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DOMINION BUREAU OF STATISTICS

CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

**OPERATING RESULTS
OF THE
WHOLESALE DRY GOODS TRADE
IN CANADA
1938**



OTTAWA
1939

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PREFACE

The following report is a study of the Canadian wholesale dry goods trade made by the Internal Trade Branch of the Dominion Bureau of Statistics in cooperation with Canadian dry goods wholesalers who contributed figures of their operations for the year 1938. The purpose of the survey is to make available detailed knowledge of operating costs insofar as the wholesale dry goods trade is concerned and to furnish executives of the trade with standards of operating margins and expenses with which they can measure their own results.

Representative dry goods wholesalers and their accountants across Canada were consulted in order to ascertain the type of information which could be provided conveniently and on the basis of their advice a questionnaire was prepared and submitted to 116 leading dry goods wholesale firms. Unfortunately accounting systems vary and certain firms found it difficult to supply some of the cost items requested. For this reason and because other questionnaires were answered incorrectly it was necessary to discard a number of the replies received. Fifty-seven questionnaires in all were used in compiling the tables published in this bulletin. Of this number 22 were from wholesalers carrying a general line of dry goods and all of these were able to give the detailed breakdown of expenses called for in the questionnaire. The remaining 35 returns were from specialty wholesalers. The 14 largest firms in this group were able to give detailed figures, while the 21 smaller firms reported major group totals only. These were firms with annual sales of less than \$100,000 and probably because of the small size of their business they were unable to allocate their expenses to the detailed items of the questionnaire.

The small number of questionnaires which were sufficiently complete to be used placed limits on the comparisons which could be made. For example, it would undoubtedly be of interest to show the operating results of firms of similar size classified according to the province or economic division in which they are located, or the extent of the territory which they serve. It would be of interest to show the results of the specialty wholesalers according to the specialty lines they handle. But these and other comparisons could not be made without the possibility of disclosing individual operations and it has, therefore, been necessary to confine the study to broad groups.

It has been pointed out that one of the principal objects of studies of this nature is to give executives a standard against which they can measure their own results. The standard offered is not one of perfection but is rather the standard of the "average" firm. Against this the executive can compare his own gross margin and items of operating expense. Knowing the peculiarities and requirements of his own business, these tables of "averages" may assist him in determining what readjustments, if any, could be made in improving his firm's position.

The Bureau acknowledges with thanks the assistance of those wholesalers whose care in completing their questionnaires made the present study possible. The report has been prepared under the direction of Mr. Herbert Marshall, B.A., F.S.S., Chief of the Internal Trade Branch, by Mr. R. A. Cameron, B.A.

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OPERATING RESULTS OF THE WHOLESALE DRY GOODS TRADE

CANADA, 1938

General Line Wholesalers

A sample consisting of twenty-two general line dry goods wholesalers with aggregate sales of \$15,886,395 submitted detailed information regarding their operating results for 1938. These firms operated on an average gross margin of 19.18 per cent of net sales, had total operating expenses amounting to 18.84 per cent of sales with a resulting net operating profit of 0.34 per cent of sales. Other income to the extent of 1.37 per cent of sales increased the total profit ratio to 1.71 per cent. Stock was turned over at an average rate of 3.23 times during the year.

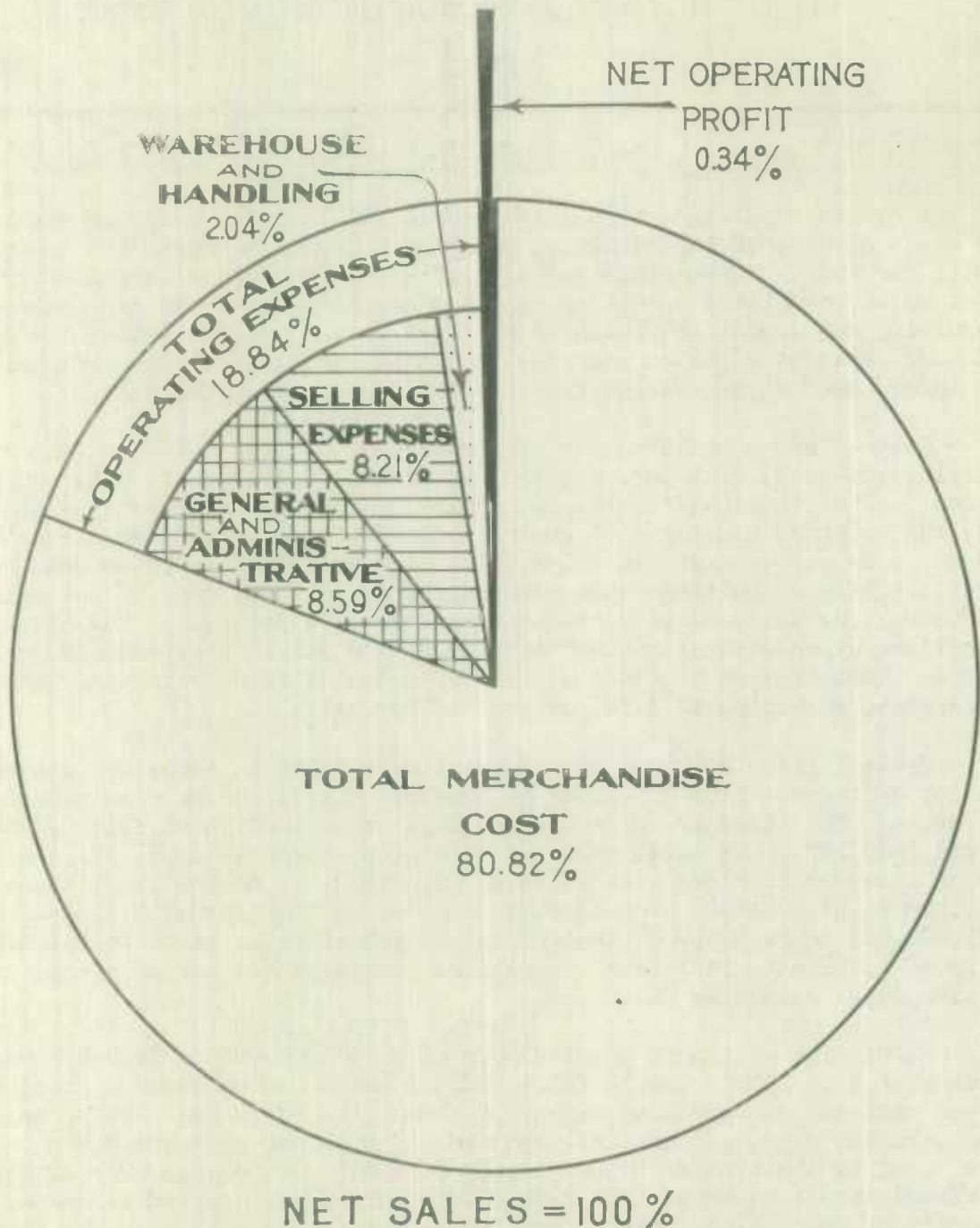
General and administrative expenses accounted for 8.59 per cent of net sales; selling expenses, 8.21 per cent and, warehouse, handling and delivery expense, 2.04 per cent. The principal general and administrative expenses were salaries of executives and salaries and wages of general office staff. These two items together accounted for 4.28 per cent of net sales. The remuneration of outside selling force was the largest item of selling expense amounting to 3.12 per cent of net sales. Expenses of travelling salesmen accounted for another 1.79 per cent. The other principal items of selling expense were: remuneration of inside sales force and discounts allowed to customers. Remuneration of staff was the principal item of warehouse, handling and delivery expense, amounting to 1.39 per cent of net sales.

Table 1 gives a breakdown of operating results in terms of percentage of net sales for 22 general line dry goods wholesalers classified by size according to volume of sales. The first group includes 6 firms with individual sales of between \$100,000 and \$499,999. The total sales of this group amounted to \$1,521,366. The second group includes 11 firms with sales of from \$500,000 to \$999,999, amounting to a total volume of \$7,903,395. The third group includes 5 firms with individual sales of from \$1,000,000 to \$2,000,000, their total volume of sales being \$6,461,634. The possibility of disclosing individual operations prevented the use of questionnaires of firms with sales exceeding \$2,000,000.

Firms with an annual sales volume of from \$500,000 to \$999,999 made the highest net profit in 1938. The 11 firms of this group had an average gross margin of 18.97 per cent and an operating expense amounting to 18.29 per cent of net sales. Their net operating profit, therefore, amounted to 0.68 per cent which was increased to 2.01 per cent by the item of "other income." Smaller firms, comprising the group with individual annual sales of from \$100,000 to \$499,999, recorded a loss on the year's operations which even their "other income" failed to make up. The firms of this group had an average gross margin of 21.69 per cent of net sales. Their operating expenses, however, amounted to 22.93 per cent. Their operations for the year, therefore, resulted in a loss of 1.24 per cent. Revenue derived from "other income"

GENERAL LINE DRY GOODS WHOLESALEERS

OPERATING RESULTS FOR 1938



amounted to 0.94 per cent which reduced their loss to 0.30 per cent of net sales. The five firms with individual annual sales of from \$1,000,000 to \$2,000,000 had a gross margin of 18.85 per cent, an operating expense of 18.55 per cent and, therefore, a net operating profit of 0.30 per cent. "Other Income" amounting to 1.53 per cent increased the profit on the year's operations to 1.83 per cent of net sales.

In the accompanying tables gross margin was computed by deducting the cost of goods sold from the total net sales. The cost of goods sold was arrived at by deducting the December 31, 1938, inventory from the total of the cost of goods purchased during the year and the inventory as on January 1, 1938. It is axiomatic that the gross margin will be determined by the cost at which merchandise can be purchased and the price at which it can be sold, factors over which the individual wholesaler has only a very limited control. Operating expenses on the other hand are factors over which, within certain limits, he can exercise direct control. The importance, therefore, of closely scrutinizing every item of operating expense is apparent.

In the accompanying tables operating expenses have been allocated under three main headings: General and Administrative, Selling, and Warehousing and Handling Expenses. Each of these main divisions has been subdivided into a number of minor classifications. Some allowance should be made, however, for variations in reporting specific items due to differences in the organization of reporting firms, their methods of doing business, or their inability to segregate the items requested. For example, in the matter of employees' remuneration, it was perhaps difficult for some firms, particularly the smaller ones, to break down the salaries paid on a functional basis because of the varying duties which each employee might discharge.

Mercantile firms are not built along labour union lines in which it is often forbidden for the workmen in one trade to perform tasks of another trade. On the contrary, members of the clerical or shipping staff of a wholesale house may at times function as salesmen while salesmen may be assigned to both inside and outside selling activities or for that matter duties aside from selling altogether. The expenses shown, therefore, represent payments to individuals according to the reporting firms' ideas of their functions and do not necessarily represent the actual cost for the type of work indicated.

General and Administrative Expenses

General and administrative expenses varied inversely with the size of business, averaging 12.63 per cent of sales for the smallest group, 9.08 per cent of sales for the middle size group and 7.06 per cent of sales for the large concerns. This decline in expense for the larger businesses was particularly marked in the item of salaries paid to executives. For every sale of \$100, executives were paid \$4.87 by the group of small firms, \$3.20 by the middle group and \$2.23 by the group of large firms. Apparently increased sales make it possible to effect economies in this item of expense. But it should be noted that executives of small firms may perform many other duties such as inside selling, the expense of which appears as "remuneration of inside sales force" in the returns of the larger firms.

Another item of general and administrative expense which varied inversely with the size of business was the rental paid for property used in the business. This does not necessarily mean that rental costs were reduced by increased sales. It is more likely to indicate that the large firms own their own premises whereas small firms rent. No classification has been made of the contributing firms on the basis of whether they rent or own the property they occupy so that it is impossible to draw any definite conclusions as to the effect of increased sales on rental expenses. But a firm which owns its own premises thereby saving rent would have expenses inherent in ownership which a tenant company would not have, such as repairs and depreciation,

taxes and insurance. Interest on investment in real estate is normally considered in arriving at rental figures. Such interest finds no counterpart in the expenses reported by firms in owned premises. Nevertheless, combined figures for rent, taxes, repairs, depreciation and insurance offer some indication of the way that tenancy costs vary for different sizes of business. For these items the group of small stores expended 1.95 per cent of net sales; the next group, 1.81 per cent and the group of larger stores, 1.02 per cent. On this basis, there was a definite decrease of expense with increased sales. Professional services, though not a large item in any of the groups, also decreased with increased sales.

In the case of certain items of general and administrative expense there were apparently limits to the extent to which increased sales tended to decrease expenses. For example, although the remuneration of general office staff decreased from 1.99 per cent in the first group to 1.22 per cent in the second group, there was no further decrease for the largest size group. The items of light, heat, power and water, postage and excise, and printing and stationery showed very little variation in the three groups. Bad debts provided for or written off, although of minor importance, were higher for the middle group than for the other two.

Interest

Each firm was asked to report the amount of interest paid on borrowed money. Such interest averaged 0.58 per cent of sales for all general dry goods firms reporting. The group of small firms reported an average of 1.16 per cent; the middle group, 0.37 per cent and the group of large firms, 0.70 per cent.

Interest payments reported by any firm represents the resultant of two factors: (1) the rate of interest paid and (2) the volume of borrowed money used. Since the first factor is relatively uniform whereas the second may vary between wide limits for different companies, it is evident that the average interest expense ratios shown in the tables are significant in that they indicate the relative extent to which borrowed money is used in various sizes of business and they provide a measure against which each firm can compare the extent to its use of borrowed funds with the average for the corresponding size class.

Inclusion of interest on borrowed funds in the total expense ratios introduces a lack of comparability in the final results as between firms operating on their own capital and those making use of borrowed money. Capital is worth a fair return whether invested in one's own business or in some outside enterprise. Some allowance for interest on capital investment should be made before a business can be said to yield a true profit on its operations. Two methods have been used by the Harvard Bureau of Business Research in securing comparability in total expense ratios.

In one method the item of interest expense is made up of the interest payments actually made for borrowed funds and in addition, an arbitrarily chosen percentage (6 per cent) of the firm's own capital investment. By this means all firms are brought to an approximately common basis insofar as total expense and net operating profit are concerned. But since the allowance on a firm's own capital does not represent a cash outlay of funds this amount is later credited back to "other net income" before a final net gain or loss for the year is declared.

In the second method an arbitrary percentage (6.0 per cent) of the assets (not the capital investment) of each firm is charged as an operating expense. Actual interest payments for borrowed money are omitted. To include in expenses a percentage on all assets and also to include the actual interest paid on borrowed money would introduce duplications because the assets include those

amounts or liabilities such as mortgages, bank loans, etc., for which interest is being paid. Therefore, interest actually paid for borrowed money is not considered as an expense item but is covered by the 6.0 per cent of total assets which is charged as an expense, whether those assets represent owned or borrowed capital. The assets include merchandise inventory, investment in owned land, buildings, equipment, cash and securities on hand and accounts receivable. Interest should be earned on these before a true profit can be declared.

But again while interest on the assets is a true expense, it does not require an actual cash outlay. Having been charged previously as an expense it should be credited back as revenue along with the items included in "other income." But it includes the amount of interest which has been paid for borrowed funds and which was omitted from expenses. Interest actually paid, therefore, is deducted from the percentage of assets which was regarded as an expense and the remainder is credited to other income.

WHOLESALE DRY GOODS TRADE, GENERAL LINE

Operating Results of Firms Classified According to Amount of
Annual Sales, 1938

(Showing results when value of assets is considered)

Expense Item	Total all Firms	Amount of Annual Sales		
		\$100,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 to \$2,000,000
Number of firms reporting	22	6	11	5
Aggregate sales	\$15,886,395	1,521,366	7,903,395	6,461,634
Average sales	\$ 722,109	153,561	718,490	1,292,327
Net sales	100.00	100.00	100.00	100.00
Net cost of merchandise sold	80.82	78.31	81.03	81.15
Gross margin	19.18	21.69	18.97	18.85
<u>Operating Expenses - % of Sales</u>				
General and Administrative:				
All items except interest paid on borrowed funds	8.01	11.47	8.71	6.36
5.0% of assets	2.87	3.46	2.87	2.73
Total	10.88	14.93	11.58	9.09
Total selling expense	8.21	8.20	7.39	9.21
Total handling expense	2.04	2.10	1.82	2.28
Total operating expense	21.13	25.23	20.79	20.58
Net Profit or Loss	-1.95	-3.54	-1.82	-1.73
Other income (including 5.0% of assets less interest paid) ..	3.66	3.24	3.82	3.56
Total Net Gain	1.71	-0.30	2.00	1.83

These are the two alternative methods which have been used by the Harvard Bureau of Business Research in securing comparability. In the table on the previous page the second method has been used to readjust the figures shown in Table 1. An arbitrary rate of 5.0 per cent of the assets of the firms in each group is shown as an item of the general and administrative expense. No separate item for interest on borrowed funds is shown. Only the sub-totals are given.

It will be seen in comparing the adjusted figures with those given in Table 1 that the average general and administrative expense and total operating expense are increased to such an extent that all groups record operating losses. An average of 5.0 per cent of the assets less interest paid on borrowed funds is then included with "other income." The total net gain is, therefore, the same as that shown in Table 1.

Selling Expenses

It was in items of selling expense that the group of firms with sales of from \$500,000 to \$999,999 made their best showing compared with the two other groups. Their expenses under this heading averaged 7.39 per cent of net sales. Selling expenses of the group of small firms amounted to 8.20 per cent of net sales. The highest selling expense of 9.21 per cent was recorded by the group of large firms. One might reasonably expect that selling expense would be reduced with volume. This may be true up to a point beyond which selling expense is liable to increase and this point, according to the data of the limited number of firms covered by this survey, is between \$1,000,000 and \$2,000,000 of annual net sales. It is difficult to say, however, whether or not a wider investigation would bear out this conclusion.

The table also reveals to some extent the method of operation of firms in the three groups. For example, the remuneration of the inside sales force of small firms averaged 0.39 per cent of net sales compared with 1.81 per cent and 1.38 per cent for the middle group and group of large firms respectively. It has been pointed out that the item for salaries of executives averaged higher for the small-firm group than for the other two. It is not too much to assume, therefore, that the lower ratio for the group of small firms in this item of remuneration for inside sales force is due perhaps in part to the fact that their executives handle a large portion of their inside sales business.

Remuneration of outside sales force accounted for 4.27 per cent of net sales in the group of small firms, 2.46 per cent in the middle group and 3.65 per cent in the group of large firms. Unfortunately, in order to avoid disclosing individual operations it has not been possible to give the details of a factor which is most important in influencing this item, namely, extent of sales territory. Speaking generally, the larger firms included in this survey confined their operations to one or two provinces. Many of the smaller firms reporting operated on a national basis. It may be due to this factor of an extended sales territory that the remuneration and expenses of travelling salesmen of small firms are high. A comparison of expenses on the basis of territory covered would have been of value had the number of reporting firms made this possible.

According to Table 1 no brokerage commissions were paid. None of the 22 reporting firms found it necessary to use the services of brokers.

Advertising is a limited item of selling expense in the wholesale dry goods trade. For 1938 the advertising of firms in the small group accounted for only 0.26 per cent of net sales; 0.27 per cent for the middle group and 0.35 per cent for the group of large firms. Discounts allowed to customers averaged 0.73 per cent in the group of small firms; 0.92 per cent in the middle group and 1.88 per cent in the group of large firms.

Warehouse, Handling and Delivery Expense

Firms of the middle group which made the highest net profit also recorded the lowest average for warehouse, handling and delivery expense. Their total for these items was 1.82 per cent of net sales. The group of small firms averaged 2.10 per cent while the group of large firms averaged 2.28 per cent.

The most important item of warehouse handling and delivery expense was the remuneration paid to warehouse, shipping and delivery staff. This amounted to 1.60 per cent of net sales for the group of small firms, 1.30 per cent for the middle group and 1.46 per cent for the group of large firms. For the maintenance of delivery trucks the group of small firms had the negligible average of 0.01 per cent of net sales whereas the middle group with 0.12 per cent had the highest. This item is worth noting merely as an indication that few firms maintained their own delivery trucks. Outward parcel postage, freight, etc., averaged 0.24 per cent, 0.20 per cent, and 0.45 per cent for the three groups in order of size. Warehouse supplies averaged 0.15 per cent, 0.04 per cent, and 0.09 per cent.

Warehouse, handling and delivery expense and perhaps a number of items under other headings would be influenced by the volume of "drop shipment" business which a wholesaler transacts. Contributing firms, however, were not requested to supply this information as it is not believed to be of importance in the general line wholesale dry goods trade.

Net Profit or Loss

Upon deducting the total operating expenses from the gross margin it was found that firms with annual sales of from \$100,000 to \$499,999 averaged an operating loss of 1.24 per cent of their net sales. Those with annual sales of from \$500,000 to \$999,999 averaged a net profit of 0.68 per cent of net sales and those with annual sales of from \$1,000,000 to \$2,000,000 averaged a net profit of 0.30 per cent of net sales. A striking feature of the completed questionnaires was the large number of firms which just managed to "break even," or perhaps recorded a small loss. Firms with either a substantial profit or with a large loss were exceptional.

Cooperating firms were asked to give the amount of their "other income" such as service charges to or advertising allowances collected from customers, commissions earned, interest, discounts earned and other income incidental to the business. This item in a number of cases was sufficient to change a loss into a profit. With "other income" taken into consideration the net loss of the first group was reduced to 0.30 per cent of net sales. The profit of the second group was increased to 2.01 per cent of sales and to 1.83 per cent of sales in the case of the third group.

Rate of Stock Turn

It seems logical to suppose that the rate at which a merchant turns over his stock during a year's operations will have some effect on his operating results. A rapid turnover should effect a saving on capital investment, storage space, and insurance. No table has been prepared on the basis of a classification according to rate of stock turn but the rate of turnover is shown for all classifications given.

In Table 1 the average rate of stock turn is shown for the 22 firms examined. In the group of firms with annual sales of \$100,000 to \$499,999 the average stock turn for the year was 2.41 times. In the middle group the average stock turn was 3.15 times while in the group of large firms the average stock turn was 3.63 times.

The rate of stock turn is the number of times the volume of merchandise on the shelves is sold and replaced. It is measured in the present survey by dividing the net cost of the merchandise sold by the average inventory of merchandise at cost. If, for example, the net cost of merchandise sold during the year is \$100,000 and the value of the average inventory at cost is \$25,000, then the rate of stock turn is 4.0 times a year. In other words the average inventory of \$25,000 has been turned over four times. Perhaps it should be emphasized that the rate of stock turn is obtained here by dividing the average inventory into the cost of merchandise sold and not, as is sometimes done, into the net sales. To use the sales figure, which includes gross margin, would give a misleadingly large figure for turnover.

In order to determine the average inventory, questionnaires submitted to the cooperating firms asked for their inventory figures at the beginning and end of the year. These were added together and averaged. But the average inventory computed on the basis of year end inventories may be considerably above or below the true average inventory carried throughout the year. The inventory taken at one period of the year when business is normally dull or brisk will not be typical. Other records in the Bureau of Statistics indicate that the average of the year-end inventories is approximately 17 per cent below an average figure based on monthly returns. An adjustment was accordingly made before computing the stock turn to allow for this difference.

Table 1.--WHOLESALE DRY GOODS TRADE, GENERAL LINE,

Operating Results for Firms Classified According to Amount of Annual Sales - 1938.

Expense Item	Total all Firms	Amount of Annual Sales		
		\$100,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 to \$2,000,000
Number of firms reporting	22	6	11	5
Aggregate sales	\$15,886,395	1,521,366	7,903,395	6,461,634
Average sales	\$ 722,109	153,561	718,490	1,292,327
Net sales	100.00	100.00	100.00	100.00
Net cost of merchandise sold .	80.82	78.31	81.03	81.15
Gross margin	19.18	21.69	18.97	18.85
<u>Operating Results--% of Sales</u>				
General and Administrative:				
Salaries of executives	2.96	4.87	3.20	2.23
Directors' fees and expenses .	0.09	.00	0.08	0.13
Remuneration--general office staff	1.32	1.99	1.22	1.28
Taxes--except income or sales.	0.44	0.38	0.51	0.36
Rentals for property used in business	0.55	1.06	0.76	0.16
Light, heat, power and water .	0.21	0.19	0.22	0.19
Insurance	0.23	0.37	0.25	0.18
Repairs and depreciation (buildings and equipment) ..	0.29	0.14	0.29	0.32
Bad debts, provided for or written off	0.64	0.50	0.86	0.41
Professional services	0.08	0.10	0.10	0.06
Postage and excise	0.28	0.29	0.30	0.24
Telephone and telegraph	0.12	0.21	0.10	0.12
Printing and stationery	0.20	0.18	0.22	0.20
Interest paid on borrowed funds	0.58	1.16	0.37	0.70
Miscellaneous	0.60	1.19	0.60	0.48
TOTAL--General and Adminis- trative Expenses	8.59	12.63	9.08	7.06
Selling Expenses:				
Remuneration--inside sales force	1.50	0.39	1.81	1.38
Remuneration--outside sales force	3.12	4.27	2.46	3.65
Expenses of travelling sales- men	1.79	2.52	1.67	1.78
Brokerage and commissions paid to others00	.00	.00	.00
Advertising	0.31	0.26	0.27	0.35
Discounts allowed to customers	1.29	0.73	0.92	1.88
Miscellaneous selling expense.	1.20	0.03	0.25	0.17
TOTAL--Selling Expenses	8.21	8.20	7.39	9.21

Table 1.--WHOLESALE DRY GOODS TRADE, GENERAL LINE--(Cont'd.)

Operating Results for Firms Classified According to Amount of Annual Sales - 1938.

Expense Item	Total all Firms	Amount of Annual Sales		
		\$100,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 to \$2,000,000
Warehouse, Handling and Delivery Expense:				
Remuneration--shipping and delivery staff	1.39	1.60	1.30	1.46
Maintenance of delivery trucks	0.11	0.01	0.12	0.11
Outward parcel postage, freight, etc.	0.31	0.24	0.20	0.45
Warehouse supplies	0.16	0.10	0.16	0.17
Miscellaneous	0.07	0.15	0.04	0.09
TOTAL--Warehouse and Handling Expenses	2.04	2.10	1.82	2.28
TOTAL, Operating Expenses	18.84	22.93	18.29	18.55
Net Operating Profit or Loss	0.34	-1.24	0.68	0.30
Other Income	1.37	0.94	1.32	1.53
Total Net Profit or Loss	1.71	-0.30	2.00	1.83
Rate of Stock Turnover (times per year)	3.23	2.41	3.15	3.63

Firms Classified According to Profit or Loss

Table 2 sets out the operating results of general line wholesalers with annual sales ranging from \$500,000 to \$999,999 on the basis of profit or loss. From this table some indication may be obtained of the expense factors which contributed to the profitable or unprofitable operations of the year.

Questionnaires of only 11 reporting firms with a total sales volume of \$7,903,395 were sufficiently complete to be used in this comparison. Eight firms reported profits while three reported losses. The firms reporting profits obtained better results than those reporting losses both from the standpoint of gross margin as well as that of operating expense. Their gross margin was 19.57 per cent of net sales, or 2.18 per cent of net sales higher than the gross margin of 17.37 per cent secured by unprofitable firms. In addition to obtaining a better gross margin, profitable firms also operated on an average expense of 17.87 per cent of sales, which was 1.56 per cent less than that of unprofitable firms whose average expense amounted to 19.43 per cent.

A rapid stock turn normally contributes to profitable operations but in the present comparison the advantage, if any, lay with unprofitable firms whose stock turn for the year was 3.31 times. The profitable firms had a stock turn of 3.10 times.

The greatest difference in expense was in the item of salaries paid to executives. For this item the profitable firms recorded 2.73 per cent of net sales which was 1.72 per cent lower than the 4.45 per cent recorded by unprofitable firms.

Largely due to this item general and administrative expenses were considerably higher in the unprofitable group than in the profitable group. In fact, many items of general and administrative expense, such as remuneration of general office staff, taxes, rent, light, heat, power and water, insurance and repairs and depreciation on buildings and equipment were lower in the case of the unprofitable firms than in the case of profitable ones. On the other hand, certain items of expense were higher. Bad debts, for example, amounted to 1.21 per cent of net sales compared with 0.73 per cent for profitable firms.

Selling expenses for the profitable group amounted to 7.49 per cent of net sales. Inside sales force accounted for 2.12 per cent while outside sales force accounted for 2.47 per cent with 1.56 per cent for travelling expenses. Selling expenses of the unprofitable group were 7.16 per cent of sales. Inside sales force accounted for 1.01 per cent; outside sales force for 2.42 per cent and travelling expenses 1.98 per cent of sales.

Expenses for warehouse, handling and shipping were slightly higher in the case of unprofitable firms, amounting to 2.03 per cent of net sales compared with 1.74 per cent for profitable firms.

TABLE 2.--WHOLESALE DRY GOODS TRADE - GENERAL LINE

Operating Results for Firms Classified According to Profit or Loss - 1938
(Annual Sales \$500,000 to \$999,999)

Expense Item	TOTAL All Firms	Profitable Firms	Unprofitable Firms
Number of firms reporting	11	8	3
Aggregate sales	\$7,903,395	5,742,476	2,160,919
Average sales	718,490	717,810	720,306
Net Sales	100.00	100.00	100.00
Net cost of merchandise sold	81.03	80.43	82.63
Gross margin	18.97	19.57	17.37
<u>Operating Expenses - % of Sales</u>			
General and Administrative:			
Salaries of executives	3.20	2.73	4.45
Directors' fees and expenses	0.08	0.11	.00
Remuneration - general office staff	1.22	1.26	1.10
Taxes--except income or sales	0.51	0.56	0.39
Rentals for property used in business ..	0.76	0.85	0.52
Light, heat, power and water	0.22	0.23	0.21
Insurance	0.25	0.26	0.24
Repairs and depreciation (buildings and equipment)	0.29	0.31	0.22
Bad debts, provided for or written off .	0.86	0.73	1.21
Professional services	0.10	0.10	0.12
Postage and excise	0.30	0.28	0.35
Telephone and telegraph	0.10	0.10	0.10
Printing and stationery	0.22	0.18	0.30
Interest paid on borrowed funds	0.37	0.35	0.43
Miscellaneous	0.60	0.59	0.60
TOTAL - General and Administrative Expenses	9.08	8.64	10.24

TABLE 2.—WHOLESALE DRY GOODS TRADE - GENERAL LINE—(Cont'd.)

Operating Results for Firms Classified According to Profit or Loss - 1938

(Annual Sales \$500,000 to \$999,999)

Expense Item	TOTAL All Firms	Profitable Firms	Unprofitable Firms
Selling Expenses:			
Remuneration--inside sales force	1.81	2.12	1.01
" outside sales force	2.46	2.47	2.42
Expenses of travelling salesmen	1.67	1.56	1.98
Brokerage and commissions paid to others00	.00	.00
Advertising	0.27	0.19	0.49
Discounts allowed to customers	0.92	0.99	0.74
Miscellaneous selling expense	0.25	0.16	0.52
TOTAL - Selling Expenses	7.39	7.49	7.16
Warehouse, Handling and Delivery Expenses:			
Remuneration--shipping and delivery staff	1.30	1.24	1.45
Maintenance of delivery trucks	0.12	0.15	0.04
Outward parcel postage, freight, etc..	0.20	0.19	0.24
Warehouse supplies	0.16	0.13	0.26
Miscellaneous	0.04	0.03	0.04
TOTAL - Warehouse and Handling Expenses	1.82	1.74	2.03
TOTAL --Operating Expenses	18.29	17.87	19.43
Net Operating Profit or Loss	0.68	1.70	-2.06
Other Income	1.32	1.06	2.00
Total Net Profit or Loss	2.01	2.76	-0.06
Rate of Stock Turnover	3.15	3.10	3.31

Specialty Lines

In Table 3 the operating results are shown for dry goods wholesalers of specialty lines as distinct from the results of general dry goods wholesalers dealt with in Table 1. Specialty wholesale firms are characteristically smaller than those handling a general line of dry goods and their gross margins and operating expenses are considerably higher, not altogether because of their small size but to some extent because of the nature of their business.

There were 35 specialty firms whose questionnaires were used in the survey. Of this number, however, there were 21 firms with individual annual sales of less than \$100,000 who were unable to give complete answers to all the questions. Small firms apparently do not find it necessary to keep their accounting records itemized to the same extent as their larger competitors, and because of their size and the multiplicity of duties which their employees discharge perhaps it is impossible for them to do so. In any case, as their questionnaires were

not completed in the itemized form requested the sub-totals only were used.

The questionnaires of only 14 large firms were complete and their averages are shown in the last column of Table 2. This group of large specialty dry goods wholesalers had a gross margin of 20.51 per cent with operating expenses of 21.56 per cent. Their operating loss, therefore, amounted to 1.05 per cent of net sales. "Other Income" of 1.27 per cent was sufficient to give them a net profit of 0.22 per cent on the year's operations. The group of 21 specialty wholesalers whose annual sales were less than \$100,000 had a gross margin of 25.19 per cent, an operating expense of 24.57 per cent and a consequent operating profit of 0.63 per cent which was increased to 1.49 per cent of net sales by "Other Income." Although their operating expenses were considerably higher than those of the larger firms, nevertheless the substantially larger gross margin of the smaller firms was sufficient to offset the difference and provide a small profit.

Stock turn was slightly faster with larger firms, amounting to 2.19 times compared with 2.15 times for their smaller competitors.

The classification of "Specialty" wholesaler includes those specializing in knit goods, cottons, piece goods, rayons, silks and velvets, woollens and worsteds, notions and other dry goods. The operating expenses of these specialty firms are not always on the same basis and their problems and the requirements of their various lines of business differ according to the line they handle. For example, due to the very nature of their line, firms specializing in notions on the average have a higher operating expense and a greater gross margin than their fellow merchants in other lines. It would, therefore, have been most desirable to show these specialty firms classified according to their line of business, but the number of usable questionnaires received was not sufficient to allow the calculation of representative average operating ratios for different types.

TABLE 3.--WHOLESALE DRY GOODS TRADE, SPECIALTY LINES

Operating Results of Firms Classified According to Amount of Annual Sales - 1938.

Expense Item	Total All Firms	Amount of Annual Sales	
		Less than \$100,000	\$100,000 to \$499,999
Number of firms reporting	35	21	14
Aggregate sales	\$5,223,892	1,477,751	3,746,141
Average sales	\$ 149,254	70,369	267,581
Net sales	100.00	100.00	100.00
Net cost of merchandise sold	78.16	74.81	79.49
Gross margin	21.84	25.19	20.51
<u>Operating Expenses--% of Sales</u>			
General and Administrative:			
Salaries of executives	-	-	3.46
Directors' fees and expenses	-	-	.00
Remuneration--general office staff	-	-	1.52
Taxes--except income or sales	-	-	0.29

TABLE 3.--WHOLESALE DRY GOODS TRADE, SPECIALTY LINES--(Cont'd.)

Operating Results of Firms Classified According to Amount of Annual Sales--1938.

Expense Item	Total All Firms	Amount of Annual Sales	
		Less than \$100,000	\$100,000 to \$499,999
<u>Operating Expenses--%of Sales--(Con.)</u>			
General and Administrative:			
Rentals for property used in business	-	-	1.29
Light, heat, power and water	-	-	0.08
Insurance	-	-	0.37
Repairs and depreciation (buildings and equipment)	-	-	0.07
Bad debts, provided for or written off ...	-	-	1.21
Professional services	-	-	0.18
Postage and excise	-	-	0.22
Telephone and telegraph	-	-	0.21
Printing and stationery	-	-	0.25
Interest paid on borrowed funds	-	-	1.58
Miscellaneous	-	-	0.89
TOTAL--General and Administrative Expenses	13.12	16.93	11.62
Selling Expenses:			
Remuneration--inside sales force	-	-	1.82
" outside sales force	-	-	3.58
Expenses of travelling salesmen	-	-	0.94
Brokerage and commissions paid to others .	-	-	0.29
Advertising	-	-	0.22
Discounts allowed to customers	-	-	0.81
Miscellaneous selling expense	-	-	0.57
TOTAL--Selling Expenses	7.72	6.43	8.23
Warehouse, Handling and Delivery Expense:			
Remuneration--shipping and delivery staff.	-	-	1.01
Maintenance of delivery trucks	-	-	.00
Outward parcel postage, freight, etc.	-	-	0.49
Warehouse supplies	-	-	0.17
Miscellaneous	-	-	0.04
TOTAL--Warehouse and Handling Expenses	1.57	1.21	1.71
TOTAL, Operating Expenses	-	24.57	21.56
Net Operating Profit or Loss	-	0.63	-1.05
Other Income	1.15	0.86	1.27
Total Net Profit or Loss	-	1.49	0.22
Rate of Stock Turnover (times per year)	2.18	2.15	2.19

Firms Classified According to Profit or Loss

There were 21 specialty dry goods wholesale firms with annual sales of less than \$100,000 able to give totals but not able to break down their expenses into the items requested. These firms have been divided in Table 4 into two groups, those which operated profitably and those which operated at a loss. The better results of the profitable firms were due to their gross margin of 28.85 per cent of net sales which was 10.12 per cent higher than the gross margin of 18.73 per cent which was obtained by the unprofitable firms.

Operating expenses of profitable firms amounted to 25.02 per cent of net sales compared with 23.76 per cent in the case of unprofitable firms. The general and administrative expenses of profitable firms were slightly lower than unprofitable firms but their larger selling, and warehousing, shipping and handling expenses more than offset this difference.

The rate of stock turn for profitable firms was 2.27 times compared with 2.08 times for unprofitable firms.

TABLE 4.--WHOLESALE DRY GOODS, SPECIALTY LINE

Operating Results for Specialty Line Wholesale Dry Goods Firms Classified According to Profit or Loss, 1938.

(Annual Sales less than \$100,000)

Expense Item	TOTAL All Firms	Profitable Firms	Unprofitable Firms
Number of firms reporting	21	12	9
Aggregate sales	\$1,477,751	944,249	533,502
Average sales	\$ 70,369	78,687	59,278
Net sales	100.00	100.00	100.00
Net cost of merchandise sold	74.81	71.15	81.27
Gross margin	25.19	28.85	18.73
<u>Operating Expenses--% of Sales</u>			
TOTAL--General and Administrative Expenses	16.93	16.74	17.27
TOTAL--Selling Expenses	6.43	6.86	5.65
TOTAL--Warehouse and Handling Expenses	1.21	1.42	0.83
TOTAL--Operating Expenses	24.57	25.02	23.76
Net Operating Profit or Loss	0.63	3.82	-5.03
Other Income	0.86	0.99	0.64
Total Net Profit or Loss	1.49	4.81	-4.39
Rate of Stock Turnover	2.19	2.27	2.08

NOTE: Further breakdown of expense items was not available.

Middle Range Comparisons

The foregoing tables show the arithmetic averages of the co-operating firms. That is to say, the dollar totals of each expense item of a group have been expressed as a percentage of the aggregate sales of that group. It will be realized that even one contributing firm with abnormally high or abnormally low figures for any item would unduly affect the averages thus obtained. The total figures for the group in which that firm is included would be out of line with the other firms in the group and the result to that extent would not be representative. In Table 5 this difficulty is overcome by the use of "Middle Range" figures which eliminate firms reporting exceptionally high or low figures for any item.

The method of compiling the table of middle range figures differs from the method used in computing arithmetic averages. For the purpose of explanation we may consider the classification of General Line Wholesalers with annual sales of from \$500,000 to \$999,999. The reports of 11 firms were used in this class. To obtain the arithmetic averages the sales of these 11 firms were added together. The total of each expense item was then taken for the 11 firms and expressed as a percentage of the total sales of the group. But in computing the middle range figures shown in Table 5, the questionnaire of each contributing firm was considered separately. Each and every item of that questionnaire was expressed as a percentage of that particular firm's sales without relation to any of the other contributing firms. These 11 companies could then be compared with each other item by item.

The middle range and "median" figures for this group were then obtained as follows: To obtain the median of salaries of executives the 11 questionnaires were arranged in ascending order according to the amount of the percentage which had been computed for each for this item. For example, the salaries paid to executives by reporting firm "A" may have amounted to 0.75 per cent of net sales; of firm "B", 0.87 per cent of net sales; of firm "C", 1.34 per cent of net sales and so on. When the eleven questionnaires had been arranged according to the amount of this item it was found that the questionnaire in the middle of this list of eleven, or the sixth firm in ascending order, reported executives salaries of 2.95 per cent of net sales. This, then, was the median given in the table. Out of the group of 11 reporting firms there were 5 reporting a higher and 5 reporting a lower percentage of net sales paid as salaries to executives. The 11 questionnaires were then rearranged to obtain the median of the next item of expense in the same way. Each item in the table, therefore, is the percentage of net sales which was expended for that item of expense by the firm appearing in the middle when the 11 firms were arranged in order for that particular item.

To obtain the total median and quartile figures of General Line Wholesalers, the questionnaires of the 22 firms were arranged in order. The median shown in the table for each item is the average of the returns of the two middle firms. The 22 questionnaires were arranged as before for each item in order of the size of the percentage reported for that item. The percentage of the firm which is sixth in the ascending order when thus arranged is the lower quartile, while the percentage of the firm which is seventeenth in the ascending order is the upper quartile. The figures for the first five firms, or the five firms reporting the lowest percentage expense, and the figures for the last five firms or the five firms reporting the highest percentage of expense for each item are, therefore, thrown out. The middle figure or median is given and upper and lower quartiles are the upper and lower limits of the middle half of the reporting firms.

Theoretically the median figures for each item represent the percentage which the common or typical firm expended for that item. If one has a large number of firms to work with this should be practically correct. In the present case, where there are so few firms reporting it is well to check the medians of Table 5 with the arithmetic averages of the previous tables. While the figures of the two types of table are not expected to agree, nevertheless, the large difference in the case of a few items is sufficient to merit a word of explanation.

For example, the item "Maintenance of delivery trucks," while not large, nevertheless, does account for a small expense in the arithmetic tables whereas it is given as 0.0 per cent in Table 5. The explanation of this is that the majority of firms reporting did not maintain any delivery service and, therefore, incurred no expense in this connection. In a sequence of firms for this item the middle firm would, therefore, be one having no expense for delivery truck maintenance. In the same way other apparent discrepancies or wide variations in the two types of table may be accounted for.

Finally it should be pointed out that the sub-totals and the totals of operating expense are computed in the same way as each item. They are not the sum of the medians shown but are in themselves medians.

A copy of the questionnaire completed by contributing firms is appended.

TABLE 5.--WHOLESALE DRY GOODS TRADE, 1938

Middle Range Figures of Expense Items by Size of Business

Item	GENERAL LINE						SPECIALTY LINES	
	Annual Sales (thousands of dollars)						All Firms	\$100 to \$499
	TOTAL, All Firms			\$100 to \$499	\$500 to \$999	\$1,000 to \$1,999		
	Lower Quartile	Median	Upper Quartile	Medians				
Number of firms		22		6	11	5	35	14
Net sales	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Net cost of merchandise sold	81.83	80.10	77.45	77.70	81.29	79.69	80.35	80.83
Gross margin	18.17	19.90	22.55	22.30	18.71	20.31	19.65	19.17
<u>Operating Expenses--% of Sales</u>								
General and Administrative:								
Salaries of executives	2.33	3.79	4.41	5.06	2.95	1.97	-	2.76
Directors' fees and expenses	0.00	0.00	0.02	0.00	0.00	0.02	-	0.00
Remuneration--general office staff ..	1.06	1.42	1.73	1.89	1.34	1.20	-	1.65
Taxes--except income or sales	0.19	0.35	0.66	0.30	0.66	0.35	-	0.24
Rentals paid--(a) All firms	0.02	0.65	1.11	1.06	0.59	0.02	-	1.14
(b) Firms in rented premises only ..	0.58	0.77	1.18	1.06	0.73	0.19	-	1.14
Light, heat, power and water	0.08	0.16	0.25	0.09	0.20	0.20	-	0.04
Insurance	0.16	0.22	0.30	0.23	0.24	0.16	-	0.27
Repairs and depreciation (buildings and equipment)	0.08	0.18	0.34	0.15	0.15	0.34	-	0.02
Bad debts provided for or written off ..	0.38	0.49	0.71	0.52	0.40	0.48	-	1.02
Professional services	0.05	0.09	0.13	0.12	0.09	0.06	-	0.16
Postage and excise	0.24	0.28	0.34	0.29	0.30	0.24	-	0.22
Telephone and telegraph	0.10	0.12	0.15	0.15	0.11	0.12	-	0.23
Printing and stationery	0.10	0.19	0.28	0.15	0.24	0.24	-	0.24
Interest paid on borrowed funds	0.22	0.46	0.93	1.01	0.24	0.74	-	1.10
Miscellaneous	0.29	0.62	1.01	1.09	0.48	0.29	-	0.76
TOTAL--General and Administrative Expenses	7.80	9.85	11.59	12.94	9.64	7.80	13.89	10.48

(Continued)

TABLE 5.—WHOLESALE DRY GOODS TRADE, 1938--(Cont'd.)

Middle Range Figures of Expense Items by Size of Business

Item	GENERAL LINE						SPECIALTY LINES	
	Annual Sales (thousands of dollars)						All Firms	\$100 to \$499
	TOTAL, All Firms			\$100 to \$499	\$500 to \$999	\$1,000 to \$1,999		
	Lower Quartile	Median	Upper Quartile	Medians				
Medians								
Selling Expenses:								
Remuneration--inside sales force	0.07	1.54	1.78	0.04	1.55	1.46	-	1.06
" outside sales force	1.72	2.56	5.43	5.43	2.54	3.81	-	2.86
Expenses of travelling salesmen	1.23	1.70	2.42	2.27	1.61	1.62	-	1.25
Brokerage and commissions paid to others	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00
Advertising	0.07	0.20	0.46	0.11	0.26	0.17	-	0.03
Discount allowed to customers	0.26	0.91	1.42	0.18	0.95	1.29	-	0.55
Miscellaneous selling expense	0.00	0.06	0.29	0.00	0.17	0.26	-	0.07
TOTAL--Selling Expense	6.18	7.77	10.21	7.66	7.70	10.21	6.45	6.95
Warehouse, Handling and Delivery Expense:								
Remuneration--shipping and delivery staff	0.90	1.07	1.79	1.26	1.06	1.08	-	0.47
Maintenance of delivery trucks	0.00	0.00	0.12	0.00	0.00	0.00	-	0.00
Outward parcel postage, freight, etc. .	0.09	0.33	0.42	0.20	0.12	0.42	-	0.48
Warehouse supplies	0.09	0.11	0.23	0.09	0.10	0.19	-	0.15
Miscellaneous	0.00	0.00	0.12	0.00	0.00	0.05	-	0.00
TOTAL--Warehouse and Handling Expenses	1.29	1.97	2.34	3.56	1.68	2.14	0.81	1.34
TOTAL, Operating Expenses	16.39	20.36	22.16	22.21	18.45	18.50	21.15	21.05
Net Operating Profit or Loss	-1.37	0.05	1.39	-1.56	0.50	-0.80	-0.28	-0.68
Other Income	0.47	1.20	1.83	0.69	1.26	1.60	-0.59	1.58
Total Net Profit or Loss	0.05	0.81	2.29	-0.04	1.54	0.94	0.84	0.60
Rate of Stock Turnover	2.74	3.01	3.97	2.73	3.00	4.46	2.17	1.86

Extent of Wholesale Dry Goods Trade

In 1930, at the time of the last decennial census there were 1,176 firms in Canada, exclusive of shoes and other footwear, engaged in the wholesale dry goods and apparel trade with total annual sales amounting to \$212,716,700. Table 6 shows the number of firms and annual sales by kind of business and by type of operation.

All types are roughly classified into two main groups designated "Wholesalers Proper" and "Other Wholesalers." There were 500 "Wholesalers Proper" including the regular wholesalers such as wholesale merchants and importers who usually perform the complete functions of wholesalers, such as extending credit, buying in bulk and selling in broken lots, providing warehousing and delivery facilities, soliciting orders through salesmen and furnishing market information. Included with these wholesalers proper are also cash and carry wholesalers, drop shippers, mail order wholesalers and wagon distributors but they are unimportant in the Canadian trade. There were 576 "Other Wholesalers" including district sales offices, general sales offices, manufacturers' sales branches, export merchants, various types of agents and brokers such as auction companies, commission agents, buyers' and sellers' brokers, chain store warehouses, etc.

The present report is concerned with the operations of "Wholesalers Proper" and does not deal with "Other Wholesalers." The report is further restricted to four kinds of business; namely, dry goods--general line; dry goods--(specialties n.e.s.); notions; and piece-goods.

From Table 6 it will be noted that the total sales for wholesalers proper in the four lines of business covered amounted to \$77,907,400 in 1930. Total sales of firms reporting to this survey of operating expenses amounted to \$21,110,287 for 1938. On making allowance for the different level of sales in 1930 and 1938, the coverage of sales in this report may be estimated at between 30 and 35 per cent.

Certain data regarding operating expense were obtained in the 1930 Census but many firms were unable to give accurate or detailed information on this subject. Data furnished by firms for payroll and rent, however, were generally complete. Table 7 shows the operating expenses for wholesalers proper in the dry goods and apparel trade for 1930. Wholesalers of shoes and other footwear are not included. The figures for wholesalers of Dry Goods (General Line) are of particular interest. It will be noted that the operating expenses in 1930 of 78 establishments with annual net sales of \$40,592,900 amounted to 18.64 per cent of net sales. The result of the investigation of 1938 operating expenses as shown in Table 1 reveals that during 1938 the operating expenses of 22 general dry goods wholesalers with annual sales of \$15,886,395 amounted to 18.84 per cent of net sales.

Table 6.--Wholesale Dry Goods and Apparel Trade by Kinds of Business and Type of Operation

Kind of Business	Total Firms		Wholesalers Proper		All Other Wholesalers	
	No.	\$	No.	\$	No.	\$
TOTAL	1,176	212,716,700	500	92,574,900	576	120,641,800
Clothing and furnishings (other than millinery and footwear)	280	34,247,500	104	11,897,400	176	22,350,100
Clothing (general line).....	11	652,900	8	471,800	3	181,100
Clothing and furnishings	43	5,989,400	28	4,426,100	15	1,563,300
Clothing, men's and boys'	33	2,183,800	11	772,700	22	1,411,100
Clothing, women's and children's	51	3,567,700	14	578,600	37	2,989,100
Clothing (secondhand)	4	61,000	4	61,000	-	-
Furnishings (general line)	26	8,124,300	10	1,919,900	16	6,204,400
Furnishings, (men's and boys')	48	5,794,000	10	1,434,100	38	4,359,900
Furnishings, (women's and children's)	14	1,019,300	3	137,100	11	882,200
Furs and fur clothing	9	507,600	3	61,000	6	446,600
Hats and caps	18	2,726,800	7	1,571,200	11	1,155,600
Hosiery	8	2,366,100	1	(X)	7	(X)
Other Clothing and furnishings	15	1,254,600	5	(X)	10	(X)
Dry goods (general line)	142	51,338,900	89	41,648,200	53	9,690,700
Dry goods (specialty, n.e.s.)	95	21,402,400	37	4,425,400	58	16,977,000
Knit goods	77	19,569,700	29	3,570,500	48	15,999,200
Other dry goods	18	1,832,700	8	854,900	10	977,800
Millinery and millinery supplies	92	5,790,800	29	2,770,100	63	3,020,700
Notions	119	11,673,900	85	5,480,400	34	6,193,500
Buttons	2	(X)	2	(X)	-	-
Gloves	9	1,717,100	6	1,514,500	3	202,600
Laces and embroideries	16	905,800	12	794,900	4	110,900
Notions (general line)	79	8,447,800	54	2,680,500	25	5,767,300
Tailors' trimmings and supplies	13	(X)	11	(X)	2	(X)
Piece goods	348	88,263,200	156	26,353,400	192	61,909,800
Cotton goods	36	27,172,300	8	(X)	28	(X)
Linen	11	673,300	5	320,400	6	352,900
Piece goods (general line)	126	20,714,300	65	10,415,100	61	10,299,200
Rayons	13	6,865,800	2	(X)	11	(X)
Silks and velvets	43	12,881,000	20	5,165,700	23	7,715,300
Woollens and worsteds	119	19,956,500	56	7,726,400	63	12,230,100

(X) Figures withheld to avoid disclosing individual operations.

Current Trends

The last complete census was taken for 1930 in which year dry goods wholesalers (including notions and piece goods) recorded sales of \$77,907,000. Although no subsequent census has been taken, surveys are made each year and on the basis of samples of representative firms indexes of sales are computed which show the general trend of the trade. Following the year 1930, sales fell off and in 1933 had dropped to \$47,693,000. The sales index for that year stood at 61.2 (1930 = 100.) The index rose to 70.3 in 1934; 71.6 in 1935; 74.8 in 1936; and 82.6 in 1937.

This gradual improvement in the trade received a set back in 1938, however, during every month of which sales of dry goods wholesalers fell below sales for the corresponding months of 1937. At the end of December, it was found on the basis of monthly reports received at the Bureau from sample firms across Canada that sales for the year were 10.9 per cent below sales for 1937, a decrease which was recorded in every economic section of Canada.

Table 7. — Operating Expenses for Wholesalers Proper
in the Dry Goods and Apparel Trade

Canada - 1930

Kind' of Business	Total No. of Estab- lishments Repor- ting	No. of Pro- pri- tors	Salaries and Wages of Employees	Total Expenses (including sala- ries and wages) ²		Net Sales
				Amount	% of Net Sales	
TOTAL (1)	437	370	7,648,000	15,140,300	17.12	88,433,400
Clothing and furnishings (other than millinery and footwear)	89	85	851,200	1,825,000	16.28	11,211,200
Dry goods (general line) .	78	72	4,062,300	7,567,700	18.64	40,592,900
Dry goods (specialty, n.e.s.)	27	30	230,900	527,600	16.92	3,119,000
Millinery and millinery supplies	29	22	289,000	604,800	21.83	2,770,100
Notions	74	73	541,500	1,119,000	21.73	5,148,700
Piece goods	140	88	1,673,100	3,496,200	13.66	25,591,500

(1) Not all firms were able to report operating expenses. This table is based upon information furnished by those firms which could supply the necessary data.

(2) Not including proprietors' salaries.

Keep one copy for your file

File No. _____

SPECIAL ANALYSIS OF OPERATING RESULTS OF
THE WHOLESALE TRADE, 1938

Please note that all replies will be treated as strictly confidential.
Average results only will be shown.

All figures given in answer to the questions on this schedule should relate to the calendar year, 1938, or to your fiscal year most closely conforming to that period.

-
1. GROSS SALES \$ _____
2. DEDUCTIONS--(Do not itemize separately)
- (a) Returns from and allowances to customers.
 (Note--Do not deduct cash discounts taken by customers which
 will be shown as an expense)
- (b) Freight, postage and other items charged to customers and included in amount of gross sales.
- (c) City or provincial sales taxes, if any.
- (d) Dominion sales taxes paid by licensed wholesalers.
- TOTAL DEDUCTIONS \$ _____
3. NET SALES--(Item (1) minus Item (2) \$ _____
4. COST OF MERCHANDISE SOLD.
- (a) Inventory, January 1, 1938, or nearest inventory date \$ _____
- (b) Value of merchandise purchased during year (Include duty, inward freight, express or truckage and other expenses incidental to receipt of goods. Do not deduct cash discounts taken which will be shown as "other income." Include manufacturing wages, if any) \$ _____
- (c) Total of (a) and (b) \$ _____
- (d) Inventory, December 31, 1938, or nearest inventory date \$ _____
- (e) Cost of goods sold, Item (c) minus Item (d) \$ _____
5. GROSS PROFIT ON SALES (Net sales less cost of goods sold)
 Item (3) minus Item 4(e) \$ _____
6. OTHER INCOME--(Service charges to or advertising allowances collected from customers, commissions earned, interest, discounts earned, etc. \$ _____
7. TOTAL INCOME--(Item (5) plus Item (6) \$ _____

8. OPERATING EXPENSES:

(a) General and Administrative Expenses:

1. Salaries of executives--(Include buyers) \$ _____
2. Directors' fees and expenses \$ _____
3. Salaries and wages of general office staff ... \$ _____
4. Taxes (property and business, but no income
nor sales taxes) \$ _____
5. Rent or other occupancy expenses paid for all
rented property used in the business \$ _____
6. Light, heat, power and water \$ _____
7. Insurance (fire, theft, liability, compensa-
tion insurance on employees, etc.) \$ _____
8. Repairs and depreciation on buildings and
equipment--(Do not include depreciation
on delivery trucks or salesmen's cars) ... \$ _____
9. Provision for bad debts or amounts actually
written off during the year \$ _____
10. Professional services (legal, auditing, etc.) \$ _____
11. Postage and excise \$ _____
12. Telephone and telegraph \$ _____
13. Printing and stationery \$ _____
14. Interest paid on borrowed funds--(Include bond
and mortgage interest--Do not include interest
on own investments.) \$ _____
15. Miscellaneous \$ _____

TOTAL General and Administrative Expenses \$

(b) Selling Expenses:

1. Salaries, commissions and bonuses paid to
inside sales force \$ _____
2. Salaries, commissions and bonuses paid to
outside sales force \$ _____
3. Expenses of travelling salesmen (Include
allowances for automobiles, gas and oil,
depreciation, repairs, insurance, etc., on
owned cars)..... \$ _____

(b) Selling Expenses: (Cont'd.)

4. Brokerage fees and commissions paid to others	\$	_____
5. Advertising	\$	_____
6. Discounts allowed to customers	\$	_____
7. Miscellaneous selling expense	\$	_____
TOTAL Selling Expense	\$	=====

(c) Warehouse Handling and Delivery Expense:

1. Salaries and wages of shipping, receiving and stock taking staff and truck drivers	\$	_____
2. Maintenance of delivery trucks--(Include gas, oil, depreciation, repairs, licenses, insurance, etc.)	\$	_____
3. Outward parcel postage, freight, express and trucking paid to outsiders	\$	_____
4. Warehouse supplies (paper, twine, packing, etc.)	\$	_____
5. Miscellaneous	\$	_____
TOTAL Warehouse and Handling Expense	\$	_____

(d) Total Operating Expense	\$	_____
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9. NET PROFIT--(Before making provision for Dominion Income tax) Item 7 minus Item 8(d)	\$	_____
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10. What is the extent of territory covered by your sales?

- | | |
|--|-------|
| (a) Within a radius of 25 miles | _____ |
| (b) Provincial | _____ |
| (c) Region of two or three provinces | _____ |
| (d) Dominion wide | _____ |

11. Please give general description of the merchandise carried by your firm:

(a) General line of
(Indicate whether groceries, dry goods, hardware, etc.)

or

(b) Specialty line of -
(Name chief specialty lines carried)

- | | |
|-----------|-------|
| (1) | _____ |
| (2) | _____ |
| (3) | _____ |

12. What was the total value of the assets of your firm at the end of 1938, including a reasonable value for land, buildings and equipment owned, merchandise inventory, improvements on leased properties, accounts and notes receivable and cash on hand? \$ _____

13. State the number of proprietors engaged in the business and whose salaries or remuneration is not included in the answer to Question 8(a) No. _____

14. Give any special comments regarding the business transacted by your firm which you think might assist us in the preparation of a composite report giving average operating results.

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.....
.....

Period covered by above figures

to, 193 ..

Name and title of person furnishing information:

Name

Title (accountant, etc.) :

Address

.....

Date 193 ..

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