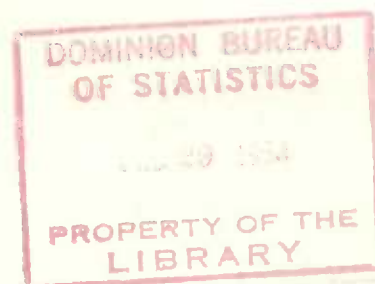




CANADA



OPERATING RESULTS OF PLUMBING AND HEATING SUPPLIES 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.

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

Part I — Wholesale Statistics

- A — Wholesale Trade (not issued 1953)
- 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 Supplies Wholesalers, 25¢
5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

- E — General Review — (Discontinued)
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Chain Food Stores, 25¢
- I — Operating Results of Chain Clothing Stores, 25¢
- J — 1 Operating Results of Chain Variety Stores, 25¢
2 Operating Results of Chain Drug Stores, 25¢
3 Operating Results of Chain Furniture Stores, 25¢
- * K — Operating Results of Independent Food Stores, 25¢
- * L — Operating Results of Independent Clothing Stores, 25¢
- * M — Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
- * N — Operating Results of Filling Stations & 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¢
6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Consumer Credit

Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 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), 10¢
- X — Motion Picture Production (Memorandum), 10¢

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

- * Biennial reports — not issued for 1953.

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OPERATING RESULTS - LIST OF REPORTS

WHOLESALE TRADE (1947, 1949, 1951 and 1953)

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 Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

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

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 and 1953)

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

Note: "Operating Results of Plumbing and Heating Supplies Wholesalers" was formerly contained in "Operating Results of Miscellaneous Wholesalers".

OPERATING RESULTS OF PLUMBING AND HEATING SUPPLIES WHOLESALERS

1953

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 distributor 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 including inventories, rate of stock turnover, credit sales and receivables, and floor space used. 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 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 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 chart shows the gross profit components for 1949, 1951 and 1953 by suitable sales-size classification.

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

LABORATORY OF PHYSICAL CHEMISTRY

CHICAGO, ILLINOIS

1950

RESEARCH REPORT

NO. 1

BY

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PLUMBING AND HEATING SUPPLIES WHOLESALERS

Description of Reporting Firms

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	12	10	29	51
Form of organization:				
Individual proprietorship	2	1	—	3
Partnership	—	—	—	—
Incorporated company	10	9	29	48
Number of firms operated as:				
Single establishment	12	9	21	42
Multiple establishment	—	1	8	9

Of the 51 firms reporting, all but three were incorporated companies. Only nine of these reporting firms operated more than one establishment. Eight

of the nine multiple establishment firms were classified in the third or largest sales-size category.

REVIEW 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 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 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.

Plumbing and heating supplies wholesalers obtained an average gross profit ratio or margin of 16.99 per cent of average net sales on 1953 operations. Gross profit ratios within the sales-size categories ranged from 15.78 per cent to 20.38 per cent in the smaller and middle sized firm groups respectively. Total operating expenses which amounted to 12.57 per cent for all reporting firms ranged from 12.38 per cent to 13.81 per cent and varied inversely with sales-size. Consequently, the smaller firms, which reported the lowest gross profit ratio, averaged the highest total operating expenses ratio and netted the smallest operating profit ratio of 1.97 per cent. The middle size firms obtained the highest net operating profit ratio of 6.65 per cent and the largest firms reported an average of 4.31 per cent. In each instance non-trading income and expense netted a slight increase which resulted in a ratio of net profit before income tax of 4.71 per cent for all respondents.

TABLE 1. Operating Results of Plumbing and Heating Supplies Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	12	10	29	51
Average net sales per firm \$	319,163	782,613	2,553,347	1,680,454
Average cost of goods sold \$	268,806	623,088	2,127,195	1,395,004
Stock turnover (times per year)	5.14	5.58	7.38	7.04
Average beginning inventory \$	50,450	106,994	271,805	187,406
Per cent of average net sales	15.81	13.67	10.65	11.15
Average ending inventory \$	54,962	116,479	304,979	208,979
Per cent of average net sales	16.94	14.88	11.94	12.44
PROFIT AND LOSS DATA				
(Per cent of net sales)				
Gross profit	15.78	20.38	16.69	16.99
Operating expenses:				
Selling expense:				
Salaries	2.49	2.05	2.02	2.05
Travelling	0.62	0.58	0.57	0.57
Advertising	0.17	0.15	0.24	0.23
Other selling expense	0.60	0.08	0.37	0.35
Total selling expense	3.88	2.86	3.20	3.20
Warehouse and delivery expense:				
Salaries and wages	1.48	2.17	1.82	1.84
Maintenance of delivery equipment	0.66	0.46	0.36	0.38
Outward freight	0.27	0.22	0.17	0.18
Warehouse supplies	0.08	0.22	0.09	0.10
Other warehouse and delivery expense	0.14	0.06	0.06	0.06
Total warehouse and delivery expense	2.63	3.13	2.50	2.56
Administrative and general expense:				
Salaries	3.36	4.39	3.37	3.46
Employees' benefits	0.06	0.15	0.18	0.17
Occupancy	1.11	0.89	0.71	0.74
Light, heat and power	0.15	0.16	0.15	0.15
Taxes ¹	0.15	0.09	0.06	0.06
Insurance ¹	0.24	0.15	0.09	0.11
Office supplies	0.25	0.26	0.22	0.23
Communication	0.23	0.22	0.33	0.32
Bad debts—amount written off	0.80	0.59	0.53	0.55
All other expense	0.95	0.84	1.04	1.02
Total administrative and general expense	7.30	7.74	6.68	6.81
Total operating expenses	13.81	13.73	12.38	12.57
Net operating profit	1.97	6.65	4.31	4.42
Non-trading income	0.76	0.40	0.65	0.63
Non-trading expense	0.09	0.18	0.37	0.34
Net profit before income tax deduction	2.64	6.87	4.59	4.71
MISCELLANEOUS DATA				
Credit sales:				
Average per firm	258,362	731,352	2,458,618	1,604,161
Per cent of average net sales	80.95	93.45	96.29	95.46
Accounts outstanding:				
Average per firm	33,613	103,486	378,381	244,153
Per cent of average credit sales	13.01	14.15	15.39	15.22
Sales per 1,000 sq. ft. of floor space	55,783	45,673	59,613	57,242

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

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 11.15 per cent at the beginning of the year to 12.44 per cent at the end of the year. This trend was common to each of the three sales-size categories. The rate of stock turnover—average of beginning and year-end in-

ventories divided into cost of goods sold—was 7.04 times per year for 1953 operations. This represents a slight increase from the rate of 6.77 times per year as derived from the 1951 operating results survey.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 95.46 per cent for all wholesalers of plumbing and heating supplies, a slight increase from the 1951 ratio of 93.73 per cent. Accounts outstanding as at the year-end amounted to 15.22 per

cent of credit sales for all respondents. Within the typical sales-size categories, this ratio ranged from 13.01 per cent to 15.39 per cent and increased directly with size of firm.

Regional Results

Gross trading profit ratios of plumbing and heating supplies wholesalers in three regional divisions of Canada, range from 15.28 per cent in the Maritimes and Quebec to 18.28 per cent in Ontario. The Ontario wholesalers also showed the highest operating expense ratio of 14.30 per cent

and netted an operating profit ratio of 3.98 per cent, slightly below the Canada average. Wholesalers in the Prairie Provinces and British Columbia showed the smallest operating expense ratio of 11.66 per cent which assisted in their obtaining the largest ratio of net operating profit of 6.14 per cent.

TABLE 2. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1953, by Regions

Item	Maritimes and Quebec	Ontario	Prairies and British Columbia	Canada
Number of firms	14	20	17	51
Average net sales per firm..... \$	2, 308, 731	1, 183, 872	1, 747, 265	1, 680, 454
(Per cent of net sales)				
Gross profit	15.28	18.28	17.80	16.99
Operating expenses:				
Selling	3.66	3.42	2.51	3.20
Warehouse and delivery	1.97	3.73	2.27	2.56
Administrative and general	6.50	7.15	6.88	6.81
Total operating expenses	12.13	14.30	11.66	12.57
Net operating profit.....	3.15	3.98	6.14	4.42

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 Wholesalers of Plumbing and Heating Supplies, 1953

Item	Firms with 1953 sales of		Total all sizes	
	\$1,000,000 and over			
	Average	Middle range	Average	Middle range
	(Per cent of net sales)			
Gross profit	16.7	14.1-18.6	17.0	15.5-20.0
Selling expense	3.2	2.0-4.0	3.2	2.1-4.2
Warehouse and delivery expense	2.5	1.8-3.6	2.6	1.8-3.7
Administrative and general expense	6.7	5.5-8.6	6.8	5.4-8.8
Net operating profit	4.3	1.6-6.0	4.4	1.5-6.2

Incorporated Companies 1953

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences were negligible. This similarity was to be expected because a large proportion of the firms reporting were incorporated. Net profit

before income tax was 4.72 per cent and 4.71 per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 2.62 per cent, a decrease of 44 per cent.

TABLE 4. Operating Results of Incorporated Wholesalers of Plumbing and Heating Supplies, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
	(Per cent of net sales)			
Gross profit	15.22	20.72	16.69	16.97
Operating expenses	13.60	13.70	12.38	12.54
Net operating profit	1.62	7.02	4.31	4.43
Non-trading income	0.83	0.46	0.65	0.64
Non-trading expense	0.07	0.21	0.37	0.35
Net profit before income tax deduction	2.38	7.27	4.59	4.72
Income tax	0.33	2.92	2.10	2.10
Final net profit	2.05	4.35	2.49	2.62

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.

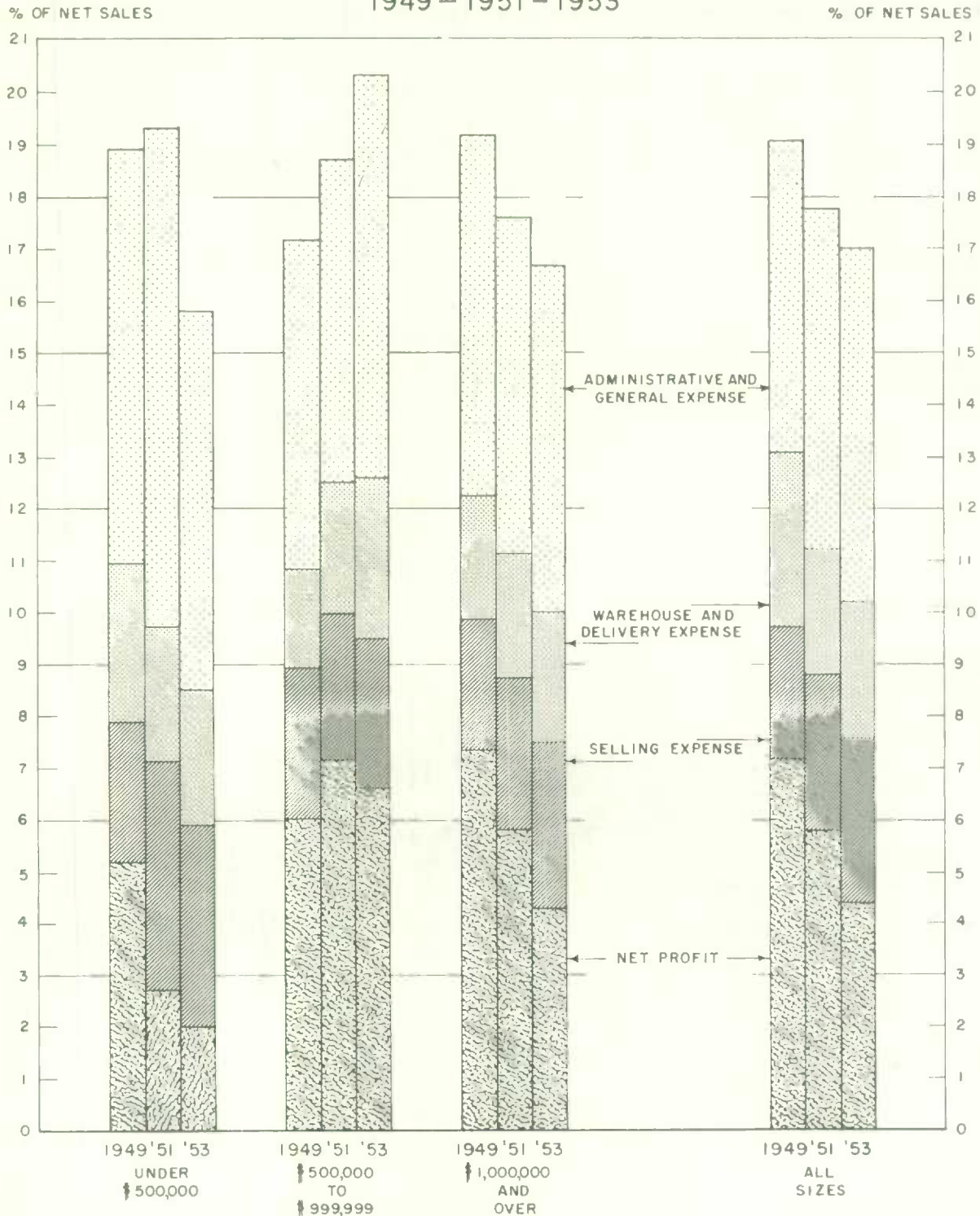
TABLE 5. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1951 and 1953 Compared

	All respondents		Identical firms	
	1951	1953	1951	1953
Number of firms	38	51	34	34
Average net sales per firm \$	1,829,566	1,680,454	1,766,338	1,976,656
	(Per cent of net sales)			
Gross profit	17.78	16.99	17.65	17.13
Operating expenses:				
Selling	2.98	3.20	3.09	3.33
Warehouse and delivery	2.43	2.56	2.41	2.60
Administrative and general	6.56	6.81	6.18	6.59
Total operating expenses	11.97	12.57	11.68	12.52
Net operating profit	5.81	4.42	5.97	4.61

OPERATING RESULTS OF WHOLESALERS OF HEATING AND PLUMBING SUPPLIES

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

1949 - 1951 - 1953



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