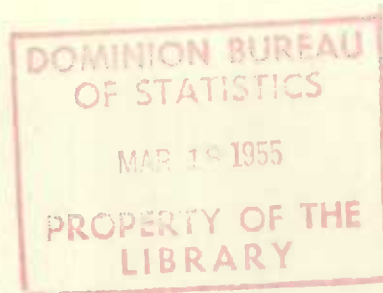


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CANADA



OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY 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 Equipment 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¢
- X — Motion Picture Production (Memorandum), 10¢

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

* Biennial reports — not issued for 1953.

OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY 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 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. 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 expenses, 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 profit in those tables 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

The results presented in this report apply to 1953 operations. Calendar year data was requested from each reporting firm. When this was not available, fiscal year data conforming closely to the calendar year were used in the compilation of results.

HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY WHOLESALERS

Of the 36 firms reporting, all but eight were operated as single establishment firms. Similarly, all but nine (25 per cent) of the reporting firms were incorporated companies. Sales to retail stores accounted for 91.70 per cent of total sales for all firms and 5.13 per cent of the remaining 8.30 per cent were sales made to other wholesalers and large users. Although there is no presentation of commodi-

ty information in this report, in general the sales were comprised primarily of radio and television parts and accessories with a significant but comparatively small proportion of household appliance sales. Most of the firms reported sales of radio and television parts and accessories as the major part of their operations.

Description of Reporting Firms

Item	Firms with 1953 sales of		Total all sizes
	Under \$500,000	\$500,000 to \$2,000,000	
Number of firms	20	16	36
Form of organization:			
Individual proprietorship	3	4	7
Partnership	2	—	2
Incorporated company	15	12	27
Number of firms operated as:			
Single establishment	16	12	28
Multiple establishment	4	4	8
Distribution of sales:			
To retailers	90.22	92.24	91.70
To other wholesalers and large users	5.16	5.12	5.13
To others	4.62	2.64	3.17

REVIEW OF 1953 OPERATING RESULTS

All profit and expense ratios presented in the following tables are expressed as percentages of average net sales and, in effect, represent portions of the average net sales' dollar. Although the information was collected and compiled on a firm basis, as opposed to an establishment basis, the ratios may be used with a high degree of reliability as a standard of comparison for both single and

multiple establishment wholesale firms. Absolute dollar figures (average net sales, cost of goods etc.) are shown only to enable the wholesaler to place his firm's results in proper relation to the average within the appropriate sales-size. Extreme caution should therefore be observed to avoid comparing these absolute dollar values with corresponding items of individual firms for any other purpose.

Profit and Expense Ratios

Household appliance and electrical supply wholesale merchants obtained an average gross profit of 19.67 per cent of average net sales on their 1953 operations. Firms in the smaller size-group averaged a ratio of 21.66 per cent and the larger firms averaged 18.95 per cent. Total operating expenses, which amounted to 15.92 per cent of net sales for all reporting firms, also showed a ratio decline with sales size with the smaller and larger firms averag-

ing 18.06 per cent and 15.14 per cent respectively. Consequently, the net operating profit ratios for both groups were very similar and increased only slightly with sales-size from 3.60 per cent to 3.81 per cent. The net operating profit ratio of 3.75 per cent for all firms combined was supplemented by non-trading operations which resulted in a net profit ratio before taxation of 4.02 per cent. This condition was common to both size-group averages.

TABLE 1. Operating Results of Household Appliance and Electrical Supply Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of		Total all sizes
	Under \$500,000	\$500,000 to \$2,000,000	
Number of firms reporting	20	16	36
Average net sales per firm	\$ 275,098	951,503	575,722
Average cost of goods sold	\$ 215,511	771,163	462,467
Stock turnover (times per year)	4.31	5.56	5.17
Average beginning inventory	\$ 46,889	118,814	78,856
Per cent of average net sales	17.04	12.49	13.70
Average ending inventory	\$ 53,185	158,406	99,950
Per cent of average net sales	19.33	16.65	17.36
PROFIT AND LOSS DATA			
(Per cent of net sales)			
Gross profit	21.66	18.95	19.67
Operating expenses:			
Selling expense:			
Salaries	3.96	4.22	4.15
Travelling	1.13	0.79	0.88
Advertising	0.38	0.75	0.65
Other selling expense	0.30	0.28	0.29
Total selling expense	5.77	6.04	5.97
Warehouse and delivery expense:			
Salaries and wages	1.83	1.31	1.45
Maintenance of delivery equipment	0.59	0.29	0.37
Outward freight	0.41	0.35	0.36
Warehouse supplies	0.06	0.10	0.09
Other warehouse and delivery expense	0.03	0.11	0.09
Total warehouse and delivery expense	2.92	2.16	2.36
Administrative and general expense:			
Salaries	4.93	2.68	3.28
Employees' benefits	0.10	0.17	0.15
Occupancy	1.18	0.90	0.97
Light, heat and power	0.16	0.11	0.13
Taxes ¹	0.10	0.07	0.08
Insurance ¹	0.26	0.18	0.20
Office supplies	0.34	0.29	0.30
Communication	0.45	0.38	0.40
Bad debts-amount written off	0.85	0.66	0.71
All other expense	1.00	1.50	1.37
Total administrative and general expense	9.37	6.94	7.59
Total operating expenses	18.06	15.14	15.92
Net operating profit	3.60	3.81	3.75
Non-trading income	0.32	0.58	0.51
Non-trading expense	0.19	0.26	0.24
Net profit before income tax deduction	3.73	4.13	4.02
MISCELLANEOUS DATA			
Credit sales:			
Average per firm	\$ 251,109	893,842	536,285
Per cent of average net sales	91.28	93.94	93.15
Accounts outstanding:			
Average per firm	\$ 39,951	131,037	80,550
Per cent of average credit sales	15.91	14.66	15.02
Sales per 1,000 sq. ft. of floor space	\$ 71,596	87,753	82,417

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

Inventories and Stock Turnover

Average inventories, expressed as ratios of the average net sales of responding firms, increased from 13.70 per cent at the beginning of the year to 17.36 per cent at the year-end. This condition was common to firms in both the smaller and larger sales-size categories which reported increases of from 17.04 per cent to 19.33 per cent and from 12.49 per cent to 16.65 per cent, respectively. The annual

rate of stock turnover—average of beginning and end of year inventories divided into cost of goods sold—was 5.17 times per year for all firms combined. Firms in the smaller sales-size group reported a rate of 4.31 and firms in the larger sales-size, as might be expected, reported a higher rate of 5.56 times per year.

Credit Sales and Receivables

Typical of the wholesale method of operation, sales were made primarily on a credit basis. Firms in the smaller sales-size category reported that 91.28 per cent of all sales were credit sales; the larger firm group averaged 93.94 per cent, and all firms combined showed average credit sales as 93.15 per cent of average net sales. The more significant

ratio, customers' accounts outstanding at the year-end as a proportion credit sales, was 15.02 per cent for all firms. Within the sales-size groups, this ratio of accounts receivable to credit sales declined slightly with sales-size from 15.91 per cent to 14.66 per cent.

Regional Results

Gross profit ratios or mark-ups of household appliance and electrical supply wholesalers in the three principal regions in Canada showed no significant differences from the ratio of 19.67 per cent for Canada. Wholesalers in the Prairies and British Columbia obtained the relatively highest ratio of 20.74 per cent and Maritime and Quebec wholesalers averaged the lowest ratio of 17.08 per cent. Ontario wholesalers most closely approximated the Canada average with a gross profit of 20.01 per cent. The ratios of total operating expenses for the three

regions showed a slightly greater range from the Canada average than did the gross profit ratios, with the Prairie and British Columbia wholesalers again reporting the highest ratio of 18.45 per cent and the Ontario wholesalers the lowest ratio of 14.51 per cent. Consequently, the Ontario wholesalers obtained the highest net operating ratio of 5.50 per cent and the Maritime and Quebec wholesalers the lowest ratio of 1.76 per cent. Prairie and British Columbia wholesalers netted an operating profit ratio of 2.29 per cent.

TABLE 2. Household Appliance and Electrical Supply Wholesalers, by Regions, 1953

Item	Maritimes and Quebec	Ontario	Prairies and British Columbia	Canada
Number of firms	9	17	10	36
	(Per cent of net sales)			
Gross Profit	17.08	20.01	20.74	19.67
Selling expense	4.75	5.92	7.19	5.97
Warehouse and delivery expense	1.83	2.49	2.24	2.36
Administrative and general expense	8.74	6.10	9.02	7.59
Total operating expense	15.32	14.51	18.45	15.92
Net operating profit	1.76	5.50	2.29	3.75



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Range Figures

The range figures 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 per cent of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50 per cent of the firms grouped closely about the average.

TABLE 3. Average and Middle Range Ratios of Household Appliance and Electrical Supply Wholesalers, 1953

Item	Firms with 1953 sales of				Total all sizes	
	Under \$500,000		\$500,000 to \$2,000,000			
	Average	Middle range	Average	Middle range	Average	Middle range
	(Per cent of net sales)					
Gross Profit	21.7	21.4 - 26.5	18.9	15.9 - 21.6	19.7	16.8 - 24.1
Selling expense.....	5.8	3.4 - 6.7	6.0	3.9 - 7.1	6.0	3.9 - 6.8
Warehouse and delivery expense	2.9	1.9 - 3.1	2.2	0.9 - 3.7	2.4	1.6 - 3.1
Administrative and general expense	9.4	7.8 - 10.6	6.9	3.6 - 10.2	7.6	5.3 - 10.3
Net operating profit	3.6	1.7 - 7.7	3.8	0.9 - 6.5	3.7	1.0 - 6.6

Incorporated Companies 1953

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 3.68 per cent and 4.02 per cent for

"incorporated" and "all firms" respectively. Income tax reduced the incorporated firms ratio of 3.68 per cent to a final net profit ratio of 2.25 per cent, a decrease of 38.86 per cent.

TABLE 4. Operating Results of Incorporated Household Appliance and Electrical Supply Wholesalers, 1953

Item	Firms with 1953 sales of		Total all sizes
	Under \$500,000	\$500,000 to \$2,000,000	
	(Per cent of net sales)		
Gross profit	22.68	19.01	19.95
Operating expenses	19.01	15.66	16.52
Net operating profit	3.67	3.35	3.43
Non-trading income	0.19	0.68	0.55
Non-trading expense	0.24	0.32	0.30
Net profit before income tax deduction	3.62	3.71	3.68
Income tax	1.12	1.54	1.43
Final net profit	2.50	2.17	2.25