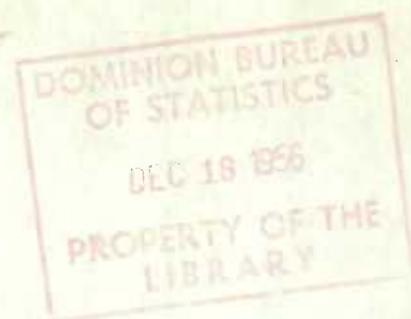


63-419



CANADA



OPERATING RESULTS OF FOOD WHOLESALERS 1955

Published by Authority of
The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division
Merchandising and Services Section

6505-521-125

Price: 25 cents

Vol. 3—Part I—B-1

NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** – The Primary Industries, including mining, forestry and fisheries; **Volume II** – Manufacturing; **Volume III** – Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I – Wholesale Statistics

- A – Wholesale Trade, 25¢
- B – Operating Results of Food Wholesalers, 25¢
- C – Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D – 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
 - 2 Operating Results of Drug Wholesalers, 25¢
 - 3 Operating Results of Hardware Wholesalers, 25¢
 - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
 - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II – Retail Statistics

- E – General Review – (Discontinued)
- F – Retail Trade, 50¢
- G – Retail Chain Stores, 50¢
- H – Operating Results of Food Store Chains, 25¢
- I – Operating Results of Clothing Store Chains, 25¢
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- *L – Operating Results of Independent Clothing Stores, 25¢
- *M – Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- *N – Operating Results of Filling Stations and Garages, 25¢
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 - 2 Operating Results of Independent Restaurants, 25¢
 - 3 Operating Results of Independent Fuel Dealers, 25¢
 - 4 Operating Results of Independent Drug Stores, 25¢
 - 5 Operating Results of Independent Jewellery Stores, 25¢
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* Biennial reports – not issued for 1955.

OPERATING RESULTS OF FOOD WHOLESALERS 1955

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope

This study is confined to wholesale merchants, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributors are not included. Three separate trades are covered — grocery, fruit and vegetable and tobacco 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 although reports from Newfoundland wholesalers are not included. Proprietors' salaries were included with administrative salaries. A table showing income tax was made for incorporated companies only.

Purpose

The primary purpose of the operating results surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

The average — i.e., arithmetic mean — operating results of all wholesalers classified under "Wholesalers Proper" would be, however, misleading as, by definition, "Wholesalers Proper" includes subsidiary companies performing the wholesaling function of parent companies whose marketing policies with regard to profit and expense ratios may be atypical of the trade. In addition, "Wholesalers Proper" includes those firms whose revenues are derived in part from a type of activity — e.g., manufacturing, retailing — which may be uncommon to the trade. Consequently, it is thought that average operating results of the more typical establishments within a trade would be of superior value in view of the purposes for which the series on operating results is designed. Firms with atypical policies and/or activities have, therefore, been excluded from the computations of the average operating results published herein.

Period Covered

This report deals largely with 1955 operations and is the fifth biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1953 and 1955. The charts show the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classification for each trade.

THE JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION
PUBLISHED WEEKLY
CHICAGO, ILL., U.S.A.

CONTENTS	
ORIGINAL ARTICLES	1
REPORTS	1
EDITORIALS	1
DEPARTMENTS	1
NOTES	1
LETTERS TO THE EDITOR	1
BOOK REVIEWS	1
OBITUARIES	1
SYMPOSIUM	1
ANNOUNCEMENTS	1
INDEX	1
ADVERTISING	1

SUMMARY OF 1955 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, 1955**

Item	Grocery	Fruit and vegetable	Tobacco and confectionery
Number of firms	108	78	132
Average net sales per firm \$	3,708,416	1,094,466	1,236,942
Stock turnover (times per year)	11.45	38.78	16.33
	(Per cent of net sales)		
Gross profit	7.20	11.50	7.33
Operating expenses:			
Selling	1.37	1.96	2.18
Warehouse and delivery	2.25	4.92	1.79
Administrative and general	3.20	3.99	2.78
Total operating expenses	6.82	10.87	6.75
Net operating profit	0.38	0.63	0.58
Non-trading income	0.68	0.13	0.21
Non-trading expense	0.12	0.06	0.07
Net profit before income tax deduction	0.94	0.70	0.72
Credit sales	84.16	79.64	77.72
Sales to retail stores	91.33	72.49	97.95

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.

Operating ratios were generally higher for fruit and vegetable wholesalers than for the other two food trades shown here. This is to be expected because of the perishable nature of the goods, which entail faster turnover, more handling, more frequent

delivery, spoilage etc. To cover higher operating expenses, fruit and vegetable wholesalers operated on an average gross profit of 11.50 per cent of net sales in 1955 compared to approximately a 7 per cent margin for grocery and tobacco and confectionery wholesalers. Total expenses of 10.87 per cent for the fruit and vegetable trade reflect a high warehouse and delivery cost of 4.92 per cent when compared with the other trades. The rate of stock turnover, as expected, was almost three times as fast as for the more non-perishable commodities handled by grocery and tobacco and confectionery wholesalers.

The net operating profit ratio was highest for fruit and vegetable wholesalers, but other income less other expense netted a final profit before income tax of 0.94 per cent for grocery wholesalers, 0.72 per cent for tobacco and confectionery and 0.70 per cent for fruit and vegetable wholesalers. Due to the presence of large multiple organizations the average net sales of grocery wholesalers were greater than the other two trades. The purpose of showing this item is mentioned in a preceding paragraph.

GROCERY WHOLESALERS

Description of Reporting Firms

Item	Firms with 1955 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	34	61	6	7	108
Form of organization:					
Individual proprietorship	8	1	—	—	9
Partnership	5	5	—	—	10
Incorporated company	21	55	6	7	89
Number of firms operated as:					
Single establishment	34	51	3	2	90
Multiple establishment	—	10	3	5	18
Distribution of sales:					
To retailers	% 85.65	% 87.98	% 92.04	% 94.10	% 91.33
To wholesalers	% 5.63	% 3.03	—	0.28	1.48
To large users ¹	% 7.67	% 8.89	7.96	5.62	7.10
To others	% 1.05	% 0.10	—	—	0.09

1. Industries, hospitals, institutions, etc.

Of the 108 firms reporting, 89 were incorporated and the remaining 19 were comprised of 9 individual proprietorships and 10 partnerships. Eighteen of the reporting firms operated more than one establish-

ment. Sales to retail stores made up 91 per cent of total sales. Of the remaining sales, wholesalers and large users, accounted for almost nine per cent.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

The average gross profit ratio for grocery wholesalers was 7.20 per cent in 1955, ratios for sales-sizes declining as sales increased. The range for the sales-size groups was from 6.77 per cent for the "\$10,000,000 and over" group to 7.92 per cent for the "Under \$1,000,000" category. The smallest ratio for total operating expenses of 6.58 per cent, was in the sales-size "\$10,000,000 and over" and the highest ratio of 7.66 per cent in the "Under \$1,000,000" category, the same trend of smaller ratios in the larger businesses as held for gross profit. The "\$10,000,000 and over" group had the lowest net operating profit at 0.19 per cent followed closely by the "Under \$1,000,000" category ratio of 0.26 per cent. The middle size groups showed the group "\$1,000,000 to \$4,999,999" with the highest ratio of 0.64 per cent and the "\$5,000,000 to \$9,999,999" group with 0.51 per cent. The non trading operations in each case increased the net operating ratios to a new range of 0.47 per cent for the smallest sales-size to 1.12 per cent for the largest group. The "total all sizes" ratio increased from a net operating profit of 0.38 per cent to a net operating profit before income tax of 0.94 per cent.

Inventories and Stock Turnover

Average inventories, expressed as ratios of the average net sales of responding firms, increased from 8.01 per cent at the beginning of the year to 8.20 per cent at the end of the year. This was a continuation of the pattern of the 1953 ratios which increased from 8.75 per cent to 8.95 per cent. The rate of stock turnover — average of beginning and year end inventories divided into the cost of goods sold — averaged 11.45 for all grocery wholesalers, continuing the normal increase each year in direct contrast to the yearly decrease of the inventory rates to sales.

Credit Sales and Receivables

Credit sales of wholesale merchants accounted for 84.16 per cent of their net sales in 1955, slightly higher than the 1953 rate of 85.51 per cent. The highest ratio of 86.65 per cent was in the "\$5,000,000 to \$9,999,999" sales-size and the smallest per cent of 79.81 in the "Under \$1,000,000" category, accounts receivable at the year end were 5.48 per cent of credit sales for all grocery wholesalers and ranged inversely with sales-size from 4.31 per cent to 7.11 per cent.

OPERATING RESULTS OF GROCERY WHOLESALERS BY SIZE OF FIRM

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

1949-51-53-55

% OF NET SALES

% OF NET SALES

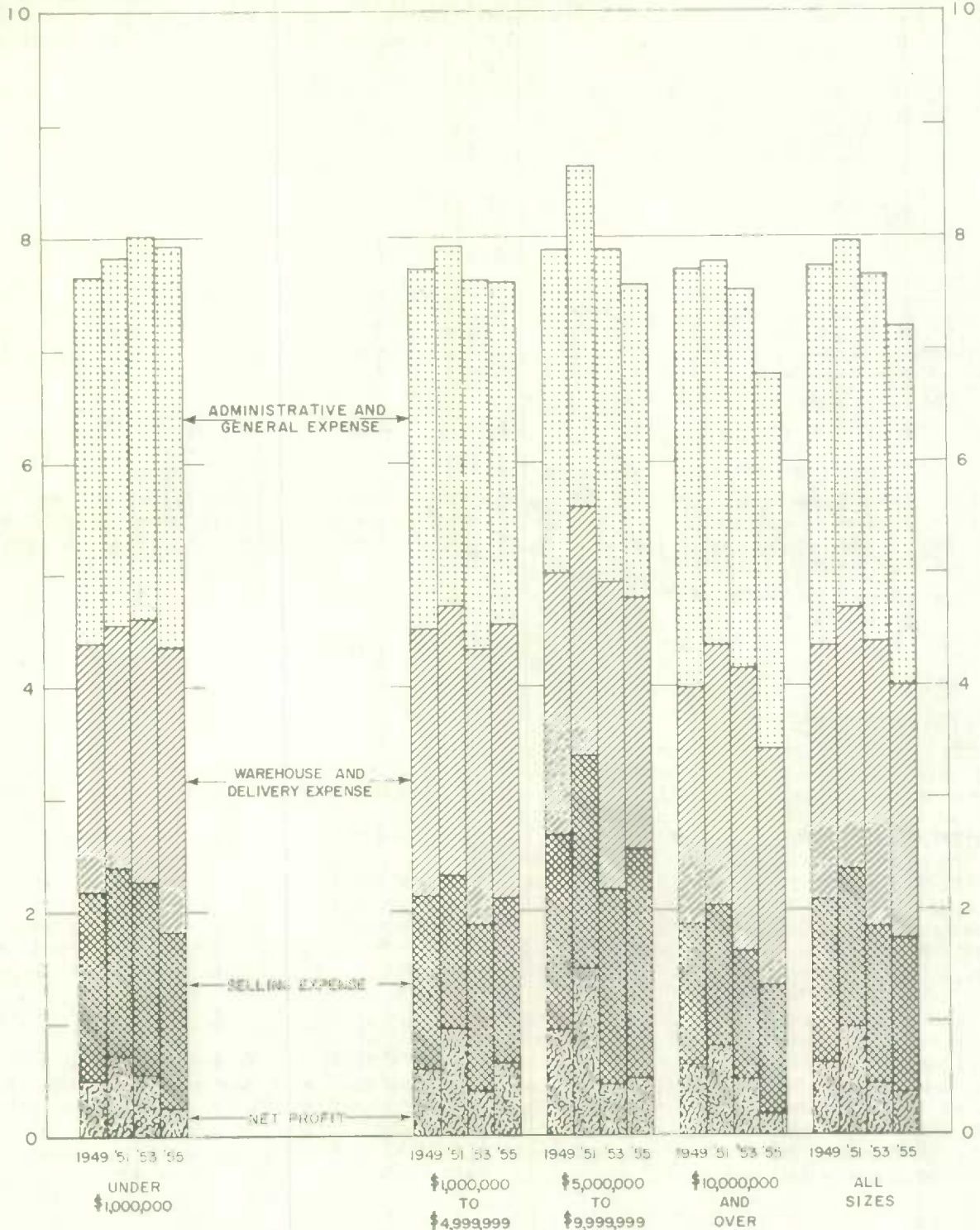


TABLE 1. Operating Results of Grocery Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 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.....	34	61	6	7	108
Average net sales per firm..... \$	604,349	2,272,817	6,958,858	28,509,444	3,708,416
Average cost of goods sold..... \$	556,480	2,100,049	6,432,092	26,578,133	3,441,322
Stock turnover (times per year).....	8.50	9.62	10.67	13.99	11.45
Average beginning inventory..... \$	67,388	216,538	581,367	1,869,091	296,961
Per cent of average net sales.....	11.15	9.53	8.35	6.56	8.01
Average ending inventory..... \$	63,502	220,060	624,598	1,929,358	304,035
Per cent of average net sales.....	10.51	9.68	8.98	6.77	8.20
PROFIT AND LOSS DATA (Per cent of net sales)					
Gross profit	7.92	7.60	7.57	6.77	7.20
Operating expenses:					
Selling expense:					
Salaries.....	1.12	0.98	1.20	0.68	0.86
Travelling.....	0.30	0.33	0.29	0.24	0.28
Advertising.....	0.06	0.07	0.26	0.11	0.11
Other selling expense.....	0.07	0.09	0.28	0.11	0.12
Total selling expense	1.55	1.47	2.03	1.14	1.37
Warehouse and delivery expense:					
Salaries and wages.....	1.59	1.68	1.71	1.42	1.55
Maintenance of delivery equipment.....	0.69	0.54	0.30	0.20	0.35
Outward freight.....	0.13	0.10	0.05	0.35	0.22
Warehouse supplies.....	0.05	0.05	0.04	0.07	0.06
Other warehouse and delivery expense.....	0.05	0.07	0.13	0.06	0.07
Total warehouse and delivery expense	2.51	2.44	2.23	2.10	2.25
Administrative and general expense:					
Salaries.....	1.97	1.54	1.57	1.58	1.58
Employees' benefits.....	0.10	0.10	0.08	0.19	0.14
Occupancy.....	0.65	0.56	0.54	0.70	0.63
Taxes ¹	0.08	0.05	0.03	0.03	0.04
Insurance ¹	0.15	0.11	0.05	0.04	0.07
Office supplies.....	0.09	0.10	0.10	0.11	0.11
Communication.....	0.10	0.11	0.11	0.13	0.12
Bad debts-amount written off.....	0.14	0.13	0.09	0.05	0.09
All other expense.....	0.32	0.35	0.23	0.51	0.42
Total administrative and general expense	3.60	3.05	2.80	3.34	3.20
Total operating expenses	7.66	6.96	7.06	6.58	6.82
Net operating profit.....	0.26	0.64	0.51	0.19	0.38
Non-trading income.....	0.30	0.33	0.44	1.02	0.68
Non-trading expense.....	0.09	0.14	0.29	0.09	0.12
Net profit before income tax deduction	0.47	0.83	0.66	1.12	0.94
MISCELLANEOUS DATA					
Credit sales:					
Average per firm..... \$	482,328	1,896,619	6,029,550	24,114,469	3,121,033
Per cent of average net sales.....	79.81	83.45	86.65	84.58	84.16
Accounts outstanding:					
Average per firm..... \$	34,275	129,120	360,664	1,039,106	171,106
Per cent of average credit sales.....	7.11	6.81	5.98	4.31	5.48
Sales per 1,000 sq. ft. of floor space..... \$	49,434	82,347	107,625	132,905	100,408

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

Regional Results

Gross profit ratios or mark-ups of grocery wholesalers in the four selected regions of Canada did not vary too much from the Canada ratio of 7.20 per cent. Regional ratios in 1955 compared to 1953 generally were lower except for Maritimes where an increase is registered at 8.50 per cent in 1955 from 8.20 in 1953. Relatively the ratios followed the same pattern as 1953, the lowest ratio being Quebec at 5.92 per cent and Maritimes with 8.50 per cent. The range for total operating expenses showed that

the extremities fell in the same region as gross profit. Quebec had 5.72 per cent and Maritimes 7.56. The composite ratio for Canada was 6.82 per cent. Maritimes wholesalers had the highest net operating profit. Quebec wholesalers who had the lowest ratios for gross profit and total expenses managed to get the second lowest net operating profit ratio. The lowest ratio of 0.15 per cent was experienced by the Prairie Provinces and British Columbia region.

TABLE 2. Operating Results of Grocery Wholesalers by Regions, 1955

Item	Maritimes	Quebec	Ontario	Prairie Provinces and B.C.	Canada
Number of firms	30	31	31	16	108
Average net sales per firm \$	2, 048, 332	1, 994, 295	3, 175, 876	11, 173, 980	3, 708, 416
	(Per cent of net sales)				
Gross profit	8.50	5.92	6.96	7.33	7.20
Operating expenses:					
Selling	1.42	1.30	1.44	1.34	1.37
Warehouse and delivery	2.55	1.85	2.28	2.27	2.25
Administrative and general	3.59	2.57	2.68	3.57	3.20
Total operating expenses	7.56	5.72	6.40	7.18	6.82
Net operating profit	0.94	0.20	0.56	0.15	0.38

Incorporated Companies 1955

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 proportion of net sales, was 0.95 per cent and 0.94

per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 0.60 per cent, a decrease of 36.84 per cent.

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

Item	Firms with 1955 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	8.02	7.66	7.57	6.77	7.20
Operating expenses	7.70	7.01	7.06	6.58	6.82
Net operating profit	0.32	0.65	0.51	0.19	0.38
Non-trading income	0.41	0.32	0.44	1.02	0.70
Non-trading expense	0.10	0.15	0.29	0.09	0.13
Net profit before income tax deduction	0.63	0.82	0.66	1.12	0.95
Income tax	0.16	0.24	0.28	0.44	0.35
Final net profit	0.47	0.58	0.38	0.68	0.60

Comparison of 1953 and 1955 Results

Results shown in table 1 are not for identical firms and therefore not practical for comparison purposes. Consistency from survey to survey is practically impossible to attain with new firms added and delinquency in the reporting of others. The best available operating results for 1955 are from the compilation of the 108 firms reporting for that year. For best comparison between years, however, only the results of firms reporting for both 1953 and 1955 were used, results of which are presented in table 4.

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. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent

remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. 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.

The average net sales per firm increased to \$3,789,524 in 1955 from \$3,352,506 in 1953. The gross profit ratio stood at 7.24 per cent of net sales in 1955 a decrease from 7.63 per cent in 1953. This decrease was partly compensated for by the total operating expense decrease from 7.15 per cent in the last survey to 6.89 per cent for 1955. The combined effect is summed up in the net operating profit which showed a decrease in 1955, ratios being 0.48 and 0.35 per cent for 1953 and 1955 respectively.

TABLE 4. Operating Results of Grocery Wholesalers, 1953 and 1955 Compared

Item	1953	1955
Number of firms	97	97
Average net sales per firm\$	3,352,506	3,789,524
	(percent of net sales)	
Gross profit.....	7.63	7.24
Operating expenses:		
Selling	1.42	1.37
Warehouse and delivery	2.42	2.27
Administrative and general	3.31	3.25
Total operating expenses	7.15	6.89
Net operating profit	0.48	0.35

FRUIT AND VEGETABLE WHOLESALEERS

Description of Reporting Firms

Item	Firms with 1955 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	27	24	27	78
Form of organization:				
Individual proprietorship	11	2	1	14
Partnership	7	8	1	16
Incorporated company	9	14	25	48
Number of firms operated as:				
Single establishment	27	23	20	70
Multiple establishment	—	1	7	8
Distribution of sales:				
To retailers	79.81	88.12	66.78	72.49
To wholesalers	13.19	10.86	27.39	22.57
To large users ¹	5.74	0.98	5.60	4.65
To others	1.26	0.04	0.23	0.29

1. Industries, hospitals, institutions, etc.

Of the 78 firms reporting, 48 were incorporated and the remaining 30 were comprised of 16 partnerships and 14 single proprietorships. Only eight firms operated more than one establishment. Over

72 per cent of total sales were made to retailers, and approximately 27 per cent to other wholesalers and large users.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Fruit and vegetable wholesalers obtained a gross profit of 11.50 per cent of average net sales in 1955. Total operating expenses almost cancelled this marginal profit with a 10.87 per cent ratio. The difference between the items above, left a ratio of 0.63 per cent as net operating profit.

Both gross profit and total expense ratios showed the same trend, decreasing as sales-sizes increased. The first ranged from 13.40 per cent for the smaller firms to 11.15 per cent for the largest sales-size class of firms; operating expenses ranged from 13.20 per cent to 10.58 per cent for the same groups. The "Under \$500,000" group had the lowest net operating ratio after displaying the highest gross profit and expense ratios. The "\$1,000,000 and over" category experienced a 0.57 profit ratio, while the medium size group benefitted the most, percentage wise, with a 1.02 per cent net operating profit. The non-trading operations did not change the relationship between sales-sizes but increased the ratios to 0.45, 1.10 and 0.61 per cent respectively for each sales size.

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 2.21 per cent at the beginning of the year to 2.36 per cent at the

end of the year. This is significant as a reversal in trend of the 1953 ratios which decreased from 2.62 per cent to 2.46 per cent. The slight increase in the absolute dollar value of average inventories over 1953 with the sizeable increase in average net sales, had the effect of decreasing inventory ratios in 1955. The rate of stock turnover — average of beginning and year-end inventories divided into cost of goods sold — amounted to 38.78 times per year, a higher rate than was reported for 1953 operations. This increase in stock turnover is to be expected with decreased inventory ratios.

Credit Sales and Receivables

Credit sales for 1955 amounted to 79.64 per cent of total sales, a slight drop from the 1953 level. Within the sales-size classifications, the proportions ranged from 70.12 per cent to 81.27 per cent and increased with size of firm. Average accounts receivable at the year end were 6.16 per cent of average credit sales for all fruit and vegetable wholesale merchants, only slightly below the 1953 proportion of 6.46 per cent. The smaller firms reported an account receivable ratio of 7.21 per cent, a substantial increase from the 1953 figure of 4.93 per cent. Middle-sized firms showed a reduction with a ratio of 6.40 per cent, whereas the larger firms' average accounts receivable decreased from 6.47 per cent in 1953 to 5.96 per cent in 1955, expressed as proportions of their respective average credit sales.

OPERATING RESULTS OF FRUIT AND VEGETABLE WHOLESALERS BY SIZE OF FIRM

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

1949-51-53-55

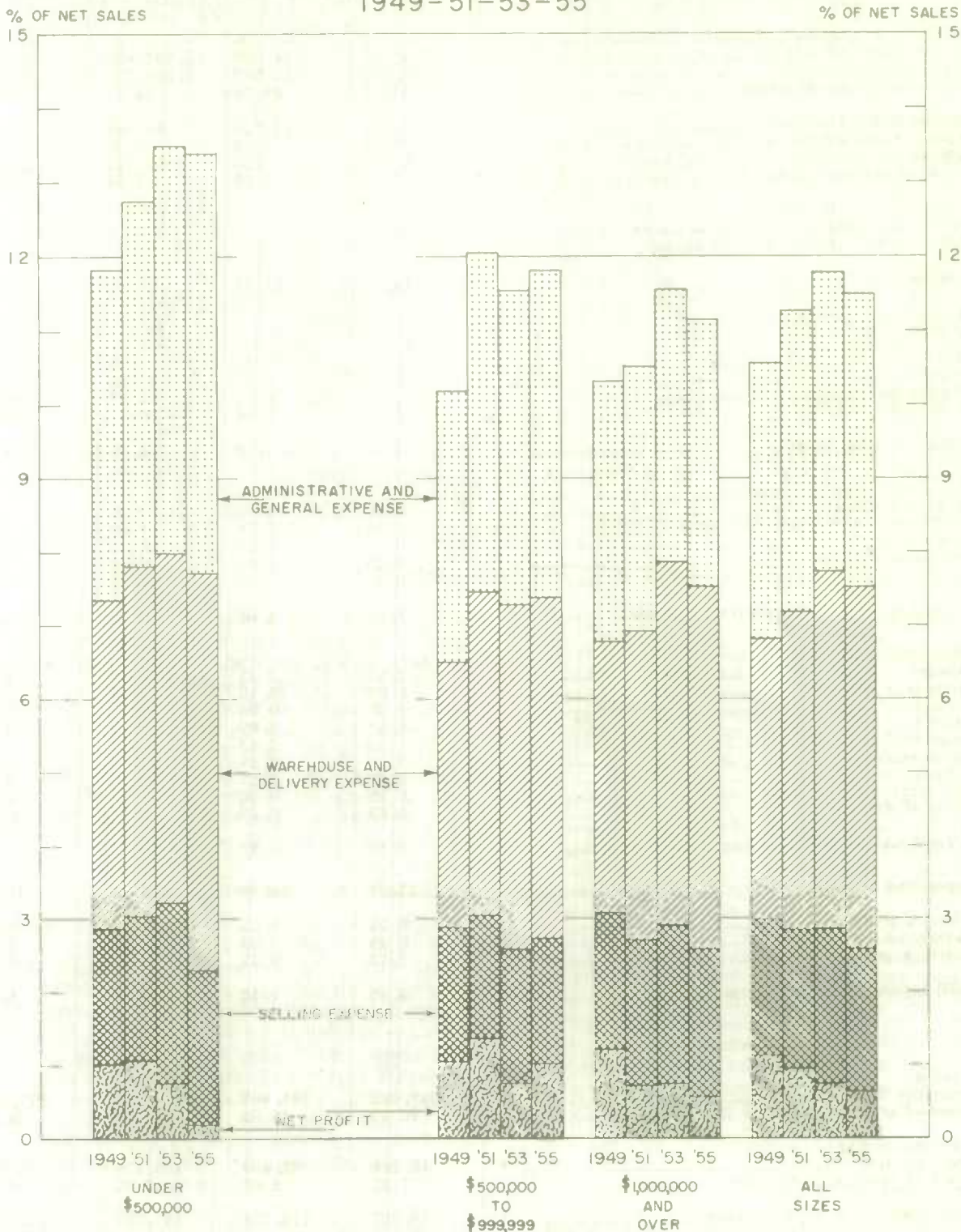


TABLE 5. Operating Results of Fruit and Vegetable Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	27	24	27	78
Average net sales per firm	301,751	744,980	2,197,836	1,094,466
Average cost of goods sold	261,327	657,007	1,952,729	968,560
Stock turnover (times per year)	37.64	46.34	37.12	38.78
Average beginning inventory	7,184	14,729	49,504	24,155
Per cent of average net sales	2.38	1.98	2.25	2.21
Average ending inventory	6,701	13,626	55,718	25,799
Per cent of average net sales	2.22	1.83	2.54	2.36
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit	13.40	11.81	11.15	11.50
Operating expenses:				
Selling expense:				
Salaries	1.67	1.39	1.53	1.51
Travelling	0.24	0.21	0.30	0.28
Advertising	0.15	0.06	0.07	0.08
Other selling expense	0.04	0.04	0.11	0.09
Total selling expense	2.10	1.70	2.01	1.96
Warehouse and delivery expense:				
Salaries and wages	3.00	2.50	2.89	2.81
Maintenance of delivery equipment	1.93	1.59	1.00	1.21
Outward freight	0.11	0.06	0.43	0.32
Warehouse supplies	0.25	0.35	0.34	0.34
Other warehouse and delivery expense	0.13	0.16	0.28	0.24
Total warehouse and delivery expense	5.42	4.66	4.94	4.92
Administrative and general expense:				
Salaries	2.57	2.13	1.46	1.70
Employees' benefits	0.08	0.10	0.10	0.10
Occupancy	1.23	0.94	0.89	0.93
Taxes ¹	0.16	0.09	0.06	0.08
Insurance ¹	0.23	0.13	0.09	0.11
Office supplies	0.21	0.14	0.11	0.12
Communication	0.41	0.27	0.35	0.34
Bad debts — amount written off	0.30	0.18	0.12	0.15
All other expense	0.49	0.45	0.45	0.46
Total administrative and general expense	5.68	4.43	3.63	3.99
Total operating expenses	13.20	10.79	10.58	10.87
Net operating profit	0.20	1.02	0.57	0.63
Non-trading income	0.38	0.09	0.11	0.13
Non-trading expense	0.13	0.01	0.07	0.06
Net profit before income tax deduction	0.45	1.10	0.61	0.70
MISCELLANEOUS DATA				
Credit sales:				
Average per firm	211,603	585,466	1,786,150	871,673
Per cent of average net sales	70.12	78.59	81.27	79.64
Accounts outstanding:				
Average per firm	15,260	37,489	106,479	53,675
Per cent of average credit sales	7.21	6.40	5.96	6.16
Sales per 1,000 sq. ft. of floor space	74,956	116,324	141,904	125,435

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

Regional Results

Gross profit ratios for the four selected regions of Canada showed Quebec with the lowest ratio of 8.30 per cent increasing to 12.18 and 13.70 per cent for Ontario and Maritimes respectively. Prairie provinces and British Columbia had the highest average ratio of 14.69 per cent. The same two regions also held the lowest and highest ratios of total expenses with Quebec at 7.71 per cent and the Prairies and

British Columbia 13.99 per cent. The Maritimes had total expenses of 13.11 per cent and Ontario 11.54 per cent of their respective net sales. Once again the lowest and highest ratios for net operating profit belonged to Quebec (0.59) similar to the Maritimes, and Western Canada with 0.70 per cent. Ontario was almost identical to the Canada ratio of 0.63 per cent.

TABLE 6. Operating Results of Fruit and Vegetable Wholesalers, by Regions, 1955

Item	Maritimes	Quebec	Ontario	Prairie Provinces and B.C.	Canada
Number of firms	10	26	30	12	78
Average sales per firm \$	724,205	1,170,379	933,344	1,641,347	1,094,466
(Per cent of net sales)					
Gross profit	13.70	8.30	12.18	14.69	11.50
Operating expenses:					
Selling	2.56	1.44	1.94	2.55	1.96
Warehouse and delivery	5.75	3.37	5.03	6.88	4.92
Administrative and general	4.80	2.90	4.57	4.56	3.99
Total operating expenses	13.11	7.71	11.54	13.99	10.87
Net operating profit	0.59	0.59	0.64	0.70	0.63

Incorporated Companies 1955

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 0.68 per cent and 0.70 per cent for "incorporated" and "all firms" respectively. Income tax reduced the incorporated firms ratio to 0.48 per cent, a decrease of 29 per cent.

TABLE 7. Operating Results of Incorporated Fruit and Vegetable Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 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	13.76	12.05	11.16	11.41
Operating expenses	14.03	11.04	10.59	10.81
Net operating profit	0.27 ¹	1.01	0.57	0.60
Non-trading income	0.53	0.11	0.11	0.13
Non-trading expense	0.14	0.02	0.05	0.05
Net profit before income tax deduction	0.12	1.10	0.63	0.68
Income tax	0.08	0.31	0.19	0.20
Final net profit	0.04	0.79	0.44	0.48

1. Operating loss.

Comparison of 1953 and 1955 Results

Data presented for previous tables are the results of all respondents to this 1955 survey. These are the best available results. Consistency in reporting is not attained, as new firms are added to the survey and some old ones may be delinquent in reporting or out of business. For comparison purposes, however, the results of identical firms reporting in both 1953 and 1955 were used. These results are shown in table 8.

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. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate

increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. 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.

Average net sales for the 66 matched firms increased from \$1,006,142 in 1953 to \$1,116,906 in 1955. The ratios in general are very close, with hardly any changes between surveys. A glance at the gross profit showed a very slight decrease from 11.91 per cent in 1953 to 11.87 per cent in 1955. On the other hand a decrease in the total operating expense ratio more than offset this marginal decline and resulted in a slight increase in the net operating profit for 1955. The ratios were 0.68 and 0.69 per cent for 1953 and 1955 respectively.

TABLE 8. Operating Results of Fruit and Vegetable Wholesalers, 1953 and 1955 Compared

Item	1953	1955
Number of firms	66	66
Average net sales per firm \$	1,006,142	1,116,906
	(Per cent of net sales)	
Gross profit	11.91	11.87
Operating expenses:		
Selling	2.08	1.98
Warehouse and delivery	5.06	5.09
Administrative and general	4.09	4.11
Total operating expenses	11.23	11.18
Net operating profit	0.68	0.69

TOBACCO AND CONFECTIONERY WHOLESALERS

Description of Reporting Firms

Item	Firms with 1955 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	24	52	56	132
Form of organization:				
Individual proprietorship	7	11	8	26
Partnership	8	9	8	25
Incorporated company	9	32	40	81
Number of firms operated as:				
Single establishment	24	50	46	120
Multiple establishment	—	2	10	12
Distribution of sales:				
To retailers	97.15	99.07	97.64	97.95
To wholesalers	0.81	0.33	1.75	1.37
To large users	1.50	0.53	0.57	0.61
To others	0.54	0.07	0.04	0.07

1. Industries, hospitals, institutions, etc.

Of the 132 reporting firms, 81 were incorporated companies, 25 were partnerships, and the remaining 26 were individual proprietorships. A very large proportion (120) 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 wholesalers and large users.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Tobacco and confectionery wholesalers obtained an average gross profit of 7.33 per cent of average net sales. Sales-size ratios ranged from 7.29 for the largest firms to 7.64 per cent for the smallest firms. The group "Under \$500,000" had the highest total operating expense ratio and the lowest ratio of 6.66 per cent, occurred in the middle size group. The sales-size "\$1,000,000 and over" with a ratio of 6.75 per cent was identical to the "total all sizes" ratio. The net operating profit ratios had a shorter range 0.54 per cent to 0.69 per cent with a Canada average of 0.58 per cent. Non-trading operations had the tendency of increasing the net operating profit for total all sizes to 0.72 per cent of net sales and ranged in descending order as sales sizes increased, from 0.82 to 0.68 per cent net profit before income tax deduction.

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms, increased from 5.51 per cent at the beginning of the year to

5.84 per cent at the end of the year. This followed the same trend from the 1953 ratios which increased from 5.14 per cent to 5.62 per cent. A sizeable increase in dollar value of average inventories with a slight decrease in average net sales, had the effect of increasing inventory ratios in 1955. The rate of stock turnover — average of beginning and ending inventories divided into cost of goods sold — was 16.33 times per year, a decrease from the 1953 rate of 17.16.

Credit Sales and Receivables

Average credit sales, expressed as a proportion of average net sales, decreased from 78.23 per cent to 77.03 per cent for 1953 and 1955 respectively. Within the sales-size ranges, the two smaller sales-sizes showed an increase over 1953 and the "\$1,000,000 and over", sales-size decreased in 1955. Average accounts receivable ratio at the year end, amounted to 8.29 per cent of average annual credit sales, and was higher than the 1953 proportions. Only the smaller sized firms reported a decrease in this ratio when 1955 and 1953 results were compared.

OPERATING RESULTS OF TOBACCO AND CONFECTIONERY WHOLESALERS BY SIZE OF FIRM

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

1949-51-53-55

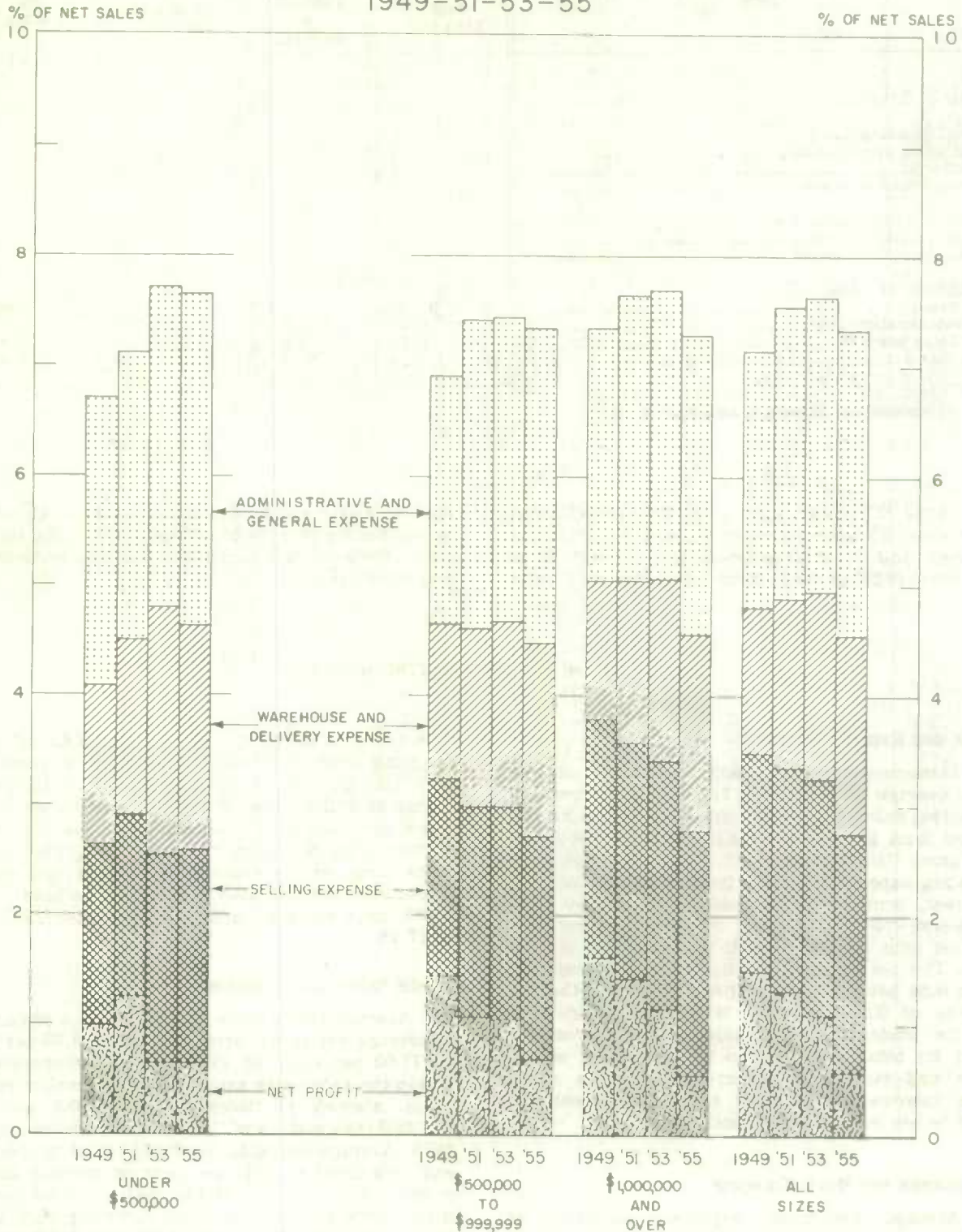


TABLE 9. Operating Results of Tobacco and Confectionery Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	24	52	56	132
Average net sales per firm	\$ 363,251	743,862	2,069,241	1,236,942
Average cost of goods sold	\$ 335,507	689,140	1,918,301	1,146,306
Stock turnover (times per year)	15.12	13.94	17.43	16.33
Average beginning inventory	\$ 22,103	48,204	106,402	68,149
Per cent of average net sales	6.08	6.48	5.14	5.51
Average ending inventory	\$ 22,279	50,650	113,615	72,204
Per cent of average net sales	6.13	6.81	5.49	5.84
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit	7.64	7.35	7.29	7.33
Operating expenses:				
Selling expense:				
Salaries	1.54	1.58	1.69	1.66
Travelling	0.24	0.29	0.44	0.40
Advertising	0.10	0.06	0.04	0.05
Other selling expense	0.06	0.10	0.07	0.07
Total selling expense	1.94	2.03	2.24	2.18
Warehouse and delivery expense:				
Salaries and wages	1.19	1.10	1.17	1.15
Maintenance of delivery equipment	0.71	0.51	0.44	0.48
Outward freight	0.04	0.09	0.07	0.07
Warehouse supplies	0.05	0.03	0.04	0.04
Other warehouse and delivery expense	0.05	0.03	0.06	0.05
Total warehouse and delivery expense	2.04	1.76	1.78	1.79
Administrative and general expense:				
Salaries	1.71	1.58	1.42	1.47
Employees' benefits	0.05	0.07	0.09	0.09
Occupancy	0.46	0.41	0.41	0.41
Taxes	0.07	0.05	0.06	0.05
Insurance	0.13	0.10	0.10	0.10
Office supplies	0.08	0.09	0.09	0.09
Communication	0.08	0.07	0.08	0.08
Bad debts-amount written off	0.25	0.25	0.23	0.24
All other expense	0.18	0.25	0.25	0.25
Total administrative and general expense	3.01	2.87	2.73	2.78
Total operating expenses	6.99	6.66	6.75	6.75
Net operating profit	0.65	0.69	0.54	0.58
Non-trading income	0.23	0.18	0.21	0.21
Non-trading expense	0.06	0.06	0.07	0.07
Net profit before income tax deduction	0.82	0.81	0.68	0.72
MISCELLANEOUS DATA				
Credit sales:				
Average per firm	\$ 275,717	583,916	1,585,588	952,832
Per cent of average net sales	75.90	78.50	76.63	77.03
Accounts outstanding:				
Average per firm	\$ 22,518	53,381	126,920	78,968
Per cent of average credit sales	8.17	9.14	8.00	8.29
Sales per 1,000 sq. ft. of floor space	\$ 161,834	181,138	242,688	219,195

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

Regional Results

Ratios for main items are presented in the following table by regions. The gross profit ratios of tobacco and confectionery wholesalers had a range of less than one per cent from 6.93 per cent in Quebec to 7.80 per cent in British Columbia. Prairie Provinces obtained 7.28 per cent and both Maritimes and Ontario regions obtained 7.46 per cent of average net sales. Again Quebec had the lowest total operating expense ratio of 6.42 per cent and

British Columbia retained the highest position with a 7.24 per cent ratio. The other three regions in order of ascending ratio were Prairie provinces with 6.81 per cent, Ontario 6.82 per cent and closest to the national average and Maritimes with a 6.93 per cent ratio. Net operating profit ratios were very closely clustered around the Canada ratio and ranged from 0.47 per cent for the western provinces to 0.64 per cent for Ontario.

TABLE 10. Operating Results of Tobacco and Confectionery Wholesalers, by Regions, 1955

Items	Maritimes	Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	7	32	65	20	8	132
Average net sales per firm \$	613,703	1,257,100	1,282,949	1,271,583	1,241,238	1,236,942
(Per cent of net sales)						
Gross profit	7.46	6.93	7.46	7.28	7.80	7.33
Operating expenses:						
Selling	2.12	2.05	2.18	2.33	2.31	2.18
Warehouse and delivery	2.01	1.75	1.84	1.60	1.99	1.79
Administrative and general	2.80	2.62	2.80	2.88	2.94	2.78
Total operating expenses	6.93	6.42	6.82	6.81	7.24	6.75
Net operating profit	0.53	0.51	0.64	0.47	0.56	0.58

Incorporated Companies 1955

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

sales, was 0.65 per cent and 0.72 per cent for "incorporated" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 0.47 per cent a decrease of 28 per cent.

TABLE 11. Operating Results of Incorporated Tobacco and Confectionery Wholesalers, 1955 by Size of Firm

Item	Firms with 1955 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	7.50	7.62	7.28	7.36
Operating expenses	6.84	6.93	6.85	6.87
Net operating profit	0.66	0.69	0.43	0.49
Non-trading income	0.27	0.20	0.24	0.23
Non-trading expense	0.07	0.07	0.08	0.07
Net profit before income tax deduction	0.86	0.82	0.59	0.65
Income tax	0.19	0.17	0.18	0.18
Final net profit	0.67	0.65	0.41	0.47

Comparison of 1953 and 1955 Results

In the ratios and averages of all other sections of this report all the firms that reported in 1955 are represented. The best available ratios for 1955 are obtained from the combined results of the 132 firms. For best comparison, however, only the results of firms reporting for both years under study are used.

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



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applicable to different surveys. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10% the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. 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.

Average net sales showed a small increase in 1955 from \$1,247,300 in 1953 to \$1,287,134. The gross profit ratio decreased from 7.68 per cent in 1953 to 7.38 per cent in 1955. This decrease coupled with an increase from 6.52 to 6.80 per cent in total operating expenses had the combined effect of reducing the 1953 net operating profit ratio of 1.16 per cent by half, to 0.58 per cent in 1955.

TABLE 12. Operating Results of Tobacco and Confectionery Wholesalers, 1953 and 1955 Compared

Item	1953	1955
Number of firms	116	116
Average net sales per firm \$	1,247,300	1,287,134
	(Per cent of net sales)	
Gross profit	7.68	7.38
Operating expenses:		
Selling	2.23	2.20
Warehouse and delivery	1.64	1.80
Administrative and general	2.65	2.80
Total operating expenses	6.52	6.80
Net operating profit	1.16	0.58