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**DOMINION BUREAU OF STATISTICS**

**MERCHANDISING AND SERVICES SECTION**

**OTTAWA, CANADA**

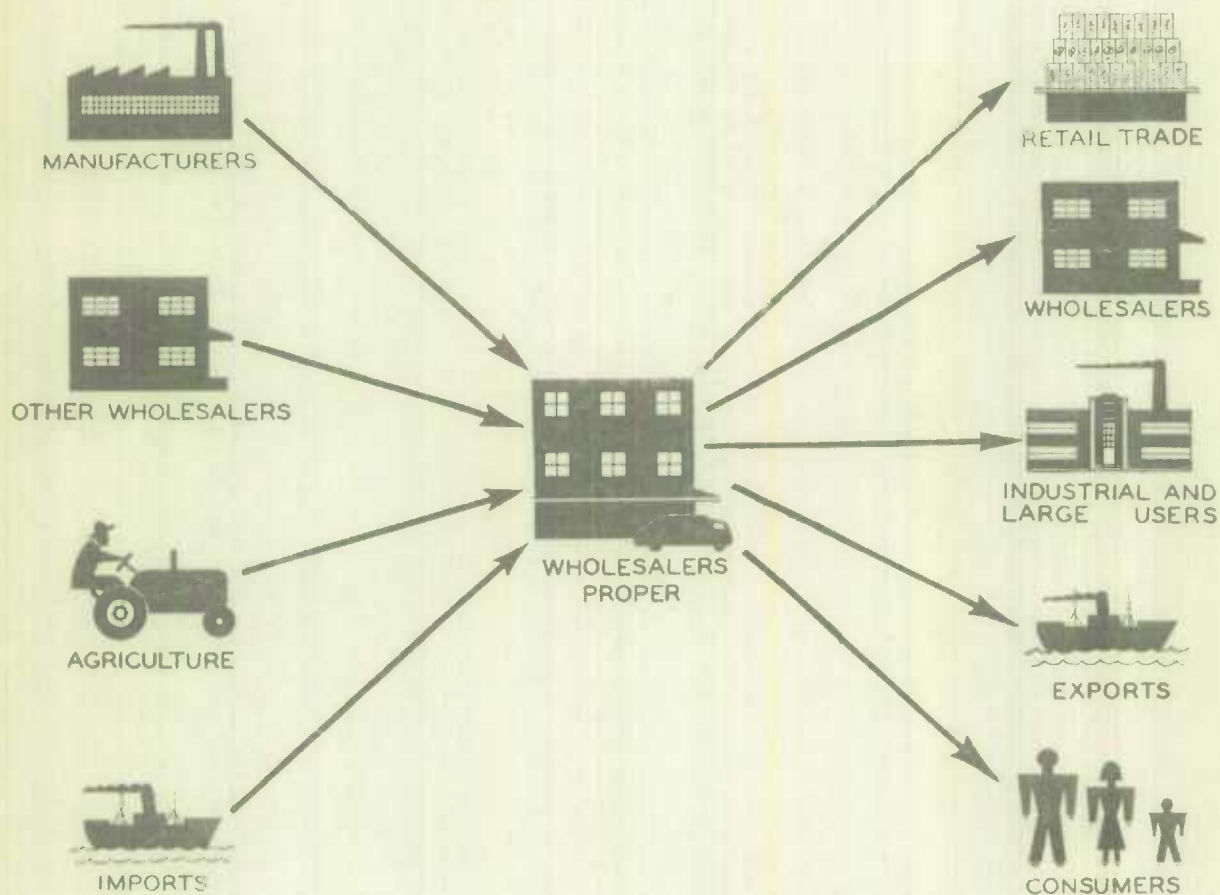
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**OPERATING RESULTS**  
**OF**  
**MISCELLANEOUS**  
**WHOLESALEERS**  
**1947**





# OPERATING RESULTS OF WHOLESALESAERS



WHOLESALESAERS OF  
AUTOMOTIVE SUPPLIES  
HARDWARE  
HEATING AND PLUMBING SUPPLIES  
DRUGS



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# FACSIMILE OF THE SCHEDULE .....

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DOMINION BUREAU OF STATISTICS

File no. ....

MERCHANDISING AND SERVICES  
OTTAWA

## OPERATING COSTS IN WHOLESALE TRADE

1947

The returns from this inquiry will be used in the preparation of a report which will be published for the general use of the trade, describing average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to the fiscal year conforming most closely to the calendar year. PLEASE answer all questions.

## I. DESCRIPTION OF BUSINESS

(1) Name of firm is .....

(2) Address of firm is .....

(3) This business sold the following commodities, in order of importance by volume. Insert sales percentage of each. Example, groceries 60%, fruit 20%, tobacco 10%, confectionery 10%.

(a) .....% (d) .....%

(b) .....% (e) .....%

(c) .....% (f) .....%

(This breakdown will allow grouping and tabulation of firms which are comparable as to commodities)

(4) This business was conducted by - (Estimate percentage of each type)

(a) Wholesale merchant (performing functions of warehousing and delivery) .....%

(b) Agent and/or broker .....% (c) Other - (specify) .....%

(5) This business was a corporation ☐, partnership ☐, individual proprietorship ☐.

(6) The sales of this firm were distributed to - (give estimated percentage if amounts are not known)

(a) Retail stores .....% (d) Industrial and other large users .....%

(b) Voluntary groups .....% (e) Consumers (at retail) .....%

(c) Other wholesalers .....% (f) Other - (specify) .....%

(7) This business was a single establishment ☐, a multiple organization ☐.

If single, please complete numbers 8 and 9; if multiple complete number 10.

(8) We processed .....% of the merchandise sold. (Give approximate percentage)

(9) The amount of floor space used in 1947 was .....sq.ft. The number of floors used was .....

(10) This business is a multiple organization with head office and branches as follow:

Address	1947 Sales \$	Floor space		Percentage goods processed %
		No. floors	Sq. ft.	
Head Office .....	.....	.....	.....	.....
1. ....	.....	.....	.....	.....
2. ....	.....	.....	.....	.....
3. ....	.....	.....	.....	.....
4. ....	.....	.....	.....	.....
5. ....	.....	.....	.....	.....
6. ....	.....	.....	.....	.....
7. ....	.....	.....	.....	.....
8. ....	.....	.....	.....	.....
9. ....	.....	.....	.....	.....

If more branches, please attach supplementary list.

## II. PROFIT AND LOSS STATEMENT, 1947:

## A.

MERCHANDISING STATEMENT

- (1) Net sales - gross sales less returns, allowances, and trade discounts ..... \$ \_\_\_\_\_
- (2) Inventory of merchandise for resale, at beginning of year ..... \$ \_\_\_\_\_
- (3) Merchandise purchased for resale - invoice value plus duty,  
inward freight and truckage; less returns, allowances,  
and trade discounts ..... \$ \_\_\_\_\_
- (4) Total of beginning inventory and net purchases (item 2 plus 3) ..... \$ \_\_\_\_\_
- (5) Inventory of merchandise for resale, at end of year ..... \$ \_\_\_\_\_
- (6) Net cost of goods sold, (item 4 minus item 5) ..... \$ \_\_\_\_\_
- (7) Gross margin or profit (item 1 minus item 6) ..... \$ \_\_\_\_\_

## B.

EXPENSE STATEMENT

## SELLING EXPENSES:

- (1) Salaries, commissions, and bonuses paid to sales force ..... \$ \_\_\_\_\_
- (2) Travelling expenses of salesmen (inc. sales manager) ..... \$ \_\_\_\_\_
- (3) Advertising (catalog, display, newspaper, radio, magazine) ..... \$ \_\_\_\_\_
- (4) Other selling expenses ..... \$ \_\_\_\_\_
- (5) Total selling expenses (total of items 1 to 4) ..... \$ \_\_\_\_\_

## WAREHOUSE AND DELIVERY EXPENSES:

- (6) Salaries and wages paid to shipping and receiving staff, truck drivers, etc. .... \$ \_\_\_\_\_
- (7) Maintenance of delivery trucks (gas, oil, repairs, depreciation, insurance, etc.) \$ \_\_\_\_\_
- (8) Outward freight, express, parcel post, and contract hauling ..... \$ \_\_\_\_\_
- (9) Warehouse supplies (such as paper, twine, packaging materials) ..... \$ \_\_\_\_\_
- (10) Other warehouse and delivery expense ..... \$ \_\_\_\_\_
- (11) Total warehouse and delivery expense (total of items 6 to 10) ..... \$ \_\_\_\_\_

## GENERAL AND ADMINISTRATIVE EXPENSES:

- (12) Administrative and office salaries (if unincorporated, include proprietors)..... \$ \_\_\_\_\_
- (13) Employees' benefits paid by firm (pension fund, unemployment insurance,  
hospitalization, workmen's compensation or other staff benefits) ..... \$ \_\_\_\_\_
- (14) Occupancy expense - for premises used in the business (taxes, insurance, repairs,  
depreciation allowances, and interest (a) on owned real estate and/or  
rentals paid for rented premises ..... \$ \_\_\_\_\_
- (15) Light, heat, power, and water ..... \$ \_\_\_\_\_
- (16) Taxes other than on real estate and excluding income and sales taxes ..... \$ \_\_\_\_\_
- (17) Insurance other than on real estate ..... \$ \_\_\_\_\_
- (18) Office supplies ..... \$ \_\_\_\_\_
- (19) Postage, telephone, telegraph ..... \$ \_\_\_\_\_
- (20) Cash discounts allowed to customers ..... \$ \_\_\_\_\_
- (21) Loss on bad debts - amount written off during the year ..... \$ \_\_\_\_\_  
less amount recovered ..... \$ \_\_\_\_\_
- (22) All other expenses ..... \$ \_\_\_\_\_
- (23) Total general and administrative expenses (total of items 12 to 22) ..... \$ \_\_\_\_\_
- (24) TOTAL OPERATING EXPENSES (add items 5, 11, and 23) ..... \$ \_\_\_\_\_
- (25) OPERATING PROFIT (item IIA(7) minus item 11B(24)) ..... \$ \_\_\_\_\_

## C.

NET GAIN STATEMENT

- (26) Other trading income (b) - such as discounts taken on purchases, interest earned, ..... \$ \_\_\_\_\_
- (27) Income tax or provision made, 1947 ..... \$ \_\_\_\_\_
- (28) NET PROFIT OR LOSS (item 25 plus item 26 minus item 27) ..... \$ \_\_\_\_\_

For notes on (a) and (b) see next page.

## IN THIS SERIES.....

### OPERATING RESULTS OF RETAIL CHAIN STORES (1947)

1. Food chains
2. Clothing chains
3. Miscellaneous chains

### OPERATING RESULTS OF INDEPENDENT RETAIL STORES (1944, 1945, 1946)

1. Food stores
2. Clothing stores
3. Country general and dry goods stores
4. Hardware, furniture, household appliances  
and radio stores
5. Miscellaneous stores
6. Filling stations and garages

### OPERATING RESULTS OF WHOLESALERS (1947)

1. Food and tobacco
2. Dry goods, piece goods, footwear
3. Miscellaneous wholesalers

Price 25¢ each.

Merchandising and Services Section  
Dominion Bureau of Statistics

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Ottawa.



DOMINION BUREAU OF STATISTICS  
MERCHANDISING AND SERVICES SECTION  
OTTAWA

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Series, 1947  
No. 19

16-7082

## OPERATING RESULTS OF MISCELLANEOUS WHOLESALEERS 1947

### Content of the Bulletin

This publication contains the results of a survey on the operations of wholesalers of automotive parts and accessories, hardware, heating and plumbing supplies and drugs. No previous survey into the operating costs of these wholesale trades has been made by the Bureau.

Two other bulletins in the 1947 wholesale operations series cover the following trades:- dry goods, piece goods and footwear; groceries, fruits and vegetables, tobacco and confectionery.

### Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

### What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distribution and production is made, however, by dividing industry into units which perform chiefly either **productive** or **distributive** functions.

Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary Trade

Wholesalers proper  
Manufactures' sales branches or  
offices  
Petroleum bulk tank stations  
Agents and Brokers  
Assemblers of primary products  
Other types of operation

Retailers

Independent Retailers  
Independent Consumer Co-operatives  
Chains - Voluntary chains  
Chains under central ownership  
and control  
Retail co-operative chains.

Relative importance of wholesalers proper to total whole-sale trade is shown below.

Wholesale Trade - 1941 Census

<u>Type of Operation</u>	<u>Per cent of Total Sales</u>	
Wholesalers proper .....	44.6	
Manufacturers sales branches ....	22.8	
Petroleum bulk tank stations ....	4.1	
Agents and brokers .....	17.2	
Assemblers of primary products ..	8.5	
Other types of operation .....	2.8	
	<u>100.0</u>	

Source:  
1941 Census  
Vol. XI, Table 1,  
P. XXXI

The ten trades surveyed accounted for 35 per cent of the sales of all wholesalers proper in 1941.

The Schedule

In order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records, a sample questionnaire was drawn up and despatched to all known firms in the trades surveyed. An accompanying letter requested that the companies make suggestions which would make the items clear and readily understood throughout the trade. The recommendations received were invaluable in the design of the final form.

A facsimile of the main portion of this final schedule is presented on pages 2 and 3 to help clarify meanings of terms.



### Methods

The ten trades in the survey were selected for their importance in the field of wholesale distribution of consumer goods to retailers. Other trades of considerable weight were omitted because their sales were made largely to industrial users of lumber and building materials, chemicals, machinery and equipment, etc. As far as possible the wholesalers canvassed were those performing the functions of warehousing and delivery.

Wholesalers proper may be briefly defined as wholesale establishments buying and selling goods on their own account. From this group those types not actually handling the merchandise - drop shippers and desk jobbers - were omitted.

When reports were received, some could not be used for such reasons as manufacturing activities, partial brokerage or agency business, for which expenses could not be separated from the functions of a warehousing and delivery wholesaler. Mixture of commodities not typical of the trade and unrelated as to cost of handling eliminated other returns from tabulation. Where the number of reports was sufficient, the results were tabulated according to the most suitable sales-size range. The salaries of proprietors and partners were included with administrative salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Dominion Bureau of Statistics, only average results are shown and all information submitted by the co-operating firms has been kept in strictest confidence.



## RESULTS OF THE SURVEY.....

The four trades contained in this bulletin are not allied trades, yet some comparison may be made between the three durable goods types. Drug wholesalers operated on smaller profits than the other types.

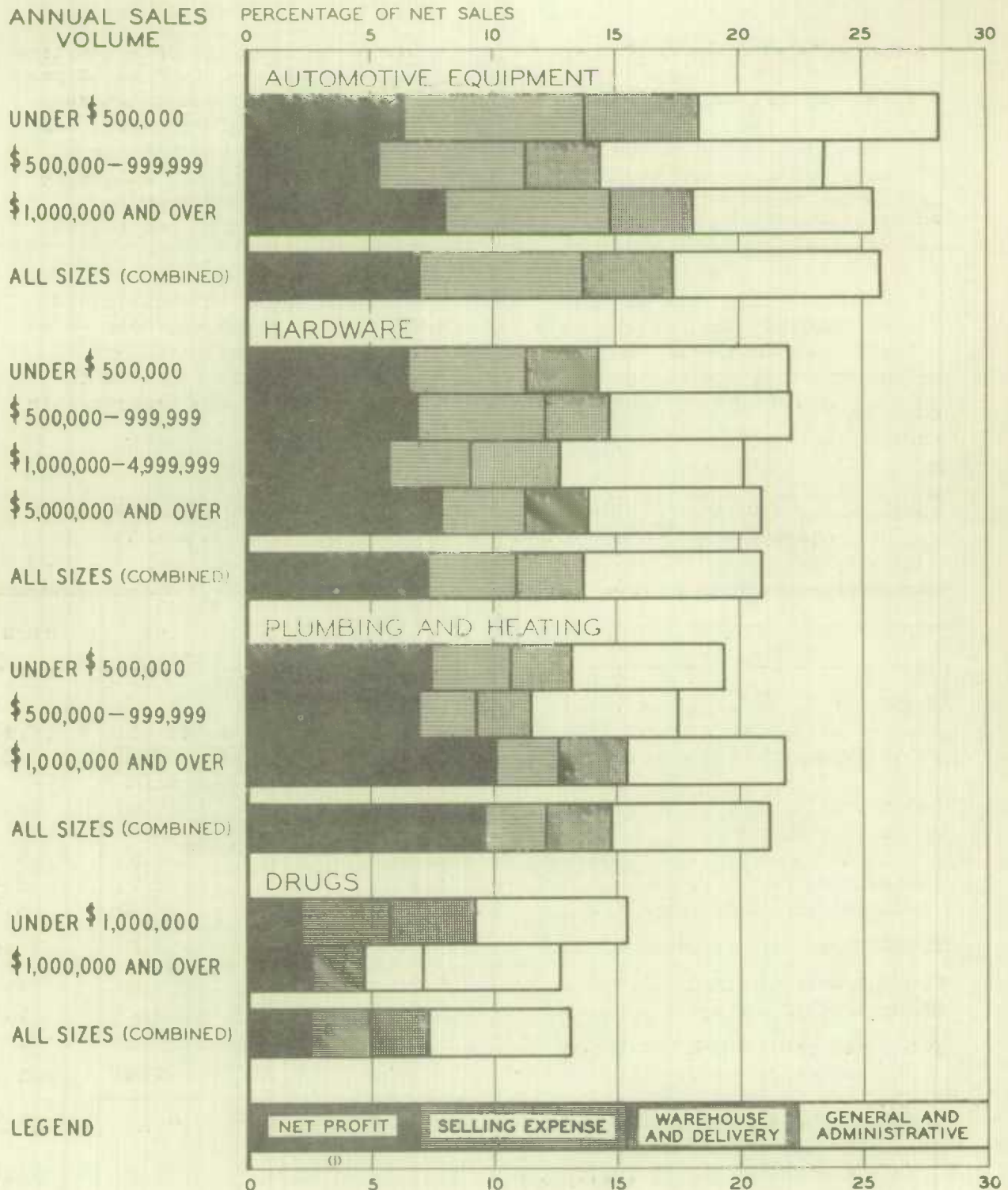
Of the three durable goods trades wholesalers of automotive parts and accessories obtained the greatest gross profit - 24.48 per cent of net sales - but due to higher operating expenses, particularly in selling, they netted the smallest profit before income tax deduction (6.95 per cent). Wholesalers of plumbing and heating supplies obtained the greatest ratio of net profit of all wholesale trades surveyed in this operating cost study (9.63 per cent). Hardware and automotive supplies wholesalers were third and fourth respectively.

The rate of stock turnover was more rapid in wholesalers of plumbing and heating supplies and they also transacted more business on credit than did wholesalers of automotive parts and accessories and hardware. These and other comparable features in the operations of these 'miscellaneous' wholesalers are presented in table 1.

Table 1. - OPERATING RESULTS OF WHOLESALERS OF AUTOMOTIVE SUPPLIES, HARDWARE, HEATING AND PLUMBING SUPPLIES AND DRUGS, 1947

Item	Automotive Supplies	Hardware	Plumbing and Heating	Drugs
Number of firms .....	68	46	34	17
Average sales per firm ..... \$	565,201	2,844,283	1,865,411	1,708,415
Stock turnover (times per year).	5.4	4.0	6.3	5.1
	(Per cent of net sales)			
Gross profit .....	24.48	20.14	20.45	12.77
Operating Expenses:				
Selling .....	6.76	3.56	2.51	2.44
Warehouse and delivery .....	3.61	2.82	2.74	2.42
General and administrative ...	8.37	7.15	6.34	5.76
Total operating expenses .....	18.74	13.53	11.59	10.62
Net operating profit .....	5.74	6.61	8.86	2.15
Other trading income .....	1.21	0.73	0.77	0.31
Total net profit before income tax deduction .....	6.95	7.34	9.63	2.46
Credit sales % of total .....	91.18	94.93	96.26	96.77
Accounts outstanding % of credit sales .....	11.22	10.00	12.28	6.79

# OPERATING RESULTS OF MISCELLANEOUS WHOLESALERS 1947



## AUTOMOTIVE PARTS AND ACCESSORIES.....

Sixty-eight firms in this classification returned satisfactory reports. While the firms covered in this study were those classed as wholesalers of automotive parts and accessories, certain other items were sold by some of the firms such as tires and tubes, garage and service station equipment, and a small amount of electrical appliances. These were handled in minor quantities and should have little effect on the operating ratios presented in this report. Basic information for the 68 firms, divided into three sales-size groups, is given below.

### GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales			
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms .....	44	14	10	68
Incorporated companies .....	22	12	10	44
Single establishments .....	39	9	6	54
Sales distribution to:				
Garages and filling stations .. %	63.15	47.63	82.44	69.15
Other wholesalers .....	19.26	44.05	2.24	16.51
Industry and other large users. %	13.02	7.07	7.42	8.88
Other (inc. retail sales) .....	4.57	1.25	7.90	5.46

Summary points in the operations of these firms in 1947 include the following:

1. Out of every \$100 net sales, the average firm paid out \$75.52 as cost of goods and \$18.74 for operating expenses. This left a profit on operations of \$5.74 to which other income added \$1.21 to make a total net profit before deduction of income tax of \$6.95. The largest size group obtained the greatest net profit - \$8.07. (Table 3.)
2. In 1947, wholesalers of automotive parts and accessories sold and replaced their stock on an average of 5.4 times per year. Inventories on hand were greater in dollar volume at the end of the year than at the beginning in all size classes. Ninety-one per cent of sales were made on credit and 11.22 per cent of these credit sales was outstanding at the end of the year. (Table 3.)



3. The largest item of expense in operating this kind of business was salaries paid to salesmen at 4.66 per cent of net sales. Administrative and warehouse salaries were next largest and together all salaries and wages formed 61 per cent of all expenses or 11.37 per cent of net sales. (Table 4.)
4. Firms of the incorporated type of organization held a slight advantage in gross and net profit over the all firm average. To a net operating profit of 6.04 per cent of net sales these businesses added other income of 1.26 per cent and paid income tax of 3.24 per cent to net a final profit of 4.06 per cent of net sales. The main profit ratios of these firms by size are set out in table 2.

Table 2. -- OPERATING RESULTS OF INCORPORATED AUTOMOTIVE ACCESSORIES  
WHOLESALEERS, 1947

By Size of Firm

Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
	(Per cent of net sales)			
Gross profit .....	29.01	22.54	24.11	24.61
Total operating expenses .....	22.85	18.03	17.42	18.57
Net operating profit .....	6.16	4.51	6.69	6.04
Other trading income .....	0.94	1.20	1.38	1.26
Total net profit before income tax deduction .....	7.10	5.71	8.07	7.30
Income tax .....	3.01	2.52	3.63	3.24
Final net profit .....	4.09	3.19	4.44	4.06



Table 3. - OPERATING RESULTS OF AUTOMOTIVE ACCESSORIES WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms .....	44	14	10	68
Average net sales per firm ..... \$	231,770	680,779	1,870,489	565,201
Average cost of goods sold ..... \$	168,878	528,358	1,419,599	426,818
Stock turnover (times per year) .....	4.7	6.4	5.4	5.4
Average beginning inventory ..... \$	30,481	71,570	215,397	66,134
Per cent of net sales .....	13.15	10.51	11.52	11.70
Average ending inventory ..... \$	41,682	92,794	314,287	92,294
Per cent of net sales .....	17.98	13.63	16.80	16.33
<u>PROFIT AND LOSS DATA</u>				
(Per cent of net sales)				
Gross profit .....	27.14	22.39	24.11	24.48
Operating Expenses:				
Selling .....	7.40	5.98	6.80	6.76
Warehouse and delivery .....	4.64	3.10	3.31	3.61
General and administrative .....	9.64	9.12	7.31	8.37
Total operating expenses .....	21.68	18.20	17.42	18.74
Net operating profit .....	5.46	4.19	6.69	5.74
Other trading income .....	0.93	1.16	1.38	1.21
Total net profit before income tax deduction .....	6.39	5.35	8.07	6.95
<u>MISCELLANEOUS DATA</u>				
Credit sales:				
Average per firm ..... \$	203,726	632,171	1,726,648	515,350
Per cent of total sales .....	87.90	92.86	92.31	91.18
Accounts outstanding:				
Average per firm ..... \$	23,673	70,930	189,413	57,822
Per cent of credit sales .....	11.62	11.22	10.97	11.22
Sales per 1,000 sq. ft. floor space. \$	33,314	75,844	85,270	59,810

Table 4. - OPERATING EXPENSES OF AUTOMOTIVE ACCESSORIES WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
	(Per cent of net sales)			
Gross profit .....	27.14	22.39	24.11	24.48
Operating Expenses:				
<u>Selling expense</u>				
Salaries .....	5.15	3.73	4.87	4.66
Travelling .....	1.28	1.29	0.69	1.00
Advertising .....	0.57	0.44	0.85	0.67
Other selling expenses .....	0.40	0.52	0.39	0.43
Total selling expenses .....	7.40	5.98	6.80	6.76
<u>Warehouse and Delivery Expense:</u>				
Salaries and wages .....	3.30	2.34	2.63	2.73
Maintenance of delivery equipment.	0.53	0.14	0.21	0.28
Outward freight, contract delivery.	0.37	0.30	0.18	0.26
Warehouse supplies .....	0.30	0.13	0.18	0.20
Other warehouse and delivery expense .....	0.14	0.19	0.11	0.14
Total warehouse and delivery expense .....	4.64	3.10	3.31	3.61
<u>General and Administrative Expense:</u>				
Salaries .....	4.75	4.62	3.24	3.98
Employees' benefits .....	0.21	0.22	0.30	0.26
Occupancy .....	1.09	0.87	0.91	0.95
Light, heat, and power .....	0.33	0.20	0.16	0.21
Taxes (1) .....	0.13	0.09	0.10	0.11
Insurance (1) .....	0.26	0.24	0.14	0.20
Office supplies .....	0.42	0.30	0.33	0.34
Postage, telegraph, telephone ....	0.50	0.49	0.38	0.44
Cash discounts allowed .....	0.57	0.87	0.26	0.49
Bad debts - amount allowed or written off .....	0.41	0.22	0.32	0.32
(Less) Amount recovered .....	0.07	0.04	0.14	0.10
Net bad debt loss .....	0.34	0.18	0.18	0.22
All other expenses .....	1.04	1.04	1.31	1.17
Total general and administrative expense .....	9.64	9.12	7.31	8.37
Total operating expenses .....	21.68	18.20	17.42	18.74
Net operating profit .....	5.46	4.19	6.69	5.74

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

# HARDWARE.....

Reports suitable for tabulation were received from 46 wholesalers of hardware. This classification covered general line hardware dealers and the firms were divided into **four** sales-size groups. General information concerning these firms follows with summary points in their 1947 business operations below.

## GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales				
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	Total all sizes
Number of firms .....	13	13	12	8	46
Incorporated companies .....	11	11	11	8	41
Single establishments .....	13	13	9	2	37
Sales distribution to:					
Retail stores .....	63.34	64.36	65.38	70.23	68.54
Other wholesalers .....	9.52	2.16	4.82	0.64	1.88
Industry .....	11.98	14.65	28.15	27.54	26.03
Contractors .....	13.94	10.49	1.44	-	1.65
Others (incl. at retail) ..	1.22	8.34	0.21	1.59	1.90

1. In 1947 the average hardware wholesaler paid \$79.86 out of every \$100 net sales as cost of goods and retained \$20.14 to meet operating expenses of \$13.53 and derived a net profit of \$6.61. Firms with net sales over \$5,000,000 obtained the highest ratio of net operating profit - 7.20 per cent of net sales-which with other income of 0.70 per cent resulted in a profit of 7.90 per cent before income tax deduction. (Table 6.)
2. Salaries generally decreased in sales ratio with size of business. Administrative salaries were the largest item of expense (3.23 per cent) with selling salaries next and warehouse and delivery salaries and wages at 2.21 per cent of net sales. Total salaries averaged 7.74 per cent of net sales or 57 per cent of all operating expenses. Other details of individual expense items are presented by size of business in table 7.

3. As 41 of the 46 firms were incorporated, the results of this type will parallel the results of all firms very closely. Income tax data on these firms, however, permits a further tabulation to a final net profit. The all size average showed a total net profit before income tax of 7.41 per cent of net sales with income tax of 3.51 per cent of sales or approximately 47 per cent of taxable income. (Table 5.)

Table 5. - OPERATING RESULTS OF INCORPORATED HARDWARE WHOLESALERS, 1947

Item	By Size of Firm				
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	Total all sizes
	(Per cent of net sales)				
Gross profit .....	21.54	21.59	19.75	20.20	20.23
Operating expenses .....	16.15	15.34	14.68	13.00	13.56
Net operating profit .....	5.39	6.25	5.07	7.20	6.67
Other trading income .....	1.34	0.76	0.77	0.70	0.74
Total net profit before income tax deduction .....	6.72	7.01	5.84	7.90	7.41
Income tax .....	2.57	3.22	2.75	3.77	3.51
Final net profit .....	4.15	3.81	3.09	4.13	3.90



Table 6. - OPERATING RESULTS OF HARDWARE WHOLESALERS, 1947

By Size of Firm					
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	Total all sizes
Number of firms .....	13	13	12	8	46
Average net sales per firm ..... \$	268,789	707,722	2,233,081	11,418,180	2,844,283
Average cost of goods sold ..... \$	212,989	556,303	1,798,857	9,111,722	2,271,323
Stock turnover (times per year) ...	4.5	4.8	5.6	3.6	4.0
Average beginning inventory ..... \$	40,922	107,030	282,131	2,284,269	512,674
Per cent of net sales .....	15.22	15.12	12.63	20.01	18.02
Average ending inventory ..... \$	53,214	126,773	363,237	2,713,747	617,579
Per cent of net sales .....	19.80	17.91	16.27	23.77	21.71
<u>PROFIT AND LOSS DATA</u>					
(Per cent of net sales)					
Gross profit .....	20.76	21.40	19.45	20.20	20.14
Operating Expenses:					
Selling .....	4.71	5.22	3.33	3.41	3.56
Warehouse and delivery .....	3.07	2.65	3.72	2.56	2.82
General and administrative .....	7.67	7.33	7.45	7.03	7.15
Total operating expenses .....	15.45	15.20	14.50	13.00	13.53
Net operating profit .....	5.31	6.20	4.95	7.20	6.61
Other trading income .....	1.27	0.72	0.74	0.70	0.73
Total net profit before income tax deduction .....	6.58	6.92	5.69	7.90	7.34
<u>MISCELLANEOUS DATA</u>					
Credit sales:					
Average per firm ..... \$	233,981	657,049	2,164,749	10,846,129	2,700,078
Per cent of total sales .....	87.05	92.84	96.94	94.99	94.93
Accounts outstanding:					
Average per firm ..... \$	23,755	66,493	233,576	1,066,174	270,008
Per cent of credit sales .....	10.58	10.12	10.79	9.83	10.00

Table 7. - OPERATING EXPENSES OF HARDWARE WHOLESALERS, 1947.

By Size of Firm					
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	Total all sizes
	(Per cent of net sales)				
Gross profit .....	20.76	21.40	19.45	20.20	20.14
Operating Expenses:					
<u>Selling expense:</u>					
Salaries .....	3.21	3.71	2.31	2.11	2.30
Travelling .....	1.26	1.05	0.71	0.75	0.78
Advertising .....	0.15	0.30	0.27	0.47	0.41
Other selling expenses .....	0.09	0.16	0.04	0.08	0.07
Total selling expense .....	4.71	5.22	3.33	3.41	3.56
<u>Warehouse and Delivery Expense:</u>					
Salaries and wages .....	2.50	2.14	2.99	1.98	2.21
Maintenance of delivery equipment .....	0.38	0.29	0.41	0.21	0.26
Outward freight, <b>contract</b> delivery .....	0.06	0.11	0.14	0.26	0.22
Warehouse supplies .....	0.07	0.09	0.09	0.07	0.08
Other warehouse and delivery expenses .....	0.06	0.02	0.09	0.04	0.05
Total warehouse and delivery expense .....	3.07	2.65	3.72	2.56	2.82
<u>General and Administrative   Expense:</u>					
Salaries .....	4.07	3.85	3.60	3.03	3.23
Employees' benefits .....	0.10	0.12	0.26	0.17	0.18
Occupancy .....	0.90	0.93	0.92	1.17	1.10
Light, heat, and power .....	0.22	0.15	0.17	0.13	0.14
Taxes (1) .....	0.09	0.08	0.06	0.06	0.06
Insurance (1) .....	0.23	0.22	0.12	0.08	0.10
Office supplies .....	0.23	0.28	0.23	0.25	0.25
Postage, telegraph, telephone .	0.32	0.31	0.38	0.34	0.34
Cash discounts allowed .....	0.53	0.35	0.86	0.66	0.68
Bad debts - amount allowed or written off .....	0.17	0.24	0.27	0.30	0.28
(Less) Amount recovered .....	0.01	0.03	0.03	0.12	0.09
Net bad debt loss .....	0.16	0.21	0.24	0.18	0.19
All other expenses .....	0.82	0.83	0.61	0.96	0.88
Total general and administrative expense .....	7.67	7.33	7.45	7.03	7.15
Total operating expenses .....	15.45	15.20	14.50	13.00	13.53
Net operating profit .....	5.31	6.20	4.95	7.20	6.61

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

## PLUMBING AND HEATING SUPPLIES.....

Thirty-four wholesalers of plumbing and heating supplies returned reports satisfactory for tabulation in this study. For presentation of operating results, these returns were divided into three sales-size groups. General information on these firms is as follows:

### GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales			
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms .....	16	7	11	34
Incorporated companies .....	11	7	11	29
Single establishments .....	16	6	7	29
Sales distribution to:				
Contractors .....	92.71	84.53	67.27	70.68
Other wholesalers .....	3.57	7.31	3.52	3.87
Industry and other large users. %	1.23	6.20	21.15	18.35
Others (incl. retail sales) ... %	2.49	1.96	8.06	7.10

Points of major importance in the operations of wholesalers of plumbing and heating supplies are summarized below.

1. For every \$100 net sales, \$79.55 was paid out as cost of merchandise and \$11.59 as operating expenses to net an operating profit of \$8.86. Other income added \$0.88 to give a total net profit before income tax deduction of \$9.63. Firms with annual net sales in excess of \$1,000,000 obtained higher ratios of profit than the all size average and the two smaller size-classes averaged smaller ratios. (Table 9.)
2. Salaries and wages paid formed 5.97 per cent of net sales or approximately 51 per cent of total operating expenses. Administrative salaries were highest at 2.93 per cent of net sales, selling salaries represented 1.72 per cent and warehouse and delivery 1.32 per cent. Cash discounts allowed customers were 1.16 per cent of sales and outward freight or contract hauling 1.09 per cent. Other details of expense by size groups are given in table 10.

3. Incorporated companies in the two smaller sized groups paid income tax to the extent of 3.13 per cent and 3.09 per cent of net sales, leaving final net profits of 4.77 per cent for the smallest group and 3.78 per cent for the middle size group. Inclusion of miscellaneous income other than trading income by some of the largest class firms made it impossible to compile average results for that group on income tax data. The results of the incorporated firms of the two smaller size classes are shown in table 8.

Table 8. - OPERATING RESULTS OF INCORPORATED FIRMS - WHOLESALERS OF PLUMBING AND HEATING SUPPLIES, 1947

Item	Annual Net Sales	
	Under \$500,000	\$500,000 to \$999,999
	(Per cent of net sales)	
Gross profit .....	19.91	16.47
Total operating expenses .....	12.72	10.65
Net operating profit .....	7.19	5.82
Other trading income .....	0.71	1.05
Total net profit before income tax deduction .....	7.90	6.87
Income tax .....	3.13	3.09
Final net profit .....	4.77	3.78



Table 9. - OPERATING RESULTS OF PLUMBING AND HEATING WHOLESALERS, 1947

## By Size of Firm

Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
Number of firms .....	16	7	11	34
Average net sales per firm ..... \$	299,009	352,831	4,788,184	1,865,411
Average cost of goods sold ..... \$	242,830	712,402	3,779,910	1,483,856
Stock turnover (times per year) .....	9.9	10.4	5.8	6.3
Average beginning inventory ..... \$	19,203	49,836	523,184	188,563
Per cent of net sales .....	6.42	5.84	10.93	10.11
Average ending inventory ..... \$	29,867	87,483	772,457	281,979
Per cent of net sales .....	9.99	10.26	16.13	15.12
<u>PROFIT AND LOSS DATA</u>				
(Per cent of net sales)				
Gross profit .....	18.79	16.47	21.06	20.45
Operating Expenses:				
Selling .....	3.20	2.45	2.46	2.51
Warehouse and delivery .....	2.55	2.16	2.83	2.74
General and administrative .....	6.17	6.04	6.38	6.34
Total operating expenses .....	11.92	10.65	11.67	11.59
Net operating profit .....	6.87	5.82	9.39	8.86
Other trading income .....	0.60	1.05	0.75	0.77
Total net profit before income tax deduction .....	7.47	6.87	10.14	9.63
<u>MISCELLANEOUS DATA</u>				
Credit sales:				
Average per firm ..... \$	262,769	736,334	4,689,068	1,795,645
Per cent of total sales .....	87.88	86.34	97.93	96.26
Accounts outstanding:				
Average per firm ..... \$	27,196	71,572	593,167	220,505
Per cent of credit sales .....	10.35	9.72	12.65	12.28
Sales per 1,000 sq. ft. floor space. \$	40,101	48,933	49,078	47,502

Table 10. - OPERATING EXPENSES OF PLUMBING AND HEATING WHOLESALERS, 1947

By Size of Firm				
Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	Total all sizes
	(Per cent of net sales)			
Gross profit .....	18.79	16.47	21.06	20.45
Operating Expenses:				
<u>Selling expense:</u>				
Salaries .....	2.22	1.48	1.71	1.72
Travelling .....	0.62	0.75	0.41	0.46
Advertising .....	0.25	0.18	0.20	0.20
Other selling expenses .....	0.11	0.04	0.14	0.13
Total selling expense .....	3.20	2.45	2.46	2.51
<u>Warehouse and Delivery Expense:</u>				
Salaries and wages .....	1.65	1.26	1.29	1.32
Maintenance of delivery equipment.	0.39	0.24	0.17	0.19
Outward freight, contract delivery.	0.34	0.41	1.24	1.09
Warehouse supplies .....	0.03	0.10	0.10	0.09
Other warehouse and delivery expenses .....	0.14	0.15	0.03	0.05
Total warehouse and delivery expense .....	2.55	2.16	2.83	2.74
<u>General and Administrative Expense:</u>				
Salaries .....	2.99	2.78	2.94	2.93
Employees' benefits .....	0.07	0.08	0.06	0.06
Occupancy .....	0.63	0.59	0.79	0.77
Light, heat, and power .....	0.12	0.12	0.13	0.13
Taxes (1) .....	0.06	0.06	0.05	0.06
Insurance (1) .....	0.12	0.10	0.06	0.07
Office supplies .....	0.25	0.28	0.23	0.23
Postage, telegraph, telephone ....	0.29	0.27	0.28	0.28
Cash discounts allowed .....	0.90	0.89	1.22	1.16
Bad debts - amount allowed or written off .....	0.27	0.20	0.20	0.21
(Less) Amount recovered .....	(a)	0.10	0.06	0.06
Net bad debt loss .....	0.27	0.10	0.14	0.15
All other expenses .....	0.47	0.77	0.48	0.50
Total general and administrative expense .....	6.17	6.04	6.38	6.34
Total operating expenses .....	11.92	10.65	11.67	11.59
Net operating profit .....	6.87	5.82	9.39	8.86

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

(a) Less than 0.005 per cent.

## DRUGS.....

Seventeen regular wholesalers of drugs and 5 wholesalers operating on a cooperative basis submitted satisfactory reports to this survey. The 17 regular wholesalers were divided into two sales-size groups, results for which appear in tables 11 and 12. As all except one firm in the smaller class were incorporated companies, income tax data for the incorporated firms is shown in table 11. General information on the 17 firms follows:

### GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales		
	Under \$1,000,000	\$1,000,000 and over	Total all sizes
Number of firms .....	9	8	17
Incorporated companies .....	8	8	16
Single establishments .....	9	5	14
Sales distribution to:			
Retailers .....	93.13	83.63	84.81
Other wholesalers .....	3.27	12.34	11.21
Industry and other large users ...	3.60	3.45	3.47
Others .....	-	0.58	0.51

Summary points in the operations of drug wholesalers in 1947 are shown below.

1. Out of every \$100 net sales, \$87.23 was spent as cost of goods sold and \$10.62 as operating expenses. To the \$2.15 net operating profit \$0.31 was added as other income and \$1.07 deducted in income tax to leave a final net profit of \$1.39. (Table 11.)
2. Stock was sold and replaced 5.1 times per year in the average drug wholesale firm with the smaller sized firms effecting a slightly more rapid rate of turnover than the larger class. The larger firms granted more credit and had a smaller proportion of credit sales outstanding at the end of the year. (Table 11.)

3. In common with other wholesale businesses, drug wholesalers expended over 50 per cent of operating expenses in salaries and wages. Administrative salaries formed 2.85 per cent of net sales, selling salaries 1.73 per cent and warehouse and delivery salaries and wages 1.70 per cent. Other expense items are shown in detail by size breakdown in table 12.
4. Cooperative wholesalers operated on a gross profit sufficient to meet expenses. The benefits derived from cooperative buying were apparently passed on to members. This difference in operation is shown in table 13. Gross profit is only half that obtained by regular wholesalers. Selling expenses are negligible at 0.40 per cent of net sales as compared to 2.44 per cent paid by regular wholesalers. In almost all items of expense cooperative wholesalers operated on smaller ratios than other drug wholesalers. (Table 13.)



Table 11. - OPERATING RESULTS OF DRUG WHOLESALERS, 1947

By Size of Firm			
Item	Under \$1,000,000	\$1,000,000 and over	Total all sizes
Number of firms .....	9	8	17
Average net sales per firm ..... \$	401,703	3,178,465	1,708,415
Average cost of goods sold ..... \$	341,861	2,782,368	1,490,335
Stock turnover (times per year) .....	5.7	5.0	5.1
Average beginning inventory ..... \$	56,011	536,843	281,376
Per cent of net sales .....	13.94	16.89	16.47
Average ending inventory ..... \$	64,988	571,806	303,073
Per cent of net sales .....	16.18	17.99	17.74
<u>PROFIT AND LOSS DATA</u>			
(Per cent of net sales)			
Gross profit .....	14.90	12.46	12.77
Operating Expenses:			
Selling .....	3.66	2.27	2.44
Warehouse and delivery .....	3.51	2.26	2.42
General and administrative .....	6.20	5.69	5.76
Total operating expenses .....	13.37	10.22	10.62
Net operating profit .....	1.53	2.24	2.15
Other trading income .....	0.53	0.28	0.31
Total net profit before income tax deduction.	2.06	2.52	2.46
Income tax .....	0.77	1.12	1.07
Final net profit .....	1.29	1.40	1.39
<u>MISCELLANEOUS DATA</u>			
Credit sales:			
Average per firm ..... \$	367,558	3,104,088	1,653,233
Per cent of total sales .....	91.50	97.66	96.77
Accounts outstanding:			
Average per firm ..... \$	32,308	200,834	112,254
Per cent of credit sales .....	8.79	6.47	6.79
Sales per 1,000 sq. ft. floor space ..... \$	38,625	70,470	59,885

Table 12. - OPERATING EXPENSES OF DRUG WHOLESALERS, 1947

## By Size of Firm

Item	Under \$1,000,000	\$1,000,000 and over	Total all sizes
(Per cent of net sales)			
Gross profit .....	14.90	12.46	12.77
Operating Expenses:			
<u>Selling expense:</u>			
Salaries .....	2.75	1.58	1.73
Travelling .....	0.69	0.52	0.54
Advertising .....	0.14	0.09	0.09
Other selling expenses .....	0.08	0.08	0.08
Total selling expense .....	3.66	2.27	2.44
<u>Warehouse and Delivery Expense:</u>			
Salaries and wages .....	2.68	1.56	1.70
Maintenance of delivery equipment .....	0.20	0.28	0.27
Outward freight, contract delivery .....	0.48	0.27	0.30
Warehouse supplies .....	0.08	0.09	0.09
Other warehouse and delivery expenses ...	0.07	0.06	0.06
Total warehouse and delivery expense .....	3.51	2.26	2.42
<u>General and Administrative Expense:</u>			
Salaries .....	3.57	2.74	2.85
Employees' benefits .....	0.06	0.44	0.39
Occupancy .....	0.49	0.66	0.64
Light, heat, and power .....	0.13	0.12	0.12
Taxes (1) .....	0.11	0.10	0.10
Insurance (1) .....	0.21	0.11	0.12
Office supplies .....	0.15	0.17	0.17
Postage, telegraph, telephone .....	0.25	0.22	0.22
Cash discounts .....	0.39	0.16	0.19
Bad debts - amount allowed or written off .....	0.07	0.01	0.02
(Less) Amount recovered .....	0.01	(a)	0.01
Net bad debt loss .....	0.06	(a)	0.01
All other expenses .....	0.78	0.97	0.95
Total general and administrative expense ..	6.20	5.69	5.76
Total operating expenses .....	13.37	10.22	10.62
Net operating profit .....	1.53	2.24	2.15

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

(a) Less than 0.005 per cent.

Table 13. - OPERATING EXPENSES OF COOPERATIVE AND REGULAR DRUG WHOLESALEERS COMPARED, 1947

(All sizes combined)

Item	Co-operative Wholesalers	Regular Wholesalers
	(Per cent of net sales)	
Gross profit .....	6.08	12.77
Operating Expenses:		
<u>Selling expense:</u>		
Salaries .....	0.21	1.73
Travelling .....	0.06	0.54
Advertising .....	0.04	0.09
Other selling expenses .....	0.09	0.08
Total selling expense .....	0.40	2.44
<u>Warehouse and Delivery Expense:</u>		
Salaries and wages .....	0.78	1.70
Maintenance of delivery equipment .....	0.10	0.27
Outward freight, contract delivery .....	0.06	0.30
Warehouse supplies .....	0.13	0.09
Other warehouse and delivery expenses ...	(a)	0.06
Total warehouse and delivery expense .....	1.07	2.42
<u>General and Administrative Expense:</u>		
Salaries .....	4.15	2.85
Employees' benefits .....	0.24	0.39
Occupancy .....	0.47	0.64
Light, heat, and power .....	0.08	0.12
Taxes (1) .....	0.02	0.10
Insurance (1) .....	0.04	0.12
Office supplies .....	0.13	0.17
Postage, telegraph, telephone .....	0.10	0.22
Cash discounts allowed .....	0.03	0.19
Bad debts - amount allowed or written off .....	(a)	0.02
(Less) Amount recovered .....	-	0.01
Net bad debt loss .....	(a)	0.01
All other expenses .....	0.07	0.95
Total general and administrative expense ..	5.33	5.76
Total operating expenses .....	6.80	10.62
Net operating profit .....	- 0.72(loss)	2.15
Other trading income .....	0.81	0.31
Total net profit before income tax deduction.	0.09	2.46

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

(a) Less than 0.005 per cent.

# APPENDIX

13

OF THE

PROCEEDINGS OF THE

LEGISLATIVE COUNCIL

OF THE

PROVINCE OF

ONTARIO

IN THE

YEAR 1891

AND

THE

SESSIONS

OF

THE

LEGISLATIVE COUNCIL

OF THE

PROVINCE OF

ONTARIO

IN THE

YEAR 1892

AND

THE

SESSIONS

OF

THE

LEGISLATIVE COUNCIL

OF THE

PROVINCE OF

ONTARIO





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