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DOMINION BUREAU OF STATISTICS

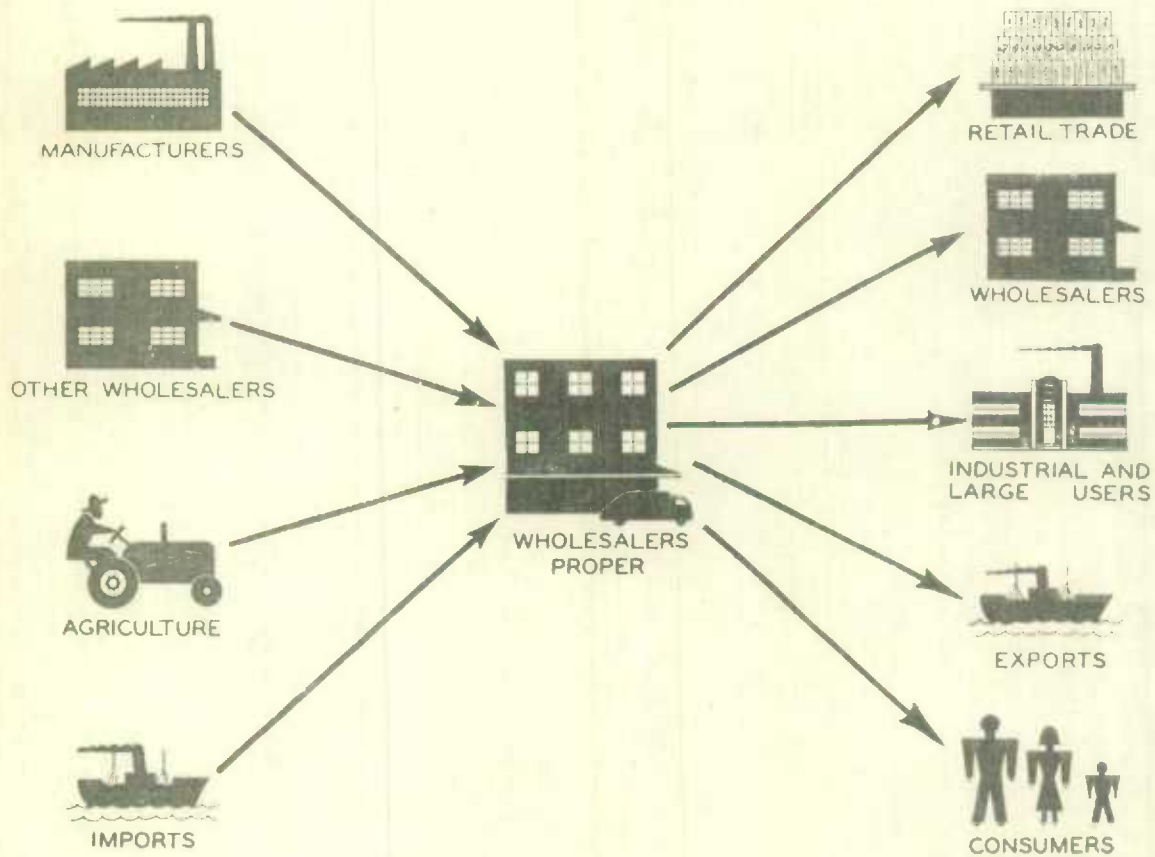
MERCHANDISING AND SERVICES SECTION

OTTAWA, CANADA

OPERATING RESULTS
OF
DRY GOODS, PIECE GOODS
AND
FOOTWEAR
WHOLESALE
1947



OPERATING RESULTS OF WHOLESALESA



WHOLESALESA OF
DRY GOODS
PIECE GOODS
FOOTWEAR

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FACSIMILE OF THE SCHEDULE.....

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Please aim to return one copy of this form, properly completed, on or before

File no.



DOMINION BUREAU OF STATISTICS MERCHANDISING AND SERVICES OTTAWA

OPERATING COSTS IN WHOLESALE TRADE 1947

The returns from this inquiry will be used in the preparation of a report which will be published for the general use of the trade, describing average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to the fiscal year conforming most closely to the calendar year. PLEASE answer all questions.

I. DESCRIPTION OF BUSINESS

- (1) Name of firm is
- (2) Address of firm is
- (3) This business sold the following commodities, in order of importance by volume. Insert sales percentage of each. Example, groceries 60%, fruit 20%, tobacco 10%, confectionery 10%.
 - (a)%
 - (b)%
 - (c)%
 - (d)%
 - (e)%
 - (f)%
- (4) This business was conducted by - (Estimate percentage of each type)
 - (a) Wholesale merchant (performing functions of warehousing and delivery)
 - (b) Agent and/or broker%
 - (c) Other - (specify)
- (5) This business was a corporation ☐, partnership ☐, individual proprietorship ☐.
- (6) The sales of this firm were distributed to - (give estimated percentage if amounts are not known)
 - (a) Retail stores%
 - (b) Voluntary groups%
 - (c) Other wholesalers%
 - (d) Industrial and other large users%
 - (e) Consumers (at retail)%
 - (f) Other - (specify)
- (7) This business was a single establishment ☐, a multiple organization ☐.
If single, please complete numbers 8 and 9; if multiple complete number 10.
- (8) We processed% of the merchandise sold. (Give approximate percentage)
- (9) The amount of floor space used in 1947 was sq. ft. The number of floors used was
- (10) This business is a multiple organization with head office and branches as follow:

Address	1947 Sales \$	Floor space		Percentage goods processed %
		No. floors	Sq. ft.	
Head Office
1.
2.
3.
4.
5.
6.
7.
8.
9.

If more branches, please attach supplementary list.

II. PROFIT AND LOSS STATEMENT, 1947:

A.

MERCHANDISING STATEMENT

- (1) Net sales - gross sales less returns, allowances, and trade discounts \$ _____
- (2) Inventory of merchandise for resale, at beginning of year \$ _____
- (3) Merchandise purchased for resale - invoice value plus duty, inward freight and truckage; less returns, allowances, and trade discounts \$ _____
- (4) Total of beginning inventory and net purchases (item 2 plus 3) \$ _____
- (5) Inventory of merchandise for resale, at end of year \$ _____
- (6) Net cost of goods sold, (item 4 minus item 5) \$ _____
- (7) Gross margin or profit (item 1 minus item 6) \$ _____

B.

SELLING EXPENSES:

EXPENSE STATEMENT

- (1) Salaries, commissions, and bonuses paid to sales force \$ _____
- (2) Travelling expenses of salesmen (inc. sales manager) \$ _____
- (3) Advertising (catalog, display, newspaper, radio, magazine) \$ _____
- (4) Other selling expenses \$ _____
- (5) Total selling expenses (total of items 1 to 4) \$ _____
- WAREHOUSE AND DELIVERY EXPENSES:
- (6) Salaries and wages paid to shipping and receiving staff, truck drivers, etc. \$ _____
- (7) Maintenance of delivery trucks (gas, oil, repairs, depreciation, insurance, etc.) \$ _____
- (8) Outward freight, express, parcel post, and contract hauling \$ _____
- (9) Warehouse supplies (such as paper, twine, packaging materials) \$ _____
- (10) Other warehouse and delivery expense \$ _____
- (11) Total warehouse and delivery expense (total of items 6 to 10) \$ _____

GENERAL AND ADMINISTRATIVE EXPENSES:

- (12) Administrative and office salaries (if unincorporated, include proprietors)..... \$ _____
- (13) Employees' benefits paid by firm (pension fund, unemployment insurance, hospitalization, workmen's compensation or other staff benefits) \$ _____
- (14) Occupancy expense - for premises used in the business (taxes, insurance, repairs, depreciation allowances, and interest (a) on owned real estate and/or rentals paid for rented premises \$ _____
- (15) Light, heat, power, and water \$ _____
- (16) Taxes other than on real estate and excluding income and sales taxes \$ _____
- (17) Insurance other than on real estate \$ _____
- (18) Office supplies \$ _____
- (19) Postage, telephone, telegraph \$ _____
- (20) Cash discounts allowed to customers \$ _____
- (21) Loss on bad debts - amount written off during the year \$ _____
less amount recovered \$ _____
- (22) All other expenses \$ _____
- (23) Total general and administrative expenses (total of items 12 to 22) \$ _____
- (24) TOTAL OPERATING EXPENSES (add items 5, 11, and 23) \$ _____
- (25) OPERATING PROFIT (item IIA(7) minus item 11B(24)) \$ _____

C.

NET GAIN STATEMENT

- (26) Other trading income (b) - such as discounts taken on purchases, interest earned, \$ _____
- (27) Income tax or provision made, 1947 \$ _____
- (28) NET PROFIT OR LOSS (item 25 plus item 26 minus item 27) \$ _____

For notes on (a) and (b) see next page.

IN THIS SERIES.....

OPERATING RESULTS OF RETAIL CHAIN STORES (1947)

1. Food chains
2. Clothing chains
3. Miscellaneous chains

OPERATING RESULTS OF INDEPENDENT RETAIL STORES (1944, 1945, 1946)

1. Food stores
2. Clothing stores
3. Country general and dry goods stores
4. Hardware, furniture, household appliances
and radio stores
5. Miscellaneous stores
6. Filling stations and garages

OPERATING RESULTS OF WHOLESALERS (1947)

1. Food and tobacco
2. Dry goods, piece goods, footwear
3. Miscellaneous wholesalers

Price 25¢ each.

Merchandising and Services Section
Dominion Bureau of Statistics

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DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES STATISTICS
OTTAWA

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Chief, Merchandising and Services Statistics: C.H. McDonald

Series, 1947
No. 17

16-7081

OPERATING RESULTS OF DRY GOODS AND PIECE GOODS WHOLESALEERS, 1947

Content of the Bulletin

This publication contains the results of a survey on the operations of wholesalers in the dry goods, piece goods, and shoe trades. A similar study was made by the Dominion Bureau of Statistics on wholesalers in general line dry goods and specialty line dry goods in 1938. No previous survey into operating costs of shoe wholesalers has been made by the Bureau.

Other bulletins in the 1947 wholesale operations series will cover the following trades:- groceries, fruits and vegetables, tobacco and confectionery, automotive accessories, drugs, hardware, heating and plumbing equipment.

Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distributive and production is made, however, by dividing industry into units which perform chiefly either the productive or distributive functions.

Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary trade

Wholesalers proper
Manufactures' sales branches or
offices
Petroleum bulk tank stations
Agents and Brokers
Assemblers of primary products
Other types of operation

Retailers

Independent Retailers
Independent Consumer Co-operatives
Chains - Voluntary chains
Chains under central ownership
and Control
Retail co-operative chains.

Relative importance of wholesalers proper to total wholesale trade is shown below.

Wholesale Trade - 1941 Census

<u>Type of Operation</u>	<u>Percent of Total Sales</u>
Wholesalers proper	44.6
Manufacturers sales branches	22.8
Petroleum bulk tank stations	4.1
Agents and brokers	17.2
Assemblers of primary products ..	8.5
Other types of operation	2.8
	<hr/> 100.0

Source:
1941 Census
Vol. XI, Table 1,
P. XXXI

The ten trades surveyed accounted for 35 per cent of the sales of all wholesalers proper in 1941.

The Schedule

In order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records a sample questionnaire was drawn up and despatched to all known firms in the trades surveyed. An accompanying letter requested that the companies make suggestions which would make the items clear and readily understood throughout the trade. The recommendations received were invaluable in the design of the final form.

A facsimile of the main portion of this final schedule is presented on pages 2 and 3 to help clarify meanings of terms.

Methods

The ten trades in the survey were selected for their importance in the field of wholesale distribution of consumer goods to retailers. Other trades of considerable weight were omitted because their sales were made largely to industrial users of lumber and building materials, chemicals, machinery and equipment, etc. As far as possible the wholesalers canvassed were those performing the functions of warehousing and delivery.

Wholesalers proper may be briefly defined as wholesale establishments buying and selling goods on their own account. From this group those types not actually handling the merchandise - drop shippers and desk jobbers - were omitted.

When the reports were received, some could not be used for such reasons as manufacturing activities, partial brokerage or agency business, for which expenses could not be separated from the functions of a warehousing and delivery wholesaler. Mixture of commodities not typical of the trade and unrelated as to cost of handling eliminated other returns from tabulation. Where the number of reports was sufficient the results were tabulated according to the most suitable sales-size range. The salaries of proprietors and partners were included with administrative salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Dominion Bureau of Statistics only average results are shown and all information submitted by the co-operating firms has been kept in strictest confidence.

RESULTS OF THE SURVEY.....

All wholesalers proper, as previously defined for inclusion in this survey, were canvassed by mail. Certain returns could not be used as typical and a few firms did not co-operate in submitting reports. The results presented, however, are deemed a good average of the respective trades.

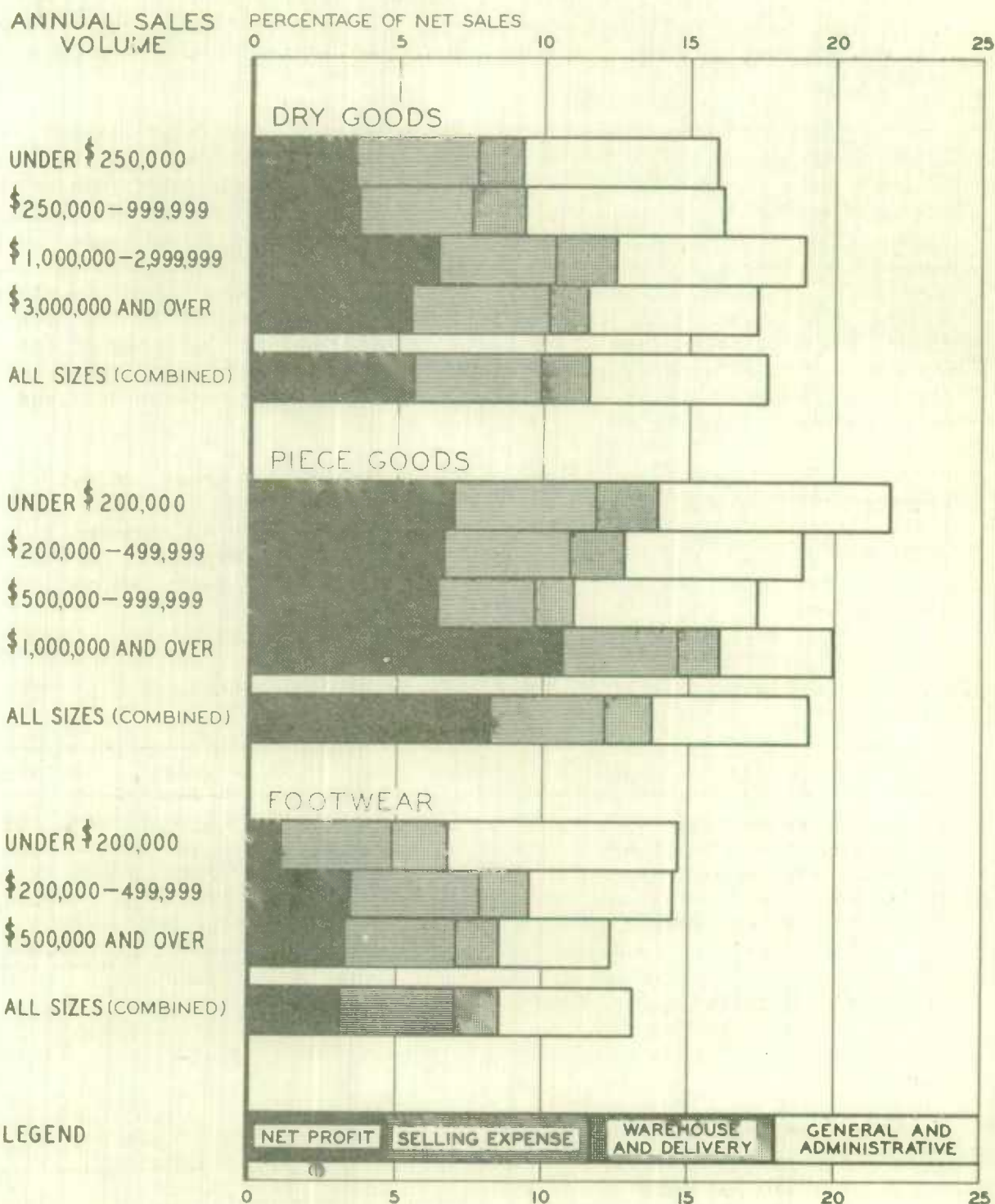
Of the three kinds of business presented in this bulletin, footwear wholesalers were the most specialized. Piece goods wholesalers included some firms selling small amounts of other commodities such as clothing and notions, and dry goods wholesalers were those firms selling a general line of dry goods - clothing, notions, piece goods, house furnishings, etc. Of the three, dry goods firms were the largest in average size, and effected a faster rate of stock turnover than the other kinds. Firms dealing in dry goods and footwear sold mainly to the retail trade, while firms selling piece goods catered more to the needs of industry than to retailers. In common with most wholesale establishments, the bulk of sales were made on a credit basis, ranging between 96.7 and 98.0 per cent of net sales.

Piece goods wholesalers obtained the highest gross and net profits with dealers of footwear recording the lowest in each case. Firms selling a general line of dry goods to retail stores expended a greater proportion of their gross margin on operating expenses. A comparison of some of the main operating features for the three trades is shown below;

Table 1. OPERATING RESULTS OF DRY GOODS, PIECE GOODS,
AND FOOTWEAR WHOLESALERS, 1947

Item		Dry goods	Piece goods	Footwear
Average sales per firm	\$	1,476,646	509,629	511,228
Stock turn (times per year)		6.4	5.0	4.8
Sales to retailers	%	92.2	38.3	97.3
Credit sales % of total	%	96.9	96.7	98.0
Sales per 1000 sq. ft. floor space	\$	43,237	121,370	76,460
PROFIT AND LOSS DATA - (Percent of net sales)				
Gross profit		16.64	18.40	12.64
Expenses:				
Selling		4.39	3.93	3.95
Warehouse and delivery		1.64	1.58	1.56
General and administrative		6.10	5.40	4.55
Total operating expenses		12.13	10.91	10.06
Net operating profit		4.51	7.49	2.58
Other trading income		1.04	0.71	0.50
Total net profit before income tax deduction		5.55	8.20	3.08

OPERATING RESULTS OF WHOLESALERS OF DRY GOODS, PIECE GOODS, AND FOOTWEAR 1947



(1) INCLUDES OTHER TRADING INCOME AND INCOME TAX.

DRY GOODS.....

Fifty-three firms in the classification of general line dry goods wholesalers returned satisfactory reports to this survey. These firms were divided into four sales-size groups, for which a certain amount of description is given in the following table:

GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales				
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	All sizes
Number of firms	19	14	14	6	53
Incorporated companies	8	8	13	6	35
Single establishments	19	14	12	5	50
Sales distribution to:					
Retail stores%	84.7	95.6	90.2	93.4	92.2
Wholesalers & industry .. %	12.1	4.3	9.7	5.9	7.2
Others	3.2	0.1	0.1	0.7	0.6

The small proportion of sales to large users and the small number of multiple organizations did not warrant separate tabulation for these two factors. Summary points in the operations of these firms in 1947 are set out below.

1. For every \$100 net sales in 1947, dry goods wholesalers paid \$83.36 as cost of goods sold and retained \$16.64 to meet expenses and allow a net profit on operations. The size class between \$1,000,000 and \$2,999,999 realized the largest gross profit and the other three groups were slightly below the "all size" average of \$16.64. Net operating profit followed the same trend by size, averaging \$4.51 out of every \$100 net sales. Other trading income, in the form of purchase discounts and earned interest added \$1.04 to this operating profit to make a total net profit before income tax deduction of \$5.55 (Table 3)
2. No definite trend was shown over the size classes in the main expense functions. Total operating expenses amounted to 12.13 per cent of net sales with administrative and general expenses accounting for half the amount at 6.10 per cent. Selling expense formed 4.39 per cent and warehouse and delivery expense 1.64 per cent of net sales. (Table 3).

3. There was a substantial increase in stocks on hand at the end of 1947 as compared to the dollar volume on hand at the beginning of the year due in part at least to the increasing level of trading. The rate of stock turnover - based on the average of the two inventories - ranged from 4.6 times to 7.5 times per year with the largest firms selling and replacing stock the greatest number of times. (Table 3).
4. The largest single item of expense was selling salaries at 3.40 per cent of net sales. Total salaries - selling, warehouse and delivery, and administrative - absorbed 7.40 per cent of sales, accounting for 61 per cent of total expenses. These and other items of expense for the four size groups are shown in detail in table 4.
5. Income tax tabulation, made for incorporated companies, showed that income tax paid ranged from 49 per cent of profit (operating profit plus other trading income) in the largest class to 38 per cent in the smallest. Because of the omission of unincorporated firms from this tabulation, gross and net profit differ slightly from the ratios shown in table 3. (Table 2).

Table 2. - DRY GOODS WHOLESALERS - Expenses and Profits of Incorporated Companies, 1947, by size of firm.

(Items shown as percentage of net sales)

Sales-size	Gross Profit	Total Operating Expenses	Operating Profit	Other Trading Income	Income Tax	Final Net Profit
	%	%	%	%	%	%
Under \$250,000	15.51	11.75	3.76	0.49	1.63	2.62
\$ 250,000 - \$ 999,999 ..	15.96	12.73	3.23	0.68	1.54	2.37
\$1,000,000 - \$2,999,999 ..	18.24	12.68	5.56	1.02	3.03	3.55
\$3,000,000 and over	16.16	11.82	4.34	1.14	2.68	2.80
All sizes	16.81	12.15	4.66	1.06	2.70	3.02

Table 3. - OPERATING RESULTS OF DRY GOODS WHOLESALERS, 1947 - By Size of Firm

Item	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	Total All Sizes
Number of firms reporting	19	14	14	6	53
Average net sales per firm . \$	160,916	467,839	1,844,365	7,138,997	1,476,646
Average cost of goods sold . \$	135,965	395,268	1,514,761	5,985,389	1,230,870
Stock turnover (times per year)	5.4	4.6	5.6	7.5	6.4
Average beginning inventory \$	20,205	74,940	241,927	677,284	167,618
Percent of net sales	12.56	16.02	13.12	9.49	11.35
Average ending inventory ... \$	30,359	96,589	294,810	926,489	219,158
Percent of net sales	18.87	20.65	15.98	12.98	14.84
PROFIT AND LOSS DATA - (Percent of net sales)					
Gross margin or profit	15.51	15.51	17.87	16.16	16.64
Operating Expenses:					
Selling	4.17	3.88	4.04	4.69	4.39
Warehouse and delivery	1.57	1.80	2.08	1.36	1.64
General and administrative .	6.69	6.81	6.41	5.77	6.10
Total Operating Expenses	12.43	12.49	12.53	11.82	12.13
Net Operating Profit	3.08	3.02	5.34	4.34	4.51
Other trading income	0.46	0.64	1.04	1.14	1.04
Total net profit before in- come tax deduction	3.54	3.66	6.38	5.48	5.55
MISCELLANEOUS DATA -					
Credit Sales:					
Average per firm	\$ 149,153	456,049	1,775,386	6,953,383	1,430,279
Percent of total sales ... %	92.69	97.48	96.26	97.40	96.86
Accounts Outstanding:					
Average per firm	\$ 15,721	52,309	160,672	832,320	156,902
Percent of credit sales .. %	10.54	11.47	9.05	11.97	10.97
Sales per 1,000 sq. ft. floor space	\$ 80,055	48,653	54,222	36,375	43,237

Table 4. - OPERATING EXPENSES OF DRY GOODS WHOLESALERS, 1947

By size of firm					
Item	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	Total All Sizes
(Items expressed as percentage of net sales)					
Gross Profit	15.51	15.51	17.87	16.16	16.64
Operating Expenses:					
<u>Selling Expense:</u>					
Salaries	3.07	2.71	2.99	3.78	3.40
Travelling expenses	0.92	1.00	0.72	0.45	0.61
Advertising	0.06	0.10	0.25	0.28	0.24
Other selling expenses ...	0.12	0.07	0.08	0.18	0.14
Total selling expense	4.17	3.88	4.04	4.69	4.39
Warehouse and Delivery					
<u>Expense:</u>					
Salaries and wages	1.03	1.11	1.70	0.93	1.20
Maintenance of delivery equipment	0.18	0.17	0.11	0.07	0.10
Outward freight and con- tact delivery	0.19	0.20	0.11	0.14	0.13
Warehouse supplies	0.12	0.26	0.14	0.16	0.16
Other warehouse and delivery expenses	0.05	0.06	0.02	0.06	0.05
Total warehouse and delivery expense	1.57	1.80	2.08	1.36	1.64
General and Administrative					
<u>Expense:</u>					
Salaries	3.45	2.84	2.92	2.68	2.80
Employees' benefits	0.02	0.09	0.18	0.18	0.17
Occupancy	0.81	0.91	0.78	0.45	0.61
Light, heat, and power ...	0.12	0.15	0.11	0.09	0.10
Taxes (1)	0.12	0.08	0.07	0.07	0.07
Insurance (1)	0.22	0.23	0.11	0.08	0.11
Office supplies	0.21	0.23	0.13	0.18	0.17
Postage, telephone and telegraph	0.23	0.23	0.21	0.15	0.18
Cash discounts	0.17	0.33	0.75	0.92	0.78
Bad debts - amount allowed or written off	0.13	0.23	0.25	0.08	0.15
(Less) Amount recovered ..	0.02	0.03	0.03	0.03	0.03
Net bad debt loss	0.11	0.20	0.22	0.05	0.12
All other expenses	1.23	1.52	0.93	0.92	0.99
Total general and administra- tive expense	6.69	6.81	6.41	5.77	6.10
Total Operating Expenses	12.43	12.49	12.53	11.82	12.13
Net Operating Profit	3.08	3.02	5.34	4.34	4.51

(1) Excludes amount attributed to real estate which is included in occupancy.

PIECE GOODS

Sixty-four wholesalers of piece goods submitted reports which could be used in this survey. For purpose of tabulation these were divided into four sales-size ranges for which a certain amount of description is given in the following table.

GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales				
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	All Sizes
Number of firms	20	23	13	8	64
Incorporated companies .	7	14	11	6	38
Single establishments ..	20	23	11	8	62
Sales distribution to:					
Retail stores %	43.7	43.0	42.2	31.5	38.3
Wholesalers and					
Industry %	54.8	56.1	56.8	68.5	61.1
Others %	1.5	0.9	1.0	-	0.6

The main features of the operations of piece goods wholesalers in 1947 are shown in table 5 while more detail on the profit and loss statement is shown in table 6. Operating expenses of firms selling principally to the retail trade are compared to those whose major sales were made to large users (mainly industry) in table 7. Tabulation for income tax and final net profit for incorporated companies is shown in table 8. Sufficient firms specializing in woollen piece goods permitted separate tabulation of their results.

Summary points in the operations of piece goods wholesalers are given below.

1. No significant trend in gross profit was evidenced over the four size classes of piece goods wholesalers in 1947. Net profit in the largest size class was much greater in ratio than in the other classes. From an average gross profit of \$18.40 on every \$100 sales, expenses of \$10.91 were paid out to leave a net operating profit of \$7.49. To this trading profit other trading income of \$.71 gave a profit before income tax deduction of \$8.20. Table 5.

2. Total operating expenses formed 10.91 per cent of net sales of which selling expenses were 3.93 per cent, warehouse and delivery 1.58 and general and administrative expense 5.40 per cent. There was a general trend toward decreased expense ratios for these major functions in the larger sized firms. The average total expense ratio ranged from 14.92 per cent in the smallest to 9.27 per cent in the largest size class. Table 5.
3. The largest single item of expense was selling salaries at 2.96 per cent of net sales. Administrative salaries were almost as high at 2.62 per cent with warehouse salaries forming 1.15 per cent. Total salaries accounted for 6.73 per cent of net sales or approximately 62 per cent of all expenses. Table 6.
4. Firms whose sales were 50 per cent or more to the retail trade incurred greater selling and warehouse and delivery expense than those whose sales were more than 50 per cent to large users (other wholesalers, industry, institutions, etc.). All sizes registered this increase, reflecting the selling and handling in smaller quantities required in dealing with the retail trade. Table 7.
5. Incorporated firms registered a net profit of 7.17 per cent of sales to which is added other trading income of 0.72 per cent as compared to the "all firm" average of 7.49 per cent profit and 0.71 per cent other trading income. From this profit of 7.89 per cent, 3.52 per cent was deducted as income tax to leave a final net profit of 4.37 per cent of net sales. Table 8.
6. Wholesalers of woollen piece goods obtained greater gross and net profits and operated on a smaller ratio of expenses than did "all piece goods" wholesalers. The lesser expenses may be partly attributed to their sales distribution - 21 per cent to retailers and 79 per cent to industry and other large users, as compared to the average of 38 and 61 per cent respectively. The difference in profits between wholesalers specializing in woollen piece goods and wholesalers of all kinds of piece goods was greatest in the largest size class. In this size group the former realized a total net profit before income tax deduction of 14.47 per cent of net sales as compared to 10.68 per cent for the latter. Table 9.

Table 5. - OPERATING RESULTS OF PIECE GOODS WHOLESALERS, 1947

By Size of Firm					
Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	Total All Sizes
Number of firms reporting	20	23	13	8	64
Average net sales per firm \$	130,147	334,629	720,171	1,619,330	509,629
Average cost of goods sold \$	102,891	274,363	600,325	1,305,444	415,874
Stock turnover (times per year) ...	5.1	4.9	5.5	4.7	5.0
Average beginning inventory \$	17,715	51,137	90,318	302,928	80,116
Percent of net sales	13.61	15.27	12.54	18.71	15.72
Average ending inventory \$	22,772	62,015	128,718	256,015	87,550
Percent of net sales	17.50	18.53	17.87	15.81	17.18
PROFIT AND LOSS DATA - (Percent of net sales)					
Gross margin or profit	20.94	18.01	16.64	19.38	18.40
Operating Expenses:					
Selling	4.86	4.27	3.36	3.96	3.93
Warehouse and delivery	2.07	1.92	1.36	1.45	1.58
General and administrative	7.99	6.05	6.25	3.86	5.40
Total operating expenses	14.92	12.24	10.97	9.27	10.91
Net Operating profit	6.02	5.77	5.67	10.11	7.49
Other trading income	0.95	0.85	0.71	0.57	0.71
Total net profit before income tax deduction	6.97	6.62	6.38	10.68	8.20
MISCELLANEOUS DATA -					
Credit Sales:					
Average per firm \$	114,594	316,827	712,681	1,597,793	492,913
Percent of total sales %	88.05	94.68	98.96	98.67	96.72
Accounts Outstanding:					
Average per firm \$	7,930	25,283	65,709	81,168	37,856
Percent of credit sales %	6.92	7.98	9.22	5.08	7.68
Sales per 1,000 sq. ft. floor space	107,873	167,244	85,506	137,594	121,370

Table 6. - OPERATING EXPENSES OF PIECE GOODS WHOLESALERS, 1947

By Size of Firm

Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	Total All Sizes
(Items expressed as percentage of net sales)					
Gross Profit	20.94	18.01	16.64	19.38	18.40
Operating Expenses:					
Selling Expense:					
Salaries	3.48	3.00	2.55	3.13	2.96
Travelling	0.82	0.86	0.58	0.63	0.68
Advertising	0.16	0.16	0.02	0.07	0.09
Other selling expenses	0.40	0.25	0.21	0.13	0.20
Total selling expense	4.86	4.27	3.36	3.96	3.93
Warehouse and Delivery Expense:					
Salaries and wages	1.48	1.28	0.97	1.14	1.15
Maintenance of delivery equipment	0.18	0.09	0.06	0.06	0.08
Outward freight and contract delivery	0.30	0.19	0.21	0.13	0.18
Warehouse supplies	0.05	0.23	0.09	0.08	0.12
Other warehouse and delivery expenses	0.06	0.13	0.03	0.04	0.05
Total warehouse and delivery expense	2.07	1.92	1.36	1.45	1.58
General and Administrative Expense:					
Salaries	4.45	3.11	3.12	1.59	2.62
Employees' benefits	0.04	0.03	0.08	0.17	0.10
Occupancy	0.87	0.57	0.54	0.30	0.48
Light, heat, and power	0.05	0.05	0.07	0.08	0.07
Taxes (1)	0.09	0.07	0.08	0.09	0.08
Insurance (1)	0.23	0.20	0.16	0.14	0.17
Office supplies	0.23	0.18	0.13	0.17	0.16
Postage, telephone and telegraph	0.26	0.21	0.17	0.10	0.16
Cash discounts	0.43	0.25	0.66	0.50	0.48
Bad debts - amount allowed or written off	0.29	0.10	0.09	0.12	0.12
(Loss) Amount recovered	0.04	-	(a)	(a)	(a)
Net bad debt loss	0.25	0.10	0.09	0.12	0.12
All other expenses	1.09	1.28	1.15	0.60	0.96
Total general and administrative expense	7.99	6.05	6.25	3.86	5.40
Total Operating Expenses	14.92	12.24	10.97	9.27	10.91
Net Operating Profit	6.02	5.77	5.67	10.11	7.49

(1) Excludes amount attributed to real estate which is included in occupancy.

(a) Less than 0.005 per cent.

Table 7. - PIECE GOODS WHOLESALERS - EXPENSES OF FIRMS SELLING TO RETAIL TRADE -
COMPARED WITH FIRMS SELLING TO LARGE USERS - 1947

Size and sales distribution	Selling Expenses	Warehouse Expenses	General and Administrative Expenses	Total Operating Expenses
(Items expressed as percentage of net sales)				
<u>Under \$200,000</u>				
50% and over sales to stores	5.16	2.12	7.61	14.89
Over 50% sales to large users	4.63	2.04	8.29	14.96
Average, all firms	4.86	2.07	7.99	14.92
<u>\$200,000 - \$499,999</u>				
50% and over sales to stores	4.73	2.93	5.87	13.53
Over 50% sales to large users	4.00	1.33	6.16	11.49
Average, all firms	4.27	1.92	6.05	12.24
<u>\$500,000 - \$999,999</u>				
50% and over sales to stores	3.63	1.80	6.79	12.22
Over 50% sales to large users	3.08	0.90	5.68	9.66
Average, all firms	3.36	1.36	6.25	10.97
<u>\$1,000,000 and over</u>				
50% and over sales to stores	4.99	3.33	3.84	12.16
Over 50% sales to large users	3.65	0.88	3.87	8.40
Average, all firms	3.96	1.45	3.86	9.27
<u>All Sizes</u>				
50% and over sales to stores	4.39	2.49	5.89	12.77
Over 50% sales to large users	3.68	1.07	5.11	9.86
Average, all firms	3.93	1.58	5.40	10.91

Table 8. - PIECE GOODS WHOLESALERS - EXPENSES AND PROFITS OF INCORPORATED FIRMS-1947

By Size of Firm

(Items shown as percentage of net sales)

Volume of Annual Sales	Gross Profit	Total Operating Expenses	Net Operating Profit	Other Trading Income	Income Tax	Final Net Profit
Under \$200,000	22.36	17.63	4.73	1.18	2.31	3.60
\$200,000 - \$499,999	18.09	12.75	5.34	0.95	2.22	4.07
\$500,000 - \$999,999	17.21	10.98	6.23	0.73	3.16	3.80
\$1,000,000 and over	18.68	9.47	9.21	0.56	4.65	5.12
All sizes	18.15	10.98	7.17	0.72	3.52	4.37

Table 9. - WHOLESALERS OF WOOLLEN PIECE GOODS - MAIN EXPENSES AND PROFITS, 1947.

By size of firm

Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	All Sizes
(Items expressed as percentage of net sales)				
Number of firms	8	11	5	24
Average net sales per firm\$	120,780	323,145	892,340	374,268
Sales distribution to:				
Retail stores	49.6	30.3	8.0	21.3
Industry and other large users .	50.4	69.7	92.0	78.7
Gross profit	19.41	18.21	22.05	20.24
Operating Expenses:				
Selling expense	3.19	3.90	2.28	3.02
Warehouse and delivery	1.46	1.30	0.59	0.96
General and administrative	7.22	6.02	5.42	5.85
Total operating expenses	11.87	11.22	8.29	9.83
Net operating profit	7.54	6.99	13.76	10.41
Other trading income	0.65	0.75	0.71	0.72
Total net profit before income taxes	8.19	7.74	14.47	11.13

FOOTWEAR.....

Operating ratios were based on adequate reports from twenty-one wholesalers of shoes and other footwear. These firms were divided into three sales-size ranges; under \$200,000 annual net sales, \$200,000 to \$499,999, and \$500,000 and over. Footwear was sold exclusively by the reporting firms and 16 of the 21 sold entirely to the retail trade. The other five sold mainly to retailers with a small percentage going to other wholesalers or industrial users. All firms were single establishments (no branches). The smallest size group included 3 corporations, the middle class 4, and the five firms with sales of over \$500,000 were all incorporated.

Some of the main features of footwear wholesalers' operations in 1947 are:

1. Gross profits as a percentage of net sales decreased with sales volume from 14.56 per cent in the smallest class to 11.63 per cent in the largest. Net profit was lowest in the smallest class (1.0 per cent) with the largest firms at 2.53 per cent and the middle size class 3.39 per cent. (Table 11).
2. Inventories were greater at the end of the year than at the beginning in all sizes and the rate of stock turnover, based on the average of the beginning and year end inventories, increased with size of business from 4.1 to 5.1 times per year.
3. Salaries paid to salesmen were highest in the largest size class while warehouse and administrative salaries decreased in ratio with sales volume. Out of every \$100 sales, \$6.58 were absorbed by salaries and wages. Out of every \$100 expense money, \$65 went to salaries and wages. (Table 12).
4. The final net profit of incorporated firms (income tax deducted) is shown below for two size ranges.

Table 10. - PROFITS AND EXPENSES OF INCORPORATED FOOTWEAR WHOLESALERS, 1947

(Items shown as per cent of net sales)		
Item	Under \$500,000	\$500,000 and over
Gross profit	15.21	11.63
Total expenses	11.52	9.10
Operating profit	3.69	2.53
Other trading income	0.15	0.74
Income tax	1.33	1.45
Net profit	2.51	1.82

Table 11. - OPERATING RESULTS OF FOOTWEAR WHOLESALERS, 1947

By Size of Firm

Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	Total All Sizes
Number of firms reporting	8	8	5	21
Average net sales per firm \$	145,739	332,136	1,382,557	511,228
Average cost of goods sold \$	124,520	284,257	1,221,751	446,617
Stock turnover (times per year)	4.1	4.5	5.1	4.8
Average beginning inventory \$	28,121	59,774	191,399	79,055
Percent of net sales	19.30	18.00	13.84	15.46
Average ending inventory \$	33,315	66,649	289,110	106,917
Percent of net sales	22.86	20.07	20.91	20.91
<u>PROFIT AND LOSS DATA -</u> (Percent of net sales)				
Gross margin or profit	14.56	14.42	11.63	12.64
Operating expenses:				
Selling	3.83	4.44	3.78	3.95
Warehouse and delivery	1.84	1.69	1.47	1.56
General and administrative	7.89	4.90	3.85	4.55
Total Operating Expenses	13.56	11.03	9.10	10.06
Net Operating Profit.....	1.00	3.39	2.53	2.58
Other trading income	0.07	0.05	0.74	0.50
Total net profit before income tax deductions	1.07	3.44	3.27	3.08
<u>MISCELLANEOUS DATA -</u>				
Credit Sales:				
Average per firm \$	142,824	318,850	1,368,731	501,003
Percent of total sales %	98.00	96.00	99.00	98.00
Accounts Outstanding:				
Average per firm \$	13,283	26,464	128,661	45,591
Percent of credit sales %	9.30	8.30	9.40	9.10
Sales per 1,000 sq. ft. floor space	67,113	85,712	73,897	76,460

Table 12. - OPERATING EXPENSES OF FOOTWEAR WHOLESALERS, 1947

By Size of Firm

	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	Total All Sizes
(Items expressed as percentage of net sales)				
Gross Profit	14.56	14.42	11.63	12.64
Operating Expenses:				
Selling expense:				
Salaries	2.17	3.33	3.36	3.22
Travelling	1.10	0.83	0.24	0.48
Advertising	0.37	0.12	0.14	0.16
Other selling expenses	0.19	0.16	0.04	0.09
Total selling expense	3.83	4.44	3.78	3.95
Warehouse and Delivery Expense:				
Salaries and wages	1.56	1.29	0.93	1.08
Maintenance of delivery equip- ment	0.07	0.09	0.03	0.05
Outward freight and contract delivery	0.14	0.18	0.39	0.31
Warehouse supplies	0.05	0.08	0.04	0.05
Other warehouse and delivery expense	0.02	0.05	0.08	0.07
Total warehouse and delivery expense	1.84	1.69	1.47	1.56
General and Administrative Expense:				
Salaries	3.97	2.16	2.04	2.28
Employees' benefits	0.02	0.02	0.03	0.03
Occupancy	0.65	0.55	0.41	0.47
Light, heat, and power	0.09	0.06	0.06	0.07
Taxes (1)	0.10	0.10	0.03	0.06
Insurance (1)	0.29	0.19	0.10	0.14
Office supplies	0.22	0.17	0.11	0.13
Postage, telephone and tele- graph	0.31	0.29	0.18	0.22
Cash discounts	0.04	0.12	0.08	0.08
Bad debts - amount allowed or written off	0.18	0.22	0.18	0.19
(Less) Amount recovered	0.03	0.06	0.11	0.09
Net bad debt loss	0.15	0.16	0.07	0.10
All other expenses	2.05	1.08	0.74	0.97
Total general and administrative expense	7.89	4.90	3.85	4.55
Total Operating Expenses	13.56	11.03	9.10	10.06
Net Operating Profit	1.00	3.39	2.53	2.58

(1) Excludes amount attributed to real estate which is included in occupancy.

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