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MERCHANDISING AND SERVICES BRANCH

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

1944

Bulletin No. 6

INDEPENDENT AUTOMOBILE DEALERS

INDEPENDENT FILLING STATIONS

INDEPENDENT GARAGES

Including

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

OTTAWA
1946

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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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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 - AUTOMOBILE DEALERS

According to the Census of Merchandising, there were 1,962 automobile dealers and 212 distributors with wholesale car departments engaged in handling new motor vehicles in 1941. The total sales of these establishments which consisted of new and used vehicles, parts and accessories and service receipts amounted to $238,013,600 for the former and $102,029,100 for the latter type of firms for an aggregate volume of $340,042,700 in that year. Such concerns provided livelihoods for 1,925 proprietors or partners, full time work for 20,306 employees to whom $29,017,200 was distributed in salaries and wages, and part time employment to 1,755 individuals who received $853,500 in salaries and wages for a total payroll of $29,870,700 in 1941.

Any statement on the operating experiences of this important division of retail distribution obviously must recognize the drastic changes which followed the discontinuance early in 1942 of new motor vehicle production. Previously, the automobile retailers had been geared to a high level of activity. In 1940, for example, their sales of new cars, trucks and busses numbered 130,552 units for a retail value of $148,845,278. In 1941, they sold 118,073 new units at an aggregate value of $151,868,905 which constituted 45 per cent or slightly less than half of their total gross sales of $340,042,700. In 1943, only 4,798 new units were retailed at $7,557,400, a valuation approximately 95 per cent below the $151,868,905 realized in 1941. In 1944, there were 11,677 new vehicles released by the Motor Vehicle Controller of the Department of Munitions and Supply for civilian use of which 9,514 units were commercial and 2,163 were passenger models, but no figures on the total retail value of these are available.

Concurrent with this heavy contraction, the financing of used vehicles by firms which specialize in this activity and which of course takes no account of sales made on a cash basis dropped from 141,387 units in 1941 to 30,599 vehicles in 1944 for an overall decline of 78 per cent. Rates of gross profit realized on such transactions, however, were likely somewhat higher in the more recent years, for a considerable proportion of the 1941 sales were from trade-in stocks. In this regard, the Bureau's report on Motor Vehicle Retailing in Canada, 1937, showed a gross trading loss of 4.8 per cent of sales in that period.

Under the impact of these conditions, a number of the smaller new vehicle retailers probably discontinued operation. The majority of the firms, however, carried on at reduced levels by selling used cars when available and by maintaining and expanding their parts and accessories and repair departments. Some of the firms, indeed, may have developed their repair and servicing activities to the proportions of machine shop operations. The contributions of these servicing activities to the economy are well illustrated by the Bureau's estimates of passenger cars withdrawn from use. These totalled 166,054 in the three-year period 1939-1941 against a figure of 110,962 for the three years of 1942 to 1944 inclusive. During 1943 and 1944 such withdrawals reached the exceptionally low levels of 23,143 and 16,319 units while the nine-year high of 71,500 withdrawals in 1942 reflected in part at least the displacements caused by heavy sales in the preceding years.

Summary of operating results, 1941 and 1944

The effects of these developments upon the operating results of automobile retailers are shown in the statistics presented in Table 1 and are commented upon later in the text. The more outstanding changes in operating results between 1941 and 1944, however, may be summarized as follows:

(1) Total sales obtained in 1944 by reporting establishments in owned and rented premises averaged 54 per cent below the dollar volumes which these same firms obtained in 1941. The greatest decreases were experienced by the largest firms, the 1944 sales of owned and rented establishments with sales of $50,000 and over being 53 and 61 per cent below the levels for the earlier year. Even these contractions, moreover, do not reflect the decreases for the trade as a whole because the continuing firms undoubtedly secured a certain amount of the business formerly transacted by the establishments which had discontinued operations.

(2) Gross profit percentages were generally higher in 1944 than in 1941. As an example, the gross margins for owned and rented establishments with 1941 sales of $50,000 and over increased from 18.1 and 15.2 per cent of sales in the earlier to 29.4 and 29.0 per cent in the later period. This was due mainly to the markedly higher proportions of total receipts from services which, consisting mainly of labour charges, contributed only small amounts to the offsetting item for cost of goods sold.

(3) Total operating expenses as percentages of total sales also averaged considerably higher in 1944 than in 1941, the ratios of owned and rented firms with sales of $50,000 and over rising from 13.7 and 12.0 per cent in the earlier to 21.7 and 21.5 per cent in the later period. Higher payroll ratios contributed heavily to these increases, but rent, depreciation and all other expenses formed larger percentages of the reduced sales volume in 1944 than of the much larger turnovers of 1941.

(4) The average rates of net earnings before income taxes and proprietors' withdrawals followed the upward movement recorded by gross profits forming higher percentages of sales in 1944. As an illustration, the ratios for owned and rented establishments with sales of $50,000 and over rose from 4.4 and 3.2 per cent in 1941 to 7.7 and 7.5 per cent in 1944.

(5) The expansions in the net earnings ratios, however, were not sufficient to offset the sharp declines in total sales. Average net earnings per establishment in consequence were lower in the more recent period, the net earnings of owned and rented establishments with sales of $50,000 and over receding from $6,166 and $6,516 per outlet in 1941 to $4,996 and $5,843 in 1944.

Description of business activities, 1941

Before proceeding to analyze in detail the operating results of the reporting automobile retailers, a description of their merchandising activities may be in order. This is presented in the following table which reveals the percentages which the sales of the different commodities and receipts from services formed of the total dollar volumes of the firms which reported an analysis of their sales in the 1941 Census of Merchandising. The averages are national in scope and rest upon the returns of both unincorporated and incorporated businesses.

Percentage Distribution of Sales by Commodity Classes, Canada, 1941

Commodities Sold	Retail Dealers Only	Distributors with Wholesale Car Departments
	%	%
TOTAL, All Commodities Sold	100.0	100.0
New passenger cars	31.7	31.1
New commercial vehicles	11.4	6.5
Used vehicles	29.8	26.6
Wholesale car department sales	-	17.0
Tractor (farm and other)	0.8	0.2
Parts and accessories	8.9	8.3
Tires and tubes	1.6	1.1
Storage batteries	0.5	0.3
Gasoline, lubricating oils and greases	7.6	2.7
Miscellaneous merchandise	1.2	0.8
Receipts from repairs and services	6.5	5.4

Operating Results of Continuing Establishments in 1941 and 1944 Compared

For other retail trades the practice has been to present first the operating results obtained in 1944 followed where possible by the averages for the smaller numbers of firms which submitted figures for both 1941 and 1944. The interest of automobile retailers in such figures, however, is naturally directed back to their experiences in the more normal year of 1941 as a possible indicator of their operations in 1946. The present report recognizes this interest by first presenting the comparative statistics of identical firms for 1941 and 1944 in Table 1, and then the results of a somewhat larger sample of establishments for 1944 only in Table 2.

Turning to the recent survey, a total of 315 unincorporated concerns submitted usable returns on their operations in 1944. Of these, 223 also provided similar information for 1941. The latter group was classified into three sizes of business: (a) firms with sales of less than $20,000, (b) between $20,000 and $50,000, and (c) those with dollar volumes of $50,000 and over. This was done entirely on the basis of sales made in 1941 and therefore quite independently of sales in 1944. These categories were then subdivided between establishments in owned and in rented premises to form six sales and occupancy groupings of reports. Only 4 returns, however, were available to represent rented outlets with sales of less than $20,000 and figures were consequently compiled for only the remaining five classes of automobile retailers.

Sales decline from 1941 averaged 54 per cent

A glance at the total sales figures indicates that dollar volumes in all but one of the five groupings were markedly lower in 1944 than in the earlier period. Firms in owned premises with sales of less than $20,000 were the only ones to better their 1941 volumes, the 1944 sales for the group averaging 21 per cent higher than in the previous period. The increase for these small firms was partly due to an expansion in their service receipts which tend to form somewhat larger percentages of total sales than is true of the larger establishments. Being comparatively small, moreover, these outlets were able to replace their relatively low sales of new vehicles with considerably greater quantities of used ones or indeed with other merchandise. Substantial declines, on the other hand, were experienced in the two larger sizes of business. For owned and rented establishments with sales between $20,000 and $50,000, the declines from 1941 levels amounted to 14 and 19 per cent. In the largest size of business, consisting of owned and rented outlets with average 1941 sales of $138,647 and $200,381 per firm, the declines were much more severe, representing contractions of 53 and 61 per cent from previous levels.

The cessation of new motor vehicle production, of course, emphasized the need for conserving the cars and trucks already in use, and thereby increased the relative importance of the repair and parts and accessories departments of the automobile dealers. Designed primarily for acquiring information necessary for national income estimation, the schedule did not require the total receipts of the reporting establishments to be broken down in detail. The form, however, did permit an analysis of such revenues as between sales of merchandise and receipts from repairs and services to be made, and the trends in these between 1941 and 1944 are shown in the following table. The sample, it will be observed, is quite small for owned establishments with 1941 sales of less than $20,000 and the averages for these may not be typical of other retailers with similar dollar volumes in 1941.

Motor Vehicle Retailers
Analysis of Total Sales by Size of Business, 1941 and 1944

Occupancy Class	Size of Business					
	Under $20,000		$20,000-$49,999		$50,000 and Over	
	1941	1944	1941	1944	1941	1944
Owned Establishments						
Number reporting	12	12	50	50	52	52
Number analyzing sales	6	6	41	41	40	40
Per cent sales of merchandise	77.7	74.2	87.9	84.1	90.7	79.9
Per cent receipts from services	22.3	25.8	12.1	15.9	9.3	20.1
Average sales per outlet ...	$14,184	$18,459	$32,740	$27,157	$150,149	$69,171
Average service receipts per outlet	$ 3,163	$ 4,762	$ 3,962	$ 4,318	$ 13,964	$13,903
Rented Establishments						
Number reporting			26	26	79	79
Number analyzing sales	Sample	Sample	18	18	60	60
Per cent sales of merchandise			82.8	76.8	91.0	78.6
Per cent receipts from services	Too	Too	17.2	23.2	9.0	21.4
Average sales per outlet ...	Small	Small	$36,088	$30,109	$190,568	$77,100
Average service receipts per outlet			$ 6,207	$ 6,985	$ 17,151	$16,499

Receipts from repairs and other services were consistently higher as percentages of total sales in 1944 than in 1941, the five averages ranging between 9.0 and 22.3 per cent in the earlier and between 15.9 and 25.8 per cent in the later year. Reflecting the major declines in sales volumes, the sharpest increases in the proportions of service receipts were recorded by establishments with 1941 sales of $50,000 and over. Firms of this size in owned premises obtained 9.3 per cent of their total receipts from repairs and services in 1941 against 20.1 per cent in 1944 while the corresponding ratios for outlets in rented premises stood at 9.0 and 21.4 per cent. By size of business, the smaller concerns depended more upon their repair departments in 1941 than the larger ones did, the ratios of service to total receipts declining steadily as the establishments became larger.

Actual service receipts per establishment in the intermediate and largest sales sizes surprisingly enough remained comparatively stable in both periods. This suggests that either the repair departments were operating at near capacity levels in 1941, or that through labour shortages they were unable to expand those repair volumes appreciably in 1944. Both factors, indeed, may have been present within these samples. Although not necessarily indicative of general experiences because of the limited sample, the repair departments of the 6 owned establishments with sales of less than $20,000, however, were able to better the performance of the larger outlets by obtaining on average considerably larger receipts per establishment in the later period.

The above averages, of course, are more significant as indicators of trend than as accurate measures of the contributions of repair departments to the sales volumes of motor vehicle retailers. In this regard, the service receipts of all firms included in the preceding table averaged 9.6 per cent of sales in 1941 against the overall ratios of 6.5 and 5.4 per cent for the much larger number of automobile dealers and distributors which reported for the same year in the Merchandising Census. The comparison is a fairly close one - and might have been even closer if more of the larger firms had been included in the sample - but the gap nevertheless suggests that these figures should be regarded primarily as indicators of trend.

Ending inventories generally much lower in 1944

Inventory positions of course were much lower at the end of 1944 than at the close of 1941. In the $20,000 to $50,000 sales size, the total ending stocks reported for 1944 by the 50 firms in owned premises were about 18 per cent below the corresponding valuations for 1941, while the decline for the 26 rented establishments amounted to 46 per cent. Reflecting the probability that new motor vehicles bulked more heavily in the stocks of the largest firms, their inventories recorded even greater declines which averaged 51 per cent for the 52 concerns in owned, and 63 per cent for the 79 establishments in rented premises. Such contractions, it will be recalled, paralleled closely their declines in sales which amounted to 53 per cent and 61 per cent respectively. The 12 establishments in owned premises in the smallest size class reversed these trends, their stocks and sales being 11 and 21 per cent greater than the corresponding figures for 1941.

Average inventories per establishment varied for the five sales and occupancy groupings between $1,875 and $24,948 at the end of 1941. The firms with sales of $50,000 and over naturally reported the largest inventories, owned establishments with average sales of $138,647 having inventories of $17,091 per unit while the rented outlets with the much higher average sales figure of $200,381 had ending inventories amounting to $24,948 per establishment. The merchandise inventories of the reporting retailers averaged much lower at the end of 1944, the five figures ranging between $2,076 and $9,303 per establishment.

Stock turnover ratios irregular in trend

The stock turnover ratios were calculated by dividing cost of goods sold, i.e., cost of sales, by the average cost values of beginning and ending inventories. Both cost of goods sold and the inventory valuations were to include the labour costs involved in reconditioning used cars for sale. The resulting averages therefore represented the number of times such inventories of merchandise and incorporated labour costs were turned over in the year and were independent of the receipts or the labour costs which arose from the provision of repair services.

So defined, the stock turnover averages for the five sales and occupancy groupings of firms varied between 5.6 and 7.5 times in 1941 and between 5.7 and 7.4 times in 1944. These outside figures, however, conceal the irregularities in trend which are apparent between the two years when the ratios are examined in detail. In two of the categories, that of owned establishments with volumes of less than $20,000 and those with sales between $20,000 and $50,000, the ratios were only slightly higher in 1944 than in 1941. For rented outlets with sales ranging between $20,000 and $50,000 the average rose from 6.3 times in the earlier to 7.4 times in the later period. In the largest size of business the turnover rates were sharply lower in 1944, the ratio for owned establishments receding from 6.7 to 5.7 times and for rented ones from 7.5 to 6.0 times. During 1941 these firms were turning over their inventories of motor vehicles at sufficiently fast rates to raise the overall average above the slower turnovers recorded in their parts and accessories departments. In 1944, they derived practically no revenues from the sale of new cars and trucks and hence the lower stock turns of their parts and accessories departments effectively reduced the averages realized on their entire operations.

In 1941, as the more normal operating period, the largest retailers had the highest rates of stock turn. These averaged 6.7 times for the owned and 7.5 times for the rented establishments which compares with ratios of 5.6 and 6.3 times recorded by those with sales between $20,000 and $50,000. The figure of 5.6 times, however, was exceeded by owned establishments with sales of less than $20,000, the average for which stood at 6.0 times in 1941. This ranking was reversed in the later period when the largest firms turned over their average inventories at somewhat slower rates than the smaller establishments.

Gross profit percentages averaged higher in 1944

Gross trading profits, or the difference between total sales and cost of sales, were generally higher as percentages of total receipts in 1944. Overall the ratios for the five groupings of establishments ranged between 15.2 and 25.7 per cent in the earlier and between 20.6 and 30.2 per cent in the later period. No change was recorded by the 12 outlets in owned premises with sales of less than $20,000, their gross profits averaging 25.7 per cent in both years, service receipts forming only a moderately higher percentage of total sales in the more recent period.

Of the two larger sizes of business, the owned and rented establishments with sales of $50,000 and over registered the sharpest gains in the average rates of gross trading profits between 1941 and 1944. This was due largely to the much higher proportions which receipts from repairs and other services formed of their total sales volumes in the later period. These receipts consist principally of labour charges, the wages for which were included in salaries and wages and hence had virtually no counterpart in the cost of goods sold. The changes in rates of gross profit and in the percentages of service receipts between the two years are summarized below.

Gross Profit and Service Receipt Percentages, 1941 and 1944

Sales and Occupancy Class	Gross Profits (Per cent of sales)		Service Receipts (Per cent of sales)	
	1941	1944	1941	1944
Between $20,000 and $49,999				
Owned Establishments	19.0	20.6	12.1	15.9
Rented Establishments	21.8	30.2	17.2	23.2
$50,000 and Over				
Owned Establishments	18.1	29.4	9.3	20.1
Rented Establishments	15.2	29.0	9.0	21.4

By size of business the largest concerns had the lowest rates of gross trading profits in 1941, the averages for firms in owned premises declining from 25.7 per cent of sales in the smallest sales size to 19.0 per cent in the intermediate and to 18.1 per cent in the largest size categories. The movement is similar for rented establishments, for those with sales between $20,000 and $50,000 recorded an average of 21.8 per cent against a lower figure of 15.2 per cent for outlets with volumes of $50,000 and over. In 1944 the trends were more irregular, the ratios for owned establishments declining from 25.7 per cent in the smallest to 20.6 per cent in the intermediate and then rising to 29.4 per cent for the largest retailers of motor vehicles. This was paralleled by a similar progression in the percentages of service to total receipts which dropped from 25.8 per cent in the smallest to 15.9 per cent in the intermediate and expanded to 20.1 per cent of total receipts in the largest sales size. For rented establishments, average gross profits receded from 30.2 per cent in the $20,000 to $50,000 size to 29.0 per cent in the $50,000 and over sales category while the ratio of service to total receipts fell from 23.2 to 21.4 per cent of aggregate sales volumes.

Payroll ratios averaged higher in 1944 than in 1941

Unallocated salaries and wages paid to employees, i.e., wages not charged directly to the reconditioning of used cars and included in the final costs of such vehicles, were higher as percentages of total sales in 1944. Overall the five payroll averages varied between 5.9 and 7.5 per cent in 1941 and between 7.1 and 11.5 per cent in 1944. The major increases were recorded by rented establishments with sales between $20,000 and $50,000 and by both owned and rented outlets with sales of $50,000 and over where the ratios rose from 7.5 to 11.3 and from 7.1 to 11.4 and from 5.9 to 11.5 per cent, respectively. It was in these same groupings, moreover, that the proportions of service to total receipts also showed the greatest increases between the years in question.

Actual expenditures for undistributed salaries and wages per establishment were lower in three of the five groupings of outlets in 1944. These consisted of firms in owned premises with sales between $20,000 and $50,000 and of firms in owned and rented premises with sales of $50,000 and over, the averages for which dropped from $2,347 to $2,174, from $9,844 to $7,362, and from $11,823 to $8,917 per unit, respectively. Owned establishments with sales of less than $20,000 and rented ones with volumes between $20,000 and $50,000, on the other hand, reversed this trend, their average payrolls rising from $992 to $1,218 and from $2,720 to $3,193 between 1941 and 1944. Such gains follow naturally from the fact that service receipts and the labour costs involved therein were greater both relatively and absolutely for these two classes of firms in 1944, while owned establishments in the smallest size also added to the labour required by increasing their sales over the 1941 levels.

By size of business, the payroll ratios for the three classes of owned establishments in 1941 were stable at 7.0 to 7.1 per cent of sales, while those for rented ones dropped from 7.5 in the $20,000 to $50,000 to 5.9 per cent in the $50,000 and over groupings. In 1944 the trend was upward, the payroll ratios for automobile retailers in owned premises rising from 7.1 per cent in the smallest to 7.6 and 11.4 per cent in the two larger sales sizes and for those in rented premises from 11.3 to 11.5 per cent. This contrasting movement in the salary and wage ratios may have been due partly to differences in accounting methods and partly to economic changes. In 1941, it is possible that the smaller firms included in salaries and wages labour costs which the larger ones allocated to costs of sales. In 1944 there was probably less reconditioning of trade-ins and more regular repair work. These conditions tended to place the small and the large retailers on a more comparable basis because the larger firms would also charge the labour costs in their repair work to salaries and wages. Such developments would then permit the ratio for employees' salaries and wages to increase normally with expansions in size of business, a trend which results naturally from the fact that the proprietors of the larger establishments obviously account for smaller shares of the total work than is true of the smaller businesses.

Among the four remaining expense categories, rentals formed higher percentages of sales in 1944 than in 1941. For establishments in the $20,000 to $50,000 sales class the rentals ratio increased only slightly from 1.8 to 1.9 per cent but the average for those with dollar volumes of $50,000 and over doubled, being 0.7 per cent in 1941 and 1.4 per cent in 1944. This was due largely to the drop in sales, the relative decline being greatest for those having sales of $50,000 and over. Advertising expenses in percentage form were comparatively low in both years. For 1941, the five averages ranged between 0.1 and 0.3 per cent of sales and in 1944 between the wider limits of 0.1 and 0.7 per cent.

Depreciation allowances like rentals were higher as percentages of sales in 1944. During 1941 the five ratios varied from 0.3 to 1.5 per cent against an outside range of 0.7 and 1.9 per cent in the later period. In actual amounts these write-offs generally tend to remain relatively stable and therefore formed higher percentages of the reduced sales volumes which prevailed in 1944. Due possibly to special circumstances, the depreciation ratio for the owned establishments with sales of less than $20,000 - the only classification to record an expansion in volume - moved up from 1.5 per cent in 1941 to 1.9 per cent in the later period. Reflecting their greater investments in buildings, the two groupings of owned establishments had higher averages for depreciation in both years than did their rented counterparts.

Other operating expenses were to include all operating costs other than those already mentioned. Such expenses as percentages of sales were higher in 1944 for the four categories of outlets which had receipts of $20,000 or over and which experienced the contractions in sales between the two years, the four averages ranging between 4.9 and 6.3 per cent in 1941 and between 5.5 and 8.3 per cent in 1944. These increases were probably due to the fact that these expenses included a number of fixed or semi-fixed costs which in ratio form varied inversely with changes in dollar volume. Owned businesses having sales of less than $20,000 and recording a sales increase of 21 per cent over 1941 was the only grouping to register a decline, the ratio dropping from 7.4 per cent of sales in the earlier to 6.0 per cent in the later period.

Total expense percentages generally higher in 1944

Total operating expenses for the most part formed higher percentages of sales in 1944 than in 1941. The group of retailers in owned premises with sales of less than $20,000 was the one exception to this generalization. Total operating expenses here declined from 16.1 to 15.4 per cent between the two years as a result of a sharp fall in the percentage for other operating expenses. Among the four remaining groupings, the averages ranged from 12.0 to 16.3 per cent in the earlier and from 14.2 to 22.1 per cent in the more recent year, with increases in most of the individual expense ratios contributing to the higher averages recorded in 1944.

The expansions in the rates of gross trading profit between the two years, however, was more than sufficient to offset the increases in the total expense ratios. Consequently, proprietors' net earnings before deducting income taxes and withdrawals averaged higher as percentages of sales in the more recent period. For the four groupings with sales of $20,000 or over, the net earnings percentages ranged between 3.2 and 6.0 per cent in 1941 and between 6.4 and 8.1 per cent in 1944. The gain for owned establishments with sales under $20,000 resulted from stability in the gross profit and a drop in the total expense ratios which caused net earnings to rise from 9.6 per cent in the earlier to 10.3 per cent in the later period.

While the increases in the net earnings percentages in the two larger sizes of business were highly favourable considering the prevailing difficulties, they were not generally sufficient to overcome the adverse effects of reduced sales volumes. As a consequence, average net earnings per establishment for owned outlets with sales between $20,000 and $50,000, and for firms in owned and rented premises with sales of $50,000 and over dropped from $1,981 to $1,827, from $6,166 to $4,996 and from $6,516 to $5,843, respectively, between 1941 and 1944. These represented relative declines of 8, 19 and 10 per cent and thus compare advantageously with corresponding decreases in sales which amounted to 14, 53 and 61 per cent from the earlier period. Reflecting a substantial gain in rates of net earnings, the actual returns for the rented outlets with sales between $20,000 and $50,000 moved up by 19 per cent from $1,933 per outlet in 1941 to $2,296 in 1944, a particularly favourable showing in the face of a 19 per cent contraction in sales. Owned establishments in the smallest size of business not only experienced an expansion in business but also bettered their average rate of net earnings and their dollar averages rose from $1,366 to $1,772 per firm for an increase of 30 per cent against a gain of 21 per cent in sales.

Trends by Size of Business, 1944

In addition to the 223 firms submitting information for both years there were another 92 which reported only for 1944. These 315 reports were classified for Table 2 into three sizes of business according to their sales in 1944 rather than according to their sales in 1941 on which Table 1 was based. With sales volumes generally lower in 1944 this has caused some of the reports included in the $20,000 to $50,000 and the $50,000 and over sales sizes for 1944 in Table 1 to be classified to the immediately smaller groupings in Table 2. Similarly, a number of the reports included in the less than $20,000 grouping in Table 1 were probably classified for Table 2 into the next larger size of business because of the sales increase which some of those firms recorded. For these reasons the averages appearing in Table 2 are probably the better ones against which to compare individual operating experiences for 1944.

Stock turnover ratios higher for bigger establishments

Turning to the operating results for 1944 presented in Table 2, the larger establishments turned their inventories at faster rates than did the smaller ones. Owned and rented outlets with sales of less than $20,000 therefore had the lowest stock turnover averages of 4.2 and 4.4 times from which the ratios moved upward to 5.7 and 6.4 times in the intermediate and to 6.7 and 7.3 times in the largest size of business. This is the customary trend among the different branches of retail trade and results directly from the fact that increases in sales size generally do not require proportionate expansions in inventories.

Inventories for the six sales and occupancy groupings ranged between $1,826 and $11,186 per establishment at the end of 1944, the averages increasing steadily for both owned and rented outlets as the businesses became larger. Inventory levels, as indicated by changes in total stocks, were generally higher at the end of 1944 than at the beginning, the increase for the six categories averaging about 7 per cent above opening valuations. Rented establishments with sales of less than $20,000, however, experienced an average decline of about 12 per cent from their opening levels but the increases in the other five varied between 4 and 21 per cent.

Gross profits averaged between 24.5 and 29.1 per cent

Average rates of gross trading profit for the six categories of firms were closely grouped for 1944 between outside limits of 24.5 and 29.1 per cent of annual receipts. The highest ratios amounting to 26.6

and 29.1 per cent were recorded by owned and rented establishments in the smallest size of business while the second highest of 25.7 and 28.6 per cent stood for owned and rented outlets in the largest size category.

Among the individual expense ratios, unallocated salaries and wages paid to employees in 1944 ranged between 8.0 and 11.4 per cent of total sales. By size of business, the averages followed the customary trend for unincorporated retail stores and moved upward from the smallest to the largest sales category. Thus, standing at 8.0 per cent for both owned and rented establishments in the less than \$20,000 grouping, the ratios rose to 8.6 and 9.8, and to 10.8 and 11.4 per cent of sales in the two larger classifications.

Rental costs varied inversely with amount of business done, dropping from 3.6 per cent of sales in the smallest to 1.7 and 1.2 per cent in the two larger sales sizes. Advertising expenditures as percentages of sales ranged between the comparatively low averages of 0.2 and 0.5 per cent for the six sales and occupancy groupings with little to suggest either a direct or inverse variation in the ratios by size of business. Depreciation allowances were somewhat higher in ratio form, the six averages varying between outside limits of 0.8 and 1.9 per cent of sales in 1944. Being a relatively fixed expense, these averages generally tended to be smaller for the larger businesses. Owned establishments with their greater investments in fixed assets naturally had to make larger dollar allowances for obsolescence and wear and tear and their depreciation expense percentages therefore averaged higher than those of their rented counterparts.

Other operating expenses, the residual classification, varied narrowly for the six groupings between 6.6 and 8.0 per cent of total sales in 1944. The trends in these averages by size of business, however, were rather irregular. For rented establishments, the ratios moved upward from 6.6 per cent in the smallest to 6.9 and 7.3 per cent in the two larger sales sizes, while those for owned outlets receded from 8.0 per cent in the less than \$20,000 to 6.9 per cent in the intermediate and then rose to 7.3 per cent in the largest sales size.

Total expenses averaged between 17.0 and 20.9 per cent of sales

Total operating expenses ranged for the six classes of establishments between 17.0 and 20.9 per cent of sales in the period under review. The larger concerns with but one exception had the higher total expense ratios. For rented establishments the trend was consistently upward from 19.2 per cent in the smallest to 20.0 and 20.9 per cent in the two larger sales sizes. For owned outlets, on the other hand, the average dropped from 18.1 per cent in the less than \$20,000 to 17.0 per cent in the intermediate grouping but rose sharply to 19.7 per cent in the largest size of business.

Proprietors' net earnings as percentages of sales were generally lower for the larger automobile retailers reporting for 1944. The progression was consistently downward among the three sizes of owned establishments, the ratios declining from 8.5 per cent for those with annual receipts of less than $20,000 to 7.5 and 6.0 per cent in the two larger groupings. An exception to this trend occurred in the series of ratios for outlets in rented premises where the average dropped sharply from 9.9 per cent in the smallest to 6.9 per cent in the intermediate size and then rose to the secondary high of 7.6 per cent for those firms with sales of $50,000 and over.

Average proprietors' net earnings per firm, on the other hand, increased consistently with expansions in size of business. For establishments in owned premises the dollar averages ranged upward from $1,262 per outlet in the less than $20,000 to $2,431 and $5,798 in the two larger sizes of business. A similar progression is apparent in the figures for rented outlets, the averages here rising from $1,214 in the smallest to $2,352 and $7,211 per firm in the following sales categories. The especially marked increase in average net earnings which occurred between the intermediate and the largest sizes of business is due of course to the sharp increases in average sales per outlet which jumped from $32,582 and $34,099 per owned and rented outlet in the $20,000 to $50,000 to $97,101 and $94,456 per firm in the $50,000 and over sales classification.

Table 1.--Automobile Dealers - 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	12		12	
2. Total Sales	$170,085		$205,798	
3. Average Sales Per Store	14,174		17,150	
Total Inventory Reported,		SAMPLE		SAMPLE
4. Beginning of Year	19,702		25,357	
5. End of Year	22,503	TOO	24,911	TOO
6. Average for Year	21,103		25,134	
Average Inventory Per Store,		SMALL		SMALL
7. End of Year	1,875		2,076	
8. Cost of Goods Sold	126,373		152,908	
9. Stock Turnover (times per year) ..	6.0		6.1	
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	25.7		25.7	
Operating Expenses:				
11. Employees' Salaries and Wages ..	7.0		7.1	
12. Rent	-	SAMPLE	-	SAMPLE
13. Advertising	0.2		0.4	
14. Depreciation	1.5	TOO	1.9	TOO
15. Other Operating Expenses	7.4		6.0	
		SMALL		SMALL
16. Total Operating Expenses	16.1		15.4	
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	9.6		10.3	
18. Average Proprietor's Net Earnings Per Store	$1,366		$1,772	

Table 1.--Automobile Dealers - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

AMOUNT OF ANNUAL SALES								
$20,000 to $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
50	26	50	26	52	79	52	79	1.
$1,653,034	$908,168	$1,430,517	$734,550	$7,209,664	$15,830,064	$3,358,227	$6,125,904	2.
33,061	34,930	28,610	28,252	138,647	200,381	64,581	77,543	3.
233,439	104,278	191,817	73,091	858,904	1,622,713	402,438	707,938	4.
245,288	119,799	200,983	64,789	888,738	1,970,918	431,661	734,934	5.
239,364	112,039	196,400	68,940	873,821	1,796,816	417,050	721,436	6.
4,906	4,608	4,020	2,492	17,091	24,948	8,301	9,303	7.
1,338,958	709,279	1,135,830	511,981	5,897,505	13,425,894	2,367,550	4,349,392	8.
5.6	6.3	5.8	7.4	6.7	7.5	5.7	6.0	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
19.0	21.8	20.6	30.2	18.1	15.2	29.4	29.0	10.
7.1	7.5	7.6	11.3	7.1	5.9	11.4	11.5	11.
-	1.8	-	1.9	-	0.7	-	1.4	12.
0.1	0.3	0.1	0.3	0.3	0.2	0.7	0.4	13.
0.8	0.4	1.0	0.7	0.7	0.3	1.3	0.8	14.
5.0	6.3	5.5	7.9	5.6	4.9	8.3	7.4	15.
13.0	16.3	14.2	22.1	13.7	12.0	21.7	21.5	16.
6.0	5.5	6.4	8.1	4.4	3.2	7.7	7.5	17.
$1,981	$1,933	$1,827	$2,296	$6,166	$6,516	$4,996	$5,843	18.

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

Item	AMOUNT OF ANNUAL SALES Less than $20,000 Owned	 Rented
	GENERAL INFORMATION	
1. Number of Stores Reporting	36	24
2. Total Sales	$533,852	$292,813
3. Average Sales Per Store	14,829	12,201
Total Inventory Reported,		
4. Beginning of Year	83,597	49,520
5. End of Year	100,895	43,815
6. Average for Year	92,246	46,668
Average Inventory Per Store,		
7. End of Year	2,803	1,826
8. Cost of Goods Sold	391,847	207,604
9. Stock Turnover (times per year) ..	4.2	4.4
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)	
10. Gross Trading Profit	26.6	29.1
Operating Expenses:		
11. Employees' Salaries and Wages ..	8.0	8.0
12. Rent	-	3.6
13. Advertising	0.2	0.2
14. Depreciation	1.9	0.8
15. Other Operating Expenses	8.0	6.6
16. Total Operating Expenses	18.1	19.2
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	8.5	9.9
18. Average Proprietor's Net Earnings Per Store	$1,262	$1,214

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

AMOUNT OF ANNUAL SALES				
$20,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	
GENERAL INFORMATION				
87	58	45	65	1.
$2,834,636	$1,977,734	$4,369,526	$6,139,618	2.
32,582	34,099	97,101	94,456	3.
364,665	214,120	470,463	589,372	4.
391,921	240,055	503,374	614,795	5.
378,293	227,088	486,919	602,084	6.
4,505	4,139	11,186	9,458	7.
2,140,150	1,445,724	3,246,558	4,383,687	8.
5.7	6.4	6.7	7.3	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)				
24.5	26.9	25.7	28.6	10.
8.6	9.8	10.8	11.4	11.
-	1.7	-	1.2	12.
0.2	0.4	0.5	0.3	13.
1.3	1.1	1.1	0.8	14.
6.9	6.9	7.3	7.3	15.
17.0	20.0	19.7	20.9	16.
7.5	6.9	6.0	7.6	17.
$2,431	$2,352	$5,798	$7,211	18.

PART III - FILLING STATIONS

Trends by Size of Business, 1944

Filling stations are engaged principally in selling gasoline and oil, parts and accessories and tires and tubes. They also derive a certain proportion of their revenues from repairs and services but such receipts by definition must not form more than 25 per cent of their total sales. As an additional qualification, gasoline and oil must account for at least 75 per cent of the total merchandise sales.

Gasoline, therefore, is the major revenue producer for filling stations, its sales in fact amounting to 78 per cent of the total receipts of the filling stations which analyzed their sales by classes of commodities in the 1941 Merchandising Census. Lubricating oils and greases came next but formed only 6 per cent of the total trade. Receipts from repairs and services ranked third with 4 per cent of the total revenues. The remaining 12 per cent of the 1941 sales of these filling stations was made up of tires and tubes and of parts and accessories each at 3 per cent, of new and used motor vehicles together amounting to the minor figure of 1 per cent, of meals and lunches at 1 per cent, and of all other merchandise at 4 per cent of the total sales so analyzed. These percentages, of course, are national averages and hence the commodity sales distributions experienced by many establishments probably differed somewhat from the percentages shown above.

In the recent survey a total of 241 independent and unincorporated filling stations sent in usable reports on their operating results for 1944. These reports were sorted into five categories for stations with sales of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000 and for those with dollar volumes of $50,000 and over. The five resulting groupings were then broken down between establishments in owned and in rented premises to form ten sales and occupancy classes of outlets. Statistics are presented in Table 1 for only nine of the ten groupings, the sample for owned stations with sales of $50,000 and over being too small to justify the publication of averages.

Average inventory turnover faster for larger stations

Average rates of inventory turnover for the nine classes of stations varied between a low of 11.4 and a high of 43.9 times in 1944. By size of business the filling stations with the larger sales volumes consistently had the higher rates of inventory turnover. In this regard the averages for the four groupings of owned stations ranged upward from 15.6 times in the smallest to 29.0 in the $30,000 to $50,000 size while those for the five groupings of rented outlets varied from 11.4 in the smallest to 43.9 times for those with sales of $50,000 and over. Such an upward trend, of course, resulted from the fact that average sales per station increased from the smaller to the larger sizes of business at much faster rates than did the average of the beginning and ending inventories per outlet.

Ending inventories per station remained comparatively small in all sales and occupancy groupings of outlets. There was, however, a consistent increase by size of business, the valuation for the year-end stocks of owned stations ranging from $333 per outlet in the smallest to $1,328 in the $30,000 to $50,000 sales size and for rented establishments from $460 in the less than $10,000 to $1,415 per station for those with sales of $50,000 and over. Total inventories reported were valued somewhat higher at the end than at the beginning of 1944 operations, the overall gain over beginning figures for the four sizes of owned stations amounting to about 15 per cent and for the five groupings of rented outlets to about 8 per cent.

Gross profits averaged between 15.0 and 20.1 per cent of sales

Gross trading profits for the nine sales and occupancy groupings of stations varied between the narrow outside limits of 15.0 and 20.1 per cent of sales in 1944. By size of business there was a definite trend for the larger sizes of rented filling stations to have lower rates of gross profit than the smaller ones, the averages dropping from 20.1 per cent for stations with sales of less than $10,000 to 17.3, 17.1, 16.5 and 16.1 per cent in the larger sizes of business. For outlets in owned premises, however, the trend was not so conclusive, the averages rising from 15.0 per cent in the smallest to 17.5 in the $10,000 to $20,000 sales size, receding to 15.0 per cent in the next and then increasing to 16.0 per cent for stations with sales between $30,000 and $50,000 in the year under review.

Among the individual operating expenses, the nine averages for employees' salaries and wages ranged between a low of 0.6 and a high of 5.8 per cent of sales. When compared by size of business, the larger stations usually had the higher rates of payroll expense. In the five sales groupings of rented stations a consistent upward movement was apparent, the salary and wage ratios rising from 1.0 per cent in the smallest to 2.3, 3.6, 4.1 and 4.4 per cent in the four larger sizes of establishments. A similar trend with but one exception appeared among the four classifications of owned stations where the payroll averages increased from 0.6 in the smallest to 2.1 per cent in the $10,000 to $20,000 sales grouping, receded to 1.7 per cent in the next and then rose to 5.8 per cent for filling stations with sales between $30,000 and $50,000. Such a progression is a natural one for unincorporated stations because the proprietors of the bigger establishments are personally unable to account for as large a share of the work as the proprietors of the smaller ones and hence have to rely on larger numbers of paid employees.

Rent, unlike salaries and wages, is clearly a fixed dollar expense once the lease has been negotiated. This presents the retailer with the opportunity to reduce the weight of this fixed expense by spreading his rental charges over increased volumes of business. It is, therefore, not surprising to find that the rental expense ratios were generally lower for the larger sizes of filling stations, the averages receding from 2.9 per cent in the less than $10,000 grouping to 2.6 and 1.9 per cent in the two immediately larger sizes of business from which they increased slightly to 2.0 and 2.2 per cent of sales in the two largest sizes of business.

Advertising expenses as percentages of sales were comparatively small in all of the nine sales and occupancy classifications. Indeed in six of the groupings the ratios amounted to only 0.1 per cent of sales while in two others they stood at 0.2 and in one at 0.4 per cent of total dollar volumes.

Depreciation allowances averaged somewhat higher ranging between 0.3 and 1.0 per cent of sales in 1944. By size of business, however, the ratios showed little evidence of varying either directly or inversely with amount of business done. In comparison with their rented counterparts the five classes of owned stations all had the higher rates of depreciation, a reflection of the larger amounts of capital their owners had invested in them.

Other operating expenses, a residual expense category, grouped together such operating costs as heat, light, power and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, operating supplies, communications and sundry expenses. Some of these were common to all filling stations and hence were included quite consistently in the figures reported. Others, depending on individual circumstances, may not have been so uniformly experienced and reported. In spite of this circumstance, however, the ratios for other operating expenses were generally lower for the larger sizes of stations. Among the owned ones, the averages increased slightly from 4.2 per cent of sales in the smallest to 4.4 per cent in the $10,000 to $20,000 sales size and then receded to 3.8 and 3.5 per cent in the two following sizes of business. For rented stations, the progression started at 4.2 per cent in the less than $10,000 sales grouping, dropped to a plateau of 3.5 per cent in the next two sizes and then receded to a level of 3.0 per cent of sales in the two largest sizes of business. Such a declining tendency in the ratios for this expense category is due in part at least to its content of fixed dollar costs which decrease in percentage form as sales volumes expand. Reflecting the natural presence of residual occupancy expenses, the ratios for owned stations were somewhat higher than those recorded by the rented outlets in three of the four sizes for which comparisons were possible.

Total expense ratios were higher for larger stations

Total operating expenses, summarizing the individual expense items just discussed, ranged between 5.9 and 10.4 per cent of sales in 1944. By size of business the filling stations with the larger sales volumes generally had the higher rates of total expenses, a trend conforming with the experiences of most of the retail trades from which reports were received in the recent survey. For stations in owned premises the smallest average at 5.9 per cent of sales was obtained by outlets with sales of less than $10,000, from which point the ratio rose to 7.4 per cent in the $10,000 to $20,000 size, dropped to 6.2 per cent in the next and then expanded to 10.4 per cent for those with annual receipts running between $30,000 and $50,000. A similar progression was also apparent in the averages for rented stations where the progression started at 8.5 per cent in the smallest, increased to 9.1 per cent in the next, levelled out at the higher average of 9.5 per cent in two larger sales sizes and finally rose to 10.3 per cent for outlets with 1944 sales of $50,000 and over.

Net earnings ratios lower for the larger sizes of stations

Due largely to the rising trend in the averages for total operating expenses, the percentages for proprietor's net earnings decreased as the sizes of filling stations became larger. For outlets in owned premises, the series began with an average of 9.1 per cent of sales in the less than $10,000 sales size, rose against the trend to 10.1 per cent in the next grouping and then declined to 8.8 and 5.6 per cent in the two immediately larger sizes of business. Establishments in rented premises recorded a consistently downward trend, the net earnings percentages dropping from 11.6 per cent in the smallest to 8.2, 7.6, 7.0 and 5.8 per cent for the four larger sizes of filling stations. These averages, it should be noted, include two types of returns, one of which consists of a reward for the proprietor's personal services and the other of a return on the capital he has invested in the business. Both of these aspects should, therefore, be taken into account when assessing the profitability of the filling stations co-operating in the recent survey.

When expressed in terms of dollar averages, net earnings per station reversed the trend above noted and were consistently higher for the larger sizes of establishments. Thus moving from the smallest to the largest sizes of stations, the averages for the four groupings of owned outlets increased from $549 per unit in the smallest to $1,370, $2,156 and $2,280 per station in the three larger sales categories. A similar trend was also apparent among the five sizes of rented stations, proprietor's net earnings here rising from $758 per outlet in the less than $10,000 sales grouping to $1,292, $1,857, $2,505 and $3,912 per establishment in the four larger sizes of business.

Operating Results of Continuing Stations in 1941 and 1944 Compared

Of the 241 filling stations reporting their operating results for 1944, only 100 were able to give similar information for 1941. These were classified by size of business for Table 2 according to the sales they made in 1941 and thus quite independently of their dollar volumes in 1944. In view of the limited number of firms reporting for both years, however, it was necessary to reduce the number of size categories from the five shown in Table 1 to the three enlarged ones which appear in the second table. Each of these was then divided between stations in owned and in rented premises to form six sales and occupancy classifications of establishments. In one of these - that of owned stations with 1941 sales of $50,000 and over - only three reports were included. Statistics are, therefor, presented in Table 2 for only five of the six groupings of outlets. In these the samples were also quite small, there being three groupings for which the numbers varied between 10 and 14 reports. It is hoped, nevertheless, that the comparative averages will prove at least approximate indicators of the trends which were experienced.

A glance at the total sales figures shown in Table 2 will indicate the mixed and somewhat erratic trend in sales which the five groupings of continuing filling stations experienced between 1941 and 1944. The 24 owned outlets with sales of less than $20,000 recorded an average increase of about 27 per cent butthe 14 rented stations in the same size of business had an average gain of only 2 per cent over 1941 sales levels. A similar disparity may be noted for establishments with 1941 dollar volumes running between $20,000 and $50,000, the 10 owned ones registering an average increase of 9 per cent and the 35 rented ones a decrease of nearly 7 per cent. No figures were published for owned filling stations with sales of $50,000 or more but the 14 rented establishments recorded a loss of 16 per cent in dollar volumes. Overall, the 63 stations in leased premises had an average decline of about 10 per cent against a seemingly erratic increase of 17 per cent experienced by the 34 owned outlets. Of the two percentages, the decrease of 10 per cent is probably a much closer approximation to the sales trends of all continuing filling stations because rationing undoubtedly effected considerable reductions in civilian gasoline consumption.

Stock turnover averages irregular in trend

Average rates of stock turnover for the five sales and occupancy groupings of establishments varied between 15.7 and 39.0 times in 1941 and between 17.8 and 33.2 times in 1944. When examined in detail, however, the trends were quite irregular, the averages in 1944 being lower in three and higher in two of the classifications than in the earlier period. Recording the decreases were owned stations having sales less than $20,000 and between $20,000 and $50,000 and rented ones with sales of $50,000 and over whose averages dropped from 19.3 to 18.2, from 29.8 to 24.7 and from 39.0 to 29.7 times, respectively. Average sales per station for the two owned groupings were higher in 1944 but their average ending inventories recorded greater percentage increases to lower the rates of stock turnover. The similar trend for the grouping of rented stations resulted from a decrease in average sales and an increase in average ending inventories per outlet. Rented stations with sales of less than $20,000 and between that and $50,000 bettered their turnover ratios for 1941, their ratios rising from 15.7 and 26.4 times in the earlier to 17.8 and 33.2 times in 1944. In the first of these, higher average sales in 1944 combined with lower average ending inventories per outlet to raise the turnover ratio while the increase in the second was caused by a relatively greater decline in average ending stocks than that which occurred in average sales per establishment.

Measured by total inventories reported, the trends in inventories at the end of 1941 and 1944 were mixed. For stations in owned premises having sales of less than $20,000 and between $20,000 and $50,000 and rented outlets with volumes of $50,000 and over, the total inventories were 43, 28 and 11 per cent higher at the end of 1944 than at the same date in the earlier year. In the two smaller sizes of rented stations, however, the ending stocks were valued about 12 and 16 per cent lower. This meant a decline of about 7 per cent in the ending inventories of all rented establishments which compares with a rather erratic increase averaging 36 per cent in the stocks of their owned counterparts.

Inventories of merchandise per station were comparatively small at the close of both years. In 1941, the averages for the five sales and occupancy groupings ranged from $472 to $1,445 and in 1944 from $623 to $1,605 per establishment. With valuations as low as these, even moderate changes in the dollar figures between different stations in the same year or between 1941 and 1944 could produce sizable variations in average rates of stock turnover and in inventory positions between the end of the two years - variations less important economically than the percentage differences would suggest.

Gross profit percentages averaged slightly lower

Average rates of gross trading profits for the five classes of filling stations ranged between 15.8 and 19.8 per cent of sales in 1941 and between 14.5 and 19.6 per cent in 1944. In all but one of the sales and occupancy groupings, moreover, the ratios were somewhat lower in the more recent period. Owned stations with sales of less than $20,000 recorded the greatest decline, the average dropping from 16.5 per cent in the earlier to 14.5 per cent in the later period. Owned and rented stations with sales running between $20,000 and $50,000 experienced the second and third largest decreases, their ratios falling from 15.9 to 15.0 and from 17.6 to 17.0 per cent of sales between the two years while a minor contraction was recorded in the smallest, and a slight increase appeared in the largest size of rented establishments.

Payroll ratios also lower in 1944

Among the operating expenses, the five percentages for employees' salaries and wages were likewise consistently lower in the more recent period. In 1941 total payroll costs varied between 1.7 and 5.5 per cent of sales and in 1944 between the lower outside limits of 1.2 and 4.6 per cent of annual receipts. The three groupings of rented stations recorded the largest contractions, the averages for the smallest, intermediate and largest sizes of business dropping from 3.0 to 1.8, 5.0 to 3.8 and from 5.5 to 4.2 per cent of sales, respectively. For owned outlets the reductions were somewhat less marked, the ratio for those having sales under $20,000 declining from 1.7 to 1.2 per cent and for those with annual volumes between $20,000 and $50,000 from 5.5 to 4.6 per cent.

Wartime regulations requiring filling stations to remain closed on Sunday and restricting open hours from 7 a.m. to 7 p.m. on week days probably were mainly responsible for the downward trends in the payroll percentages. These restrictions generally concentrated business volumes into the more productive daytime selling periods where average sales per daylight payroll dollar were normally highest, and, by eliminating the evening and night periods when sales per comparable payroll dollar averaged lower, enabled employees' salaries and wages to form smaller percentages of sales. Such conditions may have permitted at least some of these continuing stations to reduce the numbers of persons employed, their average payroll costs in dollar figures being somewhat lower in 1944. Changes from full-time to part-time and from male to female employees may also have contributed to the smaller dollar averages. These regulations, it should be noted, became effective during the latter half of 1941 and hence influenced the operating result figures presented in Table 2 for part of that year. This has tended to reduce the contrasts between 1941 and 1944 for the restrictions were fully in effect during the more recent year.

Rental costs as percentages of sales in 1944 were virtually unchanged from their 1941 levels. In the smallest size of business the averages stood at 2.6 per cent of sales in both years and thus reflected the comparative stability found in average sales per station in the two periods under review. In the intermediate and largest sales sizes, the ratios dropped from 2.2 to 2.1 and from 2.1 to 1.9 per cent of annual receipts. With average sales per station also somewhat lower for these groupings in 1944, the small declines in the ratios may be due in some instances to a contraction in properties leased or to the renewal of leases at moderately lower levels of dollar expenditure.

Advertising expenses in percentage form were relatively small in both periods, the five averages varying between 0.1 and 0.3 per cent of sales in 1941 and between 0.1 and 0.4 per cent in the more recent year. Depreciation allowances also formed comparatively small percentages of sales in each of the two periods. These averages ranged from a low of 0.2 to a high of 1.1 per cent in 1941 and from 0.3 to 0.9 per cent of annual receipts in 1944. Little evidence of a trend between the two years is apparent, there being two groupings in which the ratios were unchanged, two in which slight declines were recorded and one which registered a minor advance.

Other operating expenses also remained comparatively stable as percentages of sales in the two years under review. For 1941 the five averages were contained within outside limits of 2.7 and 4.3 per cent while the corresponding figures for the later period amounted to 2.9 and 4.4 per cent of total sales reported.

Total expense percentages averaged lower in 1944

Total operating expenses for the five sales and occupancy classes of filling stations were all lower as percentages of sales in the more recent year. For 1941 these averages varied between 7.2 and 10.9 per cent while in 1944 the outside limites stood at 6.6 and 9.7 per cent of the dollar volumes. The greatest contractions occurred in the smallest, intermediate and largest sizes of rented stations, the ratios dropping from 9.9 to 9.0, 10.9 to 9.5 and from 10.8 to 9.7 per cent, respectively. In a relative way the reductions were also important for owned stations having sales below $20,000 and between $20,000 and $50,000, the averages for which receded from 7.2 to 6.6 and from 10.0 to 9.0 per cent of receipts. These declines, it will be noted, were principally due to the recessions in the payroll ratios, the possible reasons for which have already been suggested.

Net earnings ratios were mainly higher

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 in all but one of the five classifications of filling stations. Increases were general for the three sizes of rented stations, the ratios for the smallest, intermediate and largest sizes rising from 9.9 to 10.6, 6.7 to 7.5 and 5.0 to 6.4 per cent of sales in the earlier and later periods. Owned stations with sales of less than $20,000 experienced a decline, their averages dropping from 9.3 to 7.9 per cent as a result of a particularly sharp contraction in the gross profit percentage. Stability, on the other hand, featured the net earnings of owned stations with sales varying between $20,000 and $50,000, the average amounting to 5.9 and 6.0 per cent in 1941 and 1944. Average net earnings per station when expressed in dollar figures followed the same general trend and were uniformly higher in the more recent year, the figures ranging between $973 and $3,245 per outlet in 1941 and between $1,047 and $3,469 in 1944. The gains, however, were not large for even the greatest increase in the averages amounted to only $225.

Table 1.--Filling Stations - Operating Results for Stations 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	42	12	35	39
2. Total Sales	$254,573	$78,617	$474,756	$613,711
3. Average Sales Per Store	6,061	6,551	13,564	15,736
Total Inventory Reported,				
4. Beginning of Year	13,753	5,487	21,362	23,824
5. End of Year	13,996	5,521	24,247	23,953
6. Average for Year	13,875	5,504	22,805	23,888
Average Inventory Per Store,				
7. End of Year	333	460	693	614
8. Cost of Goods Sold	216,387	62,815	391,674	507,539
9. Stock Turnover (times per year) ..	15.6	11.4	17.2	21.2
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	15.0	20.1	17.5	17.3
Operating Expenses:				
11. Employees' Salaries and Wages ..	0.6	1.0	2.1	2.3
12. Rent	-	2.9	-	2.6
13. Advertising	0.1	0.1	0.1	0.1
14. Depreciation	1.0	0.3	0.8	0.6
15. Other Operating Expenses	4.2	4.2	4.4	3.5
16. Total Operating Expenses	5.9	8.5	7.4	9.1
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	9.1	11.6	10.1	8.2
18. Average Proprietor's Net Earnings Per Store	$549	$758	$1,370	$1,292

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

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						
12	37	13	32		14	1.
$294,710	$898,651	$529,987	$1,138,563		$941,852	2.
24,559	24,288	40,768	35,580		67,275	3.
11,919	23,323	13,462	24,707	SAMPLE	16,170	4.
14,026	25,962	17,262	25,867	TOO	19,808	5.
12,973	24,642	15,362	25,287		17,989	6.
1,169	702	1,328	808	SMALL	1,415	7.
250,504	744,982	445,189	950,700		790,214	8.
19.3	30.2	29.0	37.6		43.9	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
15.0	17.1	16.0	16.5		16.1	10.
1.7	3.6	5.8	4.1		4.4	11.
-	1.9	-	2.0	SAMPLE	2.2	12.
0.1	0.2	0.2	0.1		0.4	13.
0.6	0.3	0.9	0.3	TOO	0.3	14.
3.8	3.5	3.5	3.0		3.0	15.
6.2	9.5	10.4	9.5	SMALL	10.3	16.
8.8	7.6	5.6	7.0		5.8	17.
$2,156	$1,857	$2,280	$2,505		$3,912	18.

Table 2.--Filling Stations - Operating Results for Stations 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	24	14	24	14
2. Total Sales	$250,000	$184,227	$317,286	$188,211
3. Average Sales Per Store	10,417	13,159	13,220	13,444
Total Inventory Reported,				
4. Beginning of Year	10,353	8,907	13,483	8,239
5. End of Year	11,326	9,957	16,255	8,721
6. Average for Year	10,839	9,432	14,869	8,480
Average Inventory Per Store,				
7. End of Year	472	711	677	623
8. Cost of Goods Sold	208,750	147,750	271,280	151,322
9. Stock Turnover (times per year) ..	19.3	15.7	18.2	17.8
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)				
10. Gross Trading Profit	16.5	19.8	14.5	19.6
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.7	3.0	1.2	1.8
12. Rent	-	2.6	-	2.6
13. Advertising	0.1	0.3	0.1	0.2
14. Depreciation	1.1	0.4	0.9	0.4
15. Other Operating Expenses	4.3	3.6	4.4	4.0
16. Total Operating Expenses	7.2	9.9	6.6	9.0
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	9.3	9.9	7.9	10.6
18. Average Proprietor's Net Earnings Per Store	$973	$1,303	$1,047	$1,426

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

AMOUNT OF ANNUAL SALES								
$20,000 to $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
10	35	10	35		14		14	1.
$316,954	$1,138,645	$345,627	$1,063,726		$898,676		$758,114	2.
31,695	32,533	34,563	30,392		64,191		54,151	3.
				SAMPLE		SAMPLE		
7,796	27,732	10,794	25,105		18,571		20,368	4.
10,096	33,400	12,964	28,087	TOO	20,237	TOO	22,475	5.
8,946	35,566	11,879	26,596		19,404		21,422	6.
				SMALL		SMALL		
1,010	954	1,296	802		1,445		1,605	7.
266,558	938,243	293,783	882,893		756,685		636,058	8.
29.8	26.4	24.7	33.2		39.0		29.7	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
15.9	17.6	15.0	17.0		15.8		16.1	10.
5.5	5.0	4.6	3.8		5.5		4.2	11.
-	2.2	-	2.1	SAMPLE	2.1	SAMPLE	1.9	12.
0.1	0.2	0.1	0.2		0.3		0.4	13.
0.6	0.4	0.5	0.4	TOO	0.2	TOO	0.3	14.
3.8	3.1	3.8	3.0		2.7		2.9	15.
				SMALL		SMALL		
10.0	10.9	9.0	9.5		10.8		9.7	16.
5.9	6.7	6.0	7.5		5.0		6.4	17.
$1,868	$2,188	$2,093	$2,283		$3,245		$3,469	18.

PART IV - GARAGES

Trends by Size of Business, 1944

The garages whose operating results are analyzed in this section are those which in 1941 so combined the sale of such merchandise as parts and accessories, gas and oil, with the performance of repairs that receipts from repairs or other services made up between 25 and 50 per cent of the total annual business. These establishments might be termed "merchandising", as distinguished from "service" garages in which repairs and other services represents the major activity and accounts for the greater portion of the dollar volume of business. The firms included here, moreover, have been classified according to the type of business they conducted in 1941. With the practical elimination of the new car market which took place in the following year and with the increased emphasis on repair work which ensued it is altogether likely that repair and other service receipts in many cases formed a considerably greater proportion of the total business in 1944 than in 1941, perhaps even exceeding the 50 per cent limit which was set in the census instructions.

There were 3,156 establishments in Canada in 1941 of the type defined above. These had annual receipts from all sources amounting to $47,561,400 in that year. Sales of gasoline and oil formed 41.7 per cent of this total; parts and accessories, tires, tubes and storage batteries accounted for 29.4 per cent; receipts from repairs and other services came next at 21.6 per cent while the remaining 7.3 per cent represented the sale of relatively small numbers of new and used motor vehicles together with miscellaneous merchandise.

The average operating results contained in this section are based on reports received from 165 garages which gave details regarding their trading operations in 1944. These have been classified into five size-of-business groupings: (a) less than $10,000; (b) $10,000 to $19,999; (c) $20,000 to $29,999; (d) $30,000 to $49,999 and (e) $50,000 and over. Each of these categories was further divided as between those in owned and those in rented premises. When thus classified the sample number of firms in the various categories ranges from eight for owned establishments in the largest size category to twenty-four for rented establishments having annual receipts of between $30,000 and $50,000. The average results quoted in the following paragraphs and shown in the table should be used only after due consideration has been given to the limited size of the sample upon which the results are based.

Inventory turnover averaged between 6.3 and 15.8 times

While the rate at which inventories were turned over during the year showed some tendency to be higher for the larger than the smaller businesses, no consistent trend was apparent. Stock turnover, calculated by dividing cost of merchandise sold by the average at cost levels of the inventories reported at the beginning and end of the year, ranged from a low of 6.3 times for a group of 20 establishments in owned premises having annual sales of less than $10,000 to a high of 15.8 times for 20 establishments in rented premises having annual receipts of between $10,000 and $20,000. The absence of any consistent trend in turnover in relation to size of business may be attributed to wide variations between reports in respect to the proportions of receipts which were derived from the performance of services. If the reporting garages had been classified by size according to their sales of merchandise only it is quite possible that the stock turnover averages of the larger garages would have been higher than those of the smaller ones. Such a trend, it may be noted, is a normal one in many branches of retail trade. The necessary information, unfortunately, was not available for this purpose.

The year 1944 witnessed an increase in the merchandise inventory holdings of the reporting garages, a gain shared by owned and rented establishments in almost all sizes of business, and averaging 13.7 per cent from the beginning to the end of the year for the 165 garages submitting information. Such an increase in inventory holdings reflects the growth in the importance of automotive repair work which took place during the year under review in response to the continued curtailment of automobile production. In this regard the sales of wholesalers specializing in the distribution of automotive parts and accessories were 25 per cent higher in 1944 than in 1943. It is altogether likely that the increase in total inventories held by the retail merchandise garages represented expanded holdings of parts and accessories rather than any increase in the stocks of gasoline or lubricating oils carried.

Average inventories per establishment for the ten sales and occupancy groupings of garages varied between $608 and $5,185 in 1944. These, with but two exceptions, conformed to the general trend in retail trade and were higher for the larger businesses than the smaller ones in the year under review.

Gross trading profits varied between 23.7 and 30.3 per cent

Gross trading profits or the difference between annual receipts and the cost of merchandise sold represents the amount of revenues available to defray operating expenses and to yield a net profit on the year's operations. When expressed as percentages of annual receipts the gross trading profit for garages in owned premises was somewhat lower for large than for small businesses and ranged from 27.9 per cent for the sample with annual receipts of less than $10,000 to 25.2 per cent for establishments having annual receipts of $50,000 or more. In the case of rented establishments no such definite tendency was found to exist. The ratios centered around 30 per cent of annual receipts in the case of the smallest, the middle and the largest size classes, and around 25 per cent for each of the other two groups. The gross profit percentages were perhaps somewhat higher than they would have been in a more normal year because of the possibility that the proportions of receipts derived from service activities were higher than usual. Such service receipts, of course, consisted mainly of labour costs which were generally included in salaries and wages and thus added little to the cost of goods sold. In view of the limited size of the sample and the varying proportions of total receipts obtained from merchandise sales and from services, moreover, the ratios offer little indication of the way the gross profits percentages would have varied by size of business if the effects of these factors could have been removed.

Salary and wage payments to employees when expressed as percentages of annual sales varied widely between the different size classes into which the total sample number of establishments has been divided. In the case of owned establishments the wage ratios varied from a minimum of 1.3 per cent for the smallest to 10.7 per cent for the largest size of business. Corresponding ratios for rented establishments were 2.5 per cent and 12.9 per cent, respectively. It should be noted in this connection that the salary and wage figures on which these ratios are based do not include the compensation of proprietors. Their services form large portions of the work of the entire labour forces in the case of small businesses. The upward trend in wage payments when expressed as percentages of sales as the size of business increases, therefore, reflects the decreasing importance of the proprietor's services relative to the total wage costs and the increasing proportion of the work performed by paid employees.

Rentals paid for properties used by the garages are fixed dollar costs once the lease has been negotiated. Such costs when expressed as percentages of sales generally decrease as the size of business increases indicating the ability of the proprietor to spread these fixed costs more thinly over larger volumes of sales. That this relationship holds true in the case of garages is evident from a glance at the table. Here the rentals varied from 4.2 per cent of annual receipts for the sample of 13 establishments in rented premises with annual receipts of less than $10,000 to 1.8 per cent for the 9 garages having receipts of $50,000 or more. The ratio of only 1.9 per cent for the group of 20 garages in the $10,000 to $20,000 bracket must be attributed to the inclusion in this group of a number of establishments having rental costs markedly out of line with the general average.

Advertising expenses as percentages of receipts were comparatively small, generally averaging 0.2 or 0.3 per cent for garages in rented premises and somewhat lower at 0.1 or 0.2 per cent for garages in which the premises were owned. The higher advertising expense ratio for rented garages is probably related to differences in shop locations, a higher proportion of the garages in rented premises being located in the larger urban areas where competition is keener and advertising expenditures consequently more necessary.

Depreciation allowances as percentages of receipts were lower for the larger establishments and, for a given size of business, were lower for garages in rented premises than for those in which the property was owned by the proprietor. The table shows that depreciation allowances for owned premises ranged downwards from 2.1 per cent for establishments in the smallest size category to 1.0 per cent for those having annual receipts of $50,000 or more. The corresponding range for garages in rented premises was from 1.3 per cent to 0.7 per cent. The higher ratios for owned than for rented garages is a natural reflection of the greater capital investment in buildings and other physical assets by the proprietors of garages who own their business premises. The decline in this expense ratio as the size of business increases may be attributed to the same factor as that explaining the similar trend for rental expenditures, namely, the ability of the proprietor to spread this more or less fixed cost over expanding volumes of business.

All other operating costs were combined into one classification. Included here are such items as communication, heat, light, power and water, taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, losses on bad debts and sundry expenses. Due to the varying nature of the components of this residual expense category the results showed no definite tendency to vary either directly or inversely as the size of business expanded. With the exception of the smallest size-of-business category the ratios for owned establishments ranged narrowly around 6.4 per cent of receipts. The corresponding average for the same four size groups of rented establishments was 5.5 per cent. The higher expense ratio for owned establishments may be attributed in part at least to the inclusion therein of certain occupancy expenses such as insurance, repairs and maintenance and perhaps interest on mortgage indebtedness, items which would find their counterpart in rental costs rather than in the miscellaneous item in the case of garages in rented premises.

Total expense ratios varied between 12.0 and 21.6 per cent

On consolidating the various expense items already described, total operating expenses ranged upward from 12.0 per cent of receipts for the smallest size category to 18.5 per cent for the largest size group in the case of owned premises. In the case of rented establishments the corresponding range was from 15.9 per cent to 21.6 per cent. The upward movement in the total expense ratio as the size of business increased was due principally to the expansion in payroll ratios which more than offset the decreases recorded in rental costs and depreciation allowances. But here again it should be noted that neither in the wage costs nor in the total expense ratios are any allowances made for the value of proprietors' services. Inclusion of a fair estimate for the value of such services would no doubt reverse the trend noted above and would result in a higher total operating expense ratio for the smaller establishments than for those with a larger annual volume of business.

Net earnings ranged between 6.7 and 15.9 per cent of receipts

Proprietor's net earnings before income taxes as revealed by the results of this survey may be considered to contain two components. One of these consists of a salary return for the proprietor's managerial, clerical and mechanical services while the other represents the net profit which the proprietor might reasonably expect to receive from the capital he has invested and risked in his business. Thus defined, the net earnings for garages when expressed as percentages of annual receipts varied between wide limits ranging downwards from 15.9 per cent for owned garages in the smallest size class to 6.7 per cent for owned establishments with annual receipts of $50,000 or more. Notwithstanding this downward trend, the dollar figures for average net earnings per establishment showed a consistent expansion as the size of business increased. Thus, in the under $10,000 sales size the average proprietor's net earnings amounted to $1,066 and $944 for owned and rented establishments, respectively, from which the averages moved progressively upward for each size of business until averages of $4,375 and $5,775 for owned and for rented garages in the largest size category were reached.

Garages - Operating Results for Establishments Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	Less than $10,000 Owned	Less than $10,000 Rented	$10,000 to $19,999 Owned	$10,000 to $19,999 Rented
	AMOUNT OF ANNUAL SALES			
	GENERAL INFORMATION			
1. Number of Stores Reporting	20	13	20	20
2. Total Sales	$133,713	$85,053	$277,053	$280,923
3. Average Sales Per Store	6,686	6,543	13,853	14,046
Total Inventory Reported,				
4. Beginning of Year	13,987	7,000	22,643	13,208
5. End of Year	16,531	7,898	26,606	13,419
6. Average for Year	15,259	7,449	24,625	13,313
Average Inventory Per Store,				
7. End of Year	827	608	1,330	671
8. Cost of Goods Sold	96,407	59,282	211,391	210,411
9. Stock Turnover (times per year) ..	6.3	8.0	8.6	15.8
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	27.9	30.3	23.7	25.1
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.3	2.5	4.1	4.9
12. Rent	-	4.2	-	1.9
13. Advertising	0.1	0.2	0.2	0.3
14. Depreciation	2.1	1.3	2.1	1.0
15. Other Operating Expenses	8.5	7.7	6.6	5.0
16. Total Operating Expenses	12.0	15.9	13.0	13.1
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	15.9	14.4	10.7	12.0
18. Average Proprietor's Net Earnings Per Store	$1,066	$944	$1,486	$1,681

Garages - Operating Results for Establishments Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

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						
15	23	13	24	8	9	1.
$374,980	$552,025	$503,295	$887,685	$523,202	$633,620	2.
24,999	24,001	38,715	36,987	65,400	70,402	3.
25,592	39,457	53,160	41,036	31,250	40,394	4.
30,019	51,378	53,670	50,454	30,566	46,661	5.
27,806	45,417	53,415	45,745	30,908	43,528	6.
2,001	2,234	4,128	2,102	3,821	5,185	7.
272,985	392,490	371,935	666,651	391,355	444,801	8.
9.8	8.6	7.0	14.6	12.7	10.2	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
27.2	28.9	26.1	24.9	25.2	29.8	10.
7.2	10.4	10.2	9.5	10.7	12.9	11.
-	2.3	-	2.1	-	1.8	12.
0.1	0.3	0.1	0.2	0.2	0.4	13.
1.6	1.0	1.5	0.9	1.0	0.7	14.
6.3	6.1	6.1	4.9	6.6	5.8	15.
15.2	20.1	17.9	17.6	18.5	21.6	16.
12.0	8.8	8.2	7.3	6.7	8.2	17.
$2,995	$2,112	$3,173	$2,713	$4,375	$5,775	18.