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DRUG STORE CHAINS

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CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS, 1931.

DRUG STORE CHAINS

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DRUG STORE CHAINS

Introduction

This report on drug store chains is one of a series presenting facts obtained in connection with the Census of Merchandising and Service Establishments, which formed part of the Seventh Decennial Census of Canada. Figures were received from all chain organizations operating in the retail drug field during 1930 and covering the trading operations of these chains during that year.

The 31 chains analyzed in this report operated 292 stores, which had total cales during 1930 of \$13,971,087. Of the total number, 8 chains with 103 stores indicated that they operated lunch counters, while 23 chains with 189 stores reported no lunch counter service. The 8 chains with lunch counters had total sales of \$5,858,431, of which lunch counter receipts, including soda fountain sales, amounted to \$926,660, or almost 16 per cent of the total sales of these chains.

There were 1,165 full-time male employees and 255 full-time female employees, who received a total salary of \$1,859,718. Part-timers received \$21,185. The total wage bill was, therefore, \$1,880,903, and other operating expenses, including rent, amounted to about the same figure, or \$1,888,927, thus making a total operating expense of 26.98 per cent of net sales. Of the total number of stores, 282 were operated in leased premises, for which rental costs averaged 6.19 per cent of sales in such premises.

Chains Defined

For this Census, a group of four stores or more under the same ownership and management and carrying on the same or similar kinds of business has been classified as a chain. Groups of two or three stores owned and operated by one proprietor or firm have been classified as two- or three-store multiples - not as chains - and are reported under these headings in the provincial general retail reports. So-called voluntary chains, in which the stores are individually owned and operated, but are grouped for buying and/or advertising purposes, are not considered as chains, but figures for these stores have been shown separately in the provincial retail reports. Chains have been classified as local, provincial, sectional and national, depending upon the extent of territory in which their branches are located. Local chains are located entirely, or almost so, within the same town or city. Provincial chains are located within one province. The units of sectional chains are spread over two or three provinces, while national chains have stores in four provinces or more.

Age and Geographic Distribution of Units

Of the 270 units of drug chains whose ages could be determined, 27, or 10 per cent, were opened in 1930, 87, or 30 per cent of the total, were opened in the four preceding years, and 162, or 60 per cent, were in operation prior to 1926.

When the 292 units of drug chains were classified according to geographic divisions, it is found that 137 were located in Ontario and 54 in Quebec. British Columbia came next with 41 units, followed by the Prairie Provinces with 37 and the Maritime Provinces with 23.

Geographic Distribution of Sales

In Table II, the total sales of all drug chains are analyzed by provinces, showing that approximately 50 per cent of all chain drug sales were made in Ontario. Quebec was next in importance with about 17 per cent of the total amount, followed by British Columbia with 14.6 per cent, the Prairie Provinces with 12.7 per cent, and the Maritimes with 5.7 per cent. In order to avoid disclosing the operations of individual concerns, it has been found necessary to combine the figures for the three Prairie Provinces and also for the Maritime Provinces. For the same reason, it is not possible to further analyze these sales showing the amounts by size of city.

Credit Sales

Ten of the 31 drug store chains reported that they sold on credit. Total net sales of these chains amounted to \$2,599,881, of which credit sales were \$299,638, or 11.52 per cent of the total. There were 13 chains with total sales of \$8,355,606 which reported that they sold only for cash, while the remaining 8 organizations did not indicate whether they sold for credit or not.

Operating Expenses

In addition to the amounts paid in salaries and wages and rental costs, each firm was asked to report other operating expenses. Other operating expenses include taxes, insurance, maintenance, delivery from stores, stationery and supplies, light, heat, power, interest on money borrowed for current business operations, and any other operating expense. The cost of goods purchased for resale was of course excluded, as well as any items on capital account. Chain store warehouses were considered as wholesale establishments for this Census and have been included in the wholesale reports. Expenses in connection with these warehouses are therefore excluded from this report.

Operating expenses are analyzed in Table IV. The chains are classified, first, according to type of operation, secondly, according to number of stores operated, then by total sales volume of the chain, and then by average sales per store. A table is also included showing operating expenses of chains operating lunch counters as compared with those not providing this service.

Of the 31 organizations analyzed in this bulletin, 24 were local chains, each operating entirely within one town or city. There were 5 chains each operating entirely within one province, although not confined to one city, and two chains had stores spread over two or more provinces. The 24 local chains operated 174 stores and had sales of \$6,696,634, or approximately 48 per cent of the total sales of all drug chains. Total operating expense for local chains amounted to 26.66 per cent of net sales, as compared with 27.28 per cent for provincial, sectional and national chains.

When classified according to number of units operated, it is seen that there were 6 chains which had more than 10 stores each, 10 chains had from 6 to 10 units each, and there were 15 chains each having less than 6 stores. The 6 chains, each having more than 10 units, operated 50 per cent of the total number of drug chain stores and accounted for approximately 60 per cent of the total drug chain sales. These 6 chains operated on a total expense ratio to sales of 26.27 per gent, as compared with 27.67 per cent for chains having from 6 to 10 units, and 28.52 per cent for chains with less than 6 units. There were 5 chains each having a total sales volume of over \$500,000, and there were 4 chains each of whose total sales for the year amounted to less than \$100,000. The highest operating expense ratio, 29.10 per cent of net sales, was reported by chains whose total sales volume lay between \$100,000 and \$250,000 and the lowest, 26.17 per cent of net sales, was obtained by the 5 largest chains already mentioned.

When analyzed according to average sales per unit, it is found that the lowest total operating expense ratio was obtained by the 10 chains having average annual sales per store of over \$45,000 and the highest ratio was obtained by those chains whose average sales per store were less than \$30,000

In Table IV(e), a distinction has been made as between chains operating stores with lunch counters and those which did not provide this service. The 8 chains selling meals operated 103 stores and had total sales in the year 1930 of \$5,858,431, of which the sale of meals amounted to \$926,660. These chains operated on an expense ratio to sales of 28.57 per cent, of which payroll amounted to 14.01 per cent, and other operating expenses, including rent, 14.56 per cent. Kent paid for leased premises amounted to 7.51 per cent of sales made in these premises. In comparison with these figures, chains providing no lunch counter service operated on an expense ratio of 25.84 per cent of net sales. This figure includes a payroll item of 13.07 per cent and other operating expenses of 12.77 per cent of net sales. Rental cost to sales amounted to 5.23 per cent, as compared with 7.51 per cent for chains operating lunch counters.

Middle Range Figures

The expense figures given in the preceding paragraphs and shown in Table IV were obtained by totalling the expense data given for each chain and expressing this total as a percentage of the total sales of the same companies. That is to say, these are weighted averages in which a large chain has more weight in determining the ratio for the group than a smaller organization. In Table V, average operating figures are given where each chain has been given the same weight irrespective of its size. Using this method, it is found that the average total operating expense for drug store chains was 27.89 per cent of net sales, as compared with 26.98 per cent as obtained by the other method. Upon referring to Table V, it will be seen that three values are given for total operating expenses under the headings: "Lower Limit of Middle Range", "Average of Middle Range", and "Upper Limit of Middle Hange". The method of obtaining these three figures for total operating expense will be explained.

The total operating expense (including salaries, rent and other expenses) for each chain was expressed as a percentage of its total sales. These percentages were arranged in ascending order of magnitude. The array thus obtained was then divided into three ranges: the lower range, consisting of the first-quarter of the figures, and therefore including the lowest operating ratios; the upper range, consisting of the last-quarter of the figures and including the highest percentages; and the middle range, containing the remaining half of the figures. The average of the middle range was then found. Thus, after omitting the extremely high and low figures, due in most instances to exceptional circumstances, the remaining chains were given equal weight in obtaining an average operating expense ratio for the group. The "Lower Limit of the Middle Range" and "Upper Limit of the Middle Range" are, of course, the two values at either end of the middle group of figures.

Upon referring to Table V, it will be seen that the lower limit of the middle range for total operating expenses of drug store chains was 24.33 per cent, the upper limit was 31.54 per cent, and the average of the middle range was 27.89 per cent. Or, in other words, one-quarter of the drug chains had a total operating expense ratio of less than 24,33 per cent of sales, one-quarter of the chains had a total expense ratio of more than 31.54 per cent of sales, and one-half of the drug chains had an expense ratio lying between these two figures and centering around 27,89 per cent. The other items in this table were obtained in a manner similar to that used in the case of total operating expense. For example, the average figures for payroll cost of drug chains was 14.41 per cent of net sales. This figure was obtained by expressing the payroll cost of each chain as a percentage of its total sales, arranging these percentages in ascending order of magnitude, omitting the lower and upper quarters of the range and taking the average of the middle group. The boundary figures of the middle range in this case were 12.98 per cent and 16.42 per cent. That is to say, one-quarter of the chains had a payroll cost of less than 12,98 per cent of sales, one-quarter of the chains had a payroll cost of more than 16.42 per cent, and one-half the firms had a payroll cost ratio lying between these figures, and the average of these ratios was 14.41.

Each item in Table V was obtained by arranging the corresponding items for each chain in an array and following the procedure already outlined for total operating expense and payroll cost. In interpreting these middle range figures, then, each item must be considered independently as neither all the high nor all the low figures came from the same reports. That is to say, the items in any column in this middle range table cannot be related to other items in the same column. For instance, the upper limit of the middle range for average sales per store of drug store chains was \$45,858. The upper limit of the middle range for total operating expense was 31.54 per cent of net sales. Obviously, however, these two values cannot be related since the drug store chains with high average sales per store have the smallest operating expense. Nor is it probable that any one chain would have all its items equal to the average figures given in this table, but it is thought that, considering each item independently, these middle range figures give a fair indication of drug store chain operating results.

Commodities Sold by Drug Store Chains

A partial analysis of the sales made by drug chains is given in Table VI. Very few of the larger chains were able to break down their total sales in accordance with the outline provided in the Gensus schedules, but, whenever possible, a breakdown, even if incomplete, was secured. Due to the incompleteness of the data received for these drug chains, the percentages given for the various commodities should only be considered approximately correct. Sales of drugs and drug sundries are shown to be 47.42 per cent of the total drug chain sales, of which prescriptions amounted to 14.99 per cent. Toilet articles and preparations were next in importance, amounting to 29.55 per cent of the total, while receipts from the sale of meals, including ice eréam and soda fountain sales. Aftented to 9.57 per centrof all drug chain sales.

Table I

DRUG STORE CHAINS

Summary of Drug Store Chains

Number of chains	31
Number of stores	292
Net sales, 1930	\$ 13,971,087
Stocks on hand, end of year, at cost	\$ 2,510,904
Full-time employees Male Female Salaries	1,165 255 \$ 1,859,713
Part-time employees Male Female Salaries	22 30 \$ 21,185
Total payroll reported	\$ 1,880,903
All other expenses, including rent	\$ 1,888,927
Total operating expenses, per cent to net sales	26.98
Number of stores in leased premises	282
Rent paid for leased premises	\$ 841,455
Net sales of stores in leased premises	\$ 13.589,213
Per cent of rent to sales in leased premises Number of chains reporting credit Total net sales of such chains Net credit sales of such chains	\$ 2,599,881 \$ 299,633
Ratio of credit sales to total sales of such chains	11.52
Number of chains reporting they sell only for cash	13
Total net sales of such chains	\$ 8,355,6 06

Table II

Stores and Sales Classified by Provinces												
Province	Stores	Sales	Per cent of total drug chain sales									
		\$										
Canada, total	292	13,971,087	100.00									
British Columbia	41	2,042,476	14.62									
Saskatchewan	7) 11)	1,778,479	12.73									
Ontario	137	6,989,233	50.03									
Quebec	54	2,367,885	16.95									
New Brunswick	4)											
Nova Scotia	18)	793,014	5.67									
Prince Edward Island	1)	to a los										

Table III(a)

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DRUG STORE CHAINS

Chain Units Classified by Geographic Location and Date of Establishment

Gecgraphic Division	Total	Per cent of total units	Date c 1930	of esta 1929	blishm 1928	ent of 1927	units 1926	Before 1926	Units whose ages cannot be classified
Canada, total	292	100.00	27	37	19	13	12	162	22
British Columbia	41	14.04	2	5	2	1	-	14	17
Alberta	19	6.51	_ 1	5	3	-	1	9	
Saskatchewan	7	2.40	1	2	-	1	-	3	_
Manitoba	11	3.77	-	2	1	-	1	7	_
Ontario	137	46.92	14	15	6	10	9	83	-
Quebec	54	18.50	5	4	4	1	1	34	5
New Brunswick	4	1.37	-	2	1	_	_	1	_
Nova Scotia	18	6.15	3	2	2	_	-	11	_
Prince Edward Island	1	.34	1	-	-			-	

Table III(b)

Chain Units Classified by Date of Establishment and Size of Chain

	Total	units	Uni	Units in chains of -				
	Nuchan	Per cent	More than	0.30	Less than			
	Number	OI LOTAL	10 units	6-10 units	<u>6 units</u>			
Total, All Units	292	-	147	80	65			
Less units which cannot be classified as to			1212					
age	22		22	-	-			
Units classified as to age	270	100.00	125	80	65			
All units estaplished -								
1930	27	10.00	14	3	10			
1929	37	13.71	15	14	8			
1928	19	7.04	5	5	9			
1927	13	4.81	7	3	3			
1926	12	4.44	9	1	2			
Before 1926	162	60.00	75	54	33			

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DRUG STORE CHAINS

Drug Store Chain Operating Expenses

A. Chains Classified by Type of Operation.

							Operating	expens	Ses		Rent paid in leased premises
				Per cent					Other ex-		per \$100
	Number	Number		of units		Per		Per	penses,	Per	of sales
	of	of	Net sales	opened		\$100		\$100	including	\$100	in such
	chains	units	(1930)	in 1930	Total	sales	Payroll	sales	rent	sales	premises
			\$		\$		\$		\$		
Total, All Chains	31	292	13,971,087	9.25	3,769,830	26.98	1,880,903	13.46	1,888,927	13.52	6.19
Local chains	24 5	174 75)	6,696,634	8.62	1,785,264	26.66	953,956	14.25	831,308	12.41	6.08
Sectional chains	1	6)	7.274.453	10.17	1,984,566	27.28	926.947	12.74	1.057.619	14.54	6.29
National chains	1	37)									

B. Chains Classified According to Number of Units Operated,

			\$		\$		\$		Ş		
Total, All Chains	31	292	13,971,087	9,25	3,769,830	26,98	1,880,903	13.46	1,888,927	13.52	6.19
Chains having -		-	17				1 K 1				
More than 10 units .	6	147	8,339,120	9.52	2,190,766	26.27	1,076,120	12.90	1,114,646	13.57	6.10
6 - 10 units	10	80	3,195,612	3.75	884,222	27.67	469,970	14.71	414,252	-12.96	.6.16
Less than 6 units	15	65	2,436,355	15.38	694,842	28.52	334,813	13.74	360,029	14.78	6.61

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Table IV (Continued) -

DRUG STORE CHAINS

Drug Store Chain Operating Expenses

C.	Chains	Classified	According	to Tota	L Sales	Volume.
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	Number of: chains	Number of units	Net sales (1930) \$	Per cent of units opened in 1930	Total	Or Per \$100 sales	Payroll	Per \$100 sales	s Otner ex- penses, including rent.	Per \$100 sales	Rent paid in leased premises per \$100 of sales in such premises
Total, All Chains Chains whose total sales are - More than \$500,000 \$250,000 - \$500,000. \$100,000 - \$250,000. Less than \$100,000 .	31 5 8 14 4	292 129 62 84 17	8,396,837 2,759,625 2,479,173 335,452	9.25 10.85 6.45 7.14 17,65	* 3,769,830 2,197,202 760,689 721,534 90,405	26.17 27.56 29.10 26.95	1,880,903 1,073,002 379,018 375,551 53,332	13.46 12.78 13.73 15.15 15.90	<pre></pre>	13.52 13.39 13.83 13.95 11.05	6.19 5.99 6.60 6.79 3.89

D. Chains Classified According to Average Sales per Store.

Total, All Chains	31	292	\$ 13,971,087	9.25	\$ 3,769,830	26.98	\$ 1,880,903	13.46	\$ 1,888,927	13.52	6.19
Chains whose average sales per store are-									Contraction of the second		
Over \$45,000 \$30,000 - \$45,000 Less than \$30,000	10 11 10	163 63 66	10,058,711 2,438,441 1,473,935	9.82 6.35 10.61	2,690,838 659,992 419,000	26.75 27.07 28.43	1,312,188 333,814 234,901	13.05 13.69 15.94	1,378,650 326,178 184,099	13.70 13.38 12.49	6.41 5.43 5.78

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Table IV (Continued) -

DRUG STORE CHAINS

Drug Store Chain Operating Expenses

E. Chains Classified on Basis of Lunch Counter Service Provided.

						(perating	expense	95		Rent paid in leased premises
				Per cent				-	Other ex-		per \$100
	Number	Number		of units		Per		Per	penses,	Per	of sales
	of	of	Net sales	opened		\$100		\$100	including	\$100	in such
	chains	units	(1930)	in 1930	Total	sales	Payroll	sales	rent	sales	premises
			\$		\$		Č.		\$		
Total, All Chains	31	292	13,971,087	9.25	3,769,830	26.98	1,880,903	13.46	1,888,927	13.52	6.19
Chains with lunch											
counters Chains without lunch	8	103	5,858,431	6.80	1,673,850	28.57	820,510	14.01	853,340	14.56	7.51
counters	23	189	8,112,656	10.58	2,095,980	25.84	1,060,393	13.07	1,035,537	12.77	5.23

Table V(x)

Middle Range Figures

	Lower Limit of Middle Range	Average of Middle Bange	Upper Limit of <u>Middle Range</u>
Total number of stores	4	6	9
Total sales volume of chain	\$ 151,329	\$ 230,189	\$ 391,910
Average sales per store	\$ 27,760	\$ 37,782	\$ 45,858
Per cent of total number of stores opened in 1930	0.00	9.10	18.18
Payroll cost per \$100 sales	12.98	14.41	16.42
Rental cost per \$100 sales in leased premises	4.56	5.79	6.69
Other operating expense - not including salaries or rent	5.55	7.12	9.05
Total operating expense per \$100 sales	24.33	27.89	31.54
Average yearly salary per full-time employee	\$ 1,028	\$ 1,200	\$ 1,443
Number of employees per \$100,000 sales	9.28	11.95	14.99

(x) Since each item in this table was obtained independently, the figures in any one column cannot be related to each other. Nor can the individual expense items be added to obtain the total expense ratios shown. For explanations on the method of obtaining these figures, see introduction. . 10

DRUG STORE CHAINS

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Sales by Commodities

Total Sales, All Chains	\$ 13,971,087
Less amount which cannot be broken down into commodities	4,781,200
Sales further analyzed	9,189,887
	Per cent
Commodity	100.00
Cameras and photographic supplies Cigars, cigarettes and smokers' supplies Drugs and drug sundries, total Prescriptions	1.52 5.92 47.42
Food and kindred products, total Receipts from sale of meals, soda fountain sales and ice cream	12.5%
Stationery, books, magazines, etc	1.76
Toilet articles and preparations	29.55
Photo finishing	.45
	0.0

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