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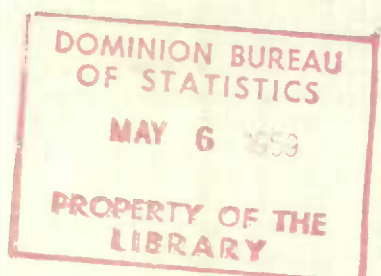
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OPERATING RESULTS OF
HARDWARE WHOLESALERS
1957



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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
- 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.

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. 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.

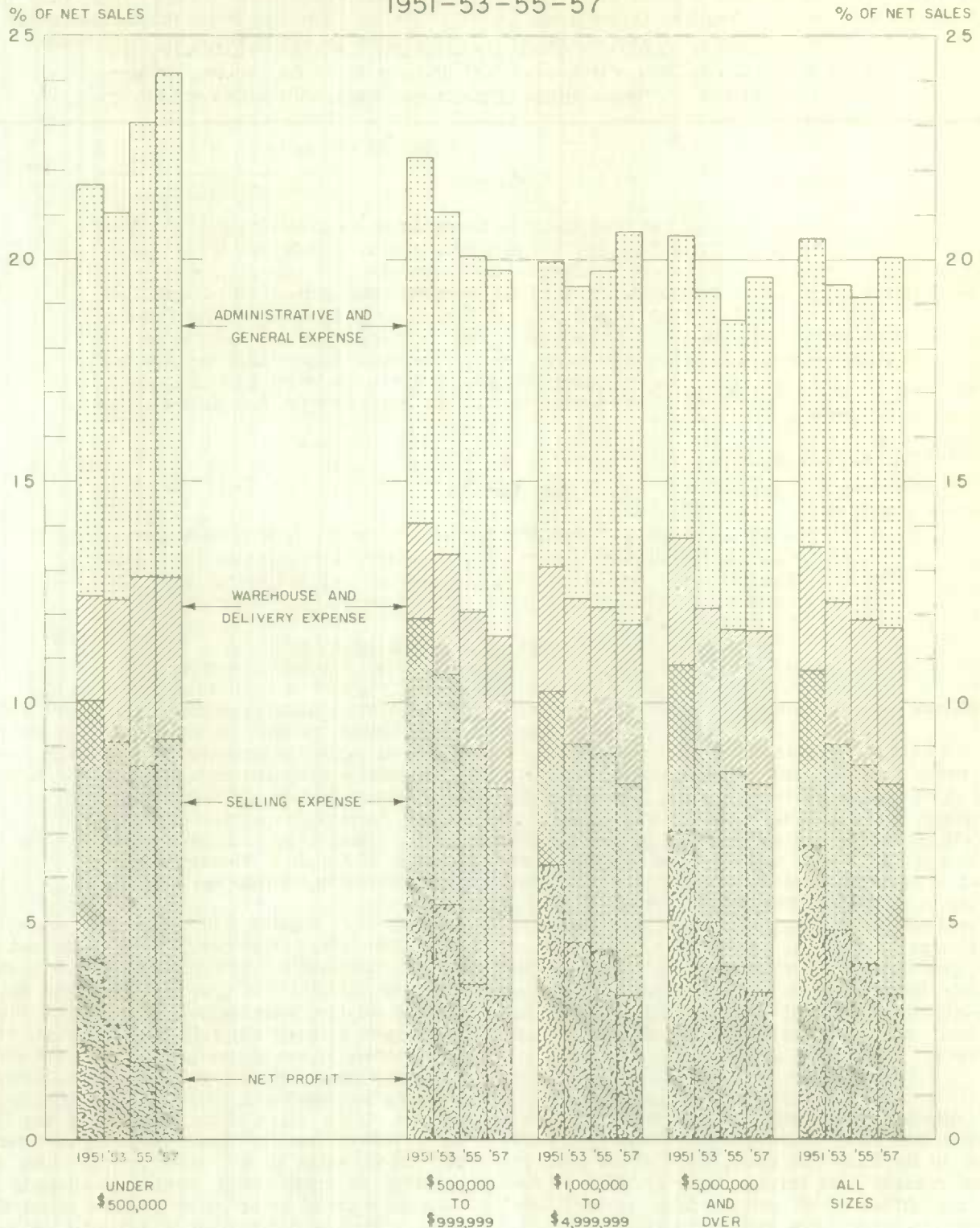
Period Covered

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 chart shows the gross profit components for 1951, 1953, 1955 and 1957 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

1951-53-55-57



OPERATING RESULTS OF HARDWARE WHOLESALERS 1957

Fifty-five of the 63 firms that reported for the 1955 survey of hardware wholesalers reported for the 1957 survey and reports were received from 17 other firms. This means that a panel of 72 firms provided the data used in compiling Tables 1 and 2 of this report. Table 3 is compiled from reports of

66 incorporated companies and Table 4 from data submitted by the 55 firms that reported for both the 1955 and 1957 surveys. The purpose of this latter table is to compare the results of the same firms for the two periods. More information about the firms in the panel appears in the table below.

Description of Reporting Firms

Item	Firms with 1957 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	15	30	12	72
Form of organization:					
Individual proprietorship	2	—	—	—	2
Partnership	—	1	3	—	4
Incorporated company	13	14	27	12	66
Number of firms operated as:					
Single establishment	14	15	25	4	58
Multiple establishment	1	—	5	8	14

REVIEW OF 1957 OPERATING RESULTS

Profit and Expense Ratios

Table 1 shows that wholesalers of hardware in the panel surveyed realized average gross profit of 20.05% of net sales, incurred average total operating expenses of 16.72% and, after allowing for non-trading items, had net profit before income tax deduction of 3.43% of net sales. The ratios of all three types of operating expenses analysed tended to decrease as the size of firm increased from very small to moderately small and from moderately large to very large but this was not the case as the size of the firm increased from moderately small to moderately large. Average net operating profit varies directly throughout with the size of firm. Ratios for various expense components are also shown in Table 1.

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 com-

position of the panel, published results of the biennial surveys are not strictly comparable. 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 1 contains information with respect to stock turnover, inventories, credit sales and accounts outstanding. Stock turnover, which is computed by dividing the cost of goods sold by the average of the beginning and end of year inventories, was estimated at 3.80 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. Data reported by the 1957 panel showed that the relationships of inventories and credit sales to net sales and accounts outstanding to credit sales were approximately the same as reported by the panel of firms in the 1955 survey. Finally, information is available on sales per 1,000 square feet of floor space.

TABLE 1. Operating Results of Hardware 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 to \$4,999,999	\$5,000,000 and over	
Number of firms reporting	15	15	30	12	72
Average net sales per firm \$	286,191	738,003	2,209,664	10,461,278	2,877,614
Average cost of goods sold \$	217,090	591,974	1,753,408	8,408,377	2,300,538
Stock turnover (times per year)	2.81	3.27	3.83	3.88	3.80
Average beginning inventory \$	77,493	177,758	457,050	2,119,517	596,867
Per cent of average net sales	27.08	24.09	20.68	20.26	20.74
Average ending inventory \$	77,156	184,739	459,018	2,217,816	615,455
Per cent of average net sales	26.96	25.03	20.77	21.20	21.39
Profit and loss data					
(Per cent of net sales)					
Gross profit	24.15	19.79	20.64	19.62	20.05
Operating expenses:					
Selling expense:					
Salaries	4.62	3.39	3.58	3.14	3.32
Travelling	1.50	0.79	0.74	0.82	0.80
Advertising	0.31	0.29	0.29	0.40	0.36
Other selling expense	0.73	0.25	0.23	0.38	0.34
Total selling expense	7.16	4.72	4.84	4.74	4.82
Warehouse and delivery expense:					
Salaries and wages	2.49	2.69	2.86	2.81	2.82
Maintenance of delivery equipment	0.49	0.30	0.32	0.31	0.32
Outward freight	0.46	0.30	0.29	0.20	0.23
Warehouse supplies	0.18	0.05	0.08	0.11	0.10
Other warehouse and delivery expense	0.04	0.12	0.05	0.08	0.07
Total warehouse and delivery expense	3.66	3.46	3.60	3.51	3.54
Administrative and general expense:					
Salaries	6.36	4.34	4.82	3.70	4.15
Employees' benefits	0.29	0.12	0.43	0.49	0.44
Occupancy	1.97	1.21	1.29	1.44	1.39
Taxes ¹	0.20	0.24	0.12	0.11	0.13
Insurance ¹	0.37	0.29	0.13	0.09	0.12
Office supplies	0.46	0.37	0.30	0.33	0.33
Communications	0.46	0.34	0.39	0.35	0.37
Bad debts—amount written off	0.21	0.40	0.33	0.34	0.33
All other expense	0.98	0.99	1.07	1.14	1.10
Total administrative and general expense	11.30	8.30	8.88	7.99	8.36
Total operating expenses	22.12	16.48	17.32	16.24	16.72
Net operating profit	2.03	3.31	3.32	3.38	3.33
Non-trading income	0.93	0.94	0.46	0.66	0.62
Non-trading expense	0.36	0.29	0.46	0.58	0.52
Net profit before income tax deduction	2.60	3.96	3.32	3.46	3.43
Miscellaneous data					
Credit sales:					
Average per firm \$	262,894	689,796	2,078,874	10,044,628	2,738,779
Per cent of average net sales	91.86	93.47	94.08	96.02	95.18
Accounts outstanding:					
Average per firm \$	38,248	121,144	287,009	1,469,671	397,739
Per cent of average credit sales	14.55	17.56	13.81	14.63	14.52
Sales per 1,000 sq. ft. of floor space \$	45,039	34,925	47,771	43,026	43,918

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 hardware wholesalers in the 1957 panel. Gross profit ratios had a range of 2.13% of net sales, from 19.19% in Ontario to 21.32% in British Columbia. Average net operating profit was

lowest in the Prairie Provinces (2.63%) and highest in B.C. (4.10%). However, too much reliance should not be placed on the figures for B.C. because of the small number of firms that reported from that area.

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

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	32	22	12	6	72
Average net sales per firm \$	1,978,968	3,176,952	4,654,415	3,019,209	2,877,614
	per cent of net sales				
Gross profit	21.29	19.19	19.32	21.32	20.05
Operating expenses:					
Selling	6.06	4.13	4.39	4.43	4.82
Warehouse and delivery	3.26	3.81	3.49	3.66	3.54
Administrative and general	8.08	8.06	8.81	9.13	8.36
Total operating expenses	17.40	16.00	16.69	17.22	16.72
Net operating profit	3.89	3.19	2.63	4.10	3.33

Incorporated Companies

Sixty-six of the 72 firms that reported for the 1957 survey were incorporated and a comparison of their results with those of all firms shows negli-

gible differences in the various ratios. One additional feature of Table 3 is the deduction for income tax stated as a percentage of net sales.

TABLE 3. Operating Results of Incorporated Hardware 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 to \$4,999,999	\$5,000,000 and over	
	per cent of net sales				
Gross profit	24.74	19.21	20.56	19.62	19.99
Operating expenses	22.46	16.05	17.15	16.24	16.63
Net operating profit	2.28	3.16	3.41	3.38	3.36
Non-trading income	0.93	0.79	0.49	0.66	0.62
Non-trading expense	0.39	0.31	0.45	0.58	0.52
Net profit before income tax deduction	2.82	3.64	3.45	3.46	3.46
Income tax	0.68	0.90	1.45	1.70	1.57
Final net profit	2.14	2.74	2.00	1.76	1.89



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Comparison of 1955 and 1957 Operating Results

As was pointed out 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 operations of typical firms in the trade, it is considered that the changing composition of the panel places a severe limitation on the comparability of the results of the present survey with those of 1955. For this reason, a special compilation of operating results of the 55 firms that reported for both 1955 and 1957 is shown in Table 4. This table sets out the principal profit and expense ratios for the same firms for the two periods.

When interpreting the figures in the following table, changes in the average net sales of firms

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

Average net sales of the 55 firms increased by 12.5% from \$2,913,939 in 1955 to \$3,278,878 in 1957. Average gross profit (20.26%), expressed as a percentage of net sales, did not increase sufficiently to offset increased expenses which were 16.84% of net sales. As a result, their net operating profit position (3.42%), shown as a percentage of net sales, was less favourable than in 1955.

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

Item	1955	1957
Number of firms	55	55
Average net sales per firm \$	2,913,939	3,278,878
	per cent of net sales	
Gross profit	19.34	20.26
Operating expenses:		
Selling	4.50	4.87
Warehouse and delivery	3.35	3.59
Administrative and general	7.30	8.38
Total operating expenses	15.15	16.84
Net operating profit	4.19	3.42