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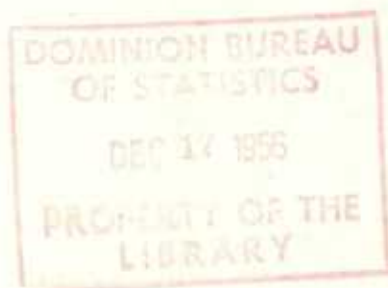
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CANADA

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

1955



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## NOTICE

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

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

### Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
  - 2 Operating Results of Drug Wholesalers, 25¢
  - 3 Operating Results of Hardware Wholesalers, 25¢
  - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
  - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

### Part II — Retail Statistics

- E — General Review — (Discontinued)
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- I — Operating Results of Clothing Store Chains, 25¢
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- \*M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- \*N — Operating Results of Filling Stations and Garages, 25¢
- \*O — 1 Operating Results of Independent General Stores, 25¢
  - 2 Operating Results of Independent Restaurants, 25¢
  - 3 Operating Results of Independent Fuel Dealers, 25¢
  - 4 Operating Results of Independent Drug Stores, 25¢
  - 5 Operating Results of Independent Jewellery Stores, 25¢
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- X — Motion Picture Production (Memorandum), 10¢

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

\* Biennial reports — not issued for 1955.

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#### WHOLESALE TRADE (1947, 1949, 1951, 1953 and 1955)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Automotive Parts and Accessories Wholesalers
4. Drug Wholesalers
5. Hardware Wholesalers
6. Plumbing and Heating Equipment Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

#### INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948, 1950, 1952 and 1954)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. General Stores
6. Restaurants
7. Fuel Dealers
8. Drug Stores
9. Jewellery Stores
10. Tobacco Stores

#### RETAIL CHAIN STORES (1947, 1949, 1951, 1953 and 1955)

1. Chain Food Stores
2. Chain Clothing Stores
3. Chain Variety Stores
4. Chain Furniture Stores
5. Chain Drugs Stores



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

1955

## INTRODUCTION

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

### Scope

This study is confined to wholesale merchants, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributors are not included.

### Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features included 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. A table showing income tax was made for incorporated companies only.

### Purpose

The primary purpose of the operating results 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.

The average — i.e., arithmetic mean — operating results of all wholesalers classified under "Wholesalers Proper" would be, however, misleading as, by definition, "Wholesalers Proper" includes subsidiary companies performing the wholesaling function of parent companies whose marketing policies with regard to profit and expense ratios may be atypical of the trade. In addition, "Wholesalers Proper" includes those firms whose revenues are derived in part from a type of activity — e.g., manufacturing, retailing — which may be uncommon to the trade. Consequently, it is thought that average operating results of the more typical establishments within a trade would be of superior value in view of the purposes for which the series on operating results is designed. Firms with atypical policies and/or activities have, therefore, been excluded from the computations of the average operating results published herein.

### Period Covered

This report deals largely with 1955 operations and is the fifth biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1953 and 1955. The charts show the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classification for each trade.





## SUMMARY OF 1955 RESULTS BY TRADES

The following summary table shows the principal operating results figures for three components of the clothing wholesale business. In analyzing the performance of an individual clothing wholesale company, reference should be made to the detailed

tables in the appropriate sections of this bulletin. In these sections (dry goods, piece goods, and footwear) operating results figures for typical sales-size classifications and geographic locations are revealed.

**Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers Compared, 1955**

Item	Dry goods	Piece goods	Footwear
Number of firms .....	60	61	25
Average net sales per firm ..... \$	1,438,684	457,240	799,967
Stock turnover (times per year) .....	4.41	3.64	5.09
(Items expressed as per cent of net sales)			
<b>Gross profit</b> .....	<b>16.43</b>	<b>16.44</b>	<b>16.40</b>
Operating expenses:			
Selling .....	5.18	4.85	4.45
Warehouse and delivery .....	2.96	2.33	2.85
Administrative and general .....	6.95	8.55	7.22
<b>Total Operating expenses</b> .....	<b>15.09</b>	<b>15.73</b>	<b>14.52</b>
<b>Net operating profit</b> .....	<b>1.34</b>	<b>0.71</b>	<b>1.88</b>
Non-trading income .....	0.95	0.59	0.77
Non-trading expense .....	0.40	0.11	0.26
<b>Net profit before income tax deduction</b> .....	<b>1.89</b>	<b>1.19</b>	<b>2.39</b>
Credit sales .....	% 95.70	96.09	89.74
Sales to retail stores .....	% 90.66	35.53	93.10

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 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, 1955 average sales ranged from \$457,240 for piece goods wholesalers to \$799,967 and \$1,438,684 for footwear and dry goods wholesalers respectively. Piece goods wholesale merchants with the smallest average sales, reported the highest gross profit ratio of 16.44 per cent and also the highest total operating expense ratio of 15.73 per cent of net sales. Footwear wholesalers averaged the lowest gross profit ratio of 16.40 per cent as

well as the lowest total operating expense ratio of 14.52 per cent. Dry goods wholesalers ranked in the middle position with a gross profit of 16.43 per cent and operating expenses of 15.09 per cent, but netted the second highest operating profit of 1.89 per cent of net sales. Piece goods wholesalers obtained the lowest net operating profit of 1.19 per cent and footwear wholesalers reported the highest net operating profit of 2.39 per cent of their respective net sales. The interrelationship of stock turnover rates did not change from the 1953 order and showed footwear wholesalers to have the greatest 1955 rate of 5.09 times per year, when compared to dry goods wholesalers and piece goods wholesalers with rates of 4.41 and 3.64 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 basis. Footwear wholesalers reported 89.74 per cent of total sales to be credit sales, and dry goods and piece goods wholesalers reported rates of 95.70 per cent and 96.09 per cent respectively. Sales to retailers represented 93.10 per cent of total sales of footwear wholesalers and the proportion for dry goods wholesalers was 90.66 per cent for 1955 operations. Piece goods wholesalers continued to sell a comparatively small (35.53 per cent) proportion of total sales directly to retailers.

## DRY GOODS WHOLESALERS

Returns of 60 firms were used in this 1955 study, of which 50 were incorporated and 10 unincorporated companies. Four firms with multiple establishments reported as operating 18 establish-

ments. Sales to retail stores made up 90.66 per cent of total sales, 9.18 per cent to other wholesalers and large users and the remaining 0.16 per cent to others.

### Description of Reporting Firms

Item	Firms with 1955 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 .....	17	20	15	8	60
Form of organization:					
Individual proprietorship .....	3	1	—	—	4
Partnership .....	4	1	1	—	6
Incorporated company .....	10	18	14	8	50
Number of firms operated as:					
Single establishment .....	17	20	15	4	56
Multiple establishment .....	—	—	—	4	4
Distribution of sales:					
To retailers .....	82.23	93.71	91.14	90.19	90.66
To other wholesalers .....	2.83	1.82	1.96	4.86	3.56
To large users <sup>1</sup> .....	12.40	4.39	6.89	4.79	5.62
To others .....	2.54	0.08	0.01	0.16	0.16

1. Industries, hospitals, institutions, etc.

### REVIEW OF 1955 OPERATING RESULTS

#### Profit and Expense Ratios

Dry goods wholesalers realized a gross profit on their 1955 operations of 16.43 per cent of net sales. The smaller businesses showed slightly higher gross profit ratios than the two largest sales-size groups, ranging from 17.78 per cent to 16.35 per cent. Total operating expenses of 15.09 per cent left a net operating profit of 1.34 per cent. Other income and expense increased this to a net profit of 1.89 per cent before income tax deduction.

Generally operating expenses decreased in ratio as sales size increased. The smallest size class operated at a loss in 1955 while the other three groups were almost identical in ratio of final net profit.

#### Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms increased from 18.85 per cent at the beginning of the year to

19.06 per cent at the end of the year. This was due to the increases registered in the two largest sales-size categories, which counteracted the decreases of the two smallest sales-size groups. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 4.41 times per year for all wholesale dry goods merchants, slightly below the 1953 rate of 4.64 times per year.

#### Credit Sales and Receivables

The proportion of credit sales to net sales decreased from 96.70 per cent in 1953 to 95.70 per cent in 1955. This was consistent for each sales-size group which also showed ascending rates with sales sizes, from 92.06 for the smallest group to 96.65 for the largest category. Accounts receivable at the year end when related to their respective credit sales for each sales-size class averaged a higher proportion in 1955, (17.30 per cent compared to 15.26 per cent in 1953).



TABLE 1. Operating Results of Dry Goods Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 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 .....	17	20	15	8	60
Average net sales per firm .....	\$ 132,538	453,384	1,840,321	5,924,425	1,438,684
Average cost of goods sold .....	\$ 108,974	377,597	1,539,349	4,955,607	1,202,327
Stock turnover (times per year) .....	3.08	4.73	4.53	4.37	4.41
Average beginning inventory .....	\$ 35,704	80,777	336,817	1,124,152	271,133
Per cent of average net sales .....	26.94	17.82	18.30	18.97	18.85
Average ending inventory .....	\$ 35,123	78,766	342,963	1,142,511	274,282
Per cent of average net sales .....	26.50	17.37	18.64	19.28	19.06
PROFIT AND LOSS DATA (Per cent of net sales)					
Gross profit .....	17.78	16.71	16.35	16.35	16.43
Operating expenses:					
Selling expense:					
Salaries .....	4.58	4.37	3.81	3.81	3.89
Travelling .....	2.25	0.61	0.79	0.63	0.73
Advertising .....	0.21	0.23	0.30	0.43	0.36
Other selling expense .....	0.07	0.34	0.15	0.22	0.20
Total selling expense .....	7.11	5.55	5.05	5.09	5.18
Warehouse and delivery expense:					
Salaries and wages .....	2.71	1.84	2.14	2.45	2.29
Maintenance of delivery equipment .....	0.44	0.11	0.11	0.09	0.11
Outward freight .....	0.31	0.25	0.25	0.34	0.30
Warehouse supplies .....	0.28	0.15	0.16	0.18	0.18
Other warehouse and delivery expense .....	0.05	0.16	0.05	0.09	0.08
Total warehouse and delivery expense .....	3.79	2.51	2.71	3.15	2.96
Administrative and general expense:					
Salaries .....	4.68	3.44	3.54	3.66	3.62
Employees' benefits .....	0.11	0.20	0.24	0.26	0.24
Occupancy .....	2.31	1.22	1.08	0.86	1.01
Taxes <sup>1</sup> .....	0.23	0.13	0.16	0.13	0.14
Insurance <sup>1</sup> .....	0.52	0.21	0.13	0.09	0.13
Office supplies .....	0.42	0.27	0.18	0.19	0.20
Communication .....	0.39	0.29	0.26	0.26	0.26
Bad debts - amount written off .....	0.68	0.49	0.38	0.17	0.29
All other expense .....	1.28	1.05	1.12	1.02	1.06
Total administrative and general expense .....	10.62	7.30	7.09	6.64	6.95
Total operating expenses .....	21.52	15.36	14.85	14.88	15.09
Net operating profit .....	3.74 <sup>2</sup>	1.35	1.50	1.47	1.34
Non-trading income .....	1.96	1.23	0.83	0.91	.95
Non-trading expense .....	0.29	0.59	0.31	0.41	.40
Net profit before income tax deduction .....	2.07 <sup>2</sup>	1.99	2.02	1.97	1.89
MISCELLANEOUS DATA					
Credit sales:					
Average per firm .....	\$ 122,021	427,900	1,745,195	5,725,680	1,376,929
Per cent of average net sales .....	92.06	94.38	94.83	96.65	95.70
Accounts outstanding:					
Average per firm .....	\$ 24,334	84,717	332,603	899,304	238,191
Per cent of average credit sales .....	19.94	19.80	19.06	15.71	17.30
Sales per 1,000 sq. ft. of floor space .....	\$ 39,546	45,880	52,232	54,957	52,458

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

2. Operating loss.

## Regional Results

The following table presents operating results for the four selected areas. The average gross trading profits of dry goods wholesalers in relation to net sales ranged from 14.70 per cent in Ontario to 17.53 per cent in the Prairie Provinces. The highest and lowest ratios for total operating expenses were

respectively 16.19 per cent for Prairie Provinces and 14.02 per cent for Ontario. The remaining and resulting major item, net operating profit, showed British Columbia with the highest ratio of 2.13 per cent and Ontario the lowest with 0.68 per cent.

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1955

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms .....	18	22	16	4	60
Average net sales per firm ..... \$	2,001,256	1,100,843	1,322,200	1,231,170	1,438,684
(Per cent of net sales)					
Gross profit .....	16.82	14.70	17.53	17.29	16.43
Operating expenses:					
Selling .....	5.69	4.39	5.41	4.28	5.18
Warehouse and delivery .....	2.88	3.49	2.64	2.34	2.96
Administrative and general .....	6.59	6.14	8.14	8.54	6.95
Total operating expenses .....	15.16	14.02	16.19	15.16	15.09
Net operating profit .....	1.66	0.68	1.34	2.13	1.34

## Incorporated Companies 1955

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 1.92 per cent and 1.89 per

cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 1.29 per cent, a decrease of 32.81 per cent.

TABLE 3. Operating Results of Incorporated Dry Goods Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 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.....	16.98	16.85	16.16	16.35	16.35
Operating expenses .....	22.50	15.52	14.64	14.88	14.98
Net operating profit .....	5.52 <sup>1</sup>	1.33	1.52	1.47	1.37
Non-trading income .....	2.98	1.35	0.84	0.91	0.96
Non-trading expense .....	0.18	0.65	0.33	0.41	0.41
Net profit before income tax deduction.....	2.72 <sup>1</sup>	2.03	2.03	1.97	1.92
Income tax.....	0.12	0.40	0.67	0.67	0.63
Final net profit.....	2.84 <sup>1</sup>	1.63	1.36	1.30	1.29

1. Operating loss.

## Comparison of 1953 and 1955 Results

Results of the 60 firms reporting in 1955 are the best available for that year, and are shown in table 1. Firms reporting and used in 1955 were not identical with the firms used in 1953, so consistency was not attained; this partly accounts for changes in ratios between the two surveys. For best comparison, however, results of identical firms are used, numbering 47 in all and are presented in table 4.

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. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955 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. 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.

Average net sales decreased to \$1,739,866 in 1955 from \$1,925,741 in 1953. Average gross profit ratio for dry goods wholesalers increased from 15.87 per cent in 1953 to 16.45 per cent in 1955. The expense ratio also increased, but at a slightly faster pace, from 14.36 per cent in 1953 to 15.03 per cent in 1955. The result was a decrease in net operating profit in 1955 to 1.42 per cent of net sales from 1.51 per cent in 1953.

TABLE 4. Operating Results of Dry Goods Wholesalers, 1953 and 1955 Compared

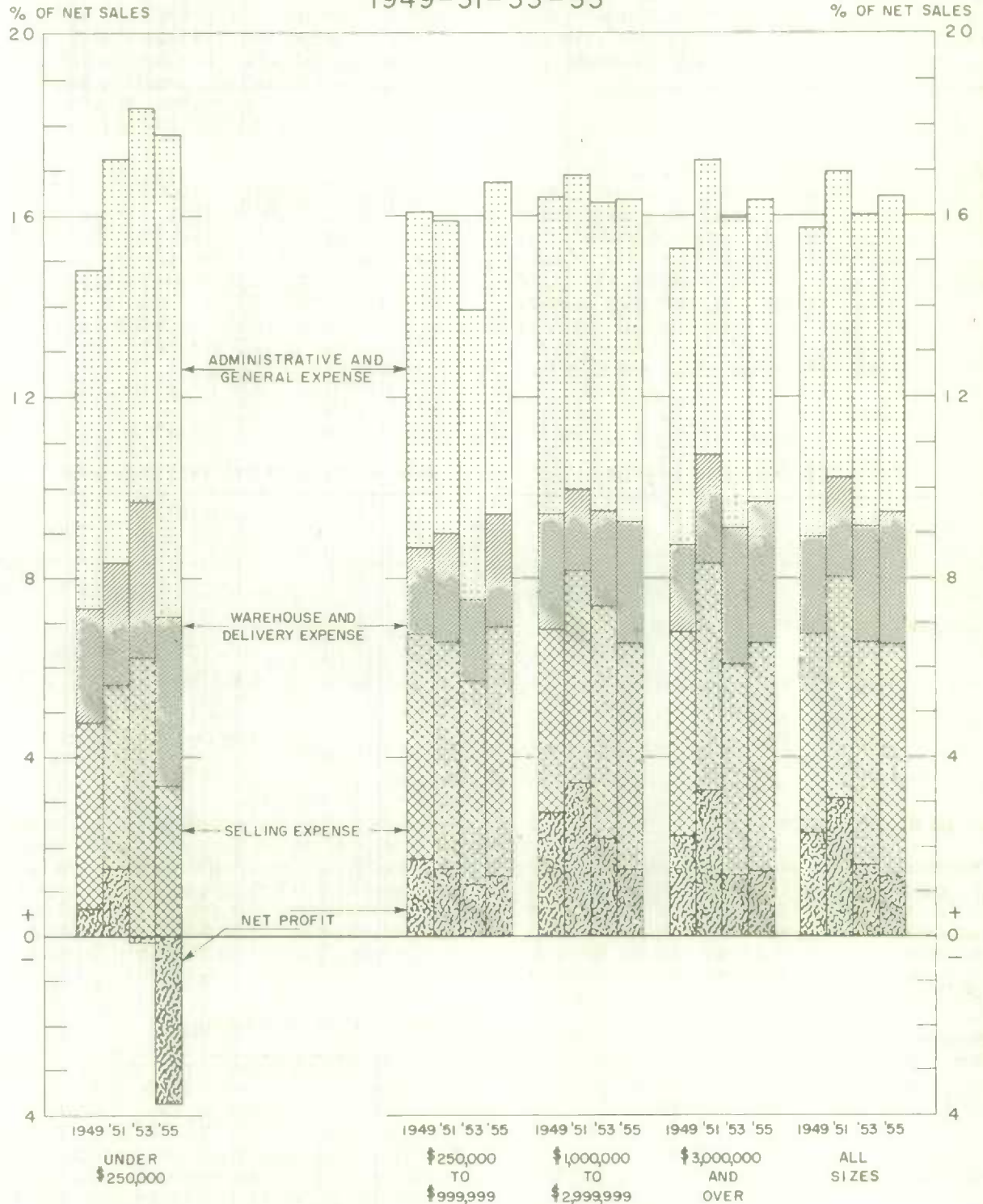
Item	1953	1955
Number of firms .....	47	47
Average net sales per firm ..... \$	1,925,741	1,739,866
	(Per cent of net sales)	
Gross profit .....	15.87	16.45
Operating expenses:		
Selling .....	4.75	5.15
Warehouse and delivery .....	2.65	2.97
Administrative and general .....	6.96	6.91
Total operating expenses .....	14.36	15.03
Net operating profit .....	1.51	1.42



# OPERATING RESULTS OF DRY GOODS WHOLESALERS BY SIZE OF FIRM

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

1949-51-53-55



## PIECE GOODS WHOLESALERS

Of the 61 firms reporting in 1955, 45 were incorporated and the remaining 16 were comprised of 10 partnerships and 6 single proprietorships.

Most firms operated only 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 1955 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	22	14	5	61
Form of organization:					
Individual proprietorship .....	4	1	—	1	6
Partnership .....	3	4	3	—	10
Incorporated company .....	13	17	11	4	45
Distribution of sales:					
To retailers .....	49.62	40.46	37.23	24.40	35.53
To wholesalers .....	8.58	11.26	28.92	4.91	14.90
To large users <sup>1</sup> .....	41.45	48.23	32.83	70.69	49.20
To others .....	0.35	0.05	1.02	—	0.37

1. Industries, hospitals, institutions, etc.

### REVIEW OF 1955 OPERATING RESULTS

#### Profit and Expense Ratios

Wholesalers of piece goods reported gross profit ratios ranging from 21.34 per cent for the smallest sales-size category to 14.48 per cent for the firms with annual net sales greater than \$1,000,000. The average gross profit of 16.44 per cent for all firms was reduced to a net profit of 0.71 per cent by operating expenses of 15.73 per cent. The smallest sales-size group had expenses in excess of gross profit with a resulting loss on operations of 0.11 per cent. Other income exceeded non-trading expense to give a net profit before income tax deduction of 1.19 per cent for total all sizes.

#### Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased slightly in 1955, from 22.68 per cent at the beginning of the year to

23.22 per cent at the end of the year. The rate of stock turnover for all firms — average of beginning and end of year inventories divided into cost of goods sold — was 3.64 times per year. This was a drop from 3.92 times per year in 1953. As normally expected, rates of turnover increased with size of firms, ranging from 3.00 to 5.01 times per year.

#### Credit Sales and Receivables

Average credit sales, expressed as a percentage of average net sales was 96.09 per cent for all piece goods wholesalers in 1955. The range was 93.58 per cent for the "\$200,000 to \$499,999" sales-size class and 97.67 per cent for the next largest group. Accounts receivable ratio (per cent to credit sales) at the end of the year was 16.63 with a range of 14.71 per cent to 22.00 per cent for the different categories. Both credit sales' and receivables' ratios increased in 1955 over the 1953.



TABLE 5. Operating Results of Piece Goods Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 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	22	14	5	61
Average net sales per firm..... \$	130,512	361,724	649,914	1,644,933	457,240
Average cost of goods sold..... \$	102,659	303,476	538,691	1,406,723	382,048
Stock turnover (times per year).....	3.00	3.06	3.54	5.01	3.64
Average beginning inventory..... \$	32,850	99,188	155,285	262,849	103,727
Per cent of average net sales.....	25.17	27.42	23.89	15.98	22.68
Average ending inventory..... \$	35,530	99,240	149,098	298,892	106,159
Per cent of average net sales.....	27.22	27.44	22.94	18.17	23.22
<b>PROFIT AND LOSS DATA</b> (Per cent of net sales)					
Gross profit.....	21.34	16.10	17.11	14.48	16.44
Operating expenses:					
Selling expense:					
Salaries.....	4.90	2.84	3.28	3.83	3.47
Travelling.....	1.07	0.83	0.74	0.80	0.81
Advertising.....	0.19	0.22	0.12	0.22	0.19
Other selling expense.....	0.29	0.49	0.14	0.58	0.38
<b>Total selling expense.....</b>	<b>6.45</b>	<b>4.38</b>	<b>4.28</b>	<b>5.43</b>	<b>4.85</b>
Warehouse and delivery expense:					
Salaries and wages.....	2.26	1.22	1.55	1.28	1.45
Maintenance of delivery equipment.....	0.53	0.21	0.44	0.17	0.30
Outward freight.....	0.25	0.23	0.29	0.37	0.29
Warehouse supplies.....	0.14	0.15	0.17	0.21	0.17
Other warehouse and delivery expense.....	0.10	0.04	0.14	0.17	0.12
<b>Total warehouse and delivery expense.....</b>	<b>3.28</b>	<b>1.85</b>	<b>2.59</b>	<b>2.20</b>	<b>2.33</b>
Administrative and general expense:					
Salaries.....	5.55	4.49	3.97	3.37	4.09
Employees' benefits.....	0.12	0.19	0.12	0.24	0.18
Occupancy.....	2.09	1.34	1.21	0.74	1.19
Taxes <sup>1</sup> .....	0.30	0.19	0.17	0.10	0.17
Insurance.....	0.39	0.31	0.14	0.14	0.21
Office supplies.....	0.35	0.27	0.18	0.15	0.21
Communication.....	0.52	0.28	0.30	0.26	0.30
Bad debts—amount written off.....	0.52	0.86	0.58	0.52	0.64
All other expense.....	1.88	1.42	1.93	1.19	1.56
<b>Total administrative and general expense.....</b>	<b>11.72</b>	<b>9.35</b>	<b>8.60</b>	<b>6.71</b>	<b>8.53</b>
<b>Total operating expenses.....</b>	<b>21.45</b>	<b>15.58</b>	<b>15.47</b>	<b>14.34</b>	<b>15.73</b>
Net operating profit.....	0.11 <sup>2</sup>	0.52	1.64	0.14	0.71
Non-trading income.....	1.31	0.46	0.40	0.68	0.59
Non-trading expense.....	—	0.19	0.19	—	0.11
<b>Net profit before income tax deduction.....</b>	<b>1.20</b>	<b>0.79</b>	<b>1.85</b>	<b>0.82</b>	<b>1.19</b>
<b>MISCELLANEOUS DATA</b>					
Credit sales:					
Average per firm..... \$	124,222	338,491	634,764	1,596,927	439,386
Per cent of average net sales.....	95.18	93.58	97.67	97.08	96.09
Accounts outstanding:					
Average per firm..... \$	27,334	56,094	93,388	273,983	73,084
Per cent of average credit sales.....	22.00	16.57	14.71	17.16	16.63
Sales per 1,000 sq. ft. of floor space..... \$	66,588	77,756	105,371	180,762	102,020

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

2. Operating loss.

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

The differences in operating results of firms selling primarily to retailers and firms selling chiefly to wholesalers and large users combined, are revealed in the following table of comparison. Total all firms selling principally to retailers experienced larger operating expenses and consequently sold at a higher gross profit or margin.

Administrative and general expense generally accounted for more than half of total expenses, selling expense was approximately a third, and warehouse and delivery expense comprised the remaining portion. On the average, wholesalers selling to wholesalers and large users obtained the higher net profit ratio.

**TABLE 6. Operating Results of Piece Goods Wholesalers, 1955**  
Firms Selling to Retailers and to Wholesalers and Large Users, Compared

Item	Firms with 1955 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 whole- salers and large users <sup>1</sup>	50% and over to retailers	Over 50% to whole- salers and large users <sup>1</sup>	50% and over to retailers	Over 50% to whole- salers and large users <sup>1</sup>	Over 50% to whole- salers and large users <sup>1</sup>	50% and over to retailers	Over 50% to whole- salers and large users <sup>1</sup>
(Per cent of net sales)									
Gross profit .....	19.88	22.83	18.59	14.48	16.52	17.47	14.61	17.17	16.05
Operating expenses:									
Selling .....	5.58	7.33	4.75	4.14	4.01	4.45	5.45	4.71	4.93
Warehouse and delivery ..	3.60	2.96	2.09	1.68	2.44	2.69	1.81	2.70	2.13
Administrative and general	9.55	13.92	11.38	8.04	8.49	8.66	6.71	9.23	8.18
Total operating expenses...	18.73	24.21	18.22	13.86	14.94	15.80	13.97	16.64	15.24
Net operating profit.....	1.15	1.38 <sup>2</sup>	0.37	0.62	1.58	1.67	0.64	0.53	0.81

1. Large users: industries, hospitals, institutions, etc.

2. Operating loss.

## Incorporated Companies 1955

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 16.21 per cent as compared to 16.44 per cent for all firms. Total operating expense ratio showed a slightly larger decrease, increasing the net operating profit from 0.71 per cent for

all firms to 0.88 per cent for incorporated companies.

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 1.09 per cent to 0.77 per cent of net sales, a decline of 29.36 per cent.

**TABLE 7. Operating Results of Incorporated Piece Goods Wholesalers, 1955, by Size of Firm**

Item	Firms with 1955 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 .....	19.99	16.31	16.62	14.61	16.21
Operating expenses.....	19.82	15.54	15.26	13.97	15.33
Net operating profit.....	0.17	0.77	1.36	0.64	0.88
Non-trading income.....	0.97	0.37	0.39	0.08	0.34
Non-trading expense .....	—	0.21	0.23	—	0.13
Net profit before income tax deduction .....	1.14	0.93	1.52	0.72	1.09
Income tax .....	0.37	0.26	0.46	0.20	0.32
Final net profit .....	0.77	0.67	1.06	0.52	0.77

## Comparison of 1953 and 1955 Results

The best available ratios for 1955 appear in table 5, data being supplied by 61 firms. While the information obtained gives reliable current ratios it loses significance for comparative purposes with the 1953 survey through inconsistency of reporting. For best comparison, therefore, only the results of firms reporting for the two survey years are used. Table 8 shows the results of 44 identical firms.

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. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, 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. 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.

Annual net sales decreased from \$23,212,047 in 1953 to \$21,228,348 in 1955. Gross profit ratio decreased from 16.30 per cent in 1953 to 16.17 per cent in 1955. This initial decrease in marginal profit coupled with an increase in total operating expenses from 14.99 per cent in 1953 to 15.66 per cent resulted in a sizeable decrease in net operating profit. The net operating profit ratios were 1.31 per cent in 1953 and 0.51 per cent in 1955.

TABLE 8. Operating Results of Piece Goods Wholesalers 1953 and 1955 Compared

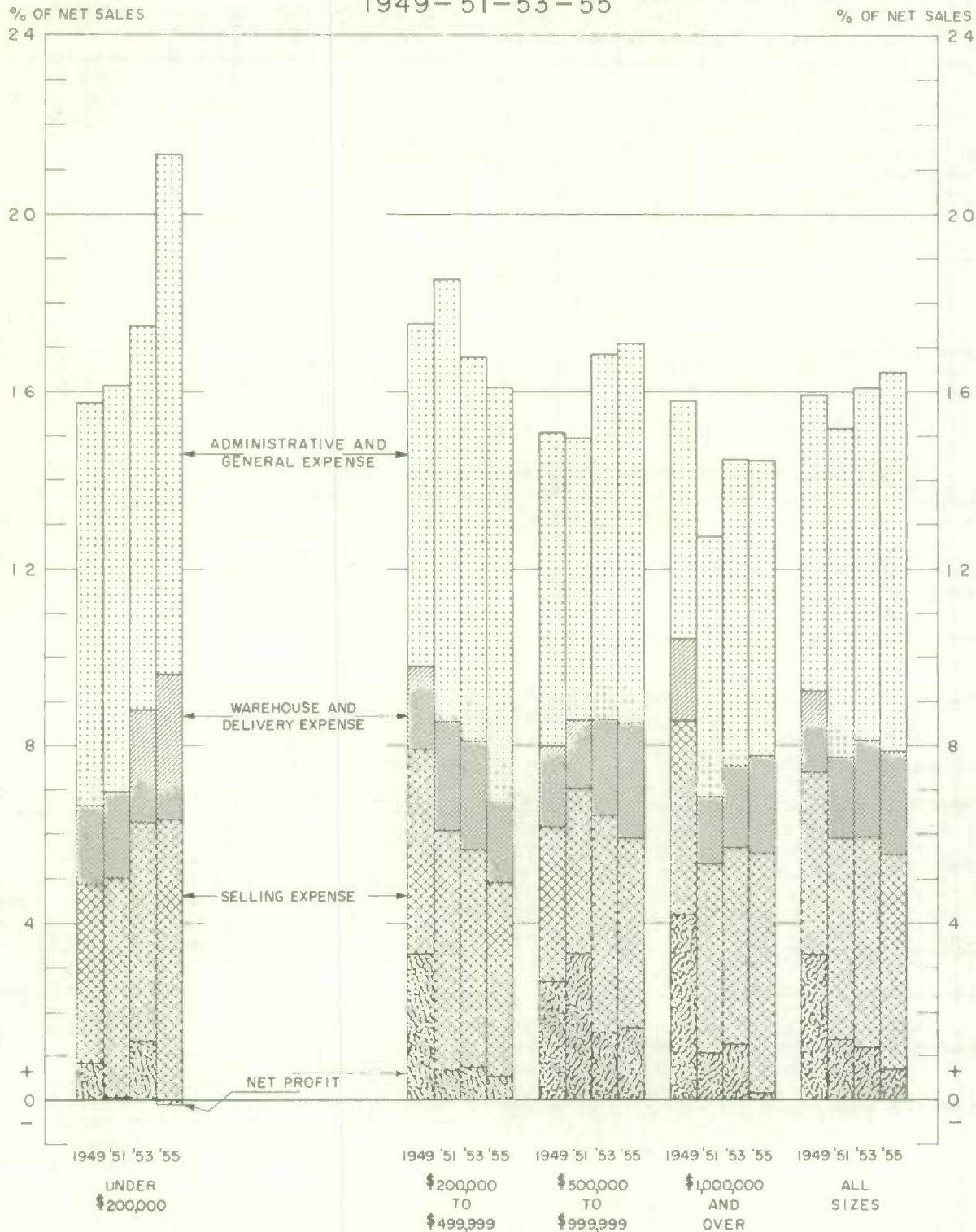
Item	1953	1955
Number of firms .....	44	44
<i>TOTAL</i> Average net sales per firm .....\$	23, 212, 047	21, 228, 348
	(Percent of net sales)	
Gross profit .....	16.30	16.17
Operating expenses:		
Selling .....	4.85	4.83
Warehouse and delivery .....	2.21	2.45
Administrative and general .....	7.93	8.38
Total operating expenses .....	14.99	15.66
Net operating profit .....	1.31	0.51



# OPERATING RESULTS OF PIECE GOODS WHOLESALERS BY SIZE OF FIRM

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

1949-51-53-55



## FOOTWEAR WHOLESALERS

Firms reporting in this trade group numbered 25, all of which were single establishments. Unincorporated firms, 5 in all, appeared only in the two smaller sales sizes. Sales to retail stores accounted

for 93.10 per cent of total sales; wholesalers and large users accounted for the remaining sales, 6.90 per cent.

### Description of Reporting Firms

Item	Firms with 1955 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms .....	7	14	4	25
Form of organization:				
Individual proprietorship .....	2	2	—	4
Partnership .....	—	1	—	1
Incorporated company .....	5	11	4	20
Distribution of sales:				
To retailers .....	98.99	90.99	93.39	93.10
To wholesalers .....	1.01	5.51	6.11	5.76
To large users <sup>1</sup> .....	—	3.50	0.50	1.14

1. Industries, hospitals, institutions etc.

### REVIEW OF 1955 OPERATING RESULTS

#### Profit and Expense Ratios

The average gross profit for all sizes of footwear wholesalers was 16.40 per cent of average net sales. The total operating expense ratio of 14.52 per cent reduced the gross profit to a net profit of 1.88 per cent. The sales-size category "\$500,000 and over" had the highest net operating profit (2.25 per cent); this was due mainly to the lowest expense ratio of the three groups (14.20 per cent) deducted from 16.45 per cent gross profit. The \$200,000 to \$499,999 sales category obtained the lowest gross profit, 15.75 per cent, only 0.85 per cent larger than the total expense ratio of 14.90 per cent. The spread between the gross profit and total expense ratios for the "Under \$200,000" sales-size group was even smaller, leaving a net operating profit of only 0.75 per cent, between the ratios 19.00 and 18.25 per cent respectively. Non-trading activities showed a profit for the larger sales-size group, increasing the 2.25 per cent net operating profit to a net profit before income tax of 2.99. The same activity for the other two sales sizes decreased the net operating profit slightly.

#### Inventories and Stock Turnover

Average inventories, expressed as proportions of average net sales of responding firms, increased in 1955 from 15.68 per cent at the beginning of the year to 17.15 per cent at the end of the year. The only group showing a decrease in inventories for the period was "Under \$200,000" with a 5.45 per cent decline. The rate of stock turnover — average of beginning and year-end inventories divided into cost of goods sold — was 5.09 times per year. The stock turnover rates increased with size classifications, ranging from 3.88 to 5.56 times per year.

#### Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, were 89.74 per cent for all footwear wholesalers, a decrease from the 1953 survey ratio of 98.03 per cent. The range by size classes was from 87.48 to 96.38 per cent. Accounts receivable as at the end of the year were 16.37 per cent of credit sales, an increase from the 1953 ratio of 15.51 per cent. The smallest sales-size category had the highest ratio (23.48 per cent) while the largest group had the lowest ratio (14.48 per cent).



TABLE 9. Operating Results of Footwear Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms reporting .....	7	14	4	25
Average net sales per firm ..... \$	122,390	314,500	3,684,862	799,967
Average cost of goods sold ..... \$	99,140	264,980	3,078,680	668,736
Stock turnover (times per year) .....	3.88	4.18	5.56	5.09
Average beginning inventory ..... \$	28,901	59,934	523,817	125,466
Per cent of average net sales .....	23.61	19.06	14.21	15.68
Average ending inventory ..... \$	22,223	66,819	584,548	137,169
Per cent of average net sales .....	18.16	21.25	15.86	17.15
<b>PROFIT AND LOSS DATA</b> (Per cent of net sales)				
Gross profit .....	19.00	15.75	16.45	16.40
Operating expenses:				
Selling expense:				
Salaries .....	3.75	2.66	3.51	3.33
Travelling .....	1.13	1.45	0.50	0.74
Advertising .....	0.18	0.17	0.25	0.23
Other selling expense .....	0.31	0.11	0.15	0.15
Total selling expense .....	5.37	4.39	4.41	4.45
Warehouse and delivery expense:				
Salaries and wages .....	1.69	1.71	1.39	1.47
Maintenance of delivery equipment .....	0.53	0.30	0.10	0.16
Outward freight .....	0.86	0.25	1.15	0.94
Warehouse supplies .....	0.11	0.13	0.08	0.09
Other warehouse and delivery expense .....	—	0.09	0.23	0.19
Total warehouse and delivery expense ....	3.19	2.48	2.95	2.85
Administrative and general expense:				
Salaries .....	5.19	4.26	4.36	4.37
Employees' benefits .....	0.24	0.07	0.09	0.09
Occupancy .....	1.71	1.46	0.91	1.06
Taxes <sup>1</sup> .....	0.36	0.13	0.06	0.09
Insurance .....	0.46	0.26	0.18	0.21
Office supplies .....	0.25	0.15	0.36	0.31
Communications .....	0.18	0.31	0.11	0.16
Bad debts—amount written off .....	0.68	0.38	0.22	0.27
All other expense .....	0.62	1.01	0.55	0.65
Total administrative and general expense ..	9.69	8.03	6.84	7.22
Total operating expenses .....	18.25	14.90	14.20	14.52
Net operating profit .....	0.75	0.85	2.25	1.88
Non-trading income .....	0.59	0.19	0.95	0.77
Non-trading expense .....	0.64	0.32	0.21	0.26
Net profit before income tax deduction .....	0.70	0.72	2.99	2.39
<b>MISCELLANEOUS DATA</b>				
Credit sales:				
Average per firm ..... \$	115,570	303,128	3,223,548	717,879
Per cent of average net sales .....	94.43	96.38	87.48	89.74
Accounts outstanding:				
Average per firm ..... \$	27,140	62,987	466,643	117,535
Per cent of average credit sales .....	23.48	20.78	14.48	16.37
Sales per 1,000 sq. ft. of floor space ..... \$	60,333	58,241	60,907	60,275

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

## Incorporated Companies 1955

Incorporated firms showed a higher gross profit ratio and also a higher total operating expense ratio compared to "all firms" results. Total all sizes for "incorporated" and "all firms" ratios were very similar as a result of the influence of "\$500,000

and over" sales-size group which was comprised of incorporated firms only. The "under \$200,000" category after the exclusion of unincorporated firms showed an operating loss.

TABLE 10. Operating Results of Incorporated Footwear Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
	(Per cent of net sales)			
Gross profit .....	19.63	16.42	16.45	16.55
Operating expenses .....	20.23	15.86	14.20	14.69
Net operating profit .....	0.60 <sup>1</sup>	0.56	2.25	1.86
Non-trading income .....	0.54	0.23	0.95	0.80
Non-trading expense .....	0.46	0.43	0.21	0.26
Net profit before income tax deduction .....	0.52 <sup>1</sup>	0.36	2.99	2.40
Income tax .....	0.13	0.20	1.30	1.06
Final net profit .....	0.65 <sup>1</sup>	0.16	1.69	1.34

1. Operating loss.

## Comparison of 1953 and 1955 Results

Combined results of 25 firms are presented in table 9, being the best ratios available for 1955. Consistency in reporting between years is not achieved, and as a result data published for the two years are not for identical firms. For best comparison of changes between 1953 and 1955 the results of 19 firms reporting for both years were tabulated. These comparisons appear in the following table.

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. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, 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. 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.

Average net sales decreased in 1955 to \$524,944 from \$557,646 in 1953. The gross profit ratio was slightly lower at 13.32 per cent in 1955 compared to 13.36 per cent in 1953. This decrease coupled with an increase in total operating expenses (12.06 per cent in 1955 from 12.00 per cent in 1953), resulted in a smaller net profit. In 1955, the net operating profit stood at 1.26 from 1.36 per cent in 1953.

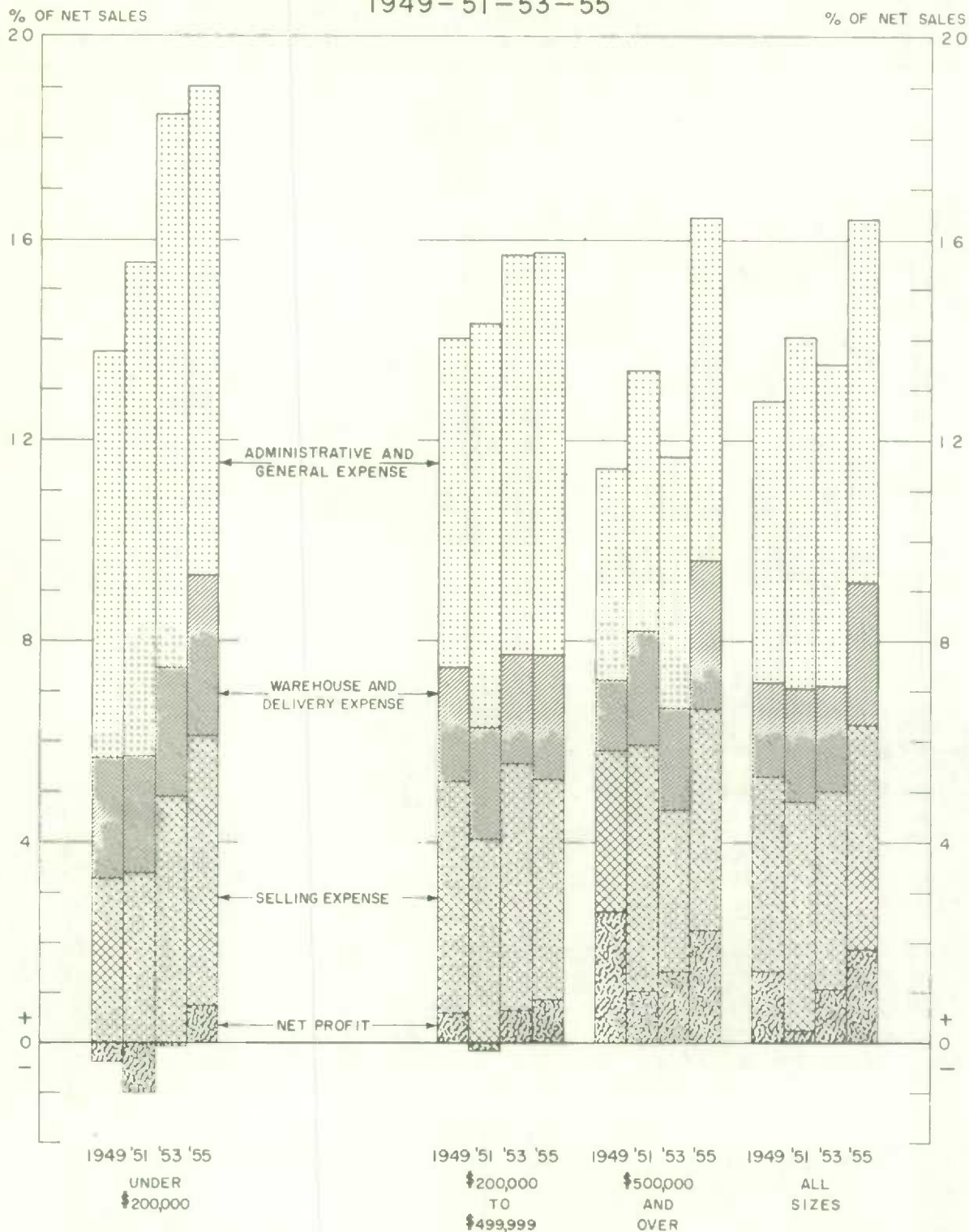
TABLE 11. Operating Results of Footwear Wholesalers 1953 and 1955 Compared

Item	1953	1955
Number of firms .....	19	19
Average net sales per firm ..... \$	557,646	524,944
	(Per cent of net sales)	
Gross profit .....	13.36	13.32
Operating expenses:		
Selling .....	3.68	3.60
Warehouse and delivery .....	2.08	2.42
Administrative and general .....	6.24	6.04
Total operating expenses .....	12.00	12.06
Net operating profit .....	1.36	1.26

# OPERATING RESULTS OF FOOTWEAR WHOLESALERS BY SIZE OF FIRM

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

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