Published by Authority of the Hon. James A. MacKINNON, M.P.,
Minister of Trade and Commerce

CANADA

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES BRANCH

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

1944

Bulletin No. 5

INDEPENDENT RESTAURANTS

INDEPENDENT DRUG STORES

INDEPENDENT JEWELLERY STORES

INDEPENDENT TOBACCO STORES

INDEPENDENT COAL AND WOOD DISTRIBUTORS

Including

Purpose, Importance, Explanation of Use, Summary of Results,
and
Statistical Tables

OTTAWA
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Independent Drug Stores

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Annual Sales and Occupancy Basis	Proprietor's Net Earnings Per Store	
	As shown	Corrected
	$	$
Less than $10,000		
Owned	7,028	879
$10,000 - $19,999		
Owned	26,609	2,419
Rented	76,161	2,004
$20,000 - $29,999		
Owned	39,838	3,064
Rented	132,750	3,161
$30,000 - $49,999		
Owned	74,829	5,756
Rented	30,179	4,134
$50,000 and over		
Owned	65,885	9,412
Rented	386,993	8,234

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FOREWORD

For some time the Bureau has recognized the practical value of published information on average operating results, that is, on average rates of expenses and profits, etc., in the principal retail trades. Indeed the first studies of this nature were made for the year 1938, and since then an increasing demand for such information has been experienced by this Bureau. It is in response to this demand that the present series of reports is now being issued.

Concerned mainly with average expense and profit percentages, comprehensive information on the operating results of retail stores deals with many of the significant factors which eventually determine their success or failure. Such information therefore represents the results which many retailers have obtained in meeting the problems that are common to their particular kind of business. Statistics of this nature, moreover, have the practical value of enabling individual merchants to compare their own rates of expenses and profits with the results of similar stores in their trade, from which they can isolate for further analysis the areas in which their performance has been below average. The resulting opportunities for improving the efficiency in retail store managements may well be of some importance in peacetime as Canadian retailers under more competitive conditions endeavour to distribute the products of an expanded industrial economy. These considerations and possibilities have been set forth under the heading "Importance of Information on Operating Results in Retail Trade" commencing on page 2 of these reports. A separate discussion beginning on page 8 under the topic "How the Retailer Can Use Information on Operating Results" has also been included as a possible guide to retailers using the bulletins.

It must be emphasized here, however, that the statistics presented in these reports are subject to important limitations in respect to their coverage and representativeness. This is because the figures are based, not upon a comprehensive survey of large numbers of co-operating stores, but rather upon comparatively small sample numbers of such firms. These samples, of course, should be large enough to permit the different influences affecting operating results to average themselves out and thus present the more typical operating experiences of stores in the different size and occupancy classifications of stores. For many kinds of stores, unfortunately, the number of usable returns when distributed between these classifications may be too small to permit any special or erratic conditions completely to iron or cancel themselves out. These aspects of the reports are discussed more fully under the heading "Limitations to Information on Operating Results" on page 6 of the bulletins, and to some extent under "How the Retailer Can Use Information on Operating Results" on page 8, to both of which the reader is referred. It should therefore be noted that the present studies are tentative in nature and must await the results of subsequent surveys for conclusive evidence as to the validity of many of the statistics herein presented.

In spite of the preliminary nature of the statistics, however, these reports are being issued in the belief that they will at least reveal the future scope for such studies and may well provide some useful, although perhaps rough, indications of the operating experiences of the retail trades under review. The bulletins have been prepared in the Merchandising and Services Branch of the Bureau, of which Mr. A.C. Steedman, B.A., is Chief, by Mr. A.M. Chipman, M.B.A., Statistician in the Branch. The suggestions of those obtaining and using these reports will be most welcome to the end that better and more useful studies can be made in future.

Herbert Marshall

H. Marshall,
Dominion Statistician.

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OTTAWA -- CANADA

Dominion Statistician: Herbert Marshall, B.A., F.S.S.
Chief, Merchandising and Services Branch: A. C. Steedman, B.A.
Statistician: A. M. Chipman, M.B.A.

Series, 1944
No. 14 16 - 7050

OPERATING RESULTS OF INDEPENDENT RETAIL STORES, 1944.

PART I - GENERAL SECTION

This report is one of a series presenting average operating results in selected branches of retail trade for 1944 and, where possible, for both 1941 and 1944. The first series of such studies was made by the Bureau for the year 1938 and presented somewhat similar information on average operating expenses and profits against which individual firms could compare their own results. Since that time requests have been received on an expanding scale for corresponding types of reports, a fact which indicates the growing interest of merchants and others in information on costs in retail trade. It is in response to this demand that these reports are now being issued.

The basic information for such studies was obtained primarily for the purpose of improving the Bureau's estimates of the country's National Income which originated in unincorporated and independent retail stores. Such establishments predominate to a marked extent in retail trade, comprising 90 per cent of all 137,331 stores enumerated in the 1941 Census, accounting for 55 per cent of total sales of $3,440,901,700, and providing a livelihood for nearly 132,000 proprietors and partners. The net earnings of these proprietors and partners thus represent an important contribution to the National Income totals. Aggregate figures on these net earnings, however, are not readily available to the Bureau from other sources and for this reason it was decided early in 1945 to obtain the required information by a direct survey of sample groups of retail stores.

Accurate and comprehensive figures on the National Income are now regarded as one of the best measures of the purchasing power and economic activity of the country. These statistics, consequently, are highly important as aids to both governments and business in the determination of their plans and policies, and particularly so in relation to the problem of maintaining high levels of employment within the country. Periodic surveys of retail trade will therefore be made to obtain the information necessary to estimate accurately the total net earnings of unincorporated retail stores for inclusion in the National Income statistics.

In carrying out this task it is hoped that information on average operating results will be made available to retailers in even greater detail than has been found possible in the recent survey. Thus, the co-operation of retailers in supplying information on their own operating experiences has two beneficial

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results. In the first instance, it enhances the accuracy of the Bureau's estimates of the National Income and the soundness of the governmental and business policies which are based on such figures. Secondly, the co-operation of retailers in these surveys provides them with yardsticks of performance against which they can compare their own financial results.

The figures which co-operating retailers supply to the Bureau on their costs, expenses and profits are quite obviously highly confidential in nature. They are strictly so regarded by the Bureau and are used only for the two purposes just outlined with no disclosures of the results of individual operations being made.

Information Contained in Reports on Retail Operating Results.

The information presented in this and subsequent bulletins consists primarily of the financial results which the different kinds of co-operating stores obtained in the year under review. The information consequently covers such individual items as net sales, purchases of merchandise for resale and beginning and ending merchandise inventories, cost of goods sold, gross trading profits after costs of merchandise sold have been deducted from sales, the several categories of operating expenses incurred during the period and finally the net earnings available to proprietors after all costs and expenses have been subtracted from sales. In other words, the information here under study consists of the more important financial items usually found in the typical retail Profit and Loss Statement.

There are of course many general factors which commonly affect the financial results of retail stores. Three of the more important of these consist of the kind of business, that is whether the store is a grocery, an apparel, a furniture store, etc., the amount of annual sales made by the store, and the basis of occupancy, that is whether the store is owned or rented. The reports of the co-operating retail stores were therefore classified by kind of business and within the kind of business categories into groups according to the amount of sales made. These groups were again divided by method of occupancy into "owned" and "rented" categories. The figures were then compiled for each of the individual groups and reduced to the form shown in the tables of this report. Thus gross trading profits, the several expense items and proprietors' net earnings before income taxes and withdrawals appear as percentages of sales while stock turnover appears as a ratio indicating the number of times the average inventories were turned over during the year.

These ratios are therefore averages of the operating results which the different groups of unincorporated stores actually obtained. As such, these averages are at least indicators of rates of gross trading profits, of expenses and net earnings which similar stores may have experienced in the period under review.

Importance of Information on Operating Results in Retail Trade.

The critical value of information on operating results for use in computing the net earnings contributed by unincorporated retail stores to the highly important National Income estimates has already been pointed out. Indeed, the net earnings of individually operated stores add to really sizable contributions, being estimated at nearly $150,000,000 in 1941 and nearly $200,000,000 in 1944. Quite apart from its value in this respect, however, there are other economic and business uses which increase still further the practical importance of this type of information.

Many of these uses arise from economic changes brought about by transition from war to peacetime conditions. During the war years, retail trade experienced high levels of consumer demand, usually for relatively inadequate and in some lines for severely restricted supplies of merchandise. These conditions in turn tended to reduce the intensity of competition between stores in the same kind of business, as well as competition for the consumer's dollar between stores handling different kinds of goods. The resulting curtailment of price competition between retailers, the extension of price control which in general tended to stabilize buying and selling price relationships for retailers, and a diminished need for mark downs and sales allowances all exerted influence in the direction of maintaining or improving the percentages of realized gross trading profits. Apart from the furniture, radio and electrical, and automotive kinds of stores, the sales volumes of individual stores generally increased throughout the war period. These gains in turn tended to level off or to reduce expense percentages, the dollar amounts for some of which had been favourably affected by reduced credit losses and by curtailed expenses of operation.

Different conditions, however, can be expected to prevail in peacetime which, for purposes of discussion, can be broken down into two phases. During the earlier transition period industry will re-convert to peacetime activities and its subsequent production can be deemed to go far to meet consumers' pent-up demands, especially for many types of durable goods. Consumer purchasing power will likely remain relatively high due partly to wartime savings, partly to the high level of industrial activity, and partly, with crops permitting, to the substantial export and domestic demand for food products. An expansion in the numbers of retail stores in business may also be anticipated as war veterans, and individuals displaced from war production, establish their own businesses. During the early part of this phase, the supplies of many kinds of consumer goods may be inadequate to meet popular demands for them. As this period advances, however, consumer demands will settle down more to a replacement basis, expanded output will be able to build up normal stocks of merchandise at different levels in the manufacturing and distributive processes, and the functions of demand creation and sales promotion will become steadily more important.

The more normal peacetime period may therefore be marked by the greater necessity to promote and sell the products of an expanded industry. With freer price relationships between merchandise cost and selling prices then prevailing, greater pressures may be exerted on retailers' gross trading profit margins than before. This condition will probably result from a combination of influences including the increased quantities of readily available supplies, the desire of manufacturers and retailers to increase commodity and store sales through lower prices, and from making mark downs and sales allowances more extensively than in the war and transition periods. Lower individual store sales volumes for many kinds of retail trade on average may also be experienced from increases in the store population, the diffusion of consumer purchasing power over widened ranges of merchandise, including, for instance, automobiles and related products, electrical appliances, etc., and from more intense competition between different types and kinds of retail outlets. These lowered sales volumes will then tend to increase percentage rates of expense, many of which will be forced upward by greater dollar expenditures for advertising, for store renovation, and possibly for the provision of greater services to store customers.

Such tendencies toward reduced store sales volumes, to lowered gross trading profit and to increased operating expense percentages in the more normal peacetime period emphasize the need for progressive improvements in the management of independent stores if their continued existence and their proprietors' standards of living are to be assured. These conditions thus impose upon retail merchants the necessity for using productive methods of sales promotion to maintain sales volumes, for informed buying and pricing practices to obtain adequate gross trading profits, and for careful control of operating expenses to secure adequate and reasonable net trading profits. They require in addition the periodic self-examination of the merchant's financial results so that weak spots in the store's operations can be revealed and remedied.

These periodic reviews of the store's operations are most revealing when individual merchants can measure their own financial results against certain outside standards or yardsticks of achievement. It is these standards or yardsticks of financial performance which this Bureau is now presenting in its reports on the actual operating results of sample groups of retail stores. With reports of this type, individual merchants can compare their rates of inventory turnover and their percentages of gross trading profits, operating expenses, and net trading profits with those obtained by similar kinds of stores. Guides of this nature enable retailers to determine whether their experiences are better or poorer than average, and where poorer, the factors producing the inferior results can be further analyzed for corrective action.

In addition to serving as aids to store management, information on operating costs is of considerable practical value to individuals planning the establishment of retail businesses. Reports of this type enable prospective retailers to find out what operating conditions are like in the trades they are considering, what net earnings they may reasonably expect from different sales volumes, and what standards they must achieve to obtain the net earnings they desire. The same reports also provide these individuals with knowledge of the average sizes of inventories carried, a factor of importance in estimating their capital requirements. Frequent requests are now received by the Bureau for information on sales and earnings possibilities in different trades and localities, on trade practices, capital requirements, etc. Provision of figures on operating costs thus widens the field of service the Bureau can provide, a service particularly timely when so many are appraising the opportunities for profitable establishment in business.

Over a period of years the expanding use of the Bureau's reports on operating results may produce benefits of importance to those engaged in retail trade. These benefits may well appear in the form of greater efficiency in store managements, increased flexibility to meet changing conditions in distribution, and greater stability in the business existence of retail stores through reductions in overall rates of business mortality. Improved management implies a greater knowledge of operating costs and the means of controlling them. It enables the value of services rendered to be measured against their costs, and by focussing attention on the critical gross trading profit percentage emphasizes the importance of careful buying to reduce mark downs, etc., and yet maintain satisfactory net earnings positions. Management of this sort, particularly in the smaller independent stores, also implies an awareness of trends and competitive conditions in retail trade, thus tending to promote the openmindedness and flexibility to meet new problems with new methods and cope with them.

The economy of the country also gains from the extension of these benefits throughout retail trade. Improved managerial efficiency may well mean the provision of higher standards of living to those engaged in retailing. Under the pressure of competition lower prices can be passed on to consumers without impairing the earnings of other groups of individuals or producers, thereby increasing indirectly the purchasing power available for other commodities and services. Finally, reductions in business mortalities represents lowered credit losses and the decreased wastage of capital and effort invested by unsuccessful merchants in their retail businesses.

Methods of Making Survey and of Compiling Results.

As already indicated, the purpose of this survey of operating results was to obtain sufficient information from stores operated by individuals and partnerships to enable accurate overall estimates of their net earnings in 1941 and 1944 to be made for inclusion in National Income figures. This would have involved a coverage according to 1941 figures of some 124,000 stores -- far too many to permit a comprehensive survey of all stores.

It was therefore decided to obtain the results from a sample of these stores, some 17,000 being chosen for this purpose. These stores, although selected at random, were carefully distributed geographically to represent each province and each of the 28 important retail trades from which the information was needed. Not all firms were able readily to provide the required information while changes in business and other causes further reduced the sample. In addition, some of the reporting stores were able to supply figures for only 1944. In general, however, sufficient reports were received to enable overall net earnings' estimates to be made for both 1941 and 1944. Reductions in the size of the sample, however, prevented the preparation of tables showing 1941-1944 comparisons of operating results for some trades and in some cases also limited the extent to which average operating results could be broken down into sales size and "owned" and "rented" classifications.

Following completion of the editing process and the preparation of the National Income estimates, the schedules were re-processed for compilation of reports on operating results in the various kinds of retail business. In addition to the kind-of-business groupings, there were several ways in which the schedules could have been classified such as by size of business and method of occupancy, by provinces or regions by size of business, by size of locality by size of business, etc. Examination of the reports submitted for the different retail trades, however, indicated that in many instances the number of schedules was too small to enable many of these detailed classifications to be made. The reports were therefore grouped on a Canada-wide basis into size-of-business categories and within these by method of occupancy into "owned" and "rented" sub-divisions.

Statistical tables showing average operating results in 1944 for the various retail trades were then prepared. Here the results appear in five size-of-business groups for "owned" and for "rented" stores having 1944 sales volumes of less than \$10,000, between \$10,000 and \$20,000, \$20,000 and \$30,000, \$30,000 and \$50,000, and sales of \$50,000 and over. In some instances, however, the number of reports for "owned" or for "rented" stores was too small to justify the publication of figures for one of these types of occupancy.

Where possible tables were also prepared to present comparative and average figures on the results which identical groups of stores obtained in 1941 and 1944. Individual returns were therefore classified before tabulation into three size-of-business divisions and within these, between "owned" and "rented" establishments, according to the sales they made and the methods of occupancy they used in 1941, irrespective of their size of business or type of occupancy in 1944. Unfortunately, however, comparative statistics for both 1941 and 1944 cannot be published for some retail trades due to the limited numbers of reports giving information for both years. In other cases, comparative results for 1941 and 1944 are presented by size-of-business groups for only "owned" or "rented" stores, the sample in these instances being too small to permit statistics for one of these types of occupancy to be of much practical value.

A glance at the tables appearing in this report will reveal quickly the items for which statistics are given in the various size-of-business and occupancy columns. These are grouped into two sections, one designated as the "General Information" and the other as the "Profit and Loss Data" section.

The "General Information" section, as its name implies, consists of statistics useful as background material for interpreting the percentages shown in the following division of the tables. Nine individual items are here shown, consisting of figures on number of stores reporting, sales, inventories, cost of goods sold, and stock turnover in times per year. Apart from "Average Sales Per Store", "Average Inventory Per Store, End of Year", and "Stock Turnover (times per year)", the figures appearing in this section are the dollar totals of the amounts shown in the individual reports of the co-operating stores.

Items included in the "Profit and Loss Data" section consist of "Gross Trading Profit", "Employees' Salaries and Wages", "Rent", "Advertising", "Depreciation", "Other Operating Expenses", "Total Operating Expenses", "Proprietor's Net Earnings Before Income Taxes and Withdrawals", and "Average Proprietor's Net Earnings Per Store". Dollar figures for all of the above items with the exception of "Average Proprietor's Net Earnings Per Store" were of course compiled by sales-size and occupancy categories and were then expressed as percentages of the total sales reported by those groups of stores. In this way the percentages become averages for the several classes of unincorporated retail stores.

The explanations for the above terms are set forth later in this report under the sub-heading entitled "How The Retailer Can Use Information on Operating Costs". It can be noted here, however, that both the percentages and the dollar figures for proprietor's net earnings are weighted by the inclusion of two different elements. One of these comprises the proprietor's remuneration for managing the business -- an amount which would in fact have been charged as an expense against the store if the business had been incorporated or had been operated as a unit of a retail chain system -- while the second consists of the smaller and residual net profit element which compensates for capital invested and risked and for unusual merchandising abilities brought into play. Quite obviously the figures shown for net earnings considerably overstate the proprietor's 'net profits' because they also include the allowance for proprietor's managerial services. Questions were consequently included in the schedule to permit objective allowances to be made for these services but insufficient information was obtained to enable the two elements in proprietor's net returns to be separately presented. The final item on average net earnings per store is therefore shown in dollar figures in the tables, partly as an offset to the relatively high net earnings percentages revealed by the previous series and partly to enable the reader to make his own allowances for the two principal elements the net earnings figures contain.

Limitations to Information on Operating Results.

Many retailers may quite probably use the averages contained in the tables of this series of reports as information against which their own results can be compared and analyzed. Others may use the statistics in a broader way as indicators of distribution costs in the various retail trades. Both uses are of course quite proper but the information will serve these uses best when the limitations inherent in the figures are fully appreciated.

In the first instance it is important to note that the figures are based only on the results of unincorporated retail stores. The averages therefore do not reflect the results obtained by stores operating under the incorporated form of organization. The absence of these stores probably bears most heavily upon the representativeness of the averages for stores in the higher sales volume brackets in which incorporated stores are most frequently found. Quite apart from differences in the qualities of management between these two types of establishments, however, the figures for average sales and average year-end inventories per store, stock turnover, gross trading profits and percentages for rent, advertising, depreciation and all other operating expenses will be readily useful to incorporated store managements. Employees' salaries and wages and proprietor's net earnings before income taxes and withdrawals, on the other hand, are not comparable without adjustments with similar percentage figures for individual incorporated stores because allowances for proprietors' managerial services have been excluded from the former and included in the latter item.

In the second place, the figures on operating results are based upon returns from relatively restricted numbers of stores in the different retail trades under study. These samples, chosen at random, are presumed to give representation to the several factors which influence operating results, including differences arising from size of business, methods of occupancy, from the sizes of locality and provinces in which the stores are situated, from degrees of service provided to customers, merchandising policies and variations in the quality of store managements. Size of business and method of occupancy rank high among these factors and the tables were therefore prepared to show operating result averages for different sales-size and occupancy groups of stores. Within these breakdowns of the overall sample the remaining factors naturally tend to 'average out' in the Canada-wide operating averages presented.

The proper 'averaging-out' of the above variations is naturally dependent upon a sufficient number of reports being included to permit this process automatically to take place. Examination of the tables, however, will indicate that the number of usable reports included in the various sales-size and occupancy categories is often quite small, frequently representing less than ten stores. In such cases the results should be compared carefully with the results shown for other sales-size brackets to appraise consistencies in trends between the different groups. Where the results appear definitely out of line with these trends, the figures should be interpreted with considerable care because it is quite possible that the averages for that bracket are not typical of the average results for all stores of that size.

The 'averaging-out' within the different sales-size brackets of the factors which affect retail operating results, however, imposes certain limitations upon the use of operating cost information by individual merchants. This is because retailers wish to compare their own results with those obtained by stores as similar to their own as possible. With the tables set up in the present manner, retailers are able in part to do this because they can match their own results against those of stores in their own sales-size and occupancy classes. On the other hand, these overall figures also reflect the combined and average influences of location by provinces and by size of locality, of degrees of service provided and of merchandising policies followed. Individual retail stores, however, experience not the 'average', but rather the full effects of such factors in their operating results. Thus the overall percentages may well be quite accurate in what they represent and yet differ considerably from the experiences of many individual stores. Unfortunately the isolation of such influences would require a considerably larger number of reports than were received from the recent survey of operating costs.

An additional point arises in connection with the way average expense percentages for employees' salaries and wages, advertising and depreciation were built up. Some reports for instance did not show dollar amounts for one or two of these expense items. When no values were shown for the first two types of expenses, the practice was to accept the report on the assumption that the store required no paid help and in the case of advertising that no such expenditures were incurred. Where no amounts were shown for depreciation and no indication was given that any had been taken, the schedule was examined to see if the size of business justified further attention. If so, the firm was either corresponded with or an estimate was made for this item. In all cases, of course, the expense ratios represent the total dollar expense figures for each item in each individual classification expressed as percentages of the total sales reported by stores in that category. The expense percentages for these three items may therefore be slightly less than they would have been if only the sales of stores reporting full expense figures had been used.

How the Retailer Can Use Information on Operating Results

Mention has already been made of the conditions in retail trade which may prevail in the more normal peacetime period after the transition phase has been negotiated. This possible pattern of economic factors, it was suggested, may include a greater pressure of available supplies on retail and consumer markets, a relatively smaller unstimulated demand for those commodities, a greater competition in retailing associated quite probably with freer and often somewhat lower prices, and the possibilities of reduced percentages of gross trading profit, of lower individual store sales volumes for many kinds of independent stores, and of higher expense percentages. Such factors raise the question of how individual merchants can best utilize information on average operating results as a management tool in meeting their problems of transition and adjustment to changing economic conditions.

Use of operating cost averages in this way depends essentially upon comparing results of individual stores with those obtained by similar stores in the same kind of business. The retailers therefore should first determine from the tables the size of business and occupancy categories most similar to his own store. This may be done by comparing his own sales for the period with the sales-size brackets of the tables to determine his size category and by selecting the occupancy basis coinciding with that of his own business. He should next reduce his own financial items such as his stock turnover, his gross trading profits and his several expense categories to conform with those appearing in the tables and express these figures in ratio form -- for the most part as percentages of his own total net sales and receipts from services performed. He is then in a position to compare directly his own results with those which other more or less similar Canadian stores obtained in the same period.

"Number of Stores Reporting", the first item in the tables is also the first item to which the merchant should direct his attention. This figure, indicating the number of reports upon which the following percentages are based, is a good overall indicator of how typical those ratios may be of the entire class of stores they are presumed to represent. Such percentages, it will be recalled, become more accurate as overall measures of their class as the numbers of stores in the sample increases. Consequently the averages for particular categories where the number of reports is small should be compared with other brackets for consistency before those averages are applied against the results of the individual store.

"Average Sales Per Store" is a useful comparative figure because it gives the retailer an idea of the size of the 'average' store in each size-of-business bracket. With this information the merchant can identify the position of his store as either below, above, or at the sales-average point in his appropriate category. He can make the necessary allowances therefor when comparing figures for stock turnover and percentages for the various operating expenses and net earnings with his own results.

"Total Inventory Reported" as a section within the tables contains four items of which the first two and the last will be of considerable interest. The first two show total inventories of merchandise for resale of all reporting stores at the beginning and end of the year under review. Individual merchants can thereby take note of the dollar change in such stocks between the two dates which for the sake of convenience may be reduced to percentage form. This variation can then be compared with changes in their own inventory levels to indicate how their own experiences conform with the trend for the group.

"Average Inventory Per Store, End of Year", the last of such inventory items reduces the total end-of-year stocks of reporting retailers to a per store basis and thereby indicates the average amount of capital per store that was invested in stocks at that date. Admittedly these figures have been influenced by wartime conditions which have affected the quantities on hand, the commodity composition of the stocks and the cost prices on which the inventory valuations rest. Moreover, the value of inventories on hand at the end of the year is often an inadequate measure of the stocks which were maintained throughout the period because the end-of-year stocks for many trades tend to reach a relatively low point at that time. In view of such limitations, comparisons based on these averages reveal at the most the extent to which the merchant's residual and immediate supply position conforms with others in his own sales-size bracket. Under normal supply-demand conditions, however, such figures would probably provide on average a better indication of the more basic and minimum inventories which reporting retailers of that size feel were required at that time.

"Stock Turnover (times per year)" is the number of times that reporting stores disposed of their average inventories of merchandise in the year. For purposes of this report, it has been calculated by dividing the average of the total beginning and ending inventories at cost values into the "Cost of Goods Sold". The latter item itself is a computed one, being determined by adding beginning merchandise inventories to purchases and deducting stocks of goods left on hand at the year-end. Merchandise purchases here consists of the invoice value of all goods bought for resale during the year, less returns, allowances and cash and trade discounts, but including duty, inward freight, and express and truckage charges. Obviously the individual merchant must calculate his own stock turnover in the same way before valid comparisons can be made with similar stores. So computed, both stock turnover figures probably overstate the actual number of times the average inventory was disposed of since the beginning and ending inventory figures each reflect year-end valuations when stocks are frequently at their lowest. This does not impair the value of conclusions based on comparisons because the turnover figures for the individual store and sample group of stores are similarly affected.

Having computed his stock turnover in the above manner, the retailer may find the figure for his store somewhat lower than the average for the comparable group of retail establishments. The immediate explanation for this variation of course is that the merchant seemingly used a larger average inventory to obtain his sales volume than the sample of similarly-sized stores used to obtain theirs. The merchant's larger average inventory, in turn, may result from one of three situations, namely, that his opening inventory was higher than the beginning per store inventory for the group, that his ending inventory was larger than the ending per store inventory for the group, or that both his beginning and ending inventories were larger than that of the sample group of stores.

The first of these, that the retailer's opening inventory was out of line with the average for the group, may be determined by calculating the average per store beginning inventory for his class of store and then making a direct comparison. The merchant's larger beginning inventory may have been caused by the arrival of a comparatively large shipment of merchandise just before the year opened, or to other conditions applying more particularly to operations in the preceding year. The fact, however, that his end-of-year stocks were more closely in line with the average for his group not only indicates a liquidation of part of his inventories, but also suggests that the merchant enjoyed a higher rate of stock turnover during the latter part of the year than that of his class.

The second possibility, that his ending inventory exceeded the average for his group while his beginning stocks were more closely in line, could have been caused by several factors. Thus receipts of merchandise just before his financial year ended may have been sufficiently heavy to produce the comparatively larger inventory position. This would clearly reduce his calculated rate of stock turnover but it would not necessarily mean that his real turnover was lower than the average for his class. Another explanation is that the merchant experienced a lower volume of sales in the closing months of the year than he had expected, while his purchases of merchandise continued unchecked. Such a condition might be a matter of considerable concern, first because of the possibility of continued curtailments in sales and second, because the merchant would be facing a new financial year with a relatively heavy and perhaps unbalanced inventory position.

The third possibility, that the retailer's beginning and ending inventories were both higher than the average beginning and ending per store inventories for the group, from the merchant's viewpoint is probably most significant of all. Some retailers, of course, may end their fiscal years at times when due to seasonal factors their stocks are naturally quite high. In such instances an unreal comparison could result because most of the reporting stores terminated their accounting years at the end of December, January, or February when their stocks were comparatively low. In all other cases, however, such a state of affairs indicates quite definitely that the retailer is using a larger inventory to produce his sales than those used on the average by other stores in his class. For some stores, the size of the floor area or the use of mass displays of merchandise may require heavy but balanced stocks of goods; for others, the comparatively large inventories may result from the policy of purchasing in sizable quantities for quantity discounts, or for other reasons. Such inventories of course require the investment of additional capital in merchandise, but the retailers concerned may feel the risks to be justified in the light of the gains achieved. In other instances, however, the carrying of higher inventories may well suggest the presence in the inventory of unnecessarily large quantities of slow-moving goods which have accumulated over a considerable period. Here, the careful examination of the retailer's inventory position with a view to the clearance of the excessive stocks of particular items may be in order to minimize the possibilities of losses on eventual disposal, to make way for better stocks, and to release capital for more profitable investment in other ways.

"Gross Trading Profit", as has been pointed out earlier, is the difference between net sales of merchandise, including proprietor's withdrawals of goods and receipts from repairs and services, and the "Cost of Goods Sold". The latter item is calculated by adding beginning merchandise inventories to purchases and then subtracting the inventory of merchandise left over at the end of the period. Merchandise purchases, of course, represents the total invoice cost of the goods less returns, allowances and cash and trade discounts, but includes both duties levied on imported commodities and inward transportation charges. "Cost of Goods Sold" is therefore the cost value of the merchandise which was sold or otherwise disposed of while "Gross Trading Profit" is the gross income fund remaining from store receipts after the merchandise costs have been deducted.

The "Gross Trading Profit", then, arises directly out of the retailer's activities in buying, selling and managing his inventories of merchandise. As such, it can be considered in two ways, that is, the total amount of gross trading profits realized during the period and also the percentage rate at which they are made. To retailers, both aspects are important. The actual amount of such profits is significant because it is from this profit fund that the operating expenses must be deducted before the retailer can properly claim the net earnings which determine his standard of living. The percentage rate is of interest because it is a measure of his success in obtaining a satisfactory overall spread between merchandise costs and sales, and indicates what could reasonably be expected in the future from a given volume of sales.

In the tables, the gross trading profit is shown only as a percentage of sales, thereby setting forth average standards of performance for each of the size and occupancy classes of co-operating stores. These percentages therefore represent the overall maintained mark up on sales which, on average, was obtained by the reporting stores. Such ratios can also be expressed as percentages of cost of goods sold merely by expressing the gross profit percentage as a fraction of the remaining cost of goods sold percentage and multiplying by 100. For instance, if the gross profit forms 25 per cent of sales, the cost of goods sold would form 75 per cent of sales, and the maintained mark up on cost for the store then would be 25 per cent over 75 per cent times 100 per cent, or 33-1/3 per cent on the cost of goods sold.

To compare his own rate of gross trading profit with the average obtained by the reporting stores in his own group the retailer should be sure his gross profits have been calculated in the above manner and then expressed as a percentage of his total net sales including his receipts from repairs and other services rendered. Having done this, the retailer may find his own gross profit percentage, for instance, somewhat lower than the average for the reporting stores in his sales and occupancy group. He can then analyze his own trading activities to uncover by process of elimination the possible reasons for his seeming less-than-average performance.

One or more of a number of factors, together or singly, could depress the merchant's percentage of gross trading profits. On the selling side of the picture it is possible, for instance, that an unusually large proportion of the retailer's sales could have been concentrated in the lower-profit lines of merchandise; in other words, that he was not selling enough of the higher profit items to 'average-up' his gross trading profits. Competition may possibly have required the retailer to sell at relatively low selling prices and thus at relatively small original mark ups over cost values during the period under study. In some cases, merchants may have had satisfactory original mark ups but later on have marked down sharply the retail prices of various items for sales promotional purposes; in others, heavy mark downs may have been taken to clear excessive stocks of slow-moving goods, to sell merchandise depreciated by style changes or by the possible appearance of better goods to replace various types of wartime articles, or to dispose of perishable commodities before total losses were sustained.

Factors relating to purchasing for resale likewise could have had a downward influence on the gross profit percentage. Miscalculations in estimating the demand for certain lines of merchandise, for instance, could have been the original reason for some of the clearance mark downs just described. Difficulties in purchasing goods at cost prices sufficiently low to enable satisfactory original mark ups to competitive selling values to be obtained is another factor. This experience, of course, is at least partly common to other retailers in the same kind of business. Failure to take the full benefit of cash discounts, also tends to reduce the gross trading profit percentage. Such discounts, although representing a worth while addition to the income of the business, will usually not of themselves cause any considerable change in the gross profit percentage.

A number of other factors may also be influential in producing a lower-than-average rate of gross profit. An over-valued beginning inventory, for instance, will cause a larger figure to be shown for cost of goods sold and thereby will reduce gross trading profits. An ending inventory that is under-valued, or one which has been written down in value due to lower cost prices or to depreciation in the quality of the merchandise, will also lead to the same result. Stock shortages, too, will have a similar effect. Here the retailer should perhaps compare his gross profit percentage with those for previous years to see whether a sudden or more gradual drop has been experienced. Merchandise withdrawn by proprietors or by employees as part payment for services rendered, will likewise depress the gross profit percentage if such amounts have not been included in sales at full retail values. In cases where cash receipts are considered as sales the withdrawal of cash by the proprietor without including it in his total receipts, or the transacting of an unusually large proportion of business on a credit basis near the end of the financial year, again will reduce the gross trading profit and its percentage for the year under review.

"Employees' Salaries and Wages", exclusive of all types of cash withdrawals by the individual retailer, may appear higher when expressed as a percentage of his total sales than the average obtained by reporting stores in his own size and occupancy group. Such a situation could mean that the merchant's employees are not as productive of sales volume in proportion to their salaries and wages as those of similar stores. This might result from the fact that the retailer is paying them at higher rates of pay than other merchants in his class. Alternatively, the retailer could be using more full-time and fewer part-time workers than the comparable outlets, or is relying more on male employees than was true of the group of similar reporting stores.

The types of services provided by the retailer to his customers might also be an explanation. Some of these extended on a non-charge basis, such as free delivery, the provision of credit, the making of adjustments and alterations, etc., could have increased the routine work of the store sufficiently to require additional help. Certain other services performed on a charge basis, such as repairs, etc., could also increase staff requirements, even though profitable revenues were obtained.

Certain peculiarities in the retailer's business may also account for the higher-than-average percentage for salaries and wages. If the merchant is conducting a mixed business or, in other words, is operating another business besides his retail store, he may have allocated too high a proportion of his salaries and wages to his store. On the other hand, the proprietor may be giving more of his attention to the other activity, relying to a greater extent on paid help to operate his store.

In some instances the merchant's higher payroll percentage may reflect peculiarities of some of the stores included in the different sample groups of stores. Probably the most important of these is the likelihood that some of the reporting stores may have been relying in part at least on family members for store help. Some of these individuals may not receive any regular wages and others may be paid at less than going rates of pay for their services. The inclusion of these stores in the sample therefore would result in a somewhat lower salary and wage percentage than otherwise would have been shown. In general, however, these peculiarities to the extent that they do exist will probably be most pronounced in the smaller size-of-business groups of stores.

"Rent", when expressed as a percentage of the retailer's total sales may also appear higher than the average for comparable stores. Some allowance, though, should be made for such differences, particularly when merchants who are comparing their results are situated in the larger centers of population. This is because the reporting stores represent the various sizes of locality, including the larger cities in which dollar rents often tend to be somewhat higher than in the smaller places. In the tables, however, these higher rents are 'averaged down' by the lower rental experiences of stores in the smaller localities.

When due regard has been paid to this fact, it may be true that the merchant's rental percentage is still above the average for his group,- in other words that he is not obtaining as large a sales volume per dollar of rent expense as the comparable stores obtained. Several factors, of course, can account for his less-than-average performance. Among these is the possibility that especially severe competition or lack of aggressive promotion may be keeping the retailer's sales volume down; that he has been in business for a relatively short time and has not yet built up his sales volume to the potential his location offers; or that the merchant is situated in a city with particularly high commercial rentals. In other cases, the merchant may be renting more than the space required for his store and yet be charging the full rent to the store business. Here the comparison may not be as adverse as it seems when the proportionate amount of rent.is charged against the store.

"Advertising", shown in the tables as average percentages of sales, is based on the sales of all stores in the several categories even though some stores may not have incurred any advertising expenses. This clearly would reduce the average advertising expense ratios below what would have been the average for the stores that advertised, and hence should be allowed for in making comparisons. As in other cases, a higher-than-average advertising expense ratio may be due to a number of possibilities requiring analysis by the merchant concerned. Thus he may have been trying to expand his sales volume through advertising and deliberately incurring high initial expenses for such publicity. Special clearance sales may have been held which required higher-than-average advertising expenditures, or perhaps he found it necessary to advertise heavily as a defensive measure against especially severe competition which may have featured his trading locality. There is also the further possibility that due to various reasons his advertising is not producing the extra business that it should.

"Depreciation", as percentages of total sales, measures the extent to which the owned fixed assets of the store -- including the value of new additions or replacements -- have decreased in value by wear and tear, by getting out of date, or simply by growing older. This of course is a real expense of the business even though it does not immediately involve cash expenditures, for the business man should recover his capital either for investment in new assets or for other uses. The size of this expense obviously depends upon whether the store building is owned or rented, the original costs and types of the fixed assets which are owned, and the rate at which those assets are being written off.

Not all of the co-operating stores reported allowances for depreciation. In some instances, at least, this may have been due to the fact that the fixed assets had already been written off. Quite possibly, the wartime scarcities of equipment, materials and labour may often have prevented replacement or renovation of the fixed assets, thus depressing the depreciation expense percentages below what they would have been in normal times. In other instances where no depreciation was shown, a corrected figure was obtained for depreciation or alternatively an estimate was entered in the tabulations for this expense. In general where correspondence with reporting stores was undertaken the following rates were suggested for consideration: on cost of building, a maximum of 5 per cent if of wood, and of 2-1/2 per cent if of brick or stone; on delivery equipment, 25 per cent of cost for the first year and 20 per cent thereafter; on fixtures, a maximum of 5 per cent; and on machinery, of 10 per cent per year.

In comparing his own depreciation expense percentage with those shown in the tables, the retailer should recognize that the averages are somewhat lower, frequently in the smaller size groups, than they would have been if only stores reporting depreciation allowances had been taken. If the merchant's depreciation ratio still appears high it is very likely due to certain factors peculiar to his own business. Thus his fixed assets may be more elaborate; their original cost may have been greater; some of them may have been purchased more recently; or the rates of depreciation used may have been higher. In any event the element of depreciation is there, and the rate of allowing for it can only vary on a sound basis between fairly narrow limits.

"Other Operating Expenses", comprise all legitimate expenses still remaining and include heat, light and power, store supplies, taxes other than income taxes, business insurance, losses on bad debts, repairs and maintenance, interest on borrowed money, etc., but do not include proprietor's salaries or withdrawals. As such it is unfortunately too mixed an expense category to permit a detailed analysis of the reasons for the difference btween the individual retailer's expense ratio and that of his group. Furthermore the merchant must make an allowance for a reasonable difference between the two expense percentages because of the varying experiences of stores reporting their "all other operating expenses". If his own percentage is still somewhat higher than the average, however, the retailer may well check through his residual expenses to determine the reasons for them and to assess the possibilities of effecting certain reductions in the future.

"Total Operating Expenses", when expressed as a percentage of the store's total sales, is of course merely the sum of the individual expense percentages previously discussed. The difference between the individual merchant's total expense ratio and that of his group is consequently the net result of the variations he finds between his own individual expense items and the averages for his comparable group of stores. These differences could quite possibly cancel each other out to leave the retailer's total expense ratio closely approaching the average for the category against which it is compared. Clearly, however, this does not mean that no opportunities exist for a curtailment in total operating expenses by a careful examination of the individual expenses which were incurred.

"Proprietor's Net Earnings Before Income Taxes and Withdrawals" is obviously the final result and financial objective of the retailer's merchandising activities. In percentage form it is the measure of the merchant's success in keeping his gross trading profit and his total operating expenses sufficiently far apart to yield a positive percentage of net earnings which is, of course, exclusive of non-trading incomes such as return on investments, rentals received and so forth. If, then, the retailer's percentage of net earnings is less-than-average, it must be due to either one - or both - of two factors: i.e., a lower-than-average gross trading profit percentage, or a higher-than-average total operating expense ratio, the possible causes of which have already been commented upon.

"Average Proprietor's Net Earnings Per Store", as already explained, consists of the total reported net earnings divided by the number of co-operating stores. Expressed as a percentage of total net sales, this item will frequently appear large. This is because it contains two dissimilar and unmeasured elements, one being the remuneration usually thought of as the proprietor's real salary for managing the business, the other consisting of the net trading profits which are in turn made up of a legitimate reward for exceptional merchandising abilities and a return on capital invested - and risked - in the enterprise. Allowances must therefore be made in the dollar figures shown in this item for the proprietor's managerial services before the real profitability of the individual store or the comparable group of stores can be appraised.

Discussion in this section, it will be noted, has dealt with three phases of the problem of "How The Retailer Can Use Information On Operating Results" in studying his stock turnover and his various profit and expense items. First has come an explanation of what each item is and how it is made up. Then it was assumed, for purposes of comparison only, that the retailer's results were inferior to the average for his comparable class of stores. This, in turn, was followed by a discussion of the possible operating factors which might have caused the poorer results. Many of these factors, however, would have resulted in average or better-than-average performances being obtained if their direction had been reversed. For this reason, therefore, no attempt was made to analyze the reasons for higher-than-average operating results.

Finally, it will be observed that no recommendations were made for the correction of adverse conditions. Frequently such conditions, such as particularly severe competition, are in fact hard realities which must be faced. Here, as in other cases, analysis based on facts and imagination must be relied upon to solve many of the individual problems of retail managements.

PART II - RESTAURANTS

Trends by Size of Business, 1944

The term "Restaurants" as used in this survey of operating results, embraces two somewhat different types of establishment. In the first instance it includes establishments generally recognized as restaurants, cafeterias or other eating places and specializing in this service. Results of the Census of Merchandising for 1941 show that in that year there were 4,457 such establishments in Canada with total receipts of $88,033,100. An analysis of these total receipts shows that, on average, they were comprised to the extent of 88.4 per cent of the sale of meals and lunches, 6.8 per cent of sales of cigars, cigarettes and tobacco, leaving only 4.8 per cent to represent receipts from other sources. Secondly the term "restaurant" includes establishments in which the sale of meals and lunches forms between 40 and 75 per cent of the total annual turnover, the remainder of the business being comprised of the sale of such items as bakery products, candy and confectionery, cigars, cigarettes and tobacco and perhaps magazines and papers. The census results for 1941 showed a total of 3,221 such establishments with annual receipts of $38,660,000.

This survey of operating results for the restaurant trade for 1944 is based on returns received from a sample of 266 establishments operated by individual proprietors or partners as distinguished from corporations. These 266 returns were sorted into ten groupings of stores, first into five sales sizes ranging from those having annual receipts of less than $10,000 to those reporting receipts of $50,000 and over, after which the classifications were broken down as between establishments in owned and in rented premises. The number of firms in the various categories ranged from a minimum of three for owned stores in the largest size to 67 for rented stores in the same category. In two groupings the number of establishments reporting was considered too small to warrant the publication of results. In three others the number of reporting firms was also comparatively small and the averages for these should be used with caution.

The larger restaurants had the higher rates of turnover

Average rate of stock turnover, as measured by a comparison of annual receipts reduced to a cost basis and the average of the two inventory figures as at the beginning and end of the year, were greater for the large than for small businesses. These ranged from a minimum of 17.5 times for owned establishments in the smallest size class to 32.4 times for rented establishments in the group having annual receipts of $50,000 or more. The high rate of stock turnover in comparison with that secured by other trades reflects, of course, the perishable nature of the commodities handled. The gain in the rate of turnover as the size of business increased conforms with the common experience for most retail trades. A factor to be considered in this connection is that the smaller restaurants do not generally restrict their activities to the sale of meals to the same extent as do the larger establishments. In other words, a greater proportion of their business is represented by the sale of candy, confectionery, tobacco and tobacco products, items for which the turnover rate is less frequent than is the case of food products required in the preparation of meals.

Average inventory per store as on December 31, 1944, ranged from a low of $180 for rented establishments in the smallest size category to $1,783 for rented establishments in the largest size class. Comparative inventory figures for the beginning and end of the year showed an upward movement with increases for the smallest and largest sales sizes exceeding those for firms in the intermediate size classes.

Gross profit ratios varied between 27.4 and 36.7 per cent of receipts

Gross trading profits represent the difference between annual receipts and the total cost of the goods and supplies which were sold either in the same form as purchased or else were used in the preparation of meals. Expressed as percentages of total receipts, the gross trading profits were somewhat greater for the larger establishments. Overall, the seven ratios ranged between a low of 27.4 per cent for a group of 15 establishments in owned premises having annual receipts of between $10,000 and $20,000 and a high of 36.7 per cent for a group of 67 restaurants in rented premises having annual receipts of $50,000 or more. This upward trend in gross trading profit as size of business increases is principally a reflection of the difference in the commodity compositions of small and large establishments, the smaller ones deriving greater proportions of their annual revenues from selling products which carry lower initial mark ups from cost levels.

Payrolls percentages averaged higher for the larger restaurants

Turning now to an analysis of operating expenses, employees' salaries and wages as percentages of total receipts increased sharply as the size of business became greater, the seven averages ranging upward from 3.9 per cent for 13 owned restaurants in the smallest to 18.6 per cent for the group of 67 rented establishments in the largest size category. Salaries and wages as reported were to include the total compensation including not only cash payments but also payments in kind including meals consumed by employees. The salary and wage figures do not include any allowance for the managerial or clerical services of proprietors. The upward trend in the wage ratios from the smallest to the largest sizes of business is, therefore, simply the reflection of the decreasing share of the work which the proprietors performed, and therefore of the increasing proportion of the labour which was performed by paid employees.

Rental ratios declined as size of restaurants increased

Rentals paid by those firms occupying rented premises varied inversely with the size of business and ranged downward from 5.0 per cent of annual receipts for the smallest size grouping of establishments to 2.5 per cent of receipts for establishments in the largest size of business. This tendency is consistent with those found for other trades. It reflects the fixed nature of rental costs and the consequent decrease in rentals as a percentage of sales as annual turnover increases, provided, of course, that no comparable extension of plant facilities is required.

Advertising expenditures in relation to receipts were at a low level in 1944, ranging from 0.1 per cent of sales for each of the three smaller size categories of rented stores to 0.3 per cent for the group of larger firms having annual receipts of $50,000 or more. Results of a similar survey of advertising expenditures for 1938 show an average advertising expenditure of 0.5 per cent for a group of 181 restaurants. The much lower ratio in 1944 reflects the marked increase which has characterized the restaurant trade during recent years, most establishments operating at or near capacity levels and thus requiring little or no advertising in order to stimulate patronage.

Depreciation allowances averaged between 0.7 and 1.2 per cent of receipts

Depreciation allowances for rented premises ranged from 0.7 per cent for the group of 17 establishments each having annual receipts of less than $10,000 to 1.2 per cent for the 67 establishments in the $50,000 and over class. The percentages for owned establishments were naturally somewhat higher; they ranged from 1.6 per cent for the group of smaller businesses to 2.0 per cent for the larger firms.

All other operating expenses including such items as heat, light and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, supplies (other than merchandise and food products bought for resale), etc., were included under one heading. Such expenses, when expressed as percentages of net sales, varied within comparatively narrow limits, ranging from 6.1 per cent of sales for rented stores in the $10,000 to $20,000 class to 7.9 per cent for rented establishments with annual receipts of between $30,000 and $50,000. A more detailed analysis of this group of expenses made in connection with the 1938 survey indicates that with two exceptions the ratios of the individual expense items to receipts remained fairly constant for different sizes of business. Ratios for light, heat and power, however, varied inversely with the size of business. On the other hand the residual item of miscellaneous expenses not further analyzed tended to increase as the size of business increased, a result which may be attributed at least in part to the more comprehensive accounting systems maintained by the larger firms. Thus certain expense items assigned to this residual category by the larger operators may have been overlooked altogether or included in the cost of goods purchased by the smaller firms.

Total expense ratios for the larger restaurants were considerably higher

On summarizing the various expense items described in the preceding paragraphs, it is found that the seven total operating expense ratios varied from a low of 12.4 per cent of sales for owned restaurants having receipts of less than $10,000 to a high of 29.7 per cent for the 67 rented establishments with receipts in excess of $50,000 in 1944. The direct variation of the total expense ratios with increases in sales volume may be explained, of course, by the corresponding direct variation in salary and wage costs to which reference has been made and to the important element that such wage costs form of total operating expenses.

Net earnings percentages declined

Proprietor's net earnings before income taxes as recorded in the results of this survey may be thought of as consisting of two components.

One component consists of the proprietor's compensation for the managerial and other services which he performs in the business. The second component represents the net return which the proprietor naturally expects on the capital which he has invested in the business. So defined, the average ratios of proprietors' net earnings to total receipts were much higher for the smaller sizes of restaurants, the average for rented establishments dropping steadily from 16.6 per cent in the less than $10,000 to 7.0 per cent in the largest size of business. This downward trend, of course, resulted from the fact that the total expense ratios rose much more sharply from the smaller to the larger sales groupings than the percentages for gross trading profits did. An even smaller ratio of 4.1 per cent for a group of 8 establishments with receipts between $30,000 and $50,000, however, cannot be considered as representative of all establishments in this size category in view of the small size of the sample.

Although net earnings as a percentage of receipts declined as the size of business increased, the actual dollar figures for net earnings per store showed no such inverse variation. On the other hand, they increased progressively for successive sizes of business ranging from $861 for the group of 13 owned stores each having annual sales of less than $10,000 and averaging $5,702 per store to net earnings of $5,846 per store for the 67 rented establishments in the largest size class and having an average annual turnover of $83,473.

Operating Results of Continuing Stores in 1941 and 1944 Compared

Of the 266 restaurants which gave figures on operating results for 1944, there were 148 which also submitted figures for 1941. These were classified by size of business for Table 2 according to the sales they made in 1941 and thus entirely independent of their dollar volumes in 1944. In view of the more limited number of firms reporting for both years it was necessary to reduce the number of size categories for which figures are given from the five shown in Table 1 to the three which appear in the second table. In one of these - that of owned restaurants with 1941 receipts of $50,000 or over, only two reports were included and hence no averages were shown for this classification. Nevertheless the comparative averages for the remaining 146 establishments reporting for both years do provide some basis for measuring the trends in operating results over the three year period.

Sales increase averaged 46 per cent

Included in the 146 establishments reporting for both years were 57 restaurants each with annual receipts in 1941 of less than $20,000 whose total receipts averaged approximately 70 per cent higher in 1944 than in the earlier period. There were 61 establishments reporting receipts for 1941 varying between $20,000 and $50,000 and their dollar volumes were 38 per cent higher in 1944. The remaining 28 establishments reporting for both years had annual receipts in 1941 of $50,000 or over and these registered an average increase of 47 per cent in dollar volume of business during the three year interval under review. Combined receipts for the 146 establishments reporting for both years average 46 per cent higher in 1944 than in 1941. This compares with an increase of 54 per cent which a much larger sample of 550 restaurants giving their monthly sales figures to the Bureau experienced between the two years. The marked increase in restaurant receipts is an outstanding feature of the retail trade of Canada during the war years. It reflects the general expansion in industrial activity and payroll, the increased employment of female workers, and to some extent, may be attributed to the introduction of rationing of some food products.

Gross profit ratios lower in 1944

Gross trading profits as percentages of sales declined between the two years. The ratio for rented establishments in the smallest size of business declined from 34.0 per cent to 30.8 per cent of total receipts while in the intermediate grouping with annual receipts between $20,000 and $50,000 it receded from 38.1 per cent in 1941 to 35.8 per cent in 1944. The decrease for the largest restaurants in rented premises, however, was considerably less, the ratio moving downward from 39.1 to 38.1 per cent of sales. Reductions in gross margin ratios between 1941 and 1944 were common for a number of individual retail trades and represent in the case of restaurants a narrowing of the spread between the amount of money taken in from the sale of meals or merchandise and the laid down cost of the merchandise, foodstuffs and other provisions required for the conduct of the business.

Total expense percentages lower in 1944

Reflecting the increase in personnel required to cope with the expanded volume of business, salary and wage costs moved upward at about the same rate as sales volume with the result that wage payments as a percentage of annual receipts were practically unchanged to slightly higher in 1944. Rental costs, on the other hand, declined appreciably when expressed as percentages of total sales. Depreciation allowances and the residual group of expenses also declined in relation to the volume of business transacted, with the result that the total expense ratios were generally considerably lower in 1944 than in the earlier period.

Increases or decreases in the average percentages net earnings formed of sales depended upon whether the declines in the operating expense ratios exceeded or fell short of the decreases in average gross margins. Net earnings for a group of 42 establishments in rented premises and having annual receipts of less than $20,000 increased from 9.2 per cent of sales in 1941 to 10.0 per cent in 1944. A similar tendency was exhibited by a group of 28 establishments in rented premises and having annual receipts of $50,000 or more. In this instance the net earnings gained from 5.4 per cent to 6.6 per cent of sales. On the other hand the net earnings ratio for the intermediate size group of establishments declined from 7.1 per cent in 1941 to 6.5 per cent in 1944. Overall, the net earnings percentages were lower in three and higher in two of the sales and occupancy groupings of restaurants in 1944.

Actual net earnings per restaurant higher in 1944

Net earnings per restaurant when expressed in dollar figures increased substantially for all categories for which separate figures were compiled, the gain in dollar volume of business far more than offsetting any decline in the net earnings percentage ratio which may have occurred. Net earnings per establishment, expressed in round figures, increased from $1,100 to $2,100 for the group of small firms in rented premises which were included in the survey, from $2,300 to $3,000 for the intermediate group, and from $3,600 to $6,500 per establishment for the group of larger firms.

Table 1.--Restaurants - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	13	17	15	43
2. Total Sales	$74,122	$107,952	$236,943	$626,254
3. Average Sales Per Store	5,702	6,350	15,796	14,564
Total Inventory Reported,				
4. Beginning of Year	3,017	2,278	9,407	20,435
5. End of Year	3,119	3,065	9,510	21,378
6. Average for Year	3,068	2,671	9,459	20,906
Average Inventory Per Store,				
7. End of Year	240	180	634	497
8. Cost of Goods Sold	53,738	70,385	172,021	445,893
9. Stock Turnover (times per year) ..	17.5	26.4	18.2	21.3
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	27.5	34.8	27.4	28.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	3.9	5.9	8.6	8.2
12. Rent	-	5.0	-	3.2
13. Advertising	(a)	0.1	0.2	0.1
14. Depreciation	1.6	0.7	1.9	1.0
15. Other Operating Expenses	6.9	6.5	6.5	6.1
16. Total Operating Expenses	12.4	18.2	17.2	18.6
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	15.1	16.6	10.2	10.2
18. Average Proprietor's Net Earnings Per Store	$861	$1,054	$1,610	$1,491

(a) Less than .05 per cent.

Table 1.--Restaurants - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
	39	8	56		67	1.
	$969,499	$306,728	$2,137,951		$5,592,706	2.
	24,859	38,341	38,178		83,473	3.
SAMPLE				SAMPLE		
	26,753	8,783	41,687		99,387	4.
TOO	28,530	11,110	45,423	TOO	119,462	5.
	27,641	9,947	43,555		109,424	6.
SMALL				SMALL		
	732	1,389	811		1,783	7.
	677,680	217,777	1,385,392		3,540,183	8.
	24.5	21.9	31.8		32.4	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
	30.1	29.0	35.2		36.7	10.
	10.8	15.4	15.7		18.6	11.
SAMPLE	2.6	-	2.8	SAMPLE	2.5	12.
	0.1	(a)	0.2		0.3	13.
TOO	1.0	2.0	1.2	TOO	1.2	14.
	6.3	7.5	7.9		7.1	15.
SMALL				SMALL		
	20.8	24.9	27.8		29.7	16.
	9.3	4.1	7.4		7.0	17.
	$2,312	$1,577	$2,837		$5,846	18.

(a) Less than .05 per cent.

Table 2.--Restaurants - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES Less than $20,000 1941 Owned	1941 Rented	1944 Owned	1944 Rented
GENERAL INFORMATION				
1. Number of Stores Reporting	15	42	15	42
2. Total Sales	$130,107	$496,925	$176,909	$885,558
3. Average Sales Per Store	8,674	11,832	11,794	21,085
Total Inventory Reported,				
4. Beginning of Year	5,924	14,875	6,752	20,062
5. End of Year	8,488	14,926	6,779	20,534
6. Average for Year	7,206	14,901	6,766	20,298
Average Inventory Per Store,				
7. End of Year	566	355	452	489
8. Cost of Goods Sold	95,629	327,971	130,382	612,806
9. Stock Turnover (times per year) ..	13.3	22.0	19.3	30.2
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)				
10. Gross Trading Profit	26.5	34.0	26.3	30.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	6.1	11.2	7.7	10.5
12. Rent	-	4.4	-	2.9
13. Advertising	0.2	0.1	0.3	0.1
14. Depreciation	1.4	1.2	1.3	1.0
15. Other Operating Expenses	7.8	7.9	6.5	6.3
16. Total Operating Expenses	15.5	24.8	15.8	20.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	11.0	9.2	10.5	10.0
18. Average Proprietor's Net Earnings Per Store	$953	$1,091	$1,240	$2,110

Table 2.--Restaurants - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
9	52	9	52		28		28	1.
$293,734	$1,712,595	$354,158	$2,414,657		$1,878,315		$2,758,032	2.
32,637	32,935	39,351	46,436	SAMPLE	67,083	SAMPLE	98,501	3.
30,359	39,230	11,178	55,691		39,887		52,370	4.
32,010	46,688	13,513	56,435	TOO	47,183	TOO	63,176	5.
31,185	42,959	12,346	56,063		43,535		57,773	6.
3,557	898	1,501	1,085	SMALL	1,685	SMALL	2,256	7.
188,283	1,060,096	233,036	1,550,210		1,143,894		1,707,222	8.
6.0	24.7	18.9	27.7		26.3		29.6	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
35.9	38.1	34.2	35.8		39.1		38.1	10.
16.9	16.6	17.4	16.9		19.6		20.2	11.
-	4.1	-	3.0	SAMPLE	3.3	SAMPLE	2.4	12.
0.2	0.2	(a)	0.2		0.6		0.4	13.
2.9	1.8	2.3	1.4	TOO	1.7	TOO	1.1	14.
10.4	8.3	9.1	7.8		8.5		7.4	15.
30.4	31.0	28.8	29.3	SMALL	33.7	SMALL	31.5	16.
5.5	7.1	5.4	6.5		5.4		6.6	17.
$1,782	$2,335	$2,113	$3,012		$3,597		$6,512	18.

PART III - DRUG STORES

Trends by Size of Business, 1944

This section of the report contains a summary of the operating results of a group of 258 drug stores which gave details regarding their business operations in 1944. It also presents comparative figures for 1941 and 1944 for a smaller group of 156 stores which furnish figures for both of these two periods.

Notwithstanding the wide range of commodities carried in drug stores, the sale of prescriptions, prepared medicines, drugs and drug sundries still form an important component of the retail drug trade. Results of the Census of Merchandising and Service Establishments for 1941 show that in that year there were 3,956 drug stores in Canada and these had total annual sales of $101,027,400. Almost exactly one-half of this figure represented the sale of the items mentioned above. Food products, including candy and confectionery, bottled beverages, soda fountain sales, lunches and ice cream came second in importance forming 13.6 per cent of the total annual turnover. Soaps and toilet articles and preparations formed 12.5 per cent; tobacco sales accounted for 12.0 per cent; stationery, books and magazines contributed 5.5 per cent while miscellaneous merchandise made up the remaining 6.3 per cent.

The 258 drug stores included in the survey had total annual sales of $9,495,983 and consist of retail drug outlets operated as individual proprietorships or partnerships as distinguished from corporations. Furthermore, the survey was restricted to independent stores; chain stores were not included. The 258 drug stores comprising this sample were first divided into five size-of-business classifications ranging from those with annual receipts of less than $10,000 to those with annual receipts of $50,000 and over. The stores in each size-of-business category were then subdivided as between those operated in owned and in rented premises to form ten sales and occupancy groupings for which averages are presented in Table 1. The numbers of stores in the various categories varied over a considerable range and were generally greater for establishments in rented than for those in owned premises. In the case of rented stores the numbers varied from a minimum of 6 for the smallest size category to a maximum of 73 for stores having annual sales of between $30,000 and $50,000. Figures for the small group of 6 stores are not shown in the tables but the numbers of stores in the other size categories for rented premises are considered sufficiently large to provide representative results. The numbers of stores operating in owned premises did not exceed 13 for any individual size bracket and ranged downwards to as low as 7 for the group of retail outlets having annual sales of $50,000 or over. The averages for these should, therefore, be used with caution. In view of the small numbers of owned stores included in the sample, most of the summary presented in the following paragraphs deals with the results for stores in rented premises.

Inventories were turned over faster by the larger drug stores

In common with most other kinds of retail businesses, the rate of stock turnover, computed by dividing the average of the beginning and ending inventories for the year into annual receipts reduced to a cost basis, was greater for large than for small stores. The stock turnover rate for rented stores moved up steadily from 3.0 times for stores with annual sales of between $10,000 and $20,000 to 4.7 times for stores with annual sales of $50,000 or over. The rate for a group of 8 stores in owned premises and having annual sales of less than $10,000 was only 1.9 times. The increasing rate of stock turnover as the annual sales volume increases reflects the fact that there are certain minimum stock requirements which a store must carry in order to transact business at all. Beyond that minimum, an expanding volume of business can be handled partly by increasing the stock turnover rate without a commensurate increase in the actual value of inventories carried.

Average inventory per store at the end of 1944 amounted to $2,609 for the small group of owned stores in the smallest size category and ranged upwards to $12,699 for owned stores having annual sales of $50,000 or over. Inventories were valued somewhat higher at the end of 1944 than at the beginning of the same period, aggregate figures for all stores reporting and including both those in owned and in rented premises indicating an increase of 5.1 per cent. Percentage increases in the inventories of rented outlets were somewhat greater for small than for large stores, a result which may be explained by the steeper upward trend in sales for small than for larger stores which was evident during the war years.

Gross profit ratios averaged higher for the larger stores

Gross trading profit, or the difference between annual receipts and the purchase price of goods sold, varied over a considerable range for different stores depending upon the commodity composition of the business transacted. Stores with a high proportion of receipts from prescriptions or from the sale of meals or lunches would normally have a high gross margin ratio. Other stores where such receipts were of lesser importance would naturally sell higher proportions of candy, confectionery and tobacco products, etc., and these commodities carrying comparatively lower rates of initial mark-up would result in lower percentages of gross trading profits being realized. The lack of uniformity in the commodity composition of different stores was such as to hide any consistent trend in gross margin ratio for stores classified according to size of business. Nevertheless the general tendency was for the gross margin percentage to rise as the size of store increased. For a group of 47 stores with annual sales of $50,000 or over gross profits averaged 26.9 per cent in 1944, but were somewhat lower at from 24.1 per cent to 26.4 per cent for stores in the smaller size categories. For owned establishments the average ratios ranged from 23.1 per cent for stores with annual sales of between $20,000 and $30,000 to 28.5 per cent for stores in the largest size category.

Salary and wage ratios higher for larger drug stores

An analysis of the operating expenses reported by these stores shows that salaries and wages as a percentage of sales ranged in the case of rented stores from a minimum of 4.0 per cent for stores in the $10,000 to $20,000 size bracket to 8.5 per cent for stores having sales of $50,000 or more. The range for owned stores was from 1.6 per cent to 8.6 per cent.

Salary and wage figures as reported were to include the total compensation received by paid employees but they were not to include any allowance for the managerial or clerical services of proprietors. The upward trend in the ratio of wages to sales as the size of business increased reflected the decreasing relative importance of the value of proprietors' services in relation to the total labour cost, and hence the increasing proportion of that cost which represented payments to employees.

Rentals paid by stores occupying rented premises were constant at 2.7 per cent of sales for stores in the $10,000 to $20,000 and in the $20,000 to $30,000 sales brackets. For larger stores the ratio declined, amounting to 2.4 per cent for stores with annual sales of between $30,000 and $50,000 and to 2.2 per cent of sales for stores with annual sales of $50,000 or over. The downward tendency in the rentals ratios as the size of business increases reflects the fixed nature of rental costs and is consistent with the results found for other trades.

Largest stores had highest advertising expense ratios

Excepting only the largest size group of stores, advertising expenditures remained uniform at 0.4 per cent of sales in the three other size categories of rented stores for which figures are shown in the tables. For similar stores with annual sales of $50,000 or more, however, publicity costs amounted to 0.7 per cent of the dollar volume. The ratios for stores in owned premises increased consistently with the size of business and ranged from 0.1 per cent for stores with annual sales of less than $10,000 to 0.8 per cent for stores in the largest size of business.

Depreciation allowances on equipment and fixtures reported by stores in rented premises and expressed as percentages of annual sales varied inversely with amount of sales made. Such allowances ranged from 0.8 per cent of sales for stores having annual sales of from $10,000 to $20,000 to 0.4 per cent for stores with annual sales of $50,000 or more. The inverse relationship between the depreciation ratio and the size of business is a reflection of the higher investment in store furniture and equipment in relation to sales in the smaller stores. The depreciation allowances for owned stores were naturally somewhat higher than those for stores in rented premises.

All other operating expenses including such items as heat, light and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, supplies (other than merchandise bought for resale), etc., were included under one heading. Reflecting the impact of the more fixed cost elements in this group, the ratios for rented store expenses varied inversely with the size of business, ranging downward from 4.9 per cent of sales for outlets with annual sales of between $10,000 and $20,000 to 3.6 per cent for establishments in the largest size of business. Due probably to higher content of other occupancy costs, the averages for drug stores in owned premises tended to be somewhat higher than those which the rented stores experienced.

Total expense ratios of bigger stores averaged higher

On summarizing the various expense items for which figures are compiled, total expenses for rented stores ranged upward from 12.8 per cent of sales for stores doing an annual business of $10,000 to $20,000 to 15.4 per cent for rented stores with annual sales of $50,000 or more. Total operating expenses for owned stores revealed a similar rising trend, a tendency which may be explained by the corresponding direct variation in salary and wage costs which form an important element in the total operating expenses.

Proprietor's net earnings before income taxes may be thought of as consisting of two components. One component consists of the proprietor's compensation for the managerial and other services which he performs in the business. The second component represents the return which a proprietor naturally expects on the capital which he has invested in the business. Including both of these, proprietor's net earnings as percentages of annual receipts varied between 10.5 and 12.5 per cent of sales for four size-of-business categories of rented stores for which figures are shown in the tables, the ratios for the smaller stores being slightly higher than those for the larger establishments.

Actual dollar figures for net earnings per store were naturally higher for large than for small establishments. Net earnings for businesses in rented premises ranged from $2,004 per store for stores with annual sales of from $10,000 to $20,000 to $8,234 per store for firms having an annual turnover of $50,000 or more in the year under review.

Operating Results of Continuing Stores in 1941 and 1944 Compared

The 258 drug stores which reported figures on their operating results for 1944 included 156 stores which also gave corresponding information for 1941. These were classified by size of business for Table 2 according to the sales they made in 1941 and thus entirely independent of their dollar volumes in 1944. In view of the more limited number of firms reporting for the earlier period it was necessary to reduce the number of size categories for which figures are given from the five shown in Table 1 to the three which appear in the second table. In one of these - that of owned drug stores with 1941 sales of $50,000 or over - only three reports were included and hence no averages were shown for this classification. Nevertheless the comparative averages for the remaining 153 drug stores reporting for both years do provide some basis for measuring the trends in operating results over the three-year period.

Included in the 153 stores giving figures for both years were 40 establishments in rented premises having dollar volumes in 1941 of less than $20,000. The sales for these outlets were 62 per cent higher in 1944 than in the earlier period. The corresponding increases for 63 rented stores with 1941 sales running between $20,000 and $50,000 was

35 per cent while a gain of 41 per cent was registered by the 18 stores in the largest size of business. The samples for establishments in owned premises were considerably smaller, but the 21 outlets in the smallest size of business experienced an expansion of about 60 per cent and the 11 units in the $20,000 to $50,000 size an increase of 29 per cent. In total, the sales of all 121 rented drug stores averaged about 41 per cent higher and the 153 owned and rented ones also gained by the same percentage. These compare reasonably well with the increase of about 37 per cent recorded by the Bureau's monthly indexes of retail sales during the same period which is based on a much larger sample of continuing drug stores.

Gross profit ratios averaged lower in 1944

Gross trading profits as percentages of sales were lower in 1944 than in 1941 for all five of the size and occupancy classes for which separate figures are shown in the tables. In the case of rented stores, gross trading profit declined from 29.0 per cent to 26.4 per cent for the group of 40 stores having annual sales in 1941 of less than $20,000; from 26.9 per cent to 25.5 per cent for the intermediate size class, and from 29.1 per cent to 28.1 per cent for the larger stores with 1941 sales of $50,000 or over. These reductions in gross trading profit between 1941 and 1944 were common to many retail trades and represent a narrowing of the spread between the laid down cost and the selling price of the merchandise sold.

Lower operating expenses as percentages of sales were general for both rented and owned stores and for all size classes for each of the five expense items for which figures are shown. Quoting only the figures for the 63 rented stores with annual sales of from $20,000 to $50,000 the salary and wage cost declined from 8.3 per cent to 7.0 per cent of sales; rentals from 3.2 per cent to 2.5 per cent; advertising expenditures from 0.5 to 0.4; depreciation from 0.7 to 0.5, while other operating expenses fell off from 4.2 per cent to 3.7 per cent. Total expenses for this class were reduced from 16.9 per cent to 14.1 per cent.

Net earnings percentages higher in 1944

As a consequence of the more pronounced decrease in operating expenses than in gross margins, net earnings as percentages of sales moved upward between 1941 and 1944. Increases in net earnings were general for both owned and rented stores and for all three size-of-business classes. In the case of rented stores having sales of less than $20,000 net earnings increased from 11.2 per cent of sales to 13.2 per cent, from 10.0 to 11.4 for rented stores in the intermediate grouping, and from 9.3 to 12.1 per cent of sales for such stores in the largest size of business.

The higher net earnings ratio, when taken together with the substantial increase in dollar volume of business, combined to effect a marked increase in net earnings when expressed in dollar figures.

Net earnings per store in rented premises increased from $1,466 to $2,814 for stores with annual sales of less than $20,000 in 1941; they increased from $3,217 to $4,921 per store for the intermediate size category and from $5,779 to $10,536 for the group of 18 larger stores each having sales of $50,000 or more in the earlier year. Increases of a similar magnitude were also recorded for stores in owned premises.

Table 1.--Drug Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	8		11	38
2. Total Sales	$50,637		$152,244	$606,954
3. Average Sales Per Store	6,330		13,840	15,972
Total Inventory Reported,		SAMPLE		
4. Beginning of Year	19,704		32,234	147,849
5. End of Year	20,875	TOO	34,536	157,056
6. Average for Year	20,290		33,385	152,453
Average Inventory Per Store,		SMALL		
7. End of Year	2,609		3,140	4,133
8. Cost of Goods Sold	38,332		114,792	453,395
9. Stock Turnover (times per year) ..	1.9		3.4	3.0
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	24.3		24.6	25.3
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.9		1.6	4.0
12. Rent	-	SAMPLE	-	2.7
13. Advertising	0.1		0.2	0.4
14. Depreciation	1.5	TOO	0.6	0.8
15. Other Operating Expenses	6.9		4.7	4.9
		SMALL		
16. Total Operating Expenses	10.4		7.1	12.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	13.9		17.5	12.5
18. Average Proprietor's Net Earnings Per Store	$7,028		$26,609	$76,161

Table 1.--Drug Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
13	42	13	73	7	47	1.
$319,406	$1,056,450	$479,631	$2,892,971	$534,298	$3,367,318	2.
24,570	25,154	36,895	39,630	76,328	71,645	3.
63,292	207,773	89,883	495,646	88,142	514,748	4.
68,229	215,626	101,188	518,351	88,896	539,209	5.
65,761	211,699	95,536	506,998	88,519	526,979	6.
5,248	5,134	7,784	7,101	12,699	11,473	7.
245,623	777,547	343,895	2,195,765	382,023	2,461,509	8.
3.7	3.7	3.6	4.3	4.3	4.7	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
23.1	26.4	28.3	24.1	28.5	26.9	10.
4.6	6.1	6.5	6.4	8.6	8.5	11.
-	2.7	-	2.4	-	2.2	12.
0.3	0.4	0.7	0.4	0.8	0.7	13.
0.8	0.7	0.8	0.6	1.1	0.4	14.
4.9	4.0	4.7	3.8	5.6	3.6	15.
10.6	13.9	12.7	13.6	16.1	15.4	16.
12.5	12.5	15.6	10.5	12.4	11.5	17.
$39,838	$132,750	$74,829	$30,179	$65,885	$386,993	18.

Table 2.--Drug Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	21	40	21	40
2. Total Sales	$232,107	$524,167	$370,493	$850,375
3. Average Sales Per Store	11,053	13,104	17,643	21,259
Total Inventory Reported,				
4. Beginning of Year	69,172	166,110	82,876	177,576
5. End of Year	73,960	171,766	92,265	187,036
6. Average for Year	71,566	168,938	87,571	182,306
Average Inventory Per Store,				
7. End of Year	3,522	4,294	4,393	4,676
8. Cost of Goods Sold	174,777	372,159	279,722	625,876
9. Stock Turnover (times per year) ..	2.4	2.2	3.2	3.4
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	24.7	29.0	24.5	26.4
Operating Expenses:				
11. Employees' Salaries and Wages ..	5.5	6.1	4.2	5.3
12. Rent	-	4.6	-	2.7
13. Advertising	.2	.7	.3	.6
14. Depreciation	.8	.7	.6	.6
15. Other Operating Expenses	5.2	5.7	4.9	4.0
16. Total Operating Expenses	11.7	17.8	10.0	13.2
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	13.0	11.2	14.5	13.2
18. Average Proprietor's Net Earnings Per Store	$1,440	$1,466	$2,562	$2,814

Table 2.--Drug Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
11	63	11	63		18		18	1.
$291,172	$2,021,745	$376,295	$2,729,508		$1,118,764		$1,571,681	2.
26,470	32,091	34,209	43,326		62,154		87,316	3.
69,757	411,539	72,134	459,145	SAMPLE TOO SMALL	241,855	SAMPLE TOO SMALL	268,749	4.
72,139	455,178	72,684	479,143		250,787		280,821	5.
70,948	433,359	72,409	469,144		246,321		274,785	6.
6,558	7,225	6,608	7,605		13,933		15,601	7.
211,391	1,477,896	278,835	2,033,483		793,204		1,130,039	8.
3.0	3.4	3.9	4.3		3.2		4.1	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
27.4	26.9	25.9	25.5		29.1		28.1	10.
7.6	8.3	6.1	7.0		10.1		8.7	11.
-	3.2	-	2.5	SAMPLE TOO SMALL	3.1	SAMPLE TOO SMALL	2.4	12.
.8	.5	.8	.4		1.0		.9	13.
1.1	.7	.9	.5		.6		.3	14.
5.7	4.2	4.8	3.7		5.0		3.7	15.
15.2	16.9	12.6	14.1		19.8		16.0	16.
12.2	10.0	13.3	11.4		9.3		12.1	17.
$3,236	$3,217	$4,547	$4,921		$5,779		$10,536	18.

PART IV - JEWELLERY STORES

Trends by Size of Business, 1944

Jewellery stores are engaged chiefly in the sale of jewellery, silverware, clocks and watches. They also carry such additional lines as optical goods, leather goods, chinaware, gifts and novelties. Receipts from repair work may, and usually does, constitute an important source of revenue.

These stores are nevertheless specialized to a high degree in handling clocks, watches, silverware, and jewellery. Indeed the foregoing items comprised 73.5 per cent of the total trade of jewellery stores analyzing their sales by classes of commodities in the 1941 Census of Merchandising. This total in turn was made up of clocks at 2.2 and watches at 16.6 per cent of total sales, of plated and sterling silverware at 9.9 and 5.7 per cent, and of all other jewellery at 39.1 per cent of total sales. China, glassware and crockery formed 7.2 per cent, luggage and leather goods 4.0 per cent, optical goods, 2.4 per cent, toilet articles and preparations 0.3 per cent and miscellaneous merchandise 6.8 per cent of total sales. Receipts from repairs and services also made a significant contribution which amounted to an average figure of 5.8 per cent of the total trade in 1941.

A total of 137 usable schedules giving figures on their results for 1944 were received from unincorporated jewellery stores co-operating in the recent survey. These were sorted into five sizes of business for stores with sales ranging from less than $10,000 to those having annual volumes of $50,000 and over in the year under review. The groupings were then separated as between stores in owned and in rented premises to produce ten sales and occupancy categories for which figures were compiled. In each of the four larger sizes of owned stores, however, the reports numbered less than 6 and no figures were presented for them in Table 1. Overall, a total of 123 reports were used in the compilations, 117 of which were distributed fairly evenly over the five sizes of rented stores while the 6 remaining represented owned establishments with sales of less than $10,000. The first section of this summary, therefore, deals almost entirely with the experiences of the five groupings of rented stores.

Stock turnover averaged between 1.4 and 2.5 times

Turning now to the statistics presented in Table 1, it will be noted that inventory turnover ranged between a low of 1.4 and a high of 2.5 times in 1944. These averages moreover were higher for the larger sizes of jewellery stores, the ratios moving up from the low of 1.4 times in the smallest to 2.5 times in each of the two largest sizes of business. The upward movement resulted naturally from the fact that even the smallest jewellery stores required a comparatively balanced line of goods for effective retailing. Once established, the inventories with only moderate expansions were able to support relatively larger gains in sales volumes. The rates of inventory turnover of the reporting jewellery stores, moreover, were among the lowest experienced by the different kinds of stores in the year under review. This ranking, of course, reflects the combined influences of several distinguishing factors upon the inventory positions and sales possibilities of jewellery stores, among which can be noted the low level of repeat consumer demand, the comparatively high unit values of the items handled and the relatively wide ranges of merchandise the stores must carry to enable their stocks to meet the varying preferences of their customers.

These factors are clearly apparent in the rather heavy investments of capital in merchandise inventories. Even the rented jewellery stores with sales of less than $10,000 had an average inventory of $2,732 per store at the end of 1944. For the larger sizes of business the average ending inventories were much higher, amounting to $5,484 per store in the $10,000 to $20,000 store size and to $8,174, $9,226 and $22,247 per store in the $20,000 to $30,000, the $30,000 to $50,000 and the $50,000 and over sales groupings.

Changes in stock positions between the beginning and end of 1944 may be appraised from the total inventories shown at those times in Table 1. Only in the smallest size of rented stores was an increase experienced and this amounted in fact to about 12 per cent over beginning figures. Inventories were almost maintained by stores with sales running between $20,000 to $30,000 but in the $10,000 to $20,000, the $30,000 to $50,000 and the $50,000 and over store sizes declines were recorded which averaged about 3, 7 and 9 per cent, respectively. The impact to wartime scarcities and the inability to secure satisfactory substitute lines apparently was most keenly felt by the two largest sizes of jewellery outlets, for the contractions in their inventories were greater than those of the intermediate sizes of establishments. In summary, the total ending inventories of all reporting stores decreased by 6 per cent from their opening valuations.

Gross profit ratios averaged between 37.6 and 46.8 per cent

Average rates of gross trading profits for the five sizes of rented stores varied between 37.6 and 46.8 per cent of sales in 1944. By size of business, the smallest and the largest stores recorded the highest ratios which amounted respectively to 46.8 and 42.8 per cent of annual dollar volumes. The high ratio for the smallest outlets probably resulted in part at least from the fact that many of these establishments derived a considerable proportion of their total sales in the form of receipts from repairs and services which, consisting mainly of payroll expenses, had no counterpart in cost of goods sold. Such receipts, however, were probably somewhat less important for the larger stores concentrating to a greater extent on the retail aspects of their business, and hence gross profits in the three intermediate sizes of business averaged out at the lower figures of 39.2, 39.2 and 37.6 per cent of sales. The secondary high of 42.8 per cent recorded by the largest jewellery stores, of course, could have been caused by the presence of some outlets obtaining rather high proportions of their annual sales from service receipts. It is more likely, however, that these establishments whose sales averaged slightly over $100,000 per store were handling larger proportions of the more specialty types of merchandise which presumably carried somewhat higher mark ups than the more staple items which the smaller establishments handled.

Payroll percentages higher for the larger stores

Turning now to the operating expense ratios, the five averages for employees' salaries and wages ranged between 3.9 and 12.3 per cent of sales in 1944. By size of business the bigger jewellery outlets had the higher payroll ratios, the averages rising from 3.9 per cent in the smallest to 6.3, 8.9, 8.4 and 12.3 per cent of sales in the four progressively larger sizes of stores. This trend was probably due principally to the decreasing share of the work which the proprietors of the larger stores performed. In some degree, too, it may have reflected the fact that certain additional help was required by the bigger stores to handle the greater administrative and other indirect activities involved in their operation.

Rent, unlike salaries and wages, is a fixed dollar expense once the lease has been negotiated. This presents the retailer with the opportunity to reduce its weight by spreading the costs over larger volumes of sales. Such a process in a sense is illustrated in the rentals percentages for jewellery stores which declined from an average of 4.9 per cent of sales for stores with dollar volumes of less than $10,000 to 4.2, 3.4, 2.7 and 2.8 per cent in the respectively larger sizes of establishments.

Advertising expenses for the five groupings of rented stores varied between a low of 0.5 and a high of 1.7 per cent of sales in 1944. By size of business, however, the trend was quite irregular. This is indicated by the fact that the ratio rose from 0.5 per cent in the less than $10,000 sales size to 1.1 per cent in the $10,000 to $20,000 grouping from which it receded to 0.9 and 0.8 per cent in the $20,000 to $30,000 and the $30,000 to $50,000 store sizes to jump finally to 1.7 per cent of sales for stores with dollar volumes of $50,000 or more. These irregularities, however, would have averaged themselves out into progressively higher ratios for the larger sizes of business if the stores had been classified into three groupings of establishments with sales of less than $20,000, between $20,000 and $50,000 and for outlets with sales of $50,000 or over.

Depreciation and other expense ratios lower for larger stores

Depreciation allowances as percentages of sales with but one exception decreased as the stores became larger. Thus beginning with a ratio of 0.9 per cent in the smallest size of business the average moved upward to 1.2 per cent in the $10,000 to $20,000 sales grouping from which it receded to 0.7, 0.6 and 0.5 per cent of sales in the three larger sizes of stores. This declining tendency resulted from the fact that the smaller stores required certain minimum equipment for efficient retailing and that their requirements for such did not expand directly with increases in their sales volumes.

Other operating expenses include such costs as supplies, communications, taxes other than income taxes, insurance, light, heat and power, repairs, bad debt losses, interest on borrowed money and sundry expenses. Some of these were commonly experienced and hence were probably included quite uniformly in the figures reported, while others may not have been so generally encountered nor so consistently included in the dollar totals for other operating expenses. Nevertheless, the percentages for these costs were consistently lower for the larger rented jewellery stores in 1944, the averages dropping steadily from 9.0 per cent of sales in the smallest to 5.0 per cent in the largest size of business. This is probably a reflection of the presence in other operating expenses of sizable amounts of fixed costs which in percentage form become smaller as sales expand.

Summarizing the trends in the expense categories just described, total operating expenses for the five classes of rented stores varied from a low of 19.2 to a high of 22.3 per cent of sales in 1944. By size of business the larger jewellery stores generally had the higher total expense ratios, their higher payroll percentages being more than sufficient to offset the lower ratios they recorded for rentals, depreciation, and other operating expenses. The lowest average for total expenses of 19.2 per cent occurred in the grouping of rented stores having sales of less than $10,000 in the year under review. From this point the ratio rose to 20.6 and 21.5 per cent in the two immediately larger store sizes, dropped against the trend to 19.4 per cent in the $30,000 to $50,000 sales size and finally rose to 22.3 per cent for jewellery stores with sales of $50,000 or over.

Average net earnings averaged between 17.7 and 27.6 per cent

Proprietor's net earnings before income taxes and withdrawals can be considered to include two components, one representing a reward for his personal services, the other a net profit return on the capital he had invested in the business. Expressed in ratio form, the total net returns for the five sizes of rented stores averaged between 27.6 and 17.7 per cent of sales in 1944. By size of business, the ratios declined from the high of 27.6 per cent in the less than $10,000 to 18.6 and 17.7 per cent in the two immediately larger sizes of stores. From that point moderate increases took place with the averages rising to 18.2 and 20.5 per cent in the two largest sales groupings. These changes, of course, represent the net results of variations in the gross profit and total expense percentages which have been discussed previously.

In terms of dollar figures, however, average proprietor's net earnings per store recorded consistent increases from the smallest to the largest sizes of business. The progression started at an average of $1,813 per store in the less than $10,000 sales grouping and moved sharply upward to averages of $2,697, $4,369, $7,078 and $20,571 per outlet for the larger sizes of stores. A particularly sharp expansion, it will be noted, occurred between the $30,000 to $50,000 and the $50,000 and over classifications. This was due partly to the rise in the rate of net earnings but more importantly to the major expansion in the sizes of stores being compared, the average sales for these two groupings amounting to $38,874 and $100,049 per outlet in 1944.

Operating Results of Continuing Stores in 1941 and 1944 Compared

Out of the 137 usable schedules giving operating results for 1944 there were only 101 which also submitted figures for 1941. These were classified by size of business for Table 2 exclusively by the sales they reported for 1941 and thus entirely independent of their dollar volumes in 1944. Because of the limited number of reports available for both years it was necessary to reduce the number of sales-size categories from the five in Table 1 to the three enlarged ones for Table 2. In one of these - that of owned stores with 1941 sales of $50,000 and over - only two reports were included and therefore no averages have been presented. Only 6 and 7 schedules appeared in the other two sizes of owned establishments and these statistics should be used with caution. The samples, however, are somewhat larger for the three groupings of rented stores and the trends in the operating results of these outlets will be discussed in the following paragraphs.

Sales increased 31 per cent over 1941

A glance at the sales totals shown for rented stores indicates that the reporting stores experienced substantial gains in sales during the wartime period. These increases amounted in fact to 46 per cent over 1941 levels for rented stores with sales of less than $20,000, to 26 per cent for the intermediate group and to 32 per cent for jewellery outlets having dollar volumes of $50,000 or more in 1941. Overall the expansion in business in the three sizes of business amounted to about 31 per cent.

In the light of these gains in dollar volume, it is not surprising to find the rates of stock turnover averaging somewhat higher in 1944. In 1941, the average rates of stock turnover for the three sizes of rented stores amounted to 1.5, 1.7 and 2.0 times against corresponding ratios of 1.9, 2.2 and 2.6 times in the later year. This upward shift for the two larger sizes of stores was also caused by declines in inventories, total stocks at the end of 1944 in the $20,000 to $50,000 sales size dropping by 13 per cent and in the $50,000 and over grouping by 16 per cent from the valuations reported at the close of 1941. In the smallest size of business an increase of about 18 per cent was recorded but this was not sufficient to offset the other decreases and total inventories for all rented stores were lower by 11 per cent at the end of the later period. In summary, the three average inventory figures stood at $4,092, $11,831, and $28,177 per store at the end of 1941 and at $4,810, $10,251, and $23,791 per store at the close of 1944.

Gross profit ratios somewhat higher in 1944

Average rates of gross profits recorded by the rented jewellery establishments increased somewhat in the period under review. During 1941 the ratios for the three sizes of business amounted to 41.6, 39.0 and 39.0 per cent of total sales which compare with averages of 42.8, 39.3 and 42.5 per cent of the dollar volumes in 1944. These gains may have resulted in part from shifts in consumer buying to various items of merchandise carrying higher mark ups. A more important reason, probably, lies in the fact that stimulated by various wartime conditions receipts from repairs and services formed higher percentages of the sales of the reporting jewellery stores in 1944 than in 1941.

Total expense percentages were lower in 1944

Reflecting reductions in most of the ratios for the five classifications of operating expenses, the three percentages for total expenses were lower in 1944 than in 1941. During the earlier year, the averages for rented stores formed 23.2, 22.8 and 25.8 per cent of total sales against corresponding ratios of 20.8, 21.1 and 21.9 per cent in the later period.

Among the individual expense categories, employees' salaries and wages in ratio form remained practically unchanged between the two years, amounting to 7.3, 9.5 and 12.8 per cent of sales in 1941 and to 7.2, 9.8 and 12.1 per cent of sales in the corresponding size groupings of rented outlets in 1944. This stability, of course, means that the considerable expansions in sales were reflected in almost similar gains in dollar payroll costs, a situation which in turn suggests that some additions had been made to store staffs during the wartime period.

Rental costs, on the other hand, are fixed dollar expenses and formed lower percentages of sales in the later period. In response to increases in dollar volumes, these averages declined from 6.0, 4.0 and 3.2 per cent in 1941 to 4.1, 3.3 and 2.5 per cent in 1944.

Dollar allowances for depreciation, however, are somewhat less fixed in nature. Thus, while the original value of the fixed store assets may remain comparatively unchanged, the depreciation allowances rest upon estimates for wear and tear, obsolescence, etc., which may vary between stores and also from one time to another. Nevertheless, the depreciation allowances were all slightly lower as percentages of sales in 1944, the ratios for rented stores dropping from 1.0, 0.8 and 0.6 per cent in 1941 to 0.7, 0.7 and 0.5 per cent in the later period. These declines, however, were relatively somewhat smaller than the gains in sales and hence average dollar appropriations for this cost were all slightly higher in the more recent year. As between stores in owned and in rented premises, the former classes of outlets naturally had the higher rates of depreciation in the two years under review.

Advertising costs as percentages of sales were practically unchanged in the two smaller sizes of business but the ratio for the largest stores was lower in 1944. In 1941, the three averages for rented jewellery stores amounted to 0.7, 1.4 and 2.3 per cent against ratios of 0.8, 1.3 and 1.6 per cent of sales in 1944. In all but the largest size of business, the decreases were proportionately smaller than the increases in sales and consequently average publicity costs in dollars were greater in the more recent period. Other operating expenses in ratio form likewise followed the same trend and were lower in 1944, the averages dropping from 8.2, 7.1 and 6.9 per cent of sales in the earlier to 8.0, 6.0 and 5.2 per cent in the later year.

Net earnings percentages averaged higher in 1944

Reflecting the fact that the ratios for gross profits were higher and those for total expenses were lower, the proprietors of the reporting jewellery stores received in 1944 much larger shares of the sales dollar in the form of net earnings. Thus forming 18.4, 16.2 and 13.2 per cent of the sales of rented stores in 1941, proprietor's net earnings before income taxes and withdrawals rose to the higher levels of 22.0, 18.2 and 20.6 per cent of total receipts in the more recent period. Aided partly by these gains and partly by the substantial increases in sales volumes, actual net earnings per rented establishment were much higher in 1944, the averages rising from $1,882, $5,123 and $11,234 in 1941 to $3,296, $7,223 and $23,210 per outlet in the later year.

Table 1.--Jewellery Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	6	25		21
2. Total Sales	$38,652	$164,330		$304,793
3. Average Sales Per Store	6,442	6,573		14,514
Total Inventory Reported,			SAMPLE	
4. Beginning of Year	12,386	61,037		119,071
5. End of Year	11,898	68,294	TOO	115,173
6. Average for Year	12,142	64,666		117,122
Average Inventory Per Store,			SMALL	
7. End of Year	1,983	2,732		5,484
8. Cost of Goods Sold	22,186	87,424		185,314
9. Stock Turnover (times per year) ..	1.8	1.4		1.6
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	42.6	46.8		39.2
Operating Expenses:				
11. Employees' Salaries and Wages ..	6.9	3.9		6.3
12. Rent	-	4.9	SAMPLE	4.2
13. Advertising	0.4	0.5		1.1
14. Depreciation	1.4	0.9	TOO	1.2
15. Other Operating Expenses	8.2	9.0		7.8
			SMALL	
16. Total Operating Expenses	16.9	19.2		20.6
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	25.7	27.6		18.6
18. Average Proprietor's Net Earnings Per Store	$1,654	$1,813		$2,697

Table 1.--Jewellery Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
	18		26		27	1.
	$443,569		$1,010,711		$2,701,333	2.
	24,643		38,874		100,049	3.
SAMPLE		SAMPLE		SAMPLE		
	147,902		258,657		659,316	4.
TOO	147,134	TOO	239,877	TOO	600,678	5.
	147,518		249,267		629,997	6.
SMALL		SMALL		SMALL		
	8,174		9,226		22,247	7.
	269,690		630,684		1,545,162	8.
	1.8		2.5		2.5	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
	39.2		37.6		42.8	10.
	8.9		8.4		12.3	11.
SAMPLE	3.4	SAMPLE	2.7	SAMPLE	2.8	12.
	0.9		0.8		1.7	13.
TOO	0.7	TOO	0.6	TOO	0.5	14.
	7.6		6.9		5.0	15.
SMALL		SMALL		SMALL		
	21.5		19.4		22.3	16.
	17.7		18.2		20.5	17.
	$4,369		$7,078		$20,571	18.

Table 2.--Jewellery Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
GENERAL INFORMATION				
1. Number of Stores Reporting	6	30	6	30
2. Total Sales	$54,604	$307,432	$82,640	$449,808
3. Average Sales Per Store	9,101	10,248	13,773	14,994
Total Inventory Reported,				
4. Beginning of Year	27,796	119,257	24,888	133,288
5. End of Year	30,384	122,749	21,969	144,314
6. Average for Year	29,090	121,003	23,429	138,801
Average Inventory Per Store,				
7. End of Year	5,064	4,092	3,662	4,810
8. Cost of Goods Sold	35,274	179,540	49,171	257,290
9. Stock Turnover (times per year) ..	1.2	1.5	2.1	1.9
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)				
10. Gross Trading Profit	35.4	41.6	40.5	42.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	3.8	7.3	5.4	7.2
12. Rent	-	6.0	-	4.1
13. Advertising	0.8	0.7	0.6	0.8
14. Depreciation	2.5	1.0	1.9	0.7
15. Other Operating Expenses	9.5	8.2	8.4	8.0
16. Total Operating Expenses	16.6	23.2	16.3	20.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	18.8	18.4	24.2	22.0
18. Average Proprietor's Net Earnings Per Store	$1,711	$1,882	$3,344	$3,296

Table 2.--Jewellery Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
7	36	7	36		20		20	1.
$239,659	$1,137,128	$302,619	$1,432,196		$1,701,204		$2,248,555	2.
34,237	31,587	43,231	39,783		85,060		112,428	3.
				SAMPLE		SAMPLE		
111,344	371,779	88,560	421,617		497,568		522,049	4.
121,114	425,911	77,850	369,021	TOO	563,533	TOO	475,817	5.
116,229	398,845	83,205	395,319		530,551		498,933	6.
				SMALL		SMALL		
17,302	11,831	11,121	10,251		28,177		23,791	7.
144,275	693,648	174,914	869,343		1,037,734		1,292,919	8.
1.2	1.7	2.1	2.2		2.0		2.6	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
39.8	39.0	42.2	39.3		39.0		42.5	10.
13.3	9.5	11.1	9.8		12.8		12.1	11.
-	4.0	-	3.3	SAMPLE	3.2	SAMPLE	2.5	12.
0.9	1.4	0.8	1.3		2.3		1.6	13.
1.2	0.8	0.9	0.7	TOO	0.6	TOO	0.5	14.
8.0	7.1	5.6	6.0		6.9		5.2	15.
				SMALL		SMALL		
23.4	22.8	18.4	21.1		25.8		21.9	16.
16.4	16.2	23.8	18.2		13.2		20.6	17.
$5,639	$5,123	$10,284	$7,223		$11,234		$23,210	18.

PART V - TOBACCO STORES

Trends by Size of Business, 1944

Tobacco stores as classified in the 1941 Census of Merchandising consist of outlets specializing in the sale of tobacco, tobacco products and smokers' sundries. Included also are establishments specializing in the sale of a combination of tobacco, magazines and newspapers with or without the addition of other merchandise, but sales of tobacco must exceed receipts from newspapers and magazines. On this basis, about 67 per cent of the total sales of tobacco stores analyzing their sales by commodity classes in the Census comprised cigars, cigarettes and tobaccos. Stationery, books and magazines made up another 9 per cent, candy and confectionery about 5 per cent, all other food products 3 per cent, and miscellaneous merchandise amounted to 16 per cent of their total trade.

This survey of operating results is based upon usable returns received from 182 co-operating tobacco stores. These 182 returns were first classified by sales volume into five sizes of business for stores with sales of less than $10,000, with sales between $10,000 to $20,000, $20,000 to $30,000, $30,000 to $50,000 and those with dollar volumes of $50,000 or over in 1944. Such groupings were then divided between stores in owned and in rented premises to form ten sales and occupancy classifications.

At that point it was found that only 4 reports for owned stores were included in the $30,000 to $50,000 and none was available for such outlets in the $50,000 and over sales size. Statistics have therefore been presented in the table for only eight of the ten possible groupings and these rest upon 178 reports. In the three remaining sizes of owned stores the samples were quite small and the results for them should be used with caution. Because of that fact, this summary will deal mainly with the results obtained by the five groupings of rented tobacco stores.

Stock turnover averaged between 10.0 and 16.1 times

Turning now to the results of the survey presented in the table it will be noted that average rates of stock turnover for the five sizes of rented stores varied between a low of 10.0 and a high of 16.1 times in 1944. By size of business the three largest sizes of stores had lower stock turnover ratios than the two smallest ones. In this regard, the averages dropped from 16.1 and 12.9 times in the less than $10,000 and the $10,000 to $20,000 groupings of rented stores to 10.0, 11.3 and 10.2 times in the three larger categories of rented establishments. This relationship - a rather unusual one in retail trade - could have resulted from differences between the inventory and sales compositions of the smaller and the larger tobacco stores. Thus a number of the outlets in the two smallest sizes of business may have been handling more of the fast-selling and staple lines than was true of the larger stores; and hence their inventory requirements in relation to sales would be smaller than those of the bigger establishments.

This tentative suggestion finds at least partial support in rather low inventories per store which the two smallest sizes of rented establishments reported at the end of 1944. In the less than \$10,000 and the \$10,000 to \$20,000 sales sizes these stocks averaged \$324 and \$908 per outlet, from which they expanded to \$2,155, \$2,836 and \$5,520 per store in the three larger sizes of business. Changes in inventory positions between the beginning and end of 1944 were mixed as reference to the total inventory figures shown in the table will indicate. In the less than \$10,000 sales size total ending inventories were down by 6 per cent from opening levels and were virtually unchanged in the \$10,000 to \$20,000 grouping of rented stores. An increase of 10 per cent was recorded by the medium-sized stores but in the two largest sizes the expansions averaged only 4 and 3 per cent for an overall gain of about 5 per cent over beginning levels.

Gross profit ratios averaged between 15.2 and 21.0 per cent

Gross trading profits represent the difference between total sales and the cost of goods sold during the year. Expressed as percentages of sales the gross profit ratios were somewhat lower for the larger sizes of rented stores in 1944. In the less than \$10,000 sales size the average stood at 21.0 per cent but from there it dropped to 17.6, 15.6 and 15.2 per cent in the three larger sizes of business to rise finally to 18.6 per cent for rented stores with sales of \$50,000 and over.

Among the operating expenses, employees' salaries and wages ranged between averages of 1.9 and 4.3 per cent of sales for the five sizes of rented tobacco stores. By size of business, the ratios exhibited an irregularly rising trend. The series started at 2.0 per cent in the smallest, dropped slightly to 1.9 per cent in the \$10,000 to \$20,000 sales size, increased to 3.5 per cent in the next and then declined and finally expanded to 2.7 and 4.3 per cent of sales in the two largest sizes of rented stores. These irregularities, however, would have ironed themselves out into a consistent upward progression if the five sales groupings had been combined into three for stores with sales of less than \$20,000, \$20,000 to \$50,000 and of \$50,000 and over. Such an upward trend for unincorporated stores is a natural one in retail trade, for as the stores become larger their proprietors personally account for smaller shares of the expanding activities and hence must rely increasingly on paid employees to perform the extra work.

Rentals as percentages of sales followed the customary course and were smaller for the larger tobacco outlets in 1944, the averages dropping from 5.1 per cent in the less than \$10,000 to the low of 2.2 per cent in the \$30,000 to \$50,000 size of store. In stores with sales of \$50,000 and over the higher ratio of 3.1 per cent was recorded, an increase which may reflect the tendency for a greater proportion of these 14 stores to be located in the larger urban centres.

Very little in the way of advertising expenditures was reported by the co-operating tobacco stores for 1944. Indeed in the smallest size of business the publicity costs when expressed as a percentage of sales was less than 0.1 per cent and therefore was too small to show. For each of the four remaining sizes of rented stores the averages stood at a nominal 0.1 per cent of total receipts.

Depreciation allowances in ratio form were also on the low side for the rented establishments ranging overall between 0.5 and 0.2 per cent of sales, and amounting in three of the five sales sizes to 0.4 per cent of total receipts. Each of the three groupings of tobacco stores in owned premises with averages of 1.3, 1.3 and 0.9 per cent had higher depreciation expense ratios than their rented counterparts, a clear reflection of the greater investments of capital they had made in their businesses.

Other operating expenses, a residual category, include such operating costs as supplies, communication, taxes other than income taxes, insurance, light, heat and power, repairs, bad debt losses, interest on borrowed money and sundry expenses. Some of these were commonly experienced and probably were quite uniformly included, while others may not have been encountered so generally nor so consistently included in the totals reported. Nevertheless, the ratios for other operating expenses were consistently lower for the larger sizes of rented tobacco stores, the averages dropping from 3.0 per cent of sales in the smallest to 1.7 per cent in the largest size of business. This was probably due to the proper inclusion of certain relatively fixed dollar costs in this expense category which naturally form smaller percentages of large sales volumes than of small ones.

Total expense ratios between 7.5 and 10.5 per cent

Total operating expenses for the five groupings of rented tobacco stores varied between 7.5 and 10.5 per cent of sales in the year under review. By size of business, however, the trend was quite irregular. In rented stores with sales of less than $10,000 these expenses averaged 10.5 per cent of sales, from which the ratio declined to 8.3 per cent in the $10,000 to $20,000 store size, increased to 9.1 per cent in the next, then receded to 7.5 per cent and finally rose to 9.4 per cent for rented stores with sales of $50,000 or over.

Proprietor's net earnings before income taxes and withdrawals can be considered as consisting of two components, one representing a reward for his clerical services and the other a return on his invested capital. In ratio form, the average net earnings of the five sizes of rented tobacco stores ranged between a high of 10.5 and a low of 6.5 per cent of sales in 1944. By size of business, however, the averages showed a quite irregular trend, dropping from 10.5 per cent in the smallest to 9.3 and 6.5 per cent in the $10,000 to $20,000 and the $20,000 to $30,000 sales volume groupings, and then rising to 7.7 and 9.2 per cent of sales in the two largest sizes of stores. This pattern, it may be noted, parallels in considerable degree the trend in the gross trading profit ratios which declined from the smallest to the $30,000 to $50,000 sales size and then moved up to a sharply higher average in the $50,000 and over classification.

In spite of these irregularities, however, the dollar averages for net earnings per outlet were consistently larger for the bigger rented stores. Moving from the smallest to the largest sizes of business, these averages rose from $720 per store in the less than $10,000 sales class to $1,321, $1,606, $2,865 and $6,257 per outlet in the following groupings. The sharp increase between the two largest classifications was due, of course, to the major expansions in sales volume because average sales jumped from $37,086 per store in the $30,000 to $50,000 category to $67,992 per outlet in the $50,000 and over size of business.

Tobacco Stores--Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	8	24	14	55
2. Total Sales	$53,444	$164,222	$194,928	$781,855
3. Average Sales Per Store	6,681	6,843	13,923	14,216
Total Inventory Reported,				
4. Beginning of Year	5,227	8,300	13,923	49,716
5. End of Year	5,850	7,782	14,563	49,941
6. Average for Year	5,539	8,041	14,243	49,829
Average Inventory Per Store,				
7. End of Year	731	324	1,040	908
8. Cost of Goods Sold	40,350	129,735	155,163	644,249
9. Stock Turnover (times per year) ..	7.3	16.1	10.9	12.9
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	24.5	21.0	20.4	17.6
Operating Expenses:				
11. Employees' Salaries and Wages ..	4.4	2.0	3.5	1.9
12. Rent	-	5.1	-	3.1
13. Advertising	(a)	(a)	(a)	0.1
14. Depreciation	1.3	0.4	1.3	0.5
15. Other Operating Expenses	6.2	3.0	5.7	2.7
16. Total Operating Expenses	11.9	10.5	10.5	8.3
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	12.6	10.5	9.9	9.3
18. Average Proprietor's Net Earnings Per Store	$842	$720	$1,371	$1,321

(a) Less than .05 per cent.

Tobacco Stores--Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
9	33		21		14	1.
$223,397	$806,551		$778,808		$951,892	2.
24,822	24,441		37,086		67,992	3.
9,851	64,404	SAMPLE	57,175	SAMPLE	74,713	4.
12,285	71,110	TOO	59,562	TOO	77,276	5.
11,068	67,757	SMALL	58,368	SMALL	75,995	6.
1,365	2,155		2,836		5,520	7.
185,420	680,729		660,429		774,840	8.
16.8	10.0		11.3		10.2	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
17.0	15.6		15.2		18.6	10.
2.2	3.5		2.7		4.3	11.
-	2.8	SAMPLE	2.2	SAMPLE	3.1	12.
(a)	0.1		0.1		0.1	13.
0.9	0.4	TOO	0.4	TOO	0.2	14.
3.9	2.3	SMALL	2.1	SMALL	1.7	15.
7.0	9.1		7.5		9.4	16.
10.0	6.5		7.7		9.2	17.
$2,470	$1,606		$2,865		$6,257	18.

(a) Less than .05 per cent.

PART VI - COAL AND WOOD DISTRIBUTORS

Trends by Size of Business, 1944

These firms specialize mainly in handling such fuels as coal, coke, fuel oil and wood. Ice, lumber, building materials and supplies may be carried as subsidiary lines but their sales must not form more than 50 per cent of total dollar volumes.

Firms classified for this survey as distributors of coal and wood, however, generally concentrate to a high degree on the sale of fuels. Indeed about 94 per cent of the total sales of such firms analyzing their dollar volumes by classes of commodities in the 1941 Census of Merchandising consisted of heating fuels. Coal and coke were the principal commodities handled, their sales forming 84 per cent of the total. The remaining 10 per cent was made up of fuel oil at about 3 per cent and of wood and other fuels at 7 per cent of the total trade. The subsidiary lines thus amounting to only 6 per cent consisted of building materials at 3 per cent, ice 1 per cent and miscellaneous commodities 2 per cent of the sales so analyzed. The percentages just given, of course, are overall averages and the sales compositions of individual establishments would have varied somewhat from this percentage distribution.

Operating results affected by wartime conditions

The fact that coal and coke bulks so heavily in the sales of these coal and wood distributors has meant that their operating results were affected in considerable degree perhaps by the special wartime conditions prevailing in this trade. Coal, of course, was a strategic commodity, the use of which was greatly expanded not only by the industrial war effort but by augmented demands from increased numbers of consumers in the urban centers. These additional needs, moreover, were imposed upon a Canadian supply position normally balanced by substantial imports from Great Britain and the United States, both of which countries needed enlarged quantities to meet their own requirements. Such conditions called for governmental regulations designed to channel the right kinds and grades of coal to the essential industrial users, to ensure the equitable distribution of the remaining quantities to other consumers, and to control prices in the interests of the anti-inflation policies.

These developments naturally introduced various changes into the retail distribution of coal and coke. As the supply-demand position tightened, many coal dealers probably found themselves with reduced allocations and frequently selling different kinds and grades of coal - often at prices and mark ups varying from those they realized from their more normal lines of fuel. Retail prices, although comparatively well maintained by price controls and by the payment of subsidies, rose somewhat during the wartime period, the Bureau's retail price indexes for coal in 1944 being about 6 per cent above the 1941 average. With mark ups fixed on a tonnage basis according to dollar spreads realized in the basic period from September 15 to October 11, 1941, this meant that the dealers' gross trading profits as percentages of sales changed to some extent with changes in the kinds of coal which were carried. These rates of profit, moreover, tended to be reduced to some extent because the fixed dollar mark ups were expressed in fact as percentages of slightly higher selling prices.

The retail fuel dealers included in this sample may have varied in respect to services provided and the physical facilities they employed. Some of the distributors, of course, may have carried a number of kinds and grades of coal in stock while others may have specialized in stocking and handling particular types. At the other end of the scale, there were probably a number of what might be termed "truckers" who were included in the sample. Such dealers usually solicit orders from and make deliveries to customers from railway sidings or from wholesalers' yards, practically no stocks therefore being carried. Operating in this manner, the principal fixed assets of these distributors would consist of motor trucks, their requirements for coal yards and other physical facilities being greatly reduced by the very nature of their activities. The proportions of the different types of retail dealers, moreover, would also vary between different cities and sections of the country depending upon nearness to producing areas or to large wholesalers, the size and type of markets being served, and upon other factors prevailing in the pre-war period.

The effects of such developments and variations upon the national averages shown in the two tables obviously cannot be determined. Average rates of stock turnover, changes in inventories from beginning to end-of-year levels and average year-end stocks per establishment were probably influenced in some of the groupings not only by the inclusion of firms which customarily did not carry stocks but also by war-caused variations in distributors' inventory positions. The gross profit percentages, while being influenced by changes in the realized dollar mark ups which resulted from shifts in the kinds and grades of coal carried, were also probably affected in some degree at least by the inclusion of firms which, providing more limited services than others, were obtaining relatively lower rates of mark up. The expense percentages likewise would be affected by variations in services rendered and in equipment and fixed assets maintained. The effects of all of these factors, moreover, could have been all the more pronounced because of the comparatively restricted numbers of individual reports upon which the averages were based. Here it would be quite possible for a number of reports reflecting certain erratic conditions to congregate in particular classifications and thus throw the resulting averages rather widely out of line. The statistics appearing in the tables should therefore be treated with caution and be regarded more as rough indicators than as accurate national measures of operating experiences.

Turning now to the results of the recent survey, a total of 150 unincorporated coal and wood distributors returned usable reports on their operating experiences in 1944. These were first sorted into five sizes of business for establishments having sales of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000, and those with sales of $50,000 and over. Each of these was then broken down between businesses in owned and in rented premises to form ten sales and occupancy classifications. Only 3 reports, however, were received from rented establishments with sales of less than $10,000 in 1944. Averages are therefore presented in Table 1 for only nine of the ten categories of coal and wood distributors. In these the samples are also quite small for in seven of the nine categories the number of reports ranged between 7 and 19.

Referring to the statistics presented in Table 1, the nine averages for rates of stock turnover, which is computed by dividing the cost of goods sold by the average of beginning and ending inventories at cost levels, varied between a low of 11.0 and a high of 30.6 times in 1944. The latter ratio for 14 owned establishments with sales of less than $10,000, however, appears quite out of line, for in the other eight groupings the stock turnover averaged between 11.0 and 19.6 times in the year. The results show no definite tendency to vary either directly or inversely with the size of business. Apparently the effects of restricted supplies resulting frequently in hand to mouth buying by the retail trades were sufficiently great to overshadow the usual effect of annual volume of business upon stock turnover rate.

Average inventories per establishment at the end of 1944 varied directly with size and were therefore much higher for the larger coal and wood distributors. The smallest average ending inventory figure amounting to $149 per establishment was recorded by the 14 dealers in owned premises with individual sales of less than $10,000. Ending inventories averaged $819 and $676 per unit for owned and rented establishments with sales between $10,000 and $20,000, $2,038 and $1,297 in the $20,000 to $30,000, and $2,394 and $1,885 in the $30,000 to $50,000 groupings and stood at the considerably higher levels of $4,813 and $4,571 per establishment for those with annual receipts of $50,000 or over. Total inventories were valued somewhat higher at the end of the period than at the beginning, the aggregate figures for all owned and rented establishments indicating an increase of about 18 per cent. Here it should be noted that 138 out of the 150 firms reported for the 1944 calendar year while the others gave March 31, 1945 or later as the end of their fiscal periods.

Gross profits averaged between 15.5 and 26.8 per cent of sales

Gross trading profits for the nine sales and occupancy classes of coal and wood dealers varied between 15.5 and 26.8 per cent of sales in 1944 and for the seven intervening groupings between the much narrower range of 18.1 and 25.5 per cent. According to amount of sales made the ratios showed no conclusive tendencies to vary either directly or inversely with size of business. For owned establishments the averages increased from 15.5 per cent in the smallest to 25.0 per cent in the $10,000 to $20,000 sales size and then dropped to 21.7, 18.1 and 18.5 per cent in the three larger sizes of establishments. The high point for dealers in rented premises occurred in the $10,000 to $20,000 grouping where a ratio of 26.8 per cent was recorded, but the three larger sizes had the lower averages of 22.3, 25.5 and 25.0 per cent of sales, respectively.

Among the individual operating expenses, employees' salaries and wages for both owned and rented establishments were generally higher as percentages of sales for the larger sizes of business. For distributors in owned premises, the upward progression started with the unusually low figure of 1.5 per cent in the less than $10,000 size and then moved steadily upward to 4.6, 6.0, 6.3 and 6.9 per cent of dollar volumes in the four larger sales sizes. The four payroll ratios for rented establishments, on the other hand, divided themselves into two categories, the averages for those with sales between $10,000 to $20,000 and from $20,000 to $30,000 centering around 7.3 or 7.4 per cent and for those with volumes ranging from $30,000 to $50,000 and $50,000 or over concentrating around 10.3 per cent. This trend was due principally to the fact that the proprietors of the larger establishments personally accounted for smaller shares of the enlarged activities and hence had to rely to a greater extent on the services of paid employees than was true of the smaller businesses.

Rental expenses in ratio form for the four groupings of establishments in leased premises generally adhered to the usual pattern and were smaller for the larger distributors. The highest average of 1.7 per cent of sales was therefore recorded by dealers with sales between $10,000 and $20,000, from which point the ratios declined to 0.8, 1.1 and 0.5 per cent of sales in the three larger sizes of outlets.

Advertising expenses as percentages of sales were low in all of the nine sales and occupancy groupings of establishments. Indeed, the lowest average amounting to something less than 0.1 per cent of sales was too small to appear in Table 1. In four others it formed 0.1 per cent, in two 0.2 per cent and in the two remaining amounted to 0.3 per cent of sales in 1944.

Depreciation allowances expressed in terms of ratios were somewhat higher, ranging for the nine classes of establishments between 0.7 and 1.8 per cent of sales. The low of 0.7 was rather unusual in that it was recorded by the smallest size of owned establishments. The high of 1.8 per cent for distributors in owned premises occurred in the $10,000 to $20,000 size from which the ratios dropped to the lower level of 1.1, 0.9 and 1.1 per cent of sales in the three larger sales sizes. The four ratios for rented establishments, however, were represented by two averages with a figure of 1.4 or 1.5 per cent standing for the two smallest and an average of 1.0 per cent for the two largest sizes of business. In comparison with their rented counterparts the depreciation percentages are usually higher for the owned establishments. This relationship prevailed, however, in only two of the four groupings of coal and wood dealers for which comparisons were possible, the reverse being true in the other two sizes of business.

Other operating expenses, a residual category, included such items as heat, light, power and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, operating supplies, travelling and other communication costs, and sundry expenses. Some of these were common to all dealers and were included quite consistently in the figures reported; others, depending on individual circumstances, may not have been so widely experienced and so generally included. Probably due to this reason the percentage averages for other operating expenses were quite irregular in their trends by size of business. For owned establishments the series began with the rather low ratio of 5.0 per cent in the smallest size of business and rose to 6.5 and 9.6 per cent of sales in the $10,000 to $20,000 and the $20,000 to $30,000 sizes before receding to 6.6 and 5.8 per cent in the two largest sales groupings. For rented outlets, however, the ratios dropped from 9.7 per cent in the $10,000 to $20,000 size to 7.6 per cent in the next and then rose slightly to 7.9 per cent in each of the two largest sizes of business.

Total expenses averaged between 7.3 and 20.6 per cent of sales

Consolidating the various expense items just described, total operating expenses ranged between 7.3 and 20.6 per cent of sales in 1944. The lowest ratio of 7.3 per cent which represented the 14 owned establishments with sales of less than $10,000 was due mainly to the strikingly low payroll ratio which amounted to 1.5 per cent. Omitting this percentage from the comparisons, the eight remaining averages standing for owned and rented establishments with sales of $10,000 or over varied between 13.0 and 20.6 per cent of sales. Among these, the total expense percentages tended more to stabilize than to vary either directly or inversely with size of business, the upward progressions in the payroll percentages being largely offset by declines in the ratios for depreciation and other operating expenses. Thus for owned outlets the averages rose from 13.0 per cent in the $10,000 to $20,000 to 16.9 per cent in the next and then returned to 13.9 and 14.0 per cent in the two largest sizes. For rented establishments the series began at 20.5 per cent in the $10,000 to $20,000 grouping, dropped to 17.4 in the next, and at 20.6 and 19.8 per cent of sales in the two largest sizes of business approximated closely the average for dealers with sales between $10,000 and $20,000.

Proprietor's net earnings varied between 4.2 and 12.0 per cent of sales

Proprietor's net earnings as used here really comprise two components, one consisting of a reward for his personal services, the other of a return on his capital investment in the business. These averages ranged between outside limits of 4.2 and 12.0 per cent of sales for the nine sales and occupancy classes of establishments shown in Table 1. Both owned and rented establishments in the $10,000 to $20,000 sales size had the highest net earnings ratios with averages amounting to 12.0 and 6.3 per cent. In the three larger sizes of business, however, net earnings were closely grouped around considerably lower percentage figures, the ratios for such dealers in owned premises amounting to 5.0, 4.2 and 4.5 per cent and for those in rented premises to 4.9, 4.9 and 5.2 per cent of sales.

Actual dollar figures for net earnings per business were naturally higher for the larger establishments. Such earnings for businesses in owned premises ranged from $438 per outlet in the less than $10,000 sales size to $3,786 per unit for dealers with sales of $50,000 and over. Average net earnings for dealers in rented premises varied from $925 per unit for firms with sales between $10,000 and $20,000 to $4,992 per establishment for those having sales in 1944 of $50,000 and over.

Operating Results of Continuing Establishments in 1941 and 1944 Compared

Of the 150 coal and wood distributors reporting their operating results for 1944, only 92 were able to provide similar information for 1941. In view of the more limited number of firms reporting for the earlier period in was necessary to reduce the number of size categories for which statistics are given from the five shown in Table 1 to the three enlarged ones which appear in Table 2. The 92 reports were then classified by size of business for the second table according to their sales in 1941 entirely independent of their dollar volumes in the later year. This method enables the trends in the operating results for identical groupings of establishments to be examined over the four-year period. Such trends, however, are not necessarily representative either in direction or amount with what the entire trade may have experienced, for the possibilities of variation were considerable and only relatively small numbers of reports were available for such purposes.

The first aspect of the results of coal and wood dealers which can be compared is that of sales trends. Included in the 92 distributors reporting for both years were 16 establishments in owned premises which had sales in 1941 of less than $20,000. The sales of these averaged 22 per cent above the amount of business they transacted in 1941. There were also 17 firms in owned properties having 1941 sales between $20,000 and $50,000 and 19 distributors with volumes of $50,000 and over whose sales in the later period were up by 18 and 17 per cent, respectively, making an average for the 52 firms of about 18 per cent. The sample for establishments in rented premises was somewhat smaller but the 9 dealers in the smallest size of business experienced an increase of 56 per cent, the 19 in the intermediate grouping a gain of 52 per cent, and the 12 in the largest sales size an expansion of 38 per cent. In summary, the 40 establishments in rented premises recorded an average expansion of 44 per cent which when combined with the 52 firms in owned premises resulted in an overall gain of about 30 per cent for the 92 concerns which continued in business during the entire period.

Stock turnover averages all higher in 1944

In the light of these gains in sales it is not surprising to find the average rates of inventory turnover considerably higher in the later year. The extent of the increases which occurred in the stock turnover averages is indicated by the fact that while the ratios for the six sales and occupancy classes of establishments varied between 8.5 and 15.5 times in 1941 they were contained between the higher outside limits of 10.4 and 19.6 times in 1944.

Reductions in inventory levels between the end of 1941 and the close of 1944 also contributed to the upward movement in rates of stock turnover, for the total inventories for all reporting distributors in 1944 averaged 12 per cent lower than at the end of the later period. By size of business, however, the recessions were quite irregular. Average ending inventories per establishment, it may be noted, ranged for the six sales and occupancy groupings of distributors between $572 and $6,688 in 1941 and between $712 and $4,792 in 1944.

Average gross profit percentages varied irregularly

Average rates of gross trading profits for the six classes of coal and wood dealers varied in 1941 between 17.6 and 26.1 per cent of sales and between 17.3 and 27.9 per cent in the more recent year. Little in the way of a trend in the ratios was evident, however, when exact comparisons were made. In two instances, that of owned establishments with sales of less than $20,000 and of rented ones with dollar volumes between $20,000 and $50,000, the ratios moved upward from 20.9 to 23.9 per cent and for the latter from 25.7 to 27.9 per cent. Declines were recorded by two others, the averages for owned outlets with sales between $20,000 and $50,000 dropping from 20.0 to 19.4 per cent and for rented ones with sales of $50,000 or over from 26.1 to 21.7 per cent of sales, while in the two remaining classifications the ratios remained virtually unchanged. Differences in the kinds and grades of coal carried and in the manner of accounting for subsidies received may be at least partially responsible for the quite erratic variations which have been noted.

Among the operating expense ratios, the trends in the payroll ratios were also mixed. Expressed as percentages of sales, employees' salaries and wages were higher for 1944 in three of the six classes of establishments by amounts ranging between 1.1 and 1.9 percentage points. Comparative stability featured the three other groupings where the declines ran between 0.2 and 0.5 percentage points. These changes indicate that average salary and wage payments per distributor were higher in each of the six groupings in 1944, a natural reflection of the substantially larger volumes of sales the dealers were then making. Overall the payroll ratios varied between 5.8 and 10.1 per cent of sales in 1941 and between 5.3 and 12.0 per cent in the later period.

Rentals, however, were lower as percentages of total sales in 1944. In the earlier year the averages for the three sizes of business stood at 1.6, 1.0 and 0.6 per cent of total dollar volumes against corresponding ratios of 1.0, 0.7 and 0.4 per cent in the more recent period. Advertising expenses in percentage form remained low and were quite stable in both years. For 1941 these costs varied between 0.1 and 0.4 per cent of sales and for 1944 between 0.1 and 0.3 per cent.

A high degree of stability also featured the average percentages for depreciation allowances. In two of the six groupings the ratios were unchanged, in two others they were up slightly while minor declines took place in the remaining classifications. Overall the six averages varied between 0.8 and 1.3 per cent of sales in 1941 and between 0.8 and 1.6 per cent in 1944. These changes, however, were not sufficient to offset the effects of the substantial increases in sales volume and hence the dollar allocations for depreciation expense were considerably larger in the more recent period.

Other operating expenses ranged between averages of 5.8 and 9.6 per cent of sales in 1941 and from 5.6 to 9.1 per cent in 1944. When examined in detail certain irregularities in trend are apparent. In two of the groupings, that of owned establishments with sales of less than $20,000 and of businesses in rented premises with sales between $20,000 and $50,000, the ratios moved upward by 0.7 and 1.1 percentage points against decreases in the other four which varied between 0.2 and 1.3 percentage points.

Total expense ratios were also irregular in trend

The mixed trends between 1941 and 1944 which have just been noted especially in the payroll and other expense percentages naturally tended to be reflected in the total operating expense ratios, for these two costs far outweighed the other three in importance. In summary, the six averages for total expenses varied between 13.0 and 20.7 per cent of sales in 1941 and between 12.2 and 23.1 per cent in the more recent period.

Proprietor's net earnings for the six groupings ranged from 4.3 to 7.6 per cent of sales in 1941 and from 3.0 to 9.9 per cent in 1944. Two categories recorded increases, three showed appreciable declines while the ratio for the sixth remained practically unchanged between the two years.

In dollar figures, average net earnings per establishment were higher in four of the six sales and occupancy groupings of coal and wood dealers in 1944 but were moderately lower in the other two. These averages varied between lows and highs of $756 and $6,398 in 1941 and between $1,099 and $6,155 in the more recent period.

Table 1.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	14		15	15
2. Total Sales	$75,419		$227,379	$221,130
3. Average Sales Per Store	5,387		15,159	14,742
Total Inventory Reported,		SAMPLE		
4. Beginning of Year	2,072		10,846	6,387
5. End of Year	2,091	TOO	12,287	10,140
6. Average for Year	2,082		11,566	8,264
Average Inventory Per Store,		SMALL		
7. End of Year	149		819	676
8. Cost of Goods Sold	63,729		170,534	161,867
9. Stock Turnover (times per year) ..	30.6		14.7	19.6
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	15.5		25.0	26.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.5		4.6	7.4
12. Rent	-	SAMPLE	-	1.7
13. Advertising	0.1		0.1	0.3
14. Depreciation	0.7	TOO	1.8	1.4
15. Other Operating Expenses	5.0		6.5	9.7
		SMALL		
16. Total Operating Expenses	7.3		13.0	20.5
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	8.1		12.0	6.3
18. Average Proprietor's Net Earnings Per Store	$438		$1,826	$925

Table 1.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
7	12	19	15	28	22	1.
$175,282	$312,682	$737,364	$607,966	$2,359,433	$2,098,343	2.
25,040	26,057	38,809	40,531	84,265	95,379	3.
10,626	13,920	40,578	28,069	92,829	103,839	4.
14,267	15,561	45,491	28,276	134,760	100,566	5.
12,447	14,741	43,035	28,173	113,795	102,203	6.
2,038	1,297	2,394	1,885	4,813	4,571	7.
137,246	242,954	603,164	452,327	2,026,753	1,573,757	8.
11.0	16.5	14.0	16.1	17.8	15.4	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
21.7	22.3	18.1	25.5	18.5	25.0	10.
6.0	7.3	6.3	10.5	6.9	10.1	11.
-	0.8	-	1.1	-	0.5	12.
(a)	0.2	0.1	0.1	0.2	0.3	13.
1.1	1.5	0.9	1.0	1.1	1.0	14.
9.6	7.6	6.6	7.9	5.8	7.9	15.
16.7	17.4	13.9	20.6	14.0	19.8	16.
5.0	4.9	4.2	4.9	4.5	5.2	17.
$1,264	$1,282	$1,640	$2,001	$3,786	$4,992	18.

(a) Less than .05 per cent.

Table 2.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	16	9	16	9
2. Total Sales	$167,123	$95,525	$204,100	$149,104
3. Average Sales Per Store	10,445	10,614	12,756	16,567
Total Inventory Reported,				
4. Beginning of Year	12,445	3,981	9,225	5,011
5. End of Year	14,913	5,151	11,395	8,478
6. Average for Year	13,679	4,566	10,310	6,745
Average Inventory Per Store,				
7. End of Year	932	572	712	942
8. Cost of Goods Sold	132,194	71,071	153,320	111,381
9. Stock Turnover (times per year)	9.7	15.5	14.9	16.5
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	20.9	25.6	23.9	25.3
Operating Expenses:				
11. Employees' Salaries and Wages	6.2	6.4	5.8	7.8
12. Rent	-	1.6	-	1.0
13. Advertising	0.1	0.1	0.1	0.1
14. Depreciation	1.3	0.8	1.6	0.9
15. Other Operating Expenses	5.8	9.6	6.5	8.9
16. Total Operating Expenses	13.4	18.5	14.0	18.7
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals	7.5	7.1	9.9	6.6
18. Average Proprietor's Net Earnings Per Store	$787	$756	$1,273	$1,099

Table 2.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

(Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
17	19	17	19	19	12	19	12	1.
$567,227	$657,703	$669,699	$999,018	$1,433,070	$1,006,306	$1,678,228	$1,388,057	2.
33,366	34,616	39,394	52,580	75,425	83,859	88,328	115,671	3.
50,465	37,438	45,295	47,190	93,660	45,793	65,097	57,804	4.
55,898	51,066	58,088	46,456	127,081	51,624	91,057	53,052	5.
53,182	44,252	51,692	46,823	110,371	48,709	78,077	55,428	6.
3,288	2,688	3,417	2,445	6,688	4,302	4,792	4,421	7.
453,782	488,673	539,777	720,292	1,180,850	743,660	1,386,216	1,086,849	8.
8.5	11.0	10.4	15.4	10.7	15.3	17.8	19.6	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
20.0	25.7	19.4	27.9	17.6	26.1	17.3	21.7	10.
6.7	10.1	7.8	12.0	5.8	8.2	5.3	8.0	11.
-	1.0	-	0.7	-	0.6	-	0.4	12.
0.2	0.4	0.1	0.2	0.3	0.4	0.2	0.3	13.
0.9	1.2	0.9	1.1	1.1	1.1	1.1	0.8	14.
7.9	8.0	7.6	9.1	5.8	8.2	5.6	6.9	15.
15.7	20.7	16.4	23.1	13.0	18.5	12.2	16.4	16.
4.3	5.0	3.0	4.8	4.6	7.6	5.1	5.3	17.
$1,449	$1,741	$1,189	$2,490	$3,506	$6,398	$4,537	$6,155	18.