> DOMANEN BUREAU OF STATISTICS

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

1953

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## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: Volume I - The Primary Industries, including mining, forestry and fisheries; Volume II - Manufacturing; Volume III Merchandising and Services.

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

1953

## INTRODUCTION

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

## Scope

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

## Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss detalls are supplemented by informationon 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 although reports from Newfoundland wholesalers are not included. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only. Middle range figures for gross and net profits, and for the 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 iter, 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.)

## Pupose

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

## Period Covered

This report deals largely with 1953 operations and is the fourth biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1951 and 1953. The charts show the gross profit components for 1949, 1951 and 1953 by suitable sales-size classification for each trade.

## SUMMARY OF 1953 RESULTS BY TRADES

The following summary table shows the principal operating results figures for three components of the food wholesale business. In analyzing the performance of an individual food wholesale company, reference should be made to the detailed tables in
the appropriate sections of this bulletin. In these sections (grocery, fruit and vegetable, and tobacco and confectionery) operating results figures for typical sales-size classifications and geographic locations are revealed.

Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers Compared, 1953

| Itern |  | Dry goods | piece <br> goods | Footwear |
| :---: | :---: | :---: | :---: | :---: |
| Number of firms |  | 56 | 57 | 23 |
| Average net sales per firm | \$ | 1.784.628 | 451.151 | 550. 191 |
| Stock turnover (times per year) |  | (F-er cent of net sales) |  |  |
| Gross profit |  | 16.01 | 16.10 | 13.51 |
| Operating expenses: |  |  |  |  |
| Selling ................. |  | 4.93 | 4.75 | 3.94 |
| Warehouse and delivery |  | 2.59 | 2.18 | 2.10 |
| Administrative and general |  | 6.85 | 7.97 | 6. 40 |
| Total Operating expenses |  | 14.37 | 14.90 | 12.44 |
| Net operating profit |  | 1.64 | 1.20 | 1.07 |
| Non-trading income |  | 0.82 | 0.57 | 1.31 |
| Non-trading expense |  | 0.41 | 0.19 | 0.22 |
| Net profit before income tax deduction. |  | 2.05 | 1.58 | 2.16 |
| Credit sales |  | 96.70 | 95.26 | 98.03 |
| Sales to retail stores |  | 89.79 | 41.01 | 95.55 |

Extrere 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 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.

Due to the peculiarities of the individual trades, 1953 average sales ranged from $\$ 451,151$ for piece goods wholesalers to $\$ 550,191$ and $\$ 1,784,628$ for footwear and dry goods wholesalers respectively. Piece goods wholesale merchants with the smallest average sales, reported the highest gross profit ratio of 16.10 per cent and also the highest total operating expense ratio of 14.90 per cent of net sales. Footwear wholesalers averaged the lowest gross profit ratio of 13.51 per cent as
well as the lowest total operating expense ratio of 12.44 per cent. Dry goods wholesalers ranked in the middle position with a gross profit of 16.01 per cent and operating expenses of 14.37 per cent, but netted the highest operating profit of 1.64 per cent of net sales. Piece goods wholesalers obtained a net operating profit of 1.20 per cent and footwear wholesalers reported a net operating profit of 1.07 per cent of their respective net sales. The interrelationship of stock turnover rates changed from the 1951 order and showed footwear wholesalers to have the greatest 1953 rate of 5.08 times per year, when compared to dry good wholesalers and piece goods wholesalers with rates of 4.64 and 3.92 times per year respectively.

Comparison of the credit sales relationship to total sales indicated that each of the three trades sold extensively on a credit hasis. Footwear wholesalers reported 98.03 per cent of total soles to be credit sales, and dry goods and plece goods wholesalers reported rates of 96.70 per cent and 95.26 per cent respectively. Sales to retailers represented 95.55 per cent of total sales of footwear wholesalers and the proportion for dry goods wholesalers was 89.79 per cent for 1953 operations. Piece goods wholesalers continued to sell a comparatively small ( $\$ 1.01$ per cent) proportion of total sales directly to retailers.

Of the 56 firms reporting, 43 were incorporated, and the remaining 13 were comprised of four individual proprietoships and nine partnerships. Only seven firms operated more than one establishment.

Sales to retail stores made up 89.79 per cent of total sales; the remaining 10.21 per cent was almost entirely to other wholesalers and large users.

Description of Reporting Firms

| Item | Firms with 1953 sales of |  |  |  | $\begin{gathered} \text { Total } \\ \text { all } \\ \text { sizes } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Under $\$ 250,000$ | $\begin{gathered} \$ 250.000 \\ t 0 \\ \$ 999.999 \end{gathered}$ | $\begin{aligned} & \$ 1,000,000 \\ & \text { to } \\ & \$ 2,999,999 \end{aligned}$ | $\begin{aligned} & \$ 3,000,000 \\ & \text { and over } \end{aligned}$ |  |
| Number of firms ................................................. | 16 | 13 | 19 | 8 | 56 |
| Form of organization: <br> Individual proprietorship $\qquad$ <br> Partnership $\qquad$ <br> Incorporated company | 3 4 9 | 1 3 9 | - 17 | - 8 | 4 9 43 |
| Number of firms operated as: <br> Single establishment <br> Multiple establishment | 16 | 13 | 17 2 | 3 5 | 49 |
| Distribution of sales: <br> To retailers <br> To other wholesalers and large users $\qquad$ $\stackrel{\%}{\%}$ <br> To others $\qquad$ \% | $\begin{array}{r} 89.23 \\ 10.51 \\ 0.26 \end{array}$ | $\begin{array}{r} 95.59 \\ 4.26 \\ 0.15 \end{array}$ | 92.14 6.99 0.87 | $\begin{array}{r} 87.38 \\ 10.41 \\ 2.21 \end{array}$ | $\begin{array}{r} 89.79 \\ 8.70 \\ 1.51 \end{array}$ |

## I:EVIEK OF 1933 OPELATING RESULTS

## Profit and Evense Ratios

Profit and expense ratios represent portions of the everage net sales dollar. Pecause 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 1953 results with 1951, 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 1951 to $\$ 1,100,000$ in 1953, 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 met 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 nomal sales variations and changes in price levels also tend to be elim-
inated 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.

Un 1953 operations dry goods wholesalers obtained a gross profit or margin of 16.01 per cent of net sales, only slightly below the 1951 ratio. This indicated that although the absolute gross profit was greater in 1953, it did not increase to the same extent as did net sales. This condition was common to all sales-size categories except the smallest which showed a ratio increase from 17.22 per cent to 18.37 per cent. Total operating expenses for all firms increased from 13.86 per cent in 1951 to 14.37 per cent in 1953. The lower gross profit ratio together with the increased expense ratio resulted in a substantial proportionate decline in the average net operating profit ratio on 1953 operations. Selling expenses remained at approximately the same level in 1953, when expressed as a proportion of net sales. Increased warehouse and delivery expenses contributed greatly to the increased costs of operations while administrative and general expenses contributed to a lesser extent. Non-trading income and expense netted an increase to the net operating profits of each size groun which resulted in a ratio of net profit before income tax of 2.05 per cent for all dry goods wholesalers. Within size groups, this ratio ranged from 0.78 per cent in the smallest to 2.35 per cent in the second largest sales-size categories respectively.

TABLE 1. Operating Results of Dry Goods Wholesalers, 1953, by Size of Firm

| Item | Firms with 1953 sales of |  |  |  | Total <br> $\stackrel{\text { all }}{\text { sizes }}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Under } \\ & \$ 250,000 \end{aligned}$ | $\begin{gathered} \$ 250,000 \\ \text { to } \\ \$ 999,999 \end{gathered}$ | $\begin{aligned} & \$ 1,000,000 \\ & \text { to } \\ & \$ 2,999,999 \end{aligned}$ | $\$ 3,000,000$ and over |  |
| Number of firms reporting | 16 | 13 | 19 | 8 | 56 |
| Average net sales per firm ......................................... \$ | 169,937 | 518,006 | 1,996, 104 | 6,570,039 | 1,784.628 |
| Average cost of goods sold......................................... \$ | 138,718 | 445,843 | 1,671,057 | 5,521,447 | 1,498,874 |
| Stock turnover (times per year)..................................... | 3. 45 | 4.89 | 4.80 | 4,57 | 4. 64 |
| Average beginning inventory $\qquad$ \$ <br> Per cent of average net sales $\qquad$ | 37,027 21.79 | 83,804 16.18 | 338.478 16.96 | $\begin{array}{r} 1.139,832 \\ 17.35 \end{array}$ | $\begin{array}{r} 307,707 \\ 17.24 \end{array}$ |
| Average ending inventory $\qquad$ \$ <br> Per cent of average net sales $\qquad$ | 43,471 25.58 | 98,688 19.05 | 357,485 17.91 | $1.274,972$ 19.40 | 338,758 18.98 |
| Profit and loss data (Per cent of net sales) |  |  |  |  |  |
| Gross profit | 18.37 | 13.93 | 16. 28 | 15.96 | 16.01 |
| Operating expenses: Selling expense: |  |  |  |  |  |
| Salaries .......... | 3.81 | 3.63 | 3.94 | 3. 59 | 3.73 |
| Travelling | 2. 14 | 0.59 | 0.80 | 0.58 | 0.71 |
| Advertising | 0.11 | 0.15 | 0.30 | 0.44 | 0.36 |
| Other selling expense | 0.30 | 0.18 | 0.13 | 0.11 | 0.13 |
| Total selling expense | 6.36 | 4.55 | 5.17 | 4. 72 | 4. 93 |
| Warehouse and delivery expense: |  |  |  |  |  |
| Salaries and wages <br> Maintenance of delivery equipment | 2.62 0.28 | 1.32 0.15 | 0.08 | 0.12 | 0.11 |
| Outward freight ............................ | 0.29 | 0.20 | 0.22 | 0.31 | 0.27 |
| Warehouse supplies | 0.26 | 0.12 | 0.14 | 0.18 | 0. 17 |
| Other warehouse and delivery expense................... | 0.02 | 0.04 | 0.05 | 0.06 | 0.05 |
| Total warehouse and delivery expense ............... | 3.47 | 1.83 | 2.10 | 3.00 | 2.59 |
| Administrative and general expense: |  |  | 3.64 | 3.67 |  |
| Salaries ............................................ | 0.05 | 0.12 | 0.21 | 0.24 | 0. 21 |
| Occupancy ............... | 1. 35 | 0.83 | 0.85 | 0.58 | 0.72 |
| Light, heat and power | 0.32 | 0.14 | 0.12 | 0.14 | 0.14 |
| Taxes ${ }^{1}$.............. | 0.29 | 0.13 | 0.12 | 0.09 | 0.11 |
| Insurance ${ }^{1}$........................................................ | 0.31 | 0.22 | 0.12 | 0.11 | 0.13 |
| Office supplies ................................................... | 0.30 | 0.20 | 0.17 | 0.21 | 0. 20 |
| Comrmunication ................................................... | 0.37 | 0.24 | 0. 25 | 0.23 | 0. 24 |
| Bad debts-smount written off .............................. | 0.37 | 0.46 | 0.31 | 0.11 | 0.21 |
| All other expense ................................................. | 1.13 | 0.81 | 1.00 | 1.48 | 1. 24 |
| Total administrative and general expense ......... | 8.67 | 6.40 | 6.79 | 6.86 | 6.85 |
| Total operating expenses | 18.50 | 12.78 | 14.06 | 14.58 | 14.37 |
| Net operating profit .................................................... | $0.13{ }^{2}$ | 1. 15 | 2.22 | 1.38 | 1.64 |
| Non-trading income... | 1.48 0.57 | 0.77 0.95 | 0.36 0.23 | 1.12 0.47 | 0.82 0.41 |
| Non-trading expense. | 0.57 | 0.95 | 0.23 |  | 0.41 |
| Net profit before income tax deduction | 0.78 | 0.97 | 2.35 | 2.03 | 2.05 |
| Miscellaneous Data |  |  |  |  |  |
| Credit sales: |  |  |  |  |  |
| Average per firm <br> Per cent of average net sales | $\begin{array}{r} 164,499 \\ 96.80 \end{array}$ | $\begin{array}{r} 499,306 \\ 96.39 \end{array}$ | $\begin{array}{r} 1,924,643 \\ 96.42 \end{array}$ | $\begin{array}{r} 6,372,281 \\ 96.99 \end{array}$ | $\begin{array}{r} 1,725,735 \\ 96.70 \end{array}$ |
| Accounts outstanding: |  |  |  |  |  |
| Average per firm <br> Per cent of average credit sales | $\begin{array}{r} 28,508 \\ 17.33 \end{array}$ | $\begin{aligned} & \begin{array}{l} 1989 \\ 15.96 \end{array} \end{aligned}$ | $\begin{array}{r} 348,553 \\ 18.11 \end{array}$ | $\begin{array}{r} 800,358 \\ 12.56 \end{array}$ | $\begin{array}{r} 63,347 \\ 15,26 \end{array}$ |
| Sales per 1,000 sq. ft. of noor space ........................... \$ | 54,028 | 53,550 | 59,490 | 69,546 | 64,184 |

[^0]
## Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms increased from 17.24 per cent at the beginning of the year to 18.98 per cent at the end of the year. This trend was common to all sale-size categories and was similar to the situation which occurred in 1951. The
rate of stock turnover-average of beginning and ending inventories divided into cost of goods soldwas 4.64 times per year for all dry goods wholesale merchants, slightly above the 1951 rate of 4.33 times per year.

## Credit Sales and Receivables

Although the firms in the smallest and second largest sale-sizes reported an increase in the 1953 proportion of credit sales to net sales, when compared to 1951 , the other two groups showed slight declines. The net result was only a slight increment in the ratio from 96.65 per cent in 1951 to 96.70 per cent in 1953 for all firms. However, firms of
each sale-size averaged a higher proportion of customers' accounts outstanding at the year end in 1953 than in 1951 when related to their respective credit sales. The average relationship for all reporting firms was 15.26 per cent in 1953 compared to the ratio of 12.55 per cent derived from 1951 results.

## Regional Results

Gross trading profits of dry goods wholesalers in the four major regions of Canada ranged from 14.65 per cent of net sales in Cntario to 16.97 per cent in the Prairie Provinces. Cntario and the Prairie Provinces also showed the lowest and
highest total operating expense ratios of 13.44 per cent and 15.24 per cent respectively. Maritime and Guebec wholesalers obtained the highest net trading profit in relation to net sales with a ratio of 1.79 per cent.

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1953

| Item | Maritimes and Quebec | Ontario | Prairie Provinces | British Columbia | Canada |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Number of firms | 19 | 17 | 15 | 5 | 56 |
| Average net sales per firm......................................... | 2,083,572 | 1,635,760 | 1,801,778 | 1,103,392 | 1,784, 628 |
|  | (Per cent of net sales) |  |  |  |  |
| Gross profit | 16.29 | 14.65 | 16.97 | 16.17 | 16.01 |
| Operating expenses: |  |  |  |  |  |
| Selling | 5.42 | 4.53 | 4.73 | 4.36 | 4.93 |
| Warehouse and delivery | 2.30 | 2.63 | 3.10 | 2.00 | 2.59 |
| Administrative and general | 6.78 | 6.28 | 7.41 | 8.38 | 6.90 |
| Total operating expenses | 14,50 | 13.44 | 15.24 | 14.74 | 14.42 |
| Net operating profit ............................................... | 1.79 | 1.21 | 1.73 | 1.43 | 1.59 |

## 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 Wholesal ers, 1953

| Item | Firms with 1953 sales of |  |  |  |  |  | $\begin{aligned} & \text { Total } \\ & \text { all } \\ & \text { sizes } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { Under } \\ \$ 250,000 \end{gathered}$ |  | $\begin{gathered} \$ 250,000 \\ \text { to } \\ \$ 999,999 \end{gathered}$ |  | $\begin{aligned} & \$ 1,000,000 \\ & \text { to } \\ & \$ 2,999,999 \end{aligned}$ |  |  |  |
|  | Average | Middle range | Average | Middle range | Average | Middle <br> range | Average | Middle <br> range |
|  | (Per cent of net sales) |  |  |  |  |  |  |  |
| Gross Profit | 18.4 | 16.0-19.1 | 13.9 | 12.0-16.3 | 16.3 | \|14.4-18.8 | 16.0 | 13.5-18.4 |
| Selling expense ........................... | 6.4 | $5.0-7.1$ | 4.5 | 3.1-5.2 | 5.2 | 3. $4-8.0$ | 4.9 | 3. $9-6.3$ |
| Warehouse and delivery expense.. | 3.4 | $2.0-3.8$ | 1.8 | $0.9-2.1$ | 2.1 | 1. $1-2.8$ | 2.6 | 1. $2-3.3$ |
| Administrative and general expense | 8.7 | 7.5-9.6 | 6.4 | 5.2-8.1 | 6.8 | $5.3-7.6$ | 6.9 | 5. $6-8.8$ |
| Net operating profit ...................... | $0.1{ }^{1}$ | 1. $5^{1}-2.0$ | 1.2 | 0.2-1.6 | 2.2 | 0.8-2.8 | 1.6 | 0. $2-2.5$ |

1. Operating loss.

## Incorporated Companies 1953

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 proportion of net sales, was 2.04 per cent and 2.05
per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms" ratio to 1.15 per cent a decrease of 44 per cent.

TABLE 4. Operating Results of Incorporated Dry Goods Wholesalers, 1953, by Size of Firm


[^1]
## Comparison of 1951 and 1953 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, 1951 and 1953 Compared

| Item | All respondents |  | Identical firms |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 1951 | 1953 | 1951 | 1953 |
| Average net sales per firm | 57 | 56 | 51 | 51 |
|  | 1,685,435 | 1,784,623 | 1,832,149 | 1,853,780 |
|  |  | (Per cent of net sales) |  |  |
| Gross profit........................................................... | 16.96 | 16. 01 | 17.00 | 15.94 |
| Operating expenses: |  |  |  |  |
| Selling ............................................................ | 4.94 | 4. 93 | 4.93 | 4. 81 |
| Warehouse and delivery ................................... | 2.22 | 2.59 | 2.18 | 2.61 |
| Administrative and general .............................. | 6. 70 | 6.85 | 6.71 | 6.97 |
| Total operating expenses ................................... | 13.86 | 14.37 | 13.82 | 14.39 |
| Net operating profit ........................................... | 3.10 | 1.64 | 3.18 | 1.55 |

CHART-I
OPERATING RESULTS OF DRY GOODS WHOLESALERS
GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EY ENSES 1949 - 195 । - 1953


## PIECE GOODS WHOLESALERS

Of the 57 firms reporting, 34 were incorporated and the remaining 23 were comprised of 13 partnerships and 10 single proprietorships. Only 3 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 | Pirms with 1953 sales of |  |  |  | $\begin{aligned} & \text { Total } \\ & \text { all } \\ & \text { sizes } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Under $\$ 200,000$ | $\begin{gathered} \$ 200,000 \\ \text { to } \\ \$ 499,999 \end{gathered}$ | $\begin{gathered} \$ 500,000 \\ \text { to } \\ \$ 999,999 \end{gathered}$ | $\begin{gathered} \$ 1,000,000 \\ \text { and over } \end{gathered}$ |  |
| Number of firins | 15 | 23 | 13 | 6 | 57 |
| Form of organization: <br> Individual proprietorship <br> Partnership <br> Incorporated company | 6 2 7 | 2 9 12 | 1 11 | 1 1 4 | 10 13 34 |
| Number of firms operated as: <br> Single establishment <br> wiultiple establishment | 15 | 22 1 | 13 | 4 | 54 3 |
| Distribution of sales: <br> To retailers <br> To other wholesalers and large users ................ <br> To others $\qquad$ | $\begin{array}{r} 42.80 \\ 56.22 \\ 0.98 \end{array}$ | $\begin{array}{r} 60.76 \\ 39.06 \\ 0.18 \end{array}$ | $\begin{array}{r} 42.95 \\ 56.33 \\ 0.72 \end{array}$ | $\begin{aligned} & 21.27 \\ & 78.73 \end{aligned}$ | $\begin{array}{r} 41.01 \\ 58.64 \\ 5.35 \end{array}$ |

## REVIEW OF 1953 OPERATING RESUL IS

## 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 1953 results with 1951, 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 1951 to $\$ 1,100,000$ in 1953 , 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 correct$1 y$, 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 finn 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 wholesale merchants obtained an average gross profit or margin of 16.10 per cent of average net sales on 1953 operations, slightly above the 1951 ratio of 15.19 per cent. This indicates that although average sales declined, the average gross profit showed a slight increase in 1953. Gross profit ratios of the typical sales-size categories ranged from 14.51 per cent to 17.50 per cent and tended to vary inversely with salessize. Total operating expenses which average 14.90 per cent also showed a large range from 13.23 per cent to 16.17 per cent of net sales for the largest and smallest size-groups respectively. As occurred in 1951, administrative and general expenses accounted for approximately half of total operating expenses for each size category. The increased gross profit ratio failed to offset the increased operating expenses in 1953 with the result that the net operating profit ratio for all reporting firms, declined from 1.38 per cent in 1951 to 1.20 per cent in 1953. Non-trading income and expense netted an increase which resulted in a ratio of net operating profit before income tax of 1.58 per cent of net sales for 1953 operations.

TABLE 6. Operating Results of Piece Goods Wholesalers, 1953, by Size of Firm


[^2]
## Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 20.97 per cent at the beginning of the year to 21.80 per cent at the end of the year. This is a repetition of the 1951 trend when inventories increased from 24,02 per cent to 26.45 per cent. The rate of stock turnoveraverage of beginning and end of year inventories
divided into cost of goods sold-was 3.92 times per year for all firms combined. Normally, it would be expected that this ratio would increase with size of firm. However, firms in the second largest sales-size reported the lowest rate of 2.90 . This was almost entirely due to the relatively large average inventories stocked by these firms.

## Credit Sales and Receivables

Average credit sales, expressed as a percentage of average net sales was 95.26 per cent for all plece goods wholesalers in 1953. This ratio ranged from 89.46 per cent in the second largest to 99.85 per cent in the largest sales-size category. Accounts
outstanding at the year end amounted to 14.91 per cent of credit sales. The highest proportion, 16.22 per cent, occurred in the second smallest size group, and the lowest, 14.09 per cent, in the largest sales-size category.

## Results of Firms Selling to Retailers and Large Users, Compared

The differences in operating results of firms selling primerily 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 the larger sales-size categories, those wholesalers selling to industry, obtained the higher net profit ratio.

TABLE 7. Operating Results of Piece Goods Wholesalers, 1953 Firms Selling to Retailers and to Large Users, Compared

| Item | Firms with 1953 sales of |  |  |  |  |  |  | Total <br> all <br> sizes |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Under } \\ & \$ 200,000 \end{aligned}$ |  | $\begin{gathered} \$ 200,000 \\ \text { to } \\ \$ 499,999 \end{gathered}$ |  | $\begin{array}{r} \$ 500,000 \\ \text { to } \\ \$ 999,999 \end{array}$ |  | $\$ 1,000,000$ <br> and over$\|$Over $50 \%$ <br> to lage <br> users |  |  |
|  | $50 \%$ 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 |  | $50 \%$ and over to retailers | Over $50 \%$ to large users |
|  | (Per cent of net sales) |  |  |  |  |  |  |  |  |
| Gross profit | 17.62 | 17.39 | 18. 77 | 13.78 | 16.95 | 16.78 | 14.51 | 18.05 | 15.23 |
| Operating expenses: |  |  |  |  |  |  |  |  |  |
| Selling .......................... | 4.87 | 5.01 | 5.47 | 4.05 | 5.95 | 4.39 | 4.43 | 5.57 | 4.38 |
| Warehouse and delivery .. | 2. 90 | 2. 19 | 3.08 | 1.57 | 3.18 | 1.70 | 1.85 | 3.10 | 1.78 |
| Administrative and general | 8.13 | 9.22 | 8.57 | 8.79 | 8.03 | 8.33 | 6.95 | 8.34 | 7.80 |
| Total operating expenses | 15.90 | 16.42 | 17.12 | 14.41 | 17.16 | 14.42 | 13.23 | 17.01 | 13.96 |
| Net operating profit ........... | 1.72 | 0.97 | 1.65 | 0. $63^{1}$ | $0.21{ }^{1}$ | 2.36 | 1.28 | 1.04 | 1.27 |

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, 1953

| Item | Firms with 1953 sales of |  |  |  |  |  | $\begin{aligned} & \text { Total } \\ & \text { all } \\ & \text { sizes } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Under } \\ & \$ 200,000 \end{aligned}$ |  | $\begin{gathered} \$ 200,000 \\ \text { to } \\ \$ 499,999 \end{gathered}$ |  | $\begin{gathered} \$ 500,000 \\ \text { to } \\ \$ 999,999 \end{gathered}$ |  |  |  |
|  | Average | Middle range | Average | Middle range | Aver= age | Middle range | Average | Middle range |
|  | (Per cent of net sales) |  |  |  |  |  |  |  |
| Gross profit .................................. | 17.5 | 11.8-18.8 | 16.8 | 10.9-22.1 | 16.8 | 13.4-21.0 | 16.1 | 13.8-19.6 |
| Selling expense............................ | 5.0 | $1.5-6.8$ | 4.9 | $3.0-6.4$ | 4.9 | $3.5-6.3$ | 4.7 | $3.2-6.0$ |
| Warehouse and dellvery expense | 2.5 | 1.2-3.2 | 2.5 | $1.1-3.8$ | 2.2 | $1.0-2.7$ | 2.2 | 1.2-3.2 |
| Administrative and general expense $\qquad$ | 8.7 | $6.7-11.6$ | 8.7 | $6.7-10.8$ | 8.2 | $6.6-10.4$ | 8.0 | $7.1-10.3$ |
| Net operating profit | 1.3 | $1.7-5.3$ | 0.7 | 1.113 .6 | 1,5 | 0.21 - 3.5 | 1.2 | $0.6 \underline{1}-3.3$ |

1. Operating loss.

## Incorporated Companies 1953

Comparison of the profit and expense ratios of incorporated firms with all firms, indicated that the differences in the operating expense ratios were negligible. However, incorporated firms operated with a slightly lower gross profit ratio of 15.68 per cent as compared to 16.10 per cent for all firms. Because of the similarity of operating expense ratios, this difference takes on a larger proportion when net operating profit ratios, 0.79 per cent for
incorporated and 1.20 per cent for all firms, are compared. Although both forms of business netted a gain from non-trading activities, the incorporated firms realized a slightly smaller increase than the all firms category. Income tax reduced the incorporated firms' profit ratio before taxation of 1.01 per cent to 0.61 per cent of net sales, a decline of 40 per cent.

TABLE 9. Operating Results of Incorporated Piece Goods Wholesalers, 1953, by Size of Firm

| 1tem | Firms with 1953 sales of |  |  |  | $\begin{aligned} & \text { Total } \\ & \text { all } \\ & \text { sizes } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Under } \\ & \$ 200,000 \end{aligned}$ | $\begin{gathered} \$ 200,000 \\ \text { to } \\ \$ 499,999 \end{gathered}$ | $\begin{gathered} \$ 500,000 \\ \text { to } \\ \$ 999,999 \end{gathered}$ | $\$ 1,000,000$ and over |  |
|  | (Per cent of net sales) |  |  |  |  |
| Gross profit | 17.53 | 15.99 | 16.84 | 13.90 | 15,68 |
| Operating expenses ............................................... | 16.79 | 15.69 | 16.03 | 12.81 | 14.89 |
| Net operating profit .............................................. | 0.74 | 0.30 | 0.81 | 1.09 | 0.79 |
| Non-trading income ............................................... | 0.66 | 0.59 | 0.36 | 0.09 | 0.33 |
| Non-trading expense .......................................... | 0.07 | 0.15 | 0.20 | - | 0.11 |
| Net profit before income tax deduction .................... | 1.33 | 0.74 | 0.97 | 1.18 | 1.01 |
| Income tax .............................................................. | 0.59 | 0.46 | 0.45 | 0.28 | 0.40 |
| Final net profit ........................................................ | 0.74 | 0.28 | 0.52 | 0.90 | 0.61 |

## Comparison of 1951 and 1953 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 1951 and 1953 Compared

| Item | All respondents |  | Identical firms |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 1951 | 1953 | 1951 | 1953 |
| Number of firms .................................................. | 66 | 57 | 44 | 44 |
| Average net sales per firm................................... \$ | 477,331 | 451.151 | 574,322 | 489,456 |
|  | (Per cent of net sales) |  |  |  |
| Gross profil. | 15.19 | 16.10 | 14.88 | 16.42 |
| Operating expenses: |  |  |  |  |
| Selling ........................................................... | 4. 62 | 4. 75 | 4.59 | 4. 85 |
| Warehouse and delivery .................................. | 1.82 | 2. 18 | 1.70 | 2. 16 |
| Administrative and general .............................. | 7.37 | 7.97 | 6.92 | 8.20 |
| Total operating expenses .................................. | 13.81 | 14.90 | 13.21 | 15.21 |
| Net operating profit ........................................... | 1.38 | 1. 20 | 1.67 | 1.21 |

CHART-2


## FOOTWEAR WHOLESALERS

Of the 23 reporting firms, 16 were incorporated and the remaining seven were comprised of four partnerships and three individual proprietorships. All but one of the reporting firms operated only one estab-
lishment. Sales to retail stores made up 95.55 per cent of total sales. Of the remaining sales, other wholesalers and large users, such as institutions accounted for 3.95 per cent.

Description of Reporting Firms

| Item | Firms with 1953 sales of |  |  | $\begin{aligned} & \text { Total } \\ & \text { all } \\ & \text { sizes } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Under } \\ & \$ 200,000 \end{aligned}$ | $\begin{gathered} \$ 200,000 \\ \text { to } \\ \$ 499,999 \end{gathered}$ | $\begin{aligned} & \$ 500,000 \\ & \text { and over } \end{aligned}$ |  |
| Number of firms | 4 | 15 | 4 | 23 |
| Form of organization: |  |  |  |  |
| Individual proprietorship .......................................... | 1 | 2 | - | 3 |
| Partnership............................................................. | 1 | 3 | - | 4 |
| Incorporated company ................................................ | 2 | 10 | 4 | 10 |
| Number of firms operated as: |  |  |  |  |
| Single establishment. | 4 | 14 | 4 | 22 |
| Distribution of sales: |  |  |  |  |
| To retailers .................................................................... | 100.00 | 91.31 | 98.01 | 95.55 |
| To other wholesalers and large users ...................... \% | - | 7.37 | 1.99 | 3.95 |
| To others ............................................................... \% | - | 1. 32 | - | 0.50 |

## REVIEH OF 1953 OPERATING RESULTS

## Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figutes 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 1953 results with 1951, 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 1951 to $\$ 1,100,000$ in 1953, 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 13.51 per cent of average net sales. Gross profit ratios for the three typical salessize categories ranged from 11.69 per cent for larger firms to 15.70 per cent and 18.47 per cent for the middle and smaller size firms. Total operating expenses averages 12.44 per cent and ranged from 10.26 per cent to 15.05 per cent and 18.54 per cent, decreasing with sales-size. Net profit before income tax was 2.16 per cent for all reporting firms. For the smaller firms, which reported the largest ratios, expenses exceeded the gross profit by 0.07 per cent of net sales. This operating loss was extended futher to 0.12 per cent by the additional net loss which occured from non-trading activities. Middle sized firms reported a net operating profit of 0.65 per cent of net sales and obtained a net profit before income tax of 1.27 per cent after allowance was made for non-trading income. The larger firms obtained the highest ratio of net operating profit of 1.43 per cent which was augmented by net nontrading income to 2.92 per cent, representing the net profit before income tax deduction.

TABLE 11. Operating Results of Footwear Wholesalers, 1953, by size of Firm

| Item | Firms with 1953 sales of |  |  | Total all sizes |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Under } \\ & \$ 200,000 \end{aligned}$ | $\begin{gathered} \$ 200,000 \\ \text { to } \\ \$ 499.999 \end{gathered}$ | $\$ 500,000$ and over |  |
| Number of firms reporting. | 4 | 15 | 4 | 23 |
| Average net sales per firm........................................... \$ | 134,610 | 320, 537 | 1,826,979 | 550, 191 |
| Average cost of goods sold ......................................... \$ | 109,731 | 270, 201 | 1,613,329 | 475,880 |
| Stock turnover (times per year) ................................... | 3.59 | 3.82 | 6.64 | 5.08 |
| Average beginning inventory ....................................... \$ | 28,587 | 68, 174 | 202,553 | 84,659 |
| Per cent of average net sales ................................. | 21.24 | 21.27 | 11.09 | 15. 39 |
| Average ending inventory .......................................... \$ | 32,497 | 73, 282 | 283, 325 | 102,718 |
| Per cent of average net sales ................................ | 24. 14 | 22.86 | 15.51 | 18.67 |
| Profit and Loss Data (Per cent of net sales) |  |  |  |  |
| Gross profit | 18.47 | 15. 70 | 11.69 | 13.51 |
| Operating expenses: <br> Selling expenses: |  |  |  |  |
| Salaries.... | 3.23 | 3.02 | 2. 53 | 2. 74 |
| Travelling | 1. 62 | 1.39 | 0. 39 | 0. 82 |
| Advertising | 0.02 | 0.15 | 0.20 | 0.17 |
| Other selling expense ....................................... | 0.09 | 0.35 | 0.10 | 0.21 |
| Total selling expense. | 4.96 | 4.91 | 3.22 | 3.94 |
| Warehouse and delivery expense: |  |  |  |  |
|  |  |  |  |  |  |
| Maintenance of delivery equipment........................ | 0.25 | 0.16 | 0.03 | 0.09 |
| Outwork freight .................................................. | 0.28 | 0. 18 | 0, 88 | 0. 59 |
| Warehouse supplies ............................................. | 0.12 | 0.17 | 0.05 | 0. 10 |
| Other warehouse and delivery expense .................. |  | 0.12 | 0.16 | 0.13 |
| Total warehouse and delivery expense ............. | 2.58 | 2.17 | 2.02 | 2.10 |
|  |  |  |  |  |
| Salaries ..................................... | 5.64 0.04 | 3.62 0.06 | 3.11 0.06 | 3.42 0.06 |
| Occupancy ................................................................ | 1. 74 | 1.31 | 0.61 | 0.92 |
| Light heat and power ........................................... | 0.30 | 0.12 | 0.07 | 0.10 |
| Taxes ${ }^{1}$........................................................... | 0.20 | 0.23 | 0.05 | 0.13 |
| Insurance ${ }^{1}$......................................................... | 0.37 | 0.35 | 0.14 | 0.23 |
| Office supplies | 0.53 | 0.24 | 0.25 | 0.26 |
| Communication................................................... | 0.51 | 0.24 | 0.09 | 0.16 |
| Bad debts-amount written off ........................... | 0.56 | 0. 30 | 0.18 | 0.24 |
| All other expense .............................................. | 1. 11 | 1.50 | 0.46 | 0.88 |
| Total administrative and general expense......... | 11.00 | 7.97 | 5.02 | 6.40 |
| Total operating expenses ........................................... | 18. 54 | 15. 05 | 10.26 | 12.44 |
| Net operating profit.................................................... | $0.07^{2}$ | 0.65 | 1.43 | 1.07 |
| Non-trading income. | 0.05 | 0.70 | 1.81 0.32 | 1. 31 |
| Non-trading expense | 0.10 | 0.08 | 0.32 | 0.22 |
| Net profit before income tax deduction........................ | 0. $122^{2}$ | 1.27 | 2.92 | 2.16 |
| Miscellaneous Data |  |  |  |  |
| Credit sales: |  |  |  |  |
| Average per firm $\qquad$ $\$$ <br> Per cent of average net sales $\qquad$ | $\begin{array}{r} 129,535 \\ 96.23 \end{array}$ | $\begin{array}{r} 308,325 \\ 96.19 \end{array}$ | $1,813,277$ 99.25 | $\begin{array}{r} 539,352 \\ 98.03 \end{array}$ |
| Accounts outstanding: |  |  |  |  |
| Average per firm $\qquad$ \$ <br> Per cent of average credit sales $\qquad$ | $\begin{array}{r} 16,296 \\ 12.58 \end{array}$ | $\begin{array}{r} 50,750 \\ 16.46 \end{array}$ | $275,074$ $15.17$ | $\begin{array}{r} 83.653 \\ 15.51 \end{array}$ |
| Sales per $1,000 \mathrm{sq}$. ft. of floor space........................... \$ | 112,550 | 54,409 | 73,446 | 65,057 |

[^3]
## Inventories and Stock Turnover

Average inventories, expressed as proportions of average net sales of responding firms, increased from 15.39 per cent at the beginning of the year to 18.67 per cent at the end of the year. This trend was common to firms in each of the three sales-size
categories. The rate of stock turnover-average of beginning and year-end inventories divided into cost of goods sold - was 5.08 times per year. This ratio increased with size of firm from 3.59 to 3.82 and 6.64 for the three size-groups respectively.

## Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, was 98.03 per cent for all footwear whole salers, an increase over the 1951 ratio of 95.34 per cent. This trend was common to each of the three sales-size categories. Accounts outstanding as at
the year end were 15.51 per cent of credit sales, a decline from the 1951 ratio of 17.21 per cent. The largest and smallest proportions, 16.46 per cent and 12,58 per cent, occurred in the middle sized and smaller firm groups.

## Comparison of 1951 and 1953 Identical Fim Results

Because there were fewer small firms reporting to the 1953 survey than to the 1951 survey, the average 1953 results took on more of the large firms ${ }^{\circ}$ characteristics. That is, average sales were greatly increased, both gross profit and total operating expense ratios were lower and the net operating
profit ratio higher. Actually, the comparison of identical or matched firm results shows increased ratios of gross profit and total operating expenses with a net operating profit ratio of much the same order as ohtained in 1951.

TABLE 12. Operating Results of Footwear Whol esalers 1951 and 1953 Compared

| Item | All respondents |  | Identical firus |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 1951 | 1953 | 1951 | 1953 |
| Number of firms | 25 | 23 | 19 | 19 |
| Average net sales per firm.................................. \$ | 369,552 | 550,191 | 435,720 | 440.891 |
| Gross profit | 14.07 | 13.51 | 13.97 | 15.06 |
| Operating expenses: |  |  |  |  |
| Selling | 4. 55 | 3. 94 | 4.41 | 5.92 |
| Warehouse and delivery | 2.26 | 2. 10 | 2.21 | 2.23 |
| Administrative and general ............................. | 7.01 | 6.40 | 6.77 | 7.21 |
| Total operating expenses..................................... | 13. 82 | 12.44 | 13.39 | 14.46 |
| Net operating profit | 0.25 | 1.07 | 0.58 | 0. 60 |

CHART-3

## OPERATING RESULTS OF FOOTWEAR WHOLESALERS

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES
1949-1951 - 1953


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[^0]:    1. Excludes amount attributed to real estate which is in occupancy expense.
    2. Operating loss.
[^1]:    1. Operating loss.
[^2]:    1. Excludes amount attributed to real estate which is in occupancy expense.
[^3]:    1. Excludes amount attributed to real estate which is in occupancy expense.
    2. Operating loss.
