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GOVERNMENT OF CANADA



OPERATING RESULTS
OF
MISCELLANEOUS WHOLESALERS
1949



OPERATING RESULTS OF MISCELLANEOUS WHOLESALERS

1949

Automotive Parts and Accessories — Hardware

Plumbing and Heating Supplies — Drugs

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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

- A. General Review
- B. Wholesale Trade
- C. Operating Results of Food Wholesalers
- D. Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers
- E. Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment)

Part II — Retail Statistics

- F. General Review
- G. Retail Trade
- H. Department Store Sales and Stocks
- I. Retail Chain Stores
- J. Operating Results of Food Store Chains
- K. Operating Results of Clothing Store Chains
- L. Operating Results of Miscellaneous Chain Stores (variety, drug, furniture)

Part III — Services and Special Fields

- M. Laundries, Cleaners and Dyers
- N. Theatres
- P. Advertising Agencies (Memorandum)
- Q. Sales Financing
- R. Farm Implement and Equipment Sales
- AA. New Motor Vehicle Sales and Motor Vehicle Financing

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

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OPERATING RESULTS - LIST OF REPORTS

WHOLESALE TRADE (1947 and 1949)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Miscellaneous Wholesalers (Automotive Parts and Accessories, Hardware, Plumbing and Heating Supplies, Drugs)

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

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. Miscellaneous Stores (Country General, Restaurants, Fuel, Drugs, Jewellery, Tobacco Stores)

RETAIL CHAIN STORES (1947 and 1949)

1. Food Store Chains
2. Clothing Store Chains
3. Miscellaneous Chain Stores (Variety, Furniture, Drugs)

INTRODUCTION

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

Scope

This study is confined to **wholesalers proper**, 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. Four trades are covered — automotive parts and accessories, hardware, plumbing and heating supplies, and drugs.

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. No reports from Newfoundland wholesalers are included in this survey. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only.

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 1949 operations and is the second biennial publication in a series begun in 1947. Certain summary tables show comparative results for both years.

New Feature

Middle range figures for gross and net profits, and for the three main functional divisions of expense, have been introduced as a new feature. 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.

SUMMARY OF 1949 RESULTS BY TRADES

The following table shows comparative results in summary form for the four trades covered in this report. In analysing the performance of an individual wholesale company, reference should be made to the

more detailed tables appearing in later sections of this report. In these tables variations arising from difference in sales-size and geographical location are revealed.

Operating Results of Wholesalers of Automotive Parts and Accessories, Hardware, Plumbing and Heating Supplies and Drugs, 1949

Item	Automotive parts and accessories	Hardware	Plumbing and heating supplies	Drugs
Number of firms	61	57	42	12
Average sales per firm \$	782,026	2,323,346	2,194,036	2,910,772
Stock turnover (times per year).....	4.6	4.4	6.7	5.6
(Percent of net sales)				
Gross profit	25.18	19.26	19.07	12.48
Operating expenses:				
Selling	6.86	4.01	2.55	1.76
Warehouse and delivery	4.19	2.95	2.38	2.41
Administrative and general.....	8.90	7.06	6.97	5.74
Total operating expenses.....	19.95	14.02	11.90	9.91
Net operating profit.....	5.23	5.24	7.17	2.57
Other trading income.....	1.01	0.66	0.38	0.24
Total net profit before income tax deduction.....	6.24	5.90	7.55	2.81
Credit sales	91.49	93.10	94.27	92.88
Sales to retailers.....	67.15	64.84	57.69	89.60

Average sales per firm were considerably lower in the automotive parts and accessories trades than in the other three reviewed in this bulletin. Stock turnover was more rapid in the plumbing and heating supplies trade. Wholesalers of automotive parts and accessories operated on the highest gross profit and drug wholesalers on the smallest. High expense ratios of automotive parts and accessories whole-

salers reduced their gross profit to a net profit lower than that of wholesalers of plumbing and heating supplies. This latter trade had the highest ratio of net profit of all wholesale trades covered in this survey. All trades in this report extended more than 90% credit on their 1949 sales. Drug stores sold a greater proportion of their goods to the retail trade than did the other three trades.

AUTOMOTIVE PARTS AND ACCESSORIES

Reports from 61 wholesalers of automotive parts and accessories were used in the preparation of the

1949 operating results. Some general characteristics of these firms are described below.

Description of Reporting Firms

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	39	12	10	61
Form of organization:				
Individual proprietorship.....	5	—	—	5
Partnership.....	9	—	—	9
Incorporated company.....	25	12	10	47
No. of establishments operated:				
By single-establishment firms.....	31	9	5	45
By multiple-establishment firms.....	21	6	25	52
Distribution of sales:				
To garages and filling stations..... %	62.88	49.66	73.92	67.15
To other wholesalers..... %	22.17	35.20	2.82	12.87
To industry and other large users..... %	6.36	12.70	8.57	8.83
To others..... %	8.59	2.44	14.69	11.15

Most of the reporting firms were incorporated companies. Sixteen multiple firms operated 52 outlets and 45 firms were of the single-establishment

type. Sixty-seven per cent of sales was to garages and filling stations, 13% to other wholesalers, 9% to other larger users and 11% to others.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Out of an average gross profit of 25.18% of net sales, wholesalers of automotive parts and accessories paid out 19.95% in operating expenses. Administrative and general expenses accounted for 8.9%, selling ex-

penses were 6.86% and warehouse and delivery expenses formed 4.19% of net sales. Other income of 1.01%, added to a net trading profit of 5.23% gave a total net profit before income tax deduction of 6.24% of sales.

Inventories and Stock Turnover

Inventories at the end of 1949 were 17.04% of sales compared with 15.69% at the beginning. All size categories showed increased dollar volume of inven-

tories at the end of the year. The rate of stock turnover was a little more rapid in the larger firms and averaged 4.6 times per year for all sizes combined.

Credit Sales and Receivables

Wholesalers of automotive parts and accessories transacted 91.49% of their business on credit. Firms in the larger size classes extended more credit

than those in the smaller brackets. Outstanding accounts at the end of the year were 11.07% of credit sales.

Regional Results

Firms in the Prairie Provinces obtained higher gross profits in 1949 — 27.29% — than those in other regions of the country. The Maritime wholesalers had the lowest average gross profit at 23.07% of sales.

British Columbia wholesalers had the greatest operating expenses and consequently the lowest net profit — 2.25% of net sales. The Prairies showed highest net profits at 7.76% of net sales. (See Table 2.)

Range Figures

Middle range figures shown in Table 3 reveal the experience of one-half of the reporting firms centered on the median. One-quarter of all the firms were below and one-quarter above the ratios shown for the various items. Along with these middle range figures

are shown average ratios as produced in Table 1. Gross profits for the middle half of the firms were between 24.2% and 29.4% of net sales. Net profits ranged from 1.2% to 6.2% of sales for the middle half. (See Table 3.)

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	39	12	10	61
Average net sales per firm..... \$	272,964	711,874	2,851,548	782,026
Average cost of goods sold..... \$	199,380	542,407	2,140,887	585,140
Stock turnover (times per year).....	4.2	4.5	4.8	4.6
Average beginning inventory..... \$	47,084	113,871	428,207	122,701
Percent of sales	17.25	16.00	15.02	15.69
Average ending inventory..... \$	48,962	127,647	468,724	133,255
Percent of sales	17.94	17.93	16.44	17.04
PROFIT AND LOSS DATA (Percent of net sales)				
Gross profit.....	26.96	23.81	24.92	25.18
Operating expenses:				
Selling expense:				
Salaries.....	5.26	5.72	4.33	4.78
Travelling.....	1.20	0.98	0.63	0.82
Advertising	0.58	0.52	1.17	0.93
Other selling expense.....	0.41	0.16	0.35	0.33
Total selling expense	7.45	7.38	6.48	6.86
Warehouse and delivery expense:				
Salaries and wages.....	3.34	2.87	3.04	3.08
Maintenance of delivery equipment.....	0.47	0.29	0.28	0.32
Outward freight, contract hauling.....	0.36	0.38	0.51	0.45
Warehouse supplies.....	0.24	0.15	0.16	0.18
Other warehouse and delivery expense.....	0.20	0.04	0.18	0.16
Total warehouse and delivery expense	4.61	3.73	4.17	4.19
Administrative and general expense:				
Salaries	4.94	4.39	3.19	3.79
Employees' benefits.....	0.23	0.27	0.36	0.32
Occupancy.....	1.40	1.40	1.19	1.28
Light, heat, and power.....	0.33	0.30	0.20	0.25
Taxes ¹	0.15	0.11	0.13	0.13
Insurance ¹	0.32	0.22	0.15	0.20
Office supplies.....	0.34	0.36	0.34	0.34
Postage, telegraph, telephone.....	0.57	0.45	0.47	0.49
Cash discounts allowed.....	0.49	0.70	0.51	0.54
Bad debts — amount written off.....	0.47	0.40	0.37	0.40
(Less) Amount recovered.....	0.14	0.12	0.18	0.17
Net bad debt loss.....	0.33	0.28	0.19	0.23
All other expenses.....	1.70	1.02	1.28	1.33
Total administrative and general expense	10.80	9.50	8.01	8.90
Total operating expenses.....	22.86	20.61	18.66	19.95
Net operating profit	4.10	3.20	6.26	5.23
Other trading income.....	0.89	0.88	1.09	1.01
Total net profit before income tax deduction	4.99	4.08	7.35	6.24

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

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, by Size of Firm, 1949 - Concluded

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
MISCELLANEOUS DATA				
Credit sales:				
Average per firm..... \$	235,131	661,117	2,654,221	715,504
Percent of total sales.....	86.14	92.87	93.08	91.49
Accounts outstanding:				
Average per firm..... \$	31,696	57,583	290,372	79,194
Percent pf credit sales.....	13.48	8.71	10.94	11.07
Sales per 1,000 sq. ft. of floor space..... \$	48,936	66,448	78,569	66,493

TABLE 2. Operating Results of Automotive Parts and Accessories Wholesalers, by Regions, 1949

Item	Maritimes and Quebec	Ontario	Prairies	British Columbia	Canada
Number of firms.....	17	30	9	5	61
Average sales per firm..... \$	848,471	764,015	813,643	607,270	782,028
PROFIT AND LOSS DATA (Percent of net sales)					
Gross profit.....	23.07	25.74	27.29	25.76	25.18
Operating expenses:					
Selling.....	7.15	6.80	6.62	6.38	6.86
Warehouse and delivery.....	3.57	4.67	3.21	5.93	4.19
Administrative and general.....	8.98	8.29	9.70	11.20	8.90
Total operating expenses.....	19.70	19.76	19.53	23.51	19.95
Net profit before other income or deduction of income tax.....	3.37	5.98	7.76	2.25	5.23

TABLE 3. Range Figures for Main Operating Results Items, 1949

Item	Firms with 1949 sales of						Total, all sizes	
	Under \$500,000		\$500,000 to \$999,999		\$1,000,000 and over			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	(Percent of net sales)							
Gross profit.....	27.0	24.9- 30.6	23.8	21.0-27.1	24.9	24.6-27.5	25.2	24.2-29.4
Selling expense.....	7.5	5.9-10.7	7.4	5.3- 9.1	6.5	5.0- 8.4	6.9	5.5- 9.6
Warehouse and delivery expense	4.6	2.7- 6.8	3.7	2.3- 6.5	4.1	3.4- 5.6	4.2	2.7- 6.2
Administrative and general ex- pense	10.8	8.7-12.2	9.5	7.2-12.2	8.0	7.3-11.7	8.9	8.3-12.2
Net profit before other income or deduction of income tax.....	4.1	1.0- 6.8	3.2	1.2- 5.9	6.3	3.6- 7.5	5.2	1.2- 6.4

Incorporated Companies 1949

All wholesalers in the two largest sales-size classes, and a large portion of the smaller firms, were incorporated companies. The results for these firms, therefore, are quite similar to the "all types" average.

Net operating profit of 5.27% of net sales was increased to 6.29% by other trading income. Income tax amounted to 2.27% of net sales and reduced the net profit of 6.29% to a final net profit of 4.02% of net sales.

Operating Results of Incorporated Automotive Parts and Accessories Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
	(Percent of net sales)			
Gross profit.....	26.95	23.81	24.92	25.06
Total operating expenses.....	23.04	20.61	18.66	19.79
Net operating profit.....	3.91	3.20	6.26	5.27
Other trading income.....	0.92	0.88	1.09	1.02
Total net profit before income tax deduction.....	4.83	4.08	7.35	6.29
Income tax.....	1.50	1.34	2.76	2.27
Final net profit.....	3.33	2.74	4.59	4.02

Comparison of 1947 and 1949 Results

Reports were received from 68 firms in 1947 and 61 submitted reports on their 1949 operations. Of these, 42 firms reported for both years. Com-

parative results for all respondents, for the identical firms for the two years, are summarized below.

Operating Results of Automotive Parts and Accessories Wholesalers, 1947 and 1949 Compared

Item	All respondents		Identical firms	
	1947	1949	1947	1949
Number of firms.....	68	61	42	42
Average sales per firm..... \$	565,201	782,026	694,525	776,027
(Percent of net sales)				
Gross profit.....	24.48	25.18	24.43	24.77
Operating expenses:				
Selling.....	6.76	6.86	6.55	6.33
Warehouse and delivery.....	3.61	4.19	3.57	4.15
Administrative and general.....	8.37	8.90	8.13	8.57
Total operating expenses.....	18.74	19.95	18.25	19.05
Net profit before other income or deduction of income tax.....	5.74	5.23	6.18	5.72

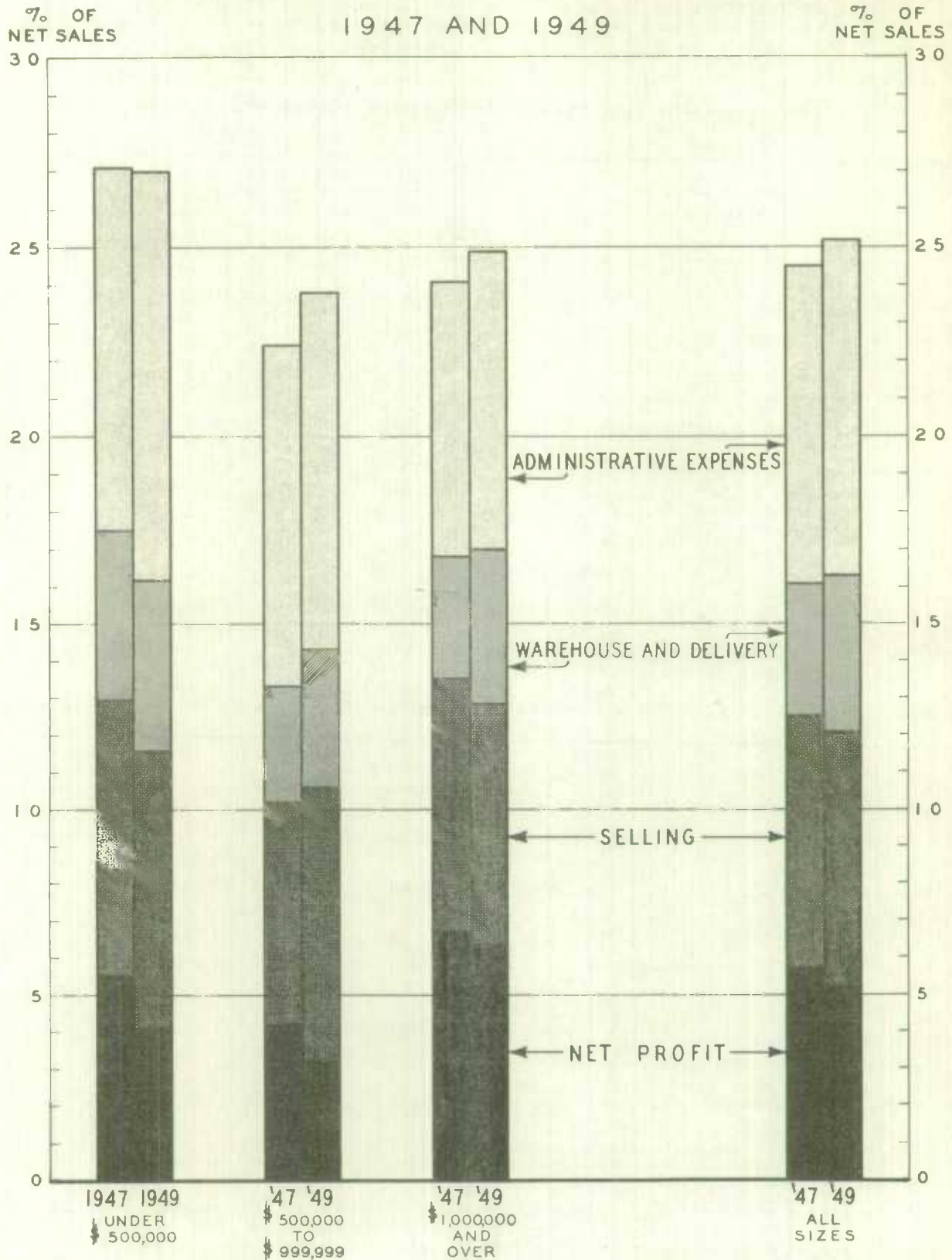
Gross profit increased slightly in 1949 to 25.18% of net sales from 24.48% in 1947. Operating expenses were 19.95% of sales in 1949 compared with 18.74%

in 1947 with the result that net profit was smaller than that obtained in 1947 — 5.23% and 5.74% of net sales respectively.

CHART I.

OPERATING RESULTS OF WHOLESALERS OF AUTOMOTIVE PARTS AND ACCESSORIES

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



HARDWARE

The reports of 57 wholesale hardware firms were used in preparing the results in this section.

Some general information on these firms is given below.

Description of Reporting Firms

Item	Firms with 1949 sales of				Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	
Number of firms.....	16	14	20	7	57
Form of organization:					
Individual proprietorship.....	4	1	1	—	6
Partnership.....	3	1	—	—	4
Incorporated company.....	9	12	19	7	47
Number of establishments operated:					
By single-establishment firms.....	16	13	13	3	45
By multiple-establishment firms.....	—	3	16	22	41
Distribution of sales:					
To retailers.....%	83.48	73.50	76.68	78.55	77.70
To other wholesalers and industries.....%	5.59	12.35	17.99	19.47	18.02
To contractors.....%	10.13	14.15	3.07	1.98	2.39
To others.....%	0.80	—	2.26	—	1.89

All except 10 of the firms were incorporated companies and 45 of the 57 operated single establishments. The 12 multiple firms operated 41 establish-

ments. Sales to retailers formed 78% of total sales. The smaller firms sold more to contractors and less to other wholesalers than did the larger firms.

REVIEW OF 1949 RESULTS

Profit and Expense Ratios

Hardware wholesalers obtained average gross profits amounting to 19.26% of net sales on their 1949 operations. Administrative and general expenses were 7.06%, selling expense was 4.01% and ware-

house and delivery expense was 2.95% of net sales. Other income of 0.66% was added to net operating profit of 5.24% to give a net profit before income tax deduction amounting to 5.9% of net sales.

Inventories and Stock Turnover

Average inventories increased from \$419,408 at the beginning of 1949 to \$438,060 at the end of the year. The rate of stock turnover — average inventory

divided into cost of goods sold — ranged from 3.3 times to 5.4 times per year in the different size groups. The all-size average rate was 4.4 times during the year.

Credit Sales and Receivables

In 1949, credit sales formed 93.10% of total sales. The larger firms generally extended more credit than did the smaller companies but they also

had lower ratios of credit sales unpaid at the end of the year. Accounts receivable averaged 10.28% of the year's credit sales for all sizes combined.

Regional Results

Gross profit varied little from region to region. Operating expenses ranged from 13.38% of net sales in the Prairies to 16.31% in British Columbia with

the result that the Prairies obtained the highest net profit, at 6.38%, and British Columbia the lowest, at 2.72% of net sales. (See Table 5.)

Range Figures

Middle range figures are shown for all except the sales-size class of over \$5,000,000 where the number of reporting forms was small. These firms were included under "Total, all sizes". Average ratios appear in this table together with the middle

range figures. Gross profits for half of the firms centered on the median were within the limits of 19.0% and 21.8% of net sales. Net profits for the middle half of the reporting firms ranged from 2.7% to 6.5% of net sales. (See Table 6.)

TABLE 4. Operating Results of Hardware Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of				Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	
Number of firms.....	16	14	20	7	57
Average net sales per firm..... \$	259,527	751,281	2,221,180	10,476,692	2,323,346
Average cost of goods sold..... \$	204,137	596,930	1,788,036	8,505,490	1,875,830
Stock turnover (times per year).....	3.3	5.4	4.6	4.2	4.4
Average beginning inventory..... \$	57,516	111,555	364,382	2,019,521	419,408
Percent of sales.....	22.16	14.85	16.40	19.28	18.05
Average ending inventory..... \$	65,124	111,438	411,052	2,020,901	438,060
Percent of sales.....	25.09	14.83	18.50	19.29	18.85
PROFIT AND LOSS DATA (Percent of net sales)					
Gross profit.....	21.34	20.55	19.50	18.82	19.26
Operating expenses:					
Selling expense:					
Salaries.....	3.25	3.89	2.85	2.20	2.58
Travelling.....	0.84	0.90	0.78	0.88	0.85
Advertising.....	0.29	0.20	0.29	0.48	0.39
Other selling expense.....	0.34	0.18	0.21	0.17	0.19
Total selling expense.....	4.72	5.17	4.13	3.73	4.01
Warehouse and delivery expense:					
Salaries and wages.....	2.46	2.15	2.35	2.58	2.47
Maintenance of delivery equipment.....	0.31	0.48	0.21	0.09	0.17
Outward freight, contract hauling.....	0.24	0.15	0.15	0.17	0.16
Warehouse supplies.....	0.08	0.11	0.11	0.07	0.09
Other warehouse and delivery expense.....	0.08	0.02	0.06	0.07	0.06
Total warehouse and delivery expense.....	3.17	2.91	2.88	2.98	2.95
Administrative and general expense:					
Salaries.....	4.64	3.92	3.26	3.01	3.22
Employees' benefits.....	0.12	0.16	0.22	0.22	0.21
Occupancy.....	1.03	0.95	1.08	1.22	1.14
Light, heat, and power.....	0.24	0.13	0.14	0.12	0.13
Taxes ¹	0.13	0.13	0.07	0.03	0.05
Insurance ¹	0.23	0.19	0.13	0.06	0.10
Office supplies.....	0.34	0.25	0.27	0.28	0.28
Postage, telegraph, telephone.....	0.33	0.32	0.33	0.32	0.32
Cash discounts allowed.....	0.37	0.40	0.85	0.68	0.71
Bad debts - amount written off.....	0.12	0.35	0.22	0.20	0.21
(Less) - Amount recovered.....	0.03	0.07	0.13	0.11	0.11
Net bad debt loss.....	0.09	0.28	0.09	0.09	0.10
All other expenses.....	0.80	0.92	0.77	0.80	0.80
Total administrative and general expense...	8.32	7.65	7.21	6.83	7.06
Total operating expenses.....	16.21	15.73	14.22	13.54	14.02
Net operating profit.....	5.13	4.82	5.28	5.28	5.24
Other trading income.....	0.67	0.69	0.63	0.67	0.66
Total net profit before income tax deduction	5.80	5.51	5.91	5.95	5.90

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

TABLE 4. Operating Results of Hardware Wholesalers, by Size of Firm, 1949 - Concluded

Item	Firms with 1949 sales of				Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	
MISCELLANEOUS DATA					
Credit sales:					
Average per firm..... \$	211,437	696,362	1,972,630	10,140,390	2,163,035
Percent of total sales.....	81.47	92.69	88.81	96.79	93.10
Accounts outstanding:					
Average per firm..... \$	27,487	84,329	221,132	1,069,811	237,501
Percent of credit sales.....	13.00	12.11	11.21	10.55	10.98
Sales per 1,000 sq. ft. of floor space..... \$	36,295	44,560	40,195	45,003	43,339

TABLE 5. Operating Results of Hardware Wholesalers, by Regions, 1949

Item	Maritimes and Quebec	Ontario	Prairies	British Columbia	Canada
Number of firms.....	18	20	12	7	57
Average sales per firm..... \$	1,456,902	2,033,825	4,251,109	2,073,827	2,323,347
PROFIT AND LOSS DATA (Percent of net sales)					
Gross profit.....	19.34	18.67	19.76	19.03	19.26
Operating expenses:					
Selling.....	4.67	3.45	3.93	4.61	4.00
Warehouse and delivery.....	2.42	3.42	2.74	3.32	2.95
Administrative and general.....	7.33	6.90	6.71	8.38	7.07
Total operating expense.....	14.42	13.77	13.38	16.31	14.02
Net profit before other income or deduction of income tax.....	4.92	4.90	6.38	2.72	5.24

TABLE 6. Range Figures for Main Operating Results Items, 1949

Item	Firms with 1949 sales of						Total all sizes	
	Under \$500,000		\$500,000 to \$999,999		\$1,000,000 to \$4,999,999			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
Gross profit.....	21.3	20.5-24.6	20.6	18.7-24.3	19.5	19.1-20.4	19.3	19.0-21.8
Selling expense.....	4.7	4.7- 9.0	5.2	3.5- 7.5	4.1	3.0- 5.0	4.0	3.3- 5.8
Warehouse and delivery ex- pense.....	3.2	1.9- 4.0	2.9	2.7- 3.7	2.9	2.3- 3.6	3.0	2.3- 3.6
Administrative and general ex- pense.....	8.3	7.1-10.9	7.7	6.4- 9.6	7.2	5.8- 8.9	7.1	6.2- 9.6
Net profit before other income or deduction of income tax	5.1	1.8- 7.2	4.8	2.7- 7.0	5.3	3.5- 6.6	5.2	2.7- 6.5

Incorporated Companies

Most of the reporting firms were incorporated companies, and the results shown in the following table are fairly similar to those for all types.

Net profit of 5.30% was raised to 5.97% of net sales before deduction of income tax by other trading income. Income tax amounted to 2.25% of net sales and reduced net profit to 3.72% of net sales.

Operating Results of Incorporated Hardware Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of				Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$4,999,999	\$5,000,000 and over	
	(Percent of net sales)				
Gross profit.....	22.55	20.80	19.65	18.82	19.32
Operating expenses.....	16.50	15.74	14.30	13.54	14.02
Net operating profit.....	6.05	5.06	5.35	5.28	5.30
Other trading income.....	0.93	0.64	0.65	0.67	0.67
Net profit before income tax deduction.....	6.98	5.70	6.00	5.95	5.97
Income tax.....	2.28	1.78	2.24	2.31	2.25
Final net profit.....	4.70	3.92	3.76	3.64	3.72

Comparison of 1947 and 1949 Results

A total of 46 firms reported to the 1947 survey and reports from 57 firms were used to compile 1949 results. There were 37 firms which reported for both years. Results for the two years are shown below for all respondents and for the 37 identical firms.

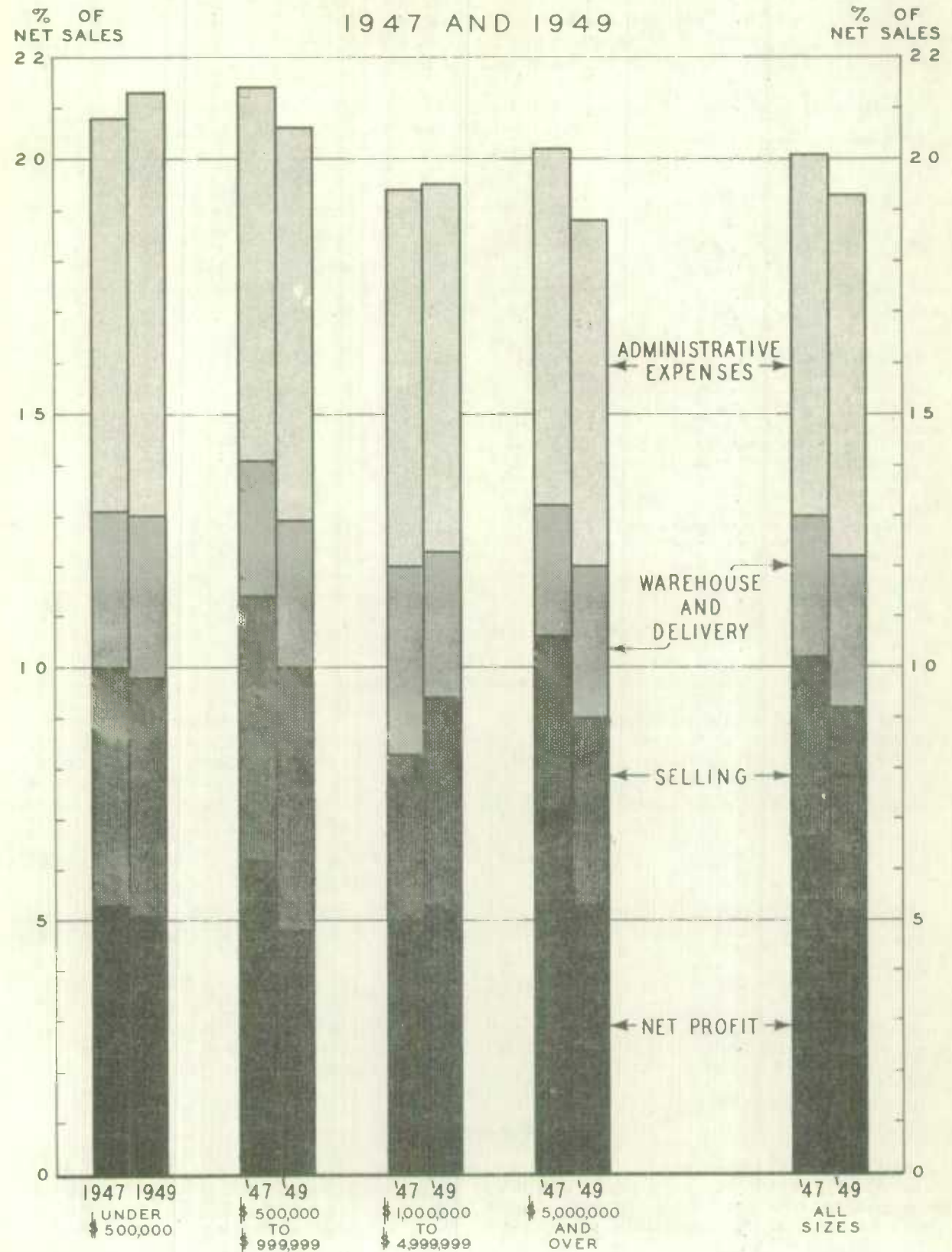
In 1949, gross profit decreased to 19.26% of net sales from the 1947 ratio of 20.14%. Operating expenses rose from 13.53% to 14.02% in 1949 to produce a reduced net profit of 5.24% of net sales. Net profit in 1947 was 6.61% of net sales.

Operating Results of Hardware Wholesalers, 1947 and 1949 Compared

Item	All respondents		Identical firms	
	1947	1949	1947	1949
Number of firms.....	46	57	37	37
Average sales..... \$	2,844,283	2,323,346	2,713,825	2,642,291
(Percent of net sales)				
Gross profit.....	20.14	19.26	19.80	18.97
Operating expenses:				
Selling.....	3.56	4.01	3.52	3.79
Warehouse and delivery.....	2.82	2.95	2.79	2.98
Administrative and general.....	7.15	7.06	7.11	7.05
Total operating expenses.....	13.53	14.02	13.42	13.82
Net profit before other income or deduction of income tax.....	6.61	5.24	6.38	5.15

OPERATING RESULTS OF HARDWARE WHOLESALERS

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



PLUMBING AND HEATING SUPPLIES

Information on some general characteristics of the 42 reporting firms in this trade is given below.

All except 4 of the reporting firms were incorporated companies. Six multiple firms operated 30 outlets for the distribution of goods. The two smaller

sales-size classes sold 87% and 89% of goods to contractors while the largest class sold 55% to contractors and 42% to other wholesalers and large users. All sizes combined to show that 58% of sales was made to contractors and 38% to other large users.

Description of Reporting Firms

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	16	5	21	42
Form of organization:				
Individual proprietorship.....	2	—	—	2
Partnership.....	2	—	—	2
Incorporated company.....	12	5	21	38
Number of establishments operated:				
By single-establishment firms.....	16	5	15	36
By multiple-establishment firms.....	—	—	30	30
Distribution of sales:				
To contractors %	87.29	89.07	54.54	57.69
To other wholesalers and large users..... %	5.09	3.24	42.01	38.46
To consumer at retail %	6.69	7.69	1.59	2.12
To others %	0.93	—	1.86	1.73

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Wholesalers of plumbing and heating supplies obtained an average gross profit of 19.07% of sales from their 1949 operations. Administrative and general expenses formed 6.97% of sales, or over half of total expenses. Selling expenses

were 2.55% and warehouse and delivery 2.38% of net sales. Net operating profit of 7.17% was augmented by other income to give a net profit before income tax deduction of 7.55% of net sales.

Inventories and Stock Turnover

Inventories at the end of 1949 increased to 12.92% of sales from 11.15% at the beginning. All size brackets

shared in this rise in inventory values. Stock was sold and replaced on an average of 6.7 times during the year.

Credit Sales and Receivables

Approximately 94% of the year's sales was made on a credit basis, with the larger size classes extending a greater proportion of credit than firms with sales

of less than \$500,000. Accounts outstanding at the end of the year amounted to 11.70% of the year's credit sales.

Regional Results

Wholesalers of plumbing and heating supplies in the Maritimes obtained higher gross profits than those in the other regions of the country. The range of gross profit was confined within the limits of 19.15% in

the Maritimes and 18.83% of net sales in British Columbia. Wholesalers in the Prairie Provinces obtained the highest net profit—8.41% of net sales—and Ontario wholesalers the lowest—5.90%. (See Table 8.)

Range Figures

It was possible to show middle range figures for only two size classes, the number of reporting firms in the intermediate size class being too small. All reports were used in arriving at figures for all sizes combined. Average ratios as shown in Table 7 are

included in the table on middle range figures. Gross profits of the middle half of the reporting firms ranged between 16.0% and 20.3% of net sales with the average at 19.1%. Net profits for the middle 50% fell within the limits of 3.7% and 7.9% of net sales. (See Table 9.)

TABLE 7. Operating Results of Wholesalers of Plumbing and Heating Supplies, by Size of Firm, 1949

Item	Firms with 1949 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	16	5	21	42
Average net sales per firm..... \$	312,465	753,699	3,970,551	2,194,036
Average cost of goods sold..... \$	253,336	624,289	3,209,533	1,775,595
Stock turnover (times per year).....	7.2	8.7	6.6	6.7
Average beginning inventory..... \$	30,258	61,318	451,740	244,697
Percent of sales.....	9.68	8.14	11.38	11.15
Average ending inventory..... \$	40,210	81,915	517,089	283,615
Percent of sales.....	12.86	10.87	13.02	12.92
PROFIT AND LOSS DATA (Percent of net sales)				
Gross profit.....	18.92	17.17	19.17	19.07
Operating expenses:				
Selling expense:				
Salaries.....	1.72	2.15	1.60	1.63
Travelling.....	0.48	0.41	0.59	0.58
Advertising.....	0.22	0.33	0.16	0.17
Other selling expense.....	0.28	1	0.18	0.17
Total selling expense.....	2.70	2.89	2.53	2.55
Warehouse and delivery expense				
Salaries and wages.....	2.14	1.01	1.63	1.64
Maintenance of delivery equipment.....	0.41	0.45	0.24	0.25
Outward freight, contract hauling.....	0.42	0.38	0.35	0.36
Warehouse supplies.....	0.04	0.05	0.11	0.10
Other warehouse and delivery expense.....	0.04	0.03	0.03	0.03
Total warehouse and delivery expense.....	3.05	1.92	2.36	2.38
Administrative and general expense:				
Salaries.....	4.16	3.40	3.16	3.22
Employees' benefits.....	0.03	0.03	0.15	0.14
Occupancy.....	0.96	0.56	0.81	0.81
Light, heat, and power.....	0.11	0.10	0.14	0.13
Taxes ²	0.10	0.04	0.05	0.05
Insurance ²	0.19	0.08	0.11	0.11
Office supplies.....	0.24	0.19	0.25	0.25
Postage, telegraph, telephone.....	0.18	0.13	0.25	0.24
Cash discounts allowed.....	0.73	1.14	1.15	1.13
Bad debts—amount written off.....	0.80	0.11	0.20	0.24
(Less) Amount recovered.....	0.07	0.01	0.05	0.05
Net bad debt loss.....	0.73	0.10	0.15	0.19
All other expenses.....	0.55	0.56	0.72	0.70
Total administrative and general expense..	7.98	6.33	6.94	6.97
Total operating expenses.....	13.73	11.14	11.83	11.90
Net operating profit.....	5.19	6.03	7.34	7.17
Other trading income.....	0.53	0.97	0.34	0.38
Total net profit before income tax deduction	5.72	7.00	7.68	7.55

1. Less than 0.005 percent.

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

TABLE 7. Operating Results of Wholesalers of Plumbing and Heating Supplies, by Size of Firm, 1949 — Concluded

Item	Firms with 1949 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
MISCELLANEOUS DATA				
Credit sales:				
Average per firm..... \$	268,064	708,929	3,756,141	2,068,318
Percent of total sales.....	85.79	94.06	94.60	94.27
Accounts outstanding:				
Average per firm..... \$	30,854	69,688	442,849	241,993
Percent of credit sales.....	11.51	9.83	11.79	11.70
Sales per 1,000 sq. ft. of floor space..... \$	43,225	99,731	46,835	48,202

TABLE 8. Operating Results of Wholesalers of Plumbing and Heating Supplies, by Regions, 1949

Item	Maritimes and Quebec	Ontario	Prairies	British Columbia	Canada
Number of firms.....	13	17	7	5	42
Average sales per firm..... \$	4,757,866	874,759	1,484,898	1,006,419	2,194,037
PROFIT AND LOSS DATA (Percent of net sales)					
Gross profit.....	19.15	18.89	18.97	18.83	19.07
Operating expenses:					
Selling.....	2.43	3.09	2.29	2.96	2.55
Warehouse and delivery.....	2.11	3.27	2.92	1.94	2.38
Administrative and general.....	7.27	6.63	5.35	7.62	6.97
Total operating expenses.....	11.81	12.99	10.56	12.52	11.90
Net profit before other income or deduction of income tax.....	7.34	5.90	8.41	6.31	7.17

TABLE 9. Range Figures for Main Operating Results Items, 1949

Item	Firms with 1949 sales of				Total all sizes	
	Under \$500,000		\$1,000,000 and over			
	Average	Middle range	Average	Middle range	Average	Middle range
Gross profit.....	18.9	16.4 — 22.0	19.1	17.3 — 20.3	19.1	16.0 — 20.3
Selling expense.....	2.7	2.0 — 4.3	2.5	2.2 — 3.1	2.6	2.0 — 3.1
Warehouse and delivery expense.....	3.1	2.5 — 3.7	2.4	2.0 — 3.5	2.3	2.0 — 3.5
Administrative and general expense.....	8.0	6.0 — 9.2	6.9	5.1 — 7.2	7.0	5.4 — 8.1
Net profit before other income or deduction of income tax.....	5.1	3.0 — 6.6	7.3	4.7 — 8.7	7.2	3.7 — 7.9

Incorporated Companies

The average profits and expenses of incorporated companies were very similar to the "all types" average because most firms were incorporated. Other

income of 0.37% was added to an operating profit of 7.19% and income tax amounting to 2.94% of net sales deducted to give a final net profit of 4.62% of net sales.

Operating Results of Incorporated Wholesalers of Plumbing and Heating Supplies, 1949

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
	(Percent of net sales)			
Gross profit	18.80	17.17	19.17	19.07
Total operating expenses.....	13.85	11.14	11.83	11.88
Net operating profit	4.95	6.03	7.34	7.19
Other trading income.....	0.53	0.97	0.34	0.37
Net profit before income tax	5.48	7.00	7.68	7.56
Income tax.....	1.67	2.54	3.02	2.94
Final net profit.....	3.81	4.46	4.66	4.62

Comparison of 1947 and 1949 Results

Of the 29 firms which reported to the 1947 survey, 28 submitted reports for 1949. Total reports received on 1949 business operations numbered 42. Comparative results for the two years are shown be-

low for all respondents and for the 28 identical firms. Both gross and net profits in 1949 declined from 1947 levels while average sales per firm increased in dollar volume.

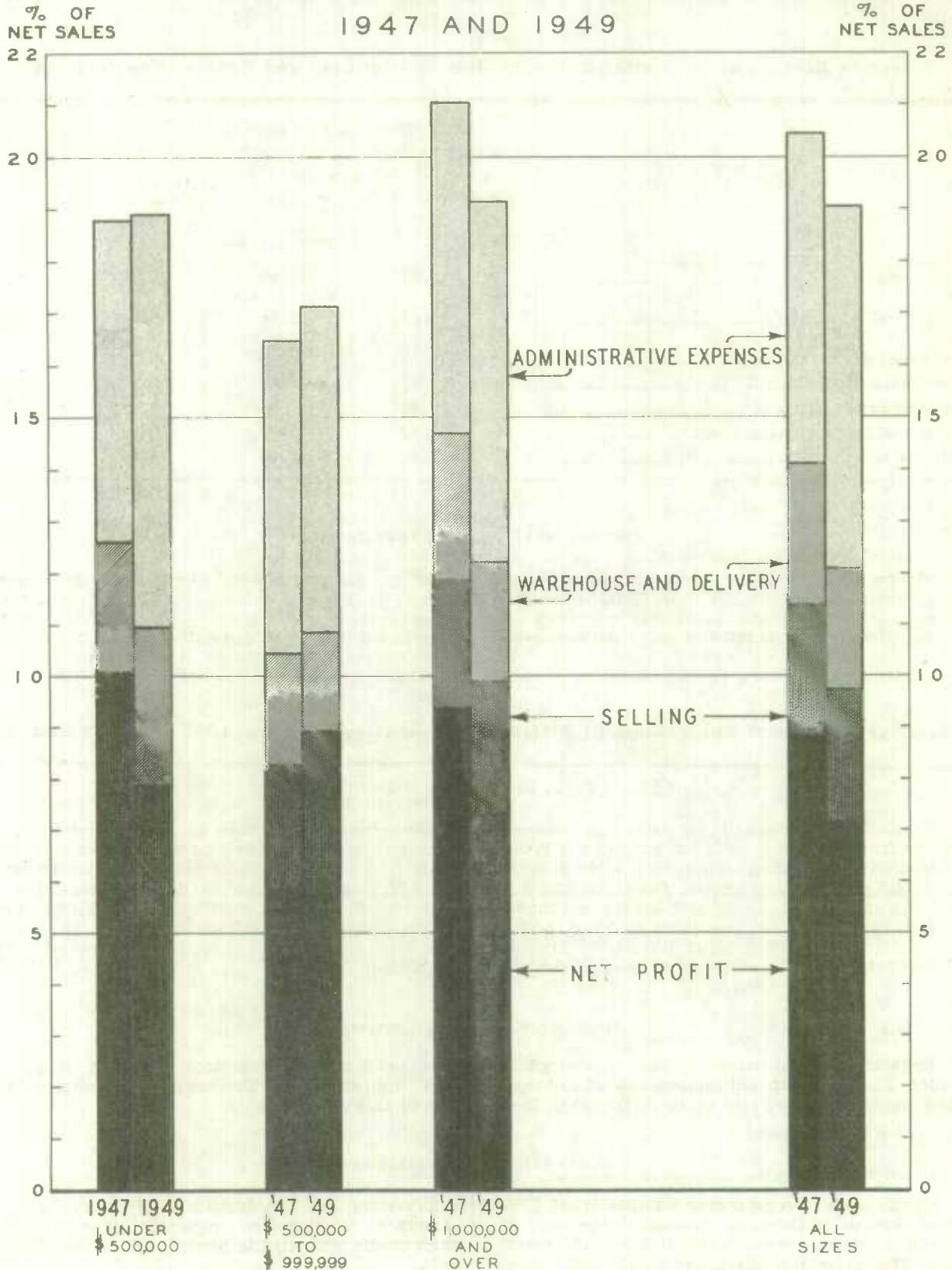
Operating Results of Wholesalers of Plumbing and Heating Supplies, 1947 and 1949 Compared

Item	All respondents		Identical firms	
	1947	1949	1947	1949
Number of firms	29	42	28	28
Average sales per firm	\$ 2,187,034	2,194,036	2,170,098	2,603,574
	(Percent of net sales)			
Gross profit	20.45	19.07	20.66	18.86
Operating expenses:				
Selling.....	2.51	2.55	2.39	2.29
Warehouse and delivery	2.74	2.38	2.85	2.38
Administrative and general.....	6.34	6.97	6.37	6.68
Total operating expenses.....	11.59	11.90	11.61	11.35
Net profit before other income or deduction of income tax	8.86	7.17	9.05	7.51

CHART 3.

OPERATING RESULTS OF WHOLESALERS OF HEATING AND PLUMBING SUPPLIES

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



DRUGS

The reports of 12 regular wholesalers and 5 cooperative wholesalers were used to obtain the results

for this trade. Some general characteristics of these firms are shown below.

Description of Reporting Firms

Item	Regular wholesalers		Cooperative Wholesalers	
	Firms with 1949 sales of		Total, all sizes	Total, all sizes
	Under \$1,000,000	\$1,000,000 and over		
Number of firms	4	8	12	5
Form of organization:				
Individual proprietorship	—	—	—	—
Partnership	—	—	—	—
Incorporated company	4	8	12	5
Number of establishments operated:				
By single-establishment firms	4	4	8	5
By multiple-establishment firms	—	14	14	—
Distribution of sales:				
To retailers	91.06	89.50	89.60	100.0
To other wholesalers and large users	8.94	10.50	10.40	—

All firms were incorporated companies and four of the regular wholesalers operated branch establishments. Approximately 90% of regular whole-

salers' business was to retailers while cooperative wholesalers sold entirely to their member retailers.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Regular drug wholesalers operated on an average gross profit amounting to 12.48% of net sales in 1949. Administrative and general expenses of 5.74% formed more than half of total expenses. Warehouse and delivery expenses were 2.41% and selling expenses 1.76% of net sales. Net operating profit of 2.57% was increased by 0.24% other income to give a net profit before income tax deduction of 2.81%.

Income tax reduced this to 1.75% of net sales. Cooperative wholesalers operated on margins only sufficient to meet operating expenses. Gross profit of 6.67% was reduced to an operating loss of 0.86% when operating expenses formed 7.53% of net sales. Other income offset this loss, but income tax deduction resulted in an average loss of 0.03% of net sales.

Inventories and Stock Turnover

Regular drug wholesalers carried more stock in relation to sales than did cooperative wholesalers which caused a slower rate of stock turnover. They

sold and replaced their stock 5.6 times during the year compared with the cooperative wholesalers' rate of 13.5 times.

Credit Sales and Receivables

Credit sales of regular drug wholesalers in 1949 formed 93% of total sales. Accounts receivable at the end of the year were 7.74% of the year's credit sales. The larger size class had 8.04% credit sales

outstanding and the smaller 3.58%. Too few cooperative wholesalers reported information on their credit activities to permit publication of these data.

MERCHANDISING AND SERVICES

TABLE 10. Operating Results of Drug Wholesalers, by Size of Firm, 1949

Item	Regular wholesalers			Cooperative wholesalers
	Firms with 1949 sales of		Total all sizes	Total all sizes
	Under \$1,000,000	\$1,000,000 and over		
Number of firms.....	4	8	12	5
Average net sales per firm..... \$	534,466	4,098,925	2,910,772	4,409,299
Average cost of goods sold..... \$	448,758	3,596,684	2,547,376	4,115,090
Stock turnover (times per year).....	5.9	5.6	5.6	13.5
Average beginning inventory..... \$	74,748	629,036	444,274	297,933
Percent of sales.....	13.98	15.35	15.26	6.76
Average ending inventory..... \$	77,030	654,733	462,165	310,894
Percent of sales.....	14.41	15.97	15.88	7.05
PROFIT AND LOSS DATA (Percent of net sales)				
Gross profit.....	16.04	12.25	12.48	6.67
Operating expenses:				
Selling expense:				
Salaries.....	3.39	1.04	1.19	0.36
Travelling.....	1.23	0.38	0.43	0.09
Advertising.....	0.20	0.08	0.09	0.11
Other selling expense.....	0.01	0.06	0.05	0.08
Total selling expense.....	4.83	1.56	1.76	0.64
Warehouse and delivery expense:				
Salaries and wages.....	1.95	1.92	1.92	1.45
Maintenance of delivery equipment.....	0.13	0.25	0.24	0.10
Outward freight, contract hauling.....	0.80	0.09	0.13	0.05
Warehouse supplies.....	0.08	0.09	0.09	0.11
Other warehouse and delivery expense.....	0.34	0.01	0.03	0.02
Total warehouse and delivery expense.....	3.30	2.36	2.41	1.73
Administrative and general expense:				
Salaries.....	4.53	2.81	2.92	3.85
Employees' benefits.....	0.13	0.41	0.39	0.23
Occupancy.....	0.92	0.68	0.69	0.48
Light, heat, and power.....	0.14	0.13	0.13	0.06
Taxes ¹	0.09	0.11	0.11	0.01
Insurance ¹	0.23	0.10	0.11	0.05
Office supplies.....	0.21	0.17	0.17	0.15
Postage, telegraph, telephone.....	0.26	0.23	0.24	0.10
Cash discounts allowed.....	0.29	0.10	0.11	0.06
Bad debts—amount written off.....	0.12	0.06	0.06	—
(Less) — Amount recovered.....	0.01	0.02	0.01	—
Net bad debt loss.....	0.11	0.04	0.05	—
All other expenses.....	0.60	0.84	0.82	0.17
Total administrative and general expense.....	7.51	5.62	5.74	5.16
Total operating expenses.....	15.64	9.54	9.91	7.53
Net operating profit.....	0.40	2.71	2.57	0.86(L)
Other trading income.....	0.57	0.22	0.24	0.86
Total net profit before income tax deduction.....	0.97	2.93	2.81	—
Income tax.....	0.30	1.10	1.06	0.03
Final net profit.....	0.67	1.83	1.75	0.03(L)
MISCELLANEOUS DATA				
Credit sales:				
Average per firm..... \$	493,205	3,808,721	2,703,525	
Percent of total sales.....	92.28	92.92	92.88	Too
Accounts outstanding:				
Average per firm..... \$	17,657	306,221	209,253	Few
Percent of credit sales.....	3.58	8.04	7.74	
Sales per 1,000 sq. ft. of floor space..... \$	49,179	69,011	67,321	Reported

1. Excludes amount attributed to real estate which is in occupancy expense.
(L) Operating loss.

OPERATING RESULTS IN WHOLESALE TRADE

E-25

Results for 1947 and 1949 Compared

Seventeen regular wholesalers reported to the 1947 survey and 12 to the 1949 study. The 5 cooperative drug wholesalers reported for both years. The comparison of the results for the two years for each type of wholesaler is given below.

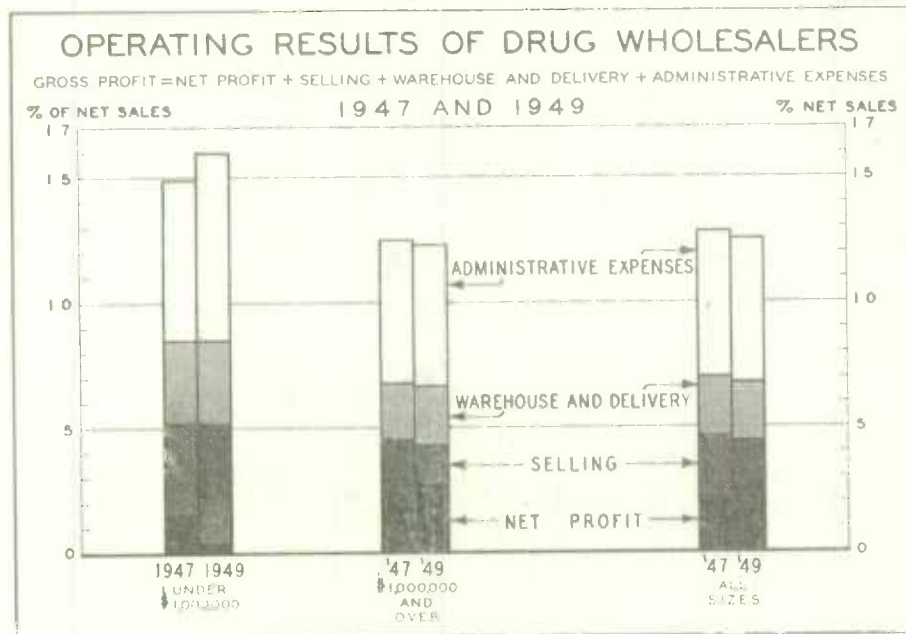
Gross profits changed little from 1947 to 1949. Regular wholesalers reduced their operating expenses

in 1949 in proportion to sales to net a profit before other income was added or income tax deducted amounting to 2.57% of net sales. Cooperative wholesalers had greater expenses in 1949 with a greater average gross profit to give a net loss of 0.86% compared with one of 0.72% of sales in 1947. This loss was before addition of other income or deduction of income tax.

Operating Results of Drug Wholesalers, 1947 and 1949 Compared

Item	Regular wholesalers		Cooperative wholesalers	
	1947	1949	1947	1949
Number of firms.....	17	12	5	5
Average sales per firm.....	\$1,708,415	\$2,910,772	\$3,484,539	\$4,409,299
	(Percent of net sales)			
Gross profit.....	12.77	12.48	6.08	6.67
Operating expenses:				
Selling.....	2.44	1.76	0.40	0.64
Warehouse and delivery.....	2.42	2.41	1.07	1.73
Administrative and general.....	5.76	5.74	5.33	5.16
Total operating expenses.....	10.62	9.91	6.80	7.53
Net profit before other income or deduction of income tax.....	2.15	2.57	0.72(L)	0.86(L)

(L) Operating Loss.



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