

tion which each expense item bears to the total sales of only those houses which incurred the given expense.

Functional Expense

Functional cost is the cost of performing the functions of wholesaling, such as selling, delivery, receiving and shipping.

The following itemized summary shows the cost of each function to the service-grocer group. Where an expense was incurred to serve more than one function—as, for example, telephone, insurance, and taxes—and actual figures were not obtainable from the books, it was apportioned to the functions on the basis of the manager's estimate.

Functional expenses of seven service wholesalers:	Per cent of net sales
Administrative	1.580
Selling	1.941
Credit .....	.408
Warehousing .....	.514
Receiving and shipping.....	1.962
Delivery .....	.866
Total operating expense.....	7.271
Delivery income .....	.066
Other income .....	.031
Net operating expense.....	7.174

Administrative Expense

Administrative cost includes all clerical and buying cost. Table 2 gives an itemized breakdown of the cost of this function.

Table 2.—Administrative Expenses of Seven Service Wholesalers

Item.	Per cent of net sales		
	Average	Actual	Range
Salaries:			
Executive and buying....	.734	.734	.0337-1.175
Office .....	.561	.561	.354-.864
Interest .....	.065	.116	.002-.342
Telephone and telegraph..	.012	.012	.002-.040
Supplies, postage, and stationery .....	.118	.118	.051-.210
Maintenance of office equip.	.008	.009	.002-.033
Travel (not selling or credit) .....	.012	.067	.023-.094
Miscellaneous office expense	.029	.055	.011-.102
Trade Association dues (not credit) .....	.026	.035	.025-.078
Taxes, administrative ...	.009	.048	.038-.065
Interest on investment (furniture and fixtures)....	.006	.006	.001-.038
Total administrative exp.	1.580		.936-2.295

The salary items of this group are seen to be appreciably larger than any of the other items. Together they equaled 1.295 per cent of sales and approximately 0.82 per cent of total cost for the group. All other items were relatively small.

Selling Expense

From Table 3 it will be seen that the outstanding item of selling expense is salaries.

Table 3.—Selling Expenses of Seven Service Wholesalers

Item.	Per cent of net sales		
	Average	Actual	Range
Salaries (including commissions and bonuses)....	1.610	1.610	1.168-2.510
Advertising and donations..	.073	.073	.026-.152
Telephone and telegraph..	.026	.026	.009-.037
Travel, selling .....	.232	.746	.593-.826
Total selling expense...	1.941		1.317-2.714

Credit Expense

Salaries for the credit group were so small that they could not be accurately determined.

This item of cost was, therefore, included in administrative salaries.

Bad debts and interest on investment were found to be the only items of consequence in the credit group.

Table 4.—Credit Expenses of Seven Service Wholesalers

Item.	Per cent of net sales		
	Average	Actual	Range
Bad debts	0.187	0.216	0.072-0.553
Legal .....	.008	.013	.008-.024
Collections .....	.004	.018	.004-.025
Interest on investment (accounts receivable) .....	.209	.209	.010-.601
Total credit expense....	.408		.117-1.179

Other Expenses

Warehousing expense, receiving and shipping expense, and delivery expense are shown in the following tables.

Table 5.—Warehousing Expenses of Seven Service Wholesalers

Item.	Per cent of net sales		
	Average	Actual	Range
Rent .....	.0323	0.323	0.223-0.487
Interest on investment (building owned) .....	.191	.291	.211-.488
Total warehousing exp..	.514		.311-.911

Table 6.—Receiving and Shipping Expenses of Seven Service Wholesalers

Item.	Per cent of net sales		
	Average	Actual	Range
Salaries	0.823	0.823	0.471-1.235
Packing materials .....	.006	.021	.018-.030
Insurance on inventory....	.064	.073	.028-.234
Taxes on inventory.....	.134	.134	.025-.417
Heat, light, water, and power .....	.068	.068	.025-.211
Warehouse equipment maintenance .....	.011	.013	.004-.040
Interest on investment (inventory, etc.) .....	.856	.856	.711-1.121
Total receiving and shipping expense	1.962		1.360-3.084

V. TRAVERSO CO.

WHOLESALE GROCERS IMPORTERS

170 PACIFIC AVENUE, CORNER FRONT SUTTER 3143

Q As wholesale grocers we make no special price concessions to any individual because of volume purchases.

Q We have no "Free" delivery concessions.

Q We have a one-price policy—you can buy 1 case or 100 cases and the cost-per-case remains the same. "ALL CUSTOMERS TREATED ALIKE!"

Q We sponsor the Rainbow Stores buying organization—and WE ARE VERY PROUD TO ADMIT IT OPENLY.

Q We also interest ourselves in the good and welfare of retail grocers at large.

Q We do NOT sponsor private brands—we specialize in nationally advertised merchandise and carry a complete stock of staples and Del Monte fine foods.

Our Warehouse, 170-198 Pacific Ave., Corner Front St., is Open Every Week Day at 6:30 A. M.—23,000 Square Feet Used to Store Only Nationally Advertised Brands.

We Sell Cash & Carry to All Retail Grocers



At our warehouse you can BACK YOUR TRUCK INSIDE THE BUILDING and it will be loaded for you under shelter.

Table 7.—Delivery Expenses of Seven Service Wholesalers*

Item.	Per cent of net sales		
	Average	Actual	Range
Salaries	0.381	0.381	0.185-0.510
Gasoline and oil.....	.061	.121	.075-.227
Repair of trucks.....	.024	.093	.057-.129
Tires and supplies.....	.011	.071	.064-.078
Insurance on trucks.....	.009	.011	.008-.026
Garage .....	.004	.021	.002-.034
Taxes on delivery equip....	.008	.009	.003-.031
Depreciation of trucks....	.007	.112	.054-.243
Freight and express, outward .....	.005	.016	.003-.039
Truck hire, delivery.....	.067	.323	.018-.450
Delivery (not broken down)	.122	.337	.337-.337
Horse expense, delivery....	.062	.452	.452-.452
Interest on investment (delivery equipment) .....	.015	.015	.010-.039
Total delivery expense..	.866		.492-1.287

*Only one house in this group charged customers for delivery service.

Combined Statement

Table 8 is a compilation of general information pertaining to the seven service wholesalers included in the study.

Table 8.—Combined Operating and Financial Statement of Seven Service Wholesalers

Item.	Per cent of sales	Per cent of total assets
Total operating cost	7.271	....
Other income .....	.970	....
Net operating cost	7.174	....
Gross profit	8.092	....
Net profit .....	.918	....
Returns and allowances.....	.796	....
Net worth	20.960	85.76
Fixed assets	3.670	15.04
Current assets	20.770	84.96
Total assets	24.440	100.00
Liabilities	3.480	14.24
Real estate	3.170	12.96
Cash .....	.690	2.84
Accounts receivable	5.910	23.64
Notes receivable .....	.190	.78
Average inventory	14.070	57.54

The service group enjoyed an annual turnover of 6.75 and an average store volume of \$1,101,604.86.

RAINBOW STORES SPECIAL SAVINGS

ALL RAINBOW MEMBERS OWN AND OPERATE THEIR OWN STORES
"Be Rainbow Wise and Economize!"

FOR YOUR CONVENIENCE ALL STORES HAVE TELEPHONE SERVICE

Rainbow Stores Advertising is the only Retail Grocery Advertising west of the Rocky Mountains that features consistently Nationally Advertised Brands.

Our advertising is NOT compulsory—Members may have it or not, according to their own desire in the matter. The above emblem appears on all Rainbow Stores advertising.

We never sell any "special" below the "MEMBER'S COST"—in other words, you, Mr. Grocer, will never "lose" by featuring Rainbow Specials.

What Rainbow Stores Advertising Includes:

1. Circulars
2. Window Posters
3. Direct Mail
4. Price Cards
5. Trade Bulletins
6. Special Sales

Advertising is Furnished at Less Than Cost of Production!

P. S.—If you have seen our advertising you perhaps wonder "how we do it" and "how much it costs." Well, that is why we put a coupon on this page—send it to us and we will call on you personally.

RAINBOW STORES,
170 Pacific Avenue,
San Francisco

Without obligation, please send me more information about your Rainbow Stores.

I am interested in—
Buying Power _____ Name _____
ONLY ☐ Address _____
Advertising ☐ City _____

"Rainbow Stores Members DO NOT PAY Any Monthly Dues!"

V. Traverso Co., San Francisco, California, Wholesale Grocers, Used This Two-page Advertisement in a California Trade Journal to Feature Their Rainbow Stores to the Retail Grocery Trade.

THE WHOLESALE GROCER NEWS

332 SO. LA SALLE STREET

CHICAGO

Dec. 10, 1932

V. Traverso Co.
San Francisco, Calif.

Gentlemen:

Enclosed you will find a page taken
from the Dec. issue. I thought you
would be interested in seeing it.

HEV:IR

Cordially
[Handwritten signature]
WHOLESALE GROCER NEWS

P. S. Under another cover I am sending
you a complete issue.