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MERCHANDISING AND SERVICES SECTION

OTTAWA, CANADA

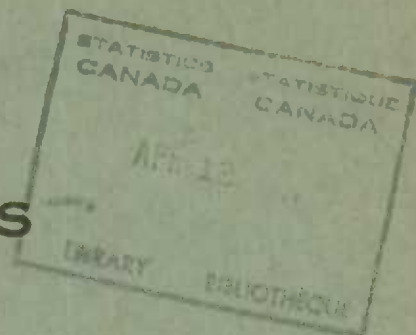
OPERATING RESULTS

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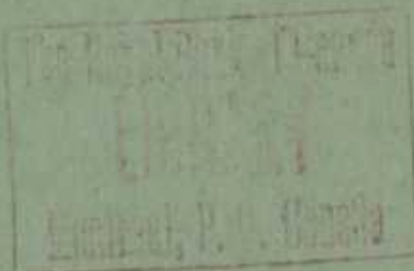
FOOD

WHOLESALE

1947



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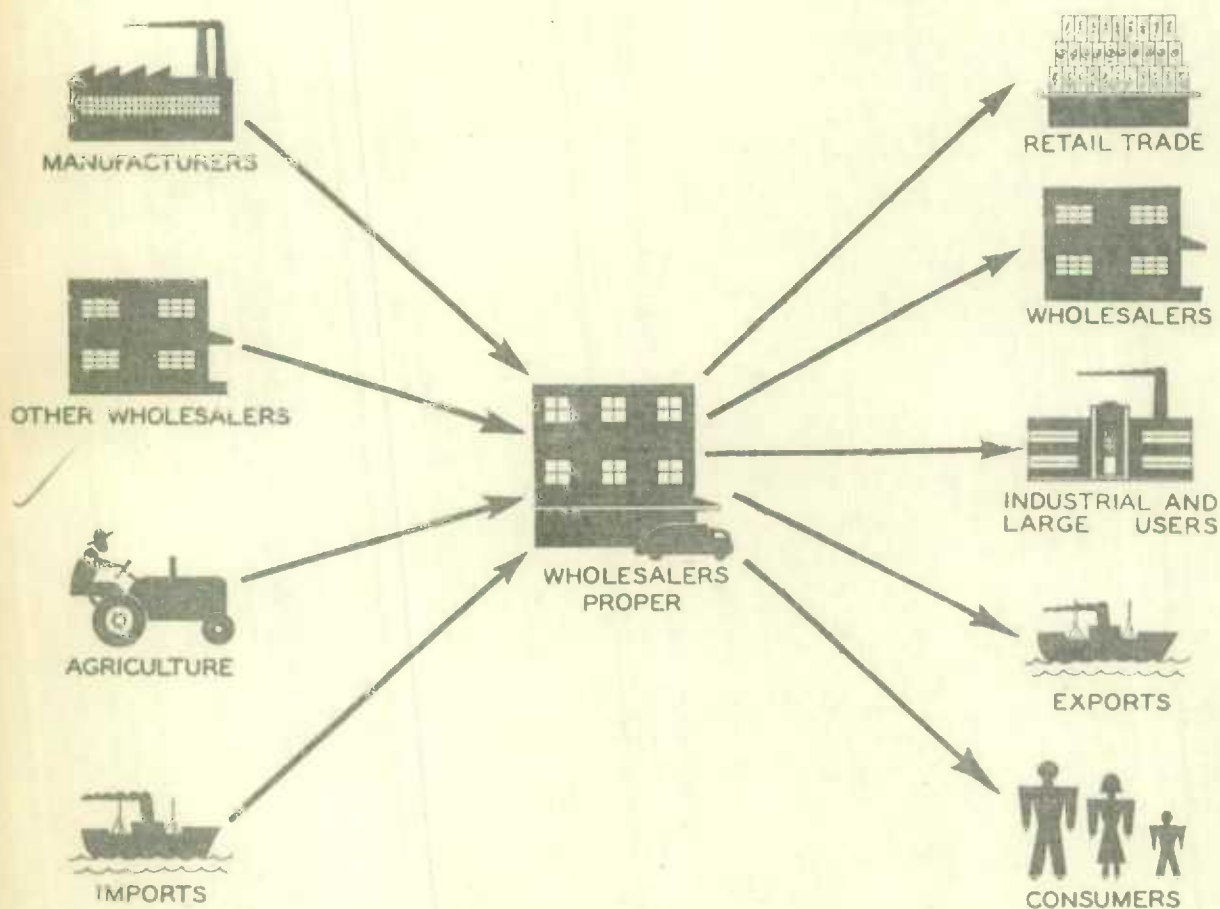


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1947, no. 1

OPERATING RESULTS OF WHOLESALE



WHOLESALE OF
GROCERIES
FRUITS AND VEGETABLES
TOBACCO AND CONFECTIONERY

(19 Feb 49)

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FACSIMILE OF THE SCHEDULE

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Please aim to return one copy of this form, properly completed, on or before

File no.



DOMINION BUREAU OF STATISTICS MERCHANDISING AND SERVICES OTTAWA

OPERATING COSTS IN WHOLESALE TRADE 1947

The returns from this inquiry will be used in the preparation of a report which will be published for the general use of the trade, describing average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to the fiscal year conforming most closely to the calendar year. PLEASE answer all questions.

I. DESCRIPTION OF BUSINESS

- (1) Name of firm is
- (2) Address of firm is
- (3) This business sold the following commodities, in order of importance by volume. Insert sales percentage of each. Example, groceries 60%, fruit 20%, tobacco 10%, confectionery 10%.
 - (a)%
 - (b)%
 - (c)%
 - (d)%
 - (e)%
 - (f)%

(This breakdown will allow grouping and tabulation of firms which are comparable as to commodities)
- (4) This business was conducted by - (Estimate percentage of each type)
 - (a) Wholesale merchant (performing functions of warehousing and delivery)
 - (b) Agent and/or broker
 - (c) Other - (specify)
- (5) This business was a corporation ☐, partnership ☐, individual proprietorship ☐.
- (6) The sales of this firm were distributed to - (Give estimated percentage if amounts are not known)
 - (a) Retail stores%
 - (b) Voluntary groups%
 - (c) Other wholesalers%
 - (d) Industrial and other large users%
 - (e) Consumers (at retail)%
 - (f) Other - (specify)%
- (7) This business was a single establishment ☐, a multiple organization ☐.
If single, please complete numbers 8 and 9; if multiple complete number 10.
- (8) We processed% of the merchandise sold. (Give approximate percentage)
- (9) The amount of floor space used in 1947 wassq.ft. The number of floors used was
- (10) This business is a multiple organization with head office and branches as follow:

Address	1947 Sales \$	Floor space		Percentage goods processed %
		No. floors	Sq. ft.	
Head Office
1.
2.
3.
4.
5.
6.
7.
8.
9.

If more branches, please attach supplementary list.

II. PROFIT AND LOSS STATEMENT, 1947:

A.

MERCHANDISING STATEMENT

- (1) Net sales - gross sales less returns, allowances, and trade discounts
- (2) Inventory of merchandise for resale, at beginning of year
- (3) Merchandise purchased for resale - invoice value plus duty,
inward freight and truckage; less returns, allowances,
and trade discounts
- (4) Total of beginning inventory and net purchases (item 2 plus 3)
- (5) Inventory of merchandise for resale, at end of year
- (6) Net cost of goods sold, (item 4 minus item 5)
- (7) Gross margin or profit (item 1 minus item 6)

B.

SELLING EXPENSES:

EXPENSE STATEMENT

- (1) Salaries, commissions, and bonuses paid to sales force
- (2) Travelling expenses of salesmen (inc. sales manager)
- (3) Advertising (catalog, display, newspaper, radio, magazine)
- (4) Other selling expenses
- (5) Total selling expenses (total of items 1 to 4)

WAREHOUSE AND DELIVERY EXPENSES:

- (6) Salaries and wages paid to shipping and receiving staff, truck drivers, etc.
- (7) Maintenance of delivery trucks (gas, oil, repairs, depreciation, insurance, etc.)
- (8) Outward freight, express, parcel post, and contract hauling
- (9) Warehouse supplies (such as paper, twine, packaging materials)
- (10) Other warehouse and delivery expense
- (11) Total warehouse and delivery expense (total of items 6 to 10)

GENERAL AND ADMINISTRATIVE EXPENSES:

- (12) Administrative and office salaries (if unincorporated, include proprietors)
- (13) Employees' benefits paid by firm (pension fund, unemployment insurance,
hospitalization, workmen's compensation or other staff benefits)
- (14) Occupancy expense - for premises used in the business (taxes, insurance, repairs,
depreciation allowances, and interest (a) on owned real estate and/or
rentals paid for rented premises)
- (15) Light, heat, power, and water
- (16) Taxes other than on real estate and excluding income and sales taxes
- (17) Insurance other than on real estate
- (18) Office supplies
- (19) Postage, telephone, telegraph
- (20) Cash discounts allowed to customers
- (21) Loss on bad debts - amount written off during the year
- less amount recovered
- (22) All other expenses
- (23) Total general and administrative expenses (total of items 12 to 22)
- (24) TOTAL OPERATING EXPENSES (add items 5, 11, and 23)
- (25) OPERATING PROFIT (item IIA(7) minus item IIB(24))

C.

NET GAIN STATEMENT

- (26) Other trading income (b) - such as discounts taken on purchases, interest earned.
- (27) Income tax or provision made, 1947
- (28) NET PROFIT OR LOSS (item 25 plus item 26 minus item 27)

For notes on (a) and (b) see next page.

IN THIS SERIES.....

OPERATING RESULTS OF RETAIL CHAIN STORES (1947)

1. Food chains
2. Clothing chains
3. Miscellaneous chains

OPERATING RESULTS OF INDEPENDENT RETAIL STORES (1944, 1945, 1946)

1. Food stores
2. Clothing stores
3. Country general and dry goods stores
4. Hardware, furniture, household appliances
and radio stores
5. Miscellaneous stores
6. Filling stations and garages

OPERATING RESULTS OF WHOLESALERS (1947)

1. Food and tobacco
2. Dry goods, piece goods, footwear
3. Miscellaneous wholesalers

Price 25¢ each.

Merchandising and Services Section
Dominion Bureau of Statistics

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Ottawa.

DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES SECTION
OTTAWA

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Chief, Merchandising and Services Section: C.H. McDonald

Series, 1947
No. 18

16-7080

OPERATING RESULTS OF FOOD WHOLESALERS 1 9 4 7

Content of the Bulletin

This publication contains the results of a survey on the operations of grocery, fruit and vegetable, tobacco and confectionery wholesalers. No previous survey into the operating costs of these wholesale trades has been made by the Bureau.

Two other bulletins in the 1947 wholesale operations series will cover the following trades:- dry goods, piece goods and footwear; automotive accessories, drugs, hardware, heating and plumbing equipment.

Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising, etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distribution and production is made, however, by dividing industry into units which perform chiefly either the productive or distributive functions.

Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary Trade

Wholesalers proper
Manufactures' sales branches or
offices
Petroleum bulk tank stations
Agents and Brokers
Assemblers of primary products
Other types of operation

Retailers

Independent Retailers
Independent Consumer Co-operatives
Chains - Voluntary chains
Chains under central ownership
and control
Retail co-operative chains

Relative importance of wholesalers proper to total wholesale trade is shown below:

Wholesale Trade - 1941 Census

<u>Type of Operation</u>	<u>Per cent of Total Sales</u>
Wholesalers proper	44.6
Manufacturers' sales branches ...	22.8
Petroleum bulk tank stations	4.1
Agents and brokers	17.2
Assemblers of primary products ..	8.5
Other types of operation	2.8
	<u>100.0</u>

Source:
1941 Census,
Vol. XI,
Table 1,
P. XXXI.

The ten trades surveyed accounted for 35 per cent of the sales of all wholesalers proper in 1941.

The Schedule

In order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records, a sample questionnaire was drawn up and despatched to all known firms in the trades surveyed. An accompanying letter requested that the companies make suggestions which would make the items clear and readily understood throughout the trade. The recommendations received were invaluable in the design of the final form.

A facsimile of the main portion of this final schedule is presented on Pages 2 and 3 to help clarify meanings of terms.

Methods

The ten trades in the survey were selected for their importance in the field of wholesale distribution of consumer goods to retailers. Other trades of considerable weight were omitted because their sales were made largely to industrial users of lumber and building materials, chemicals, machinery and equipment, etc. As far as possible the wholesalers canvassed were those performing the functions of warehousing and delivery.

Wholesalers proper may be briefly defined as wholesale establishments buying and selling goods on their own account. From this group those types not actually handling the merchandise - drop shippers and desk jobbers - were omitted.

When reports were received, some could not be used for such reasons as manufacturing activities, partial brokerage or agency business, for which expenses could not be separated from the functions of a warehousing and delivery wholesaler. Mixture of commodities not typical of the trade and unrelated as to cost of handling eliminated other returns from tabulation. Where the number of reports was sufficient, the results were tabulated according to the most suitable sales-size range. The salaries of proprietors and partners were included with administrative salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Dominion Bureau of Statistics, only average results are shown and all information submitted by the co-operating firms has been kept in strictest confidence.

RESULTS OF THE SURVEY.....

All wholesalers proper, as previously defined for inclusion in this survey, were canvassed by mail. Certain firms could not be used as typical and a few firms did not cooperate in submitting reports. The results presented, however, are deemed a good average of the respective trades.

The average sales per firm of grocery wholesalers was much higher than the other kinds, due in part to the presence of a greater number of multiple firms. Fruit and vegetable dealers obtained the highest gross profit but had greater operating expenses, particularly in warehousing and delivery, to net the smallest operating profit - 1.36 per cent of net sales.

Wholesalers of fresh fruits and vegetables sold and replaced their average stock slightly more than once a week; tobacco and confectionery wholesalers 20 times a year and grocery dealers 10 times a year. The proportion of credit sales was different in each, ranging from 90.4 per cent in grocery to 68.5 per cent of total net sales in tobacco and confectionery. A comparison of some of the main operating features of the three trades is shown below.

Table 1. - OPERATING RESULTS OF GROCERY, FRUIT AND VEGETABLE, TOBACCO AND CONFECTIONERY WHOLESALERS COMPARED, 1947

Item	Grocery	Fruit and Vegetable	Tobacco and Confectionery
Number of firms	95	62	119
Average sales per firm \$	3,203,758	852,114	809,477
Stock turnover (times per year).	9.9	62.0	20.0
	(Per cent of net sales)		
Gross profit	8.07	9.13	6.85
Operating expenses:			
Selling	1.31	1.34	1.85
Warehouse and delivery	2.17	3.22	1.24
General and administrative ...	2.91	3.21	2.08
Total operating expenses	6.39	7.77	5.17
Net operating profit	1.68	1.36	1.68
Other trading income	0.47	0.10	0.15
Total net profit before income tax deduction	2.15	1.46	1.83
Credit sales % total	90.4	76.2	68.5
Sales to retail stores %	92.5	73.3	98.7



GROCERIES.....

Ninety-five firms classed as grocery wholesalers returned satisfactory reports. For the purpose of this study, firms selling a high proportion of other commodities were excluded from tabulation. In particular, firms whose sales of fresh fruits and vegetables formed more than 25 per cent of their total net sales were not used. The commodity composition of the sales of the grocery wholesalers used is given below.

To meet requests for regional results, the group with sales between \$1,000,000 and \$4,999,999 - the only group with sufficient firms for such a breakdown - was tabulated by regions. The 95 firms used were divided into the most satisfactory sales-size groups for which a certain amount of description is given below.

GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales				
	Under \$1,000,000	\$1,000,000 to \$4,999,999	\$5,000,000 to \$9,999,999	\$10,000,000 and over	All sizes
Number of firms	34	50	6	5	95
Incorporated companies	15	45	5	5	70
Single establishments	34	46	2	-	82
Commodity composition of sales:					
Groceries	69.00	76.80	79.60	75.06	75.64
Fresh fruits and vegetables	1.97	1.96	2.05	11.99	6.98
Tobacco and confectionery	23.88	15.55	15.65	10.07	13.45
Flour and feed	2.75	3.89	-	1.05	2.35
Miscellaneous	2.40	1.80	2.70	1.83	1.58
Distribution of sales to					
Retail stores	88.76	92.38	92.48	93.14	92.49
Wholesalers and other large users	7.09	7.44	7.52	4.65	6.08
Others	4.15	0.18	-	2.21	1.43

Summary points in the operations of these firms in 1947 are set out below.

1. For every \$100 net sales in 1947, grocery wholesalers paid \$91.93 as cost of goods and retained \$8.07 to meet expenses and allow a net profit on operations. While gross and net profits were slightly greater in the larger sized firms, operating expenses were very uniform over the four size groups, averaging \$6.39 out of every \$100 net sales. Other trading income added \$0.47 to the net operating profit of \$1.68 to give a total net profit before income tax deduction of \$2.15. (Table 2).

2. With a substantial gain in dollar volume of stocks on hand at the end of the year in all sizes, the rate of turnover ranged between 8.4 and 11.3 times per year over the different size groups. The proportion of credit business increased with sales volume from 80.1 per cent of net sales to 95.6 per cent in the largest class. The largest firms finished the year with the smallest proportion of credit sales unpaid - 4 per cent. (Table 2).
3. Salaries and wages paid accounted for 59 per cent of all operating expenses, or 3.76 per cent of net sales. Of this, warehouse and delivery salaries were the largest component at 1.49 per cent of sales with administrative salaries at 1.42 per cent and selling salaries at 0.85 per cent. (Table 3).
4. Grocery wholesalers of the incorporated type of organization realized an average operating profit of 1.70 per cent, to which was added other trading income of 0.54 per cent. Income tax at 0.99 per cent of net sales reduced the net operating profit to a final net profit of 1.25 per cent. Size of business breakdown of these items is shown in table 4.
5. A regional tabulation of the firms with sales from \$1,000,000 to \$4,999,999 revealed highest gross profits in the Maritimes and Quebec, and highest expenses in the same regions. Ontario firms in this size range obtained the smallest net profits as a percentage of net sales while the Maritimes and the West were highest at 2.06 and 2.02 per cent respectively. (Table 5).

Table 2. - OPERATING RESULTS OF GROCERY WHOLESALERS, 1947

Item	By Size of Firm					Total all sizes
	Under \$1,000,000	\$1,000,000 to \$4,999,999	\$5,000,000 to \$9,999,999	\$10,000,000 and over		
Number of firms	34	50	6	5		95
Average net sales \$	654,641	1,898,701	6,710,176	29,380,635		3,203,758
Average cost of goods sold .. \$	603,977	1,746,233	6,149,888	27,012,001		2,945,328
Stock turnover (times per year)	9.6	9.0	8.4	11.3		9.9
Average beginning inventory . \$	54,709	175,821	703,700	2,366,625		280,068
Per cent of sales	8.36	9.26	10.49	8.06		8.77
Average ending inventory \$	70,964	213,056	761,221	2,416,676		312,803
Per cent of sales	10.84	11.22	11.34	8.23		9.76
<u>PROFIT AND LOSS DATA</u>						
(Per cent of net sales)						
Gross profit	7.74	8.03	8.35	8.06		8.07
Operating Expenses:						
Selling	1.43	1.37	1.38	1.24		1.31
Warehouse and delivery	2.06	2.01	2.20	2.28		2.17
General and administrative ..	2.86	2.96	3.13	2.83		2.91
Total operating expenses	6.35	6.34	6.71	6.35		6.39
Net operating profit	1.39	1.69	1.64	1.71		1.68
Other trading income	0.29	0.34	0.26	0.65		0.47
Total net profit before income tax deduction	1.68	2.03	1.90	2.36		2.15
<u>MISCELLANEOUS DATA</u>						
Credit sales:						
Average per firm \$	524,302	1,586,365	6,060,631	28,084,949		2,895,236
Per cent of total sales	80.09	83.55	90.32	95.59		90.37
Accounts outstanding:						
Average per firm \$	28,994	99,465	324,850	1,117,781		140,419
Per cent of credit sales	5.53	6.27	5.36	3.98		4.85

Table 3. - OPERATING EXPENSES OF GROCERY WHOLESALERS, 1947,

Item	By Size of Firm				
	Under \$1,000,000	\$1,000,000 to \$4,999,999	\$5,000,000 to \$9,999,999	\$10,000,000 and over	Total all sizes
	(Per cent of net sales)				
Gross profit	7.74	8.03	8.35	8.06	8.07
Operating Expenses:					
<u>Selling expense:</u>					
Salaries	1.08	0.92	0.83	0.78	0.85
Travelling	0.25	0.32	0.43	0.33	0.34
Advertising	0.06	0.08	0.08	0.07	0.07
Other selling expenses	0.04	0.05	0.04	0.06	0.05
Total selling expense	1.43	1.37	1.38	1.24	1.31
<u>Warehouse and Delivery</u>					
<u>Expense:</u>					
Salaries and wages	1.27	1.38	1.58	1.55	1.49
Maintenance of delivery equipment	0.59	0.32	0.46	0.36	0.38
Outward freight, contract hauling	0.10	0.20	0.02	0.28	0.20
Warehouse supplies	0.05	0.04	0.02	0.07	0.05
Other warehouse and de- livery expenses	0.05	0.07	0.12	0.02	0.05
Total warehouse and delivery expense	2.06	2.01	2.20	2.28	2.17
<u>General and Administrative</u>					
<u>Expense:</u>					
Salaries	1.47	1.51	1.53	1.33	1.42
Employees' benefits	0.03	0.06	0.06	0.13	0.09
Occupancy	0.41	0.41	0.62	0.45	0.46
Light, heat, and power	0.10	0.06	0.07	0.08	0.08
Taxes (1)	0.06	0.05	0.03	0.03	0.04
Insurance (1)	0.13	0.09	0.11	0.08	0.09
Office supplies	0.12	0.10	0.10	0.11	0.11
Postage, telegraph, telephone	0.08	0.11	0.13	0.14	0.12
Cash discounts allowed	0.05	0.06	-	(a)	0.02
Bad debts - amount allowed or written off	0.10	0.14	0.04	0.09	0.10
(Less) Amount recovered ...	0.04	0.04	(a)	(a)	0.02
Net bad debt loss	0.06	0.10	0.04	0.09	0.08
All other expenses	0.35	0.41	0.44	0.39	0.40
Total general and adminis- trative expense	2.86	2.96	3.13	2.83	2.91
Total operating expenses	6.35	6.34	6.71	6.35	6.39
Net operating profit	1.39	1.69	1.64	1.71	1.68

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

(a) Less than 0.005 per cent.

Table 4. - OPERATING RESULTS OF INCORPORATED GROCERY WHOLESALERS, 1947

By Size of Firm					
Item	Under \$1,000,000	\$1,000,000 to \$4,999,999	\$5,000,000 to \$9,999,999	\$10,000,000 and over	Total all sizes
	(Per cent of net sales)				
Gross profit	7.98	8.21	8.48	8.06	8.16
Operating expenses	6.69	6.48	6.83	6.35	6.46
Net operating profit	1.29	1.73	1.65	1.71	1.70
Other trading income	0.37	0.33	0.24	0.75	0.54
Total net profit before income tax deduction	1.66	2.06	1.89	2.46	2.24
Income tax	0.63	0.89	0.85	1.11	0.99
Final net profit	1.03	1.17	1.04	1.35	1.25

Table 5. - OPERATING RESULTS OF GROCERY WHOLESALERS - BY REGIONS - 1947

Sales-size \$1,000,000 - \$4,999,999					
Item	Maritimes	Quebec	Ontario	Prairies and British Columbia	Canada
Number of firms	10	13	20	7	50
Average net sales per firm ... \$	1,569,746	1,887,658	1,923,822	2,317,371	1,898,701
<u>PROFIT AND LOSS DATA</u> (Per cent of net sales)					
Gross profit	8.66	8.64	7.42	7.93	8.03
Operating Expenses:					
Selling	1.44	1.55	1.28	1.20	1.37
Warehouse and delivery	1.86	2.18	2.09	1.73	2.01
General and administrative ...	3.30	3.12	2.72	2.98	2.96
Total operating expenses	6.60	6.85	6.09	5.91	6.34
Net operating profit	2.06	1.79	1.33	2.02	1.69

FRUITS AND VEGETABLES.....

The reports of sixty-two firms in this classification were used in this study. Only 5 firms sold commodities other than fresh fruits and vegetables. The proportion of such other goods was small in each case and it is believed that the overall average of other commodities had a negligible effect on the operating ratios. The 62 firms were divided into the three most satisfactory size groups for which a certain amount of description is given below.

GENERAL INFORMATION ON REPORTING FIRM

Item	Annual Net Sales			
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms	29	18	15	62
Incorporated companies	9	8	12	29
Single establishments	29	18	14	61
Distribution of sales to:				
Retailers	82.6	70.5	71.6	73.3
Wholesalers and other large users	16.8	25.6	28.2	25.4
Other	0.6	3.9	0.2	1.3

Incorporated firms were tabulated separately for profits and income tax. There were insufficient firms in the different size groups to warrant a breakdown by regions. Summary points in the operation of these firms in 1947 are set out below.

1. For every \$100 net sales in 1947, wholesalers of fresh fruits and vegetables paid \$90.87 as cost of goods, leaving \$9.13 to meet expenses and allow a net profit on operations. There was a definite trend toward smaller ratios of profits and expenses in the largest sized firms. Gross profit ranged from 12.13 per cent in the smallest size class to 7.84 per cent in the largest. Net profit before income tax deduction likewise ranged from 1.86 to 1.22 per cent of net sales. (Table 7).

2. As with wholesale grocers, the largest firms in the fruit and vegetable classification extended more credit proportionately than the smaller firms, and had the smallest ratio of credit sales outstanding at the end of the year. They also sold and replaced their stock more rapidly - 73.4 times per year as compared to 46.0 and 58.6 times in the other two size groups. (Table 7.)
3. The largest single expense item in all sizes was warehouse and delivery salaries, which ranged from 2.23 per cent of net sales in the smallest to 1.41 per cent in the largest size class. The all size average of 1.67 per cent together with administrative salaries at 1.48 per cent and selling salaries at 0.98 per cent aggregated a total salary expense of 4.13 per cent of net sales or 53 per cent of all operating expenses. (Table 8.)
4. Incorporated firms obtained a gross profit slightly smaller in ratio to net sales than the all firm average of 9.13 per cent. From \$8.61 out of \$100 net sales, they paid \$7.44 as operating expenses to leave an operating profit of \$1.17. To this was added other income of \$0.10 from which income tax deductions of \$0.56 left a final net profit of \$0.71. Ratios of the same items by size of firm are given below in table 6.

Table 6. - OPERATING RESULTS OF INCORPORATED FRUIT AND VEGETABLE WHOLESALEERS, 1947

Item	By Size of Firm			
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
	(Per cent of net sales)			
Gross profit	12.61	10.97	7.59	8.61
Operating expenses	10.56	9.75	6.53	7.44
Net operating profit	2.05	1.22	1.06	1.17
Other trading income	0.10	0.28	0.06	0.10
Total net profit before income tax deduction	2.15	1.50	1.12	1.27
Income tax	0.83	0.62	0.52	0.56
Final net profit	1.32	0.88	0.60	0.71

Table 7. - OPERATING RESULTS OF FRUIT AND VEGETABLE WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms	29	18	15	62
Average net sales per firm \$	299,758	709,120	2,091,596	852,114
Average cost of goods sold \$	263,398	636,148	1,927,597	774,244
Stock turnover (times per year) ...	58.6	46.0	73.4	62.0
Average beginning inventory \$	4,197	14,061	21,904	11,344
Per cent of net sales	1.40	1.98	1.05	1.33
Average ending inventory \$	4,798	13,625	30,646	13,615
Per cent of net sales	1.60	1.92	1.46	1.60
<u>PROFIT AND LOSS DATA</u>				
(Per cent of net sales)				
Gross profit	12.13	10.29	7.84	9.13
Operating Expenses:				
Selling	1.62	1.59	1.17	1.34
Warehouse and delivery	4.63	3.36	2.77	3.22
General and administrative	4.08	3.77	2.74	3.21
Total operating expenses	10.33	8.72	6.68	7.77
Net operating profit	1.80	1.57	1.16	1.36
Other trading income	0.06	0.22	0.06	0.10
Total net profit before income tax deduction	1.86	1.79	1.22	1.46
<u>MISCELLANEOUS DATA</u>				
Credit sales:				
Average per firm \$	186,599	546,093	1,681,016	648,970
Per cent of total sales	62.25	77.01	80.37	76.16
Accounts outstanding:				
Average per firm \$	12,707	32,383	66,064	31,540
Per cent of credit sales	6.81	5.93	3.93	4.86
Sales per 1,000 sq. ft. floor space	75,534	86,084	136,789	102,200

Table 8. - OPERATING EXPENSES OF FRUIT AND VEGETABLE WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
	(Per cent of net sales)			
Gross profit	12.13	10.29	7.84	9.14
Operating Expenses:				
<u>Selling expense:</u>				
Salaries	1.21	1.08	0.87	0.98
Travelling	0.30	0.38	0.22	0.27
Advertising	0.03	0.07	0.05	0.05
Other selling expenses	0.08	0.06	0.03	0.04
Total selling expense	1.62	1.59	1.17	1.34
<u>Warehouse and Delivery Expense:</u>				
Salaries and wages	2.23	1.91	1.41	1.67
Maintenance of delivery equipment .	1.49	0.99	0.47	0.76
Outward freight, contract hauling .	0.56	0.19	0.61	0.50
Warehouse supplies	0.23	0.14	0.08	0.12
Other warehouse and delivery expenses	0.12	0.13	0.20	0.17
Total warehouse and delivery expense.	4.63	3.36	2.77	3.22
<u>General and Administrative Expense:</u>				
Salaries	2.13	1.82	1.16	1.48
Employees' benefits	0.04	0.03	0.07	0.06
Occupancy	0.56	0.63	0.32	0.44
Light, heat, and power	0.13	0.09	0.05	0.07
Taxes (1)	0.10	0.06	0.02	0.04
Insurance (1)	0.09	0.11	0.08	0.09
Office supplies	0.13	0.08	0.09	0.10
Postage, telegraph, telephone	0.25	0.24	0.29	0.27
Cash discounts allowed	0.02	(a)	(a)	0.01
Bad debts - amount allowed or written off	0.12	0.09	0.11	0.11
(Less) Amount recovered	0.02	0.03	0.04	0.04
Net bad debt loss	0.10	0.06	0.07	0.07
All other expenses	0.53	0.65	0.59	0.58
Total general and administrative expense	4.08	3.77	2.74	3.21
Total operating expenses	10.33	8.72	6.68	7.77
Net operating profit	1.80	1.57	1.16	1.37

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

(a) Less than 0.005 per cent.

TOBACCO AND CONFECTIONERY.....

Firms in this classification were generally engaged in selling only tobacco and confectionery. Some sold a small amount of groceries and some miscellaneous goods were handled by a few firms, such as paper goods, smokers' sundries, soft drinks. These other commodities were not sold in sufficient quantity to have any noticeable effect on the average results as shown in this report.

One hundred and nineteen firms submitted satisfactory reports. These were divided into three sales-size groups for tabulation. To meet requests for regional figures, a second tabulation was made by regions for all sizes combined. Income tax data together with major expenses and profits were tabulated for incorporated firms. A certain amount of description on the contributing firms is given below.

GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales			
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms	49	48	22	119
Incorporated companies	9	20	18	47
Single establishments	49	47	19	115
Distribution of sales to:				
Retailers	97.94	98.32	99.29	98.71
Wholesalers and other large users	1.23	1.36	0.71	1.03
Others	0.83	0.32		0.26

Summary points in the operations of these firms in 1947 include the following:

1. In 1947, tobacco and confectionery wholesalers operated on an average gross profit or margin smaller than other kinds of wholesale business surveyed. Out of every \$100 net sales, \$93.15 was paid out as cost of merchandise sold and \$5.17 for operating expenses, leaving a net operating profit of \$1.68. To this was added \$0.15 as other trading income to net a total profit before income tax deduction of \$1.83. No significant trend by size groups was apparent in these items. (Table 9.)

2. Inventories at the end of the year were in greater dollar volume than at the beginning in all size classes and the rate of stock turnover increased from 18 times in the smallest to 22 times per year in the largest class. The largest firms sold a smaller proportion on credit and also finished the year with a greater proportion of credit sales outstanding. (Table 9.)
3. The largest single item of expense was selling salaries - 1.45 per cent of net sales for the all firm average. With warehouse and delivery, and administrative salaries added, a total 3.35 per cent of sales was spent on salaries and wages, forming almost 65 per cent of all operating expenses. Other details of expense are shown in table 10.
4. In table 11, gross and net profit with the major expense items are presented by regions. Firms in Ontario and Quebec operated on the smallest gross profit or margin but made up a part of this disadvantage in smaller total operating expenses. Quebec showed the smallest net profit and the Prairies and British Columbia the largest.
5. Firms of the incorporated type of organization obtained slightly greater gross profits than the all type average. To a net operating profit of 1.74 per cent of net sales they added other trading income of 0.17 and paid income tax of 0.81 per cent. This tax formed approximately 42 per cent of total net operating profit. (Table 12.)

Table 9. - OPERATING RESULTS OF TOBACCO AND CONFECTIONERY WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms	49	48	22	119
Average net sales per firm \$	362,133	700,154	2,044,357	809,477
Average cost of goods sold \$	337,942	652,273	1,902,865	754,044
Stock turnover (times per year) ...	18.0	19.1	21.7	20.0
Average beginning inventory \$	17,695	31,498	80,554	34,884
Per cent of net sales	4.89	4.50	3.94	4.31
Average ending inventory \$	19,848	36,839	94,484	40,500
Per cent of net sales	5.48	5.26	4.62	5.00
<u>PROFIT AND LOSS DATA</u>				
(Per cent of net sales)				
Gross profit	6.68	6.84	6.92	6.85
Operating Expenses:				
Selling	1.56	1.92	1.91	1.85
Warehouse and delivery	1.20	1.28	1.22	1.24
General and administrative	2.37	2.11	1.94	2.08
Total operating expenses	5.13	5.31	5.07	5.17
Net operating profit	1.55	1.53	1.85	1.68
Other trading income	0.10	0.15	0.17	0.15
Total net profit before income tax deduction	1.65	1.68	2.02	1.83
<u>MISCELLANEOUS DATA</u>				
Credit sales:				
Average per firm \$	282,065	507,402	1,237,449	554,410
Per cent of total sales	77.89	72.47	60.53	68.49
Accounts outstanding:				
Average per firm \$	19,068	33,793	111,989	42,024
Per cent of credit sales	6.76	6.66	9.05	7.58
Sales per 1,000 sq. ft. floor space	157,067	203,175	151,293	170,423

Table 10. - OPERATING EXPENSES OF TOBACCO AND CONFECTIONERY WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
	(Per cent of net sales)			
Gross profit	6.68	6.84	6.92	6.85
Operating Expenses:				
<u>Selling expense</u>				
Salaries	1.27	1.57	1.44	1.45
Travelling	0.18	0.26	0.40	0.31
Advertising	0.07	0.04	0.03	0.04
Other selling expenses	0.04	0.05	0.04	0.05
Total selling expense	1.56	1.92	1.91	1.85
<u>Warehouse and Delivery Expense:</u>				
Salaries and wages	0.64	0.77	0.75	0.74
Maintenance of delivery equipment.	0.41	0.37	0.32	0.36
Outward freight, contract hauling.	0.07	0.06	0.07	0.07
Warehouse supplies	0.03	0.04	0.05	0.04
Other warehouse and delivery expense	0.05	0.04	0.03	0.03
Total warehouse and delivery expense	1.20	1.28	1.22	1.24
<u>General and Administrative Expense:</u>				
Salaries	1.36	1.18	1.06	1.16
Employees' benefits	0.01	0.03	0.04	0.03
Occupancy	0.29	0.21	0.17	0.21
Light, heat, and power	0.06	0.05	0.03	0.04
Taxes (1)	0.04	0.03	0.03	0.03
Insurance (1)	0.10	0.09	0.08	0.09
Office supplies	0.08	0.06	0.07	0.07
Postage, telegraph, telephone	0.07	0.07	0.07	0.07
Cash discounts allowed	0.02	0.01	0.02	0.01
Bad debts - amount allowed or written off	0.11	0.13	0.13	0.13
(Less) Amount recovered	0.01	0.02	0.01	0.02
Net bad debt loss	0.10	0.11	0.12	0.11
All other expenses	0.24	0.27	0.25	0.26
Total general and administrative expense	2.37	2.11	1.94	2.08
Total operating expenses	5.13	5.31	5.07	5.17
Net operating profit	1.55	1.53	1.85	1.68

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



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Table 11. - OPERATING RESULTS OF TOBACCO AND CONFECTIONERY WHOLESALERS, 1947

By Regions						
Item	Maritimes	Quebec	Ontario	Prairies	British Columbia	Canada
Number of firms	6	31	52	20	10	119
Average sales per firm ... \$	553,288	723,508	825,025	894,014	979,772	809,477
PROFIT AND LOSS DATA (Per cent of net sales)						
Gross profit	7.34	6.02	6.99	7.15	7.38	6.85
Operating Expenses:						
Selling	1.81	2.11	1.67	1.95	1.85	1.85
Warehouse and delivery ...	1.57	1.19	1.35	1.00	1.13	1.24
General and administrative	2.69	1.71	2.11	2.31	2.20	2.08
Total operating expenses ...	6.07	5.01	5.13	5.26	5.18	5.17
Net operating profit	1.27	1.01	1.86	1.89	2.20	1.68

Table 12. - OPERATING RESULTS OF INCORPORATED TOBACCO AND CONFECTIONERY WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
(Per cent of net sales)				
Gross profit	6.44	7.03	7.17	7.08
Operating expenses	5.51	5.70	5.19	5.34
Net operating profit	0.93	1.33	1.98	1.74
Other trading income	0.17	0.13	0.18	0.17
Total net operating profit before income tax deduction	1.10	1.46	2.16	1.91
Income tax	0.37	0.53	0.96	0.81
Final net profit	0.73	0.93	1.20	1.10