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# Annual Retail Trade

2008



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# Annual Retail Trade

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# User information

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## Symbols

The following standard symbols are used in Statistics Canada publications:

- . not available for any reference period
- .. not available for a specific reference period
- ... not applicable
- 0 true zero or a value rounded to zero
- 0<sup>s</sup> value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
- p preliminary
- r revised
- x suppressed to meet the confidentiality requirements of the *Statistics Act*
- E use with caution
- F too unreliable to be published

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# Annual Retail Trade 2008

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## Note to readers

This release combines data from the Annual Retail Store Survey and the Retail Non-store Survey.

Annualized sales from the *Monthly Retail Trade Survey* exclude sales from Non-store retailers.

The information in this report is based on the 2007 North American Industry Classification System.

The **operating profit** is obtained by subtracting the total operating expenses plus the cost of goods sold (opening inventory plus purchases and direct costs minus closing inventory) from the total operating revenues.

Canadian retailers' operating profits as a share of operating revenue narrowed slightly to 5.0% in 2008 from 5.2% in 2007. Retailers were affected by changing economic conditions during 2008, especially late in the year. According to the *Monthly Retail Trade Survey*, retail stores' monthly sales followed an upward trend in the first three quarters of 2008 before falling 3.9% in the last quarter, reflecting the economic downturn and a drop in gasoline prices.

Store and non-store retailers reported \$468.5 billion in annual operating revenue for 2008, a 4.5% increase. Total expenses rose 4.6% to \$444.9 billion.

Cost of goods sold, which accounted for just over three-quarters of total expenses, rose 4.4% to \$341.4 billion in 2008. Other operating expenses, which include labour remuneration, increased 5.6% in 2008 to \$103.5 billion.

Gross margins for all retailers (the difference between total operating revenues less cost of goods sold) as a share of operating revenue edged up slightly to 27.1% in 2008, from 27.0%.

## Revenue gains for most retailers

Operating revenues rose in 16 out of the 19 trade groups (including non-store retailers) in 2008 over the previous year, representing 77% of the total revenue. Gasoline stations reported the largest revenue increase and accounted for more than a third of the total revenue growth.

Gasoline prices followed the swings in world crude oil prices in 2008, rising for a large portion of the year before declining sharply in the last few months. Consumers paid on average, 12.7% more for gasoline in 2008 compared to the previous year according to the *Consumer Price Index (CPI)*. This price increase was reflected in a 15.6% rise in total operating revenue for this trade group (\$54.2 billion). For every \$100 consumers spent at a retailer in 2008, \$11.60 was spent at a gasoline station, up from \$10.50 in 2007.

Pharmacies and personal care stores reported the second largest increase in operating revenue, up 9.5% to \$31.5 billion in 2008. These stores represented just over 13% of the total growth in revenue.

Unlike the gasoline stations, the strength in sales at pharmacies and personal care stores was less about price increases. According to IMS Canada, the volume of retail prescriptions rose by 7.1% in 2008. Prices for health care goods were up 0.5% while those of personal care supplies and equipment were flat at +0.1%. These two commodity groups accounted for approximately 87% of total revenue at pharmacies and personal care stores in 2008, according to the *Quarterly Retail Commodity Survey*.

Supermarkets increased their revenue by 4.9% in 2008. Reflected in this increase is a 3.9% increase in the price of food purchased from stores. Consumers spent 15.4% of all their retail dollars at supermarkets.

## Revenue declines in three trade groups

Not all retail industries increased their revenue in 2008 compared to the previous year. New car dealers, clothing stores and home furnishing stores all recorded declining revenue. Reflected in some of these revenue declines is a decrease in the prices for goods sold.

New car dealers' revenues were down 2.0% to \$81.2 billion in 2008. This decrease reflects a drop of 6.9% in prices to purchase passenger vehicles (as per the purchase of passenger vehicles index). Consumers spend more of their retail dollars at new car dealerships than at any other type of retail store. In 2008, consumers spent 17.3% of their retail dollars at new car dealerships, down 1.1 percentage points from 2007.

Clothing stores also recorded a 1.1% decline in revenue to \$18.7 billion in 2008. Clothing prices were down 3.3% in 2008. Consumers spent 4.0% of their total retail dollars at clothing stores.

Operating revenue at home furnishing stores were down 0.4% from 2007 to \$5.9 billion. This store type accounts for 1.3% of total retail spending.

## Chain stores continue to gain market share

Store retailers, excluding non-store retailers, are divided into chain stores and non-chain stores. A chain store is an organization operating four or more locations within the same industry group under the same legal ownership. Chains recorded operating revenues of \$213.8 billion, up 5.8% over 2007.

Chain stores have been gradually increasing their share of total operating revenue at the expense of non-chain stores. In 2004, chain stores represented 43.1% of the total operating revenue; by 2008, their share had risen to 47.0%. Non-chain stores posted a 3.3% increase in revenue to \$240.9 billion in 2008.

Certain trade groups tend to be dominated by chain stores such as beer, wine and liquor stores, where 90% of the recorded revenue for this trade group was from a chain store in 2008.

Chain clothing stores have gradually increased their dominance in the clothing sector. In 2008, chain stores represented 79% of operating revenue in this trade group, up from 72% in 2004.

In contrast, other groups such as new car dealers, tend to be dominated by non-chains. New car dealers with less than 4 locations accounted for 96% of all the revenue in this trade group in 2008. As well, used and recreational motor vehicle and parts dealers with one to three locations (non-chain) accounted for 89% of all the revenue for this industry.

## Operating expenses increasing

Operating expenses (excluding cost of goods sold) for store and non-store retailers rose to \$103.5 billion, up 5.6% over the previous year. Expenses were up in all industries, except for beer, wine and liquor stores and non-store retailers.

Labour costs accounted for almost half of these operating expenses in 2008. The highest labour costs as a share of operating expenses were reported for new car dealers (58.3%) and beer, wine and liquor stores (55.9%).

In contrast, gasoline stations recorded the lowest labour costs as a share of total expenses at 32.8%. This was followed by non-store retailers with a share of 33.4%.

In 2008, operating expenses as a share of operating revenue represented 22%, similar to previous years. Clothing stores had the highest ratio of expenses to revenue (43%), followed by shoe, jewellery and luggage stores (41%) and home furnishing stores (40%). Gasoline stations had the lowest operating expenses as a share of operating revenue (10%), followed by new car dealers (13%) and beer, wine and liquor stores (14%).

## **Operating profits up for pharmacies and personal care stores and new car dealers**

Operating profits for store and non-store retailers as a ratio of operating revenue was 5.0% in 2008.

Of all the trade groups, beer, wine and liquor stores recorded the largest share of operating profits as a percentage of operating revenue at 29.5%, the same as the previous year. Shoe, jewellery and luggage stores posted the second highest share of profits to revenue at 9.5%, also unchanged from last year.

Pharmacies and personal care stores had the largest gain in operating profits, a 30.9% increase to \$1.6 billion in 2008. The ratio of operating profits to operating revenue was 5.2% in 2008, up from 4.3% in 2007. This growth reflects revenues increasing at a faster pace than the cost of goods sold and other expenses.

New car dealerships had the second highest growth rate in operating profits in 2008, up 15.3% to \$2.0 billion. Expressed as a ratio of operating revenue, it rose 0.4 percentage points to 2.5%, from 2.1% in 2007. This profit increase was driven by the large decrease in the cost of goods sold (-3.4%).

Computer and software stores registered the smallest profit to revenue ratio (1.4%). The total profits for computer and software stores also reported the largest year-over-year decline, down 33.4% to \$30.7 million. (These stores primarily sell computers and related equipment and software rather than a diverse range of electronic products).

Prices for computer equipment and supplies fell 13.3% in 2008. Even with this price decline, total operating revenue for computer stores edged up 0.2%, while the cost of goods sold declined 1.0%.

Sporting goods, hobby, book and music stores recorded the second largest decrease in operating profits, down 27.0% compared to 2007, to \$441.3 million. The ratio of profits to revenue fell to 3.7% in 2008 from 5.3% in 2007. Within this trade group, sporting good stores and hobby, toy and game stores together represented 86% of the net change in profits.

However, not all retailers within this trade group had lower profits. Musical instrument and supplies stores (+ 28.0%) and book stores (+ 22.5%) reported higher profits in 2008. Book stores increased their profits and total operating revenue (up 1.7%) while consumers paid 9.4% less for the books they bought in 2008 compared to 2007.

## **Inventories down slightly**

Inventory levels were down slightly for store based retailers in 2008. Retailers reported levels of 65.8 days of stock-on-hand in 2008 down from 67.4 days in 2007.

Of all retailers, furniture stores reported the largest downward change, where the number of days of stock-on-hand fell from 101.6 to 90.0. Specialized building materials and garden centers had the largest increase in the number of days of stock-on-hand rising from 87.9 to 100.1.

On average, store retailers turned over their merchandise 5.5 times in 2008, which was comparable to 2007. Most retail store sectors maintained similar merchandise turnover rates compared to 2007.

## **Saskatchewan posts largest gains**

Store and non-store retailers in Saskatchewan benefited from the resource boom with the largest provincial operating revenue increase in 2008, up 11.4% from 2007, to \$16.0 billion. The cost of goods sold rose 11.0% and other expenses were up 12.0% from the previous year. Other expenses as a share of operating revenue was 19.5%, well below the 22.1% for all provinces. Gross margins as a share of revenue was 25.5%, below the national average of 27.1%. Operating profits as a share of revenue was the highest of all provinces (+6.0%) and above the provincial average (+5.0%).

Among the Atlantic provinces, Newfoundland and Labrador retailers reported the strongest revenue gains, up 7.3% to \$7.7 billion. As well, operating profits as a share of revenue was 5.3% in 2008, up from 4.9% in 2007, the largest



positive gain in percentage points of all the provinces. Newfoundland and Labrador retailers also maintained the lowest expenses as a share of their operating revenue (19.1%) compared to the national average (22.1%).

Retailers in Manitoba reported a 7.0% increase in operating revenues in 2008 to \$16.3 billion. Cost of goods sold rose 7.7%, the second highest of all the provinces. Operating profits as a share of revenue was 5.3%, above the Canadian average.

In 2008, Quebec retailers increased their revenue by 5.6% to \$103.0 billion. Quebec retailers accounted for 22.0% of all Canadian retail revenue. As a share of revenue, both gross margins (26.3%) and operating profits (4.6%) were stable and below the national average in 2008.

Retailers in Ontario, who account for 36.0% of the share of total operating revenue in Canada, posted revenue growth rates of 4.9% in 2008 to \$168.5 billion. Operating profits as a share of revenue matched the change at the national average of 5.0% in 2008, narrowing from 5.2% in 2007.

While revenue in Alberta increased 3.3% in 2008, it was below the national average. This province represented 14.4% of the national share of operating revenue. As a share of revenue, both gross margins (25.9%) and operating profits (4.6%) were stable and below the national average in 2008.

British Columbia was the only province to register flat year-over-year revenue growth (+0.2%). In 2008 this province represented 13.2% of total operating revenue. As a share of revenue, both gross margins (29.2%) and operating profits (5.9%) were above the national average in 2008, however, both declined slightly in comparison to 2007. Expenses represented 23.3% of the operating revenue, which was the largest ratio of all the provinces and above the national average of 22.1%.

The territories (Yukon, Northwest Territories and Nunavut) posted a 8.1% gain in operating revenue in 2008. Gross margins (29.8%) and operating profits (6.8%), both as shares of revenue were up over the previous year, and well above the Canadian average.

## Related products

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### Selected CANSIM tables from Statistics Canada

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080-0011	Annual retail store survey, financial estimates by store type and trade group based on the North American Industry Classification System (NAICS), annual
080-0012	Annual retail non-store survey, financial estimates by trade group based on the North American Industry Classification System (NAICS), annual
080-0013	Annual retail non-store survey, commodity sales for all industries, annual

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### Selected surveys from Statistics Canada

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2447	Annual Retail Trade Survey
2448	Retail Non-Store Survey

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### Selected summary tables from Statistics Canada

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- *Retail trade, operating statistics, by provinces and territories*
- *Retail non-store industries, operating statistics, by province and territory*
- *Retail non-store industries, commodity sales, by industries*

# Statistical tables

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**Table 1**  
**Summary Statistics for Retail Trade, 2008**

	Operating Revenue		Cost of goods sold	Total labour remuneration	Total operating expenses <sup>1</sup>
	percentage share	millions of dollars			
<b>Trade Group - Canada</b>					
New car dealers	17.9	81,161.5	68,796.1	6,042.9	10,373.4
Used and recreational motor vehicle and parts dealers	5.0	22,657.8	16,734.9	2,720.6	5,070.0
Gasoline stations	11.9	54,196.0	45,497.0	1,822.8	5,553.7
Furniture stores	2.2	10,050.8	6,018.3	1,597.3	3,557.4
Home furnishings stores	1.3	5,877.6	3,225.8	1,064.4	2,335.3
Computer and software stores	0.5	2,162.2	1,553.2	313.5	578.3
Home electronics and appliance stores	3.1	13,925.9	9,804.5	1,767.2	3,466.8
Home centres and hardware stores	4.8	21,949.8	15,048.9	3,110.0	5,993.0
Specialized building materials and garden stores	1.5	6,745.8	4,255.6	1,171.2	2,223.1
Supermarkets	15.9	72,136.0	54,892.2	8,349.0	15,753.9
Convenience and specialty food stores	3.1	13,908.0	10,007.4	1,648.6	3,487.4
Beer, wine and liquor stores	3.7	16,754.1	9,433.8	1,325.6	2,373.0
Pharmacies and personal care stores	6.9	31,546.5	21,117.9	4,656.5	8,799.5
Clothing stores	4.1	18,650.5	9,121.5	3,269.2	7,951.6
Shoe, clothing accessories and jewellery stores	1.4	6,156.5	3,019.6	1,124.5	2,549.4
General merchandise stores	11.6	52,632.2	38,313.6	5,798.1	11,536.2
Sporting goods, hobby, music and book stores	2.6	11,853.8	7,370.0	1,846.2	4,042.5
Miscellaneous store retailers	2.7	12,277.0	7,080.7	2,058.9	4,564.4
<b>Total</b>	<b>100.0</b>	<b>454,642.1</b>	<b>331,290.9</b>	<b>49,686.5</b>	<b>100,208.9</b>
<b>Regions</b>					
Newfoundland and Labrador	1.6	7,298.1	5,475.7	735.3	1,423.2
Prince Edward Island	0.4	1,745.1	1,295.6	185.5	371.8
Nova Scotia	2.8	12,599.2	9,240.4	1,353.0	2,654.7
New Brunswick	2.2	10,010.9	7,488.0	1,001.8	1,963.4
Quebec	22.1	100,437.0	73,919.3	11,060.5	21,913.5
Ontario	35.7	162,475.7	117,447.1	17,062.4	36,738.9
Manitoba	3.5	15,815.7	11,600.5	1,805.0	3,359.0
Saskatchewan	3.4	15,435.5	11,460.2	1,622.2	3,030.8
Alberta	14.6	66,209.2	49,012.9	7,444.5	14,189.6
British Columbia	13.4	60,899.7	43,157.0	7,204.1	14,161.6
Yukon	0.1	585.0	422.4	63.5	129.2
Northwest Territories	0.2	776.2	537.7	92.7	164.7
Nunavut	0.1	354.8	234.1	56.0	108.5

1. Total Operating Expenses excludes cost of goods sold

**Table 2**  
**Gross Margin and Operating Profit for Retail Trade**

	Gross margin				Operating Profit			
	2007		2008		2007		2008	
	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue
<b>Trade Group - Canada</b>								
New car dealers	11,608.8	14.0	12,365.5	15.2	1,727.9	2.1	1,992.1	2.5
Used and recreational motor vehicle and parts dealers	5,502.7	24.8	5,922.9	26.1	767.2	3.5	852.9	3.8
Gasoline stations	7,598.0	16.2	8,699.0	16.1	2,764.6	5.9	3,145.4	5.8
Furniture stores	4,026.7	40.3	4,032.5	40.1	564.3	5.6	475.1	4.7
Home furnishings stores	2,543.1	43.1	2,651.8	45.1	316.7	5.4	316.5	5.4
Computer and software stores	588.2	27.3	609.0	28.2	46.2	2.1	30.7	1.4
Home electronics and appliance stores	3,937.6	29.6	4,121.5	29.6	734.1	5.5	654.7	4.7
Home centres and hardware stores	6,465.9	31.1	6,900.9	31.4	1,242.3	6.0	907.9	4.1
Specialized building materials and garden stores	2,253.2	36.3	2,490.2	36.9	248.1	4.0	267.1	4.0
Supermarkets	17,167.2	25.0	17,243.8	23.9	1,534.4	2.2	1,489.9	2.1
Convenience and specialty food stores	3,542.8	26.8	3,900.6	28.0	376.5	2.8	413.2	3.0
Beer, wine and liquor stores	7,169.2	44.8	7,320.2	43.7	4,718.6	29.5	4,947.3	29.5
Pharmacies and personal care stores	9,128.2	31.7	10,428.6	33.1	1,244.8	4.3	1,629.1	5.2
Clothing stores	9,465.7	50.2	9,529.0	51.1	1,640.6	8.7	1,577.4	8.5
Shoe, clothing accessories and jewellery stores	3,057.0	50.1	3,136.9	51.0	576.9	9.4	587.5	9.5
General merchandise stores	14,036.7	27.8	14,318.6	27.2	2,750.1	5.4	2,782.4	5.3
Sporting goods, hobby, music and book stores	4,360.2	38.0	4,483.8	37.8	604.7	5.3	441.3	3.7
Miscellaneous store retailers	4,847.8	42.2	5,196.3	42.3	710.6	6.2	631.9	5.1
<b>Total</b>	<b>117,298.9</b>	<b>26.9</b>	<b>123,351.2</b>	<b>27.1</b>	<b>22,568.6</b>	<b>5.2</b>	<b>23,142.4</b>	<b>5.1</b>
<b>Regions</b>								
Newfoundland and Labrador	1,668.0	24.6	1,822.4	25.0	340.8	5.0	399.2	5.5
Prince Edward Island	447.1	26.2	449.4	25.8	88.0	5.2	77.7	4.5
Nova Scotia	3,158.8	26.4	3,358.8	26.7	670.7	5.6	704.1	5.6
New Brunswick	2,404.1	24.9	2,522.9	25.2	501.0	5.2	559.5	5.6
Quebec	25,043.7	26.3	26,517.7	26.4	4,378.3	4.6	4,604.2	4.6
Ontario	43,156.2	27.9	45,028.6	27.7	8,060.7	5.2	8,289.7	5.1
Manitoba	3,974.5	27.0	4,215.2	26.7	855.8	5.8	856.3	5.4
Saskatchewan	3,525.0	25.4	3,975.3	25.8	831.3	6.0	944.5	6.1
Alberta	16,365.3	25.5	17,196.3	26.0	3,002.9	4.7	3,006.7	4.5
British Columbia	17,077.5	28.1	17,742.7	29.1	3,730.9	6.1	3,581.1	5.9
Yukon	150.6	27.5	162.6	27.8	25.7	4.7	33.4	5.7
Northwest Territories	223.4	30.0	238.6	30.7	65.8	8.8	73.9	9.5
Nunavut	104.6	34.3	120.7	34.0	16.7	5.5	12.2	3.4

**Table 3**  
**Summary Statistics for Non-Store Retail Trade, 2008**

	Operating Revenue		Cost of goods sold	Total labour remuneration	Total operating expenses <sup>1</sup>
	percentage share	millions of dollars			
<b>Activity - Canada</b>					
Electronic shopping and mail-order houses	27.0	3,744.6	2,240.8	301.6	1,369.6
Vending machine operators	4.7	646.6	286.0	148.9	322.2
Fuel dealers	57.6	7,995.9	6,934.0	393.8	918.2
Other direct selling establishments	10.8	1,500.3	698.2	245.6	655.7
<b>Total</b>	<b>100.0</b>	<b>13,887.3</b>	<b>10,159.0</b>	<b>1,089.9</b>	<b>3,265.7</b>
<b>Regions</b>					
Newfoundland and Labrador	2.9	405.6	345.8	20.3	50.6
Prince Edward Island	1.6	215.4	185.4	11.3	27.7
Nova Scotia	5.2	723.5	604.0	39.1	104.2
New Brunswick	3.4	471.3	401.5	27.4	68.0
Quebec	18.4	2,557.7	1,957.9	173.9	504.1
Ontario	43.1	5,989.2	4,050.1	507.0	1,769.0
Manitoba	3.6	498.0	367.9	47.6	113.8
Saskatchewan	4.3	598.5	489.6	43.6	88.8
Alberta	9.3	1,290.9	986.9 <sup>E</sup>	97.7	226.9
British Columbia	7.4	1,023.0	679.7	116.2	293.4
Yukon	0.2	32.3	x	2.3	8.6
Northwest Territories	x	x	x	x	x
Nunavut	x	x	x	x	x

1. Total Operating Expenses excludes cost of goods sold

**Table 4**  
**Gross Margin and Operating Profit for Non-Store Retail Trade**

	Gross margin				Operating Profit			
	2007		2008		2007		2008	
	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue
<b>Activity - Canada</b>								
Electronic shopping and mail-order houses	1,580.7	39.1	1,503.8	40.2	161.8	4.0	134.2	3.6
Vending machine operators	347.5	54.7	360.5	55.8	31.4	4.9	38.4	5.9
Fuel dealers	1,047.0	15.7	1,061.9	13.3	209.2	3.1	143.7	1.8
Other direct selling establishments	853.8	53.4	802.1	53.5	130.6	8.2	146.4	9.8
<b>Total</b>	<b>3,829.0</b>	<b>29.6</b>	<b>3,728.3</b>	<b>26.8</b>	<b>532.9</b>	<b>4.1</b>	<b>462.6</b>	<b>3.3</b>
<b>Regions</b>								
Newfoundland and Labrador	64.9	16.7	59.8	14.7	13.0	3.3	9.2	2.3
Prince Edward Island	30.9	17.9	30.1	14.0	4.8	2.8	2.3	1.1
Nova Scotia	126.9	20.6	119.5	16.5	20.7	3.3	15.3	2.1
New Brunswick	82.6	19.2	69.9	14.8	11.5	2.7	1.8	0.4
Quebec	623.2	26.9	599.8	23.5	79.8	3.4	95.7	3.7
Ontario	1,944.9	33.6	1,939.1	32.4	240.6	4.2	170.1	2.8
Manitoba	157.1	31.4	130.1	26.1	15.0	3.0	16.4	3.3
Saskatchewan	109.5	21.3	108.8	18.2	18.7	3.6	20.1	3.4
Alberta	322.0	27.9	304.0	23.5	76.6	6.6	77.1	6.0
British Columbia	349.8	35.9	343.3	33.6	51.5	5.3	49.9	4.9
Yukon	x	x	x	x	x	x	x	x
Northwest Territories	7.3	12.7	x	x	-1.2	-2.0	x	x
Nunavut	x	x	x	x	x	x	x	x

# Data sources, definitions and methodology

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## Description

The Annual Retail Trade Survey and the Annual Retail Non-store Survey measure, on an annual basis, the operating and financial characteristics of Canadian retailers.

Data from these surveys provide information on revenue, expenses and inventory. The data are used by all levels of government, government agencies, the retail industry and individuals in assessing trends within the industry, measuring performance, benchmarking and to study the evolving structure of the retail industry. The information is also a critical input into the measure of gross margins in the Canadian System of National Accounts (CSNA).

The surveys are based on the North American Industry Classification System (NAICS). The Annual Retail Non-store Survey covers only businesses that primarily sell through non-store methods, and collects data for all the sales of those businesses.

## Target population

The target population for the Annual Retail Trade Survey consists of all retail establishments operating in Canada for at least one day between January and December of a calendar year. Direct sellers and operators of vending machines are excluded from the target population of this survey.

The survey population is comprised of all statistical establishments coded to NAICS 441 through 453 on Statistics Canada's Business Register, as well as those small unincorporated businesses not on the Business Register, which are classified to the retail industry.

The target population for the Annual Retail Non-store Survey consists of all non-store retail establishments operating in Canada for at least one day between January and December.

The survey population is comprised of all statistical establishments coded to North America Industry Classification System (NAICS) 454 (Non-Store Retail Trade Sector) on Statistics Canada's Business Register. Direct sellers and operators of vending machines are included in the target population of this survey.

## Definitions

A **"retail store chain"** is defined as an organization operating four or more outlets in the same industry class under the same legal ownership at any time during the survey year.

A **non-chain store** consists of "Franchise" and "Independent" stores with less than four locations in the same industry class under the same legal ownership at any time during the survey year.

A **franchise** is defined as a person, group of persons, partnership or incorporated company granted a contractual privilege permitting the sale of a product, use of a trade name or provision of a service within a specific territory and/or in a specified manner.

An **independent store** is a non-franchise operation with less than 4 locations.

**Sales of goods purchased for resale** refers to the total sales of merchandise purchased for resale, less returns, adjustments and discounts. Trade in allowances are not deducted. Sales values of trade-ins and parts used in repair are included. Goods and Services Tax (GST), Harmonized Sales Tax (HST) and any other sales taxes collected for remittance to a government are excluded.

**Commission revenue from merchandise sales** is the total gross commission revenue earned from selling merchandise on account of others. It includes commission revenue from concessions.

**Commission revenue from services** is the total gross commission revenue earned from selling services on behalf of others (e.g. lottery and bus tickets, phone cards).

**Sales of goods manufactured** are sales of goods produced by the business unit.

**Repair and maintenance revenue** is labour receipts from installation, repair and maintenance. It excludes parts used. Parts used are included in sales of goods purchased for resale.

**Revenue from rental and leasing of goods** is revenue from the rental or leasing of goods and equipment such as video, computer or tool rental.

**Revenue from the rental of real estate** is revenue received from renting out or leasing property owned by this business unit.

**Other operating revenue** include operating subsidies, and other types of revenue not elsewhere reported on the questionnaire. It excludes interest income and dividends, which are included in non-operating revenue.

**Total operating revenue** is the sum of sales of goods purchased for resale, commission revenue, sales of goods produced, repair and maintenance revenue, revenue from rental and leasing and other operating revenue.

**Inventories** is the value of goods held for resale in establishments and warehouses within or outside Canada and is owned by the business unit. It includes inventory in transit or out on consignment to others. Excluded are goods held on consignment for others. Inventory data are reported at book value (i.e. the value maintained in the accounting records). The inventories would include any goods on hand resulting from any secondary manufacturing activity by the business unit.

**Purchases** is the value of total net purchases of goods (gross value less returns, adjustments and discounts) at delivered price (including freight-in, insurance, import duties and other related specific costs). This includes new and used goods purchased for resale, as well as direct labour costs and other direct costs for those business units carrying on secondary activity of a manufacturing nature.

**Cost of goods sold** represents the cost value of goods sold and recognized in revenue, during the reporting period. It is determined by calculating:  $\text{Opening inventory} + \text{Purchases} - \text{Closing inventory}$ .

**Gross margin** is the difference between total operating revenue and cost of goods sold.

**Wages and salaries of employees** refers to the total wages and salaries earned by all employees for the year (including head office and warehouse personnel), before deductions for income tax, unemployment insurance, employee social security contributions, etc. It excludes all payments and expenses associated with outside contract workers and employment agencies or personnel suppliers.

**Employer portion of employee benefits** represents the employer expense portion of employee life and health/dental care plans, CPP/QPP contributions, employer pension contributions, workers' compensation, employment insurance premiums, retiring allowances/lump sum payments at termination or retirement. It excludes contributions to provincial health and education payroll taxes, which are reported under "all other operating expenses".

**Total labour remuneration** is the sum of salaries and wages of employees plus the employer portion of employee benefits.

**Rental and leasing expenses** includes rental of office space or other real estate, motor vehicles (without driver), other machinery and equipment (without operator) and computers and peripherals (without operator).

**Advertising and promotion** includes the service of advertising (planning, creating and placement) and the purchase of advertising space or time.

**Amortization and depreciation expenses** includes capital assets, intangible assets and capital lease obligations.



**Total operating expenses** includes all expenses such as labour, rental and leasing, advertising, amortization and depreciation, management fees, etc. This excludes interest expenses.

**Operating profit** is obtained by subtracting total operating expenses and the cost of goods sold from total operating revenues.

## Sampling

### · Annual Retail Trade Survey

This is a sample survey with a cross-sectional design.

In order to reduce the respondent response burden and still produce reliable figures, exclusion thresholds based on industrial, provincial, and size dimensions were implemented. Administrative (tax) data were used to estimate for small businesses below the threshold and data for the retailing establishments above the prescribed threshold were collected mainly through questionnaires, but also through direct replacement with tax data for several businesses.

Before sample selection, the survey population is delineated into cells representing the provincial, Trade Group and size dimensions required. The establishments in the survey population are first stratified according to their province/territory and trade group based on the NAICS industrial classification. The trade groups are mutually exclusive classifications, each representing similar businesses.

Within each province/territory, by Trade Group combination, four size strata are created to group businesses of a similar size. The boundaries are determined using total estimated revenues for the businesses. The resulting groups are one take-all stratum of the largest businesses (which are all included in the sample), two take-some strata (from which representative samples are selected) and one take-none stratum (containing small businesses which are not eligible to be sampled). Optimal stratum boundaries or thresholds are determined to minimise the total sample size. It should be noted that the chains of stores (defined as an organization operating four or more outlets in the same industry class under the same legal ownership at any time during the survey year) are all included in the take-all stratum, thus, all included in the sample.

Following the sample selection process, data for the take-all and take-some strata are collected through questionnaires. However, for 55% of the selected 'simple' businesses, that is, those that operate in a single province and conduct all their activities in the same industry, under the same legal entity, tax data is substituted for survey collection. For those units belonging to the take-none stratum, a census of administrative (tax) records is used to collect selected financial information.

All sampled units are assigned a sampling weight. An initial weight equal to the inverse of the original probability of selection is assigned to each entity. The sampling weight is a raising factor attached to each sampled unit to obtain estimates for the population. For example, if two units are selected at random and with equal probability out of a population of 10 units, then each selected unit represents five units in the population, and it is given a sampling weight of five. These weights are subsequently adjusted, at the time of producing survey results, to reflect as closely as possible the characteristics of the population in this industry.

### · Annual Retail Non-store Survey

This survey is a census with a cross-sectional design.

Data are collected for all units of the population therefore no sampling is done.

## Data Sources

Responding to this survey is mandatory. Data are collected directly from survey respondents and extracted from administrative files.

A large portion of survey data are collected directly from survey respondents. However, in order to reduce response burden, as tax replacement program (TRP) has been implemented since 2002 where survey data are extracted directly from administrative data files as opposed to be directly collected from respondents.

### **Data accuracy**

While considerable effort is made to ensure high standards throughout all stages of collection and processing, the resulting estimates are inevitably subject to a certain degree of non-sampling error. Non-sampling error is not related to sampling and may occur for many reasons. For example, non-response is an important source of non-sampling error. Population coverage, differences in the interpretation of questions, incorrect information from respondents, and mistakes in recording, coding and processing data are other examples of non-sampling errors.

Measures such as response rate (total number of completed questionnaires as a percentage of the total active, in-scope survey sample) and response fraction (the proportion of the estimate based upon reported data) can be used as indicators of the possible extent of non-sampling errors.

Sampling error can be measured by the standard error (or standard deviation) of the estimate. The coefficient of variation (CV) is the estimated standard error percentage of the survey estimate. Estimates with smaller CVs are more reliable than estimates with larger CVs.