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SCHOOL OF COMMERCE AND FINANCE

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OPERATING RESULTS

OF

INDIANA WHOLESALE GROCERS

YEAR OF 1927

BY

GEORGE W. STARR

SCHOOL OF COMMERCE AND FINANCE

WILLIAM A. RAWLES, DEAN

BUREAU OF BUSINESS RESEARCH

GEORGE W. STARR, DIRECTOR

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The Bureau invites the criticism of the Wholesale Grocers on this report, and will especially appreciate suggestions to be incorporated in future reports.

George W. Starr, Director

Bloomington, Indiana. September 30, 1928.

OPERATING RESULTS OF INDIANA WHOLESALE GROCERS--YEAR 1927

Scope and Character of the Study

This study covers primarily the results of the operations of Indiana wholesale grocers for the calendar year 1927, although two firms are included whose fiscal year ended at a time other than December 31. The material for this study was obtained by means of questionnaire blanks sent to all members of the Indiana Wholesale Grocers' Association. Reports were received from twenty-four firms, of which twenty-two were complete enough to use as a part of this study. Seventeen firms sent in reports which were complete in all details.

The aggregate business done in 1927 by firms reporting to the Bureau was approximately $24,000,000 or an average of $1,100,000 per firm. Variations in the sales volumes among the twenty-two firms were quite marked, ranging from less than $200,000 for the smallest to over $8,000,000 for the largest firm. The typical or middle firm had sales of approximately $576,000. The distribution according to volume of sales of all firms reporting is indicated in the following table.

TABLE I

Distribution According to Sales Volume
of Reporting Wholesale Grocery Firms

Sales Volume	Number of Firms
Under $400,000	5
$400,000 to $500,000	5
Over $500,000 but less than $1,000,000	6
$1,000,000 to $2,000,000	4
Over $2,000,000	2

Before analyzing the operating statements of the above firms, mention should be made to the definition of some of the terms to be used in the following pages of this report.

"Operating profits" are those obtained by deducting from sales revenues the cost of goods sold and all ordinary operating expenses, and does not include the addition of non-operating income or the deduction of non-operating expenses, Federal income taxes and interest paid on indebtedness.

"Net profit" as referred to in this study is the amount finally carried to the surplus or undivided profits account of the business (before deduction of Federal income taxes, if any).

In most of the analyses, the "operating profit" rather than the "net profit " is used as the basis of comparison since the chief purpose of this study is to determine the profits or losses made in the operation of the wholesale grocery business by the reporting firms and not as the result of their outside investments.

Throughout this study, the terms "middle" and "average" figures are used. The "middle" figure is that of the middle firm in the list, when the figures are arranged in order of magnitude. "Average" figures, which are used in some of the tables, represent the totals for the firms reporting, divided by the number reporting. The latter figure shows the result of an equal distribution of the items among all the reporting firms, and is useful in getting a picture of the grocery trade as a whole, while the "middle" more nearly represents the experience of a typical wholesale grocer.

An analysis of the combined operating statements of the twenty-two firms reporting shows that of the $24,000,000 received from sales, approximately $21,500,000 went to pay for the goods sold, and approximately $2,400,000 for expenses of operation, leaving an operating profit of a little over $100,000 or something less than fifty cents per $100 of sales. This is a very small operating profit, and is less than one-third as large as the annual operating profit of some twenty-three Ohio wholesalers for the last four years. The profit of the middle firm was also slightly less than fifty cents per $100 of sales. Not only has the average operating profit been small, but the number of firms reporting operating losses equalled the number showing operating profits; eleven firms reporting losses and eleven reporting profits. Three firms showing operating losses for the year, reported a net profit due to non-operating incomes which were larger than the operating losses.

Operating profits ranged from $0.98 to $2.54 per $100 of sales, while operating losses ranged from $0.01 to $2.68 per $100 of sales. The average profit of the group showing operating profits was $1.56 per $100 of sales and the middle figure $1.55 per $100 of sales. Of the group showing operating losses, the average loss was $1.34 per $100 of sales, and the middle figure was $1.31 per $100 of sales. The averages for the entire group of reporting firms was indicated earlier in this summary.

Seventeen firms submitted balance sheets which were complete enough to determine the rates of return on owners' investments. The returns on owners' investments varied from about fourteen per cent profit to a loss of over six per cent.

RESULTS SHOWN IN AVERAGES

The averages of the operating results of Indiana wholesale grocers who reported to the Bureau is shown in Table II. The averages are based on the assumption of an equal distribution of each item in Table II among the twenty-two wholesalers who reported to the Bureau. On the basis of the above distribution, each firm would have had net sales of approximately $1,098,000, a gross profit margin of $118,000 and an operating profit of $5,400. In terms of percentages, the average firm would have had a gross margin of 10.76 per cent of its net sales, operating expenses of 10.26 per cent and an operating profit of .5 per cent.

An operating profit of one-half of one per cent, or of fifty cents per $100 of sales is extremely small, and in the case of the above twenty-two firms, was caused partially by including eleven firms with operating losses in the total of the twenty-two firms reporting to the Bureau.

TABLE II

AVERAGE OPERATING RESULTS

(22 Wholesale Grocery Firms--1927)

	Detail	Total	Per Cent
NET SALES		$1,098,113.13	100.00%
COST OF GOODS SOLD			
Inventory--Beginning	$ 182,440.09		
Purchases	975,061.50		
	$ 1,157,501.59		
Inventory--End	177,527.09	979,974.50	89.24%
GROSS MARGIN		$ 118,138.63	10.76%
OPERATING EXPENSES			
Wages and Exp. of Salesforce	$ 30,565.92		2.78%
Adv. and Other Selling Exp.	4,427.16		.40
Receiving & Shipping Wages	20,075.58		1.83
Other Shipping Expense(a)	6,017.84		.55
Executive Salaries	13,925.84		1.27
Office Salaries	9,184.61		.84
Office Supplies & Expenses	3,033.88		.28
Rent(b)	2,958.64		.27
Heat, Light and Power	1,021.59		.09
Taxes	5,478.99		.50
Insurance	1,671.17		.15
Repairs to Equipment	619.33		.05
Depreciation of Equipment	1,846.37		.17
Miscellaneous Expenses	9,395.46		.85
Losses from Bad Debts	2,485.43		.23
Total Expenses		$ 112,707.81	10.26%
NET PROFIT FROM OPERATIONS		$ 5,430.82	.50%

(a) Includes delivery expenses.
(b) Includes building taxes, insurance, repairs, and depreciation in case of owned buildings.

TABLE III

AVERAGE OPERATING RESULTS

(11 Wholesale Grocery Firms, having
Operating Profits--1927)

	Detail	Total	Per Cent
NET SALES		$1,314,409.89	100.00%
COST OF GOODS SOLD			
Inventory--Beginning	$ 213,000.41		
Purchases	1,163,135.81		
	$ 1,376,136.22		
Inventory--End	206,444.79	1,169,691.43	88.99%
GROSS MARGIN		$ 144,718.46	11.01%
OPERATING EXPENSES			
Wages and Expense of Salesforce	$ 25,589.47		1.94%
Adv. and Other Selling Exp.	7,065.82		.54
Receiving & Shipping Wages	30,693.76		2.33
Other Shipping Expenses(a)	6,927.29		.53
Executive Salaries	18,265.88		1.40
Office Salaries	9,478.22		.72
Office Supplies and Expenses	2,369.23		.18
Rent(b)	2,865.69		.22
Heat, Light and Power	1,524.41		.12
Taxes	7,833.62		.60
Insurance	2,108.70		.16
Repairs and Equipment	598.06		.04
Depreciation of Equipment	2,047.08		.15
Miscellaneous Expenses	4,541.88		.34
Losses from Bad Debts	1,833.72		.14
Total Expenses		123,742.83	9.41%
NET PROFIT FROM OPERATIONS		$ 20,975.63	1.60%

(a) Includes delivery expenses.
(b) Includes building taxes, insurance, repairs and depreciation in case of owned buildings.

TABLE IV

AVERAGE OPERATING RESULTS
(11 Wholesale Grocery Firms, showing Operating Losses--1927)

	Detail	Total	Per Cent
NET SALES		$ 881,816.29	100.00%
COST OF GOODS SOLD			
Inventory--Beginning	$ 151,879.78		
Purchases	786,986.96		
	$ 938,866.74		
Inventory--End	148,609.39	790,257.35	89.62%
GROSS MARGIN		$ 91,558.94	10.38%
OPERATING EXPENSES			
Wages and Expense of Salesforce	$ 35,542.39		4.03%
Adv. & Other Selling Exp.	1,788.49		.20
Receiving & Shipping Wages	9,457.39		1.07
Other Shipping Expense (a)	5,108.39		.58
Executive Salaries	9,585.81		1.09
Office Salaries	8,891.00		1.01
Office Supplies Expense	3,698.49		.42
Rent (b)	3,051.60		.35
Heat, Light and Power	518.77		.06
Taxes	3,124.87		.35
Insurance	1,233.64		.14
Repairs to Equipment	640.60		.07
Depreciation to Equipment	1,645.67		.19
Miscellaneous Expense	14,249.04		1.62
Losses from Bad Debts	3,137.14		.35
Total Expenses		$ 101,672.79	11.53%
NET LOSS FROM OPERATIONS		$ 10,113.85	1.15%

(a) Includes delivery expenses.
(b) Includes building taxes, insurance, repairs and depreciation in case of owned buildings.

Table III shows the averages of the eleven firms showing an operating profit, while Table IV gives the averages of the eleven firms showing an operating loss. Table II, as indicated before, is a total of Tables III and IV. A comparison of the averages shown in Table IV with those for the same items in Table III shows some very wide variations.

The average operating profit of the eleven companies in Table III was $1.60 per each $100 of sales, while the average operating loss of the eleven firms in Table IV was $1.15 per each $100 of sales, making a difference in operating results between the two groups of companies of $2.75 per each $100 of sales. An operating profit of $1.60 per $100 of sales has been about the average experience of many wholesale grocers in some other states during the past few years.

Perhaps the most outstanding differences in the operating results of the above two groups of companies lie in three items, "Gross Margin," "Wages and Expenses of the Salesforce" and "Miscellaneous Expense." Had the average salesforce expense of the companies who made operating losses been no larger than the average of the companies showing an operating profit, the former group would have shown an operating profit of 94 cents per $100 of sales. If in addition to the above, had the group showing operating losses maintained the same average gross margin as those showing an operating profit, the operating profit of the two groups would have been almost identical; $1.60 per $100 of sales for those in Table III and $1.57 per $100 sales for those in Table IV.

The differences in the figures in Table III and IV for "Miscellaneous Expense" and "Wages of Receiving and Shipping Forces" represent more nearly differences in the classification of expenditures by the two groups than outlays for certain functions. While the large item for "Miscellaneous Expense" in Table IV should have been broken down and allocated to other items by the reporting firms, any reallocation would not have changed the total expenditures.

While the foregoing tables illustrate the trend of operations of the industry as a whole, Table V indicates more fully the operations of a typical firm. In determining the "typical firm" the various items of the operating statements of the twenty-two reporting firms were arranged in the order of their size, and the middle or in the case of twenty-two firms, the average of the middle two was taken as a typical figure. Table V affords a comparison between the percentage items of the average and the middle firm.

The average net sales of the group were approximately $1,100,000 but those of the "middle" firm were $576,000. The difference between the foregoing two figures is due to the fact that there were a few very large firms in the group whose sales tended to raise the average.

The middle figures show but little different results from the average figures for the group. The middle gross margin was 26 cents per $100 of sales lower, and the total operating expenses were 50 cents per $100 of sales lower, leaving a middle operating profit which was 24 cents per $100 of sales larger than the average profit of the group.

Within the operating expenses, a few noteworthy differences between typical and average figures occurred. The average costs of advertising, selling and shipping the goods were higher than those of the middle firm, while most of the other items of operating expense other than Taxes and Miscellaneous for the average of the group were either nearly the same or lower than those of the middle firm.

TABLE V

COMPARISON OF TYPICAL AND AVERAGE OPERATING RESULTS IN PERCENTAGES TO SALES

(22 Wholesale Grocery Firms--Year 1927)

	Simple Average	Middle Firm
NET SALES	100.00%	100.00%
COST OF GOODS SOLD	89.24%	89.50%
GROSS MARGIN	10.76%	10.50%
OPERATING EXPENSES		
Wages and Expense of Salesforce	2.78%	2.53%
Advertising	.40	.21
Wages of Receivers and Shippers	1.83	1.40
Other Shipping	.55	.76
Executive Salaries	1.27	1.34
Office Salaries	.84	1.29
Office Supplies	.28	.25
Rent	.27	.48
Heat, Light and Power	.09	.10
Taxes	.50	.35
Insurance	.15	.21
Repairs to Equipment	.05	.07
Depreciation of Equipment	.17	.14
Miscellaneous	.85	.38
Bad Debts	.23	.25
Total Operating Expenses	10.26%	9.76%
NET PROFIT FROM OPERATIONS	.50%	.74%

It should be noted that the "total operating expenses" and "net operating profit" figures shown as middle in Table V are a combination of the individual items given in the table rather than the individual experience of any single firm. In other words no single firm had a typical experience throughout its operating expense schedule. The total operating expense of the middle firm was $9.33 and the operating profit, 49 cents per $100 of sales.

RELATION OF OPERATING RESULTS TO FINANCIAL POSITION

While for the purposes of control, it is necessary to analyze operating expenses and their relation to net sales, the rate of return yielded on the total assets employed in the business, and the ratio of the net earnings to the investment of the owner is the final measure of the success of the business. Just as the high operating profit margin may not yield a high return on the investment, a low operating profit margin may yield a satisfactory return, since much depends on the rate of turnover of the capital employed in the business. It is necessary then, in order to determine the degree of success of the various reporting firms, not only to analyze the operating expenses but also compare the profits with the amount of capital employed in the enterprize. While all the firms furnishing operating statements did not furnish complete financial statements, a sufficient number did to enable the Bureau to analyze the statements and determine the average operating assets, total assets, owners' investments, etc.

In Table VI is presented an average or representative balance sheet as at the beginning and the end of the fiscal year 1927. The average balance sheet in Table VI shows that the seventeen firms furnishing complete balance sheet reports to the Bureau had sales averaging $644,779.73, operating profits averaging $1,895.35, operating assets of $195,246.30 and an average investment on the part of the owners of $147,192.70.

Since several firms included in this group made losses rather than profits during the year, the average return yielded by the operating assets of the seventeen firms was less than one per cent while the net return on the net worth was less than two per cent. Deducting those making operating losses from the foregoing, the average return of the remaining firms was 6.5 per cent on the operating assets and the net return on the net worth 9.2 per cent. It is apparent from these figures that the more profitable firms are not supplying all the capital used in their respective organizations, but are making considerable use of their accounts payable, notes payable and other obligations. Since the total interest charges on these obligations were moderate, the return of the owners on their net worth was larger than the operating profit on the operating assets.

TABLE VI

COMPARATIVE AVERAGE BALANCE SHEET

(17 Wholesale Grocery Concerns--1927)

	Beginning of Fiscal Year	End of Fiscal Year
ASSETS		
Current		
Cash	$ 4,719.99	$ 3,971.42
Customers' Accounts Receivable	50,764.91	48,797.62
Customers' Notes Receivable	4,266.31	3,328.14
Merchandise Inventory	113,064.36	110,423.16
Supplies and Prepayments	792.98	1,371.47
Total Current Assets	$ 173,608.55	$ 167,891.81
Other Operating		
Equipment	6,203.67	6,129.63
Buildings and Land	11,581.80	12,922.28
Other Assets	5,360.28	6,794.58
Total Operating Assets	$ 196,754.30	$ 193,738.30
Non-Operating		
Marketable Securities	7,230.86	7,238.32
Other Investments	4,682.51	4,760.61
Total Non-Operating Assets	$ 11,913.37	$ 11,998.93
Total Assets	$ 208,667.67	$ 205,737.23
LIABILITIES AND NET WORTH		
Current		
Accounts Payable	$ 20,640.82	$ 18,644.80
Notes Payable	31,906.73	28,612.77
Accrued Expenses	3,333.83	3,006.81
Other Liabilities	5,481.94	8,391.79
Total Liabilities	$ 61,363.32	$ 58,656.17
Investment of Owners		
Capital Stock, Surplus, Undivided Profits Etc.	$ 147,304.35	$ 147,081.06
Total Liabilities and Net Worth	$ 208,667.67	$ 205,737.23

Average Operating Assets, $195,246.30

Average Investment of Owners (Net Worth), $147,192.70

Table VII shows the differences between the average operating profit and the average net profit. Due to rather sizable non-operating incomes on the part of some of the wholesale grocers, the non-operating income more than covered the non-operating expense, leaving a substantial credit.

TABLE VII

AVERAGE NET PROFIT

(17 Wholesale Grocery Firms--Year 1927)

Net Profit from Operations		$ 1,895.35
ADD: Non-Operating Income		
Interest Received	$ 942.72	
Other Items	2,779.15	
		3,721.87
Total		$ 5,617.22
DEDUCT: Non-Operating Expenses		
Interest Paid	$1,595.28	
Other Items	1,111.16	
		2,706.44
Surplus Net Profit (before Federal Taxes)		$ 2,910.78

As indicated above the average figures for operations of the wholesale grocers as a group are quite low, the average operating profit being less than twice as large as tho net non-operating profit. The average figures are low largely on account of the poor showing of a small group of firms, rather than the mediocre results for all firms. Table VIII shows the range of results for various items of income and expense for all reporting firms.

TABLE VIII

RANGE OF EXPERIENCES BY GROUPS

Gross Margin (Per cent of Sales)	No. of Firms
Less than 10%	9
10% to 11%	6
11% to 12%	4
More than 12%	3

Highest	Middle	Lowest
13.00%	10.49%	7.98%

Total Operating Expenses (Per cent of Sales)	No. of Firms
Less than 7%	2
7% to 8%	1
8% to 9%	4
9% to 10%	5
10% to 11%	4
11% to 12%	2
12% to 13%	2
13% to 14%	1
Over 14%	1

Highest	Middle	Lowest
14.23%	9.49%	6.76%

Net Profit from Operations (Per cent of Sales)	No. of Firms
None (operating losses)	11
.5% to 1%	1
1% to 1.5%	4
1.5% to 2%	4
2% to 2.5%	1
2.5% to 3%	1

Highest	Middle	Lowest—Loss
2.54%	1.55%	2.68%

Return on Owners' Investment	No. of Firms
None (losses)	6
Less than 2% and more than 1%	2
" " 5% " " " 4%	2
" " 7% " " " 6%	2
" " 9% " " " 8%	2
" " 13% " " " 12%	1
" " 14% " " " 13%	1
" " 15% " " " 14%	1

Highest	Middle	Lowest—Loss
14.61%	6.58%	6.06%

Of the array of experiences shown in the foregoing tables, perhaps none is of more significance than the small gross margin. Almost half of the concerns had a gross margin of less than ten per cent, while over two-thirds of the companies had a gross margin of less than eleven per cent. While some firms have succeeded in making an operating profit with a low gross margin, they have done so by keeping down their operating expenses, turning their stock rapidly and also turning their capital frequently. One firm made an operating profit of $1.23 on each $100 of sales, with a gross margin of less than eight per cent, stock turnover of about six and a capital turnover over four. However, the above firm had operating expenses of only $6.76 for each $100 of sales. Another firm with a gross margin of nine per cent made an operating loss of $1.20 per $100 of sales with operating expenses of $10.26 per $100 of sales, a stock turnover of four and a capital turnover of less than two. Evidently, the slow turnover was the one item which prevented a larger operating loss. A third firm with a gross margin of thirteen per cent made an operating profit of $2.54 per $100 of sales with an operating expense of $10.36 per $100 of sales, and a stock turnover of better than seven and one half.

Another of the outstanding features of the experiences of the wholesale grocers has been the wide variation in gross margins among firms doing approximately the same volume of business. For firms doing approximately the same volume of business, the gross margins varied from thirteen per cent of net sales to something under eight per cent. Although the reporting firms were rather widely distributed geographically, this factor alone does not explain the rather wide range of gross margins among firms of about the same sales volume. Table IX shows the range of the gross margins by groups.

TABLE IX

RANGE OF GROSS MARGINS BY GROUPS

	Range of Percentages of Gross Margins	Typical Percentage of Gross Margin
$400,000 and less	10.64% - 7.98%	9.79%
$400,000 to $500,000	11.32% - 8.55%	10.47%
Over $500,000, less than $1,000,000	13.00% - 7.99%	10.95%
Over $1,000,000	12.23% - 9.59%	10.75%

Some firms maintained a very small gross margin, but succeeded in earning an operating profit by virtue of a high stock turnover. Others maintained a gross margin which was too small to cover operating expenses and made operating losses. Table X shows the range of stock turnovers by groups.

TABLE X

RANGE OF STOCK TURNOVERS BY GROUPS

(In Times Per Year)

Sales Volume	High	Middle	Low
$400,000 and less	7.01	4.14	3.08
$400,000 to $500,000	6.31	5.13	4.28
Over $500,000, less than $1,000,000	7.61	5.66	4.08
Over $1,000,000	6.59	5.71	3.86
All Firms	7.61	5.41	3.08

The average stock turnover for the entire group was 5.34 which was also about the figure for the middle firm.

In general the firms having low gross margins had low operating expenses and those having high gross margins had high operating margins. While there appears nothing significant in the close correlation in the fluctuations of the two items, it does explain why some firms with a good gross margin and rapid stock turnover failed to make a satisfactory profit. Where firms with a good gross margin and a good turnover failed to make an operating profit, it was due usually to more than average salesforce expense or in some cases to large delivery expense. Some firms through large sales effort and through good delivery service were able to move their stocks rapidly and at a better than average margin, but the expense entailed in this effort was larger than the gross margin, resulting in a net operating loss. Table XI shows the range of operating expenses by groups.

TABLE XI

RANGE OF OPERATING EXPENSES BY GROUPS

(In Per Cent of Net Sales)

Sales Volume	High	Middle	Low
$400,000 and less	12.42%	9.68%	6.94%
$400,000 to $500,000	9.49%	9.02%	8.79%
Over $500,000, less than $1,000,000	14.23%	11.08%	6.76%
Over $1,000,000	13.34%	10.05%	8.60%

Total operating expenses ranged from $ 14.23 to $ 6.76 per $100 of sales, for firms doing approximately the same volume of business, namely, over $500,000 and less than $1,000,000 per year. The net profits from operations are shown in Table XII.

TABLE XII

RANGE OF OPERATING PROFITS BY GROUPS

(In Dollars per $100 Net Sales)

Sales Volume	High	Middle	Low
$400,000 and less	$ 1.15	$ 1.03 (loss)	$ 1.90 (loss)
$400,000 to $500,000	$ 2.39	$ 1.34	$ .24 (loss)
Over $500,000, less than $1,000,000	$ 2.54	$ 1.09	$ 2.68 (loss)
Over $1,000,000	$ 1.81	$ .09 (loss)	$ 1.31 (loss)

While some firms made operating losses, they had on the other hand sufficient income from non-operating sources to give them a net profit for the year. Table XIII shows the net profit of the companies by groups.

TABLE XIII

RANGE OF NET PROFITS BY GROUPS

Sales Volume	High	Middle	Low
$400,000 and less	8.78%	1.47%(loss)	6.11%(loss)
$400,000 to $500,000	12.29%	4.87%	2.57%(loss)
Over $500,000, less than $1,000,000	14.70%	.31%	9.47%(loss)
Over $1,000,000	12.58%	1.31%	2.03%(loss)

Table XIV shows that both the operating profit and net return on ow[illegible] investments for the various groups increased as the stock turnover increa[illegible] although as previously indicated there were exceptions among individual f[illegible]e of in each group.

TABLE XIV

TYPICAL PERCENTAGES OF OPERATING PROFITS AND RETURN TO OWNERS

(By Groups According to Rate of Stock Turnover)

Annual Turnover	No. of Firms	Typical Operating Profit	Typical Return on Owners' Investment
3 - 4	3	1.07%(loss)	6.03%(loss)
4 - 5	4	1.03%	3.13%
5 - 6	4	1.39%	5.59%
6 - 7	5	1.15%	6.67%
7 - 8	1	2.54%	14.70%

With a single exception, all firms who turned their capital more than four times during the year made net profits, while those who turned their capital less than three times, with a single exception, made net losses. Table XV shows the capital turnover of the reporting firms by groups.

TABLE XV

RANGE OF CAPITAL TURNOVER BY GROUPS

(In Times Per Year)

Sales Volume	High	Middle	Low
$400,000 and less	5.09	2.95	1.83
$400,000 to $500,000	4.52	3.59	2.25
Over $500,000, less than $1,000,000	4.13	3.35	3.20
Over $1,000,000	4.59	2.97	2.87

The wide range of capital turnovers indicates how some merchants were able to make a satisfactory net return on a low margin, and conversely, why some wholesalers failed to make a satisfactory net return in spite of a margin which was above the average.

CONCLUSIONS

In concluding it may be pointed out that the most outstanding feature of this study has been the wide variation among practically all items of both the income and balance sheet statements, not only for the group as a whole but for those within the same sales volume group.

It is to be expected that some items of expense will vary with the sales volume and that one should find a range of results from firms with a wide difference in sales volumes. However, in this study the widest variations in experiences were found among firms of practically the same sales volume.

While it is not the purpose to go into detail on the above differences in this study, since every reporting firm was furnished a separate analysis of their report in light of the common experience of the entire group; the Bureau does wish to emphasize the advisability of having firms who had expense items that were out of line, make a careful study of their expenses with a view of curtailing the wayward items. In making this recommendation, the Bureau appreciates that the reporting blanks of the co-operating firms can tell only the results of the operations, not the reason for the various items of expense, and that undoubtedly many firms are aware of their position with respect to certain expenditures, but are not situated so as to be able to reduce such items.

The wide variation among the results of the reporting firms indicates the desirability of having a larger number of reports in order to make the study more comprehensive and it is hoped that a still larger number of grocers will wish to send the Bureau their 1928 results.