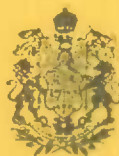


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GOVERNMENT OF CANADA



OPERATING RESULTS
OF
MISCELLANEOUS WHOLESALERS
1951



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**OPERATING RESULTS
OF
MISCELLANEOUS WHOLESALERS
1951**

**Automotive Parts and Accessories - Hardware
Plumbing and Heating Supplies - Drugs**

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 4 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Construction; **Volume IV**—Merchandising and Services.

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

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢.
- B — Operating Results of Food Wholesalers, 25¢.
- C — Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
- D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

- E — General Review, 25¢.
- F — Retail Trade, 25¢.
- G — Retail Chain Stores, 25¢.
- H — Operating Results of Chain Food Stores, 25¢.
- I — Operating Results of Chain Clothing Stores, 25¢.
- J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
- *K — Operating Results of Retail Food Stores, 25¢.
- *L — Operating Results of Retail Clothing Stores, 25¢.
- *M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢.
- *N — Operating Results of Filling Stations and Garages, 25¢.
- *O — Operating Results of Miscellaneous Retail Stores, 25¢.
- P — Retail Consumer Credit, 25¢.

Part III — Service and Special Fields

- Q — Laundries, Cleaners and Dryers, 25¢.
- R — Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
- S — Hotels, 25¢.
- T — Sales Financing, 25¢.
- U — Farm Implement and Equipment Sales, 25¢.
- V — New Motor Vehicle Sales and Motor Vehicle Financing 25¢.
- W — Advertising Agencies (Memorandum) 25¢.

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

• Biennial reports — not issued for 1951.

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OPERATING RESULTS -- LIST OF REPORTS

WHOLESALE TRADE (1947, 1949 and 1951)

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, 1948 and 1950)

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

RETAIL CHAIN STORES (1947, 1949 and 1951)

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

OPERATING RESULTS OF MISCELLANEOUS WHOLESALERS 1951

INTRODUCTION

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

Scope

This study is confined to wholesalers proper, i.e. those wholesalers performing and full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributor are not included. Four separate 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 ranges. 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. Reports from Newfoundland wholesalers are not included in this survey. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only. Middle range figures for gross and net profits, and for three main functional divisions of expense, introduced in 1949, are contained in this report. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. Because each item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.

Purpose

The primary purpose of the operating cost surveys is to provide averages on the different phases of business operation 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 1951 operations and is the third biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1949 and 1951. The charts show the gross profit components for 1947, 1949 and 1951 by suitable sales size classifications for each trade.

THE HISTORY OF THE

ROYAL SOCIETY OF LONDON

AND OF THE ASSOCIATION OF THE PHYSICIANS OF THE SAME SOCIETY, IN THE YEAR 1703.

BY JOHN HARRIS, ESQ. OF THE SOCIETY.

LONDON, Printed by J. Streater, at the Sign of the Gun, in St. Dunstons Church-yard, 1703.

THE HISTORY OF THE ROYAL SOCIETY OF LONDON, AND OF THE ASSOCIATION OF THE PHYSICIANS OF THE SAME SOCIETY, IN THE YEAR 1703. BY JOHN HARRIS, ESQ. OF THE SOCIETY. LONDON, Printed by J. Streater, at the Sign of the Gun, in St. Dunstons Church-yard, 1703.

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SUMMARY OF 1951 RESULTS BY TRADES

The following summary table shows the principal operating results figures for the four kinds of wholesale business covered in this report. In analyzing the performance of an individual wholesale company,

reference should be made to the more detailed tables appearing in the appropriate sections of this report. In these tables, variations arising from differences in sales size and geographic locations are revealed.

Operating Results of Wholesalers of Automotive Parts and Accessories, Hardware, Plumbing and Heating Supplies and Drugs, 1951

Item	Automotive Parts and Accessories	Hardware	Plumbing and Heating Supplies	Drugs
Number of firms	59	54	38	16
Average net sales per firm \$	767,026	3,190,578	1,829,566	2,947,348
Stock turnover (times per year)	4.54	3.86	6.77	5.60
(Per cent of net sales)				
Gross Profit	25.29	20.49	17.78	13.43
Operating expenses:				
Selling expense	7.31	4.00	2.98	2.18
Warehouse and delivery expense	3.84	2.80	2.43	2.68
Administrative and general expense	9.32	5.96	6.56	6.09
Total operating expenses	20.47	13.76	11.97	10.95
Net operating profit	4.82	6.73	5.81	2.48
Other trading income	0.89	0.40	0.81	1.20
Miscellaneous expense	0.58	0.36	0.10	0.13
Net profit before income tax deduction	5.13	6.77	6.52	3.55
Credit sales	91.45	96.18	93.73	97.27
Sales to retailers	55.43	63.09	80.07	91.46

Extreme caution should be observed to avoid comparing absolute dollar values (average sales, cost of goods etc.) published in this report, with corresponding items of individual establishments or firms. These values are averages of items reported by both single and multiple establishment firms and are "firm" averages, not "establishment" averages. Consequently, a concentration of multiple establishment firms in a specific trade will result in an abnormal average for that trade. Ratios, however, may be used with a high degree of reliability when applied to either an establishment or a firm. The survey was designed primarily to obtain operating ratios to which both single and multiple establishment firms might compare their operating results. Absolute values are shown only for the purpose of assisting the wholesaler to place his firm in relation to the average, in the appropriate sales size category.

Average sales ranged upwards from \$767,026 for automotive parts and accessories wholesalers to \$1,829,566, \$2,947,348 and \$3,190,578 for plumbing and heating supplies, drug, and hardware wholesalers respectively. Differences in average sales

were primarily due to peculiarities of each specific trade, with respect to both kinds of goods sold and number of establishments per firm. The interrelationship of stock turnover ratios differed greatly from the sales range in that hardware wholesalers, who obtained the highest average sales, showed the lowest rate of stock turnover, 3.86. Similarly, plumbing and heating supplies wholesalers, showing the second lowest average sales, obtained the highest stock turnover ratio of 6.77. Automotive parts and accessories wholesalers operated on the highest gross profit or mark-up ratio and drug wholesalers on the lowest. High operating expense ratios of the automotive parts and accessories wholesalers reduced their gross profit ratio of 25.29% to a net profit of 4.82%, exceeding only the drug wholesalers ratio of 2.48%. Hardware wholesalers netted the most favourable operating profit ratio of 6.73%. Average credit sales, expressed as a proportion of average net sales, indicated that drug wholesalers ratio of 97.27% was the highest and automotive parts and accessories wholesalers ratio of 91.45% was the lowest. Drug wholesalers sold a larger proportion of their merchandise to retailers than did the other three trades.

AUTOMOTIVE PARTS AND ACCESSORIES WHOLESALERS

Description of Reporting Firms

Item	Firms with 1951 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms	32	17	10	59
Form of organization:				
Individual proprietorship	7	—	—	7
Partnership	6	1	—	7
Incorporated company	19	16	10	45
Number of firms operated as:				
Single establishment	28	10	7	45
Multiple establishment	4	7	3	14
Distribution of sales:				
To garages and filling stations	54.62	53.16	56.78	55.43
To other wholesalers	32.11	27.32	20.33	24.37
To industry and large users	7.65	17.49	10.17	11.59
To others	5.62	2.03	12.72	8.61

Of the 59 firms reporting, 45 were incorporated, and the remaining 14 were comprised of seven individual proprietorships and seven partnerships. Only 14 of the 59 firms operated more than one establishment. Sales distribution figures indicate

that sales to garages and filling stations and to other wholesalers accounted for 55% and 24% of net sales, respectively. Sales to industrial and large users made up 12% of the 21% unaccounted for portion of net sales.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple estab-

lishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Automotive accessories and supplies wholesalers obtained an average gross profit ratio or margin of 25.29 per cent of average net sales. Gross profit ratios for the three typical sales size categories ranged from 23.70% to 27.89% in the middle the smallest categories respectively. Total operating expense averaged 20.47% and ranged from 19.42% to 23.96%, again in the middle and smallest categories respectively. Selling expense ratios remained at much the same level for each sales size and averaged 7.31%. Warehouse and delivery expense, showing an average of 3.81%, increased from 3.50% and 3.65% in the largest and middle sales size groups, to 5.02% in the smallest category. Similarly, administrative and general expense ratios showed a close relationship in the largest and middle categories, 8.90% and 8.79% respectively, but increased to 11.22% in the smallest sales size group. This expense classification averaged 9.32% and accounted for almost half of total operating expense. Net operating profit ratios varied directly with the sales size classifications and averaged 4.82%.

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms, increased from 15.29% at the beginning of the year, to 17.63% at the end of the year. This trend was common to all three sales size categories as well as to the

1949 survey results. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 4.54 for all wholesalers of automotive parts and accessories, almost of the same order as the 1949 rate.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 91.45% for all automotive parts and accessories wholesalers, a negligible decline from the 1949 rate. Accounts outstanding, as at December

31, 1951, averaged 12.05% of credit sales with the largest and smallest proportions occurring in the first and second sales size categories, respectively.

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, 1951, By Size of Firm

Item	Firms with 1951 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	32	17	10	59
Average net sales per firm \$	274,503	755,251	2,363,132	767,026
Average cost of goods sold..... \$	197,943	576,264	1,767,938	573,050
Stock turnover (time per year).....	3.65	5.25	4.59	4.54
Average beginning inventory..... \$	50,087	101,911	358,529	117,297
Per cent of average net sales.....	18.25	13.49	15.17	15.29
Average ending inventory \$	58,284	117,587	411,333	135,209
Per cent of average net sales.....	21.23	15.57	17.41	17.63
Profit and Loss Data				
(Per cent of net sales)				
Gross Profit.....	27.89	23.70	25.19	25.29
Operating expenses:				
Selling expense:				
Salaries	5.11	4.49	5.32	5.05
Traveling	1.21	1.30	0.60	0.92
Advertising	0.71	0.40	0.56	0.54
Other selling expense	0.69	0.79	0.86	0.80
Total selling expense	7.72	6.98	7.34	7.31
Warehouse and delivery expense:				
Salaries and wages.....	3.76	2.69	2.45	2.77
Maintenance of delivery equipment	0.44	0.44	0.30	0.37
Outward freight	0.43	0.24	0.52	0.42
Warehouse supplies	0.19	0.15	0.12	0.14
Other warehouse and delivery expense	0.20	0.13	0.11	0.14
Total warehouse and delivery expense	5.02	3.65	3.50	3.84
Administrative and general expense:				
Salaries	5.60	4.17	4.21	4.47
Employees' benefits.....	0.25	0.30	0.49	0.39
Occupancy	1.85	1.03	1.02	1.18
Light, heat, and power.....	0.41	0.24	0.16	0.23
Taxes ¹	0.14	0.11	0.18	0.16
Insurance	0.31	0.30	0.22	0.26
Office supplies	0.43	0.39	0.47	0.44
Communication	0.55	0.75	0.45	0.56
Bad debts—amount written off	0.38	0.44	0.50	0.46
All other expense	1.30	1.06	1.20	1.17
Total administrative and general expense	11.22	8.79	8.90	9.32
Total operating expenses	23.96	19.42	19.74	20.47

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

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, 1951, By Size of Firm - Concluded

Item	Firms with 1951 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Net operating profit	3.93	4.28	5.45	4.82
Other trading income	0.82	1.00	0.86	0.89
Miscellaneous expense	0.53	0.36	0.72	0.58
Net profit before income tax deduction	4.22	4.92	5.59	5.13
Miscellaneous Data				
Credit sales:				
Average per firm	\$ 240,080	7 15,902	2, 142, 652	70 1,445
Per cent of average net sales.....	87.46	94.79	90.67	91.45
Accounts outstanding:				
Average per firm	\$ 29,698	84,047	260,761	84,524
Per cent of average credit sales	12.37	11.74	12.17	12.05
Sales per 1,000 sq. ft. of floor space	\$ 37,180	49,268	71,150	53,729

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

Regional Results

Gross trading profit ratios of automotive parts and accessories wholesalers in the four major regions of Canada, ranged from 24.03% in the Maritimes and Quebec to 27.19% in British Columbia. The Maritimes and Quebec and British Columbia wholesalers also showed the lowest and the highest

total operating expense ratios, 19.32% and 23.02% respectively. The highest net operating profit ratio of 5.90% was obtained by Prairie Province wholesalers, 22% above the ratio of 4.82% shown for all wholesalers.

TABLE 2. Operating Results of Automotive Parts and Accessories Wholesalers, 1951, by Regions

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	18	24	12	5	59
Average sales per firm	\$ 996,363	5 29,014	909,913	740,975	767,026
Profit and Loss Data					
(Per cent of net sales)					
Gross profit	24.03	25.15	26.87	27.19	25.29
Operating expenses:					
Selling expense	7.26	6.72	8.31	6.64	7.31
Warehouse and delivery expense.....	3.48	4.04	3.59	5.61	3.84
Administrative and general expense.....	8.58	10.14	9.07	10.77	9.32
Total operating expenses	19.32	20.90	20.97	23.02	20.47
Net operating profit.....	4.71	4.25	5.90	4.17	4.82

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 3. Average and Middle Range Ratios of Automotive Parts and Accessories Wholesalers, 1951

Item	Firms with 1951 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
Gross profit	27.8	25.6—31.8	23.7	19.6—27.0	25.2	22.2—27.7	25.2	23.1—29.8
Selling expense.....	7.7	5.5— 9.8	7.0	4.3— 9.9	7.3	4.8— 8.9	7.3	4.8— 9.0
Warehouse and delivery expense	5.0	1.7— 7.0	3.7	2.0— 6.6	3.5	2.7— 5.1	3.8	2.0— 6.6
Administrative and general expense	11.2	9.4—14.4	8.7	6.7—11.9	8.9	8.2—10.4	9.3	8.2—13.0
Net operating profit	3.9	0.9— 5.9	4.3	2.3— 7.0	5.5	2.8— 7.1	4.8	2.2— 6.0

Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the difference in the ratios were negligible. Net profit before income tax, expressed as a portion of

net sales, was 5.18% and 5.13% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms profit ratio of 5.18% to 2.76%, a decrease of 47%.

TABLE 4. Operating Results of Incorporated Automotive Parts and Accessories Wholesalers, 1951, By Size of Firm

Item	Firms with 1951 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	28.30	23.87	25.19	25.24
Operating expenses	24.45	19.50	19.74	20.34
Net operating profit.....	3.85	4.37	5.45	4.90
Other trading income	0.82	0.99	0.86	0.90
Miscellaneous expense	0.73	0.37	0.72	0.62
Net profit before income tax deduction	3.94	4.99	5.59	5.18
Income tax	1.34	2.38	2.72	2.42
Final net profit	2.60	2.61	2.87	2.76

Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included returns from 16 multiple establishment firms, whereas the 1951 survey included the returns of only 14 such firms. The result was a decrease in the 1951 average net sales per firm. Comparison of the identical firm data shows that average net sales per firm actually increased in 1951. Consequently, the decrease experienced in average net sales tends to overemphasize operating ratio increases and diminish operating ratio declines from 1949 to 1951. This circumstance is revealed in the following table of comparison of identical firm results. Comparison

of the results of all respondents shows an increase in the gross profit ratio whereas there was actually a slight decrease, as shown by the identical firm comparison. Similarly, total operating expense ratios of all respondents show an increase from 19.95% to 20.47%, but actually a decline from 21.17% to 20.38% occurred. Because the net operating profit ratio is obtained by subtraction, the converse situation occurred. Results of all respondents showed a decline whereas the results of identical firms indicated a slight gain in the net operating profit ratio.

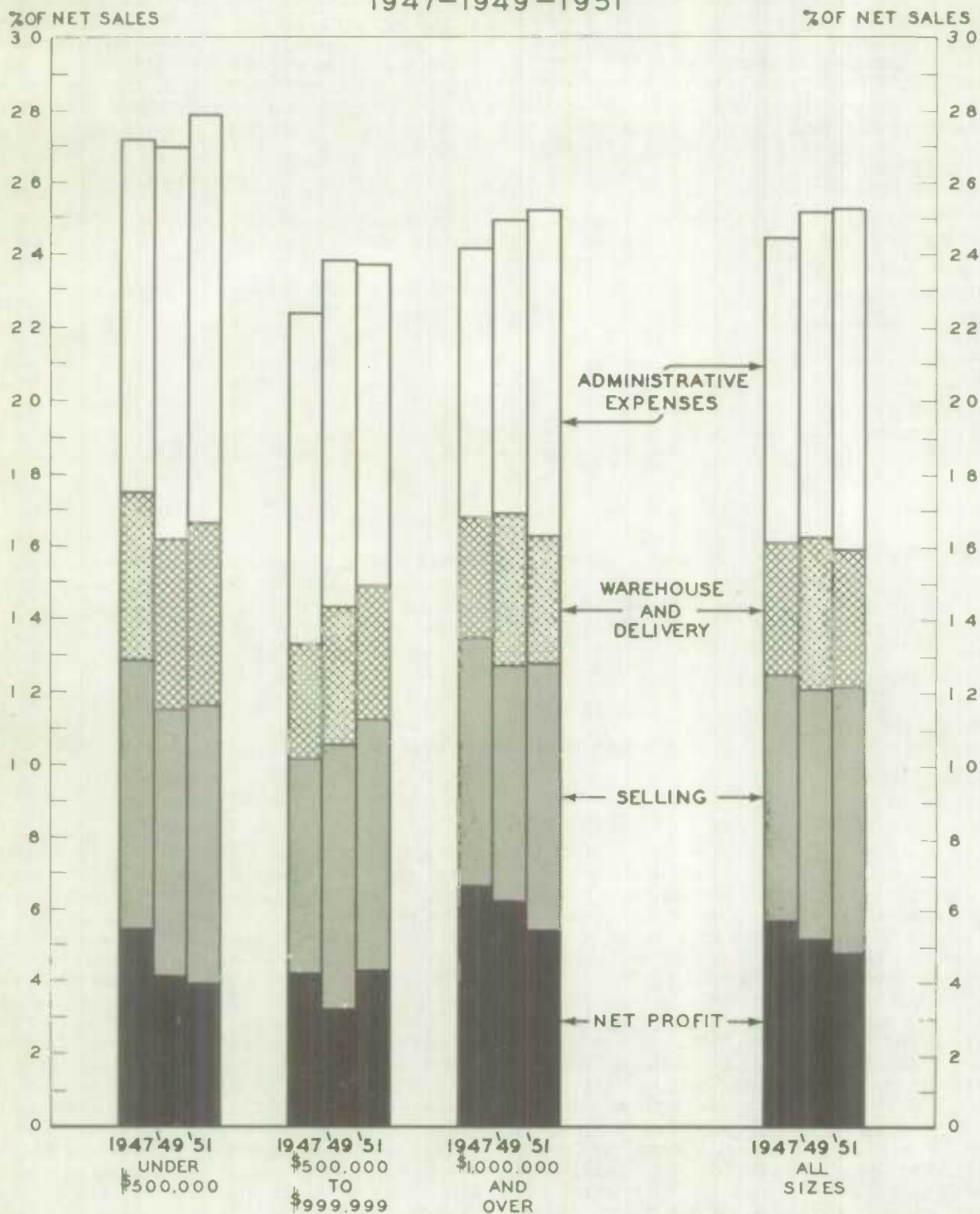
**TABLE 5. Operating Results of Automotive Parts and Accessories Wholesalers
1949 and 1951 Compared**

Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms	61	59	44	44
Average sales per firm..... \$	782,026	767,026	687,207	873,196
Gross profit	25.18	25.29	25.87	25.31
Operating expenses:				
Selling expense.....	6.86	7.31	7.18	7.44
Warehouse and delivery expense	4.19	3.84	4.07	3.60
Administrative and general expense	8.90	9.32	9.92	9.34
Total operating expenses	19.95	20.47	21.17	20.38
Net operating profit	5.23	4.82	4.70	4.93

CHART I.

OPERATING RESULTS OF WHOLESALERS OF AUTOMOTIVE PARTS AND ACCESSORIES

GROSS PROFIT=NET PROFIT+SELLING+WAREHOUSE AND DELIVERY+ ADMINISTRATIVE EXPENSES
1947-1949-1951



HARDWARE WHOLESALERS

Description of Reporting Firms

Item	Firms with 1951 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	9	11	25	9	54
Form of organization:					
Individual proprietorship	2	2	—	—	4
Partnership	2	1	—	—	3
Incorporated company	5	8	25	9	47
Number of firms operated as:					
Single establishment	9	11	16	4	40
Multiple establishment	—	—	9	5	14
Distribution of sales:					
To retailers	80.85	45.80	58.69	66.01	63.09
To other wholesalers and industries...	19.15	27.68	32.62	31.98	31.81
To contractors	—	26.52	8.69	2.01	5.10

Of the 54 firms reporting, 47 were incorporated, and the remaining seven were comprised of four individual proprietorships and three partnerships. Fourteen were operated as multiple establishment firms, whereas the remaining forty firms each re-

ported results for one establishment only. Sales to retail stores made up 63% of total sales; the remaining 37% was comprised of sales to other wholesalers and industries, and contractors, accounting for 32% and five per cent respectively.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained un-

changed, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Hardware wholesalers obtained an average gross profit or margin of 20.49 per cent of average net sales on 1951 operations, slightly greater than the 1949 ratio of 19.26%. Gross profit ratios of the four typical sales size categories ranged from 19.98% to 22.29%, in the third and second categories respectively. Total operating expenses averaged 13.76% of average net sales of all respondents, slightly below the 1949 figure. In this instance, the ratios of the four categories showed a greater range, from 13.52% to 17.55% in the largest and smallest sales size groups respectively. Administrative and general

expense accounted for slightly more than half, and selling expense for less than a third of total expense for less than a third of total expense. Warehouse and delivery expense accounted for the comparatively small remaining portion. Net operating profit ratios varied directly with the sales size categories, with a range from 4.14% to 7.05% and averaged 6.73%. Miscellaneous expense and income netted a slight increase to each category except the last, resulting in a ratio of net profit before income deduction of 6.77% for all respondents.

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 19.94% at the beginning of the year to 21.29% at the end of the year. This trend was common to all four sales size categories as well as the 1949 survey results.

The rate of stock turnover—average of beginning and ending inventories divided into average cost of goods sold—was 3.86 for all hardware wholesalers, slightly lower than the 1949 ratio of 4.4.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 96.18% for all hardware wholesalers in 1951, an increase over the 1949 ratio of 93.10%. Accounts outstanding as at December 31, 1951,

averaged 11.12% of average credit sales. This proportion also exceeded the corresponding 1949 ratio of 10.96%.

TABLE 6. Operating Results of Hardware Wholesalers, 1951, By Size of Firm

Item	Firms with 1951 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 reporting.....	9	11	25	9	54
Average net sales per firm..... \$	254,287	721,977	2,061,369	12,280,744	3,190,578
Average cost of goods sold..... \$	199,138	561,042	1,649,537	9,754,526	2,536,905
Stock turnover (times per year).....	2.65	3.63	4.24	3.75	3.86
Average beginning inventory.....\$	70,463	142,707	362,816	2,564,809	636,253
Per cent of average net sales.....	27.71	19.77	17.60	20.88	19.94
Average ending inventory..... \$	79,861	166,101	415,416	2,639,975	679,463
Per cent of average net sales.....	31.41	23.01	20.15	21.50	21.29
Profit and Loss Data (Per cent of net sales)					
Gross profit.....	21.69	22.29	19.98	20.57	20.49
Operating expenses:					
Selling expense:					
Salaries.....	4.16	4.99	2.65	2.21	2.50
Travelling.....	1.29	0.54	0.79	0.81	0.80
Advertising.....	0.39	0.31	0.26	0.44	0.38
Other selling expense.....	0.07	0.10	0.30	0.36	0.32
Total selling expense.....	5.91	5.94	4.00	3.82	4.00
Warehouse and delivery expense:					
Salaries and wages.....	1.79	1.54	2.15	2.43	2.30
Maintenance of delivery equipment.....	0.24	0.41	0.39	0.17	0.25
Outward freight.....	0.20	0.14	0.13	0.10	0.11
Warehouse supplies.....	0.13	0.04	0.08	0.08	0.08
Other warehouse and delivery expense.....	0.01	0.04	0.06	0.07	0.06
Total warehouse and delivery expense.....	2.37	2.17	2.81	2.85	2.80

TABLE 6. Operating Results of Hardware Wholesalers, 1951, By Size of Firm — Concluded

Item	Firms with 1951 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	
Operating Expenses — Concluded:					
Administrative and general expense:					
Salaries.....	4.71	4.79	3.51	3.33	3.47
Employees' benefits	0.42	0.13	0.38	0.52	0.46
Occupancy	1.04	1.10	1.02	1.04	1.03
Light, heat, and power	0.27	0.12	0.16	0.10	0.12
Taxes ¹	0.13	0.10	0.07	0.07	0.08
Insurance ¹	0.33	0.27	0.14	0.08	0.11
Office supplies	0.44	0.27	0.26	0.28	0.28
Communication	0.28	0.30	0.33	0.27	0.29
Bad debts - amount written off	0.45	0.38	0.20	0.19	0.20
All other expense	1.20	0.76	0.82	0.97	0.92
Total administrative and general expense	9.27	8.22	6.89	6.85	6.96
Total operating expenses	17.55	16.33	13.70	13.52	13.76
Net operating profit	4.14	5.96	6.28	7.05	6.73
Other trading income	0.86	0.62	0.48	0.33	0.40
Miscellaneous expense	0.38	0.21	0.31	0.39	0.36
Net profit before income tax deduction	4.62	6.37	6.45	6.99	6.77
Miscellaneous Data					
Credit sales:					
Average per firm	\$ 213,220	641,622	1,948,612	12,001,982	3,068,700
Per cent of average net sales	83.85	88.87	94.53	97.73	96.18
Accounts outstanding:					
Average per firm	\$ 29,211	97,270	224,480	1,241,005	341,239
Per cent of average credit sales	13.70	15.16	12.18	10.34	11.12
Sales per 1,000 sq. ft. of floor space	\$ 28,090	26,119	37,760	51,336	45,898

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

Regional Results

Gross trading profit ratios of hardware wholesalers in the four major regions of Canada ranged from 19.89% in Ontario to 21.21% in the Prairie Provinces. Ontario hardware wholesalers also showed the lowest operating expense ratio of 13.03%

of net sales; British Columbia wholesalers ranked highest with a ratio of 14.71%. The highest and lowest net operating profit ratios were obtained in the Prairie Provinces and British Columbia wholesalers who averaged 7.25% and 5.93%, respectively.

TABLE 7. Operating Results of Hardware Wholesalers, 1951, by Regions

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms	19	18	11	6	54
Average net sales per firm	\$ 1,854,028	3,086,925	5,855,528	2,848,228	3,190,580
Profit and Loss Data					
(Per cent of net sales)					
Gross profit	20.04	19.89	21.21	20.64	20.49
Operating expenses:					
Selling expense	4.59	3.37	4.15	4.24	4.00
Warehouse and delivery expense	2.27	3.12	2.78	2.93	2.80
Administrative and general expense	7.20	6.54	7.03	7.54	6.96
Total operating expenses	14.06	13.03	13.96	14.71	13.76
Net operating profit	5.98	6.86	7.25	5.93	6.73

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary

considerably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 8. Average and Middle Range Ratios of Hardware Wholesalers, 1951

Item	Firms with 1951 sales of		Total, all sizes	
	\$1,000,000 to \$4,999,999			
	Average	Middle range	Average	Middle range
Gross profit	20.0	18.8-21.4	20.5	19.4-22.1
Selling expense	4.0	2.7- 5.4	4.0	3.1- 6.1
Warehouse and delivery expense	2.8	2.0- 3.5	2.8	2.0- 3.3
Administrative and general expense	6.9	5.9- 8.3	7.0	6.0- 8.9
Net operating profit	6.3	4.6- 7.8	6.7	3.8- 7.8

Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the difference in the ratios were negligible. Net profit before income tax, expressed as a portion

of net sales, was 6.82% and 6.77% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms profit ratio to 3.38%, a decrease of approximately 50%.

TABLE 9. Operating Results of Incorporated Hardware Wholesalers, 1951, By Size of Firm

Item	Firms with 1951 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	
	(Per cent of net sales)				
Gross profit.....	20.87	22.55	19.98	20.57	20.46
Operating expenses	16.72	15.77	13.70	13.52	13.68
Net operating profit	4.15	6.78	6.28	7.05	6.78
Other trading income	1.21	0.69	0.48	0.33	0.40
Miscellaneous expense	0.42	0.14	0.31	0.39	0.36
Net profit before income tax deduction	4.94	7.33	6.45	3.99	6.82
Income tax	1.71	3.30	3.14	3.61	3.44
Final net profit.....	3.23	4.03	3.31	3.38	3.38

Comparison of 1949 and 1951 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 10. Operating Results of Hardware Wholesalers, 1949 and 1951 Compared

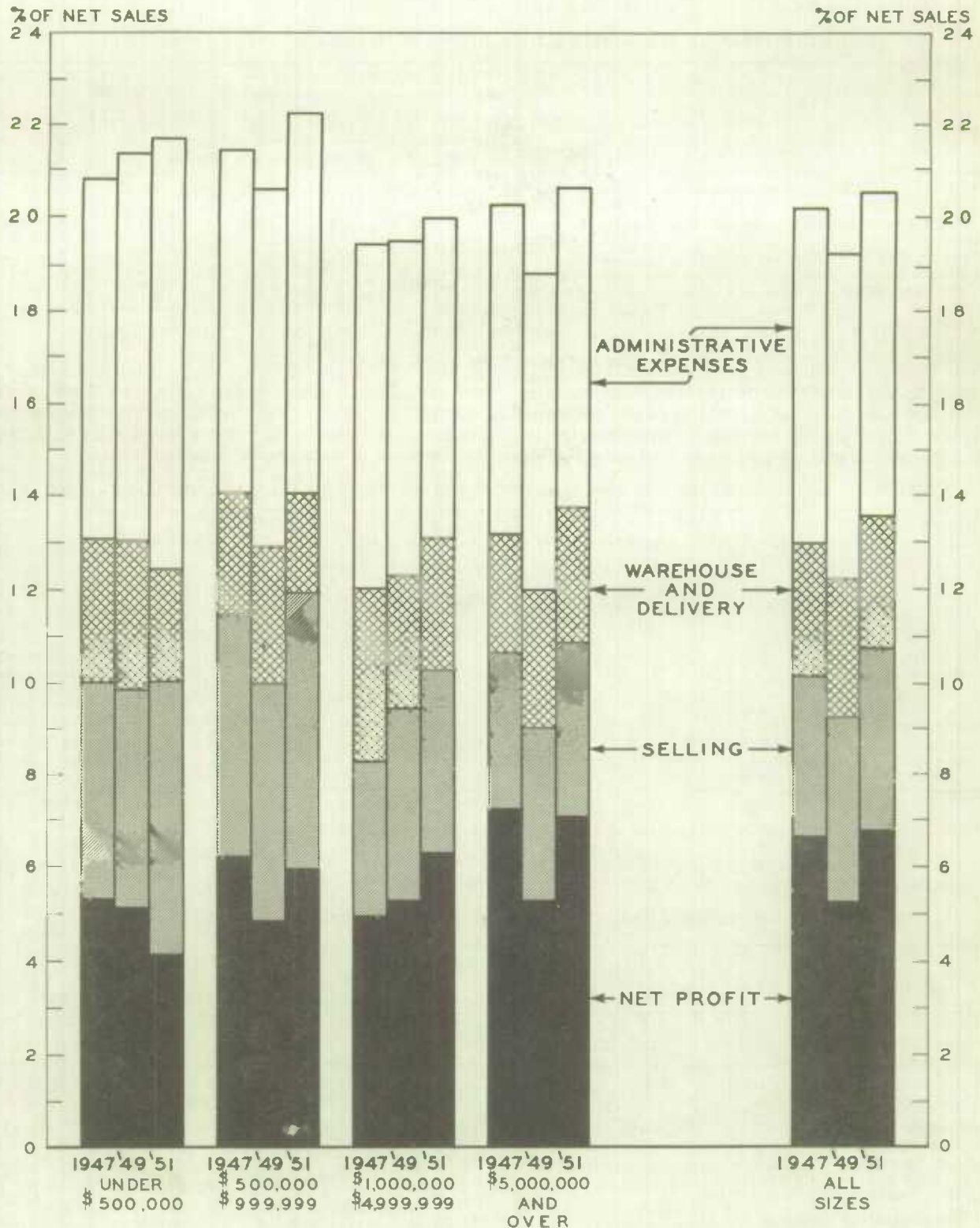
Item	All Respondents		Identical Firms	
	1949	1951	1949	1951
Number of firms	57	54	52	52
Average net sales per firm	\$ 2,323,346	3,190,580	2,476,934	3,247,035
(Per cent of net sales)				
Gross profit	19.26	20.49	19.25	20.48
Operating expenses:				
Selling expense	4.01	4.00	4.03	3.99
Warehouse and delivery expense	2.95	2.80	2.95	2.77
Administrative and general expense	7.06	6.96	7.11	6.92
Total operating expenses	14.02	13.76	14.09	13.68
Net operating profit	5.24	6.73	5.16	6.80

CHART 2.

OPERATING RESULTS OF HARDWARE WHOLESALERS

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

1947-1949-1951



PLUMBING AND HEATING SUPPLIES WHOLESALERS

Description of Reporting Firms

Item	Firms with 1951 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	9	8	21	38
Form of organization:				
Individual proprietorship	1	—	—	1
Partnership	—	—	—	—
Incorporated company	8	8	21	37
Number of firms operated as:				
Single establishment	9	7	17	33
Multiple establishment	—	1	4	5
Distribution of sales:				
to contractors	91.00	94.39	78.32	80.07
to other wholesalers and large users	4.53	5.61	19.84	18.14
to consumers at retail	4.47	—	1.84	1.79

Of the 38 firms reporting, all were incorporated companies with the exception of one individual proprietorship. Only five operated more than one establishment. The sales distribution ratios indicate that approximately 80% of total sales were made to contractors. Those wholesalers in the

smaller sales size categories sold more than the average proportion to contractors. The remaining 20% was sold almost entirely to other wholesalers and large users, and the remaining small portion to consumers at retail.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales

size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Wholesalers of plumbing and heating supplies obtained an average gross profit ratio or margin of 17.78 per cent of average net sales. Gross profit ratios for the three typical sales size categories ranged from 17.63% to 19.32% in the largest and smallest categories respectively. In each of the three functional divisions of expense, the largest and smallest respective ratios occurred in the first and middle sales size categories respectively. Administrative and general expense accounted for greater than half of the total expense which averaged 11.97% for all respondents. Selling expense and warehouse and delivery expense averaged 2.98% and 2.43% respectively. Miscellaneous expense and income netted an increase to the net operating profit ratio of 5.81% resulting in a ratio of net profit before income tax of 6.52%.

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 11.14% at the beginning of the year, to 13.16% at the end of the year. This trend was common to each of the three sales size categories. The rate of stock turnover—

average of beginning and ending inventories divided into cost of goods sold—was 6.77 for all responding wholesalers of plumbing and heating supplies, a rate of the same order as determined from the 1949 survey.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 93.73% for all wholesalers of plumbing and heating supplies, a negligible decline from the 1949 rate. Accounts outstanding as at December

31, 1951, were 11.84% of credit sales. The range of this ratio for the sales size categories was from 10.41% to 12.10% in the first and middle categories respectively.

TABLE 11. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1951, By Size of Firm

Item	Firms with 1951 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting	9	8	21	38
Average net sales per firm	267,534	687,515	2,934,045	1,829,566
Average cost of goods sold	215,835	558,831	2,416,662	1,504,287
Stock turnover (times per year)	4.30	4.82	7.18	6.77
Average beginning inventory	47,285	99,334	310,798	203,868
Per cent of average net sales	17.67	14.45	10.59	11.14
Average ending inventory	53,210	132,456	352,443	240,785
Per cent of average net sales	19.89	19.26	12.35	13.16
Profit and Loss Data (Per cent of net sales)				
Gross profit	19.32	18.73	17.63	17.78
Operating expenses:				
Selling expense:				
Salaries	2.69	1.91	1.82	1.85
Travelling	0.54	0.54	0.54	0.54
Advertising	0.49	0.11	0.23	0.23
Other selling expense	0.68	0.25	0.35	0.35
Total selling expense	4.40	2.81	2.94	2.98
Warehouse and delivery expense:				
Salaries and wages	1.82	1.43	1.74	1.72
Maintenance of delivery equipment	0.39	0.43	0.27	0.29
Outward freight	0.21	0.37	0.27	0.27
Warehouse supplies	0.04	0.21	0.09	0.10
Other warehouse and delivery expense	0.16	0.10	0.04	0.05
Total warehouse and delivery expense	2.62	2.54	2.41	2.43
Administrative and general expense:				
Salaries	5.15	3.68	3.40	3.48
Employees' benefits	0.08	0.10	0.18	0.17
Occupancy	1.77	0.66	0.75	0.78
Light, heat, and power	0.12	0.10	0.13	0.13
Taxes	0.11	0.03	0.05	0.05
Insurance	0.30	0.08	0.08	0.09
Office supplies	0.32	0.28	0.22	0.23
Communication	0.24	0.20	0.27	0.26
Bad debts - amount written off	0.56	0.37	0.52	0.51
All other expense	0.93	0.72	0.87	0.86
Total administrative and general expense	9.58	6.22	6.47	6.56
Total operating expenses	16.60	11.57	11.82	11.97
Net operating profit	2.72	7.16	5.81	5.31
Other trading income	0.38	0.97	0.81	0.81
Miscellaneous expense	0.08	0.38	0.07	0.10
Net profit before income tax deduction	3.02	7.75	6.55	6.52

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

TABLE 11. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1951, By Size of Firm - Con.

Item	Firms with 1951 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	\$ 226,521	666,161	2,752,428	1,714,852
Per cent of average net sales	84.67	96.88	93.81	93.73
Accounts outstanding:				
Average per firm	\$ 23,581	80,505	326,713	203,038
Percent of average credit sales	10.41	12.10	11.87	11.84
Sales per 1,000 sq. ft. of floor space	\$ 25,950	77,160	48,883	48,704

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

Regional Results

Gross trading profit ratios of plumbing and heating supplies wholesalers in three regional divisions of Canada, ranged from 16.65% in the Maritimes and Quebec to 19.35% in Ontario. The Ontario wholesalers also showed the highest operating expense ratio of 13.30% and netted an operating

profit ratio of 6.05%, slightly above the Canada average. Wholesalers in the Prairie Provinces and British Columbia showed the smallest operating expense ratio of 11.07% which assisted in their obtaining the largest ratio of net operating profit ratio of 7.35%.

TABLE 12. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1951, by Regions

Item	Maritimes and Quebec	Ontario	Prairies and British Columbia	Canada
Number of firms	11	16	11	38
Average net sales per firm	\$ 3,127,879	1,097,150	1,596,607	1,829,566
Profit and Loss Data				
(Per cent of net sales)				
Gross profit	16.65	19.35	18.42	17.78
Operating expenses:				
Selling expense	3.04	3.24	2.62	2.98
Warehouse and delivery expense	1.96	3.55	2.22	2.43
Administrative and general expense	6.75	6.51	6.23	6.56
Total operating expenses	11.75	13.30	11.07	11.97
Net operating profit	4.90	6.05	7.35	5.81

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 13. Average and Middle Range Ratios of Wholesalers of Plumbing and Heating Supplies, 1951

Item	Firms with 1951 sales of		Total all sizes	
	\$1,000,000 and over			
	Average	Middle Range	Average	Middle Range
	(Per cent of net sales)			
Gross profit	17.6	15.3—20.7	17.8	16.0—21.3
Selling expense	2.9	2.1— 3.2	3.0	2.1— 4.0
Warehouse and delivery expense	2.4	1.7— 3.4	2.4	1.7— 3.4
Administrative and general expense	6.5	5.1— 8.4	6.6	5.2— 9.0
Net operating profit	5.8	3.1— 7.8	5.8	2.2— 7.9

Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in ratios were negligible. This condition was to be expected because nearly all

reporting firms were incorporated. Net profit before income tax provision was 6.53% of net sales for incorporated firms. Income tax reduced this ratio to 3.42%, a decrease of 48%.

TABLE 14. Operating Results of Incorporated Wholesalers of Plumbing and Heating Supplies, 1951

Item	Firms with 1951 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	19.41	18.73	17.63	17.77
Operating expenses	16.85	11.57	11.82	11.96
Net operating profit	2.56	7.16	5.81	5.81
Other trading income	0.37	0.97	0.81	0.82
Miscellaneous expense	0.09	0.38	0.07	0.10
Net profit before income tax deduction	2.84	7.75	6.55	6.53
Income tax	1.31	3.48	3.13	3.11
Final net profit	1.53	4.27	3.42	3.42

Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included returns from more multiple establishment firms than were included in the 1951 survey results. Consequently, the average net sales per firm for 1949 exceeds the 1951 average. The actual relationship is revealed in the identical firm portion of the following table which shows an increase in average net sales per firm from 1949 to 1951. This decrease of average net sales normally would tend to overemphasize increases and diminish declines in operating ratios.

However, in this instance, the operating ratios of the additional firms included in the 1949 survey were above average which resulted in accentuated declines in some 1951 ratios. Gross and net profit ratios of all respondents showed a greater decline in 1951 than the decline disclosed by comparison of identical firm results. Relationship of 1949 and 1951 expense ratios were normal considering the variations of average net sales.

TABLE 15. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1949 and 1951 Compared

Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms	42	38	37	37
Average net sales per firm	\$ 2, 194, 036	1, 829, 566	1, 522, 405	1, 863, 267
	(Per cent of net sales)			
Gross profit	19.07	17.78	18.38	17.84
Operating expenses:				
Selling expense	2.55	2.98	3.00	2.97
Warehouse and delivery expense	2.38	2.43	2.60	2.44
Administrative and general expense	6.97	6.56	6.80	6.58
Total operating expenses	11.90	11.97	12.40	11.99
Net operating profit	7.17	5.81	5.98	5.85

CHART 3.

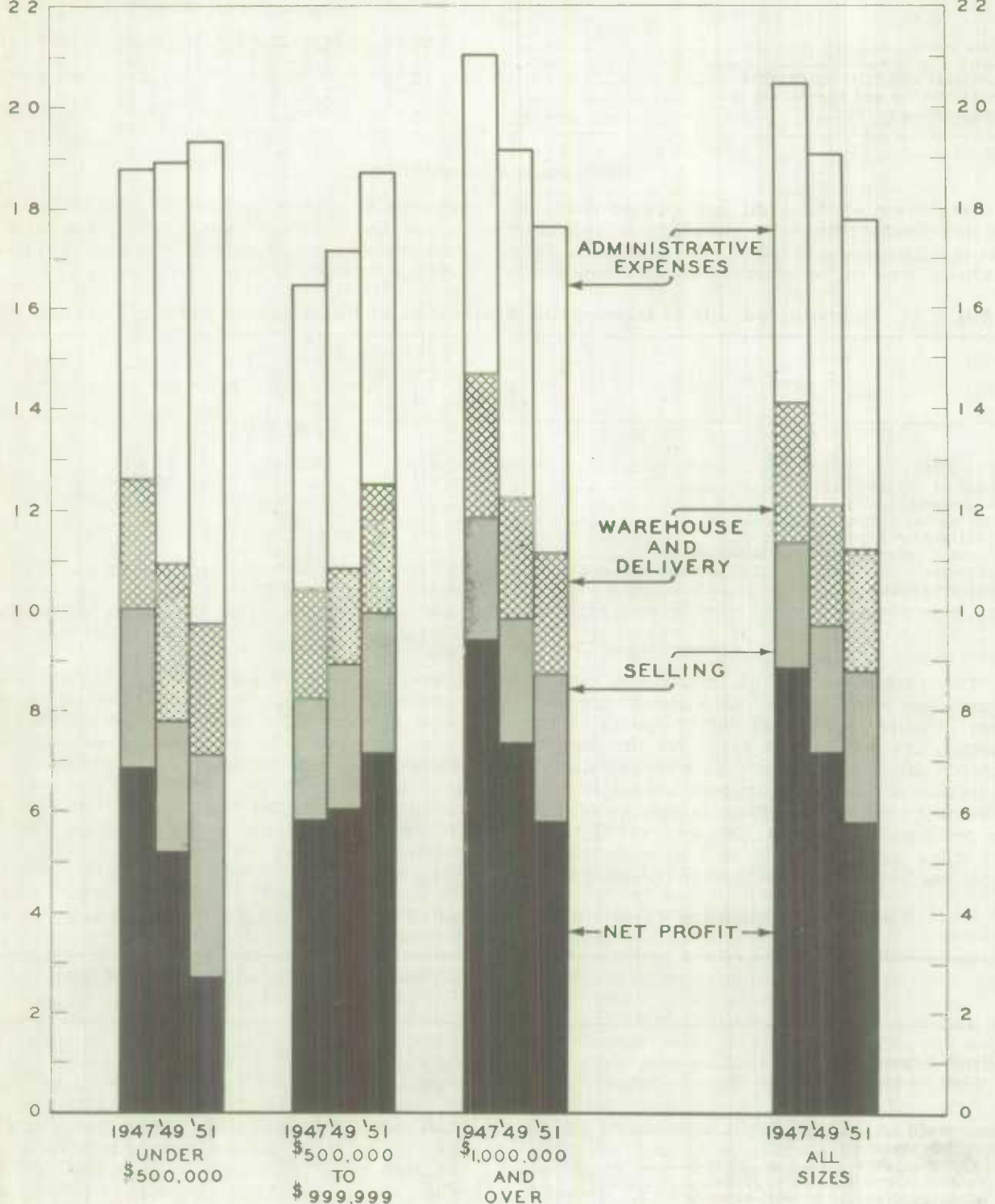
OPERATING RESULTS OF WHOLESALERS OF HEATING AND PLUMBING SUPPLIES

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

1947-1949-1951

% OF NET SALES
2 2

% OF NET SALES
2 2



DRUG WHOLESALERS

Description of Reporting Firms

Item	Firms with 1951 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Number of firms	4	12	16
Form of organization:			
Individual proprietorship.....	—	—	—
Partnership	—	—	—
Incorporated company	4	12	16
Number of firms operated as:			
Single establishment.....	4	8	12
Multiple establishment	—	4	4
Distribution of sales:			
To retailers..... %	88.04	91.61	91.46
To other wholesalers and large users..... %	11.96	8.39	8.54

All of the 16 firms reporting were incorporated, 12 of which were within the larger sales size category. Four of these 12 firms operated more than one establishment. Those firms in the second or larger category sold 91.6% to retailers and the remaining

8.4% to other wholesalers or large users. The four single establishment firms in the first category sold a smaller proportion, 88.0%, to retailers and a larger percentage, 12.0%, to other wholesalers and large users.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical.

However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Drug wholesalers in the first typical sales size category operated on an average gross trading profit or margin of 14.35% of average net sales; a slightly higher proportion than was obtained by the firms of the larger category. However, the first group averaged a higher ratio in each of the three functional divisions of operating expenses. Consequently, the

firms of the second group averaged a net operating profit ratio of 2.56% as opposed to the first group's ratio of 0.54%. Each group of firms netted an increase after allowance for miscellaneous expense and income which resulted in net profit ratios before income tax deductions of 0.91% and 3.68% for the smaller and larger categories respectively.

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of all drug wholesalers, declined slightly from 15.72% at the beginning of the year to 15.21% at the end of the year. Although the difference is slight, it is significant in that it is a reverse in trend from the 1949 survey results. This trend was common to the ratios of both sales size

categories. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—amounted to 5.60, a ratio of the same order as occurred in 1949. The smaller sales size category continued to show the higher stock turnover rate.

Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, was 97.27% for all drug wholesalers, an increase from the 1949 proportion of 92.88%. The increase occurred in both sales size categories.

Accounts outstanding as at December 31, 1951, averaged 8.21% of credit sales for all wholesalers, and also showed an increase from 1949 in both sales size groups.

TABLE 16. Operating Results of Drug Wholesalers, 1951, By Size of Firm

Item	Firms with 1951 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Number of firms reporting.....	4	12	16
Average net sales per firm..... \$	514, 118	3, 758, 423	2, 947, 348
Average cost of goods sold..... \$	440, 346	3, 255, 358	2, 551, 606
Stock turnover (times per year).....	6.22	5.57	5.60
Average beginning inventory..... \$	71, 215	594, 177	463, 437
Per cent of average net sales.....	13.85	15.81	15.72
Average ending inventory..... \$	70, 288	574, 528	448, 468
Per cent of average net sales.....	13.67	15.29	15.21
Profit and Loss Data (Per cent of net sales)			
Gross profit.....	14.35	13.38	13.43
Operating expenses:			
Selling expense:			
Salaries.....	2.76	1.33	1.39
Travelling.....	1.04	0.44	0.47
Advertising.....	0.09	0.21	0.20
Other selling expense.....	0.06	0.12	0.12
Total selling expense.....	3.95	2.10	2.18
Warehouse and delivery expense:			
Salaries and wages.....	1.69	2.06	2.04
Maintenance of delivery equipment.....	0.16	0.37	0.36
Outward freight.....	0.92	0.10	0.14
Warehouse supplies.....	0.10	0.10	0.10
Other warehouse and delivery expense.....	0.53	0.02	0.04
Total warehouse and delivery expense.....	3.40	2.65	2.68

TABLE 16. Operating Results of Drug Wholesalers, 1951, By Size of Firm — Concluded

Item	Firms with 1951 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Operating expenses — Concluded:			
Administrative and general expense:			
Salaries.....	3.28	3.28	3.28
Employees' benefits	0.08	0.45	0.44
Occupancy	1.06	0.73	0.74
Light, heat, and power	0.06	0.11	0.11
Taxes ¹	0.13	0.08	0.08
Insurance ¹	0.19	0.12	0.12
Office supplies	0.08	0.21	0.21
Communication.....	0.16	0.28	0.28
Bad debts—amount written off	0.42	0.13	0.14
All other expense	1.00	0.68	0.69
Total administrative and general expense	6.46	6.07	6.09
Total operating expenses	13.81	10.82	10.95
Net operating profit.....	0.54	2.56	2.48
Other trading income.....	0.55	1.24	1.20
Miscellaneous expense.....	0.18	0.12	0.13
Net profit before income tax deduction	0.91	3.68	3.55
Miscellaneous Data			
Credit sales:			
Average per firm	\$ 485,327	3,662,583	2,866,885
Per cent of average net sales	94.40	97.45	97.27
Accounts outstanding:			
Average per firm	\$ 66,684	288,611	235,371
Per cent of average credit sales.....	13.74	7.88	8.21
Sales per 1,000 sq. ft. of floor space.....	\$ 51,029	80,072	77,516

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

Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included a higher proportion of multiple establishment firms than the 1951 survey results. Consequently, because average sales were firm averages, the 1951 average was only 1.26% greater than the 1949 average net sales for all responding firms. However, the matching firm portion of the following table showed the 1951

average sales 30.47% greater. Because the average sales increase was of a smaller proportion for all reporting firms, the operating ratio increases appeared excessive. The result was a decrease shown in the 1951 net operating profit ratio. Actually an increase was experienced, as shown in the identical firm comparison section of the following table.

TABLE 17. Operating Results of Drug Wholesalers, 1949 and 1951 Compared

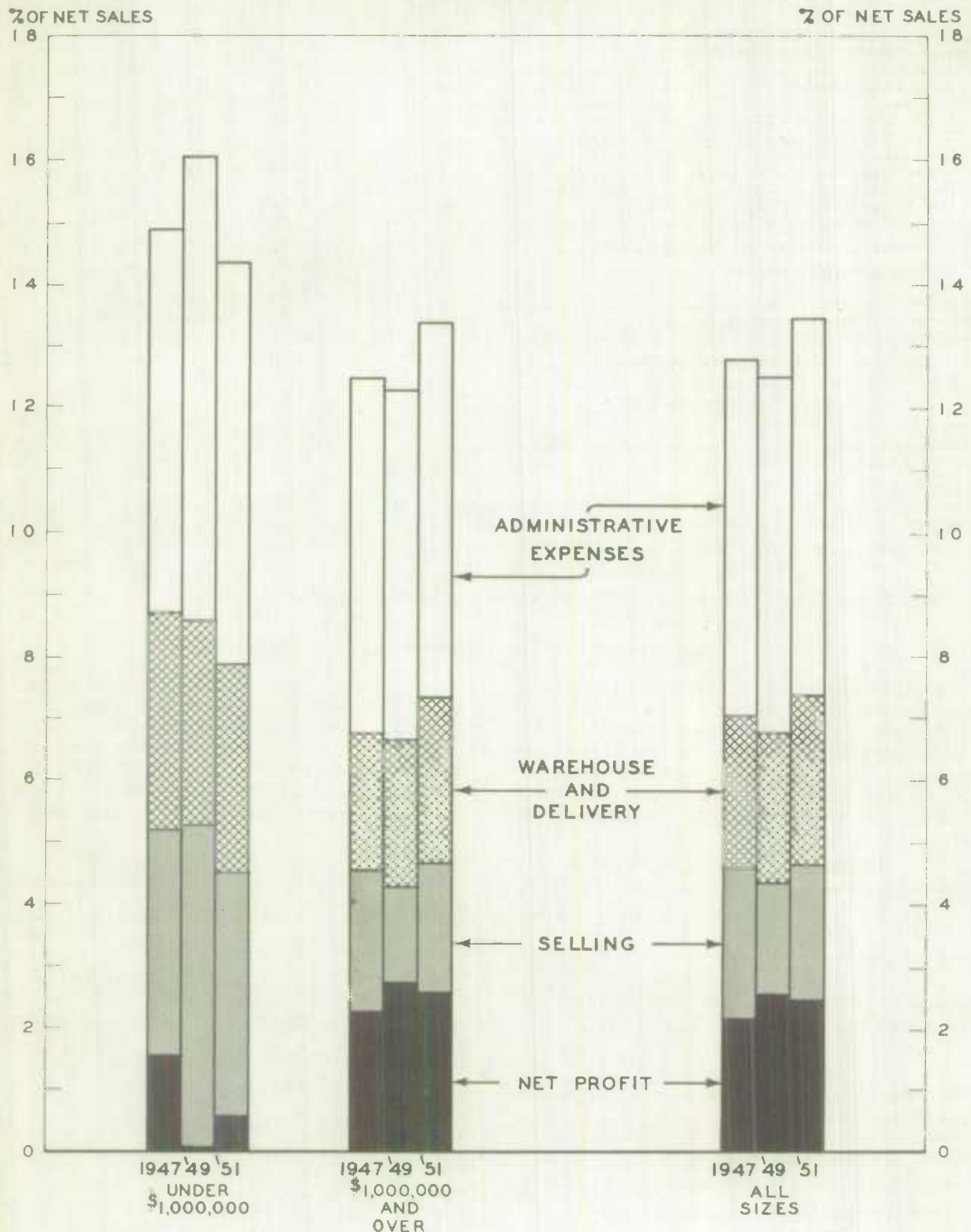
Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms	12	16	12	12
Average net sales per firm.....	\$ 2,910,772	2,947,348	2,910,772	3,797,778
(Per cent of net sales)				
Gross profit	12.48	13.43	12.48	13.09
Operating expenses:				
Selling expense	1.76	2.18	1.76	2.06
Warehouse and delivery expense.....	2.41	2.68	2.41	2.52
Administrative and general expense.....	5.74	6.09	5.74	5.77
Total operating expenses	9.91	10.95	9.91	10.35
Net operating profit	2.57	2.48	2.57	2.74

CHART 4.

OPERATING RESULTS OF DRUG WHOLESALERS

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

1947-1949-1951



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