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**OPERATING RESULTS  
OF RETAIL  
CLOTHING CHAINS  
1947**

**MEN'S CLOTHING CHAINS  
WOMEN'S CLOTHING CHAINS  
FAMILY CLOTHING CHAINS  
SHOE CHAINS**



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# FACSIMILE OF THE SCHEDULE .....

CONFIDENTIAL

One copy of this form, properly completed, should be returned on or before .....



DOMINION BUREAU OF STATISTICS

File No. ....

MERCHANDISING AND SERVICES  
OTTAWA

## OPERATING COSTS - RETAIL CHAINS

1947

The returns from this inquiry will be used in the preparation of a report which will be published for general use of the trade, providing information on average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to your fiscal year conforming most closely to the calendar year. PLEASE answer all questions, inserting 'nil' if the answer is none.

### I. DESCRIPTION OF BUSINESS

(1) Name of firm .....

(2) Head office address .....

(3) Kind of business .....  
(such as grocery, meats, variety, men's-women's clothing, drugs, etc.)

(4) On the following dates the number of units in operation was:

(a) Jan. 1, 1947 ..... (b) June 30, 1947 ..... (c) Dec. 31, 1947 .....

(5) We operated in rented premises ☐, owned premises ☐, some rented and some owned ☐.  
(check only one square)

The number of owned and rented premises in each type of establishment was:-

	Head office	Warehouse(s)	Stores
Owned	.....	.....	.....
Rented	.....	.....	.....

(6) This report does not include any wholesale business ☐, includes wholesale ☐ to the  
extent of .....% (Insert estimated percentage)

(7) This business is a corporation ☐, partnership ☐, individual proprietorship ☐.

### II. PROFIT AND LOSS STATEMENT, 1947:

#### A. MERCHANDISING STATEMENT

(1) Gross sales for the year. Include meals sold or consumed, receipts from repair or other service, goods taken for personal use. Exclude sales tax and non-trading revenues. ....

(2) Returns from and allowances to customers .....

(3) NET SALES (item 1 minus 2) ..... (4) NET INVENTORY OF MERCHANDISE at beginning of year:

In warehouse .....

In stores .....

(5) Merchandise purchased for resale at invoice value, less returns, allowances, cash and trade discounts .....

(6) Inward freight, express and truckage .....

(7) Total of beginning inventory, purchases and freight .....

(8) NET INVENTORY OF MERCHANDISE at end of year:

In warehouse .....

In stores .....

(9) COST OF MERCHANDISE SOLD (item 7 minus 8) ..... (10) GROSS MARGIN OR PROFIT (item 3 minus 9) .....



B. EXPENSE STATEMENT

	Head office and general	Warehouse	Stores	Total
	\$	\$	\$	\$
(1) Payroll - before any deductions				
(a) To executives and proprietors - include managers .....				
(b) To employees .....				
(2) Payments by the firm to employee pension funds, unemployment insurance, or other staff benefits such as hospitalization, insurance etc., which are not deducted from payroll. ....				
(3) Tenancy costs - taxes, insurance, repairs and depreciation on owned real estate and rentals on rented premises .....				
(4) Taxes - except on real estate and federal income tax; include taxes and licences imposed by provincial and local govern- ments; sales taxes collected directly from the customer are to be excluded entirely from this report. ....				
(5) Repairs and maintenance to fixtures and equipment, including delivery equipment .				
(6) Depreciation on fixtures and equipment, in- cluding delivery equipment .....				
(7) Supplies - wrapping paper, twine, office supplies, gas and oil for trucks, etc. ..				
(8) Heat, light, and power used during the year .				
(9) Advertising .....		XXXXXX		
(10) Travelling expenses .....		XXXXXX	XXXXXX	
(11) Communication - telephone, telegraph, postage				
(12) Loss on bad debts - amount written off less amount recovered .....		XXXXXX	XXXXXX	
(13) All other expenses - interest on loans, bank charges, professional fees, etc. ....				
(14) <u>TOTAL EXPENSES</u> (total of items 1 to 13 inclusive) .....				

C. NET GAIN STATEMENT

(1) <u>OPERATING PROFIT OR LOSS</u> (item A(10) minus B(14)) .....	\$
(2) Federal income tax, 1947 .....	\$
(3) <u>NET GAIN OR LOSS</u> (before dividends or profit sharing) .....	\$

III. MISCELLANEOUS INFORMATION

- (1) If not incorporated, please state the number of proprietors and their salaries or  
a fair charge for their services. Number \_\_\_\_\_ Salaries ..... \$ \_\_\_\_\_  
Are these included in item B-1 (a) of section II above? (Yes or No) \_\_\_\_\_
- (2) What was the value of customers' accounts outstanding at the end of the year?  
Include charge accounts, open accounts, instalment accounts or other receiv-  
ables. Do not include accounts written off. .... \$ \_\_\_\_\_

NOTES ON EXPENSE STATEMENT

1. Tenancy - In some instances heat or light may be included in rentals. If this is the case, please indicate in item 3 that these charges are included in item 3.
2. Delivery - Charges for delivery from warehouse to stores should come under warehouse expense whether trucks are owned and operated by the firm or delivery is on a contract basis. Delivery to customers should be reported as store expense.



DOMINION BUREAU OF STATISTICS  
MERCHANDISING AND SERVICES SECTION  
OTTAWA

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## OPERATING RESULTS OF RETAIL CLOTHING CHAINS, 1947

### Content of the Bulletin

This publication contains the results of a survey on the operations of retail clothing chains in 1947, including men's clothing, women's clothing, family clothing and shoe chains. The study is the first detailed inquiry made by the Dominion Bureau of Statistics into operating costs of this phase of retailing.

There will be two additional publications in the 1947 chain store operations series, one outlining ratios for the three types of food chains -- grocery, combination and meat chains -- the other, containing data for variety, furniture and drug chains.

### Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

### What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distribution and production is made, however, by dividing industry into units which perform chiefly either productive or distributive functions.



Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary Trade

Wholesalers proper  
Manufactures' sales branches or  
offices  
Petroleum bulk tank stations  
Agents and Brokers  
Assemblers of primary products  
Other types of operation

Retailers

Independent Retailers  
Independent Consumer Co-operatives  
Chains - Voluntary chains  
Chains under central owner-  
ship and control.  
Retail co-operative chains.

Relative importance to total trading of chain organizations is brought out by the table below.

<u>Retail Trade</u>	<u>Percent</u>	
Independents .....	81.1	
Chains .....	18.7	Source: 1941 Census, Vol. X, Table 13, P. 398
Other types .....	0.2	
	100.0	

A comparison between clothing trades in terms of the relative importance of chain and independent form of organization in 1941 is demonstrated by the following table:

Comparison of Chain Sales to Total Sales 1941, 1946

Kind of Business	1941 Total Sales	1941 Chain Sales	Percentage of Chain Store Sales to Total Sales	
			1941	1946
	\$	\$	%	%
Men's and boys' clothing & furnishings.	79,873,300	9,498,700	11.9	10.1
Women's apparel and accessory stores .....	97,522,100	12,438,300	12.8	14.1
Family clothing stores .	73,778,900	13,943,500	18.8	(a)
Shoe stores .....	44,037,300	16,312,600	37.0	37.0

Source - 1941 Census, Vol. X, Table 2, p. 557.

(a) Not available.

### The Schedule

A sample questionnaire was drawn up in the Bureau and despatched to the firms in the various trades surveyed. An accompanying letter requested that the companies make suggestions in order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records. The suggestions received were invaluable in the format of the final form.

A facsimile of this final schedule is presented on page 2 to help clarify meanings of terms used.

### Methods

The ten kinds of business in the survey were selected for their importance in the field of retail distribution. As the majority of firms indicated that they could not give results for individual stores, a consolidated report only for each firm was required. When received, some returns could not be used for such reasons as manufacturing activities or outside wholesaling for which expenses could not be separated from retailing costs. Where the number of reports was sufficient, the results were tabulated according to the most suitable sales-size range. In most reports, no clear distinction between head office, warehouse and store expense was made, so that results for these functions are shown separately for only a few kinds of business. The salaries of proprietors of unincorporated firms are included with executive salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Bureau, average results only are shown, and all information submitted by the co-operating firms has been kept in strictest confidence. This study does not replace the regular annual survey of retail chains which takes in all kinds of business and covers such items as: number of stores, net retail sales, salaries, store and warehouse stocks and customers' accounts outstanding.

## RESULTS OF THE SURVEY.

All known chain firms in the retail clothing trade were canvassed by mail in this survey. A few were excluded as not typical of one of the four trades tabulated, but coverage was nearly complete. A comparison of some items of expense and profit between the four kinds of business is shown below.

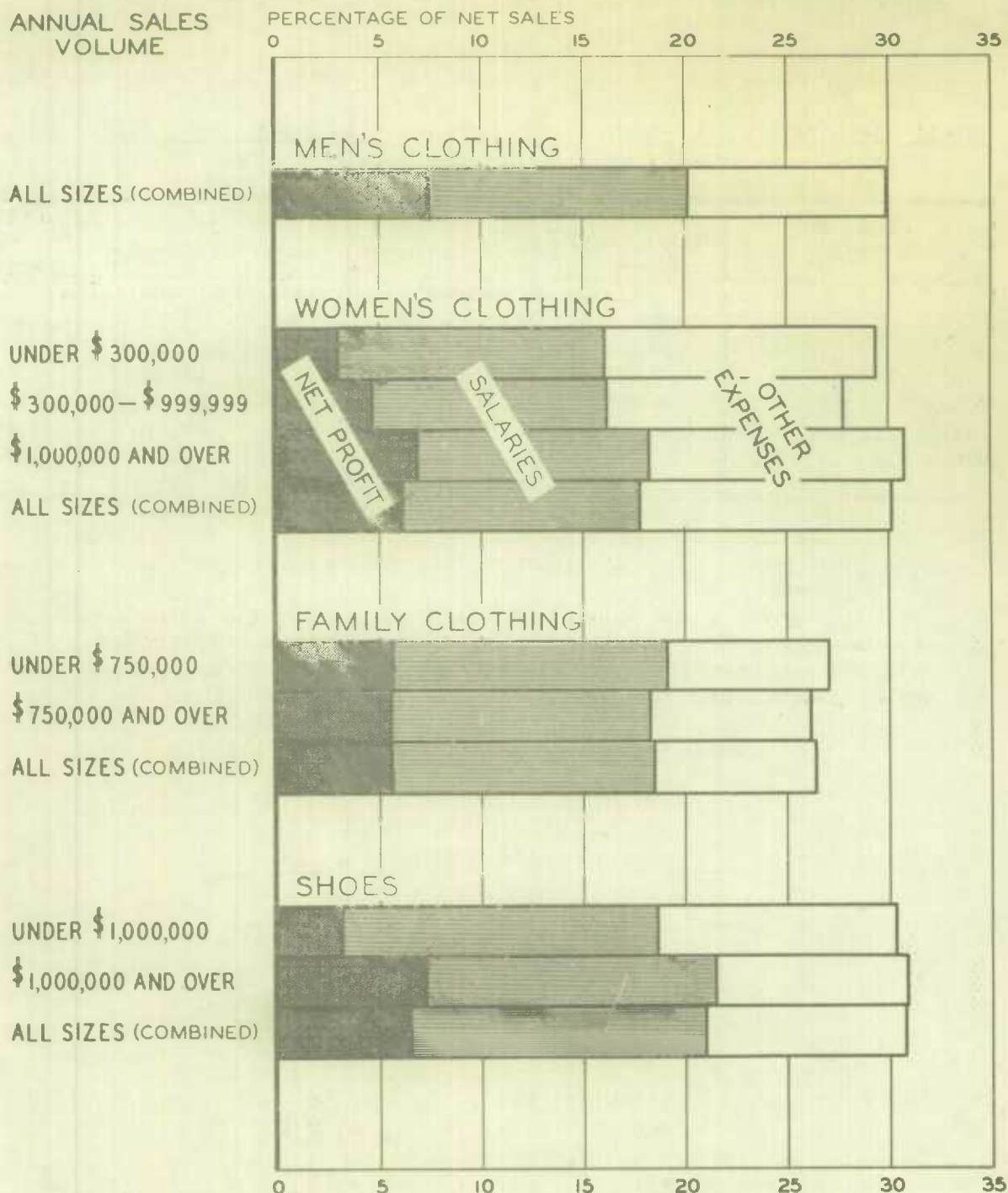
### Retail Clothing Chains - Main Profit and Loss Items Compared, 1947

Kind of Business	Average Sales per Store	Gross Profit	Salary Expense	Occu-pancy	Total Expenses	Net Profit Before Taxes
	(Items expressed as percentage of net sales)					
	\$	%	%	%	%	%
Men's clothing ....	168,467	29.95	12.66	2.92	22.41	7.54
Women's clothing ..	86,094	30.18	11.59	4.53	24.03	6.15
Family clothing ...	244,759	26.38	12.86	1.74	20.78	5.60
Shoes .....	52,895	30.75	14.45	4.19	24.23	6.52

Where shown separately, on the returns, the salaries of store managers were tabulated with store employees. Executive salaries in this report, therefore, comprise only those of head office executives.

# OPERATING RESULTS OF RETAIL CLOTHING CHAINS, 1947

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES



NOTE:—NET PROFIT IS BEFORE INCOME TAX DEDUCTION.



## MEN'S CLOTHING CHAINS.

Nine reports on the operations of men's retail clothing chains were completed satisfactorily and were used in this survey. The six incorporated and three unincorporated companies operated 51 outlets.

Although most of the firms in this kind of business were included, there were too few to permit a breakdown by size of business.

1. Average sales of the 9 chains in 1947 were \$954,646 and the average sales per store, \$168,467.
2. Average gross profit in men's clothing chains amounted to 29.95 per cent of net sales. After deducting expenses of 22.41 per cent, an operating profit of 7.54 per cent resulted before deduction of income taxes.
3. Major expense items were salaries (12.66%), occupancy (2.92%) and advertising (2.11%).
4. Inventories at the beginning of the year amounted to 15.33 per cent of net sales while ending inventories had increased to 21.32 per cent. Calculated on cost of goods sold, the average stock was turned over 3.8 times in the year.
5. Incorporated firms in this trade showed operating results very similar to unincorporated businesses but derived a slightly lower total expense ratio. Final net profit after deductions for income tax for these firms averaged 4.29 per cent.

### Incorporated Men's Clothing Chains

<u>Percent of Net Sales</u>	
	<u>%</u>
Net sales .....	100.00
Gross profit .....	29.95
Total expenses ....	<u>22.37</u>
Operating profit ..	7.58
Income tax .....	<u>3.29</u>
Net profit .....	4.29

Table 1. - OPERATING RESULTS OF MEN'S CLOTHING CHAINS, 1947

Item	All firms combined (9 firms - 51 stores)	
	Average per store	Percent of net sales
	\$	%
Net sales .....	168,467	100.00
Cost of goods sold .....	118,017	70.05
Beginning inventory .....	25,836	15.33
Ending inventory .....	35,916	21.32
Stock turnover (times per year) ....	3.8	

Profit and Loss Data  
(Items expressed as percentage of net sales)

Gross margin or profit .....	50,450	29.95
Operating expenses:		
Executive salaries .....	2,517	1.49
Employees' salaries .....	18,811	11.17
Staff benefits .....	456	0.27
Occupancy .....	4,912	2.92
Taxes (1) .....	943	0.56
Repairs (1) .....	303	0.18
Depreciation (1) .....	546	0.32
Supplies .....	1,730	1.03
Heat, light, and power .....	700	0.41
Advertising .....	3,554	2.11
Travel expense .....	363	0.22
Communication .....	334	0.20
Bad debts .....	120	0.07
All other expenses .....	2,459	1.46
Total operating expenses .....	37,748	22.41
Operating profit before income taxes	12,702	7.54

(1) Excludes amount attributed to real estate which is included in occupancy.

## WOMEN'S CLOTHING CHAINS.

Reports suitable for inclusion in this study were received from 26 chain firms dealing in women's clothing. Millinery shops and furriers were excluded because these dealt exclusively in certain limited commodity ranges. Chains included were those dealing in a general line of women's ready-to-wear clothing and accessories. Unfortunately there were too few chain firms in the millinery or fur lines to permit publication of separate results.

The 17 incorporated and 9 unincorporated firms were evenly distributed as to size, nine whose 1947 sales range was from \$1,000,000 to \$3,000,000, eight between \$300,000 and \$1,000,000 and nine below \$300,000. The 26 companies operated a total of 269 retail outlets.

The majority of the firms in the largest size class were able to provide a breakdown between store expense and head office and warehouse expense, the latter two functions combined. All advertising was attributed to stores and all travelling expenses to head office. Too few firms in the other size classes separated store, warehouse and head office expenses to permit analysis.

1. Firms in the group of chains with largest net sales obtained an average gross profit of 30.84 per cent of net sales, the middle group 27.84 and the smallest size firms 29.43 per cent. Average gross margin was 30.18 per cent.
2. When expenses were deducted, net profit before income taxes varied directly with size of business in the three size groups - the ratios were 6.88 per cent of net sales in the largest size group, 4.69 in the middle and 2.97 in the smallest. A distribution of profits as compared to net sales indicated that while a few small firms obtained large net profit ratios, and a few of the larger firms lower than average profits there was a direct positive relationship between volume of sales and percentage profit.
3. Inventories were greater at the end of the year than at the beginning except in the largest size group and ranged from 10.94 per cent to 19.71 per cent of net sales. Stock was turned over more often in the larger stores, ranging from 6.1 in the largest class to 4.0 times per year in the smallest.
4. The ratio of salaries was similar for the two largest groups with head office executive at 2.42 and 2.39 per cent and employees at 9.04 and 9.02 per cent of net sales. The smallest size class paid executives 2.21 per cent and employees 10.93 per cent. Salaries paid accounted for approximately 48 per cent of total expenses in all women's retail clothing chains. (Table 2).

5. Incorporated firms, including all the largest size firms and five in the middle range, had net gains of 3.82 per cent and 2.59 per cent respectively after income taxes had been deducted from operating profit.

Incorporated Women's Clothing Chains, 1947  
Percent of Net Sales

	\$300,000 to \$999,999	\$1,000,000 and over
Gross profit .....	29.54	30.84
Total expenses .....	25.22	23.96
Operating profit .....	4.32	6.88
Income tax .....	1.73	3.06
Net profit .....	2.59	3.82

6. Store expenses in the firms whose sales were over \$1,000,000 in 1947 accounted for approximately three quarters of total expenses for that group, warehouse and head office costs making up the remaining quarter. Out of every hundred dollars paid in salaries, store and head office employees received \$79, and executives \$21. (Table 3).



Table 2. - OPERATING RESULTS OF WOMEN'S CLOTHING CHAINS, 1947

By Size of Firm				
Item	Under \$300,000	\$300,000 to \$999,999	\$1,000,000 and over	Total
Number of firms .....	9	8	9	26
Number of stores .....	45	48	176	269
Average sales per chain ..... \$	222,584	512,703	1,894,935	890,742
Average sales per store ..... \$	44,517	85,450	96,900	86,094
Average cost of goods sold ... \$	31,416	61,664	67,019	60,108
Average inventory per store				
Beginning of year ..... \$	6,906	12,511	11,291	10,775
End of year ..... \$	8,776	15,116	10,603	11,102
Stock turnover (times per year).	4.0	4.5	6.1	5.5

Profit and Loss Data  
(Items expressed as percentage of net sales)

Gross margin or profit .....	29.43	27.84	30.84	30.18
Operating expenses:				
Salaries - executive .....	2.21	2.39	2.42	2.39
- employees .....	10.93	9.02	9.04	9.20
Employees' benefits .....	0.22	0.12	0.13	0.14
Occupancy .....	4.63	3.31	4.82	4.53
Taxes (1) .....	0.26	0.29	0.38	0.35
Repairs and maintenance (1) ..	0.51	0.32	0.82	0.70
Depreciation (1) .....	0.77	0.55	0.60	0.61
Supplies .....	1.05	1.34	0.91	1.00
Heat, light and power .....	0.67	0.72	0.53	0.57
Advertising .....	1.66	2.03	1.56	1.65
Travelling expense .....	0.68	0.38	0.31	0.36
Communication .....	0.31	0.21	0.29	0.28
Bad debt losses .....	0.06	0.09	0.03	0.05
All other expenses .....	2.50	2.38	2.12	2.20
Total operating expenses .....	26.46	23.15	23.96	24.03
Operating profit before income taxes .....	2.97	4.69	6.88	6.15

(1) Excludes amount attributed to real estate which is included in occupancy.

**Table 3. - OPERATING EXPENSES OF WOMEN'S CLOTHING CHAINS, 1947**  
 Head office and warehouse compared with stores.

(Size range - over \$1,000,000)

Item	Head Office and Warehouse	Stores	Total
Salaries - executive .....	2.42	-	2.42
- employees .....	2.12	6.92	9.04
Employees' benefits .....	0.05	0.08	0.13
Occupancy .....	0.48	4.34	4.82
Taxes .....	0.02	0.36	0.38
Repairs and maintenance .....	0.05	0.77	0.82
Depreciation .....	0.14	0.46	0.60
Supplies .....	0.27	0.64	0.91
Heat, light and power .....	0.04	0.49	0.53
Advertising .....	-	1.56	1.56
Travelling .....	0.31	-	0.31
Communication .....	0.13	0.16	0.29
Bad debt losses .....	0.03	-	0.03
All other expenses .....	1.01	1.11	2.12
Total operating expenses .....	7.07	16.89	23.96

## FAMILY CLOTHING CHAINS.

Thirteen chain firms selling a combination of men's, women's and children's clothing submitted reports suitable for this survey. There were 5 firms with sales over \$750,000 and 8 with annual net sales under that figure. A total of 77 stores was operated by these firms.

1. Average sales per store at \$244,759 were the highest in the clothing group. Both gross and net profit were the lowest of the four trades, at 26.38 and 5.60 per cent of net sales respectively. These ratios may be a function of average store size rather than kind of business. Net profit ratios for independent family clothing outlets occupying owned premises in 1946 ranged from 17.0 per cent for stores under annual \$10,000 net sales to 10.1 per cent for those over \$100,000.
2. The smaller size group of firms obtained a greater average gross margin or profit than did the large size class (27.11 and 26.17 per cent respectively) but a greater expense ratio resulted in a similar percentage of net profit.
3. Inventories were greater in dollar volume at the end of the year than at the beginning. Values of stocks averaged 21.48 and 15.44 per cent of net sales for the respective dates. The larger firms obtained a stock turnover rate of 4.2 times in the year as compared to a 3.4 rate for the firms with sales under \$750,000.
4. Major operating ratios of incorporated firms, constituting all 5 of the large class and 6 of the smaller are shown below.

### Incorporated Family Clothing Chains

(Percent of net sales)

Item	Under \$750,000	\$750,000 and over
Sales .....	100.00	100.00
Gross profit .....	26.69	26.18
Total expenses .....	20.27	20.61
Operating profit .....	6.42	5.57
Income tax .....	2.35	2.64
Net profit .....	4.07	2.93

Table 4. - OPERATING RESULTS OF FAMILY CLOTHING CHAINS, 1947

By Size of Firm			
Item	Under \$750,000	\$750,000 and over	Total
Number of firms .....	8	5	13
Number of stores .....	43	34	77
Average sales per chain ..... \$	508,443	2,955,776	1,449,725
per store ..... \$	94,594	434,673	244,759
Average cost of goods sold ... \$	68,948	320,893	180,196
Average store inventory -			
Beginning of year ..... \$	18,500	62,187	37,790
Ending of year ..... \$	22,334	90,840	52,584
Stock turnover (times per year).	3.4	4.2	4.0

Profit and Loss Data  
(Items expressed as percentage of net sales)

Gross margin or profit .....	27.11	26.17	26.38
Operating expenses:			
Salaries - executive .....	3.18	2.26	2.46
- employees .....	10.37	10.41	10.40
Employees' benefits .....	0.04	0.13	0.11
Occupancy .....	2.69	1.48	1.74
Taxes (1) .....	0.26	0.28	0.28
Repairs and maintenance (1) ..	0.40	0.27	0.30
Depreciation (1) .....	0.33	0.21	0.24
Supplies .....	0.56	0.47	0.49
Heat, light and power .....	0.42	0.45	0.44
Advertising .....	0.95	1.64	1.49
Travelling expense .....	0.58	0.42	0.45
Communication .....	0.23	0.61	0.53
Bad debt losses .....	0.17	0.12	0.13
All other expenses .....	1.20	1.86	1.72
Total operating expenses .....	21.38	20.61	20.78
Operating profit, before income taxes .....	5.73	5.56	5.60

(1) Excludes amount attributed to real estate which is included in occupancy.



## SHOE CHAINS.

Completed returns were received from 22 retail shoe chains operating 444 stores in Canada in 1947. Of these, 16 were incorporated companies and 6 partnerships or individual proprietorships.

It was possible to divide the returns into two size classes, over \$1,000,000 and under \$1,000,000 annual net sales. The firms were not scattered in size to any extent. In the smaller size class the majority were in the \$300,000 to \$500,000 range while most firms in the larger class lay between \$1,000,000 and \$2,000,000 net sales. Too few firms gave a breakdown of executive and employees' salaries to permit separate publication. This was also true of the expense breakdown between head office, warehouse, and store functions.

1. Gross profits were very similar in retail shoe chains with net sales over and under \$1,000,000 but expenses were proportionately greater in the smaller class. The resulting net profit ratios before income tax deductions were 7.30 per cent and 3.14 per cent respectively. (Table 5).
2. Analysis of individual reports showed a close relationship between operating profit and net sales. Where shoe chains had sales of over \$1,000,000, net profit ratios showed a sharp upward trend. From \$200,000 to \$500,000, the net profit ratio was fairly constant in the neighborhood of 2 per cent to 4 per cent of net sales.
3. Advertising was the only item of expense on which the larger group of firms expended a considerably greater ratio of net sales than the smaller class. The greatest difference between the two sizes was in salaries, depreciation and "all other" expense categories. Approximately \$60 out of every \$100 expense went to salaries and wages. (Table 5).
4. The following table summarizes the essential data on the incorporated firms in the survey of which there were 8 in each size range.

### Incorporated Shoe Chains, 1947

Items shown as per cent of net sales

Item	Under \$1,000,000	\$1,000,000 and over
Gross profit .....	30.94	31.56
Total expenses .....	28.05	23.71
Operating profit .....	2.89	7.85
Income tax .....	1.08	3.67
Net profit .....	1.81	4.18

5. Analysis showed little relationship between ratios of net profit to advertising expenditures, stock turnover, salaries or average sales per store.

Table 5. - OPERATING RESULTS OF RETAIL SHOE CHAINS, 1947

By Size of Firm			
Item	Under \$1,000,000	\$1,000,000 and over	Total
Number of firms .....	12	10	22
Number of stores .....	93	351	444
Average sales per chain ..... \$	368,515	1,906,340	1,067,526
per store ..... \$	47,550	54,312	52,895
Average cost of goods sold ... \$	33,151	37,551	36,629
Average store inventory -			
Beginning of year ..... \$	11,098	12,561	12,255
End of year ..... \$	12,780	16,188	15,474
Stock turnover (times per year).	2.8	2.6	2.6

Profit and Loss Data  
(Items expressed as percentage of net sales)

Gross margin or profit .....	30.28	30.86	30.75
Operating expenses:			
Salaries - executive and employees .....	15.59	14.18	14.45
Employees' benefits .....	0.11	0.10	0.10
Occupancy .....	4.18	4.19	4.19
Taxes (1) .....	0.38	0.26	0.28
Repairs (1) .....	0.42	0.17	0.22
Depreciation (1) .....	0.65	0.27	0.34
Supplies .....	0.78	0.79	0.78
Heat, light and power .....	0.67	0.57	0.59
Advertising .....	0.95	1.23	1.18
Travelling expense .....	0.45	0.22	0.27
Communication .....	0.27	0.19	0.20
Bad debt losses .....	0.01	0.01	0.01
All other expenses .....	2.68	1.38	1.62
Total operating expenses .....	27.14	23.56	24.23
Operating profit before income taxes .....	3.14	7.30	6.52

(1) Excludes amount attributed to real estate which is included in occupancy.