



Statistics Canada

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Wholesale Trade

Thursday, September 17, 2009
24th Voorburg Group Meeting
Oslo, Norway



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Wholesalers and their services

Distribution	Banner wholesalers Drop shippers Rack jobbers	In-store or co-op promotions
Shipping	Wholesale merchants and distributors Dealers of machinery & equipment Import-export merchants and agents	Buy and sell
Product training	Manufacturing reps and agents Wholesale commission agents Dealer-owned cooperatives	Logistics
Packaging and labeling	Wholesale brokers Buying groups	Inventory management
Handling of warranty claims		Marketing and support services

Industrial Classification

- ISIC rev 4, NACE rev. 2, NAICS
 - Merchants
 - Wholesale on fee or contract basis
 - USA identifies manufacturing sales branches and offices (classified as merchants but some sell on fee or contract basis)

How do other countries identify and classify manufacturing sales branches? What information do national statistical agencies use to clarify the boundary between manufacturing sales branches and offices, and manufacturing establishments? Do any programs outside the USA compile turnover data for manufacturing sales branches and offices distinct from other wholesalers?

Industrial Classification

- Where to classify outsourced activity (e.g. factoryless goods producers)
 - Technical subgroup of the Expert Group on International Economic and Social Classifications recommendation to classify based solely on the ownership of the physical input materials by the principal

Do countries apply similar concepts to delineate the boundaries between wholesale and other sectors such as manufacturing, retail trade and transportation?



Product classification

- CPC and CPA 2008 only cover trade of products bundling all wholesale functions and do not include separate products for secondary activities such as repair and maintenance or installation services

Do current product classifications meet current needs for measurement of turnover, output and deflators?

Wholesale Turnover vs Industry Output in SNA

- Turnover = turnover, sales, shipments, receipts for services and other revenues
 - Industry output for SNA =
 - **Net margins (goods)**
 - **Commissions (provision of service)**
 - *Goods production (at basic prices)*
 - *Services (e.g. repair and maintenance)*
- } Primary activities
- } Secondary activities



Unit of observation

- Wholesale establishments in multi-industry enterprises
 - Manufacturing cost centres and transfer pricing

Are cost centers included in survey populations for industries such as manufacturing? Is an internal allocation made to attribute some profit to the manufacturing production units thus lowering the wholesale mark-up? If so, how is the allocation done?



Unit of observation

- Merchants, agents and brokers, manufacturing sales offices and branches
 - Cost benefit of measuring agents and brokers and frequency (may be a large number of small firms accounting for a small portion of wholesale output)

What populations are measured by various countries? What are the trade-offs and benefits of each approach?

Inventories

- Inventory valuation practices may vary from one wholesaler to the next (FIFO, LIFO, average cost, specific item cost)
- Wholesalers may re-valuate their inventories from one period to another
- Should include all inventories owned by the enterprise and held by or under the control of the establishment regardless of where the inventories are in the world.

What problems and solutions have countries encountered/implemented in collecting data on inventories?



Trade flows

- Some countries require data on regional transfers and trade
- Calculate complex trade margins by commodity, origin and destination

What countries require regional trade data? How are you gathering this information?

Deflation by the SNA

- Different methods for different measures
 - Input-output tables
 - Sub-annual measures of GDP
 - Volume of sales as an economic indicator
- Different methods may require different indices

How does the System of National Accounts deflate wholesale trade data in various countries? Do they include separate wholesale commodities in the I-O tables for wholesale margins and commissions? What level of product detail is required? Do other countries deflate wholesale sales as a current economic indicator?

Margin prices (merchant wholesalers)

- It is recommended that the wholesale PPI survey collect margin prices in the following order of priority:
 1. Average gross margin per unit for a comparable customer class and/or supplier class for all sales within a comparable product line.
 2. Average gross margin per unit for all customers and/or suppliers for a comparable product line.
 3. Average gross margin per unit for a particular customer class and/or supplier class for all sales of a particular product.
 4. Average gross margin per unit for all customers and/or suppliers for all sales of a particular product.
 5. Gross margin for a single specific product transaction.

Is there general agreement with the order of priority? Are there other acceptable measures?



Commission prices

- It is recommended that the wholesale PPI survey collect commission prices in the following order of priority:
 1. Average dollar value of commission per unit for a comparable customer class for all sales within a comparable product line.
 2. Average dollar value of commission per unit for all customers for a comparable product line.
 3. Average dollar value of commission per unit for a particular customer class for all sales of a particular product.
 4. Average dollar value of commission per unit for all customers for all sales of a particular product.
 5. Dollar value of commission for a single specific product transaction.

What are other countries doing to deflate commissions? Should all five measures be a recommended practice? Do other countries agree with the order of priority? Are there other acceptable measures?



Measurement issues

- Avoid using sale prices
- Lags between the purchase and sales of a good
- Irregular transactions (e.g. seasonal goods)
- Avoid non-comparable substitution

Are there measurement issues related to the import and export of goods? Margins may be affected by changes in exchange rates e.g. in the case of goods imported in a foreign currency and sold in a domestic currency. Companies make adjustments to significant changes in exchange rates. How are those adjustments reflected in the data collected to calculate margin prices?



Quality adjustment

- Quality adjustments should be performed when marketing characteristics are changed – when indicated by the respondent
- Advantage using average margin prices on a per unit basis

Response issues

- Pricing records and pricing decisions are often made at an enterprise's headquarters rather than at each individual wholesale establishment
- Firms may consider data on margins to be sensitive information

Within an enterprise, where is the appropriate contact point for wholesale pricing information?

What response issues do countries face with respect to respondent burden, sensitivity of data on margins and the impact of various marketing strategies on margins? Are respondents reluctant to provide this detail? Does the level of product detail affect a firm's willingness to participate in the survey?



Response issues

- Commissions should be priced separately from margins but there are potentially many small agents/brokers accounting for very little of wholesale output

What is the cost benefit of collecting data for agents and brokers? Is there a different price trend between merchants and agents?



Other issues

- Change in treatment of ancillary units from SNA 1993 to SNA 2008

Are current classification and measurement practices changing to reflect this change? If so, how are other countries handling this issue? This will affect many service industries.



Other issues

- Wholesalers may be involved in merchandising activities (i.e. goods owned by a wholesaler operating in country X are purchased from country Y and sold to a client in country Z without ever entering country X.)

Is this an increasing activity of merchant wholesalers? How should this activity be treated? What is being done to identify and measure this activity correctly? Are additional data requested such as location of inventories?



Next steps

- Identification of any outstanding issues
- Completion of sector paper for 2010