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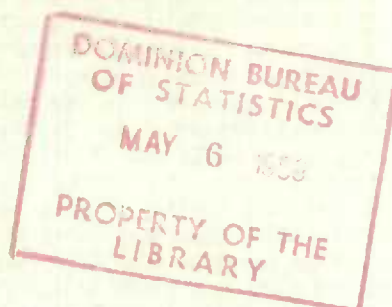
BIENNIAL

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OPERATING RESULTS OF PLUMBING AND HEATING SUPPLIES WHOLESALERS

1957



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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
- B — Operating Results of Food Wholesalers
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers
- 2 Operating Results of Drug Wholesalers
- 3 Operating Results of Hardware Wholesalers
- 4 Operating Results of Plumbing and Heating Supply Wholesalers
- 5 Operating Results of Household Appliance & Electrical Supply Wholesalers
- E — Agents and Brokers, Wholesale Trade (Memorandum)

Part II — Retail Statistics

- F — Retail Trade
- G — Retail Chain Stores
- H — Operating Results of Food Store Chains
- I — Operating Results of Clothing Store Chains
- J — 1 Operating Results of Variety Store Chains
- 2 Operating Results of Drug Store Chains
- 3 Operating Results of Furniture Store Chains
- *K — Operating Results of Independent Food Stores
- *L — Operating Results of Independent Clothing Stores
- *M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores
- *N — Operating Results of Filling Stations and Garages
- *O — 1 Operating Results of Independent General Stores
- 2 Operating Results of Independent Restaurants
- 3 Operating Results of Independent Fuel Dealers
- 4 Operating Results of Independent Drug Stores
- 5 Operating Results of Independent Jewellery Stores
- 6 Operating Results of Independent Tobacco Stores
- P — Retail Credit,

Part III — Services and Special Fields

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

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

• Biennial reports — not issued for 1957.

Prices of most reports released after January 1, 1959 have been increased. Information on the new prices of particular issues is available on request from the Information Services Division of the Dominion Bureau of Statistics.

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 including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared. 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 average measurements of 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.

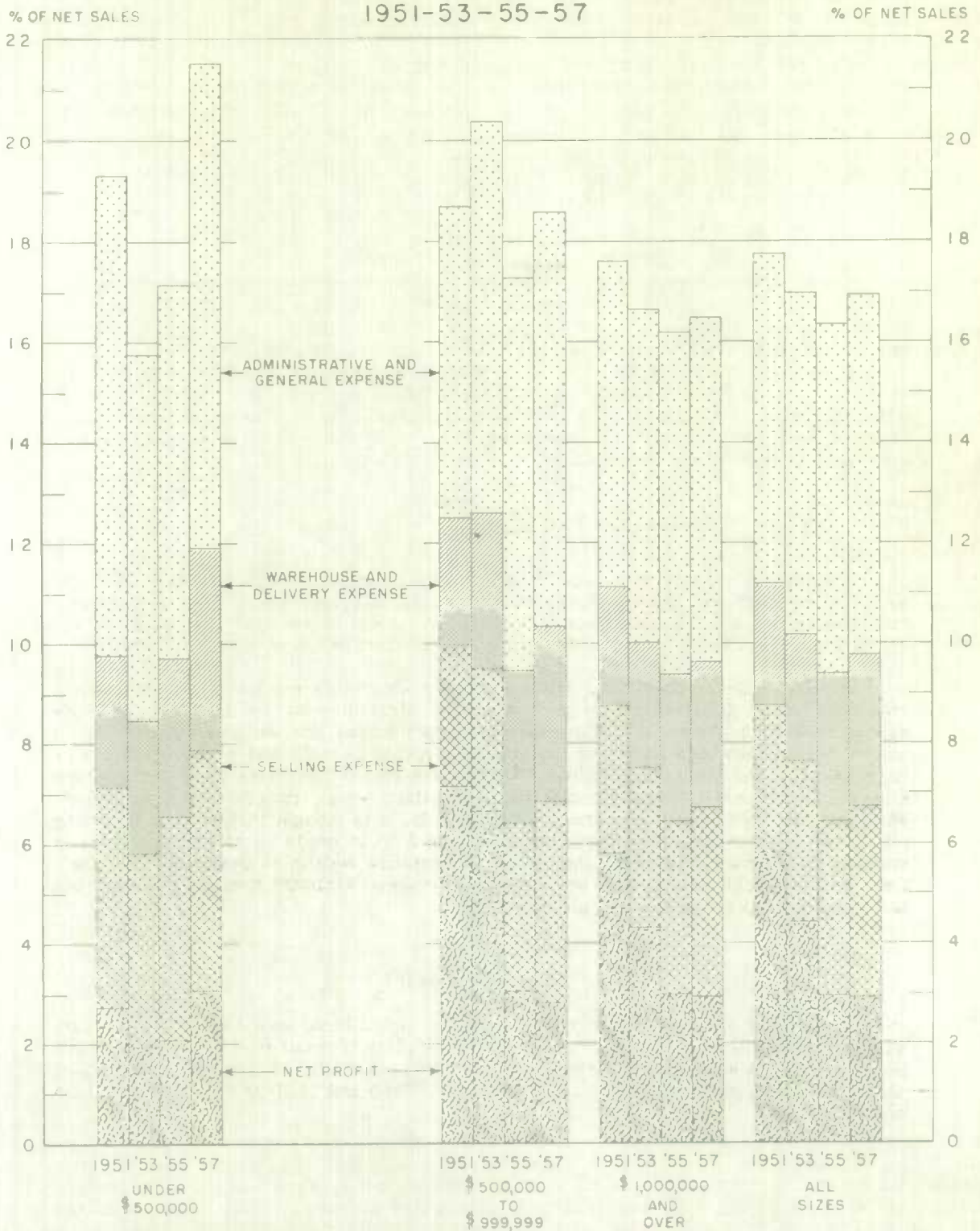
However, the average—i.e., arithmetic mean—operating results of all wholesalers classified under "Wholesalers Proper" would be misleading as, by definition, "Wholesalers Proper" includes subsidiary companies performing the wholesaling function of parent companies whose marketing policies with regard 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, retalling—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. Therefore, firms with atypical policies and/or activities have been excluded from the computations of the average operating results published herein.

Period Covered

This report deals largely with operations for the calendar year 1957 or fiscal years which fell closest to the calendar year and is the sixth biennial publication in a series begun in 1947. A summary table shows identical firm results for 1955 and 1957. The chart shows the gross profit components for 1951, 1953, 1955 and 1957 by suitable sales-size classification.

OPERATING RESULTS OF PLUMBING AND HEATING SUPPLIES WHOLESALERS BY SIZE OF FIRM

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



OPERATING RESULTS OF PLUMBING AND HEATING SUPPLIES WHOLESALERS

1957

Thirty-nine of the 51 firms that reported for the 1955 survey of plumbing and heating supplies wholesalers reported for the 1957 survey and reports were received from 9 other firms. In all then, a panel of 48 firms provided the data used for compiling Tables 1 and 2 of this report. Table 3 is compiled from reports of 45 incorporated companies, and table 4 from data submitted by the 39 firms

that reported for both the 1955 and 1957 surveys. The purpose of this latter table is to compare the results of the same firms for the two periods. The 1957 panel has approximately the same number of small and medium size firms as that of 1955, but it contains 5 fewer firms with sales of \$1,000,000 and over per annum. More information about the firms in the panel appears in the table below.

Description of Reporting Firms

Item	Firms with 1957 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	10	16	22	48
Form of organization:				
Individual proprietorship	2	—	—	2
Partnership	1	—	—	1
Incorporated company	7	16	22	45
Number of firms operated as:				
Single establishment	10	13	13	36
Multiple establishment	—	3	9	12

REVIEW OF 1957 OPERATING RESULTS

Profit and Expense Ratios

Table 1 shows that plumbing and heating supplies wholesalers in the panel surveyed realized an average gross profit of 16.97 per cent of net sales. The ratios of all three types of operating expenses analysed tended to decrease as the size of firm increased. Firms with the lowest sales had the highest average net operating profit and, after taking account of non-trading items, had the highest average net profit before income tax deduction. Ratios for various expense components are also shown in Table 1.

Although an attempt is made to restrict material used in this compilation to data reported by typical firms in the trade, the composition of the panel of firms changes from survey to survey. This is due to the difficulty of getting firms in sufficient numbers to report for a series of consecutive biennial surveys. Because of the changing composition of the panel, published results of the biennial surveys are not strictly comparable. For purposes of comparing results of the 1957 survey with those of the

1955 survey, a special compilation is furnished in the last section of this report.

Other Operating Features

Table 1 contains information with respect to stock turnover. This is computed by dividing the cost of goods sold by the average of the beginning and end of year inventories. For the panel of firms as a whole, this worked out to 6.57 times per year. Further, average inventories and average credit sales are presented as percentages of average net sales; and average accounts outstanding are shown as a percentage of average credit sales. Finally, information is available on sales per 1,000 square feet of floor space. An examination of the latter item reported by the 1957 panel of firms indicated a decrease of 28.7 per cent to \$58,380 from \$81,844 reported by the 1955 panel. Data reported by the 1957 panel showed that the relationships of inventories and credit sales to net sales and of accounts outstanding to credit sales were approximately the same as reported by the panel of firms in the 1955 survey.

**TABLE 1. Operating Results of Plumbing and Heating Supplies Wholesalers, 1957,
by Size of Firm**

Item	Firms with 1957 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	10	16	22	48
Average net sales per firm..... \$	252,349	733,373	3,072,814	1,705,403
Average cost of goods sold	198,047	596,870	2,565,271	1,415,965
Stock turnover (times per year)	3.08	5.31	7.15	6.57
Average beginning inventory	66,820	115,344	368,870	221,434
Per cent of average net sales	26.48	15.73	12.00	12.98
Average ending inventory	61,576	109,463	349,097	209,319
Per cent of average net sales	24.40	14.93	11.36	12.27
Profit and loss data (Per cent of net sales)				
Gross profit	21.52	18.61	16.52	16.97
Operating expenses:				
Selling expense:				
Salaries	3.02	2.88	2.45	2.53
Travelling	0.39	0.74	0.69	0.69
Advertising	0.75	0.15	0.18	0.20
Other selling expense	0.63	0.24	0.45	0.42
Total selling expense	4.79	4.01	3.77	3.84
Warehouse and delivery expense:				
Salaries and wages	2.50	2.33	2.02	2.08
Maintenance of delivery equipment	0.76	0.69	0.47	0.51
Outward freight	0.28	0.34	0.27	0.28
Warehouse supplies	0.16	0.10	0.08	0.09
Other warehouse and delivery expense	0.33	0.06	0.06	0.06
Total warehouse and delivery expense	4.03	3.52	2.90	3.02
Administrative and general expense:				
Salaries	5.43	4.79	3.41	3.67
Employees' benefits	0.11	0.19	0.22	0.22
Occupancy	1.49	1.13	1.06	1.08
Taxes ¹	0.27	0.18	0.09	0.11
Insurance ¹	0.31	0.13	0.17	0.17
Office supplies	0.20	0.26	0.33	0.32
Communication	0.46	0.41	0.36	0.37
Bad debts — amount written off	0.14	0.54	0.44	0.45
All other expense	1.20	0.63	0.82	0.79
Total administrative and general expense	9.61	8.26	6.90	7.18
Total operating expenses	18.43	15.79	13.57	14.04
Net operating profit	3.09	2.82	2.95	2.93
Non-trading income	1.02	0.47	0.35	0.39
Non-trading expense	0.24	0.37	0.40	0.39
Net profit before income tax deduction	3.87	2.92	2.90	2.93
Miscellaneous data				
Credit sales:				
Average per firm	209,408	680,498	2,929,916	1,613,337
Per cent of average net sales	82.98	92.79	95.35	94.60
Accounts outstanding:				
Average per firm	34,195	90,509	458,157	247,282
Per cent of average credit sales	16.33	13.30	15.64	15.33
Sales per 1,000 sq. ft. of floor space	44,678	62,441	58,389	58,380

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

Regional Results

Table 2 shows the principal profit and expense figures by regions for plumbing and heating supplies wholesalers in the 1957 panel. Because of

the difficulty of securing sufficient response to the survey, a more comprehensive analysis of operating results by provinces was not possible.

TABLE 2. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1957, by Regions

Item	Maritimes and Quebec	Ontario	Prairies and British Columbia	Canada
Number of firms	12	25	11	48
Average net sales per firm \$	2, 773, 610	1, 227, 182	1, 626, 954	1, 705, 403
	per cent of net sales			
Gross profit	15.87	18.91	15.69	16.97
Operating expenses:				
Selling	4.43	3.85	2.71	3.84
Warehouse and delivery	2.32	4.50	1.81	3.02
Administrative and general	6.83	7.80	6.73	7.18
Total operating expenses	13.58	16.15	11.25	14.04
Net operating profit	2.29	2.76	4.44	2.93

Incorporated Companies, 1957

Since no unincorporated firms in the panel had sales of \$500,000 or more, figures relating to the medium and large size firms in Table 3 are the

same as shown in Table 1. The additional feature of Table 3 is the deduction for income tax stated as a percentage of net sales.

TABLE 3. Operating Results of Incorporated Wholesalers of Plumbing and Heating Supplies, 1957, by Size of Firm

Item	Firms with 1957 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	19. 25	18. 61	16. 52	16. 88
Operating expenses	18. 45	15. 79	13. 57	14. 00
Net operating profit	0. 80	2. 82	2. 95	2. 88
Non-trading income	0. 97	0. 47	0. 35	0. 38
Non-trading expense	0. 31	0. 37	0. 40	0. 39
Net profit before income tax deduction	1. 46	2. 92	2. 90	2. 87
Income tax	0. 37	0. 81	1. 15	1. 09
Final net profit	1. 09	2. 11	1. 75	1. 78



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Comparison of 1955 and 1957 Operating Results

As was pointed out earlier in this report, the composition of the panel of firms that report for the biennial survey of operating results changes from survey to survey. Although reports are used only if the operations of the firms closely conform to operations of typical firms in the trade, it is considered that the changing composition of the panel places a severe limitation on the comparability of the results of the present survey with those of 1955. For this reason, a special compilation of operating results of the 39 firms that reported for both 1955 and 1957 is shown in Table 4. This table sets out the principal profit and expense ratios, for the same firms for the two periods.

When interpreting the figures in the following table, changes in the average net sales of firms

from period to period should be noted. It should be expected that expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of the firms increased. On the other hand, these expense items would tend to increase the ratios as the average net sales of firms decreased.

Average net sales of the 39 firms increased appreciably in 1957 from what was reported in 1955. All three categories of expense ratios were higher. The gross profit margin of the panel, stated as a percentage of net sales, did not increase sufficiently to offset increased expenses. As a result the net operating profit position, shown as a percentage of net sales, was slightly less favourable than in 1955.

**TABLE 4. Operating Results of Wholesalers of Plumbing and Heating Supplies
1955 and 1957 Compared**

Item	1955	1957
Number of firms	39	39
Average net sales per firm \$	1,839,490	1,910,060
	per cent of net sales	
Gross profit	16.45	16.83
Operating expenses:		
Selling	3.57	3.93
Warehouse and delivery	2.98	3.09
Administrative and general	6.94	7.15
Total operating expenses	13.49	14.17
Net operating profit	2.96	2.66