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OPERATING RESULTS OF FOOD WHOLESALERS 1953

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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 (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 Equipment 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

- Q — Laundries, Cleaners and Dyers, 25¢
- 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.

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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 Equipment 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

OPERATING RESULTS OF FOOD 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 distributor are not included. Three separate trades are covered - grocery, fruit and vegetable, and confectionery wholesalers.

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, but results of Newfoundland wholesalers are not included. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only. Middle range figures for gross and net profits, and for the three main functional divisions of expense, introduced in 1949, are contained in this report. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. (Because each was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.)

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 charts show the gross profit components for 1949, 1951 and 1953 by suitable sales-size classifications for each trade.

SUMMARY OF 1953 RESULTS BY TRADES

The following summary table shows the principal operating results figures for three components of the food wholesale business. In analyzing the performance of an individual food wholesale company, reference should be made to the detailed tables in

the appropriate sections of this bulletin. In these sections (grocery, fruit and vegetable, and tobacco and confectionery) operating results figures for typical sales-size classifications and geographic locations are revealed.

Operating Results of Grocery, Fruit and Vegetable, and Tobacco and Confectionery Wholesalers Compared, 1953

Item	Grocery	Fruit and vegetable	Tobacco and confectionery
Number of firms	116	82	134
Average net sales per firm \$	3,258,592	943,059	1,243,053
Stock turnover (times per year)	10.44	34.70	17.16
	(Per cent of net sales)		
Gross profit	7.66	11.79	7.63
Operating expenses:			
Selling	1.40	2.12	2.16
Warehouse and delivery	2.53	4.87	1.69
Administrative and general	3.27	4.06	2.68
Total operating expenses	7.20	11.05	6.53
Net operating profit	0.46	0.74	1.10
Non-trading income	0.56	0.20	0.25
Non-trading expense	0.07	0.08	0.06
Net profit before income tax deduction	0.95	0.86	1.29
Credit sales	85.51	79.86	78.23
Sales to retail stores	89.13	75.93	98.43

Extreme caution should be observed to avoid comparing absolute dollar values (average sales, cost of goods etc.) published in this report, with corresponding items of individual establishments or firms. These values are averages of items reported by both single and multiple establishment firms and are "firm" averages, not "establishment" averages. Consequently, a concentration of multiple establishment firms in a specific trade will result in an abnormal average for that trade. Ratios, however, may be used with a high degree of reliability when applied to either an establishment or a firm. The survey was designed primarily to obtain operating ratios to which single and multiple establishment firms might compare their operating results. Absolute values are shown only for the purpose of assisting the wholesaler to place his firm in relation to the average in the appropriate sales-size category.

Average sales of the three trades maintained the same relative position as in 1951, with grocery wholesalers averaging \$3,258,592, fruit and vegetable wholesalers \$943,059 and tobacco and confectionery wholesalers \$1,243,053. The interrelationship of stock turnover varied in 1953 with a decline in the fruit and vegetable ratio to 34.70

times per year, double that of tobacco and confectionery. Grocery wholesalers retained a stock turnover ratio of 10.44 times per year which approximated the 1951 rate. The average gross profit of fruit and vegetable wholesalers continued to place highest with 11.79 per cent of average net sales but the high operating cost ratios for this group placed the net operating profit ratio of 0.74 per cent second or in the middle position of the three trades. Gross profit ratios of the other two trades were highly similar, grocery with 7.66 per cent and tobacco and confectionery with 7.63 per cent, both of much the same order as in 1951. Consequently, tobacco and confectionery wholesale merchants obtained the highest net operating profit ratio of 1.10 per cent and grocery wholesalers the lowest of 0.46 per cent. The division of expenses between the three main groups was different in each of the three trades due to the peculiarities of the respective trades. Average credit sales, expressed as a percentage of average net sales, was slightly higher in 1953 for grocery and tobacco and confectionery wholesalers, amounting to 85.51 per cent and 78.23 per cent respectively. Fruit and vegetable wholesalers reported a slightly lower credit sales ratio of 79.86 per cent, compared to 1951 results.

GROCERY WHOLESALERS

Description of Reporting Firms

Item	Firms with 1953 sales of				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	44	57	10	5	116
Form organization:					
Individual proprietorship	9	—	—	—	9
Partnership	10	3	1	—	14
Incorporated company	25	54	9	5	93
Number of firms operated as:					
Single establishment	44	50	6	—	100
Multiple establishment	—	7	4	5	16
Distribution of sales:					
To retailers	92.72	82.88	92.05	92.12	89.13
To other wholesalers and large users	6.67	7.31	3.97	7.88	6.88
To others	0.61	9.81	3.97	—	3.99

Of the 116 firms reporting, 93 were incorporated and the remaining 23 were comprised of 9 individual proprietorships and 14 partnerships. Sixteen of the reporting firms operated more than one establish-

ment. Sales to retail stores made up 89 per cent of total sales. Of the remaining sales, other wholesalers and large users, such as institutions, accounted for almost seven per cent.

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.

Grocery wholesalers obtained an average gross profit of 7.66 per cent of average net sales on 1953 operations, slightly less than the 1951 ratio of 7.96 per cent. This indicates that the average gross profit increased at a slighter lower rate than average net sales. This condition was common to all group averages except the smallest sales-size classification. The total operating expense ratio for grocery wholesalers was greater in each sales-size group and averaged 7.20 per cent compared to the 1951 ratio of 7.01 per cent. Administrative and general expense of 3.27 per cent again accounted for almost half of total operating expenses. Warehouse and delivery expense averaged 2.53 per cent of net sales and showed increases over 1951 results in each group. Selling expenses remained of much the same order at 1.40 per cent of net sales. The combined effect of lower gross profit and higher expense ratios resulted in lower net operating profit ratios. Although miscellaneous expenses and income netted an increase, the net profit before income tax deduction ratio which averaged 0.95 per cent, was lower in each sales-size group than was shown in the 1951 results.

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

Item	Firms with 1953 sales of				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 reporting	44	57	10	5	116
Average net sales per firm	\$ 641,540	2,168,073	7,002,989	31,231,772	3,258,592
Average cost of goods sold	\$ 590,183	2,002,730	6,451,122	28,881,566	3,008,989
Stock turnover (times per year)	8.40	9.36	10.58	11.98	10.44
Average beginning inventory	\$ 69,835	211,536	593,914	2,398,241	285,006
Per cent of average net sales	10.89	9.76	8.48	7.68	8.75
Average ending inventory	\$ 70,664	216,449	625,240	2,423,602	291,528
Per cent of average net sales	11.01	9.98	8.93	7.76	8.95
PROFIT AND LOSS DATA (Per cent of net sales)					
Gross profit	8.01	7.62	7.88	7.52	7.66
Operating expenses:					
Selling expense:					
Salaries	1.25	0.99	1.08	0.68	0.90
Travelling	0.36	0.35	0.33	0.31	0.33
Advertising	0.06	0.07	0.20	0.05	0.09
Other selling expense	0.05	0.06	0.11	0.09	0.08
Total selling expense	1.72	1.47	1.72	1.13	1.40
Warehouse and delivery expense:					
Salaries and wages	1.45	1.72	1.94	1.83	1.78
Maintenance of delivery equipment	0.61	0.53	0.59	0.19	0.41
Outward freight	0.15	0.11	0.06	0.41	0.23
Warehouse supplies	0.04	0.04	0.03	0.04	0.04
Other warehouse and delivery expense	0.09	0.06	0.11	0.06	0.07
Total warehouse and delivery expense	2.34	2.46	2.73	2.53	2.53
Administrative and general expense:					
Salaries	1.77	1.70	1.64	1.76	1.72
Employees' benefits	0.06	0.09	0.06	0.21	0.13
Occupancy	0.58	0.54	0.49	0.53	0.53
Light, heat and power	0.09	0.09	0.09	0.11	0.10
Taxes	0.08	0.06	0.04	0.03	0.04
Insurance	0.14	0.09	0.07	0.07	0.08
Office supplies	0.09	0.12	0.14	0.12	0.12
Communication	0.09	0.11	0.09	0.15	0.12
Bad debts-amount written off	0.18	0.14	0.04	0.06	0.09
All other expense	0.33	0.35	0.31	0.32	0.34
Total administrative and general expense	3.41	3.29	2.97	3.36	3.27
Total operating expenses	7.47	7.22	7.42	7.02	7.20
Net operating profit	0.54	0.40	0.46	0.50	0.46
Non-trading income	0.35	0.34	0.29	0.90	0.56
Non-trading expense	0.07	0.12	0.08	0.03	0.07
Net profit before income tax deduction	0.82	0.62	0.67	1.37	0.95
MISCELLANEOUS DATA					
Credit sales:					
Average per firm	\$ 493,023	1,826,818	5,298,461	28,692,629	2,786,422
Per cent of average net sales	76.85	84.26	75.66	91.87	85.51
Accounts outstanding:					
Average per firm	\$ 36,977	121,483	289,826	1,328,469	155,482
Per cent of average credit sales	7.50	6.65	5.47	4.63	5.58
Sales per 1,000 sq. ft. of floor space	\$ 59,675	81,989	119,667	95,130	90,040

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

Inventories and Stock Turnover

Average inventories, expressed as ratios of the average net sales of responding firms, increased from 8.75 per cent at the beginning of the year to 8.95 per cent at the end of the year. This was a continuation of the trend of the 1951 ratios which

increased from 8.97 per cent to 9.24 per cent. The rate of stock turnover—average of beginning and year end inventories divided into the cost of goods sold—averaged 10.44 for all grocery wholesalers, a slight increase over the 1951 rate.

Credit Sales and Receivables

Credit sales of wholesale merchants accounted for 85.51 per cent of their net sales in 1953, slightly higher than the 1951 rate of 84.68 per cent. Similar to the 1951 relative positions of the group ratios, the lowest ratio (75.66 per cent) and the highest ratio (91.87 per cent) occurred in the second largest

and largest sales-size categories respectively. Accounts outstanding at the year end were 5.58 per cent of credit sales for all grocery wholesalers and ranged inversely with sales-size from 4.63 per cent to 7.50 per cent.

Regional Results

Gross profit ratios or mark-ups of grocery wholesalers in the four principal regions of Canada, showed no significant differences from the ratio of 7.66 per cent for Canada. The Maritimes' 1953 ratio of 8.20 per cent, as in 1951, remained in the relatively highest position. Quebec grocery wholesalers averaged the lowest gross profit ratio of 7.09 per cent, whereas Ontario wholesalers reported an average of 7.77 per cent, and the Prairie and British Columbia wholesalers approximated the Canada average with 7.65 per cent. Maritime wholesalers reported operating expenses of 7.48 per cent, the only regional group to exceed the Canada average of 7.20 per cent. However, increased expenses were

insufficient to offset the comparatively high gross margin and this group averaged the highest net operating profit ratio with 0.72 per cent compared to the Canada average of 0.46 per cent. Quebec wholesalers were the only group to average a slight loss, with an expense ratio of 7.13 per cent exceeding their average gross profit ratio by 0.04 per cent of net sales. Ontario wholesalers reported the lowest ratio of operating expenses and obtained the second highest net operating profit ratio of 0.68 per cent. Prairie and British Columbia wholesalers continued to approximate the Canada averages with an operating expense ratio of 7.18 per cent and a net operating profit of 0.47 per cent of average net sales.

TABLE 2. Operating Results of Grocery Wholesalers by Regions, 1953

Item	Maritimes	Quebec	Ontario	Prairie Provinces and B.C.	Canada
Number of firms	30	38	32	16	116
Average net sales per firm\$	1, 856, 937	1, 748, 916	2, 634, 181	10, 721, 003	3, 258, 542
	(Per cent of net sales)				
Gross profit	8.20	7.09	7.77	7.65	7.66
Operating expenses:					
Selling	1.48	1.67	1.54	1.20	1.40
Warehouse and delivery	2.36	2.37	2.70	2.56	2.53
Administrative and general	3.64	3.09	2.85	3.42	3.27
Total operating expenses	7.48	7.13	7.09	7.18	7.20
Net operating profit	0.72	10.04	0.68	0.47	0.46

1. Operating loss.

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary

considerably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 3. Average and Middle Range Ratios of Grocery Wholesalers, 1953

Item	Firms with 1953 sales of				Total all sizes	
	Under \$1,000,000		\$1,000,000 to \$4,999,999			
	Average	Middle range	Average	Middle range	Average	Middle range
	(Per cent of net sales)					
Gross profit	8.0	7.2-8.9	7.6	7.0-8.9	7.7	7.0-8.9
Selling expense	1.7	1.3-2.2	1.4	1.0-2.0	1.4	1.0-2.0
Warehouse and delivery expense	2.4	1.8-2.9	2.5	1.9-3.0	2.5	1.9-2.9
Administrative and general expense	3.4	2.6-4.3	3.3	2.9-3.8	3.3	2.7-3.8
Net operating profit	0.5	10.2-1.2	0.4	10.1-1.1	0.5	10.1-1.1

1. Operating loss.

Incorporated Companies 1953

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a pro-

portion of net sales, was 0.95 per cent for both "incorporated firms" and "all firms". Income tax reduced the incorporated firms' ratio to 0.58 per cent, a decrease of 39 per cent.

TABLE 4. Operating Results of Incorporated Grocery Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of				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	
	(Per cent of net sales)				
Gross profit	8.28	7.63	7.71	7.52	7.63
Operating expenses	7.88	7.24	7.23	7.02	7.18
Net operating profit	0.40	0.39	0.48	0.50	0.45
Non-trading income	0.41	0.32	0.23	0.90	0.57
Non-trading expense	0.07	0.12	0.09	0.03	0.07
Net profit before income tax deduction	0.74	0.59	0.62	1.37	0.95
Income tax	0.35	0.23	0.20	0.55	0.37
Final net profit	0.39	0.36	0.42	0.82	0.58

Comparison of 1951 and 1953 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 5. Operating Results of Grocery Wholesalers, 1951 and 1953 Compared

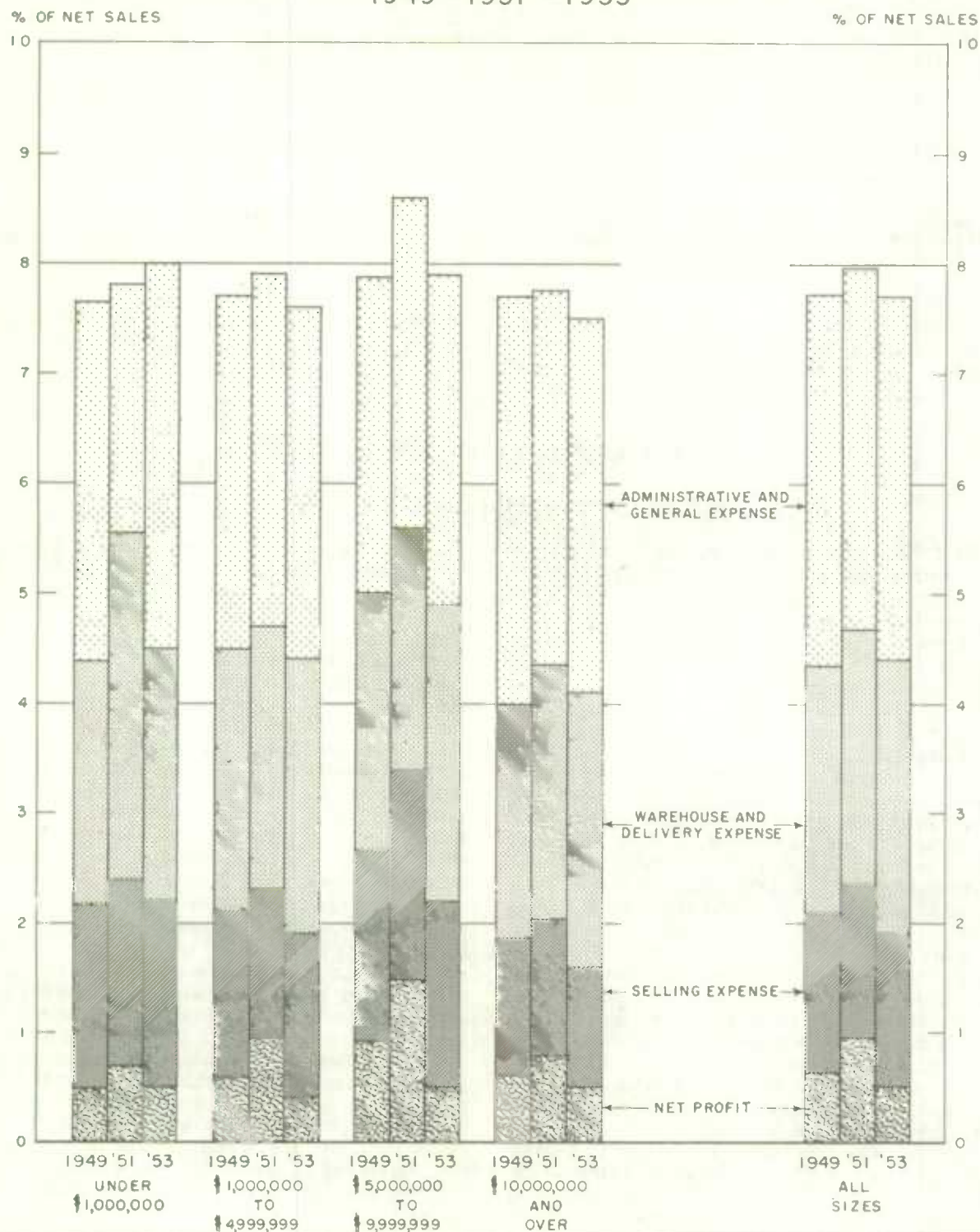
Item	All Respondents		Identical Firms	
	1951	1953	1951	1953
Number of firms	113	116	99	99
Average net sales per firm \$	3,025,875	3,258,592	3,318,363	3,548,551
	(Per cent of net sales)			
Gross profit	7.96	7.66	7.98	7.61
Operating expenses:				
Selling	1.41	1.40	1.42	1.37
Warehouse and delivery	2.33	2.53	2.34	2.51
Administrative and general	3.27	3.27	3.28	3.27
Total operating expenses	7.01	7.20	7.04	7.15
Net operating profit	0.95	0.46	0.94	0.46

CHART-I

OPERATING RESULTS OF GROCERY WHOLESALERS

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

1949 - 1951 - 1953



FRUIT AND VEGETABLE WHOLESALERS

Description of Reporting Firms

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	31	26	25	82
Form of organization:				
Individual proprietorship	10	4	1	15
Partnership	10	9	3	22
Incorporated company	11	13	21	45
Number of firms operated as:				
Single establishment	29	25	21	75
Multiple establishment	2	1	4	7
Distribution of sales:				
To retailers	77.34	83.41	72.72	75.93
To other wholesalers and large users	21.85	15.36	20.65	19.49
To others	0.81	1.23	6.63	4.58

Of the 82 firms reporting, 45 were incorporated and the remaining 37 were comprised of 22 partnerships and 15 single proprietorships. Only seven firms operated more than one establishment. Almost

76 per cent of total sales were made to retailers, and approximately 19 per cent to other wholesalers and large users, such as institutions.

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.

Fruit and vegetable wholesale merchants obtained a 1953 gross profit of 11.79 per cent of their average net sales, a slightly higher ratio than was reported for 1951 operations. Within the three typical sales-size groups, increases which occurred in the smallest and largest sizes offset the slight decline reported by the mid-size firms. In total, operating expenses amounted to 11.05 per cent which resulted in a net operating profit ratio of 0.74 per cent of net sales for 1953 operations. Differences occurred within the size groupings and expense categories when compared to 1951 results. Selling expenses which represents about one fifth of total expenses showed ratio increases in each group. Warehouse and delivery expenses increased from 4.35 per cent in 1951 to 4.87 per cent in 1953 although the smallest sales-size group ratio remained at about the same proportion of net sales. Administrative and general expense ratios netted a very slight decline because the lower ratio of the mid-size firms was not quite offset by the increased ratios of the other two sales-size groups. Although non-trading income and expense netted an increase, the net profit before income tax deduction for 1953 fruit and vegetable wholesale operations, amounting to 0.86 per cent of net sales, was lower than the 1951 ratio of 1.02 per cent. That is, although both average sales increased and average gross profits increased in 1953 when compared to 1951 operations, operating expenses increased at a greater rate with a subsequent decline in the profit ratios.

TABLE 6. Operating Results of Fruit and Vegetable Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	31	26	25	82
Average net sales per firm \$	303,185	735,859	1,951,991	943,059
Average cost of goods sold \$	262,284	650,959	1,726,208	831,841
Stock turnover (times per year)	33.41	53.31	30.72	34.70
Average beginning inventory \$	7,501	13,405	57,799	24,708
Per cent of average net sales	2.47	1.82	2.96	2.62
Average ending inventory \$	8,199	11,017	54,599	23,239
Per cent of average net sales	2.70	1.50	2.80	2.46
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit	13.49	11.54	11.56	11.79
Operating expenses:				
Selling expense:				
Salaries	1.96	1.42	1.66	1.64 ✓
Travelling	0.37	0.24	0.30	0.29 ✓
Advertising	0.10	0.09	0.12	0.11 ✓
Other selling expense	0.03	0.09	0.08	0.08 ✓
Total selling expense	2.46	1.84	2.16	2.12
Warehouse and delivery expense:				
Salaries and wages	2.49	2.57	2.77	2.69 ✓
Maintenance of delivery equipment	1.55	1.52	1.02	1.21 ✓
Outward freight	0.37	0.12	0.65	0.48 ✓
Warehouse supplies	0.26	0.35	0.32	0.32 ✓
Other warehouse and delivery expense	0.09	0.14	0.20	0.17 ✓
Total warehouse and delivery expense	4.76	4.70	4.96	4.87
Administrative and general expense:				
Salaries	2.43	1.82	1.41	1.63 ✓
Employees' benefits	0.09	0.11	0.08	0.09 ✓
Occupancy	0.88	0.80	0.56	0.66 ✓
Light, heat and power	0.19	0.16	0.13	0.15 ✓
Taxes ¹	0.13	0.09	0.05	0.07 ✓
Insurance ¹	0.22	0.15	0.10	0.13 ✓
Office supplies	0.24	0.16	0.11	0.14 ✓
Communication	0.41	0.29	0.36	0.35 ✓
Bad debts—amount written off	0.14	0.16	0.18	0.17 ✓
All other expense	0.78	0.51	0.72	0.67 ✓
Total administrative and general expense	5.51	4.25	3.70	4.06
Total operating expenses	12.73	10.79	10.82	11.05
Net operating profit	0.76	0.75	0.74	0.74
Non-trading income	0.22	0.24	0.19	0.20
Non-trading expense	0.06	0.13	0.06	0.08
Net profit before income tax deduction	0.92	0.86	0.87	0.86
MISCELLANEOUS DATA				
Credit sales:				
Average per firm \$	225,691	580,814	1,581,503	753,127
Per cent of average net sales	74.44	78.93	81.02	79.86
Accounts outstanding:				
Average per firm \$	11,126	41,412	102,323	48,652
Per cent of average credit sales	4.93	7.13	6.47	6.46
Sales per 1,000 sq. ft. of floor space \$	62,074	139,827	118,435	116,410

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

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, declined from 2.62 per cent at the beginning of the year to 2.46 per cent at the end of the year. This is significant as a reversal in trend of the 1951 ratios which increased from 2.02 per cent to 2.52 per cent. Because the average inventory ratio for 1953 was greater, inventories in-

creased in 1953 to a greater extent than did average net sales. The rate of stock turnover — average of beginning and year-end inventories divided into cost of goods sold — amounted to 34.70 times per year, a lower rate than was reported for 1951 operations. This decline in stock turnover is to be expected with increased inventory ratios.

Credit Sales and Receivables

Credit sales for 1953 amounted to 79.86 per cent of total sales, a drop from the 1951 level but approximating the 1949 proportion of 79.23 per cent. Within the sales-size classifications, the proportions ranged from 74.44 per cent to 81.02 per cent and increased with size of firm. Average accounts outstanding at the year end were 6.46 per cent of average credit sales for all fruit and vegetable wholesale merchants, only slightly below the 1951 pro-

portion of 6.88 per cent. The smaller firms reported an accounts receivable ratio of 4.93 per cent, a substantial reduction from the 1951 figure of 9.00 per cent. Middle-sized firms showed only a slight reduction with a ratio of 7.13 per cent, whereas the larger firms increased their average accounts outstanding from 6.13 per cent in 1951 to 6.47 per cent in 1953, expressed as proportions of their respective average credit sales.

Regional Results

Gross trading profit ratios for the four principal regions of Canada ranged from 8.80 per cent in Quebec to 14.42 per cent in the Prairie Provinces and British Columbia. Maritime and Ontario wholesalers each averaged gross profit ratios of 12.46 per cent and 14.06 per cent of their respective sales, higher than the Canada average of 11.79 per cent. Wholesalers in the regions where the gross profit ratio was higher than the Canada average reported greater than average operating expense ratios. Que-

bec wholesalers showed the lowest operating expense ratio in addition to the lowest gross profit ratio. However, comparison of the net operating profit ratios ranked the Maritime wholesalers in the highest position with 1.51 per cent, Ontario wholesalers with 1.01 per cent and the Quebec and Prairie and British Columbia wholesalers in the lowest position with 0.40 per cent and 0.39 per cent respectively.

TABLE 7. Operating Results of Fruit and Vegetable Wholesalers, by Regions, 1953

Item	Maritimes	Quebec	Ontario	Prairie Provinces and B.C.	Canada
Number of firms	12	28	30	12	82
Average sales per firm \$	845,917	947,445	855,256	1,249,476	943,059
(Per cent of net sales)					
Gross profit	14.06	8.80	12.46	14.42	11.79
Operating expenses:					
Selling	2.86	1.47	2.11	2.80	2.12
Warehouse and delivery	4.91	3.51	5.09	6.87	4.87
Administrative and general	4.78	3.42	4.25	4.36	4.06
Total operating expenses	12.55	8.40	11.45	14.03	11.05
Net operating profit	1.51	0.40	1.01	0.39	0.74

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales-size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 8. Average and Middle Range Ratios of Fruit and Vegetable Wholesalers, 1953

Item	Firms with 1954 sales of						Total all sizes	
	Under \$500,000		\$500,000 to \$999,999		\$1,000,000 and over			
	Average	Middle Range	Average	Middle Range	Average	Middle Range	Average	Middle Range
	(Per cent of net sales)							
Gross profit	13.5	10.8-16.5	11.5	8.6-16.1	11.6	8.4-16.9	11.8	8.9-16.2
Selling expense	2.4	1.4- 3.6	1.8	1.1- 2.3	2.2	1.4- 2.9	2.1	1.3- 2.9
Warehouse and delivery expense	4.8	2.8- 6.9	4.7	2.8- 6.1	5.0	2.9- 6.6	4.9	2.9- 6.2
Administrative and general expense	5.5	3.6- 8.4	4.3	3.4- 4.9	3.7	2.7- 5.0	4.1	3.3- 5.7
Net operating profit	0.8	1.5 ¹ 1.6	0.7	0.3 ¹ 1.6	0.7	0.1 ¹ 2.6	0.7	0.3 ¹ 1.6

1. Operating loss.

Incorporated Companies 1953

Comparison of the profit and expense ratios of incorporated firms, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a proportion of net

sales, was 0.70 per cent and 0.86 per cent for "incorporated" and "all firms" respectively. Income tax reduced the incorporated firms ratio to 0.46 per cent, a decrease of 34 per cent.

TABLE 9. Operating Results of Incorporated Fruit and Vegetable Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
(Per cent of net sales)				
Gross profit	14.07	12.47	11.38	11.76
Operating expenses	12.87	11.99	10.84	11.19
Net operating profit	1.20	0.48	0.54	0.57
Non-trading income	0.14	0.26	0.20	0.21
Non-trading expense	0.11	0.19	0.05	0.08
Net profit before income tax deduction	1.23	0.55	0.69	0.70
Income tax	0.56	0.11	0.24	0.24
Final net profit	0.67	0.44	0.45	0.46

Comparison of 1951 and 1953 Identical Firm Results

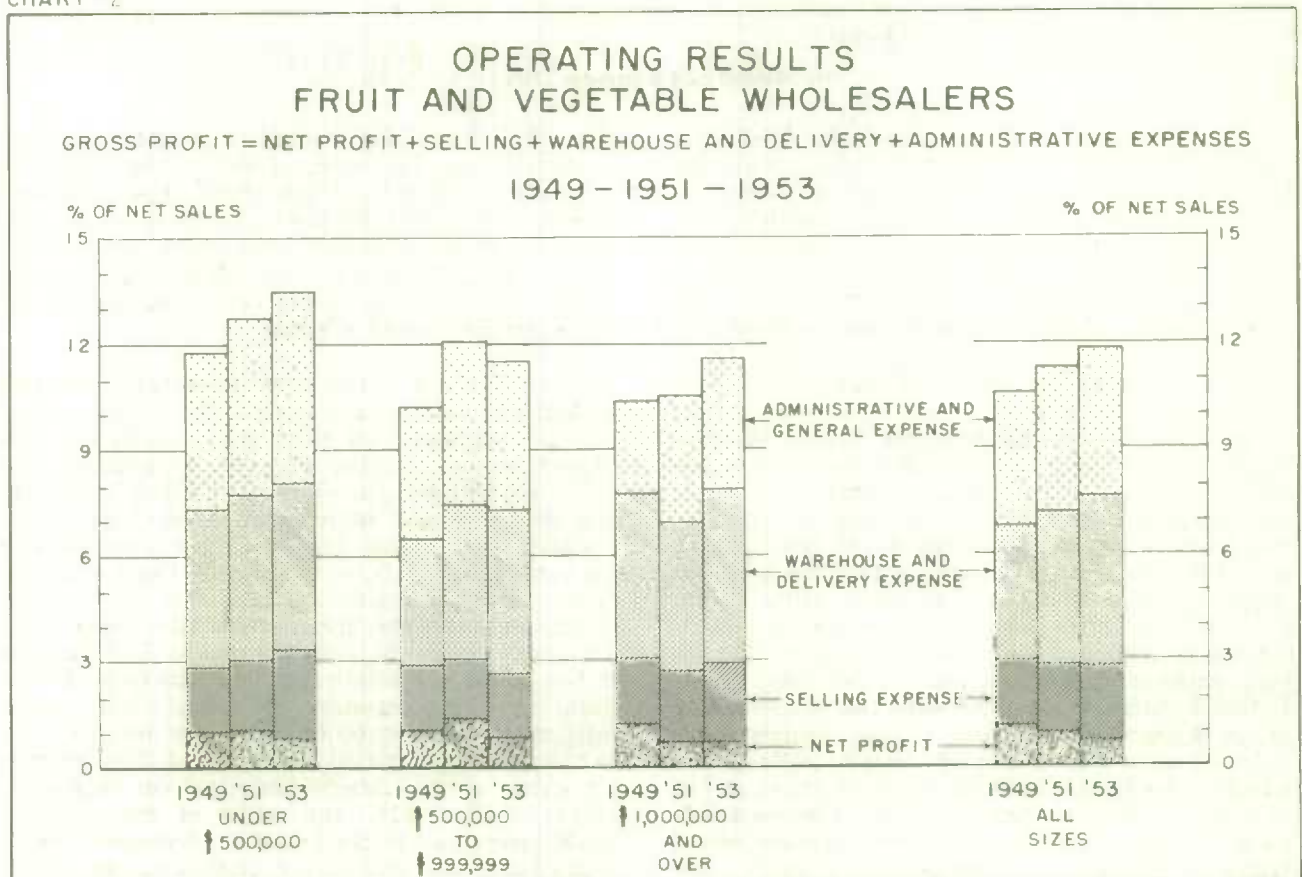
The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 10. Operating Results of Fruit and Vegetable Wholesalers, 1951 and 1953 Compared

Item	All respondents		Identical firms	
	1951	1953	1951	1953
Number of firms	86	82	74	74
Average net sales per firm \$	850,808	943,059	900,276	969,964
Gross profit	11.27	11.79	11.36	11.86
Operating expenses:				
Selling	1.90	2.12	1.88	2.16
Warehouse and delivery	4.35	4.87	4.39	4.86
Administrative and general	4.08	4.06	4.07	4.10
Total operating expenses	10.33	11.05	10.34	11.12
Net operating profit	0.94	0.74	1.02	0.74

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TOBACCO AND CONFECTIONERY WHOLESALERS

Description of Reporting Firms

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	21	60	53	134
Form of organization:				
Individual proprietorship	2	17	7	26
Partnership	11	15	6	32
Incorporated company	3	28	40	76
Number of firms operated as:				
Single establishment	21	56	46	123
Multiple establishment	—	4	7	11
Distribution of sales:				
To retailers	97.51	98.69	98.38	98.43
To other wholesalers and large users	1.00	1.13	1.30	1.24
To others	1.49	0.18	0.32	0.33

Of the 134 reporting firms, 76 were incorporated companies, 32 were partnerships, and the remaining 26 were individual proprietorships. A very large proportion (123) of these firms noted that they oper-

ated only one establishment. Sales to retail stores accounted for 98 per cent of total sales, the remaining sales were made almost entirely to other wholesalers and large users, such as institutions.

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 re-

sults. 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.

Tobacco and confectionery wholesale merchants obtained an average gross profit of 7.63 per cent of average net sales for their 1953 operations, only slightly greater than the 1951 ratio of 7.55 per cent. The three major expense groups, selling, warehouse and delivery, and administrative and general, amounted to 2.16 per cent, 1.69 per cent and 2.68 per cent respectively, when expressed as proportions of net sales. Comparison of the sales-size category results showed the gross profit ratio ranged from 7.44 per cent in the middle group to 7.70 per cent in the largest and smallest size-groups respectively. Total operating expenses showed the same interrelationship and ranged from 6.40 per cent for firms in the mid-range to 6.54 per cent and 7.06 per cent for firms in the largest and smallest sales-size ranges respectively. The ratios of net operating profit before income tax however, increased directly with sales-size and ranged from 0.92 per cent to 1.20 per cent and 1.36 per cent for the three groups.

TABLE 11. Operating Results of Tobacco and Confectionery Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting.....	21	60	53	134
Average net sales per firm..... \$	370,808	735,543	2,163,198	1,243,053
Average cost of goods sold..... \$	342,215	680,823	1,996,563	1,148,162
Stock turnover (times per year).....	15.19	16.03	17.80	17.16
Average beginning inventory..... \$	22,180	41,295	105,975	63,882
Per cent of average net sales.....	5.98	5.61	4.90	5.14
Average ending inventory..... \$	22,868	43,654	118,297	69,919
Per cent of average net sales.....	6.17	5.93	5.47	5.62
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit.....	7.71	7.44	7.70	7.63
Operating expenses:				
Selling expense:				
Salaries.....	1.47	1.55	1.68	1.64
Travelling.....	0.22	0.28	0.44	0.39
Advertising.....	0.10	0.06	0.07	0.07
Other selling expense.....	0.11	0.06	0.06	0.06
Total selling expense.....	1.90	1.95	2.25	2.16
Warehouse and delivery expense:				
Salaries and wages.....	1.30	1.01	1.11	1.08
Maintenance of delivery equipment.....	0.77	0.55	0.40	0.46
Outward freight.....	0.07	0.06	0.07	0.07
Warehouse supplies.....	0.05	0.03	0.04	0.04
Other warehouse and delivery expense.....	0.05	0.03	0.04	0.04
Total warehouse and delivery expense.....	2.24	1.68	1.66	1.69
Administrative and general expense:				
Salaries.....	1.48	1.48	1.42	1.44
Employees' benefits.....	0.03	0.07	0.08	0.08
Occupancy.....	0.42	0.37	0.33	0.34
Light, heat and power.....	0.07	0.07	0.04	0.05
Taxes ¹	0.07	0.06	0.04	0.04
Insurance ¹	0.09	0.10	0.03	0.08
Office supplies.....	0.08	0.08	0.09	0.09
Communication.....	0.08	0.07	0.07	0.07
Bad debts-amount written off.....	0.28	0.16	0.18	0.18
All other expense.....	0.32	0.31	0.30	0.31
Total administrative and general expense.....	2.92	2.77	2.63	2.68
Total operating expenses.....	7.06	6.40	6.54	6.53
Net operating profit.....	0.65	1.04	1.16	1.10
Non-trading income.....	0.32	0.21	0.26	0.25
Non-trading expense.....	0.05	0.05	0.06	0.06
Net profit before income tax deduction.....	0.92	1.20	1.36	1.29
MISCELLANEOUS DATA				
Credit sales:				
Average per firm..... \$	273,879	562,690	1,711,738	972,440
Per cent of average net sales.....	73.86	76.50	79.13	78.23
Accounts outstanding:				
Average per firm..... \$	22,431	48,729	121,533	73,322
Per cent of average credit sales.....	8.19	8.66	7.10	7.54
Sales per 1,000 sq. ft. of floor space..... \$	139,219	199,581	275,297	241,063

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 responding firms, increased from 5.14 per cent at the beginning of the year to 5.62 per cent at the end of the year. This is significant as a reverse in trend from the 1951 ratios which declined from 5.50 per cent to 5.22 per cent. Because the average inventory ratios remained at approximately

the same level in 1953 as in 1951, the average inventory value increased at approximately the same rate as net sales for the respective years. The rate of stock turnover — average of beginning and ending inventories divided into cost of goods sold — was 17.16 times per year, a slight decrease from the 1951 rate of 17.24.

Credit Sales and Receivables

Average credit sales, expressed as a proportion of average net sales, increased from 77.76 per cent to 78.23 per cent for 1951 and 1953 respectively. Within the sales-size ranges, the smaller firms showed an increase, the larger firms a slight decline and the mid-size firms' ratio of credit sales remained

at almost the same level. Average accounts outstanding at the year end, amounted to 7.54 per cent of average annual credit sales, and were slightly below the 1951 proportions. Only the middle-sized firms reported an increase in this ratio when 1953 and 1951 results were compared.

Regional Results

The gross profit ratios of firms operating in the five major regions of Canada ranged from 7.28 per cent in British Columbia to 7.95 per cent in the Prairie Provinces. Quebec wholesale merchants averaged 7.38 per cent and those in the Maritimes and Ontario averaged 7.47 per cent and 7.70 per cent respectively. The range of total operating expense ratios was much smaller and there was no direct relationship to the gross profit order of rank. British Columbia which showed the lowest gross profit ratio

showed the highest operating expense ratio of 6.74 per cent of net sales. The lowest expense ratio of 6.43 per cent occurred in Ontario which showed the second highest gross profit ratio. Consequently Prairie wholesalers averaged the highest net operating profit ratio of 1.29 per cent whereas the lowest amounting to 0.54 per cent occurred in British Columbia. Ontario was next to the highest with 1.27 per cent, followed by Quebec and the Maritimes with 0.79 per cent and 0.74 per cent respectively.

ERRATUM - Average net sales per firm of Maritime Wholesalers should read \$698,943

TABLE 12. Operating Results of Tobacco and Confectionery Wholesalers, by Regions, 1953

Item	Maritimes	Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	6	33	66	20	9	134
Average net sales per firm \$	6,989,433	1,128,752	1,349,025	1,240,645	1,253,125	1,243,053
(Per cent of net sales)						
Gross profit	7.47	7.38	7.70	7.95	7.28	7.63
Operating expenses:						
Selling	1.96	2.25	2.06	2.30	2.34	2.16
Warehouse and delivery	2.15	1.79	1.71	1.36	1.80	1.69
Administrative and general	2.62	2.55	2.66	3.00	2.60	2.68
Total operating expenses	6.73	6.59	6.43	6.66	6.74	6.53
Net operating profit	0.74	0.79	1.27	1.29	0.54	1.10

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 13. Average and Middle Range Ratios of Tobacco and Confectionery Wholesalers, 1953

Item	Firms with 1953 sales of						Total all sizes	
	Under \$500,000		\$500,000 to \$999,999		\$1,000,000 and over			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	(Per cent of net sales)							
Gross profit	7.7	7.0—8.0	7.4	6.5—8.3	7.7	6.5—8.3	7.6	6.6—8.3
Selling expense	1.9	1.1—2.3	2.0	1.4—2.6	2.2	1.6—2.7	2.2	1.5—2.6
Warehouse and delivery expense	2.2	1.5—2.6	1.7	1.1—2.2	1.7	1.3—1.9	1.7	1.3—2.2
Administrative and general expense..	2.9	1.9—3.6	2.7	2.1—3.3	2.6	2.1—3.0	2.6	2.1—3.3
Net operating profit	0.7	0.7 ¹ —1.7	1.0	0.3—1.5	1.2	0.4—1.7	1.1	0.3—1.7

1. Operating loss.

Incorporated Companies 1953

Comparison of the profit and expense ratios of the incorporated companies with all firms indicated that the differences in ratios were negligible, Net profit before income tax, expressed as a percentage

of net sales, was 1.14 per cent and 1.29 per cent for "incorporated" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 0.68 per cent a decrease of 40 per cent.

TABLE 14. Operating Results of Incorporated Tobacco and Confectionery Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
(Per cent of net sales)				
Gross profit	7.76	7.77	7.76	7.76
Operating expenses	7.47	7.01	6.75	6.81
Net operating profit	0.29	0.76	1.01	0.95
Non-trading income	0.47	0.16	0.28	0.26
Non-trading expense	0.08	0.06	0.07	0.07
Net profit before income tax deduction	0.68	0.86	1.22	1.14
Income tax	0.14	0.21	0.53	0.45
Final net profit	0.54	0.65	0.69	0.58

Comparison of 1951 and 1953 Identical Firm Results

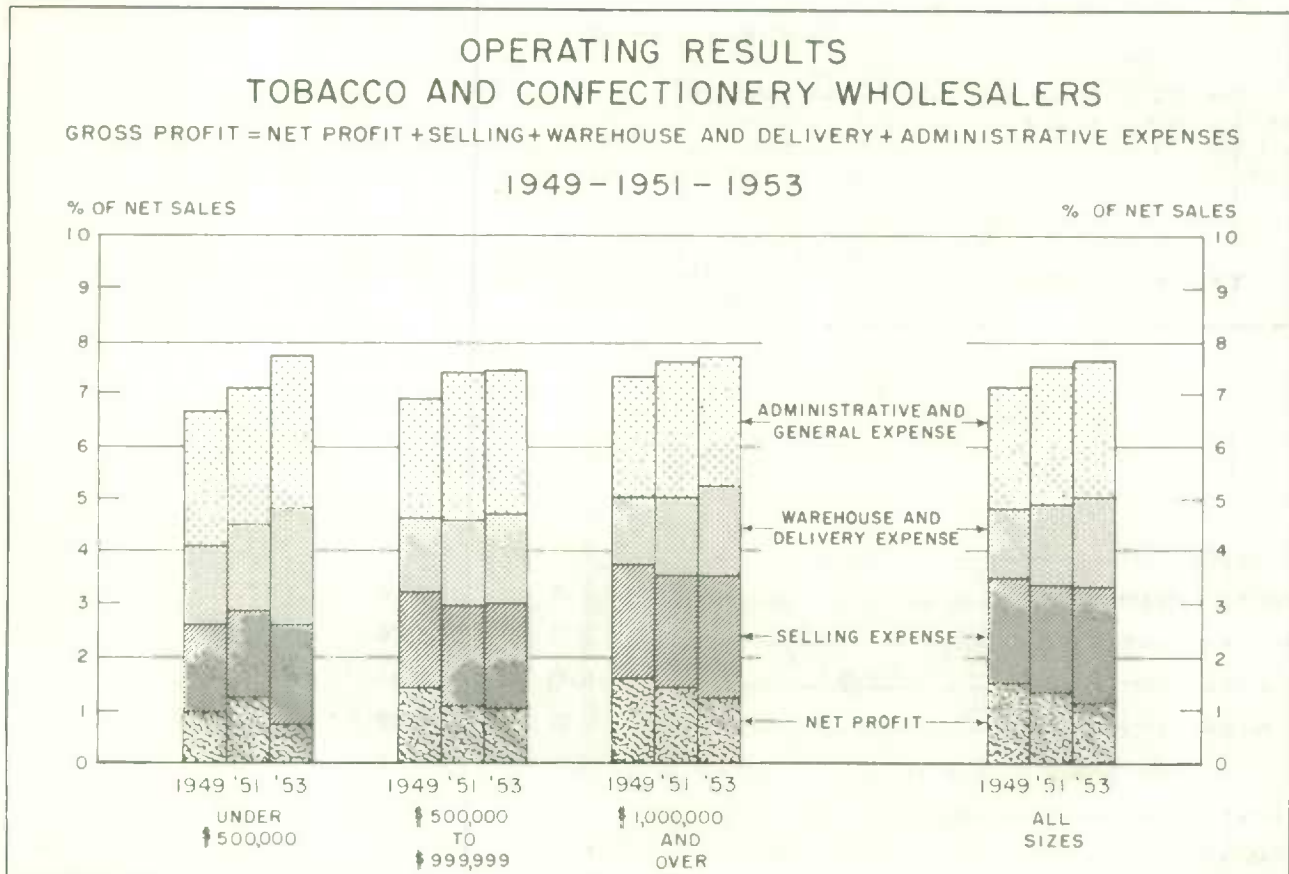
The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 15. Operating Results of Tobacco and Confectionery Wholesalers, 1951 and 1953 Compared

Item	All respondents		Identical firms	
	1951	1953	1951	1953
Number of firms	128	134	112	112
Average net sales per firm \$	1,089,765	1,243,053	1,112,349	1,118,208
Gross profit	7.55	7.63	7.64	8.52
Operating expenses:				
Selling	2.05	2.16	2.03	2.30
Warehouse and delivery	1.53	1.69	1.51	1.88
Administrative and general	2.66	2.68	2.60	2.95
Total operating expenses	6.24	6.53	6.14	7.13
Net operating profit	1.31	1.10	1.50	1.39

CHART-3



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