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OPERATING RESULTS OF CHAIN CLOTHING STORES 1955

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
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- 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
- 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

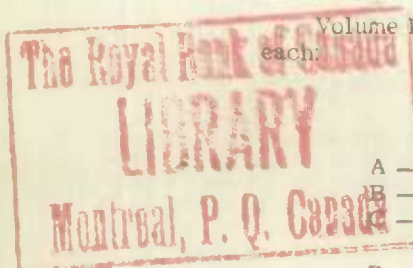
- E — General Review — (Discontinued)
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- S — Hotels, 25¢
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- W — Advertising Agencies (Memorandum), 10¢
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The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1955.



(Oct. 29 - 1956)

OPERATING RESULTS OF CHAIN CLOTHING STORES

1955

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope—Chain store firms are those which operate four or more retail outlets. Chain firms of four trades are covered in this bulletin—men's clothing, women's clothing, family clothing and shoe stores.

Content—This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. There were not enough firms in any of these trades to permit publication of regional results. There were no Newfoundland stores in this survey. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

In this report "occupancy expense" includes heat, light and power, taxes, insurance, mortgage interest, repairs and depreciation on owned real

estate used in the business, together with rental expense on rented premises. Similarly "delivery expense" includes salaries, insurance, licenses, repairs, maintenance, gas, oil and depreciation of owned equipment, together with expense of contract delivery.

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

Period Covered—This report deals mainly with 1955 operations and is the fifth biennial publication in a series begun in 1947. Certain summary tables show comparative results for 1953 and 1955. The chart shows the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classifications for each trade.

SUMMARY OF 1955 OPERATING RESULTS BY TRADES

The principal operating results figures for the chain clothing store business are summarized in the following table. In analyzing the results of an individual chain clothing company, reference should be made to the detailed tables in the appropriate section of this bulletin. In these sections (men's, women's and family clothing and shoe store chains) where practicable, operating figures for typical sales-size classifications, in addition to detailed operating ratios, are revealed. Because a chain store is a firm operating four or more retail outlets, the absolute dollar values (average net sales, cost of goods etc.) are shown for a singular purpose only. That is, these dollar values are shown for the purpose of assisting chain store managements to place their respective firms in relation to the average in the appropriate sales-size category. This relationship to the average facilitates a more accurate profit and loss statement ratio analysis.

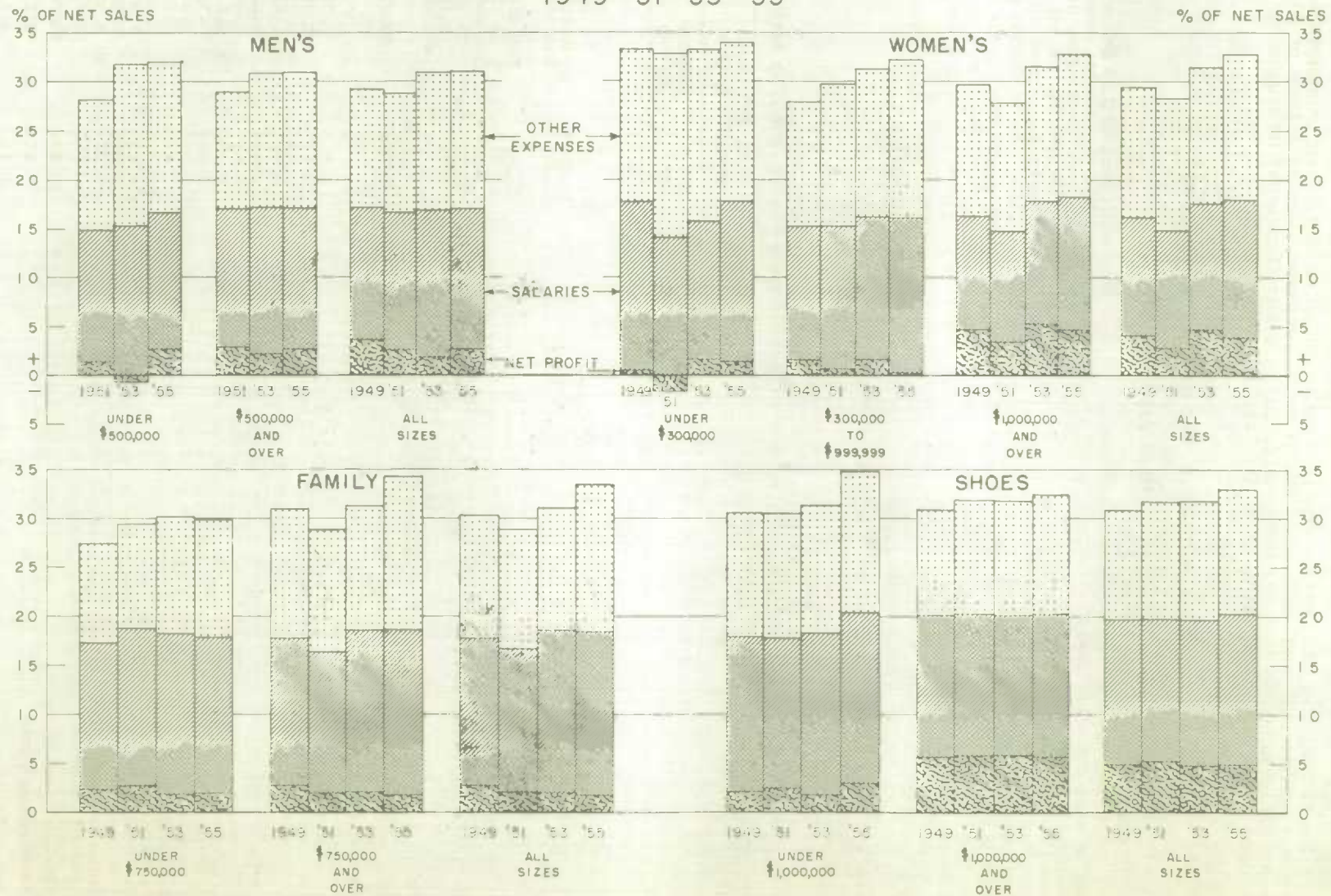
Average gross profits, expressed as percentages of average net sales for the four specific kinds of chain clothing store business, were within the range of 30.97 per cent to 33.35 per cent for men's clothing store and family clothing store chain firms respectively. Total operating expenses showed a wider range from 27.98 per cent for shoe store, to 31.64 per cent for family clothing store chain firms. Family clothing store chain firms, which averaged the highest gross profit ratio and the highest operating expense ratio, reported the lowest net operating profit ratio of 1.71 per cent. Shoe store chain firms, which averaged the second highest gross profit ratio and the lowest total operating expense ratio, netted the highest operating profit ratio of 4.97 per cent. Generally non-trading income and expense operations netted an increase which resulted in ratios of net profit before taxation of 2.98 per cent for men's clothing, 4.48 per cent for women's clothing, 1.96 per cent for family clothing and 4.76 per cent for shoe store chain firms, the only decrease from 1953.

Comparison of Main Profit and Loss Items in Clothing Store Chains, 1955

Item	Men's clothing	Women's clothing	Family clothing	Shoes
Number of firms	18	30	18	35
Average net sales per firm \$	919, 272	1, 617, 295	1, 388, 678	1, 094, 467
Rate of stock turnover (times per year)	2.62	5.23	2.85	2.33
Profit and Loss data (Per cent of net sales):				
Gross profit	30.97	32.70	33.35	32.95
Operating expenses	28.39	28.77	31.64	27.98
Net operating profit	2.58	3.93	1.71	4.97
Non-trading income	0.46	0.57	0.83	0.11
Non-trading expense	0.06	0.02	0.58	0.32
Net profit before income tax deduction	2.98	4.48	1.96	4.76

OPERATING RESULTS OF CHAIN CLOTHING STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES
1949-'51-'53-'55



MEN'S CLOTHING STORE CHAINS

The 18 firms from which reports were received, together operated 132 retail outlets in 1955. There was a sufficient number of firms reporting to permit a sales-size breakdown of results. Of all the firms

reporting only 2 were unincorporated which permitted presentation of a table of incorporated firms showing income tax information for both sales-size categories.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items presented in this form, on a unit basis, a standard is established. To this standard, the operating results of men's clothing store chains, irrespective of the number of retail outlets, might be compared with a high degree of accuracy.

In 1955, men's clothing store chains obtained an average gross profit ratio of 30.97 per cent of average net sales. Total operating expense ratio of 28.39 per cent reduced gross profit to a net

operating profit ratio of 2.58 per cent. Seven of the firms reporting for this current survey did not report for 1953 or reported for the first time in 1955. The group "under \$500,000" had a net operating profit ratio of 2.67 per cent compared with a loss of 0.74 per cent in 1953. The "\$500,000 and over" sales-size ratios were very close to the total "all-sizes" ratios and compared well with the same group of 1953. The non-trading expense and income increased the profit ratios for the larger firms, more than compensating for the small decrease registered in the smaller sales-size.

TABLE 1. Operating Results of Men's Clothing Store Chains, 1955, by Size of Firm

Item	Firms with 1955 sales of		Total all sizes
	Under \$500,000	\$500,000 and over	
Number of firms	7	11	18
Number of stores operated	33	99	132
Average net sales per firm	\$ 291,602	1,318,697	919,272
Average cost of goods sold	\$ 198,409	912,164	634,593
Average inventory per firm:			
Beginning of year	\$ 112,230	339,114	250,882
Per cent of average net sales	38.49	25.72	27.29
End of year	\$ 111,514	310,096	232,870
Per cent of average net sales	38.24	23.52	25.33
Stock turnover (times per year)	1.77	2.81	2.62
Profit and loss data (per cent of net sales)			
Gross profit	31.96	30.83	30.97
Operating expenses:			
Salaries:			
Executives	3.78	1.78	2.03
Other employees	10.23	12.70	12.40
Employees' benefits	0.11	0.21	0.20
Occupancy	6.70	4.78	5.02
Taxes, licenses ¹	0.49	0.43	0.43
Insurance ¹	0.51	0.49	0.49
Repairs and maintenance ¹	0.27	0.44	0.42
Depreciation ¹	1.20	0.59	0.67
Supplies	0.55	0.85	0.81
Advertising	2.40	3.02	2.94
Travelling	0.23	0.25	0.25
Communication	0.35	0.29	0.30
Delivery	0.23	0.26	0.25
Bad debt loss	0.07	0.30	0.27
All other expenses	2.17	1.87	1.91
Total operating expenses	29.29	28.26	28.39
Net operating Profit	2.67	2.57	2.58
Non-trading income	0.14	0.51	0.46
Non-trading expense	0.16	0.05	0.06
Net profit before income tax deduction	2.65	3.03	2.98

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, decreased from 27.29 per cent at the beginning of the year to 25.33 per cent at the end of the year. Both sales sizes experienced a decrease, but the larger group was the more pronounced. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 2.62 times per year, almost identical to the 1953 result of 2.61 times per year. Again the larger firms' influence was felt with a 2.81 stock turnover rate.

Incorporated Companies

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Total operating expense ratios were smaller for "incorporated firms" with the result that their net profit ratios were slightly higher than corresponding ratios for "all firms". Only the sales size "under \$500,000" was affected; larger firms reporting were all incorporated. Net profits before income tax deduction, for the total all-sizes cate-

gory, were 2.99 per cent for "incorporated" and 2.98 for "all firms". Income tax reduced the incorporated firms' net profit ratio to 1.91 per cent from 2.99 per cent.

TABLE 2. Operating Results of Incorporated Men's Clothing Store Chains, 1955

(Items expressed as percentages of net sales)

Item	Firms with 1955 sales of		Total all sizes
	Under \$500,000	\$500,000 and over	
Gross profit.....	31.82	30.83	30.93
Total operating expenses ..	28.98	28.26	28.34
Net operating profit	2.84	2.57	2.59
Non-trading income.....	0.10	0.51	0.46
Non-trading expense.....	0.19	0.05	0.06
Net profit before income tax deduction.....	2.75	3.03	2.99
Income tax	0.78	1.12	1.08
Final net profit.....	1.97	1.91	1.91

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for the purpose of comparison. The number of respondents in 1955 increased to 18 from 15 in 1953. This increase in firms reporting had a tendency to decrease the average net sales per firm.

Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets. Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average net sales per firm in 1955 was 11.64 per cent smaller than the average derived from the 1953 survey results. Therefore, the decrease in the proportion of gross profit to sales in 1955 indicates that the average absolute gross profit also decreased but to a lesser extent than did average net sales. The increase in the gross profit

ratio coupled with the decrease in total operating expenses from 1953 to 1955 caused an appreciable gain in the net operating profit in 1955, 2.58 per cent compared with 1.81 per cent in 1953.

TABLE 3. Men's Clothing Store Chains Main Operating Results for 1953 and 1955 Compared

(Items expressed as percentages of net sales)

Item	1953 (15 firms)	1955 (18 firms)
	%	%
Gross profit.....	30.91	30.97
Operating expenses:		
Salaries	15.13	14.43
Occupancy	4.29	5.02 ¹
Advertising	3.18	2.94
All other expenses.....	6.50 ¹	6.00
Total operating expenses	29.10	28.39
Net operating profit	1.81	2.58

1. Includes "Heat, light and power."

WOMEN'S CLOTHING STORE CHAINS

A total of 467 retail outlets were operated by the 30 women's clothing store firms reporting to this survey. Operating profit and expense ratios are presented for three typical sales-size categories as

well as total all sizes. In addition, main operating ratios, income tax deductions and final net profit ratios are shown for the incorporated companies.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of women's clothing store chains, irrespective of the number of retail outlets operated, might be compared with a high degree of reliability.

In 1955 women's clothing store chains obtained an average gross profit of 32.70 per cent of average net sales. Within the three typical sales-size ranges, the smallest firms reported the highest ratio of 33.92 per cent, the middle-sized firms the lowest of 32.06 per cent, and the larger firms 32.77 per cent. Total operating expenses amounted to 28.77 per cent of net sales for all reporting firms and ranged from

32.55 per cent to 28.06 per cent, decreasing as the sales sizes increased. Because the operating expense ratios showed a much larger range than the gross profit ratios, the larger firms, which reported the lowest operating expense ratio (28.06 per cent) obtained the highest net operating profit of 4.71 per cent. The sales-size \$300,000 to \$999,999 showed the lowest net operating profit of 0.24 per cent, as a result of having the lowest gross profit ratio and second highest operating expense ratios. The under \$300,000 group had the highest operating expense ratio of 32.55 per cent but also the highest gross profit ratio, resulting in a 1.37 per cent net operating profit. Non-trading income and expense ratios did not change the smaller firms' net operating profit of 1.37 per cent, but netted an increase in the two remaining groups, which resulted in ratios of net profit before taxation of 0.87 per cent and 5.26 per cent respectively.

TABLE 4. Operating Results of Women's Clothing Store Chains, 1955, by Size of Firm

Item	Firms with 1955 sales of			Total all sizes
	Under \$300,000	\$300,000 to \$999,999	\$1,000,000 and over	
Number of firms	9	11	10	30
Number of stores operated	55	92	320	467
Average net sales per firm	\$ 201,051	644,161	3,962,361	1,617,295
Average cost of goods sold	\$ 132,850	437,623	2,663,948	1,088,300
Average inventory per firm:				
Beginning of year	\$ 50,348	108,612	380,691	181,826
Per cent of average net sales	25.04	16.86	9.61	11.24
End of year	\$ 54,602	135,380	503,983	234,014
Per cent of average net sales	27.16	21.02	12.72	14.47
Stock turnover (times per year)	2.53	3.59	6.02	5.23
Profit and loss data (per cent of net sales)				
Gross profit	33.92	32.06	32.77	32.70
Operating expenses:				
Salaries:				
Executives	3.78	3.20	1.16	1.56
Other employees	12.70	12.73	12.46	12.51
Employees' benefits	0.16	0.28	0.31	0.30
Occupancy	9.05	6.97	6.20	6.42
Taxes, licenses ¹	0.87	0.49	0.47	0.49
Insurance	0.73	0.54	0.26	0.32
Repairs and maintenance ¹	0.24	0.49	0.67	0.62
Depreciation	0.86	1.75	1.23	1.29
Supplies	0.72	0.74	1.61	1.45
Advertising	1.12	1.65	1.42	1.44
Travelling	0.23	0.55	0.38	0.40
Communication	0.52	0.37	0.34	0.35
Delivery	0.26	0.12	0.05	0.07
Bad debt loss	0.03	0.36	0.06	0.10
All other expenses	1.28	1.58	1.44	1.45
Total operating expenses	32.55	31.82	28.06	28.77
Net operating profit	1.37	0.24	4.71	3.93
Non-trading income	0.07	0.70	0.57	0.57
Non-trading expense	0.07	0.07	0.02	0.02
Net profit before income tax deduction	1.37	0.87	5.26	4.48

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 11.24 per cent at the beginning of the year to 14.47 per cent at the end of the year. This trend was common to all sales-sizes. The rate of

stock turnover-average of beginning and ending inventories divided into cost of goods sold-was 5.23 times per year, compared with 5.48 times per year for 1953.

Incorporated Companies

Twenty-five of the 30 firms reporting were incorporated; no unincorporated firms reported in sales-size class of \$300,000 to \$999,999. The remaining incorporated firms reporting were 9 in \$1,000,000 and over sales-size and 5 in the under \$300,000 sales group. Comparison of the profit and expense ratios of the incorporated firms only, with

all firms, indicated that the differences in the ratios were negligible. Net profits before income tax deduction, expressed as proportions of the respective net sales, were 4.47 per cent and 4.48 per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the "incorporated firms" profit ratio to 2.39 per cent a decrease of 46.53 per cent.

TABLE 5. Operating Results of Incorporated Women's Clothing Store Chain, 1955

(Items expressed as percentages of net sales)

Item	Firms with 1955 sales of			Total all sizes
	Under \$300,000	\$300,000 to \$999,999	\$1,000,000 and over	
Gross profit	35.06	32.06	32.53	32.51
Total operating expenses	33.89	31.82	27.87	28.59
Net operating profit	1.17	0.24	4.66	3.92
Non-trading income	0.11	0.70	0.57	0.58
Non-trading expense	0.13	0.07	0.02	0.03
Net profit before income tax deduction	1.15	0.87	5.21	4.47
Income tax	0.34	0.28	2.45	2.08
Final net profit	0.81	0.59	2.76	2.39

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for the purpose of comparison. Firms reporting in 1955 numbered 30 compared with 28 firms in 1953; the retail outlets numbered 467 in 1955 against 434 in 1953. The reporting firms were not the same in the two years. Only 17 of the 28 firms in the 1953 survey also reported for 1955.

Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets. Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average net sales per firm in 1955 was 3.88 per cent higher than the average of the 1953 survey. Therefore, the increase in the gross profit ratio indicates that the average gross profit per firm increased at a higher rate than did net sales. Total operating expenses also showed an increase in ratio but greater than that which occurred in the gross profit item. Consequently, the net operating profit ratio declined from 4.68 per cent in 1953 to 3.93 per cent in 1955.

TABLE 6. Women's Clothing Store Chains Main Operating Results for 1953 and 1955 Compared
(Items expressed as percentages of net sales)

Item	1953 (28 firms)	1955 (30 firms)
Gross profit.....	31.48	32.70
Operating expenses:		
Salaries	12.90	14.07
Occupancy	4.97	6.43
Advertising	1.51	1.44
All other expenses	7.42 ¹	6.84
Total operating expenses	26.80	28.77
Net operating profit	4.68	3.93

1. Includes "Heat, Light and Power."

FAMILY CLOTHING STORE CHAINS

The 18 firms from which reports were received together operated a total of 126 retail outlets. Results for these are shown in two sales-size groups with the division at \$750,000 annual net sales.

Sufficient firms were incorporated to permit a breakdown of income tax information for each sales-size group.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of family clothing chains, irrespective of the number of retail outlets, might be compared with a high degree of reliability.

In 1955, family clothing store chains obtained an average gross profit ratio of 33.35 per cent of average net sales. Total operating expense ratio of 31.64 per cent reduced this marginal profit to a net operating profit of 1.71 per cent. Of the 18

respondents in 1955, only 10 reported data in 1953. The other 8 firms were either delinquent in 1953 or reported for the first time in 1955. The "\$750,000 and over" group had the larger gross profit and total operating expenses of the two sales-size groups but a lower net operating profit of 1.67 per cent. The 1955 net profit was 1.90 per cent for the "under \$750,000" group. In each instance non-trading income and expense ratios netted an increase. The smaller firms obtained a ratio of net profit before taxation of 2.04 per cent, the larger firms 1.94 per cent, and all firms 1.96 per cent of their respective average net sales.

TABLE 7. Operating Results of Family Clothing Store Chains, 1955, by Size of Firm

Item	Firms with 1955 sales of		Total all sizes
	Under \$750,000	\$750,000 and over	
Number of firms	9	9	18
Number of stores operated	56	70	126
Average net sales per firm	\$ 516,274	2,261,083	1,388,678
Average cost of goods sold	\$ 362,072	1,489,029	925,550
Average inventory per firm:			
Beginning of year	\$ 143,779	473,423	308,601
Per cent of average net sales	27.85	20.94	22.22
End of year	\$ 156,505	526,772	341,639
Per cent of average net sales	30.31	23.30	24.60
Stock turnover (times per year)	2.41	2.98	2.85
Profit and loss data (per cent of net sales)			
Gross profit	29.87	34.14	33.35
Operating expenses:			
Salaries:			
Executives	4.03	1.52	1.99
Other employees	11.96	15.35	14.72
Employees' benefits	0.17	0.32	0.29
Occupancy	4.18	5.05	4.89
Taxes, licenses	0.22	0.39	0.36
Insurance ¹	0.61	0.49	0.51
Repairs and maintenance ¹	0.27	0.38	0.36
Depreciation ¹	0.79	1.04	0.99
Supplies	0.64	0.61	0.61
Advertising	2.39	3.78	3.53
Travelling	0.60	0.54	0.55
Communication	0.29	0.39	0.37
Delivery	0.15	0.68	0.58
Bad debt loss	0.02	0.25	0.21
All other expenses	1.65	1.68	1.68
Total operating expenses	27.97	32.47	31.64
Net operating profit	1.90	1.67	1.71
Non-trading income	0.53	0.90	0.83
Non-trading expense	0.39	0.63	0.58
Net profit before income tax deductions	2.04	1.94	1.96

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 22.22 per cent at the beginning of the year, to 24.60 per cent at the end of the year. Both sales-size groups experienced an increase of approximately the same magnitude. The rate of stock

turnover—average of beginning and year-end inventories divided into cost of goods sold—was 2.85 times per year for all responding firms. The rate increased with size of annual net sales from 2.41 to 2.98 for firms in the respective sales-size groupings.

Incorporated Companies

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated very slight differences in the ratios. There were 8 incorporated firms in the smaller sales-size category and 7 firms in the larger class. With this number of incorporated firms it was possible to present a breakdown by sales size. Net profits before

income tax deduction expressed as proportions of their respective sales, were 1.96 per cent for "all firms" and 2.13 per cent for "incorporated firms". Income tax reduced the ratio of 2.13 per cent to a final net profit of 1.11 per cent, a decrease of 47.89 per cent.

TABLE 8. Operating Results of Incorporated Family Clothing Store Chains, 1955
(Items expressed as percentages of net sales)

Item	Firms with 1955 net sales of		Total all sizes
	Under \$750,000	\$750,000 and over	
Gross profit.....	30.56	34.50	33.74
Total operating expenses	28.49	32.61	31.82
Net operating profit	2.07	1.89	1.92
Non-trading income.....	0.56	0.91	0.83
Non-trading expense.....	0.41	0.70	0.64
Net profit before income tax deduction.....	2.22	2.10	2.13
Income tax	0.64	1.10	1.02
Final net profit	1.58	1.00	1.11

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for the purpose of comparison. The number of respondents in 1955 increased to 18 from 15 in 1953. This increase in firms reporting had a tendency to increase the average net sales per firm, from \$1,201,798 in 1953 to \$1,388,678 in 1955. This year 5 more firms reported in the smaller sales-size and 2 firms less in the larger sales-size.

Ratios, however, tend to eliminate this difference and may be used with a reasonable degree of reliability when comparing the results of two surveys.

Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The gross profit ratio increased from 31.04 per cent in 1953 to 33.35 in 1955 but operating expenses increased to a greater extent than gross profit from 29.04 per cent in 1953 to 31.64 per cent in 1955. This resulted in a net operating profit decrease, 1.71 per cent in 1955 compared with 2.00 per cent in 1953.

TABLE 9. Family Clothing Store Chains Main Operating Results for 1953 and 1955 Compared

(Items expressed as percentages of net sales)

Item	1953 (15 firms)	1955 (18 firms)
Gross profit	31.04	33.35
Operating expenses:		
Salaries	16.48	16.71
Occupancy	3.49	4.89 ¹
Advertising	1.81	5.53
All other expenses	7.26 ¹	6.51
Total operating expenses	29.04	31.64
Net operating profit	2.00	1.71

1. Includes "Heat, light and power".

SHOE STORE CHAINS

A total of 578 retail outlets were operated by the 35 shoe store firms reporting to this survey in 1955. Operating profit and expense ratios are presented for two typical sales-size categories as well

as for total all sizes. In addition, main operating ratios, income tax deductions and final net profit ratios are shown for the incorporated companies.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of chain shoe stores, irrespective of the number of retail outlets, might be compared with a higher degree of accuracy.

In 1955, shoe store chains obtained an average gross profit of 32.95 per cent of average net sales. The under \$1,000,000 sales-size group had the higher gross profit, 34.74 per cent, and also the

higher total operating expenses, 31.81 per cent, resulting in a 2.93 per cent net operating profit. Sales-size \$1,000,000 and over was exactly opposite with smaller gross profit and total operating expenses but with higher net operating profit, 32.34 per cent, 26.67 per cent, and 5.67 per cent, respectively. Non-trading expense and income netted a decrease to the operating profit ratios for both groups resulting in respective net profit ratios before income tax deduction of 2.85 per cent and 5.41 per cent. Total all sizes had 4.76 per cent net profit before income tax deduction.

TABLE 10. Operating Results of Shoe Store Chains, 1955, by Size of Firm

Item	Firms with 1955 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Number of firms	25	10	35
Number of stores operated	174	404	578
Average net sales per firm	\$ 390,033	2,855,553	1,094,467
Average cost of goods sold	\$ 254,531	1,932,187	733,861
Average inventory per firm:			
Beginning of year	\$ 127,509	769,886	311,045
Per cent of average net sales	32.69	26.96	28.42
End of year	\$ 128,765	798,515	320,122
Per cent of average net sales	33.01	27.96	29.25
Stock turnover (times per year)	1.99	2.46	2.33
Profit and loss data (per cent of net sales)			
Gross profit	34.74	32.34	32.95
Operating expenses:			
Salaries:			
Executives	3.15	1.80	2.14
Other employees	14.34	12.82	13.21
Employees' benefits	0.26	0.21	0.23
Occupancy	6.99	5.45	5.84
Taxes, licenses ¹	0.71	0.53	0.58
Insurance ¹	0.52	0.36	0.40
Repairs and maintenance ¹	0.48	0.67	0.62
Depreciation ¹	0.69	0.80	0.77
Supplies	0.46	0.57	0.54
Advertising	1.50	1.79	1.72
Travelling	0.30	0.24	0.26
Communication	0.38	0.28	0.30
Delivery	0.28	0.21	0.22
Bad debt loss	0.04	0.04	0.04
All other expenses	1.71	0.90	1.11
Total operating expenses	31.81	26.67	27.98
Net operating profit	2.93	5.67	4.97
Non-trading income	0.17	0.09	0.11
Non-trading expense	0.25	0.35	0.32
Net profit before income tax deduction	2.85	5.41	4.76

1. Excludes amount attributed to real estate which is in occupancy expense.



Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 28.42 per cent at the beginning of the year to 29.25 per cent at the end of the year. This trend was common to firms in both sales-size groups. The rate of stock turnover—average of beginning and year-end inventories divided into cost of goods sold—was 2.33 times per year, a lower rate than was ascertained from the 1953 survey results. The rates for the two groups, 1.99 and 2.46 times per year, increased with sale-size.

Incorporated Companies, 1955

Comparison of the profit and expense ratios of the incorporated firms only with all firms indicated that the incorporated firms obtained a higher gross profit, total operating expenses and net profit ratios, with the emphasis on the gross profit ratio. Net profits before income tax, expressed as proportions of the respective net sales, were 5.01 per cent for incorporated firms and 4.76 per cent for all firms. Income tax reduced the incorporated firms' ratio of 5.01 per cent to a final net profit of 2.68 per cent, a decline of 46.51 per cent.

TABLE 11. Operating Results of Incorporated Shoe Store Chains, 1955

(Items expressed as percentages of net sales)

Item	Firms with 1955 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Gross profit	35.10	32.86	33.35
Total operating expenses..	31.80	27.06	28.10
Net operating profit	3.30	5.80	5.25
Non-trading income	0.14	0.08	0.10
Non-trading expense	0.33	0.34	0.34
Net profit before income tax deduction	3.11	5.54	5.01
Income tax	0.89	2.74	2.33
Final net profit	2.22	2.80	2.68

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for comparative purposes. The 1955 results were derived from returns submitted by 35 firms whereas the 1953 survey had 30 respondents. Twenty-four of the 35 firms reporting in 1955 also reported in 1953. The average net sales per firm for total all sizes in 1955 were lower than 1953 due to four more firms reporting in the smaller sales-size class and one more in the larger firm category.

Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets. Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10 per cent from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would show a decrease. It is, therefore, necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average of net sales per firm in 1955 was 5.60 per cent smaller than the average ascertained from the 1953 survey. The decrease in the gross

profit per firm decreased to a lesser extent than did the net sales. The operating expenses, however, showed a sizable increase but not enough to reverse the gross profit effect.

The final net profit was 4.97 per cent in 1955 compared to 4.88 per cent in 1953.

TABLE 12. Shoe Store Chains Main Operating Results for 1953 and 1955 Compared

(Items expressed as percentages of net sales)

Item	1953 (30 firms)	1955 (35 firms)
Gross profit	31.60	32.95
Operating expenses:		
Salaries	14.78	15.35
Occupancy	4.65	5.84 ¹
Advertising	1.65	1.72
All other expenses	5.64 ¹	5.07
Total operating expenses	26.72	27.98
Net operating profit	4.88	4.97

1. Includes "Heat, light and power".