

CATALOGUE No.

63-413

TRIENNIAL

c.3



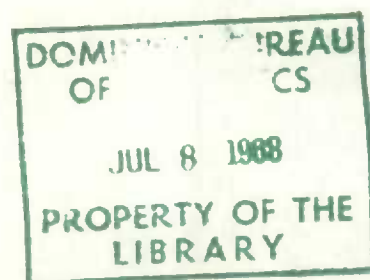
50

# JEWELLERY STORES

(Independent)

## OPERATING RESULTS

### 1965



The last issue of this report, formerly known as Operating Results and Financial Structure - Independent Jewellery stores was for 1959. Previously Biennial, it is now Triennial.

*Published by Authority of*  
The Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

Merchandising and Services Division

June 1968  
6403-562

Price: 25 cents



# JEWELLERY STORES

(Independent)

## OPERATING RESULTS

1965

### INTRODUCTION

This report is the first of its kind since 1959. During the 1961 Census of Merchandising and Service Establishments, data were collected on gross profit ratios for retail trades and these are published in Table 20, Volume VI, Part 1, of the Census of Canada, 1961; the small bulletin containing Table 20 bears Catalogue No. 97-505. These publications are obtainable from the Queen's Printer, Ottawa.

It is the intention to survey jewellery stores (independent) reported on by the present bulletin every three years.

This report deals with profit and loss statistics, presented mainly in the form of percentages of net sales. Results are shown for sales-size groups in some instances. Balance sheet data are not presented.

The primary purpose of the operating results surveys is to provide averages or ratios on the different phases of business operation against which firms in the same trade may make direct comparisons with their own results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Stores included in this classification sell mainly jewellery, silverware, clocks and watches. Additional lines carried may be optical goods, leather goods, gifts and novelties. Receipts from repairs also constitute an important source of revenue but do not exceed 50 per cent of the total trade.

Where averages and ratios are given for a number of size categories or a number of types of operation, a weighting procedure has been applied to such data. These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores.

## JEWELLERY STORES, INDEPENDENT

Financial data of 112 unincorporated businesses and 57 incorporated companies are included in this report.

The gross profit for independent, unincorporated businesses was 42.37 per cent of net sales in 1965 compared with 42.00 per cent in 1959. It is of some interest to note that the gross profit as a percentage of net sales for jewellery stores revealed by the 1961 Census of Merchandising was 41.6 per cent. Gross profit ranged from 37.2 per cent in the case of New Brunswick and Quebec to 44.3 per cent for Saskatchewan. The Census statistics pertain to all stores of this kind, independent as well as chain, and incorporated companies as well as unincorporated businesses. Salaries and wages, in 1965, excluding the pay for delivery employees, were 8.99 per cent of net sales compared with 10.08 per cent in 1959. Delivery expense was 0.57 per cent (0.47 per cent in 1959), occupancy expenses 9.65 per cent (8.65 per cent), office and store supplies 0.96 per cent (1.02 per cent) and all other expenses were 5.90 per cent (6.06 per cent) making total operating expenses 26.07 per cent in 1965 against 26.28 per cent in 1959. Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax

and addition of net non-trading income, was 16.30 per cent (15.72 per cent). Taking account of non-trading income and expense, net profit was 16.75 per cent of net sales compared with 16.55 per cent in 1959. In the detailed tables, there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector of the trade, for all stores (with rented and owned premises) the gross profit was 42.27 per cent of net sales compared with 41.12 per cent in 1959. Salaries and wages, excluding the pay for delivery employees were 19.70 per cent (20.75 per cent in 1959), delivery expense 0.58 per cent (0.55 per cent), occupancy expenses 7.78 per cent (8.03 per cent), office and store supplies 1.05 per cent (1.25 per cent) and all other expenses were 7.24 (8.02 per cent), making total operating expenses 36.35 per cent of net sales in 1965 compared with 38.60 per cent in 1959. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 5.92 per cent (2.52 per cent in 1959). Taking account of non-trading income and expense, net profit was 6.93 per cent as against 2.79 per cent in 1959. Data for 1959 are for companies with only rented premises.

TABLE 1. Operating Results of Independent Jewellery Stores, 1952-65

Item	Unincorporated businesses					Incorporated companies (Rented premises only)				
	1952	1954	1956	1959	1965	1952	1954	1956	1959	1965
	per cent of net sales									
Gross profit .....	39.99	40.19	40.83	42.00	42.37	42.38	43.52	44.23	41.12	42.26
Operating expenses:										
Employees' salaries .....	10.37	10.07	9.47	10.08	8.99	21.12	22.92	21.74	20.75	19.61
Occupancy .....	7.44	8.30	8.34	8.65	9.65	8.16	8.25	7.68	8.03	7.92
Office and store supplies .....	1.18	1.08	1.10	1.02	0.96	1.34	1.42	1.22	1.25	1.07
Advertising .....	1.97	1.88	1.91	1.79	1.43	3.49	3.31	3.44	3.10	2.38
All other expenses .....	4.08	4.20	4.03	4.74	5.04	5.00	4.48	5.05	5.47	5.35
Total operating expenses .....	25.04	25.53	24.85	26.28	26.07	39.11	40.38	39.13	38.60	36.33
Net operating profit before income tax and addition of net non-trading income <sup>1</sup>	14.95	14.66	15.98	15.72	16.30	3.27	3.14	5.10	2.52	5.93

<sup>1</sup> Before deduction of proprietors' salaries in the case of unincorporated businesses.

**TABLE 2. Jewellery Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965**

Item	Owned premises with annual net sales of				
	\$10,000-19,999	\$20,000-29,999	\$30,000-49,999	\$50,000-99,999	Total
Number of businesses reporting .....	5	5	9	10	33
Average net sales per business .....	14,661	26,579	37,650	64,842	35,943
Average beginning inventory .....	6,028	11,791	20,695	23,376	16,085
Average inventory, end of year .....	5,576	12,938	22,278	24,506	17,033
Average cost of goods sold .....	8,493	15,798	21,495	40,404	21,462
Stock turnover (times per year) .....	1.46	1.28	1.00	1.69	1.30
<b>Profit and loss data</b> (Per cent of net sales)					
Gross profit .....	42.07	40.56	42.91	37.69	41.33
Operating expenses:					
Employees' salaries and wages (except delivery) .....	2.80	4.92	7.42	9.23	6.08
Delivery expenses (including salaries and wages) .....	—	1.41	—	0.10	0.29
Occupancy expenses:					
Taxes .....	1.75	1.34	2.12	1.11	1.66
Insurance .....	1.60	1.20	1.38	1.15	1.36
Rent .....	—	—	—	—	—
Heat, light and power .....	2.08	1.65	1.09	1.34	1.55
Repairs and maintenance .....	1.41	0.68	1.25	1.25	1.19
Depreciation allowances .....	1.52	2.48	1.92	1.68	1.76
Total occupancy expenses .....	8.36	7.35	7.76	6.53	7.52
Office and store supplies .....	1.33	0.85	1.10	0.73	0.98
Advertising .....	0.87	1.02	1.10	1.59	1.19
Net loss on bad debts .....	0.34	1.80	1.45	0.14	1.04
All other expenses .....	3.77	3.04	5.06	4.56	4.07
Total operating expenses .....	17.47	20.39	23.89	22.88	21.17
Net operating profit .....	24.60	20.17	19.02	14.81	20.16
Non-trading income .....	1.83	0.97	1.69	1.67	1.57
Non-trading expense .....	3.97	—	0.99	0.15	1.01
Net profit before deduction of proprietors' salaries and income tax .....	22.46	21.14	19.72	16.33	20.72

**TABLE 2. Jewellery Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965 - Concluded**

Item	Rented premises with annual net sales of						Total owned and rented
	\$10,000-19,999	\$20,000-29,999	\$30,000-49,999	\$50,000-99,999	\$100,000-199,999	Total	
Number of businesses reporting .....	11	15	28	16	7	79	112
Average net sales per business .....	13,767	23,625	39,306	68,700	115,242	44,102	41,904
Average beginning inventory .....	7,512	10,618	19,958	27,960	30,375	18,212	17,639
Average inventory, end of year .....	6,822	11,080	21,582	30,014	30,818	19,187	18,607
Average cost of goods sold .....	7,278	13,465	23,422	41,039	70,537	26,114	24,861
Stock turnover (times per year) .....	1.02	1.24	1.13	1.42	2.31	1.30	1.30
<b>Profit and loss data</b> (Per cent of net sales)							
<b>Gross profit</b> .....	<b>47.13</b>	<b>43.01</b>	<b>40.41</b>	<b>40.26</b>	<b>38.79</b>	<b>42.75</b>	<b>42.37</b>
Operating expenses:							
Employees' salaries and wages (except delivery) .....	6.69	12.38	8.83	13.33	10.80	10.06	8.90
Delivery expenses (including salaries and wages) .....	0.61	0.73	1.29	0.31	0.23	0.68	0.57
Occupancy expenses:							
Taxes .....	0.99	0.72	0.75	0.45	0.45	0.67	0.94
Insurance .....	0.97	1.34	0.95	1.02	1.05	1.03	1.12
Rent .....	8.31	6.92	4.28	4.38	3.22	5.56	4.06
Heat, light and power .....	1.02	1.74	1.01	0.78	0.62	1.06	1.19
Repairs and maintenance .....	0.78	1.03	0.70	0.63	0.39	0.71	0.84
Depreciation allowances .....	1.67	1.27	1.54	1.52	1.03	1.40	1.50
<b>Total occupancy expenses</b> .....	<b>13.74</b>	<b>13.02</b>	<b>9.23</b>	<b>8.78</b>	<b>6.76</b>	<b>10.43</b>	<b>9.65</b>
Office and store supplies .....	1.01	0.94	0.78	0.75	1.63	0.96	0.96
Advertising .....	0.60	1.31	1.61	1.74	3.36	1.52	1.43
Net loss on bad debts .....	—	0.25	0.64	0.44	0.50	0.37	0.55
All other expenses .....	3.96	3.30	4.20	3.54	3.14	3.86	3.92
<b>Total operating expenses</b> .....	<b>26.61</b>	<b>31.93</b>	<b>26.58</b>	<b>28.89</b>	<b>26.42</b>	<b>27.88</b>	<b>26.07</b>
<b>Net operating profit</b> .....	<b>20.52</b>	<b>11.08</b>	<b>13.83</b>	<b>11.37</b>	<b>12.37</b>	<b>14.87</b>	<b>16.30</b>
Non-trading income .....	—	0.08	0.13	0.78	2.12	0.41	0.72
Non-trading expense .....	—	—	—	—	—	—	0.27
<b>Net profit before deduction of proprietors' salaries and income tax</b> .....	<b>20.52</b>	<b>11.16</b>	<b>13.96</b>	<b>12.15</b>	<b>14.49</b>	<b>15.28</b>	<b>16.75</b>



**TABLE 3. Jewellery Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965**

Item	Rented premises with annual net sales of						Total owned and rented
	\$30,000-49,999	\$50,000-99,999	\$100,000-199,999	\$200,000-499,999	\$500,000-999,999	Total	
Number of companies reporting .....	5	16	21	9	3	55	57
Average net sales per company .....	41,738	74,984	142,571	268,437	763,733	232,833	225,696
Average beginning inventory .....	24,048	36,025	52,199	91,641	169,091	70,678	69,051
Average inventory, end of year .....	25,893	38,609	55,499	101,859	157,851	72,984	69,608
Average cost of goods sold .....	24,090	43,012	80,303	157,756	440,503	134,452	130,368
Stock turnover (times per year) .....	0.96	1.15	1.49	1.63	2.69	1.56	1.54
<b>Profit and loss data</b> (Per cent of net sales)							
Gross profit .....	42.28	42.64	43.68	41.23	42.32	42.26	42.27
Operating expenses:							
Employees' salaries and wages (except delivery) .....	18.24	19.05	19.68	21.02	20.61	19.61	19.70
Delivery expenses (including salaries and wages) .....	0.84	0.51	0.53	0.58	0.74	0.59	0.58
Occupancy expenses:							
Taxes .....	0.47	0.65	0.69	0.32	0.61	0.56	0.59
Insurance .....	1.15	1.84	1.17	0.75	0.38	1.13	1.11
Rent .....	6.99	3.44	4.38	4.09	3.59	4.17	3.97
Heat, light and power .....	0.77	1.06	0.61	0.67	0.42	0.74	0.75
Repairs and maintenance .....	0.58	0.53	0.48	0.54	0.60	0.53	0.54
Depreciation allowances .....	1.08	0.90	0.85	0.74	0.43	0.79	0.82
Total occupancy expenses .....	11.04	8.42	8.18	7.11	6.03	7.92	7.78
Office and store supplies .....	0.65	1.13	1.13	1.08	1.11	1.07	1.05
Advertising .....	1.10	1.87	2.40	2.48	4.10	2.38	2.33
Net loss on bad debts .....	0.27	0.52	0.35	0.64	2.43	0.76	0.80
All other expenses .....	6.91	3.81	3.82	3.13	4.03	4.00	4.11
Total operating expenses .....	39.05	35.31	36.09	36.04	39.05	36.33	36.35
Net operating profit .....	3.23	7.33	7.59	5.19	3.27	5.93	5.92
Non-trading income .....	—	0.46	0.55	0.80	4.93	1.17	1.13
Non-trading expense .....	0.04	—	0.17	0.14	—	0.08	0.12
Net profit before allowance for income tax .....	3.19	7.79	7.97	5.95	8.20	7.02	6.93



1010738445

## DEFINITIONS

### PROFIT AND LOSS

#### Items

**Net sales**—the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

**Purchases**—are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, etc.

**Cost of goods sold**—determined by adding the beginning inventory to net purchases and deducting the ending inventory.

**Gross profit**—the difference between "cost of goods sold" and "net sales".

**Operating expenses**—all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

**Salaries and wages** (except for delivery employees)—payments to employees (wages, salaries, bonuses, payments for leave, payments in kind) before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

**Delivery**—includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

**Taxes**—business, property and water taxes and licences. Taxes collected for remittance to governmental bodies and income tax are not included.

**Insurance**—annual proportion of premiums for insurance policies carried to protect the business.

**Rent**—payments for use of business premises.

**Heat, light and power**—cost applicable to year's operations.

**Repairs and maintenance**—costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

**Depreciation**—Write-offs for the year of fixed assets used in the business only, or rates authorized by the Income Tax Department.

**Store supplies**—wrapping paper, office supplies, etc.

**Advertising**—displays, window dressing and sales promotion.

**Net bad debt loss**—estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

**Other expenses**—telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

**Net operating profit**—is the difference between "total operating expenses" and "gross profit" and in the case of unincorporated businesses includes proprietors' salaries and withdrawals before income tax deductions.

**Occupancy**—the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

**Non-trading income**—interest earned, revenues from rentals, other activities, carrying charges and investments.

**Non-trading expense**—interest expense, rental expense, any other expense not pertaining to the business.

#### Ratios

**Stock turnover**—the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

**Note:** Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

**Gross profit ratio**—sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

**Operating expense ratios**—each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

**Net operating profit ratio**—the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.