

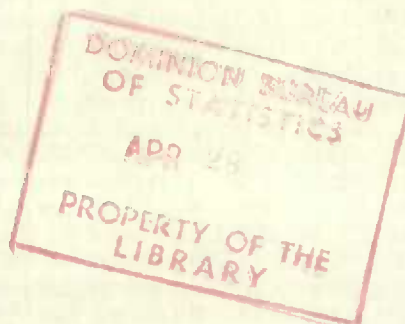
CATALOGUE No.

63-419

BIENNIAL



OPERATING RESULTS OF FOOD WHOLESALERS 1957



Published by Authority of
The Honourable Gordon Churchill, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division

6543-510-127

Price 50 cents

Vol. 3—Part 1—B-1

The Queen's Printer and Controller of Stationery, Ottawa, 1959

NOTICE

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

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

Part I — Wholesale Statistics

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

Part II — Retail Statistics

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

Part III — Services and Special Fields

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

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

- Biennial reports — not issued for 1957.

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

OPERATING RESULTS OF FOOD WHOLESALERS

1957

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. 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 average measurements of the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

However, the average — i.e., arithmetic mean — operating results of all wholesalers classified under "Wholesalers Proper" would be misleading since, 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. Therefore, firms with atypical policies and/or activities have been excluded from the computations of the average operating results published herein.

Period Covered

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

SUMMARY OF 1957 RESULTS BY TRADES

The following summary table shows statistics on operating results for each of the three trades that make up the food wholesale business. It draws the main findings of the survey together in convenient form and enables comparison of the operating results of one group of food wholesalers with another for the year 1957. In the pages which follow, the reader will find sections of the report dealing with each of grocery, fruit and vegetable, and tobacco and confectionery wholesalers.

The reader should be careful not to draw erroneous conclusions from absolute dollar values (average sales, cost of goods sold, inventories, etc.) published in the table which follows immediately and in the tables of other sections of the report. These values are the arithmetic means of items re-

ported by both firms operating one place of business and firms operating a number of places of business. Reports from respondents are made on the basis of the firm so that the mean values are not those of business locations. Average absolute values are shown only to make perfectly explicit the nature of the data from which the ratios are derived. The surveys were designed primarily to obtain ratios which various profit and expense items of a panel of firms bear to net sales. In the case of the grocery trade these ratios are shown for four size categories of firms and, in the case of the other two trades, the ratios are classified into three size categories. In less detail ratios are given by geographical region in which the firms are domiciled and one table in each section is restricted to the operating results of incorporated companies.

Operating Results of Grocery, Fruit and Vegetable, and Tobacco and Confectionery Wholesalers Compared, 1957

Item	Grocery	Fruit and vegetable	Tobacco and confectionery
Number of firms	89	73	129
Average net sales per firm \$	5,338,349	1,289,672	1,415,167
Stock turnover (times per year)	13.05	37.24	17.87
(Per cent of net sales)			
Gross profit	6.84	12.14	6.73
Operating expenses:			
Selling	1.11	1.85	1.89
Warehouse and delivery	2.15	5.27	1.67
Administrative and general	3.12	4.17	2.82
Total operating expenses	6.38	11.29	6.38
Net operating profit	0.46	0.85	0.35
Non-trading income	0.76	0.37	0.30
Non-trading expense	0.17	0.05	0.08
Net profit before income tax deduction	1.05	1.17	0.57
Credit sales	76.80	78.49	76.87
Sales to voluntary group retail stores	28.20	5.41	1.35
Sales to other retail stores	61.86	70.56	92.20

It will be observed from the above table that average operating ratios were generally higher for fruit and vegetable wholesalers than for the other two trades in the food wholesaling business. This is to be expected because of the perishable nature of the goods which entail faster turnover, more handling, more frequent delivery, spoilage, etc. For example, both average gross profit (12.14%) and average total operating expenses (11.29%), expressed as percentages of net sales, were almost twice as high for wholesalers in the fruit and vegetable trade as for those in the other two trades; and the rate of stock turnover was over twice as high. Net operating profit had a range of one-half of one per cent of net sales from 0.35% for wholesalers in

the tobacco and confectionery trade to 0.85% for those in the fruit and vegetable trade.

However, very high warehousing and delivery expenses in this perishable goods trade, after taking account of non-trading items, reduced average net profit before income tax (1.17%) almost to the level of that obtained for wholesalers in the grocery trade (1.05%). The average net profit ratio for tobacco and confectionery wholesalers was lowest at 0.57% of net sales. For the first time, sales to voluntary group retail stores, expressed as a percentage of total sales, are shown for each trade. A detailed report on each of the three trade groups in the food wholesaling business follows.

GROCERY WHOLESALERS

Description of Reporting Firms

Item	Firms with 1957 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	24	46	11	8	89
Form of organization:					
Individual proprietorship	6	2	—	—	8
Partnership	3	1	1	—	5
Incorporated company	15	43	10	8	76
Number of firms operated as:					
Single establishment	24	40	8	1	73
Multiple establishment	—	6	3	7	16
Distribution of sales:					
To voluntary group retail stores %	—	11.94	33.35	34.26	28.20
To other retail stores %	87.39	72.88	59.96	56.98	61.86
To wholesalers %	0.22	4.72	0.94	0.08	1.24
To large users ¹ %	9.91	8.74	5.44	2.20	4.39
To others %	2.48	1.72	0.31	6.48	4.31

¹ Industries, hospitals, institutions, etc.

Eighty of the 106 firms that reported for the 1955 survey of grocery wholesalers reported for the 1957 survey and reports were received from 9 other firms. This means that the data used for compiling Tables 1 and 2 of this report were supplied by 89 firms, or 19 fewer than in 1955. Table 3 is compiled from reports of 76 incorporated companies and Table 4 from reports of 80 firms that reported for both the

1955 and 1957 surveys. The purpose of Table 4 is to enable comparison of the results of the same panel of firms for the two periods. More information about the firms in the panel, including percentages on sales distribution, is given in the above table. For the first time, sales of the panel of firms to voluntary group retailers are shown as a percentage of total sales.

REVIEW OF 1957 OPERATING RESULTS

Profit and Expense Ratios

Table 1 shows that the 1957 panel of wholesalers in the grocery trade realized an average gross profit of 6.84% of net sales, incurred average operating expenses of 6.38% and, after taking account of non-trading items, had average net profit before income tax of 1.05%. As well as being shown for the whole panel of firms in the survey, these data are shown for four groups of firms classified according to the size of their annual sales. Ratios for various expense components for each of the four sales size groups are also shown in Table 1.

While an attempt is made to restrict material used in this compilation to data reported by typical firms in the trade, the composition of the panel of firms changes from survey to survey. This is due to the difficulty of getting firms in sufficient number to report for a series of consecutive biennial

surveys. Because of this change in the composition of the panel, published results of the biennial surveys are not strictly comparable. Therefore, a special compilation is furnished in the last section of this report for purposes of comparing results of the 1957 survey with those of 1955.

Other Operating Features

Table 1 contains information with respect to inventories and stock turnover. The latter is computed by dividing the cost of goods sold by the average of the beginning and end of year inventories. For the panel as a whole this worked out to 13.05 times per year. Average inventories and average credit sales are shown as percentages of average net sales. Average accounts outstanding are shown as a percentage of average credit sales. Information on sales per 1,000 square feet of floor space is also available.

OPERATING RESULTS OF GROCERY WHOLESALERS BY SIZE OF FIRM

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

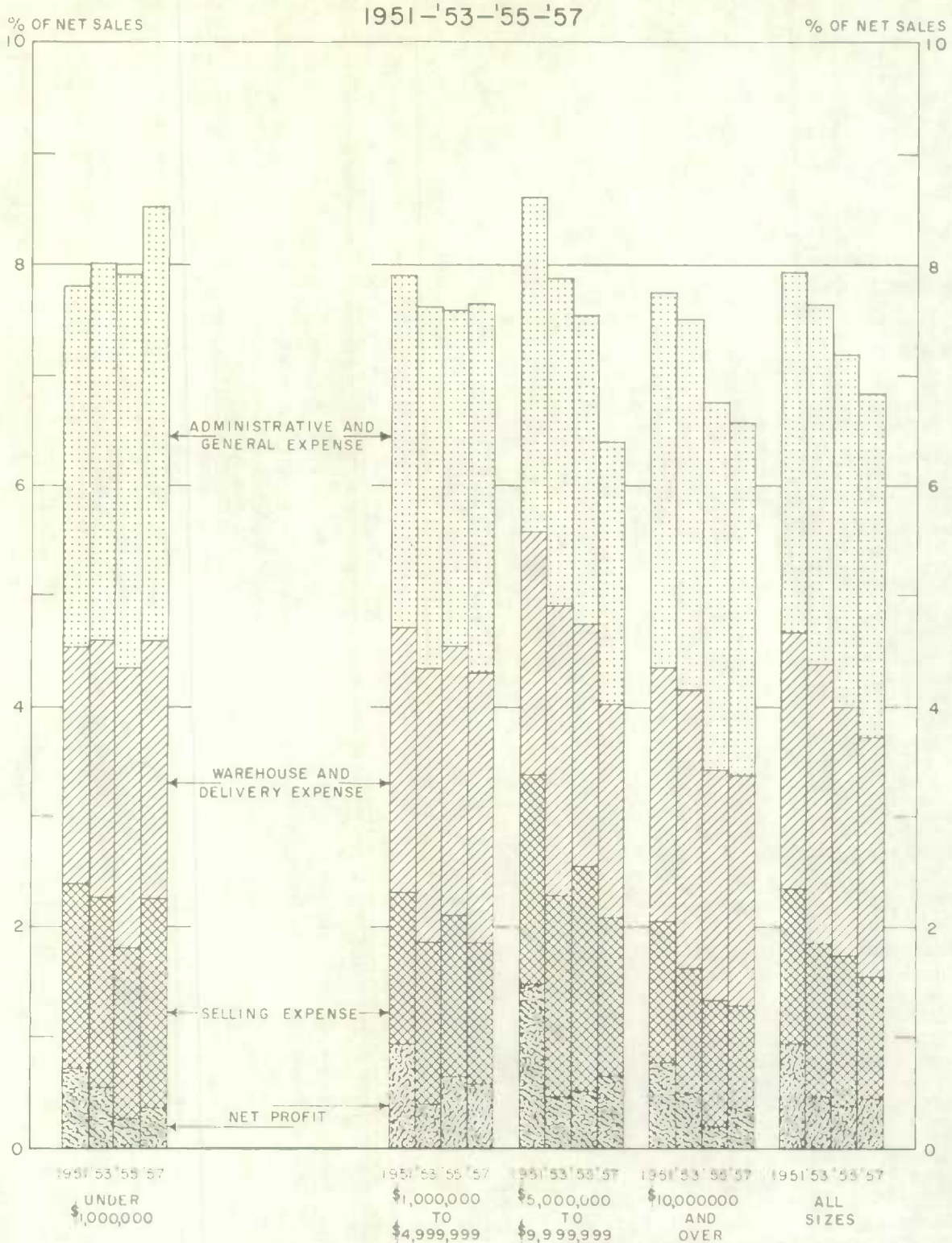


TABLE 1. Operating Results of Grocery Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 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	24	46	11	8	89
Average net sales per firm	\$ 598,500	2,258,849	7,004,473	34,974,104	5,338,349
Average cost of goods sold	\$ 547,526	2,085,932	6,556,155	32,673,036	4,972,983
Stock turnover (times per year)	9.12	10.58	11.79	15.13	13.05
Average beginning inventory	\$ 62,089	200,202	553,300	2,128,982	379,973
Per cent of average net sales	10.37	8.86	7.90	6.09	7.12
Average ending inventory	\$ 57,978	194,226	559,136	2,188,770	381,871
Per cent of average net sales	9.69	8.60	7.98	6.26	7.15
Profit and loss data					
(Per cent of net sales)					
Gross profit	8.52	7.66	6.40	6.58	6.84
Operating expenses:					
Selling expense:					
Salaries	1.33	0.88	0.73	0.56	0.68
Travelling	0.37	0.26	0.23	0.16	0.20
Advertising	0.06	0.06	0.14	0.09	0.09
Other selling expense	0.13	0.09	0.31	0.12	0.14
Total selling expense	1.89	1.29	1.41	0.93	1.11
Warehouse and delivery expense:					
Salaries and wages	1.47	1.76	1.32	1.44	1.49
Maintenance of delivery equipment	0.70	0.54	0.45	0.20	0.33
Outward freight	0.11	0.06	0.05	0.30	0.20
Warehouse supplies	0.04	0.03	0.03	0.03	0.03
Other warehouse and delivery expense	0.02	0.05	0.10	0.12	0.10
Total warehouse and delivery expense	2.34	2.44	1.95	2.09	2.15
Administrative and general expense:					
Salaries	2.07	1.73	1.16	1.41	1.46
Employees' benefits	0.09	0.12	0.08	0.16	0.14
Occupancy	0.82	0.59	0.45	0.48	0.51
Taxes ¹	0.10	0.07	0.06	0.04	0.05
Insurance ¹	0.14	0.10	0.06	0.04	0.06
Office supplies	0.09	0.10	0.07	0.14	0.12
Communication	0.11	0.12	0.07	0.16	0.14
Bad debts-amount written off	0.16	0.13	0.10	0.06	0.08
All other expense	0.34	0.39	0.32	0.71	0.56
Total administrative and general expense	3.92	3.35	2.37	3.20	3.12
Total operating expenses	8.15	7.08	5.73	6.22	6.38
Net operating profit	0.37	0.58	0.67	0.36	0.46
Non-trading income	0.40	0.44	0.31	1.02	0.76
Non-trading expense	0.08	0.21	0.16	0.16	0.17
Net profit before income tax deduction	0.69	0.81	0.82	1.22	1.05
Miscellaneous data					
Credit sales:					
Average per firm	\$ 469,862	1,807,392	3,489,191	29,009,421	4,099,699
Per cent of average net sales	78.51	80.01	49.81	82.95	76.80
Accounts outstanding:					
Average per firm	\$ 43,659	137,192	266,662	1,206,617	224,100
Per cent of average credit sales	9.29	7.59	7.64	4.16	5.47
Sales per 1,000 sq. ft. of floor space	\$ 32,020	90,911	131,832	116,398	103,741

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

Regional Results

Table 2 shows the principal profit and expense figures by regions for grocery wholesale firms in the 1957 panel. Average gross profit ratios ranged from 6.08% of average net sales in Ontario to 8.23% in the Maritime Provinces. Average total operating

expenses varied from 5.54% of average net sales in Quebec and Ontario to 7.25% in the Maritime Provinces. Average net operating profit was lowest in the Prairie Provinces and British Columbia, and highest in the Maritime Provinces.

TABLE 2. Operating Results of Grocery Wholesalers by Regions, 1957

Item	Maritimes	Quebec	Ontario	Prairie Provinces and B.C.	Canada
Number of firms	26	25	24	14	89
Average net sales per firm \$	2,627,450	1,905,548	6,068,116	15,251,849	5,338,349
	(Per cent of net sales)				
Gross profit	8.23	6.27	6.08	7.05	6.84
Operating expenses:					
Selling	1.38	1.17	1.20	0.96	1.11
Warehouse and delivery	2.50	1.75	1.93	2.28	2.15
Administrative and general	3.37	2.62	2.41	3.63	3.12
Total operating expenses	7.25	5.54	5.54	6.87	6.38
Net operating profit	0.98	0.73	0.54	0.18	0.46

Incorporated Companies, 1957

Table 3 shows the operating results of the 76 incorporated companies in the grocery wholesale trade that reported for the 1957 survey. Most of the companies were small to medium in size and 43 of

them had sales of between one and five million dollars. Unlike Table 1, deduction for income tax is shown in Table 3 as a percentage of net sales.

TABLE 3. Operating Results of Incorporated Grocery Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 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	8.31	7.69	6.55	6.58	6.85
Operating expenses	8.06	7.11	5.85	6.22	6.39
Net operating profit	0.25	0.58	0.70	0.36	0.46
Non-trading income	0.47	0.43	0.33	1.02	0.77
Non-trading expense	0.11	0.21	0.17	0.16	0.17
Net profit before income tax deduction	0.61	0.80	0.86	1.22	1.06
Income tax	0.16	0.23	0.33	0.49	0.40
Final net profit	0.45	0.57	0.53	0.73	0.66

Comparison of 1955 and 1957 Operating Results

As has been stated earlier in this report, the composition of the panel of firms that report for the biennial survey of operating results changes from survey to survey. Although reports are used only if the operations of the firms closely conform to those of typical firms in the trade, it should be noted that the changing composition of the panel places some limitation on the comparability of the data contained in the present survey with those contained in previous surveys. Hence, a special compilation of the operating results of the 80 firms that reported for both 1955 and 1957 is shown in Table 4. This table sets out the principal profit and expense figures for the same panel of firms for the two periods. However, when interpreting figures in the following

table, changes in the average net sales of firms from period to period should be noted. Expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of firms increased. On the other hand, these expense items would tend to increase the ratios as average net sales decreased.

Average net sales of these 80 firms increased by 38.1% from \$3,945,337 in 1955 to \$5,450,465 in 1957 and, although average gross profit, expressed as a percentage of average net sales, decreased in 1957 when compared with 1955, average total operating expenses also decreased sufficiently to produce an improved net operating profit position.

TABLE 4. Operating Results of Grocery Wholesalers, 1955 and 1957 Compared

Item	1955	1957
Number of firms	80	80
Average net sales per firm..... \$	3,945,337	5,450,465
	(Per cent of net sales)	
Gross profit	7.73	6.85
Operating expenses:		
Selling	1.41	1.10
Warehouse and delivery	2.41	2.13
Administrative and general	3.48	3.14
Total operating expenses	7.30	6.37
Net operating profit	0.43	0.48

FRUIT AND VEGETABLE WHOLESALERS

Description of Reporting Firms

Item	Firms with 1957 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	22	22	29	73
Form of organization:				
Individual proprietorship	12	2	1	15
Partnership	5	7	1	13
Incorporated company	5	13	27	45
Number of firms operated as:				
Single establishment	22	20	22	64
Multiple establishment	—	2	7	9
Distribution of sales:				
To voluntary group retail stores	2.02	0.86	6.74	5.41
To other retail stores	77.53	71.18	69.79	70.56
To wholesalers	11.63	19.06	17.72	17.53
To large users ¹	6.05	7.21	5.48	5.82
To others	2.77	1.69	0.27	0.68

¹ Industries, hospitals, institutions, etc.

Fifty-seven of the 78 firms that reported for the 1955 survey of fruit and vegetable wholesalers reported for the 1957 survey, and reports were received from 16 other firms. This adds up to a panel of 73 firms that provided the data used for compiling Tables 5 and 6 of this report. Table 7 is compiled from reports of 45 incorporated companies, and

Table 8 from data submitted by the 57 firms that reported for both the 1955 and 1957 surveys. Information with regard to the sales distribution and other aspects of the reporting firms is provided in the above table. For the first time, sales of the panel of firms to voluntary group retail stores have been shown as a percentage of total sales.

REVIEW OF 1957 OPERATING RESULTS

Profit and Expense Ratios

Table 5 shows that fruit and vegetable wholesalers in the panel surveyed realized an average gross profit of 12.14% of average net sales, incurred average operating expenses of 11.29% and, after taking account of non-trading items, had an average net profit before income tax deduction of 1.17%. Ratios for various expense components are also shown in this table. The data are shown for three groups of firms classified according to size of annual sales as well as for the panel as a whole.

Although an attempt is made to restrict material used in this compilation to data reported by typical firms in the trade, the composition of the panel of firms changes from survey to survey. This is due to the difficulty of getting firms in sufficient number to report for a series of consecutive biennial surveys. Because of this change in the composition

of the panel, published results of the biennial surveys may not be strictly comparable. Therefore, for purposes of comparing results of the 1957 survey with those of the 1955 survey, a special compilation is furnished in the last section of this report.

Other Operating Features

Table 5 also contains information with respect to stock turnover. This is computed by dividing the cost of goods sold by the average of the beginning and end of year inventories. For the panel as a whole this worked out to 37.24 times per year. Average inventories and average credit sales are shown as percentages of average net sales. Average accounts outstanding are shown as a percentage of average credit sales. Information is also available on sales per 1,000 square feet of floor space. The results of these items do not vary greatly from those obtained in 1955.

OPERATING RESULTS OF FRUIT AND VEGETABLE WHOLESALERS BY SIZE OF FIRM

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

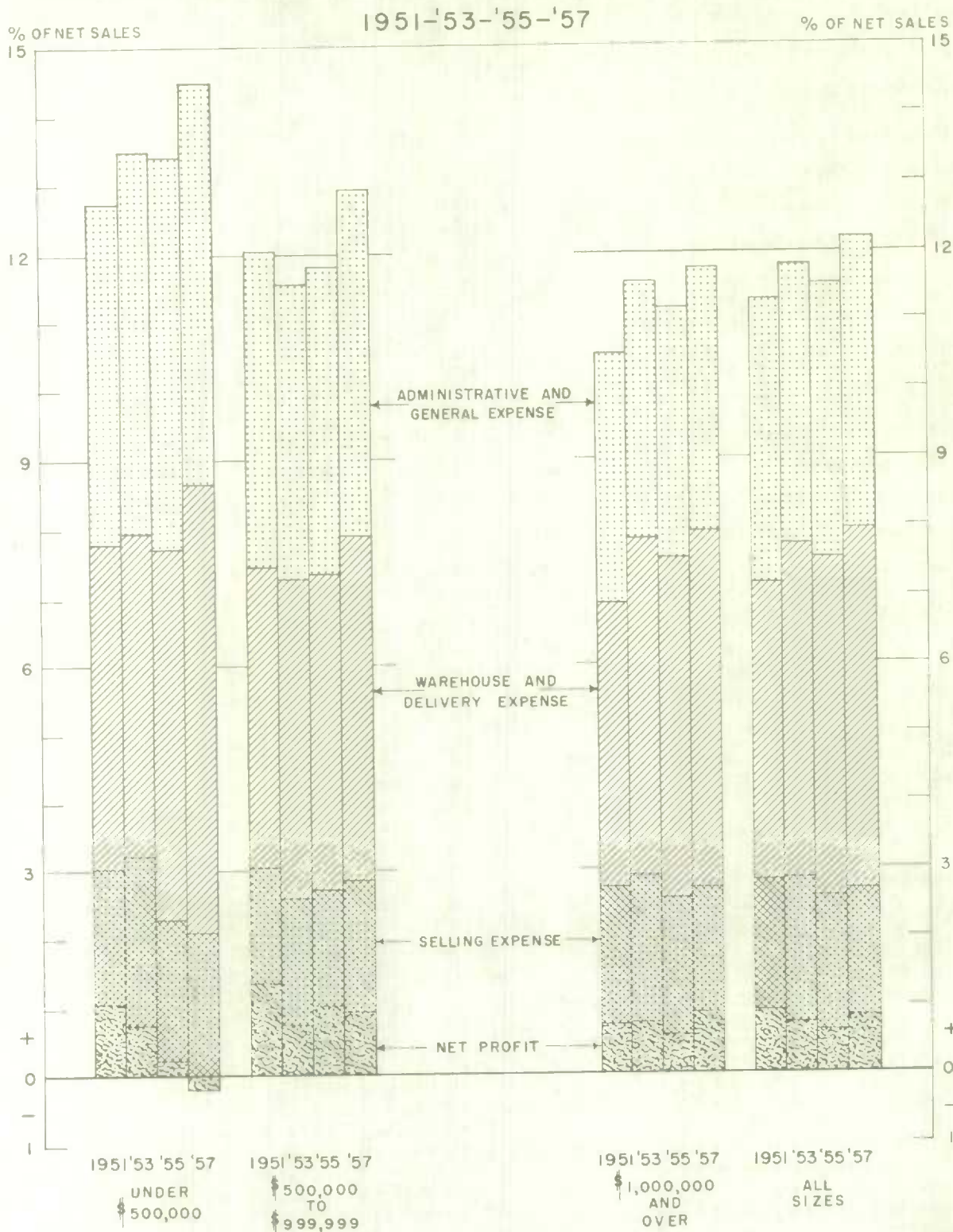


TABLE 5. Operating Results of Fruit and Vegetable Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	22	22	29	73
Average net sales per firm	\$ 292,224	731,400	2,469,873	1,289,672
Average cost of goods sold	\$ 249,895	636,795	2,179,550	1,133,070
Stock turnover (times per year)	47.35	51.72	34.46	37.24
Average beginning inventory	\$ 5,203	12,164	61,007	29,469
Per cent of average net sales	1.78	1.66	2.47	2.29
Average ending inventory	\$ 5,350	12,462	65,479	31,380
Per cent of average net sales	1.83	1.70	2.65	2.43
Profit and loss data				
(Per cent of net sales)				
Gross profit	14.49	12.93	11.75	12.14
Operating expenses:				
Selling expense:				
Salaries	1.91	1.43	1.34	1.40
Travelling	0.26	0.21	0.25	0.24
Advertising	0.08	0.10	0.08	0.08
Other selling expense	0.02	0.20	0.13	0.13
Total selling expense	2.27	1.94	1.80	1.85
Warehouse and delivery expense:				
Salaries and wages	3.18	2.77	2.72	2.76
Maintenance of delivery equipment	2.92	1.72	0.88	1.16
Outward freight	0.09	0.10	0.93	0.73
Warehouse supplies	0.25	0.30	0.32	0.31
Other warehouse and delivery expense	0.08	0.14	0.36	0.31
Total warehouse and delivery expense	6.52	5.03	5.21	5.27
Administrative and general expense:				
Salaries	2.93	2.53	1.68	1.91
Employees' benefits	0.11	0.12	0.13	0.13
Occupancy	1.25	0.98	0.77	0.84
Taxes ¹	0.15	0.10	0.08	0.09
Insurance ¹	0.13	0.09	0.08	0.08
Office supplies	0.14	0.12	0.13	0.13
Communication	0.35	0.32	0.34	0.33
Bad debts—amount written off	0.22	0.20	0.13	0.15
All other expense	0.58	0.56	0.49	0.51
Total administrative and general expense	5.86	5.02	3.83	4.17
Total operating expenses	14.65	11.99	10.84	11.29
Net operating profit	0.16 ²	0.94	0.91	0.85
Non-trading income	0.49	0.28	0.38	0.37
Non-trading expense	0.01	0.03	0.06	0.05
Net profit before income tax deduction	0.32	1.19	1.23	1.17
Miscellaneous data				
Credit sales:				
Average per firm	\$ 177,859	593,811	1,962,643	1,012,238
Per cent of average net sales	60.86	81.19	79.46	78.49
Accounts outstanding:				
Average per firm	\$ 16,480	45,292	115,073	64,330
Per cent of average credit sales	9.27	7.63	5.86	6.36
Sales per 1,000 sq. ft. of floor space	\$ 69,044	99,286	141,322	123,550

¹ Excludes amount attributed to real estate which is in occupancy expense.² Operating loss.

Regional Results

Table 6 shows the principal profit and expense figures by regions for fruit and vegetable wholesale firms in the 1957 panel. Average gross profit ratios ranged from 9.28% of average net sales in Quebec to 16.10% in the Prairie Provinces and British Columbia. Average total operating expenses varied

from 8.57% of average net sales in Quebec to 14.71% in the Prairie Provinces and British Columbia. Average net operating profit was lowest in Ontario and highest in the Prairie Provinces and British Columbia.

TABLE 6. Operating Results of Fruit and Vegetable Wholesalers, by Regions, 1957

Item	Maritimes	Quebec	Ontario	Prairie Provinces and B.C.	Canada
Number of firms.....	7	23	31	12	73
Average sales per firm..... \$	829, 293	1, 310, 623	1, 178, 002	1, 806, 550	1, 289, 672
	(Per cent of net sales)				
Gross profit	12.58	9.28	12.09	16.10	12.14
Operating expenses:					
Selling	1.32	1.50	1.66	2.83	1.85
Warehouse and delivery	5.23	3.63	5.22	7.63	5.27
Administrative and general	4.95	3.44	4.61	4.25	4.17
Total operating expenses	11.50	8.57	11.49	14.71	11.29
Net operating profit	1.08	0.71	0.60	1.39	0.85

Incorporated Companies 1957

Table 7 shows the operating results of the 45 incorporated companies in the fruit and vegetable wholesale trade that reported to the 1957 survey. Both average gross profit and average operating expense ratios tended to decrease as sales in-

creased, a trend which was also apparent in Table 5 where the results of both incorporated and non-incorporated firms were combined. Unlike Table 5 deduction for income tax is shown in Table 7 as a percentage of net sales.

TABLE 7. Operating Results of Incorporated Fruit and Vegetable Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 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	14.83	12.50	11.70	11.87
Operating expenses	14.78	11.96	10.78	11.02
Net operating profit	0.05	0.54	0.92	0.85
Non-trading income	—	0.39	0.40	0.39
Non-trading expense	0.01	0.05	0.05	0.05
Net profit before income tax deduction	0.04	0.88	1.27	1.19
Income tax	0.35	0.20	0.51	0.46
Final net profit	0.31 ¹	0.68	0.76	0.73

¹ Final net loss.

Comparison of 1955 and 1957 Results

As stated earlier in this report, the composition of the panel of firms that report for the biennial survey of operating results changes from survey to survey. Although reports are used only if the operations of the firms closely conform to those of typical firms in the trade, it is considered that the changing composition of the panel places some limitation on the comparability of the data contained in the present survey with data contained in previous surveys. Hence, a special compilation of the operating results of the 57 firms that reported for both 1955 and 1957 is shown in Table 8. This table sets out the principal profit and expense figures for the same firms for the two periods. When interpreting figures in the following table, changes in the

average net sales of firms from period to period should be noted. Expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of firms increased. On the other hand, these expense items would tend to increase the ratios as average net sales decreased.

Average net sales of the 57 firms increased from \$1,272,573 in 1955 to \$1,417,672 in 1957. Although average total operating expenses as a percentage of average net sales increased in 1957 when compared with 1955, the average gross profit ratio increased sufficiently more to produce an improved net operating profit position.

TABLE 8. Operating Results of Fruit and Vegetable Wholesalers, 1955 and 1957 Compared

Item	1955	1957
Number of firms	57	57
Average net sales per firm \$	1,272,573	1,417,672
	(Per cent of net sales)	
Gross profit	11.52	12.27
Operating expenses:		
Selling	1.90	1.85
Warehouse and delivery	5.06	5.18
Administrative and general	3.93	4.18
Total operating expenses	10.89	11.21
Net operating profit	0.63	1.06

TOBACCO AND CONFECTIONERY WHOLESALERS

Description of Reporting Firms

Item	Firms with 1957 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	25	44	60	129
Form of organization:				
Individual proprietorship	7	7	9	23
Partnership	9	7	6	22
Incorporated company	9	30	45	84
Number of firms operated as:				
Single establishment	25	43	50	118
Multiple establishment	—	1	10	11
Distribution of sales:				
To voluntary group retail stores %	0.50	0.29	1.67	1.35
To other retail stores %	96.96	98.79	90.26	92.20
To wholesalers %	0.12	0.23	4.78	3.70
To large users ¹ %	1.84	0.38	1.24	1.11
To others %	0.58	0.31	2.05	1.64

¹ Industries, hospitals, institutions, etc.

One hundred and five of the 132 firms that reported for the 1955 survey of tobacco and confectionery wholesalers reported for the survey of 1957 and reports were received from 24 other firms. This adds up to a total of 129 firms that supplied the data used in the compilation of Tables 9 and 10 of this report, or 3 fewer than in 1955. Table 11 is compiled from reports of 84 incorporated companies and Table 12 from reports of 105 firms that reported

for both the 1955 and 1957 surveys. The purpose of the latter table is to enable comparison of the results of the identical panel of firms for the two periods. More information about the firms in the panel, including percentages of sales distribution to various classes of buyers, is given in the above table. For the first time sales of the panel of firms to voluntary group retailers are shown as a percentage of total sales.

REVIEW OF 1957 OPERATING RESULTS

Profit and Expense Ratios

Table 9 shows that the 1957 panel of firms in the tobacco and confectionery wholesale trade realized an average gross profit of 6.73% of net sales, incurred average total operating expenses of 6.38% and, after taking account of non-trading items, had a net profit before income tax deduction of 0.57%. As well as being shown for the whole panel of firms, these data are shown for three groups of firms classified according to the size of their annual sales. Ratios for the various components of operating expenses are also given.

While an attempt is made to restrict material used in this compilation to data reported by typical firms in the trade, the composition of the panel of firms changes from survey to survey. This is due to the difficulty of getting firms in sufficient number to report for a series of consecutive biennial surveys. Because of this change in the composition

of the panel, published results of the biennial surveys are not strictly comparable. Therefore, a special compilation is furnished in the last section of this report for purposes of comparing results of the 1957 survey with those of 1955.

Other Operating Features

Table 9 contains information with respect to inventories and stock turnover. This latter item is computed by dividing the cost of goods sold by the average of the beginning and end of year inventories. Stocks tended to turn over at a faster rate as the size of firm increased and, for the panel as a whole, the rate worked out to 17.87 times per year. Average inventories and average credit sales are shown as percentages of average net sales. Average accounts outstanding are shown as a percentage of average credit sales. Information on sales per 1,000 square feet of floor space is also available.

OPERATING RESULTS OF TOBACCO AND CONFECTIONERY WHOLESALESAERS BY SIZE OF FIRM

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

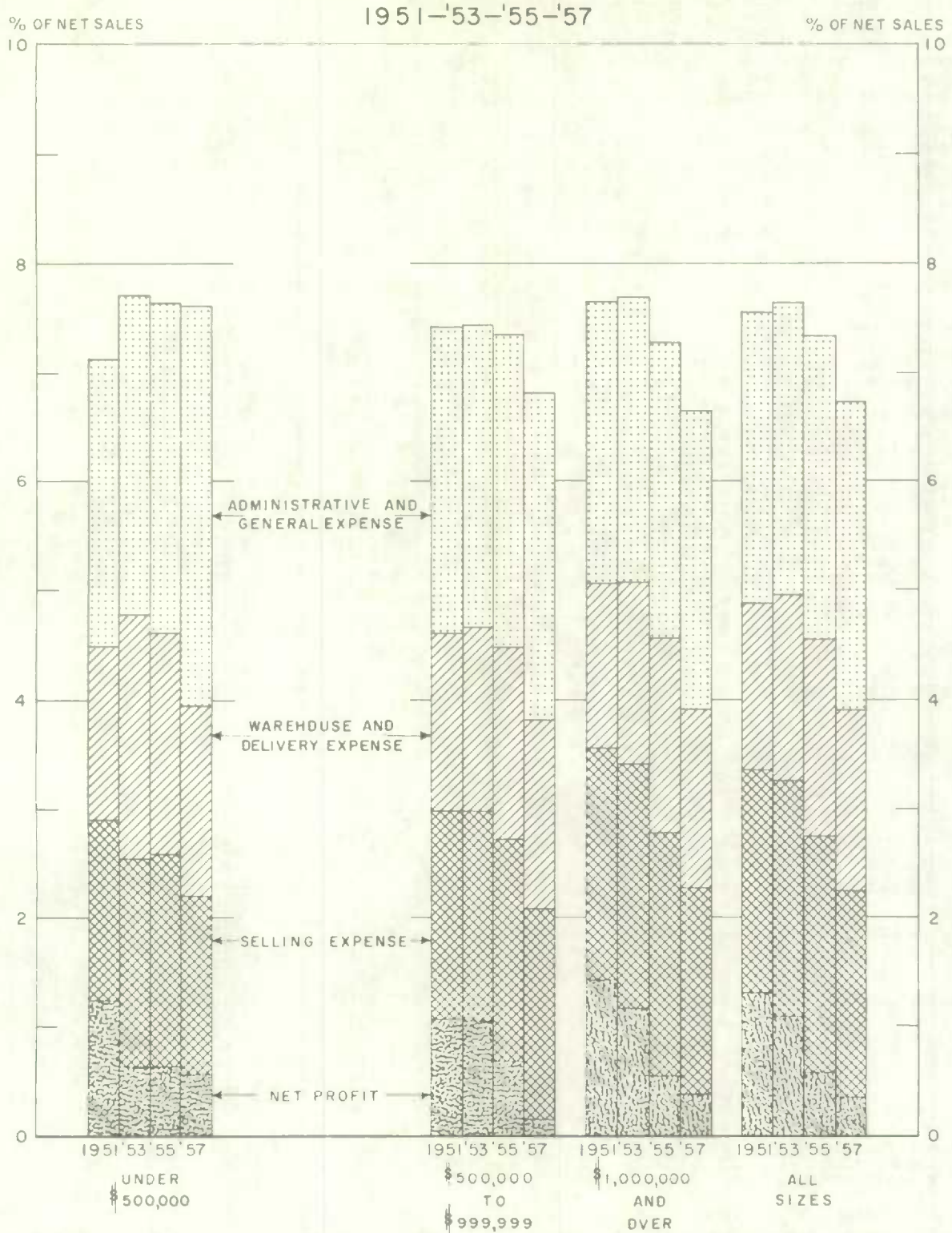


TABLE 9. Operating Results of Tobacco and Confectionery Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	25	44	60	129
Average net sales per firm	\$ 351,762	787,561	2,318,497	1,415,167
Average cost of goods sold	\$ 324,943	733,838	2,164,309	1,319,930
Stock turnover (times per year)	14.43	14.53	19.55	17.87
Average beginning inventory	\$ 22,183	48,643	113,919	73,876
Per cent of average net sales	6.31	6.18	4.91	5.22
Average ending inventory	\$ 22,849	52,273	110,885	73,832
Per cent of average net sales	6.50	6.64	4.78	5.22
Profit and loss data				
(Per cent of net sales)				
Gross profit	7.62	6.82	6.65	6.73
Operating expenses:				
Selling expense:				
Salaries	1.25	1.52	1.48	1.47
Travelling	0.24	0.26	0.29	0.29
Advertising	0.09	0.05	0.06	0.06
Other selling expense	0.04	0.11	0.07	0.07
Total selling expense	1.62	1.94	1.90	1.89
Warehouse and delivery expense:				
Salaries and wages	1.09	1.10	1.11	1.11
Maintenance of delivery equipment	0.54	0.48	0.39	0.44
Outward freight	0.04	0.07	0.07	0.07
Warehouse supplies	0.05	0.05	0.03	0.03
Other warehouse and delivery expense	0.03	0.04	0.04	0.04
Total warehouse and delivery expense	1.75	1.74	1.64	1.67
Administrative and general expense:				
Salaries	2.15	1.59	1.32	1.41
Employees' benefits	0.06	0.07	0.10	0.09
Occupancy	0.55	0.43	0.35	0.37
Taxes ¹	0.07	0.05	0.05	0.05
Insurance ¹	0.14	0.11	0.13	0.13
Office supplies	0.06	0.10	0.11	0.10
Communication	0.07	0.07	0.08	0.08
Bad debts-amount written off	0.22	0.16	0.23	0.22
All other expense	0.35	0.42	0.36	0.37
Total administrative and general expense	3.67	3.00	2.73	2.82
Total operating expenses	7.04	6.68	6.27	6.38
Net operating profit	0.58	0.14	0.38	0.35
Non-trading income	0.24	0.29	0.31	0.30
Non-trading expense	0.08	0.04	0.10	0.08
Net profit before income tax deduction	0.74	0.39	0.59	0.57
Miscellaneous data				
Credit sales:				
Average per firm	\$ 256,402	571,388	1,812,962	1,087,820
Per cent of average net sales	72.89	72.55	78.20	76.87
Accounts outstanding:				
Average per firm	\$ 21,263	61,268	137,174	88,820
Per cent of average credit sales	8.29	10.72	7.57	8.16
Sales per 1,000 sq. ft. of floor space	\$ 121,077	150,852	247,908	211,419

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

Regional Results

Table 10 shows the principal profit and expense figures by regions for the 1957 panel of firms in the tobacco and confectionery wholesale trade. Average gross profit ratios had a range of more than 2.5%, i.e., from 5.59% of net sales in Quebec to 8.12% in the Maritime Provinces. Quebec

had the lowest average total operating expenses with a ratio of 5.41% of net sales but stood fourth to the Prairie Provinces with respect to average net operating profit, registering a ratio of 0.18% versus 0.62% for the Prairie Provinces.

TABLE 10. Operating Results of Tobacco and Confectionery Wholesalers, by Regions, 1957

Item	Maritimes	Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	7	37	58	17	10	129
Average net sales per firm \$	681,374	1,608,077	1,487,084	1,166,486	1,220,692	1,415,167
(Per cent of net sales)						
Gross profit	8.12	5.59	7.01	7.80	8.00	6.73
Operating expenses:						
Selling	2.13	1.58	1.95	2.21	2.40	1.89
Warehouse and delivery	2.21	1.46	1.76	1.57	1.99	1.67
Administrative and general	3.61	2.37	2.93	3.40	3.03	2.82
Total operating expenses	7.95	5.41	6.64	7.18	7.42	6.38
Net operating profit	0.17	0.18	0.37	0.62	0.58	0.35

Incorporated Companies, 1957

A special tabulation for incorporated companies is shown in Table 11. The average net profit of this group amounted to 0.53% of net sales before

income tax deduction compared with 0.57% for all reporting firms. Income tax of 0.16% reduced this to a final average net profit ratio of 0.37% of net sales.

TABLE 11. Operating Results of Incorporated Tobacco and Confectionery Wholesalers, 1957
by Size of Firm

Item	Firms with 1957 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	7.77	7.35	6.71	6.85
Operating expenses	6.86	7.02	6.41	6.53
Net operating profit	0.91	0.33	0.30	0.32
Non-trading income	0.18	0.32	0.31	0.31
Non-trading expense	0.06	0.06	0.11	0.10
Net profit before income tax deduction	1.03	0.59	0.50	0.53
Income tax	0.23	0.14	0.17	0.16
Final net profit	0.80	0.45	0.33	0.37



1010778498

MERCHANDISING AND SERVICES

Comparison of 1955 and 1957 Results

As has been stated earlier in this report, the composition of the panel of firms that report for the biennial survey of operating results changes from survey to survey. Although reports are used only if the operations of firms closely conform to those of typical firms in the trade, it should be noted that the changing composition of the panel places some limitation on the comparability of the data contained in the present survey with those contained in previous surveys. Hence, a special compilation of the operating results of the 105 firms that reported for both the 1955 and 1957 surveys is shown in table 12. This table sets out the principal profit and expense figures for the same panel of firms for the two periods. However, when interpreting figures in the following table, changes in the average net

sales of firms from period to period should be noted.

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

These firms increased their average net sales by 17.0% to \$1,528,542 in 1957 from \$1,306,031 in 1955. The average gross profit as a percentage of net sales decreased from 7.39% to 6.83%. Total operating expenses, also expressed as a percentage of net sales, decreased from 6.76% to 6.49%. The net operating profit was 0.34% of net sales in 1957 compared with 0.63% in 1955.

TABLE 12. Operating Results of Tobacco and Confectionery Wholesalers, 1955 and 1957 Compared

Item	1955	1957
Number of firms	105	105
Average net sales per firm \$	1,306,031	1,528,542
	(Per cent of net sales)	
Gross profit	7.39	6.83
Operating expenses:		
Selling	2.19	1.93
Warehouse and delivery	1.80	1.70
Administrative and general	2.77	2.86
Total operating expenses	6.76	6.49
Net operating profit	0.63	0.34