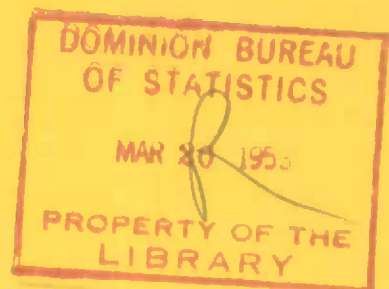


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GOVERNMENT OF CANADA



OPERATING RESULTS
OF
DRY GOODS, PIECE GOODS
AND FOOTWEAR WHOLESALEERS
1951



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OPERATING RESULTS OF DRY GOODS, PIECE GOODS
AND FOOTWEAR WHOLESALERS
1951

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 4 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Construction; **Volume IV**—Merchandising and Services.

Volume IV consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢.
- B — Operating Results of Food Wholesalers, 25¢.
- C — Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
- D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

- E — General Review, 25¢.
- F — Retail Trade, 25¢.
- G — Retail Chain Stores, 25¢.
- H — Operating Results of Chain Food Stores, 25¢.
- I — Operating Results of Chain Clothing Stores, 25¢.
- J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
- *K — Operating Results of Retail Food Stores, 25¢.
- *L — Operating Results of Retail Clothing Stores, 25¢.
- *M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢.
- *N — Operating Results of Filling Stations and Garages, 25¢.
- *O — Operating Results of Miscellaneous Retail Stores, 25¢.
- P — Retail Consumer Credit, 25¢.

Part III — Service and Special Fields

- Q — Laundries, Cleaners and Dryers, 25¢.
- R — Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
- S — Hotels, 25¢.
- T — Sales Financing, 25¢.
- U — Farm Implement and Equipment Sales, 25¢.
- V — New Motor Vehicle Sales and Motor Vehicle Financing 25¢.
- W — Advertising Agencies (Memorandum) 25¢.

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

• Biennial reports — not issued for 1951.

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OPERATING RESULTS - LIST OF REPORTS

WHOLESALE TRADE (1947, 1949 and 1951)

1. Food Wholesalers
2. Dry Goods, Piece Goods and Footwear Wholesalers
3. Miscellaneous Wholesalers (Automotive Parts and Accessories, Drugs, Hardware, Plumbing and Heating Supplies)

INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948 and 1950)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. Miscellaneous Stores (Country General, Restaurants, Fuel, Drugs, Jewellery, and Tobacco Stores)

RETAIL CHAIN STORES (1947, 1949 and 1951)

1. Food Store Chains
2. Clothing Store Chains
3. Miscellaneous Chain Stores (Variety, Furniture, Drugs)

OPERATING RESULTS OF DRY GOODS, PIECE GOODS AND FOOTWEAR WHOLESALERS

1951

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope

This study is confined to wholesalers proper, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributor are not included. Three separate trades are covered—dry goods, piece goods, and footwear wholesalers.

Content

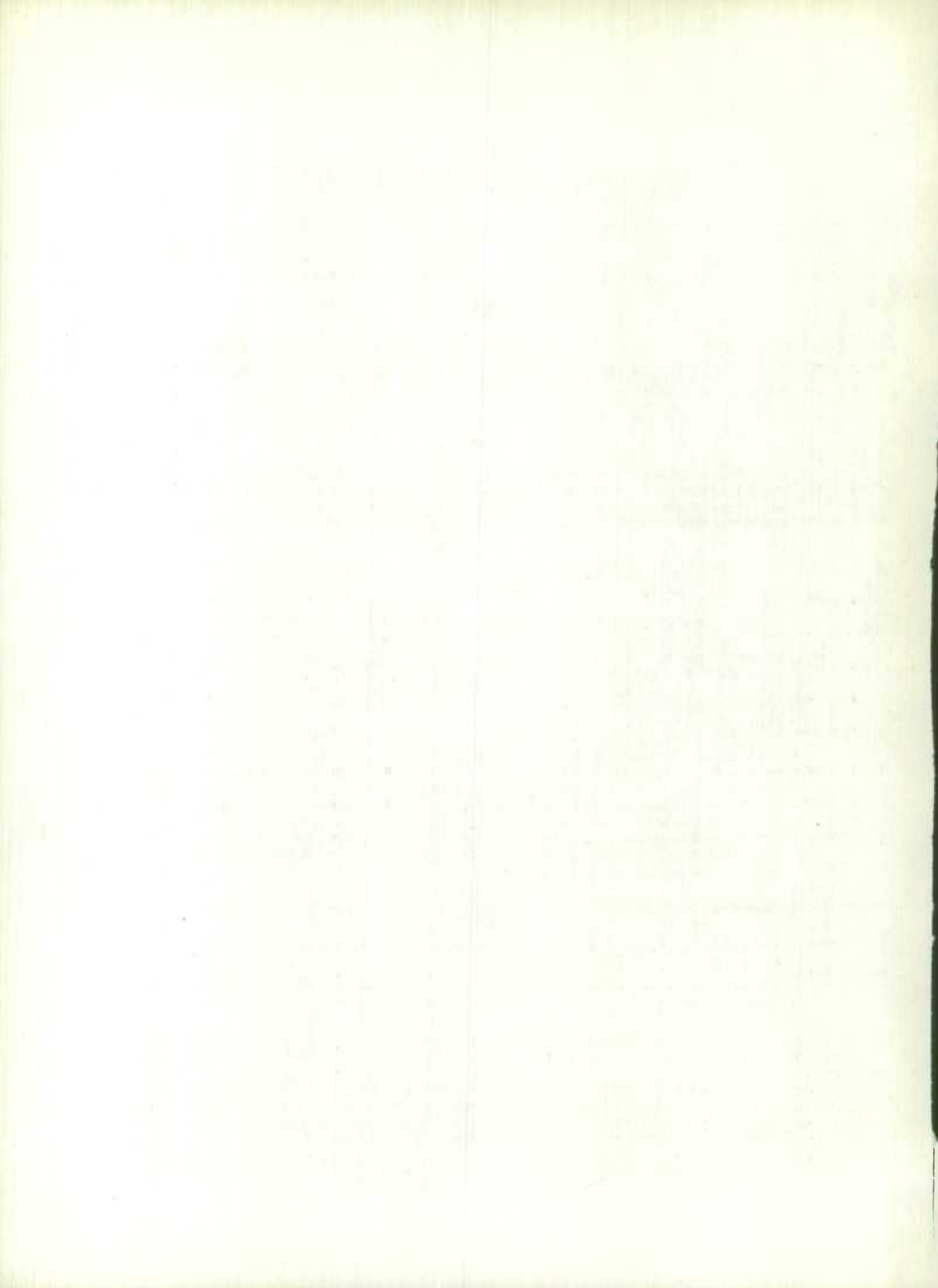
Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size ranges. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared. Reports from Newfoundland wholesalers are not included in this survey. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only. Middle range figures for gross and net profits, and for three main functional divisions of expense, introduced in 1949, are contained in this report. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. Because each item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.

Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered

This report deals largely with 1951 operations and is the third biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1949 and 1951. The charts show the gross profit components for 1947, 1949 and 1951 by suitable sales size classifications for each trade.



SUMMARY OF 1951 RESULTS BY TRADES

The following summary table shows the principal operating results figures for the three kinds of wholesale business covered in this report. In analyzing the performance of an individual wholesale company,

reference should be made to the more detailed tables appearing in appropriate sections of this report. In these tables, variations arising from differences in sales size and geographic locations are revealed.

Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers Compared, 1951

Item	Dry goods	Piece goods	Footwear
Number of firms	57	66	25
Average sales per firm \$	1,685,435	477,331	369,552
Stock turnover (times per year)	4.33	3.36	4.25
Per cent of net sales			
Gross profit	16.96	15.19	14.07
Operating expenses:			
Selling expense.....	4.94	4.54	4.55
Warehouse and delivery expense.....	2.22	1.84	2.26
Administrative and general expense.....	6.70	7.43	7.01
Total operating expenses	13.86	13.81	13.82
Net operating profit	3.10	1.38	0.25
Other trading income	0.80	0.57	0.38
Miscellaneous Expense	0.37	0.19	0.51
Net profit before income tax deduction	3.53	1.76	0.12
Credit sales	96.65	96.10	95.34
Sales to retail stores	92.34	36.62	95.00

Extreme caution should be observed to avoid comparing absolute dollar values (average sales, cost of goods etc.) published in this report, with corresponding items of individual establishments or firms. These values are averages of items reported by both single and multiple establishment firms and are "firm" averages, not "establishment" averages. Consequently, a concentration of multiple establishment firms in a specific trade will result in an

abnormal average for that trade. Ratios, however, may be used with a high degree of reliability when applied to either an establishment or a firm. The survey was designed primarily to obtain operating ratios to which both single and multiple establishment firms might compare their operating results. Absolute values are shown only for the purpose of assisting the wholesaler to place his firm in relation to the average in the appropriate sales size category.

Average sales ranged from \$369,552 for footwear wholesalers to \$477,331 and \$1,685,435 for piece goods and dry goods wholesalers respectively; the same relative positions as occurred in 1949. Differences in average sales are primarily due to peculiarities of each specific trade, with respect to both kind of goods sold and number of establishments per firm. The interrelationship of stock turnover ratios was the same, with dry goods wholesalers obtaining the highest, 4.33, and piece goods wholesalers showing the lowest, 3.36. Dry goods wholesalers averaged the highest gross profit or margin ratio (16.96%) of net sales; piece goods wholesalers showed 15.19%, but footwear wholesalers only obtained 14.07%. Because of the magnitude of the ratios the differences appear slight, but the total operating expense ratio for each trade was almost identical in each instance. Therefore, the net operating profit ratios took the same relative order as the

gross profit ratios, with dry goods highest with 3.10%, piece goods second with 1.38% and footwear lowest with 0.25%. Each trade showed one of the ratios of the three functional divisions of expense as highest. Dry goods showed the highest selling expense ratio of 4.94%, piece goods the highest administrative and general expense ratio, 7.43%, and footwear the highest warehouse and delivery expense ratio, 2.26%.

Average credit sales, expressed as a percentage of average net sales, indicate that dry goods wholesalers' ratio of 96.65% was the highest and footwear wholesalers' ratio of 95.34% was the lowest. Piece goods wholesalers sold about two thirds of their merchandise to large industrial users, whereas dry goods and footwear wholesalers sold mainly to retail stores.

DRY GOODS WHOLESALERS

Of the 57 firms reporting, 43 were incorporated, and the remaining 14 were comprised of four individual proprietorships and 10 partnerships. Only eight firms operated more than one establishment. Sales to

retail stores made up 92.3% of total sales; the remaining 7.7% was almost entirely to other wholesalers and large users.

Description of Reporting Firms

Item	Firms with 1951 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms	15	19	15	8	57
Form of organization:					
Individual proprietorship	2	2	—	—	4
Partnership	4	5	1	—	10
Incorporated company	9	12	14	8	43
Number of firms operated as:					
Single establishment	15	17	12	5	49
Multiple establishment	—	2	3	3	8
Distribution of sales:					
To retailers%	93.83	94.77	90.50	92.87	92.34
To other wholesalers and large users%	6.17	3.57	9.50	5.49	6.58
To others%	—	1.66	—	1.64	1.08

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high

degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Dry goods wholesalers obtained an average gross profit of 16.96 per cent of average net sales, slightly larger than the 1949 ratio. This indicates that the average gross profit increased at a greater rate than average net sales. This condition was experienced in each of the sales size categories except the second, which showed a slight decrease from 16.08% to 15.89%. A slight increase from 13.39% in 1949 to 13.86% in 1950, occurred in the total operating expense ratio. Of the three components; administrative and general expense, which accounts for almost half of total expense, decreased slightly to 6.70%. Selling expense and warehouse and delivery expense each increased slightly to 4.94% and 2.22% respectively. The only significant exception from the average occurred in the third sales size category where the warehouse and delivery expense ratio decreased from 2.59% to 1.79%, a decrease sufficient to cause a slight decline in the total expense ratio. Miscellaneous expense and income netted an increase to the net operating profit of 3.10% resulting in a ratio of net profit before income tax of 3.53%.

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms, increased from 17.86% at the beginning of the year, to 20.46% at the end of the year. This trend was common to all sales

size categories. The rate of stock turnover - average of beginning and ending inventories divided into cost of goods sold - was 4.33 for all dry goods wholesalers, a slight decline from the 1949 rate.

Credit Sales and Receivables

Although the first (the smallest) and third sales size categories showed a slight decrease in the proportion of credit sales to net sales, the average of all dry goods wholesalers increased from 96.40% in 1949 to 96.65% in 1951. Accounts outstanding, as at

December 31, 1951, were 12.55 per cent of credit sales. The largest and smallest proportions, 16.06% and 11.19%, appeared in the first and fourth sales size categories respectively.

TABLE 1. Operating Results of Dry Goods Wholesalers, 1951, by Size of Firm

Item	Firms with 1951 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms reporting	15	19	15	8	57
Average net sales per firm	\$ 143,629	547,600	2,040,709	6,612,544	1,685,435
Average cost of goods sold	\$ 118,902	460,569	1,696,456	5,474,209	1,399,558
Stock turnover (times per year)	3.39	3.80	4.05	4.71	4.33
Average beginning inventory	\$ 33,375	116,231	402,498	1,051,141	300,976
Per cent of average net sales	23.24	21.22	19.72	15.90	17.86
Average ending inventory	\$ 36,689	126,206	435,933	1,271,343	344,877
Per cent of average net sales	25.54	23.05	21.36	19.23	20.46
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Gross profit	17.22	15.89	16.87	17.21	16.96
Operating expenses:					
Selling expense:					
Salaries	2.92	3.86	3.59	3.93	3.79
Travelling	1.03	0.97	0.71	0.60	0.69
Advertising	0.09	0.11	0.28	0.41	0.33
Other selling expense	0.08	0.12	0.16	0.11	0.13
Total selling expense	4.12	5.06	4.74	5.05	4.94
Warehouse and delivery expense:					
Salaries and wages	1.73	1.42	1.30	1.85	1.63
Maintenance of delivery equipment	0.67	0.12	0.12	0.12	0.13
Outward freight	0.11	0.21	0.23	0.22	0.22
Warehouse supplies	0.16	0.17	0.13	0.16	0.15
Other warehouse and delivery expense	0.05	0.47	0.01	0.07	0.09
Total warehouse and delivery expense	2.72	2.39	1.79	2.42	2.22
Administrative and general expense:					
Salaries	4.52	3.28	3.76	3.28	3.45
Employees' benefits	0.03	0.26	0.23	0.24	0.24
Occupancy	1.55	1.09	0.81	0.71	0.80
Light, heat, and power	0.19	0.15	0.12	0.13	0.13
Taxes ¹	0.13	0.09	0.08	0.10	0.09
Insurance ¹	0.41	0.30	0.17	0.11	0.16
Office supplies	0.26	0.21	0.16	0.20	0.19
Communication	0.21	0.20	0.23	0.24	0.23
Bad debts — amount written off	0.53	0.31	0.43	0.09	0.23
All other expense	1.05	1.03	0.92	1.36	1.16
Total administrative and general expense	8.88	6.92	6.91	6.46	6.70
Total operating expenses	15.72	14.37	13.44	13.93	13.86
Net operating profit	1.50	1.52	3.43	3.28	3.10
Other trading income	0.80	0.72	0.57	0.96	0.80
Miscellaneous expense	0.29	0.32	0.49	0.31	0.37
Net profit before income tax deduction	2.01	1.92	3.51	3.93	3.53
MISCELLANEOUS DATA					
Credit sales:					
Average per firm	\$ 129,453	530,734	1,952,142	6,451,198	1,628,804
Per cent of average net sales	90.13	96.92	95.66	97.56	96.65
Accounts outstanding:					
Average per firm	\$ 20,790	65,174	281,304	721,889	204,415
Per cent of average credit sales	16.06	12.28	14.41	11.19	12.55
Sales per 1,000 sq. ft. of floor space	\$ 49,794	47,401	58,172	90,706	71,268

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

Regional Results

Gross trading profit ratios of dry goods wholesalers in the four major regions of Canada, ranged from 15.33% in Ontario to 18.18% in the Prairie Provinces. Ontario and the Prairie Provinces also

showed the lowest and highest total operating expense ratios, 12.88% and 15.22% respectively. The British Columbia wholesalers obtained the highest net trading profit ratio of 3.60%.

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1951

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	18	17	17	5	57
Average sales per firm \$	2, 184, 254	1, 554, 767	1, 413, 186	1, 259, 611	1, 685, 435
PROFIT AND LOSS DATA (Percent of net sales)					
Gross profit	17.23	15.33	18.18	17.46	16.96
Operating expenses:					
Selling expense	5.15	4.75	5.05	3.93	4.94
Warehouse and delivery expense	1.99	2.38	2.49	1.98	2.22
Administrative and general expense	6.54	5.75	7.68	7.95	6.70
Total operating expenses.....	13.68	12.88	15.22	13.86	13.86
Net operating profit.....	3.55	2.45	2.96	3.60	3.10

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 3. Average and Middle Range Ratios of Dry Goods Wholesalers, 1951

Item	Firms with 1951 sales of						Total all sizes	
	Under \$250,000		\$250,000 to \$999,999		\$1,000,000 to \$2,999,999			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	Per cent of net sales							
Gross Profit	17.2	14.0—20.3	15.9	12.3—20.2	16.8	15.5—19.0	16.9	13.2—20.0
Selling expense	4.1	2.6— 6.3	5.1	3.2— 6.3	4.7	3.2— 5.7	4.9	3.2— 6.3
Warehouse and delivery expense	2.7	1.7— 3.7	2.4	1.4— 2.9	1.8	0.9— 2.6	2.2	1.2— 3.1
Administrative and general expense	8.9	6.7—12.3	6.9	5.6— 8.9	6.9	5.8— 8.3	6.7	5.8—10.4
Net operating profit	1.5	0.6 ¹ — 2.7	1.5	0.6— 2.8	3.4	1.5— 5.5	3.1	0.6— 3.3

1. Operating loss.

Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a pro-

portion of net sales, was 3.64% and 3.53% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio of 3.64% to 1.91%, a decrease of 48%.

TABLE 4. Operating Results of Incorporated Dry Goods Wholesalers, 1951, By Size of Firm

Item	Firms with 1951 Sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
(Per cent of net sales)					
Gross profit	17.80	16.19	16.88	17.21	17.03
Operating expenses	15.82	14.63	13.28	13.93	13.81
Net operating profit	1.98	1.56	3.60	3.28	3.22
Other trading income	1.03	0.66	0.55	0.96	0.81
Miscellaneous expense	0.30	0.37	0.53	0.31	0.39
Net profit before income tax deduction	2.71	1.85	3.62	3.93	3.64
Income tax	0.72	0.72	1.64	1.95	1.73
Final net profit	1.99	1.13	1.98	1.98	1.91

Comparison of 1949 and 1951 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 5. Operating Results of Dry Goods Wholesalers, 1949 and 1951 Compared

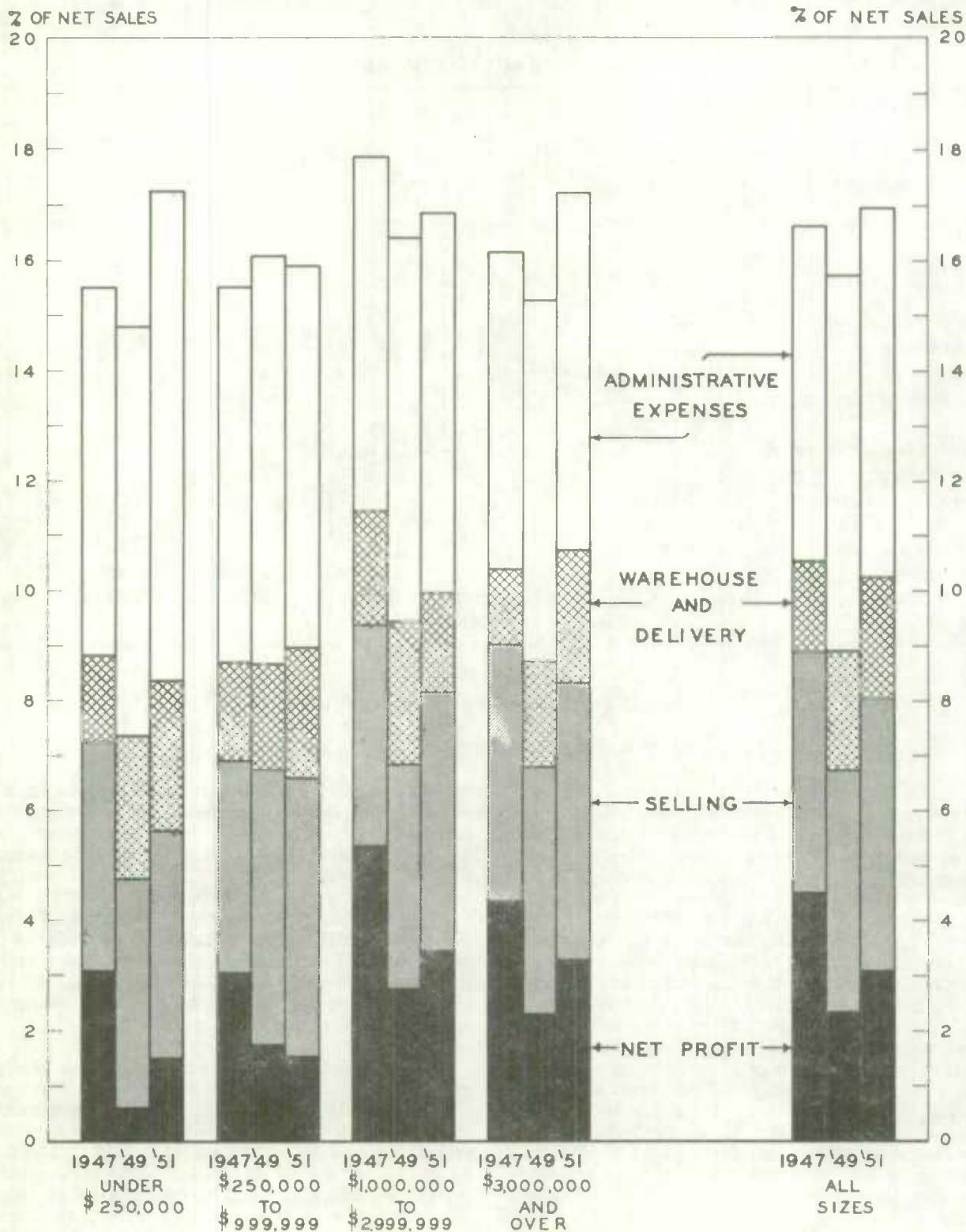
Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms	62	57	48	48
Average net sales per firm	\$ 1,473,476	1,685,435	1,737,100	1,811,608
Per cent of net sales				
Gross profit	15.73	16.96	15.73	16.74
Operating expenses:				
Selling expense.....	4.40	4.94	4.31	4.74
Warehouse and delivery expense.....	2.18	2.22	2.17	2.18
Administrative and general expense.....	6.81	6.70	6.75	6.58
Total operating expenses	13.39	13.86	13.23	13.50
Net operating profit.....	2.34	3.10	2.50	3.24

CHART I.

OPERATING RESULTS OF DRY GOODS WHOLESALERS

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

1947 - 1949 - 1951



PIECE GOODS WHOLESALERS

Of the 66 firms reporting, 40 were incorporated and the remaining 26 were comprised of 16 partnerships and 10 single proprietorships. Only 5 operated

more than one establishment. The sales distribution ratios indicate that the greater proportion of sales was made to industrial users.

Description of Reporting Firms

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of Firms	20	27	11	8	66
Form of organization:					
Individual proprietorship	3	4	2	1	10
Partnership	4	8	3	1	16
Incorporated company ..	13	15	6	6	40
Number of firms operated as:					
Single establishment	20	23	11	7	61
Multiple establishment	—	4	—	1	5
Distribution of sales:					
To retailers	35.06	43.94	47.68	25.49	36.62
To other wholesalers and large users	64.67	55.55	52.32	74.51	63.21
To others	0.27	0.51	—	—	0.17

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid inter-

preting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges, as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Piece goods wholesalers obtained an average gross profit or margin of 15.19 per cent of average net sales on 1951 operations, slightly less than the 1949 ratio of 15.93%. Gross profit ratios of the typical sales size categories ranged from 12.74% to 18.56% in the fourth (the largest) and second categories respectively. Total operating expense ratios also showed a large range, from 11.65% to 17.88% for the third and second categories respectively. The average operating expense ratio for all piece goods wholesalers was 13.81 per cent of average net sales.

Administrative and general expense accounted for more than half of total operating expense, and selling expense approximately a third, whereas warehouse and delivery was a comparatively very small proportion. The third sales size category showed the

largest net operating profit ratio, 3.31%, and the first category showed the lowest, 0.04%. Miscellaneous expense and income netted an increase to the net operating profit of 1.38%, resulting in a ratio of net profit before income tax of 1.76%.

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 24.02% at the beginning of the year, to 26.45% at the end of the year. This is significant as a reverse in trend of the 1949 ratios which decreased from 19.84% to 19.27%. The rate of stock turnover-average of beginning and ending inventories divided into cost of goods sold-

was 3.36 for all firms combined. It would be expected that the stock turnover rate would increase directly with the sales size categories. The exception in this instance was the second category which showed a slight decrease from the first, or smallest, category.

Credit Sales and Receivables

Average credit sales, expressed as a percentage of average net sales, was 96.10% for all piece goods wholesalers in 1951. This ratio ranged from 88.63% in the third sales size category to 99.88% in the fourth,

or largest, category. Average accounts outstanding averaged 14.07% of credit sales for all firms. The highest proportion, 19.18%, occurred in the first category, and the lowest, 12.40% in the third category.

TABLE 6. Operating Results of Piece Goods Wholesalers 1951, By Size of Firm

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	20	27	11	8	66
Average net sales per firm	\$ 130,330	331,738	657,225	1,588,853	477,331
Average cost of goods sold	\$ 109,263	270,171	558,918	1,386,378	404,833
Stock turnover (times per year)	2.84	2.60	3.54	4.20	3.36
Average beginning inventory	\$ 38,028	95,653	144,916	328,573	114,634
Per cent of average net sales	29.18	28.83	22.05	20.68	24.02
Average ending inventory	\$ 39,020	112,073	170,430	331,485	126,257
Per cent of average net sales	29.94	33.78	25.93	20.86	26.45
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Gross profit	16.16	18.56	14.96	12.74	15.19
Operating expenses:					
Selling expense:					
Salaries	3.55	3.87	2.69	3.12	3.27
Travelling	0.75	1.03	0.59	0.66	0.76
Advertising	0.26	0.12	0.14	0.10	0.13
Other selling expense	0.41	0.39	0.30	0.41	0.38
Total selling expense	4.97	5.41	3.72	4.29	4.54
Warehouse and delivery expense:					
Salaries and wages	1.09	1.66	0.84	0.89	1.12
Maintenance of delivery equipment	0.35	0.28	0.24	0.21	0.25
Outward freight	0.26	0.27	0.22	0.27	0.25
Warehouse supplies	0.15	0.11	0.10	0.09	0.10
Other warehouse and delivery expense	0.10	0.15	0.16	0.07	0.12
Total warehouse and delivery expense	1.95	2.47	1.56	1.53	1.84

TABLE 6. Operating Results of Piece Goods Wholesalers 1951, By Size of Firm -- Concluded

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Administrative and general expense:					
Salaries	4.91	5.61	3.14	2.95	3.90
Employees' benefits	0.02	0.10	0.14	0.25	0.17
Occupancy	1.11	1.11	1.00	0.50	0.84
Light, heat, and power	0.10	0.11	0.11	0.04	0.08
Taxes ¹	0.18	0.22	0.10	0.08	0.13
Insurance ¹	0.35	0.25	0.27	0.15	0.22
Office supplies	0.25	0.19	0.11	0.13	0.15
Communication	0.31	0.27	0.24	0.22	0.25
Bad debts—amount written off	0.35	0.53	0.42	0.70	0.56
All other expense	1.62	1.61	0.84	0.85	1.13
Total administrative and general expense..	9.20	10.00	6.37	5.87	7.43
Total operating expenses	16.12	17.88	11.65	11.69	13.81
Net operating profit	0.04	0.68	3.31	1.05	1.38
Other trading income	0.83	0.59	0.34	0.63	0.57
Miscellaneous expense	0.09	0.10	0.15	0.31	0.19
Net profit before income tax deduction	0.78	1.17	3.50	1.37	1.76
MISCELLANEOUS DATA					
Credit sales:					
Average per firm	\$ 120,660	323,245	582,499	1,586,946	458,715
Per cent of average net sales	92.58	97.44	88.63	99.88	96.10
Accounts outstanding:					
Average per firm	\$ 23,143	44,963	72,230	220,427	64,541
Per cent of average credit sales	19.18	13.91	12.40	13.89	14.07
Sales per 1,000 sq. ft. of floor space	\$ 100,368	86,102	122,104	168,455	115,814

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

Results of Firms Selling to Retailers and Large Users Compared

The differences in operating results of firms selling primarily to retailers and firms selling chiefly to industry, or other large users, are revealed in the following table of comparison. In general, those firms selling to retailers experienced larger operating expenses and consequently sold at a higher gross profit or margin. The functional divisions of expense for each group were of similar

proportions of their respective total expense items. Administrative expense accounted for slightly more than half, selling expense was approximately a third, and warehouse and delivery expense comprised the remaining portion of about 15%. In all sales size categories but the smallest, those wholesalers selling to industry obtained the higher net profit ratio.

TABLE 7. Operating Results of Piece Goods Wholesalers, 1951
Firms Selling to Retailers and to Large Users, Compared

Item	Firms with 1951 sales of							Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over		
	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users	Over 50% to large users	50% and over to retailers	Over 50% to large users
	Per cent of net sales								
Gross profit	18.76	14.54	20.23	17.45	14.12	16.01	12.74	17.19	14.44
Operating expenses:									
Selling	6.54	3.99	5.96	5.06	4.24	3.08	4.29	5.22	4.28
Warehouse and delivery ..	2.98	1.31	3.68	1.66	1.33	1.85	1.53	2.50	1.59
Administrative and general	8.89	9.40	10.80	9.47	6.86	5.75	5.87	8.73	6.95
Total operating expenses	18.41	14.70	20.44	16.19	12.43	10.68	11.69	16.45	12.82
Net operating profit	0.35	¹ 0.16	¹ 0.21	1.26	1.69	5.33	1.05	.74	1.62

1. Operating loss

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary consi-

derably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 8. Average and Middle Range Ratios of Piece Goods Wholesalers, 1951

Item	Firms with 1951 sales of								Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	Per cent of net sales									
Gross profit	16.2	11.5-20.1	18.6	12.3-25.2	15.0	10.3-19.9	12.7	11.2-13.3	15.2	11.9-20.3
Selling expense	5.0	2.0-7.6	5.4	2.4-8.3	3.7	1.9-5.9	4.3	2.2-6.4	4.6	2.3-7.4
Warehouse and delivery expense	2.0	0.6-3.3	2.5	0.9-3.3	1.6	0.9-2.3	1.5	0.7-2.3	1.8	0.9-2.8
Administrative and general expense	9.2	6.1-11.1	10.0	8.2-12.5	6.4	3.9-8.8	5.8	5.4-8.4	7.4	6.1-11.0
Net operating profit ..	0.0	1 3.8-2.4	0.7	1 1.7-2.9	3.3	1 0.2-6.9	1.1	1 4.8-3.0	1.4	1 1.9-2.9

1. Operating loss

Incorporated Companies 1951

Comparison of the profit and expense ratios of incorporated firms, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a proportion of net

sales, was 1.72% and 1.76% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 1.06%, a decrease of 33%.

TABLE 9. Operating Results of Incorporated Piece Goods Wholesalers, 1951, by Size of Firm

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
	Per cent of net sales				
Gross profit	15. 75	19. 05	14. 88	12. 72	14. 95
Operating expenses	16. 01	18. 50	11. 65	11. 29	13. 52
Net operating profit	1. 26	0. 55	3. 23	1. 43	1. 43
Other trading income	1. 00	0. 96	0. 18	0. 41	0. 55
Miscellaneous expense	—	0. 16	0. 17	0. 39	0. 26
Total net profit before income tax deduction	0. 74	1. 35	3. 24	1. 45	1. 72
Income Tax	0. 36	0. 52	0. 39	0. 89	0. 66
Final net profit	0. 38	0. 83	2. 85	0. 56	1. 06

1. Operating loss.

Comparison of 1949 and 1951 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 10. Operating Results of Piece Goods Wholesalers 1949 and 1951 Compared

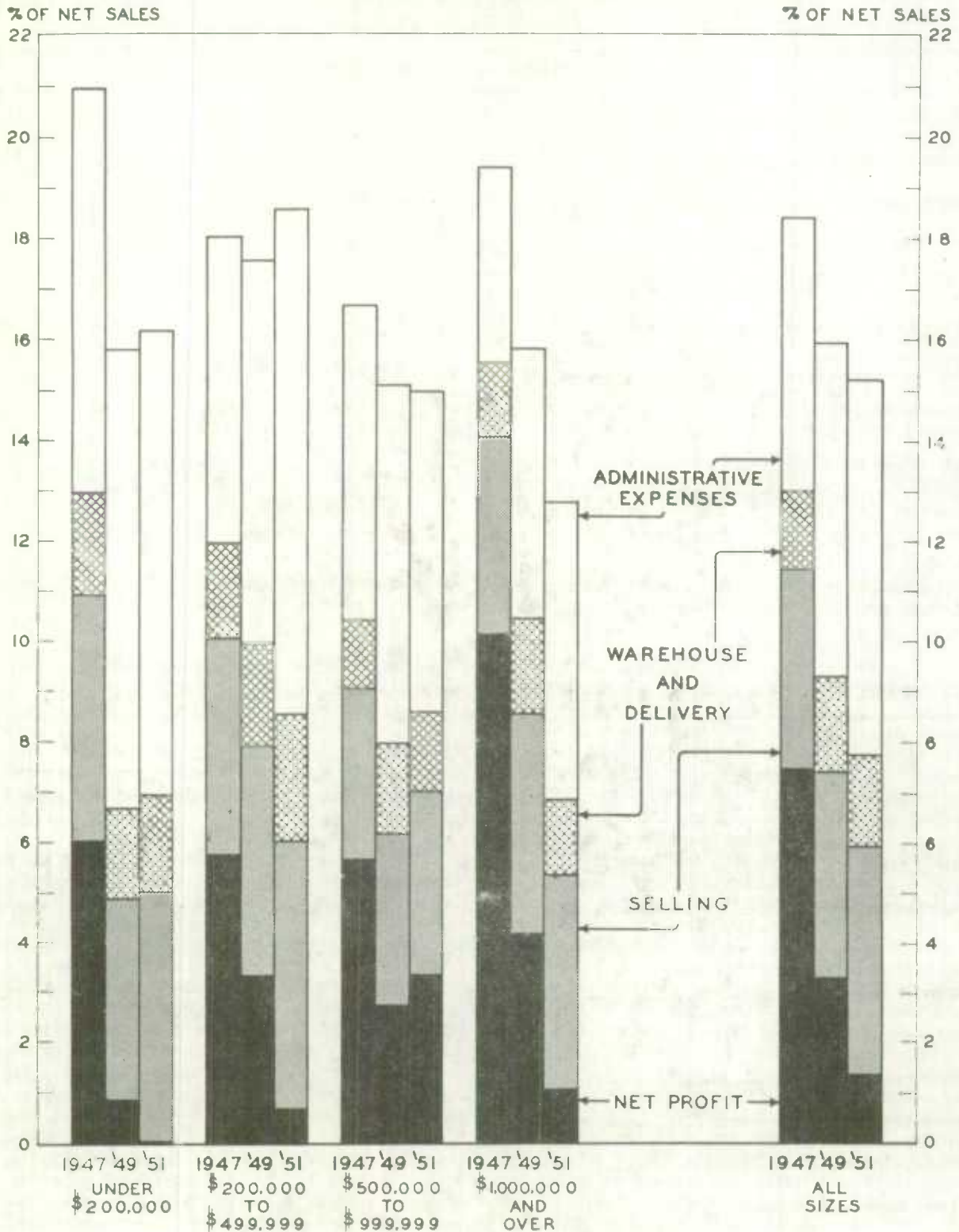
Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms	76	66	53	53
Average net sales per firm.....\$	494,384	477,331	526,864	494,405
	Per cent of net sales			
Gross profit	15.93	15.19	16.01	14.46
Operating expenses:				
Selling expense.....	4.11	4.62	4.33	4.44
Warehouse and delivery expense.....	1.86	1.82	1.87	1.85
Administrative and general expense.....	6.67	7.37	6.96	7.22
Total operating expenses	12.64	13.81	13.16	13.51
Net operating profit.....	3.29	1.38	2.85	0.95

CHART 2.

OPERATING RESULTS OF PIECE GOODS WHOLESALERS

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

1947-1949-1951



FOOTWEAR WHOLESALERS

Of the 25 reporting firms, 15 were incorporated and the remaining 10 were comprised of three partnerships and seven individual proprietorships. Each of the reporting firms operated only one establishment.

Sales to retail stores made up 95% of total sales. Of the remaining sales, other wholesalers and large users, such as institutions, accounted for four per cent.

Description of Reporting Firms

Item	Firms with 1951 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms	9	12	4	25
Form of organization:				
Individual proprietorship	5	2	—	7
Partnership	—	3	—	3
Incorporated company	4	7	4	15
Number of firms operated as:				
Single establishment	9	12	4	25
Multiple establishment	—	—	—	—
Distribution of sales:				
To retailers	98.42	94.79	94.18	95.00
To other wholesalers and large users	1.58	2.82	5.82	3.99
To others	—	2.39	—	1.01

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the

effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

The average gross profit obtained by all footwear wholesalers was 14.07 per cent of average net sales. Gross profit ratios for the three typical sales size categories ranged from 13.39% to 15.53% in the largest and smallest categories respectively. Total operating expense averaged 13.82% and ranged from 12.38% to 16.53%, again in the largest and smallest categories respectively. Selling expense ratios remained at much the same level for each sales size and averaged 4.55%. Warehouse and delivery expense ratios also showed only a small range from 2.21% to 2.32% and averaged 2.26% for all wholesalers. Administrative and general expense, however, ranged from 5.18% to 9.82% in the third and first categories respectively, and attributed largely to the total expense ratio of 13.82%, and the resultant small net operating profit of 0.25%. Miscellaneous expense and income netted a further decrease which reduced the ratio of net operating profit before income tax to 0.12%.

TABLE 11. Operating Results of Footwear Wholesalers 1951, By Size of Firm

Item	Firms with 1951 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms reporting	9	12	4	25
Average net sales per firm	137,091	324,654	1,027,279	369,552
Average cost of goods sold	115,802	278,132	889,711	317,546
Stock turnover (times per year)	3.68	3.78	5.08	4.25
Average beginning inventory	35,986	76,433	164,280	75,928
Per cent of average net sales	26.25	23.54	15.99	20.55
Average ending inventory	26,951	70,590	185,927	73,334
Per cent of average net sales	19.66	21.74	18.10	19.84
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit	15.53	14.33	13.39	14.07
Operating expenses:				
Selling expense:				
Salaries	2.15	2.86	3.76	3.17
Travelling	1.34	1.06	0.51	0.85
Advertising	0.38	0.17	0.37	0.29
Other selling expense	0.52	0.13	0.28	0.24
Total selling expense	4.39	4.22	4.92	4.55
Warehouse and delivery expense:				
Salaries and wages	1.16	1.68	1.58	1.56
Maintenance of delivery equipment	0.35	0.21	0.10	0.18
Outward freight	0.21	0.14	0.41	0.28
Warehouse supplies	0.60	0.13	0.05	0.16
Other warehouse and delivery expense	—	0.05	0.14	0.08
Total warehouse and delivery expense	2.32	2.21	2.28	2.26
Administrative and general expense:				
Salaries	5.07	4.12	2.95	3.72
Employees' benefits	0.04	0.04	0.02	0.03
Occupancy	1.90	1.59	0.37	1.09
Light, heat, and power	0.12	0.13	0.07	0.11
Taxes	0.16	0.14	0.06	0.11
Insurance	0.44	0.53	0.15	0.35
Office supplies	0.29	0.18	0.12	0.16
Communication	0.30	0.25	0.13	0.20
Bad debts—amount written off	0.25	0.22	0.51	0.36
All other expense	1.25	0.85	0.80	0.88
Total administrative and general expense	9.82	8.05	5.18	7.01
Total operating expenses	16.53	14.48	12.38	13.82
Net operating profit	21.00	20.15	1.01	0.25
Other trading income	0.20	0.14	0.66	0.38
Miscellaneous expense	0.24	0.11	0.96	0.51
Net profit before income tax deduction	21.04	20.12	0.71	0.12
MISCELLANEOUS DATA				
Credit sales:				
Average per firm	129,085	302,707	1,002,522	352,331
Per cent of average net sales	94.16	93.24	97.59	95.34
Accounts outstanding:				
Average per firm	20,576	57,212	160,003	60,636
Per cent of average credit sales	15.94	18.90	15.96	17.21
Sales per 1,000 sq. ft. of floor space	51,628	50,836	62,734	56,740

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

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms, declined from 20.55% at the beginning of the year, to 19.84% at the end of the year. This trend was common to the first two sales size categories, but the third showed an

increase from 15.99% to 18.10%. The rate of stock turnover-average of beginning and ending inventories divided into cost of goods sold-was 4.25 for all footwear wholesalers, a slight decline from the 1949 rate.

Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, was 95.34% for all footwear wholesalers, a decrease in proportion from the 1949 rate of 98.49%. This trend was common to each of the three sales

size categories. Accounts outstanding, as at December 31, 1951, were 17.21% of credit sales. The largest and smallest proportions occurred in the second and first categories, respectively.

Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included returns from firms operating more than one establishment, whereas the 1951 results are based on returns of single establishment firms. Consequently the average net sales per firm for 1949 are larger than the 1951 average. This decrease of average net sales tends to overemphasize operating ratio increases and diminish operating ratio declines from 1949 to 1951. This circumstance is revealed in the following table of comparison of identical firm results. Comparison of the ratios for all respondents

shows an increase in the gross profit ratio, whereas there was actually a slight decrease, as shown by the identical firm comparison. Similarly, total operating expenses of all respondents shows an increase from 11.30% to 13.82%, but the actual increase of the identical firm comparison was only from 13.52% to 13.82%. The result was an overemphasized decline in net operating profits. The identical firm comparison portion of the table therefore permits a more accurate assessment of ratio changes from the previous survey.

TABLE 12. Operating Results of Footwear Wholesalers 1949 and 1951 Compared

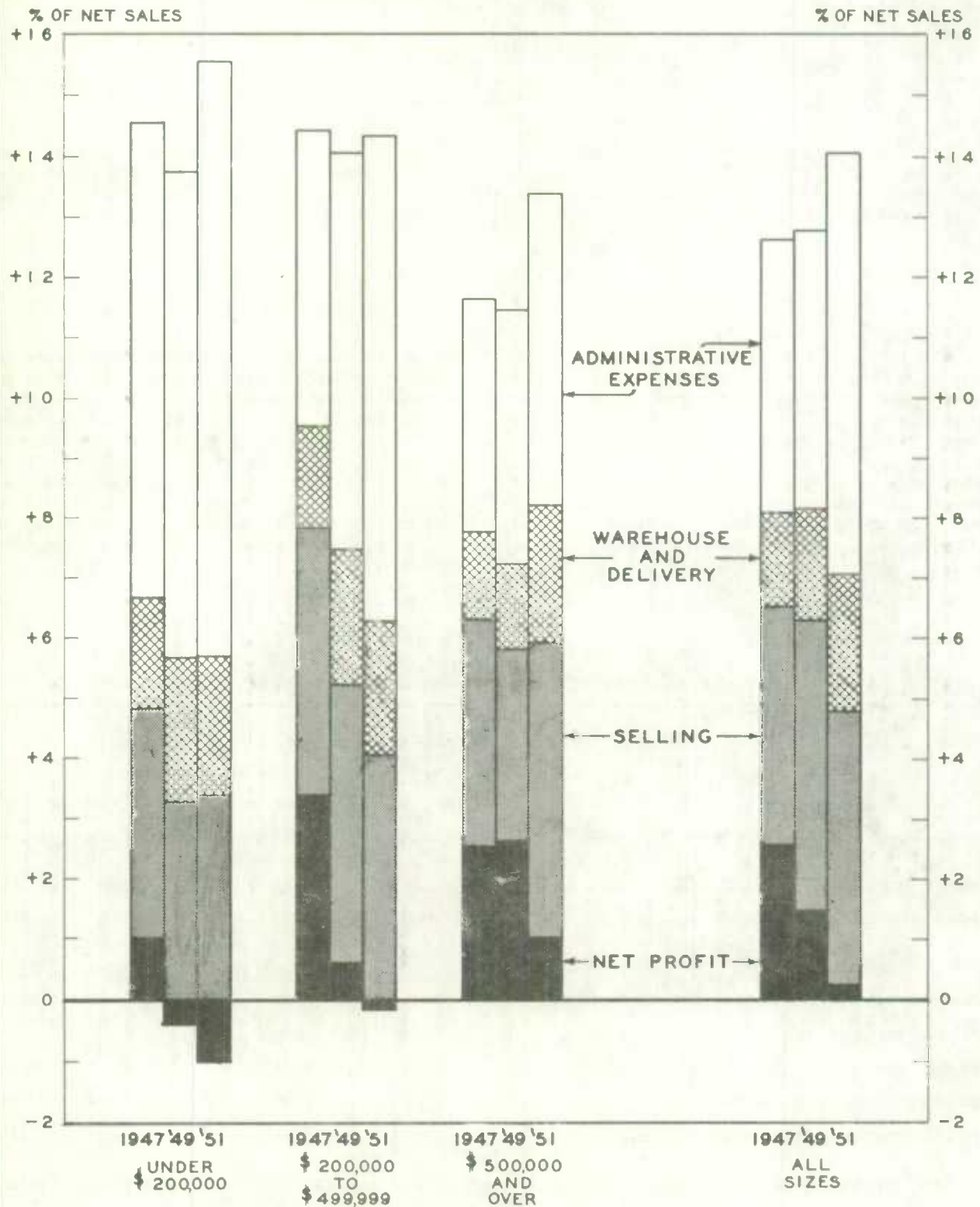
Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms	29	25	25	25
Average net sales per firm..... \$	437,464	369,552	365,570	369,552
	Per cent of net sales			
Gross profit	12.78	14.07	14.21	14.07
Operating expenses:				
Selling expense	3.83	4.55	4.66	4.55
Warehouse and delivery expense	1.86	2.26	2.22	2.26
Administrative and general expense	5.61	7.01	6.64	7.01
Total operating expenses	11.30	13.82	13.52	13.82
Net operating profit	1.48	0.25	0.69	0.25

CHART 3.

OPERATING RESULTS OF FOOTWEAR WHOLESALERS

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

1947-1949-1951



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