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OPERATING RESULTS OF HARDWARE WHOLESALERS 1955



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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, 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¢
- *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 Credit, 25¢

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- Q – Laundries, Cleaners and Dyers, 25¢
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- W – Advertising Agencies (Memorandum), 10¢
- X – Motion Picture Production (Memorandum), 10¢

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

* Biennial reports – not issued for 1955.

OPERATING RESULTS OF HARDWARE 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.

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.

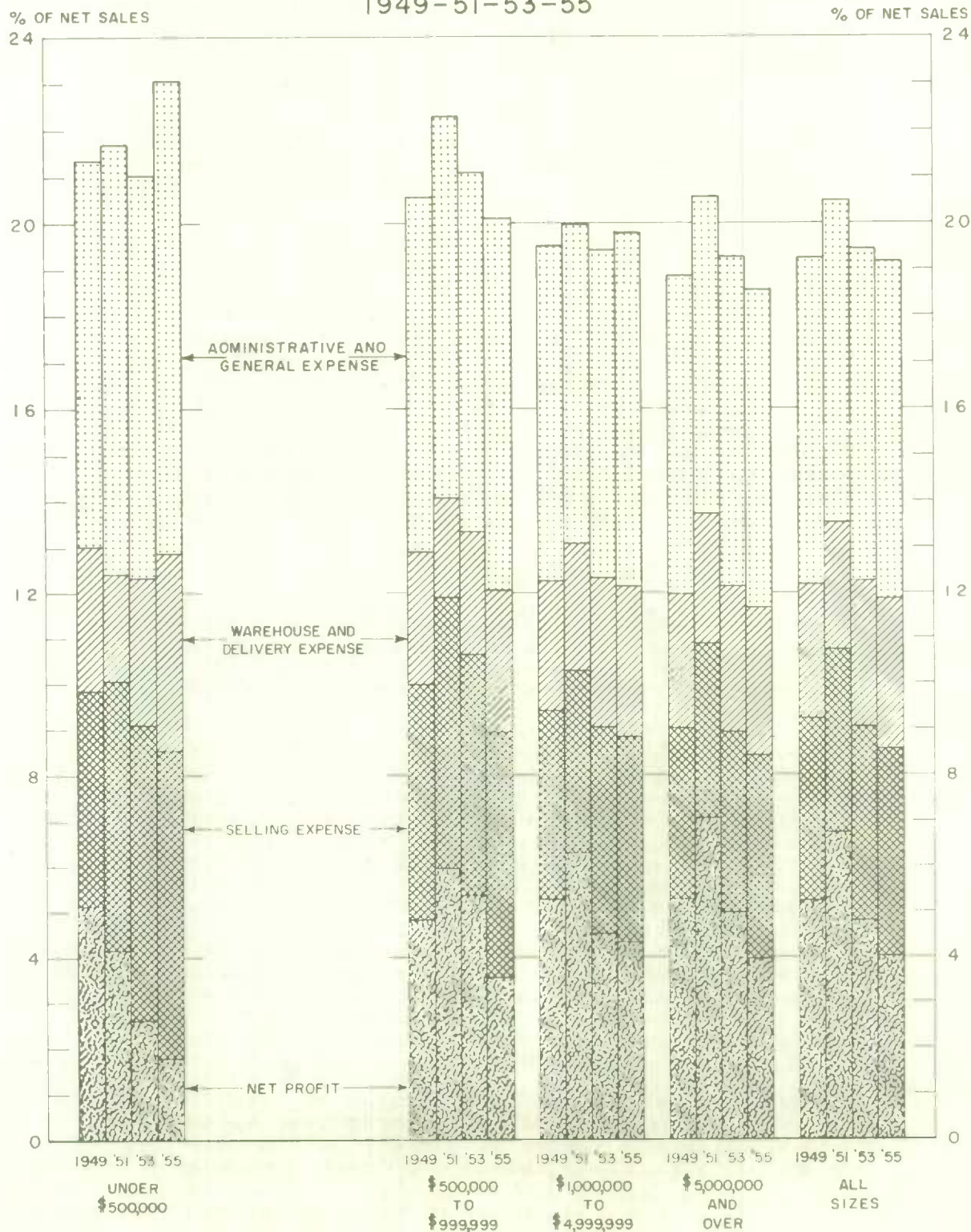
Period Covered

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 chart shows the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classification for each trade.

OPERATING RESULTS OF HARDWARE WHOLESALERS BY SIZE OF FIRM

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

1949-51-53-55



HARDWARE WHOLESALERS

Of the 63 firms reporting, 58 were incorporated, and the remaining five were comprised of three individual proprietorships and two partnerships. All firms reporting \$5,000,000 and over sales were

incorporated. Thirteen firms were operated as multiple establishment whereas the remaining fifty firms each reported results for one establishment only.

Description of Reporting Firms

Item	Firms with 1955 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	15	11	27	10	63
Form of organization:					
Individual proprietorship	3	—	—	—	3
Partnership	—	1	1	—	2
Incorporated company	12	10	26	10	58
Number of firms operated as:					
Single establishment	14	11	20	5	50
Multiple establishment	1	—	7	5	13

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

The gross profit ratio for hardware wholesalers as a percent of net sales was 19.17 in 1955. Ratios for gross profit and total operating expense items declined as the sales sizes increased and ranged between 23.05 and 18.64 per cent and 21.27 and 14.69 per cent respectively. The opposite was true for the net operating profit ratios, which increased with sales size except for the largest sales-size

where a ratio of 3.95 per cent was obtained. The net operating profit ratio for total all sizes was 4.01 as a result of a 15.16 per cent total operating expense ratio for all respondents. Non-trading operations netted a slight increase to the net operating profit bringing it up to 4.05 per cent before income tax deduction.

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 19.98 per cent at the beginning of the year to 21.74 per cent at the end of the year. The same pattern was true for all sales sizes. The rate of stock turnover — average

of beginning and end of year inventories divided into cost of goods sold — was 3.87 times per year for all hardware wholesalers. This was a lower rate of stock turnover than the rate of 4.02 times per year experienced in 1953.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, were 95.58 per cent for all hardware wholesalers in 1955, a very slight decrease from the 1953 ratio of 95.60 per cent. Accounts receivable

as at the year end amounted to 14.94 per cent of average credit sales for all hardware wholesalers. The ratios ranged from 13.17 per cent to 16.30 per cent with no consistent pattern.

TABLE 1. Operating Results of Hardware 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 to \$4,999,999	\$5,000,000 and over	
Number of firms reporting	15	11	27	10	63
Average net sales per firm	\$ 246,904	749,722	2,325,092	11,269,686	2,974,997
Average cost of goods sold	\$ 189,994	599,049	1,865,288	9,169,207	2,404,671
Stock turnover (times per year)	2.77	3.99	3.99	3.86	3.87
Average beginning inventory	\$ 66,261	141,574	449,237	2,276,866	594,433
Per cent of average net sales	26.84	18.88	19.32	20.20	19.98
Average ending inventory	\$ 70,710	158,763	486,602	2,479,646	646,695
Per cent of average net sales	28.64	21.18	20.93	22.00	21.74
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Gross profit	23.05	20.10	19.78	18.64	19.17
Operating expenses:					
Selling expense:					
Salaries	4.35	3.99	3.22	2.64	2.93
Travelling	1.67	0.71	0.76	0.97	0.91
Advertising	0.14	0.26	0.33	0.48	0.41
Other selling expense	0.60	0.41	0.20	0.38	0.32
Total selling expense	6.76	5.37	4.51	4.47	4.57
Warehouse and delivery expense:					
Salaries and wages	3.34	2.25	2.49	2.75	2.65
Maintenance and delivery equipment	0.34	0.48	0.48	0.17	0.29
Outward freight	0.47	0.16	0.17	0.17	0.17
Warehouse supplies	0.14	0.07	0.09	0.09	0.10
Other warehouse and delivery expense	0.05	0.17	0.10	0.07	0.08
Total warehouse and delivery expense	4.34	3.13	3.33	3.25	3.29
Administrative and general expense:					
Salaries	5.19	4.32	4.09	3.44	3.73
Employees' benefits	0.34	0.18	0.36	0.45	0.41
Occupancy	2.00	1.32	1.26	1.24	1.27
Taxes ¹	0.17	0.21	0.10	0.16	0.14
Insurance ¹	0.38	0.24	0.16	0.05	0.10
Office supplies	0.38	0.30	0.37	0.30	0.32
Communications	0.48	0.32	0.39	0.31	0.34
Bad debts - amount written off	0.28	0.47	0.28	0.17	0.22
All other expense	0.95	0.68	0.61	0.85	0.77
Total administrative and general expense	10.17	8.04	7.62	6.97	7.30
Total operating expenses	21.27	16.54	15.46	14.69	15.16
Net operating profit	1.78	3.56	4.32	3.95	4.01
Non-trading income	0.53	0.74	0.60	0.41	0.49
Non-trading expense	0.21	0.21	0.40	0.51	0.45
Net profit before income tax deduction	2.10	4.09	4.52	3.85	4.05
MISCELLANEOUS DATA					
Credit sales:					
Average per firm	\$ 227,940	682,774	2,165,621	10,973,807	2,843,483
Per cent of average net sales	92.32	91.07	93.14	97.37	95.58
Accounts outstanding:					
Average per firm	\$ 33,626	89,923	353,208	1,572,951	424,757
Per cent of average credit sales	14.75	13.17	16.30	14.33	14.94
Sales per 1,000 sq. ft. of floor space	\$ 37,082	53,413	53,268	43,377	46,463

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

Regional Results

The various ratios for hardware wholesalers in the four selected regions, did not deviate greatly from the Canada results. The range for gross profit ratios was slightly less than one per cent, from 18.76 per cent for Prairie provinces to 19.73 per cent for Maritimes and Quebec combined. The

Prairies also had the lowest total operating expense ratio of 14.94 per cent and British Columbia the highest ratio, 16.29 per cent. Net operating profit ratios ranged from 2.90 per cent, in British Columbia to 4.61 per cent for Maritimes and Quebec.

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

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	26	19	13	5	63
Average net sales per firm \$	1,814,072	2,943,151	5,281,051	3,137,085	2,974,997
(Per cent of net sales)					
Gross profit	19.73	19.19	18.76	19.19	19.17
Operating expenses:					
Selling	4.80	4.29	4.54	4.99	4.57
Warehouse and delivery	3.24	3.66	3.04	3.25	3.29
Administrative and general	7.08	7.20	7.36	8.05	7.30
Total operating expenses	15.12	15.15	14.94	16.29	15.16
Net operating profit	4.61	4.04	3.82	2.90	4.01

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 portion of net sales, was 4.07 per cent for "incorporated

firms" and 4.05 per cent for "all firms". Income tax reduced the incorporated firms profit ratio to 2.28 per cent, a decrease of approximately 44.00 per cent.

TABLE 3. Operating Results of Incorporated Hardware 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 to \$4,999,999	\$5,000,000 and over	
	(Per cent of net sales)				
Gross profit	23.86	20.46	19.69	18.64	19.15
Operating expenses	22.17	16.96	15.33	14.69	15.12
Net operating profit	1.69	3.50	4.36	3.95	4.03
Non-trading income	0.62	0.83	0.58	0.41	0.49
Non-trading expense	0.25	0.13	0.40	0.51	0.45
Net profit before income tax deduction	2.06	4.20	4.54	3.85	4.07
Income tax	0.70	1.30	1.88	1.80	1.79
Final net profit	1.36	2.90	2.66	2.05	2.28



Comparison of 1953 and 1955 Identical Firm Results

The presentation in table 1 includes all respondents to this survey that were used after a careful scrutiny was made to satisfy the necessary requirements of a typical firm. The ratios and averages shown in table 1 are the result of combining all reports which, after careful editing, were deemed usable for this survey. The firms used in this 1955 survey, however, did not all report in 1953, thereby eliminating the possibility of a true comparison. Table 4 does present results of identical firms, affording the best comparison available between the two years.

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 increased from \$3,169,231 in 1953 to \$3,232,300 in 1955. The gross profit ratio from 19.41 per cent for the last survey decreased to 19.10 per cent in 1955. The total operating expense ratio increased from 14.57 per cent to 15.02 per cent in 1955. The combined effect of the ratios enumerated above were reflected in the net operating profit which showed a decrease from 4.84 per cent in 1953 to 4.08 per cent this year.

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

Item	1953	1955
Number of firms	56	56
Average net sales per firm \$	3, 169, 231	3, 232, 300
	(Per cent of net sales)	
Gross profit	19. 41	19. 10
Operating expenses:		
Selling	4. 20	4. 53
Warehouse and delivery	3. 23	3. 28
Administrative and general	7. 14	7. 21
Total operating expenses	14. 57	15. 02
Net operating profit	4. 84	4. 08