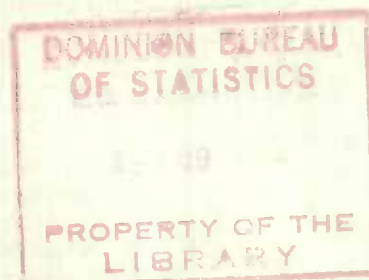


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CANADA



OPERATING RESULTS OF HARDWARE 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 Supplies 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¢
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The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1953.

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3. Automotive Parts and Accessories Wholesalers
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Note: "Operating Results of Hardware Wholesalers" was formerly contained in "Operating Results of Miscellaneous Wholesalers".

OPERATING RESULTS OF HARDWARE 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.

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. A table showing regional figures has been prepared although reports from 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 item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profits in the table 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 chart shows the gross profit components for 1949, 1951 and 1953 by suitable sales-size classification.

HARDWARE 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 to \$4,999,999	\$5,000,000 and over	
Number of firms	13	11	24	10	63
Form of organization:					
Individual proprietorship	4	—	—	—	4
Partnership	2	2	1	—	5
Incorporated company	12	9	23	10	54
Number of firms operated as:					
Single establishment	17	11	14	5	47
Multiple establishment	1	—	10	5	16

Of the 63 firms reporting, 54 were incorporated, and the remaining nine were comprised of four individual proprietorships and five partnerships.

Sixteen were operated as multiple establishment firms, whereas the remaining forty-seven firms each reported results for one establishment only.

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 individ-

ual 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.

Hardware wholesalers obtained an average gross profit or margin of 19.45 per cent of average net sales on 1953 operations, slightly less than the 1951 ratio of 20.49 per cent. Gross profit ratios of the four typical sales-size categories ranged from 19.28 per cent to 21.09 per cent and tended to decrease with size of firm. Total operating expenses averaged 14.65 per cent of net sales of all respondents, and within the size-groups these ratios also decreased inversely with size of firm. Because the range of total operating expenses ratios was more than twice that of gross profit ratios, the net operating profit ratios tended to increase directly with the size of firm. Non-trading income and expense netted a decline to the net operating profit of 4.80 per cent which resulted in a net profit before income tax of 4.74 per cent for all respondents.

TABLE 1. Operating Results of Hardware 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 to \$4,999,999	\$5,000,000 and over	
Number of firms reporting	18	11	24	10	63
Average net sales per firm	\$ 234,906	754,714	2,305,384	11,313,900	2,872,989
Average cost of goods sold	\$ 185,521	595,529	1,857,691	9,132,416	2,314,268
Stock turnover (times per year)	3.22	4.66	4.11	3.97	4.02
Average beginning inventory	\$ 54,122	127,521	437,517	2,285,514	567,182
Per cent of average net sales	23.04	16.90	18.98	20.20	19.74
Average ending inventory	\$ 60,949	127,832	466,713	2,312,275	584,565
Per cent of average net sales	25.95	16.94	20.24	20.44	20.35
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Gross profit	21.03	21.09	19.41	19.28	19.45
Operating expenses:					
Selling expense:					
Salaries	4.59	3.88	3.22	2.18	2.63
Travelling	1.39	0.91	0.70	0.91	0.85
Advertising	0.20	0.32	0.28	0.48	0.41
Other selling expense	0.31	0.15	0.35	0.36	0.35
Total selling expense	6.49	5.26	4.55	3.93	4.24
Warehouse and delivery expense:					
Salaries and wages	2.39	1.93	2.44	2.82	2.66
Maintenance of delivery equipment	0.28	0.46	0.39	0.16	0.25
Outward freight	0.28	0.12	0.16	0.10	0.12
Warehouse supplies	0.12	0.09	0.08	0.10	0.09
Other warehouse and delivery expense	0.17	0.13	0.22	0.06	0.12
Total warehouse and delivery expense	3.24	2.73	3.29	3.24	3.24
Administrative and general expense:					
Salaries	4.63	4.46	3.85	3.39	3.61
Employees' benefits	0.21	0.30	0.36	0.57	0.49
Occupancy	1.30	1.02	1.01	0.98	1.00
Light, heat and power	0.21	0.16	0.14	0.13	0.13
Taxes ¹	0.17	0.12	0.08	0.08	0.09
Insurance ¹	0.28	0.19	0.13	0.06	0.09
Office supplies	0.39	0.29	0.26	0.27	0.27
Communication	0.34	0.29	0.33	0.30	0.31
Bad debts — amount written off	0.20	0.37	0.28	0.22	0.24
All other expense	0.96	0.53	0.62	1.12	0.94
Total administrative and general expense	8.69	7.73	7.06	7.12	7.17
Total operating expenses	18.42	15.72	14.90	14.29	14.65
Net operating profit	2.61	5.37	4.51	4.99	4.80
Non-trading income	0.61	0.71	0.49	0.45	0.48
Non-trading expense	0.33	0.41	0.63	0.51	0.54
Net profit before income tax deduction	2.89	5.67	4.37	4.93	4.74
MISCELLANEOUS DATA					
Credit sales:					
Average per firm	\$ 212,778	630,865	2,145,621	11,075,177	2,746,577
Per cent of average net sales	90.58	83.59	93.07	97.89	95.60
Accounts outstanding:					
Average per firm	\$ 30,831	82,580	280,218	1,361,139	345,794
Per cent of average credit sales	14.49	13.09	13.06	12.29	12.59
Sales per 1,000 sq. ft. of floor space	\$ 37,113	47,657	41,264	47,188	45,252

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, increased from 19.74 per cent at the beginning of the year to 20.35 per cent at the end of the year. This trend was common to all four size-groups. The rate of stock turnover-average of

beginning and end of year inventories divided into cost of goods sold-was 4.02 times per year for all hardware wholesale merchants, a slightly higher rate than was determined from the 1951 survey results.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 95.60 per cent for all hardware wholesalers in 1953, a decrease from the 1951 ratio of 96.18 per cent. Accounts outstanding as at the year-

end amounted to 12.59 per cent of average credit sales for all wholesalers and, within the four typical sale-size groups, decreased directly with size of firm from 14.49 per cent to 12.29 per cent.

Regional Results

Gross trading profit ratios of hardware wholesalers in the four major regions of Canada differed only slightly from the Canada average of 19.45 per cent of net sales. Total operating expenses ratios however, ranged from 13.75 per cent for the Prairie

Provinces to 17.05 per cent for British Columbia wholesalers. Consequently, the Prairie Provinces wholesalers averaged the highest net operating profit ratio of 5.86 per cent and the British Columbia wholesalers the lowest of 2.73 per cent.

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

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	25	18	13	7	63
Average net sales per firm \$	1,685,900	2,638,505	5,864,039	2,160,753	2,872,989
	(Per cent of net sales)				
Gross profit	19.40	19.12	19.61	19.78	19.45
Operating expenses:					
Selling	5.03	3.62	3.97	5.37	4.24
Warehouse and delivery	3.41	3.69	2.80	3.50	3.24
Administrative and general	6.64	7.61	6.98	8.18	7.17
Total operating expenses	15.08	14.92	13.75	17.05	14.65
Net operating profit	4.32	4.20	5.86	2.73	4.80

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 Hardware Wholesalers, 1953

Item	Firms with 1953 sales of				Total all sizes	
	Under \$500,000		\$1,000,000 to \$4,999,999			
	Average	Middle range	Average	Middle range	Average	Middle range
	(Per cent of net sales)					
Gross profit	21.0	18.5-24.5	19.4	18.2-21.6	19.4	18.2-21.9
Selling expense	6.5	3.7-8.2	4.5	3.2-5.8	4.2	3.3-6.3
Warehouse and delivery expense	3.2	2.5-3.9	3.3	2.4-4.1	3.2	2.5-3.7
Administrative and general expense	8.7	6.2-12.3	7.1	6.0-9.0	7.2	6.4-9.3
Net operating profit.....	2.6	0.5-5.1	4.5	1.6-6.5	4.8	1.8-6.3

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 portion

of net sales, was 4.74 per cent for both "incorporated firms" and "all firms". Income tax reduced the incorporated firms profit ratio to 2.58 per cent, a decrease of approximately 45 per cent.

TABLE 4. Operating Results of Incorporated Hardware 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 to \$4,999,999	\$5,000,000 and over	
	(Per cent of net sales)				
Gross profit	21.55	20.70	19.31	19.28	19.39
Operating expenses	18.92	15.30	14.84	14.30	14.59
Net operating profit	2.63	5.40	4.47	4.98	4.80
Non-trading income	0.74	0.87	0.47	0.45	0.48
Non-trading expense	0.37	0.38	0.64	0.51	0.54
Net profit before income tax deduction...	3.00	5.89	4.30	4.92	4.74
Income tax	0.66	2.35	1.81	2.36	2.16
Final net profit	2.34	3.54	2.49	2.56	2.58

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.

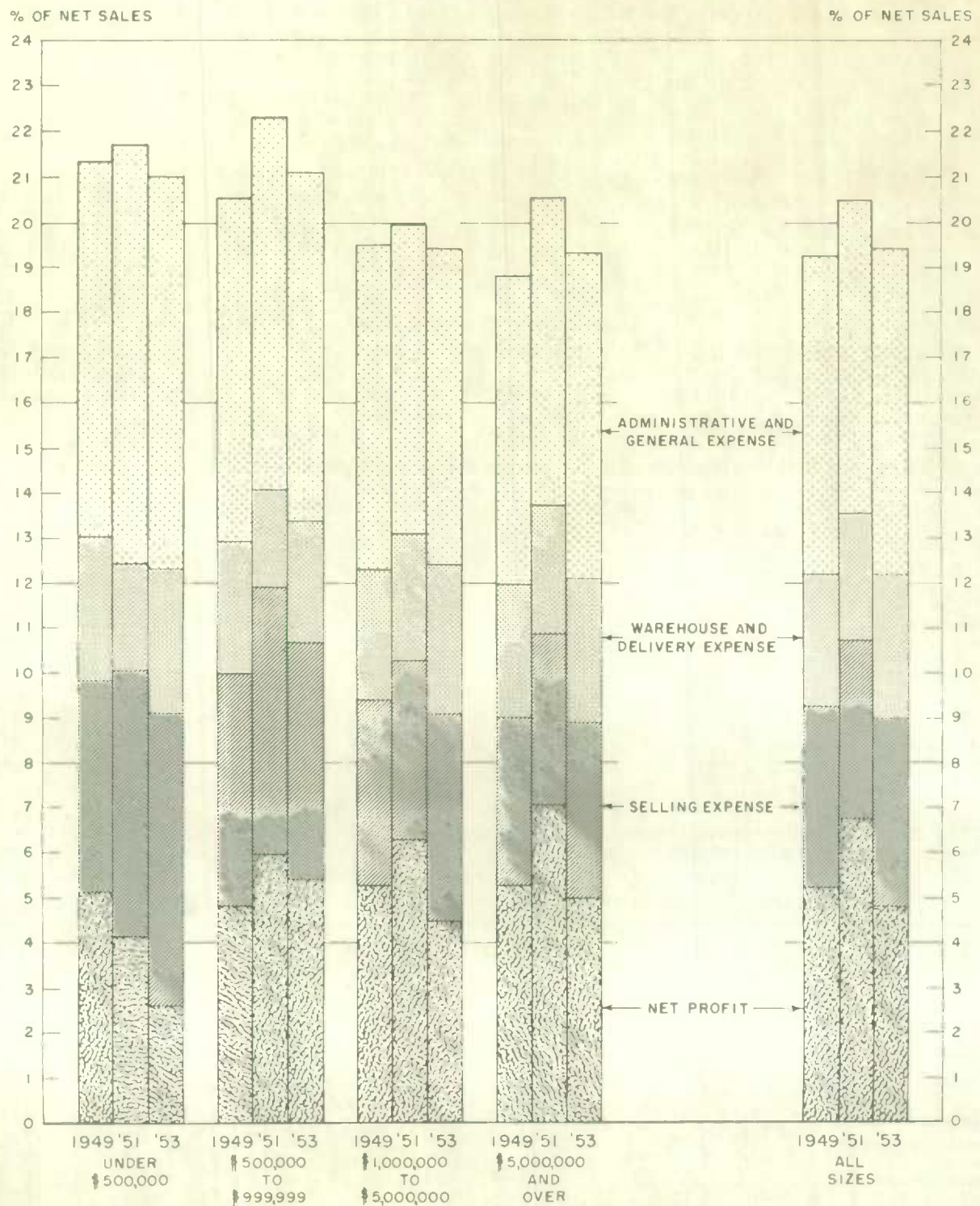
TABLE 5. Operating Results of Hardware Wholesalers, 1951 and 1953 Compared

Item	All Respondents		Identical Firms	
	1951	1953	1951	1953
Number of firms	54	63	49	49
Average net sales per firm	\$ 3,190,580	2,872,989	3,306,973	3,376,027
	(Per cent of net sales)			
Gross profit	20.49	19.45	20.51	19.59
Operating expenses:				
Selling	4.00	4.24	3.99	4.25
Warehouse and delivery	2.80	3.24	2.87	3.18
Administrative and general	6.96	7.17	6.82	7.29
Total operating expenses	13.76	14.65	13.68	14.72
Net operating profit	6.73	4.80	6.83	4.87

OPERATING RESULTS OF HARDWARE WHOLESALERS

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

1949 - 1951 - 1953



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