times per year for co-operative wholesalers. Average inventories and average credit sales are shown as percentages of average net sales. Average accounts outstanding are shown as a percentage of average credit sales. Finally, information is available on sales per 1,000 square feet of floor space. An examination of this latter item reported by the 1957 panel indicated an increase of 22.5% to \$132,320 from the amount of \$107,980 reported by the 1955 panel.

TABLE 1. Operating Results of Drug Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of		Total all sizes ¹	Co-operative wholesalers
	Under \$1,000,000	\$1,000,000 and over		
Number of firms reporting	7	16	23	4
Average net sales per firm..... \$	455,336	6,589,728	4,722,739	10,979,198
Average cost of goods sold	404,145	5,812,033	4,166,154	9,995,054
Stock turnover (times per year)	5.82	8.15	8.06	14.08
Average beginning inventory	66,471	676,759	491,019	631,069
Per cent of average net sales	14.60	10.27	10.40	5.75
Average ending inventory	72,497	748,963	543,082	789,084
Per cent of average net sales	15.92	11.37	11.50	7.19
Profit and loss data				
(Per cent of net sales)				
Gross profit	11.24	11.80	11.79	8.96
Operating expenses:				
Selling expense:				
Salaries	1.68	1.03	1.05	0.44
Travelling	0.27	0.21	0.21	0.08
Advertising	0.21	0.13	0.14	0.08
Other selling expense	0.09	0.36	0.35	0.45
Total selling expense	2.25	1.73	1.75	1.05
Warehouse and delivery expense:				
Salaries and wages	1.47	2.90	2.86	3.07
Maintenance of delivery equipment	0.15	0.20	0.20	0.12
Outward freight	0.71	0.08	0.10	0.05
Warehouse supplies	0.18	0.12	0.12	0.14
Other warehouse and delivery expense	0.10	0.03	0.03	0.02
Total warehouse and delivery expense	2.61	3.33	3.31	3.40
Administrative and general expense:				
Salaries	2.28	2.75	2.73	2.44
Employees' benefits	0.11	0.33	0.33	0.24
Occupancy	0.60	0.68	0.67	0.44
Taxes ²	0.07	0.08	0.08	0.07
Insurance ²	0.23	0.07	0.08	0.04
Office supplies	0.18	0.34	0.34	0.55
Communication	0.15	0.22	0.22	0.16
Bad debts—amount written off	0.30	0.08	0.08	0.03
All other expense	0.35	0.76	0.75	0.48
Total administrative and general expense	4.27	5.31	5.28	4.45
Total operating expenses	9.13	10.37	10.34	8.90
Net operating profit	2.11	1.43	1.45	0.06
Non-trading income	0.15	0.76	0.74	0.42
Non-trading expense	0.20	0.18	0.18	0.26
Net profit before income tax deduction	2.06	2.01	2.01	0.22
Miscellaneous data				
Credit sales:				
Average per firm	431,881	5,961,477	4,278,556	³
Per cent of average net sales	94.85	90.47	90.59	³
Accounts outstanding:				
Average per firm	48,708	562,992	406,470	³
Per cent of average credit sales	11.28	9.44	9.50	³
Sales per 1,000 sq. ft. of floor space	150,347	131,842	132,320	180,431

¹ Includes co-operative wholesalers.² Excludes amount attributed to real estate which is in occupancy expense.³ Not available.

Incorporated Companies

Since no unincorporated companies had sales of \$1,000,000 and over, figures relating to this sales size group are the same as shown in Table 1.

The additional feature of Table 2 is the deduction for income tax stated as a percentage of net sales.

TABLE 2. Operating Results of Incorporated Drug Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
	per cent of net sales		
Gross profit	10.50	11.80	11.77
Operating expenses	8.37	10.37	10.32
Net operating profit	2.13	1.43	1.45
Non-trading income	0.17	0.76	0.74
Non-trading expense	0.17	0.18	0.18
Net profit before income tax deduction	2.13	2.01	2.01
Income tax	0.52	0.77	0.76
Final net profit	1.61	1.24	1.25

Comparison of 1955 and 1957 Operating Results

In view of what has been said before about the changing composition of the panel of firms and the limitation which it places on the comparability of the results of the present survey with those of 1955, a special compilation of operating results of the 22 firms that reported for both 1955 and 1957 is shown in Table 3. This table sets out the principal profit and expense ratios for the same firms for the two periods.

When interpreting the figures in the following table, changes in the average net sales of firms from period to period should be noted. It should be

expected that expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of firms increased. On the other hand, these expense items would tend to increase the ratios as average net sales decreased.

Average net sales of the 22 firms increased from \$4,307,912 to \$4,929,472 in 1957. Average gross profit margin (11.76%) stated as a percentage of net sales, did not increase sufficiently to offset increased expenses which were 10.32% of net sales. As a result, the net operating profit position (1.44%), shown as a percentage of net sales, was less favourable than in 1955.

TABLE 3. Operating Results of Drug Wholesalers, 1955 and 1957 Compared

Item	1955	1957
Number of firms	22	22
Average net sales per firm..... \$	4,307,912	4,929,472
	per cent of net sales	
Gross profit	11.64	11.76
Operating expenses:		
Selling	1.51	1.74
Warehouse and delivery	3.16	3.30
Administrative and general	5.32	5.28
Total operating expenses	9.99	10.32
Net operating profit	1.65	1.44

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