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# OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY 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
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### Part II — Retail Statistics

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- 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. A table showing regional figures has been prepared. 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 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. 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 1957 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.



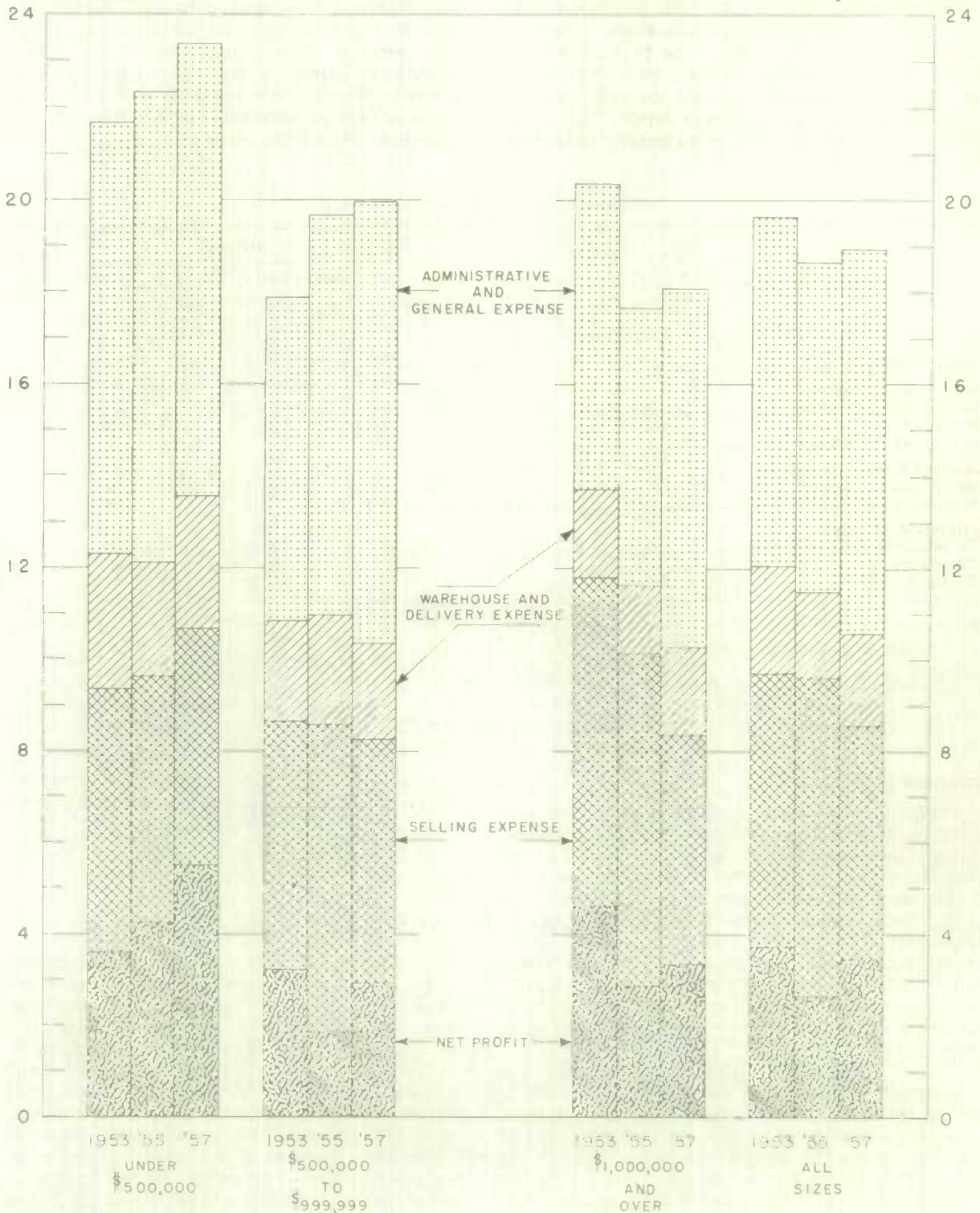
# OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY WHOLESALERS, BY SIZE OF FIRM

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

% OF NET SALES

1953-'55-'57

% OF NET SALES



# OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND ELECTRICAL SUPPLY WHOLESALERS

1957

Twenty-one of the 35 firms that reported for the 1955 survey of household appliance and electrical supply wholesalers reported for the 1957 survey and reports were received from 3 other firms. This means that a panel of 24 firms provided the data used for compiling Tables 1 and 2 of this report. Table 3 is compiled from reports of 21 incorporated companies

and Table 4 from data submitted by the 21 firms that reported for both the 1955 and 1957 surveys. The purpose of the latter table is to compare the results of firms in the same panel for the two periods. More information with regard to sales distribution and other aspects of the reporting firms is provided 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 and over	
Number of firms .....	7	8	9	24
Form of organization:				
Individual proprietorship .....	1	—	—	1
Partnership .....	1	—	1	2
Incorporated company .....	5	8	8	21
Number of firms operated as:				
Single establishment .....	6	6	4	16
Multiple establishment .....	1	2	5	8
Distribution of sales:				
To retailers and servicemen .....	% 83.84	83.94	80.75	81.71
To wholesalers and jobbers .....	% 2.00	0.17	14.46	10.30
To large users <sup>1</sup> .....	% 6.03	15.89	4.73	7.21
To others .....	% 8.13	—	0.06	0.78

<sup>1</sup> Industry, institutions, contractors, etc.

## REVIEW OF 1957 OPERATING RESULTS

### Profit and Expense Ratios

Table 1 shows that household appliance and electrical supply wholesalers in the panel surveyed realized an average gross profit of 18.93% of net sales, incurred average total operating expenses of 15.47% and had average net operating profit of 3.46%. Income from non-trading transactions more than offset non-trading expenses, raising net profit before income tax to 3.61% of net sales. Consult Table 1 for more detailed information on ratios for other operating expense components and for data classified according to the sales size of the firms surveyed.

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 may change 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 composition of the panel, published results of the biennial surveys

may not be strictly comparable. Therefore, for purposes of comparing results of the 1957 survey with those of 1955, 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. The rate of stock turnover, which is computed by dividing the cost of goods sold by the average of the beginning and end of year inventories, worked out to 5.31 times per year. Average inventories and average credit sales are shown as percentages of average net sales. Accounts outstanding are shown as a percentage of average credit sales. End of year inventories, stated as a percentage of net sales, for the 24 firms in the panel, stood at 15.96% compared with 14.59% at the beginning. Figures on sales per 1,000 square feet of floor space are also shown in Table 1.

**TABLE 1. Operating Results of Household Appliance and Electrical Supply 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 and over	
Number of firms reporting .....	7	8	9	24
Average net sales per firm ..... \$	322,318	660,848	1,933,762	1,039,452
Average cost of goods sold ..... \$	246,991	528,952	1,584,749	842,637
Stock turnover (times per year) .....	5.32	4.49	5.61	5.31
Average beginning inventory ..... \$	43,812	115,265	267,952	151,682
Per cent of average net sales .....	13.59	17.44	13.86	14.59
Average ending inventory ..... \$	49,118	120,431	297,003	165,845
Per cent of average net sales .....	15.24	18.22	15.36	15.96
<b>Profit and Loss data</b> (Per cent of net sales)				
Gross profit .....	23.37	19.96	18.05	18.93
Operating expenses:				
Selling expense:				
Salaries .....	3.82	3.73	3.31	3.45
Travelling .....	0.64	0.94	0.54	0.63
Advertising .....	0.38	0.41	0.60	0.54
Other selling expense .....	0.40	0.25	0.57	0.48
<b>Total selling expense</b> .....	<b>5.24</b>	<b>5.33</b>	<b>5.02</b>	<b>5.10</b>
Warehouse and delivery expense:				
Salaries and wages .....	1.89	1.33	1.22	1.31
Maintenance of delivery equipment .....	0.35	0.38	0.17	0.24
Outward freight .....	0.54	0.29	0.33	0.34
Warehouse supplies .....	0.04	0.05	0.05	0.05
Other warehouse and delivery expense .....	—	0.06	0.10	0.08
<b>Total warehouse and delivery expense</b> .....	<b>2.82</b>	<b>2.11</b>	<b>1.87</b>	<b>2.01</b>
Administrative and general expense:				
Salaries .....	5.76	4.85	3.94	4.29
Employees' benefits .....	0.19	0.18	0.26	0.24
Occupancy .....	1.18	1.38	0.93	1.05
Taxes <sup>1</sup> .....	0.12	0.14	0.09	0.10
Insurance <sup>1</sup> .....	0.19	0.30	0.14	0.18
Office supplies .....	0.38	0.28	0.26	0.28
Communication .....	0.53	0.37	0.37	0.38
Bad debts — amount written off .....	0.49	0.73	0.42	0.49
All other expense .....	1.01	1.37	1.38	1.35
<b>Total administrative and general expense</b> .....	<b>9.85</b>	<b>9.60</b>	<b>7.79</b>	<b>8.36</b>
<b>Total operating expenses</b> .....	<b>17.91</b>	<b>17.04</b>	<b>14.68</b>	<b>15.47</b>
Net operating profit .....	5.46	2.92	3.37	3.46
Non-trading income .....	0.08	0.20	0.40	0.33
Non-trading expense .....	—	0.16	0.21	0.18
<b>Net profit before income tax deduction</b> .....	<b>5.54</b>	<b>2.96</b>	<b>3.56</b>	<b>3.61</b>
<b>Miscellaneous data</b>				
Credit sales:				
Average per firm ..... \$	236,869	609,997	1,761,943	933,146
Per cent of average net sales .....	73.49	92.30	91.11	89.77
Accounts outstanding:				
Average per firm ..... \$	52,286	109,548	262,202	150,092
Per cent of average credit sales .....	22.07	17.96	14.88	16.02
Sales per 1,000 sq. ft. of floor space ..... \$	107,439	80,739	108,571	101,089

<sup>1</sup> 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 household appliance and electrical supply wholesalers in the 1957 panel. Average gross profit ratios for the three regions in Table 2 varied from 17.24% of net sales in Ontario to 19.66% in the Prairie Provinces and British

Columbia. However, firms in Ontario succeeded in keeping their average total operating expenses sufficiently low to enable them to raise their average net operating profit above that obtained for firms in the Prairies and British Columbia where average gross profit as a percentage of net sales was highest.

TABLE 2. Household Appliance and Electrical Supply Wholesalers, by Regions, 1957

Item	Maritimes and Quebec	Ontario	Prairies and British Columbia	Canada
Number of firms .....	6	8	10	24
Average net sales per firm ..... \$	738,607	903,238	1,328,932	1,039,452
	per cent of net sales			
Gross profit .....	19.53	17.24	19.66	18.93
Selling expense .....	4.53	5.09	5.30	5.10
Warehouse and delivery expense .....	2.55	1.93	1.87	2.01
Administrative and general expense .....	8.71	6.77	9.11	8.36
Total operating expenses .....	15.79	13.79	16.28	15.47
Net operating profit .....	3.74	3.45	3.38	3.46

## Incorporated Companies

Twenty-one of the 24 firms that reported for this survey were incorporated companies and their average gross profit was 19.08% of net sales compared with 18.93% for the entire panel of firms. Unlike other tabulations in this report, income tax deduction is shown in Table 3 as a percentage of net

sales. An income tax deduction of 1.34% of net sales reduced the average net profit of these companies from 3.55% to a final net profit position of 2.21% of net sales. Data are shown for three sales sizes of firms in Table 3.

TABLE 3. Operating Results of Incorporated Household Appliance and Electrical Supply Wholesalers, 1957

Item	Firms with 1957 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 .....	24.20	19.96	18.24	19.08
Operating expenses .....	18.07	17.04	14.98	15.68
Net operating profit .....	6.13	2.92	3.26	3.40
Non-trading income .....	0.06	0.20	0.42	0.34
Non-trading expense .....	—	0.16	0.23	0.19
Net profit before income tax deduction .....	6.19	2.96	3.45	3.55
Income tax .....	1.90	0.97	1.40	1.34
Final net profit .....	4.29	1.99	2.05	2.21



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**Comparison of 1955 and 1957 Operating Results**

As stated 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 21 firms that reported for both the 1955 and 1957 surveys is shown in Table 4. It sets out the principal profit and expense ratios for the same panel of firms for the two periods. However, when interpreting figures in the following table, changes in the average net sales of firms from period to period should

be noted. Expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of firms increased. On the other hand, these expense items would tend to increase the ratios as average net sales decreased.

Average net sales of these 21 firms increased from \$943,569 in 1955 to \$967,466 in 1957, but average gross profit (19.06% in 1957 versus 18.26% in 1955), expressed as a percentage of net sales, did not rise sufficiently in 1957 to offset increased average operating expenses (15.91% versus 14.78% in 1955). Consequently, average net operating profit was reduced fractionally from the 3.48% ratio obtained in 1955 to 3.15% of net sales in 1957.

**TABLE 4. Operating Results of Household Appliance and Electrical Supply Wholesalers, 1955 and 1957 Compared**

Item	1955	1957
Number of firms .....	21	21
Average net sales per firm ..... \$	943,569	967,466
	per cent of net sales	
Gross profit.....	18.26	19.06
Operating expenses:		
Selling expense .....	5.86	5.51
Warehouse and delivery expense .....	1.70	2.15
Administrative and general expense .....	7.22	8.25
Total operating expenses .....	14.78	15.91
Net operating profit .....	3.48	3.15