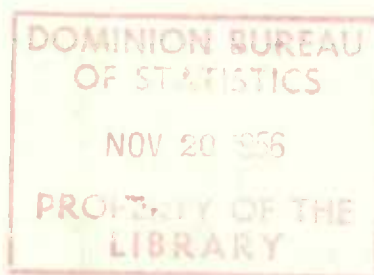


3-422
C.3



CANADA

OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY WHOLESALERS 1955



Published by Authority of
The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division
Merchandising and Services Section

6505-545-125

Price 25 cents

Vol. 3—Part 1—D5-1

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¢
- J — 1 Operating Results of Variety Store Chains, 25¢
 - 2 Operating Results of Drug Stores Chains, 25¢
 - 3 Operating Results of Furniture Store Chains, 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, 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¢

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 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. 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.

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. It may be observed then, that the operating cost ratios must not be applied to the published sales estimates of "Wholesalers Proper" in order to deduce input-output statistics.

Period Covered

The results presented in this report apply to 1955 operations. Calendar year data were requested from each reporting firm. When these were not available, fiscal year data conforming closely to the calendar year were used in the compilation of results.

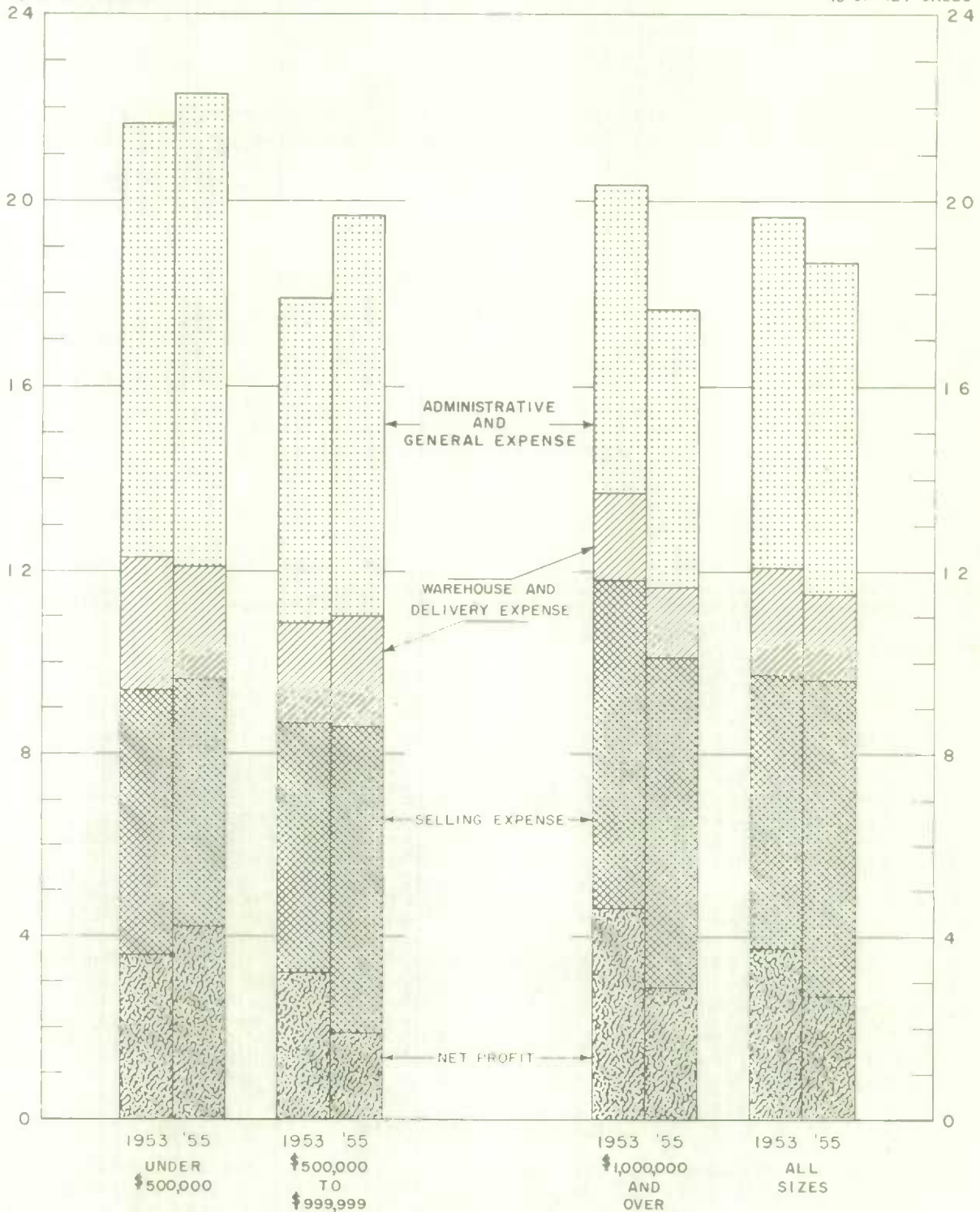
OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY WHOLESALERS, BY SIZE OF FIRM

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

1953-'55

% OF NET SALES

% OF NET SALES



OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY WHOLESALERS

1955

Of the 35 firms reporting, 25 firms were operated as single establishment firms, the remaining ten firms operated 27 establishments. Similarly, all but four of the reporting firms were incorporated companies. Sales to retail stores accounted for 84.86 per cent of total sales for all firms and 14.11 per cent of the remaining 15.14 per cent were sales made to other wholesalers and large users. Although

there is no presentation of commodity 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 1955 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	11	14	10	35
Form of organization:				
Individual proprietorship	2	—	—	2
Partnership	2	—	—	2
Incorporated company	7	14	10	31
Number of firms operated as:				
Single establishment	11	9	5	25
Multiple establishment	—	5	5	10
Distribution of sales:				
To retailers and servicemen	86.13	91.70	81.42	84.86
To wholesalers and jobbers	7.16	5.35	8.41	7.40
To large users ¹	4.83	2.65	8.91	6.71
To household consumers	1.88	0.30	1.26	1.03

1. Industry, institutions, contractors, etc.

REVIEW OF 1955 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

A new sales-size breakdown was introduced in 1955 due to the fact that more firms reported in the grouping "\$500,000 and over". The new distribution was 14 firms in "\$500,000 to \$999,999"

sales-size and 10 firms in "\$1,000,000 and over", compared to 16 firms in 1953 for the combined sizes. The "under \$500,000" sales-size had eleven firms reporting in 1955 compared to 20 firms in 1953.

**TABLE 1. Operating Results of Household Appliance and Electrical Supply 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 and over	
Number of firms reporting	11	14	10	35
Average net sales per firm \$	250,536	681,734	2,000,209	922,921
Average cost of goods sold \$	194,691	547,404	1,646,555	750,595
Stock turnover (times per year).....	4.61	4.76	5.98	5.45
Average beginning inventory..... \$	39,855	115,065	254,579	131,289
Per cent of average net sales.....	15.91	16.88	12.73	14.23
Average ending inventory \$	44,573	114,710	295,785	144,402
Per cent of average net sales.....	17.79	16.83	14.79	15.65
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit	22.29	19.70	17.68	18.67
Operating expenses:				
Selling expense:				
Salaries	3.59	4.70	5.34	5.00
Travelling	1.01	1.07	0.51	0.72
Advertising	0.70	0.62	1.16	0.96
Other selling expense	0.10	0.32	0.22	0.24
Total selling expense	5.40	6.71	7.23	6.92
Warehouse and delivery expense:				
Salaries and wages.....	1.54	1.55	0.77	1.06
Maintenance of delivery equipment	0.44	0.45	0.12	0.25
Outward freight	0.38	0.26	0.51	0.43
Warehouse supplies	0.07	0.10	0.05	0.06
Other warehouse and delivery expense	0.06	0.04	0.09	0.08
Total warehouse and delivery expense	2.49	2.40	1.54	1.88
Administrative and general expense:				
Salaries	5.79	4.06	2.66	3.34
Employees' benefits.....	0.26	0.19	0.22	0.22
Occupancy	1.16	1.44	1.05	1.18
Taxes ¹	0.15	0.11	0.06	0.08
Insurance ¹	0.26	0.21	0.11	0.15
Office supplies.....	0.36	0.29	0.24	0.26
Communication	0.54	0.47	0.45	0.46
Bad debts-amount written off	0.78	0.72	0.59	0.65
All other expense	0.89	1.22	0.65	0.84
Total administrative and general expense	10.19	8.71	6.03	7.18
Total operating expenses	18.08	17.82	14.80	15.98
Net operating profit	4.21	1.88	2.88	2.69
Non-trading income.....	0.50	0.18	0.44	0.37
Non-trading expense.....	0.12	0.13	0.29	0.22
Net profit before income tax deduction	4.59	1.93	3.03	2.84
MISCELLANEOUS DATA				
Credit sales:				
Average per firm \$	206,334	616,690	1,837,282	836,367
Per cent of average net sales.....	82.24	90.46	91.85	90.62
Accounts outstanding:				
Average per firm \$	40,915	98,892	301,704	138,617
Per cent of average credit sales	19.86	16.04	16.42	16.82
Sales per 1,000 sq. ft. of floor space	62,140	84,654	94,864	87,791

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

The average gross profit of household appliance and electrical supply wholesalers was 18.67 per cent of average net sales in 1955. The net operating profit of 2.69 per cent was the result of a total operating expense ratio of 15.98 per cent. The "under \$500,000" sales-size class obtained the highest gross and net profit ratios along with the

highest total operating expense ratio, namely: 22.29, 4.21 and 18.08 per cent respectively. The "\$1,000,000 and over" sales-size had the lowest gross profit (17.68 per cent) and also lowest total operating expense ratio (14.80 per cent), with the second lowest net profit ratio (2.88 per cent).

Inventories and Stock Turnover

Average inventories, expressed as ratios of the average net sales of responding firms, increased from 14.23 per cent at the beginning of the year to 15.65 per cent at the year-end. Of the three sales-sizes, only the group "\$500,000 to \$999,999" showed any decrease for the period. The annual

rate of stock turnover — average of beginning and end of the year inventories divided into cost of goods sold — was 5.45 times per year for total all sizes. The rate of stock turnover increased with sales-sizes, ranging from 4.61 to 5.98 times per year.

Credit Sales and Receivables

Typical of the wholesale method of operation, sales were made primarily on a credit basis. Percentage of credit sales for all firms reporting was 90.62 per cent. The range for the three categories was 82.24 to 91.85 per cent, increasing with sales

sizes. Customers' accounts receivable at year-end as a proportion of credit sales, were 16.82 per cent for all firms, ranging by sales-sizes from 16.04 to 19.86 per cent with "under \$500,000" sales-size class having the highest ratio.

Regional Results

Ratios of household appliance and electrical supply wholesalers shown for the three selected areas did not differ greatly from the Canada total. Along with total operating expense ratio (16.51 per cent), Ontario had the highest profit ratios, at 19.64 per cent gross and 3.13 per cent net profit. As a result of having the lowest mark up ratio and

the second lowest expense ratio, the Prairies and British Columbia had the lowest net profit ratio (1.94 per cent). Maritimes and Quebec area ratios generally conformed most closely with the Canada ratios — 18.30 per cent gross profit, 15.26 per cent total operating expenses and 3.04 per cent net profit.

TABLE 2. Household Appliance and Electrical Supply Wholesalers, by Regions, 1955

Item	Maritimes and Quebec	Ontario	Prairies and British Columbia	Canada
Number of firms	7	15	13	35
Average net sales per firm\$	619, 909	1, 102, 184	879, 240	922, 921
	(Per cent of net sales)			
Gross Profit	18.30	19.64	17.41	18.67
Selling expense	5.74	7.93	5.90	6.92
Warehouse and delivery expense	2.16	1.80	1.88	1.88
Administrative and general expense	7.36	6.78	7.69	7.18
Total operating expenses	15.26	16.51	15.47	15.98
Net operating profit	3.04	3.13	1.94	2.69



Incorporated Companies 1955

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 2.81 per cent and 2.84 per cent

for "incorporated" and "all firms" respectively. Income tax reduced the incorporated firms ratio of 2.81 per cent to a final net profit ratio of 1.86 per cent, a decrease of 33.81 per cent.

TABLE 3. Operating Results of Incorporated Household Appliance and Electrical Supply Wholesalers, 1955

Item	Firms with 1955 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	22.07	19.70	17.68	18.57
Operating expenses	17.50	17.82	14.80	15.89
Net operating profit	4.57	1.88	2.88	2.68
Non-trading income.....	0.38	0.18	0.44	0.36
Non-trading expense.....	0.17	0.13	0.29	0.23
Net profit before income tax deduction	4.78	1.93	3.03	2.81
Income tax	1.50	0.47	1.12	0.95
Final net profit.....	3.28	1.46	1.91	1.86

Comparison of 1953 and 1955 Results

Consistent reporting from 1953 to 1955 is not attained in this survey so that the results for the two years as published are not for identical firms. The best available ratios for 1955 appear in Table 1, where results of 35 firms are combined. For best comparison, however, only the results of firms reporting for both years are used. These 27 firms show a decrease in gross profit ratio, from 19.53

per cent of net sales in 1953 to 18.67 per cent in 1955. Although average net sales of the firms increased, operating expenses increased to a greater extent, resulting in a ratio of 17.09 per cent of sales in 1955, substantially higher than the ratio of 15.28 per cent in 1953. Net operating profit dropped sharply to 1.58 per cent from 4.25 per cent in the previous survey.

TABLE 4. Operating Results of Household Appliance and Electrical Supply Wholesalers, 1953 and 1955 Compared

Item	1953	1955
Number of firms	27	27
Average net sales per firm \$	616,878	681,162
	(Per cent of net sales)	
Gross profit	19.53	18.67
Operating expenses:		
Selling expense	6.14	6.61
Warehouse and delivery expense	2.20	2.33
Administrative and general expense	6.94	8.15
Total operating expenses	15.28	17.09
Net operating profit	4.25	1.58