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C162 CATALOGUE No.
D 63-401
1957 ANNUAL

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OPERATING RESULTS OF CHAIN CLOTHING STORES 1957

Published by Authority of
The Honourable Gordon Churchill, Minister of Trade and Commerce

Canada DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division
Retail Trade Section

6505-529-127

Price 25 cents

Vol. 3—Part II—1-1

658.873

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1957 (No 2)

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¢
 - 2 Operating Results of Drug Wholesalers, 25¢
 - 3 Operating Results of Hardware Wholesalers, 25¢
 - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
 - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢
- E — Agents and Brokers, Wholesale Trade (Memorandum), 10¢

Part II — Retail Statistics

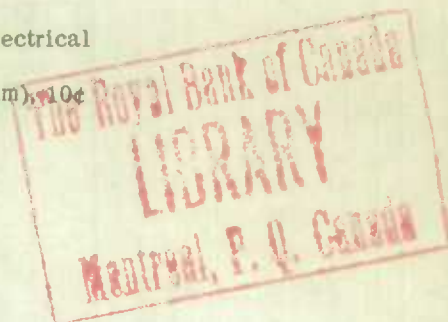
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Food Store Chains, 25¢
- I — Operating Results of Clothing Store Chains, 25¢
- J — 1 Operating Results of Variety Store Chains, 25¢
 - 2 Operating Results of Drug Store Chains, 25¢
 - 3 Operating Results of Furniture Store Chains, 25¢
- *K — Operating Results of Independent Food Stores, 25¢
- *L — Operating Results of Independent Clothing Stores, 25¢
- *M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- *N — Operating Results of Filling Stations and Garages, 25¢
- *O — 1 Operating Results of Independent General Stores, 25¢
 - 2 Operating Results of Independent Restaurants, 25¢
 - 3 Operating Results of Independent Fuel Dealers, 25¢
 - 4 Operating Results of Independent Drug Stores, 25¢
 - 5 Operating Results of Independent Jewellery Stores, 25¢
 - 6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Credit, 25¢

Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1957.



(December 5, 1958)

DEFINITIONS

Profit and Loss

Net sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, and transportation costs from warehouse to stores.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages, commissions and bonuses (except delivery) — payments to employees before deduction of income tax or unemployment insurance, etc. Also included are salaries paid to executives of incorporated firms and to proprietors of unincorporated businesses.

Payments contributed by the firm — contributions made towards employees' pensions, unemployment insurance, hospitalization and other staff benefits. (Excludes employees' own contributions.)

Occupancy — the cost of maintaining and occupying a place of business and includes property taxes, insurance, heat, light and power, repairs and maintenance, depreciation, mortgage interest on owned real estate and rental expense on rented premises.

Taxes and business licences — excluding property taxes.

Insurance — premiums for insurance policies carried to protect the business, covering furniture and fixtures and inventories but excluding real estate insurance and insurance on delivery equipment.

Repairs and maintenance — costs incurred to keep fixtures and equipment operating efficiently. (Excludes capital expenditure and delivery.)

Depreciation allowances — expenditure on fixtures and equipment (except delivery).

Office and store supplies — wrapping paper, twine, store and office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Travelling — all travelling expense including buying.

Communication — telephone, telegraph and postage.

Delivery — salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.), all other costs from stores to customers including amounts paid for contract delivery.

Loss on bad debts — amount written off or reserve provided for during the current year.

All other operating expenses — bank charges, legal, auditing and collection fees, etc.

Non-trading income — interest earned, net revenues from rentals, financial charges, delivery charges made to customers and bad debts recovered, revenues from investments and other non-trading activities.

Non-trading expenses — interest expense and any other expenses not pertaining to the business.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank — the amount of cash on hand at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale not including store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary, within a reasonably short time, such as Dominion of Canada Bonds, prepaid insurance, and deferred and prepaid charges of a current nature.

Fixed assets (net) — the cost value of land, buildings, furniture, fixtures, equipment and improvements, less any reserves for depreciation.

Other assets — investments of a permanent nature not readily converted into cash and intangibles such as goodwill, organization costs, and financing expenses.

Liabilities and Net Worth

Current liabilities — obligations which must be paid in the near future (usually one year) and represent accounts and notes payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages payable, secured by fixed assets.

Other liabilities — Long-term loans, notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income, advances to shareholders, etc.

Net worth — for incorporated businesses, net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Where unincorporated firms are included, only "total" net worth is shown.

OPERATING RESULTS OF CHAIN CLOTHING STORES 1957

INTRODUCTION

General comments regarding this sixth study of the operating results of Chain Clothing stores conducted by the Dominion Bureau of Statistics are as follows:

Scope—Chain store firms are defined as those organizations operating four or more retail outlets in the same or related lines of business under the same ownership. Controlled subsidiary companies are included but "voluntary" groups in which individual owners enjoy certain purchasing or other privileges are not. The trades covered in this report are men's, women's, family clothing and shoe stores.

Content—This report deals mainly with profit and loss statistics. Operating expenses are shown in percentage to net sales for suitable sales-size categories. A few unincorporated firms are included for which proprietors' salaries are grouped with executive salaries; income tax tabulation, however, was made only for groups where all were incorporated companies.

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 rental premises. Delivery expense generally includes salaries, insurance, licenses, repairs and maintenance, gas, oil and depreciation on owned

equipment, together with the expense of contract delivery. Some chain store firms do not provide any delivery service while others, using contract delivery, were able to report only a "net" cost for this item.

Balance sheet data were requested for the first time from retail chain store organizations from which it was intended to show certain averages and ratios. In some cases, the financial structures of the firms were so different that averages of some items would be meaningless. This variability, plus failure to supply balance sheet information in other cases, places a certain caution on the use of these data.

Purpose—The primary purpose of the operating results survey is to provide averages on the different phases of business operations 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 1957 business operations with summaries of principal ratios since 1947 on a biennial basis. This study is alternated each year with a similar one on independent retail stores covering the even year.

SUMMARY OF 1957 RESULTS BY TRADES

This brief summary compares some of the main profit and loss items of the four trade classifications. More detail is presented on the following pages under the respective trade titles where information is given by sales-size classes, when possible, for better comparative analysis. Because a chain store firm, by definition, operates four or more retail outlets, the absolute dollar values (average net sales, cost of goods sold, etc.) are shown for a singular purpose only. That is, these dollar values are shown to assist chain store management 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.

The gross profit for chain clothing stores ranged from 32.13 per cent of net sales for men's clothing stores to 34.38 per cent for women's clothing stores. Shoe store chains operated on the lowest ratio of expense which, coupled with their gross profit, gave them the highest percentage of operating profit (4.87 per cent). This compares with 3.53 per cent for women's clothing, 2.09 per cent for family clothing and 2.01 per cent for men's clothing store chains. The net "other income" increased the operating profit for all except shoe stores where the 4.87 per cent operating profit was reduced to a final net profit, before income tax deduction, of 4.81 per cent of net sales. The rate of stock turnover was most rapid in the women's clothing trade at 5 times per year and slowest for shoes at approximately 2.5 times per year.

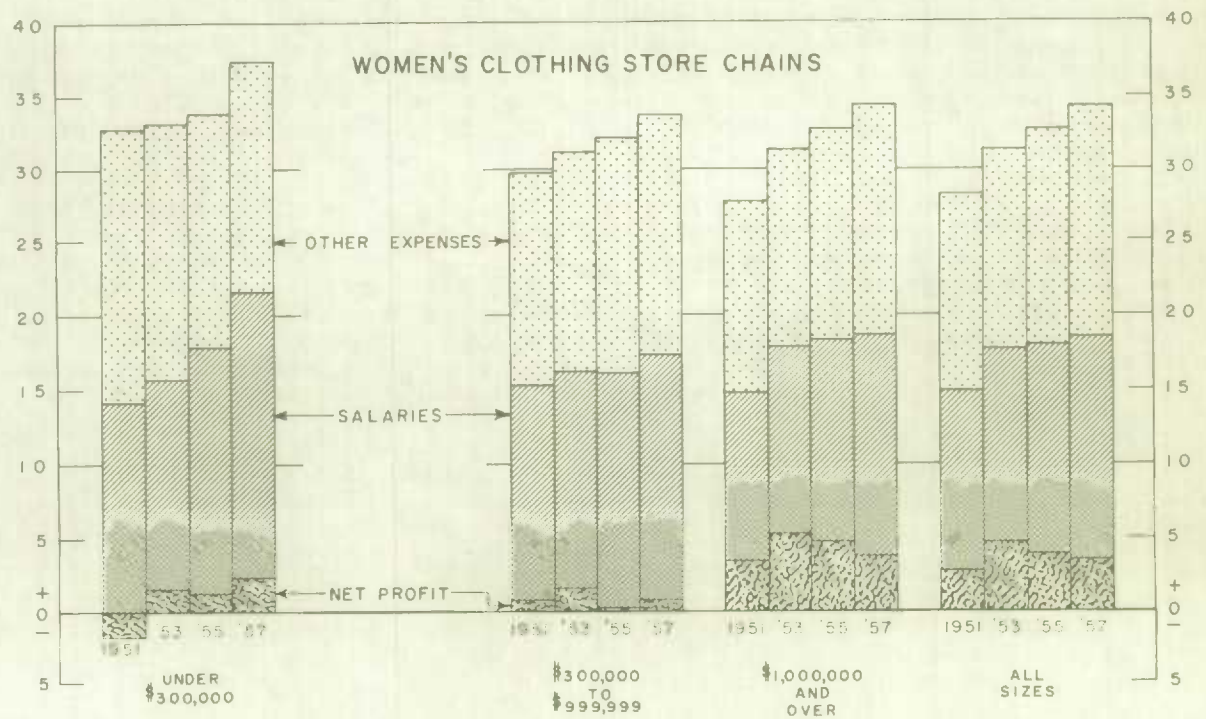
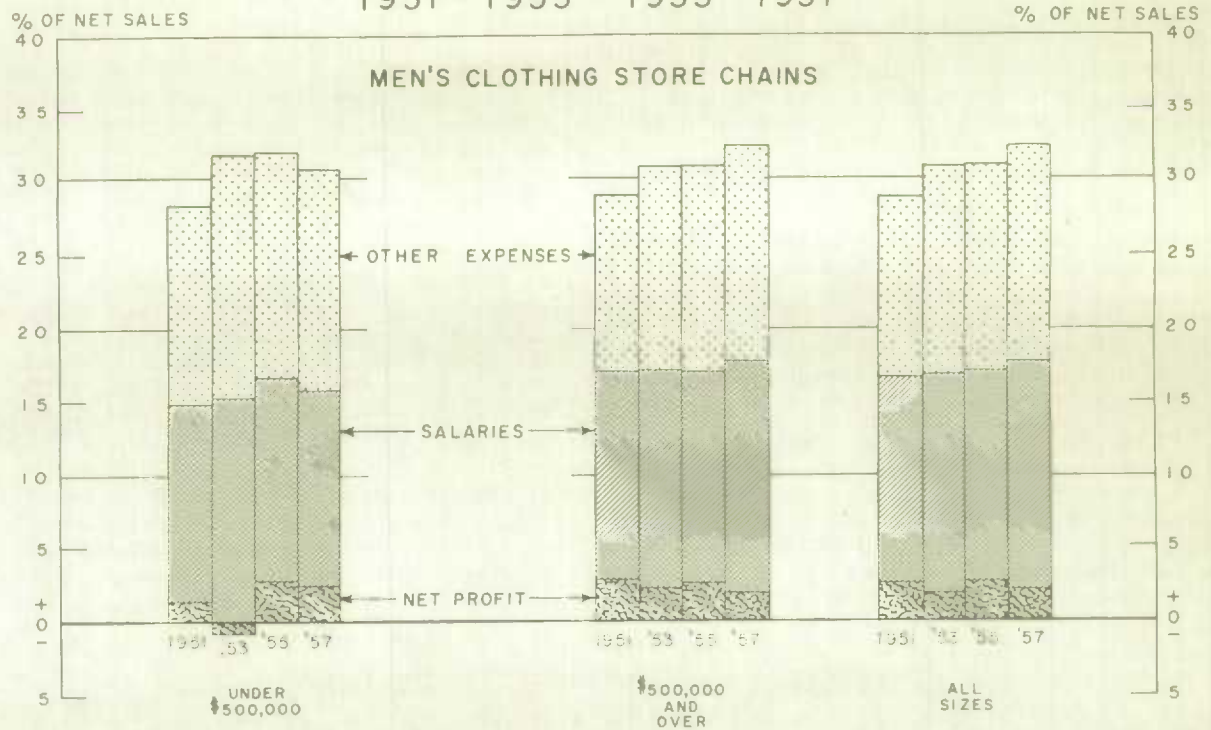
Comparison of Main Operating Results in Clothing Store Chains, 1957

Item	Men's clothing	Women's clothing	Family clothing	Shoes
Number of firms	17	29	19	36
Average net sales per firm	1, 163, 537	2, 057, 967	1, 675, 190	1, 524, 122
Rate of stock turnover (times per year)	2.95	5.02	3.14	2.40
Profit and loss data (per cent of net sales):				
Gross profit	32.13	34.38	32.88	33.95
Operating expenses	30.12	30.85	30.79	29.08
Net operating profit	2.01	3.53	2.09	4.87
Non-trading income	0.65	1.23	1.00	0.28
Non-trading expense	0.23	0.20	0.42	0.34
Net profit before income tax deduction	2.43	4.56	2.67	4.81

OPERATING RESULTS OF CHAIN CLOTHING STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

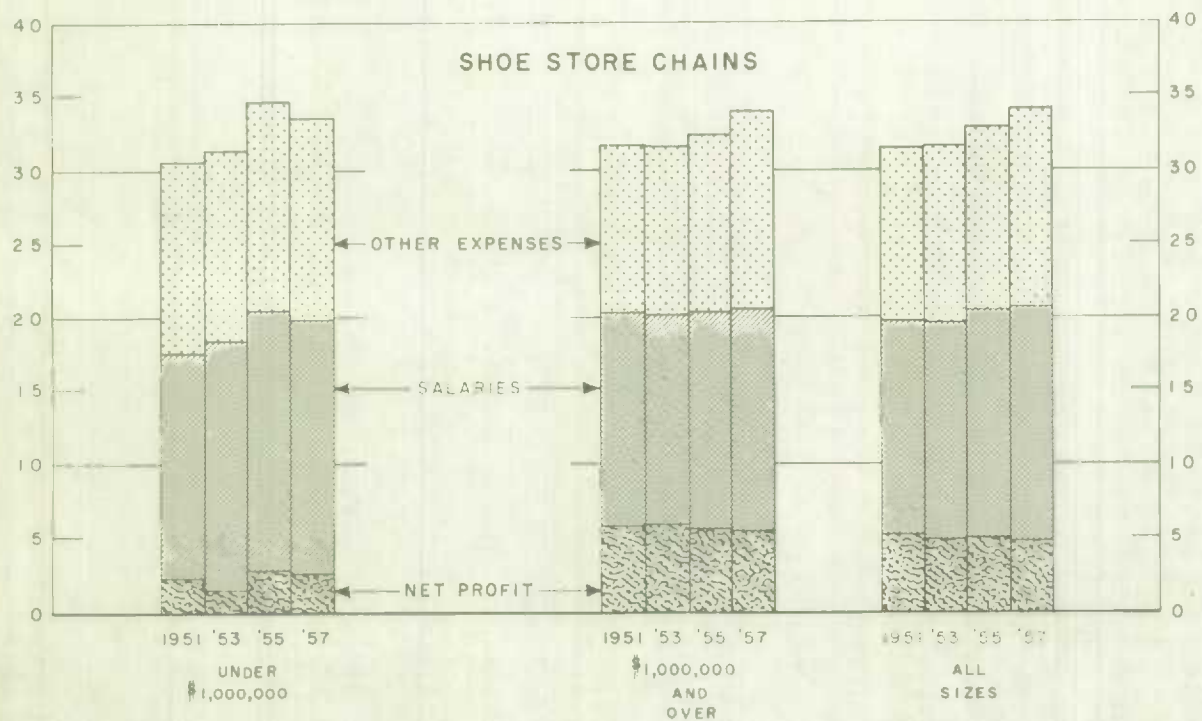
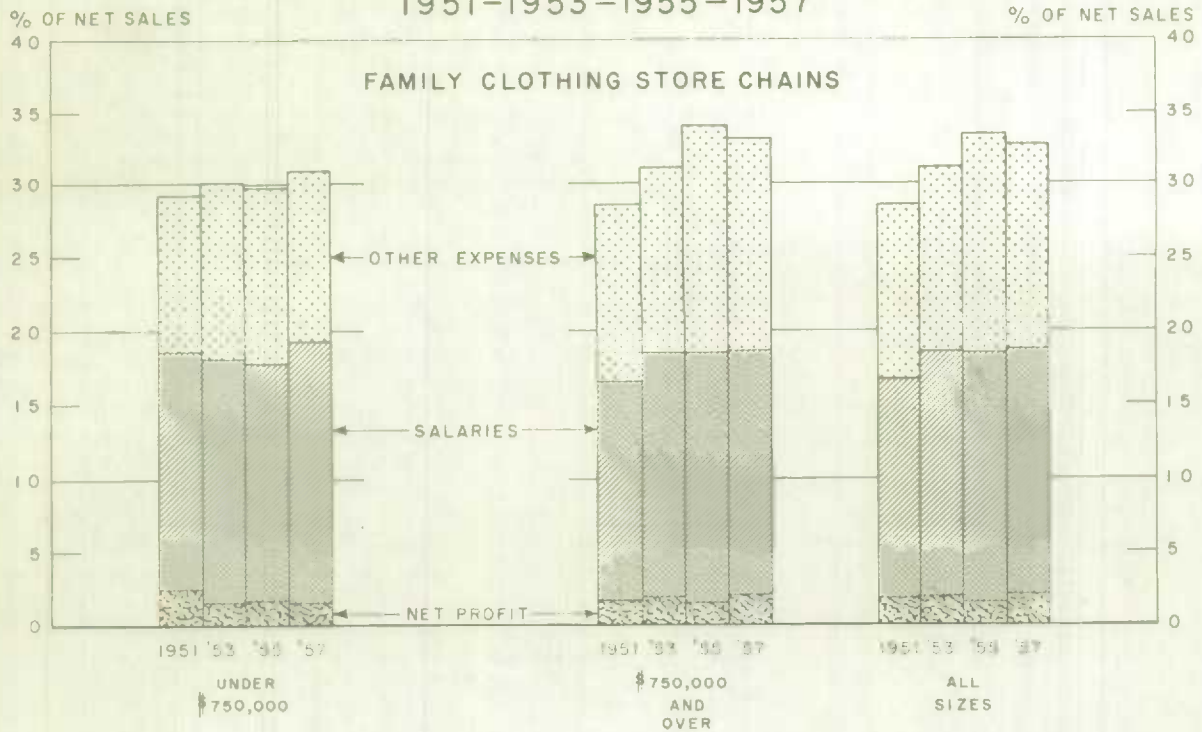
1951 - 1953 - 1955 - 1957



OPERATING RESULTS OF CHAIN CLOTHING STORES BY SIZE OF FIRM

GROSS PROFIT=NET PROFIT+SALARIES+OTHER EXPENSES

1951-1953-1955-1957



MEN'S CLOTHING STORE CHAINS

Firms included in this classification are those selling mainly men's and boys' ready-made clothing. Furnishings, such as shirts, gloves, underwear, and shoes, may also be sold but not exceeding 80 per cent of total sales. Specialized stores, such as those whose sales are principally hats, are not included. Financial data of 17 firms, operating 143 retail outlets, are included in this section of the report.

Most operating, or profit and loss items, are expressed in the standard form of percentages to net sales. For 1957, these are presented in three sales-size categories for the closest possible comparative analysis; in former years, results were broken down into two size classes. Since these financial statistics are reported on an "enterprise" basis, it is not possible to show any results by individual store sizes.

Review of 1957 Operating Results

Profit and Expense Ratios

Men's clothing store chains obtained a gross profit of 32.13 per cent of net sales in 1957. Operating expenses, totalling 30.12 per cent, reduced this gross profit to a net operating profit of 2.01 per cent. Over one half of the operating expenses were accounted for by employees' salaries and wages and benefits. Non-trading income exceeded non-trading expense to raise the net profit to 2.43 per cent of sales before income tax deduction. In Table 1, income tax and final net profit ratios are shown for the two largest sales-size categories which were entirely comprised of incorporated companies.

Income tax ratios are not comparable in the smallest sales-size class as four of the firms were unincorporated.

Inventories and Stock Turnover

Inventories of the reporting firms, expressed as percentages of net sales, showed a slight increase during the year from 22.61 per cent at the beginning to 23.33 per cent at the end of the year. The average of these two inventories, divided into the cost of goods sold, produced a stock turnover rate of 2.95 times per year, slightly faster than the 1955 rate of 2.62.

TABLE 1. Operating Results of Men's Clothing Store Chains, 1957, by Size of Firm

Item	Firms with 1957 sales of			Total all sizes
	Under \$500,000	\$500,000-\$999,999	\$1,000,000 and over	
Number of firms	6	5	6	17
Number of stores operated	31	40	72	143
Average net sales per firm	\$ 273,561	810,829	2,347,337	1,163,537
Average cost of goods sold	\$ 189,671	559,768	1,581,396	789,720
Average inventory per firm:				
Beginning of year	\$ 102,202	147,121	520,464	263,035
Per cent of average net sales	37.35	18.14	22.17	22.61
End of year	\$ 95,821	153,724	545,325	271,500
Per cent of average net sales	35.01	18.96	23.23	23.33
Stock turnover (times per year)	1.92	3.72	2.96	2.95
Profit and loss data (per cent of net sales)				
Gross profit	30.69	30.96	32.63	32.13
Operating expenses:				
Salaries:				
Executives	2.96	3.21	1.85	2.22
Other employees	10.48	12.04	14.10	13.38
Employees' benefits	0.09	0.15	0.28	0.24
Occupancy	7.71	5.80	4.25	4.86
Taxes, licenses ¹	0.66	0.27	0.51	0.47
Insurance ¹	0.61	0.53	0.42	0.45
Repairs and maintenance ¹	0.32	0.55	0.44	0.45
Depreciation ¹	0.89	0.81	0.51	0.60
Supplies	0.71	0.56	0.84	0.77
Advertising	0.82	2.20	4.09	3.44
Travelling	0.33	0.35	0.33	0.33
Communications	0.45	0.27	0.34	0.33
Delivery	0.48	0.21	0.29	0.29
Bad debt loss	0.07	0.38	0.26	0.27
All other expenses	1.73	1.28	2.26	2.02
Total operating expenses	28.31	28.61	30.77	30.12
Net operating profit	2.38	2.35	1.86	2.01
Non-trading income	0.01	0.30	0.82	0.65
Non-trading expense	—	0.41	0.20	0.23
Net profit before income tax deduction	2.39	2.24	2.48	2.43
Income tax	—	0.46	1.01	—
Final net profit	—	1.78	1.47	—

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

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

Gross profit of men's clothing store chains in 1957 reached the highest level of this series with a ratio of 32.13 per cent of net sales. Total operating expenses followed a similar course to establish a record of 30.12 per cent of sales. A record high in the net profit did not materialize, however, since the high operating expense more than offset the gross profit gain; net operating profit, at 2.01 per cent of net sales, was the second lowest ratio of the six surveys which cover an eleven year period.

TABLE 2. Men's Clothing Store Chains — Comparison of Main Operating Results, 1947- 1957
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957
Number of firms	9	9	12	15	18	17
Gross profit	29.95	29.13	28.75	30.91	30.97	32.13
Operating expenses:						
Salaries	12.66	13.60	14.07	15.13	14.43	15.60
Occupancy	3.33	3.92	3.87	4.89	5.02	4.86
Advertising	2.11	2.99	3.12	3.18	2.94	3.44
All other expenses	4.31	5.06	5.16	5.90	6.00	6.22
Total operating expenses	22.41	25.57	26.22	29.10	28.39	30.12
Net operating profit	7.54	3.56	2.53	1.81	2.58	2.01

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of the trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 3. Financial Status of Men's Clothing Store Chains, as at December 31, 1957

Item	Firms with annual net sales of			Total all sizes
	Under \$500,000	\$500,000 - \$999,999	\$1,000,000 and over	
	average per firm			
Assets				
Current assets:				
Cash on hand and in bank	14,863	33,603	73,695	41,139
Accounts and notes receivable (net)	4,084	35,523	194,616	30,577
Merchandise inventory	95,821	153,724	550,136	273,198
Other current assets	1,933	3,845	10,682	5,583
Total current assets	116,701	226,695	829,129	400,497
Total fixed assets (net)	19,180	37,752	178,830	80,989
Other assets:				
Long term investments	3,350	8,254	5,218	5,452
Other assets	15,516	8,313	24,366	16,521
Total other assets	18,866	16,567	29,584	21,973
Total assets	154,747	281,014	1,037,543	503,459
Liabilities				
Current liabilities:				
Accounts and notes payable	85,751	104,916	311,032	170,899
Fixed liabilities	5,848	—	28,126	11,990
Other liabilities	2,674	29,604	18,530	16,191
Total liabilities	94,273	134,520	357,688	199,080
Net worth¹				
Capital stock	—	58,452	262,492	—
Surplus and undivided profits	—	88,042	417,363	—
Total net worth	60,474	146,494	679,855	304,379
Total liabilities and net worth	154,747	281,014	1,037,543	503,459
Average net sales of firms reporting	273,661	810,829	2,347,337	1,163,537
Number of firms	6	5	6	17

¹ Where unincorporated firms are included, only "Total" net worth is shown.

WOMEN'S CLOTHING STORE CHAINS

This classification includes firms selling mainly women's ready-to-wear clothing. For the purpose of presenting meaningful ratios and averages on the year's operation, specialized trades such as furriers, millinery, etc., are excluded. It was possible to place the 29 reporting firms into four sales-size categories which permits a closer comparative

analysis than in former years when only three size classes were used. Financial statistics such as shown in this report are generally available only on an "enterprise" basis; for this reason, presentation of operating results classified on an individual store sales-size basis is not possible.

Review of 1957 Operating Results

Profit and Expense Ratios

These items are shown in the standard form of percentages to net sales. Gross profit amounted to 34.38 per cent of net sales in 1957 and operating expenses to 30.85 per cent. The ratios of the operating expenses decreased as the sales-size increased to produce net profit ratios ranging from 0.10 per cent in the second smallest class to 4.23 per cent in the largest sales-size group. In total, the net operating profit ratio amounted to 3.53 per cent of sales; this was increased to 4.56 per cent by an excess of non-trading income over non-trading expense. In Table 4, income tax and final net profit

ratios are shown for the two size classes which were entirely comprised of incorporated companies. The inclusion of unincorporated firms in the two middle sales-size categories precluded the tabulation of these ratios.

Inventories and Stock Turnover

The dollar level of inventories was lower at the end of the year than at the beginning. The rate of stock turnover, obtained by dividing the average of these inventories into cost of goods sold, increased with size of firm and for all firms was 5.02 times in the year.

TABLE 4. Operating Results of Women's Clothing Store Chains, 1957, by Size of Firm

Item	Firms with 1957 sales of				Total all sizes
	Under \$500,000	\$500,000-\$999,999	\$1,000,000-\$2,999,999	\$3,000,000 and over	
Number of firms	9	6	8	6	29
Number of stores operated	53	54	140	269	516
Average net sales per firm \$	306,398	671,514	1,553,638	6,744,212	2,057,967
Average cost of goods sold \$	197,023	448,803	1,012,322	4,432,588	1,350,349
Average inventory per firm:					
Beginning of year \$	57,435	164,141	235,921	752,205	272,495
Per cent of average net sales	18.75	24.44	15.91	11.15	13.24
End of year \$	59,703	159,932	273,856	669,865	265,757
Per cent of average net sales	19.49	23.82	17.63	9.93	12.91
Stock turnover (times per year)	3.36	2.77	3.97	6.23	5.02
Profit and loss data (per cent of net sales)					
Gross profit	35.70	33.16	34.84	34.28	34.38
Operating expenses:					
Salaries:					
Executives	3.78	2.79	2.35	1.64	1.96
Other employees	13.07	13.78	13.59	12.76	13.01
Employees' benefits	0.27	0.35	0.17	0.35	0.31
Occupancy	6.93	8.25	7.34	6.45	6.78
Taxes, licenses ¹	1.54	0.54	0.46	0.57	0.59
Insurance ¹	1.32	0.52	0.35	0.30	0.37
Repairs and maintenance ¹	0.61	0.86	0.85	0.59	0.67
Depreciation ¹	0.93	1.03	0.97	0.97	0.97
Supplies	0.83	0.90	0.87	1.67	1.41
Advertising	1.32	1.30	2.07	1.79	1.80
Travelling	0.70	0.64	0.39	0.35	0.39
Communication	0.44	0.45	0.31	0.37	0.37
Delivery	0.36	0.04	0.30	0.50	0.42
Bad debt loss	0.21	0.07	0.22	0.17	0.18
All other expenses	1.24	1.54	1.94	1.57	1.62
Total operating expenses	33.55	33.06	32.18	30.05	30.85
Net operating profit	2.15	0.10	2.66	4.23	3.53
Non-trading income	0.39	0.66	0.65	1.52	1.23
Non-trading expense	0.04	0.46	—	0.25	0.20
Net profit before income tax deduction	2.50	0.30	3.31	5.50	4.56
Income tax	0.41	—	—	2.17	—
Final net profit	2.09	—	—	3.33	—

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

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

The ratios of both gross profit and total operating expenses reached the highest level of this series during 1957. Gross profit ratios declined from 30.18 per cent in 1947 to 28.32 per cent in 1951, then rose consistently to 34.38 per cent in 1957. Total operating expenses showed no such dip but registered a gradual and consistent increase from 24.03 per cent of net sales in 1947 to 30.85 per cent in 1957. The resulting ratio of net operating profit amounted to 3.53 per cent in 1957, the second lowest in the irregular pattern of the eleven years shown in Table 5.

TABLE 5. Women's Clothing Store Chains — Comparison of Main Operating Results, 1947-1957
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957
Number of firms	26	23	29	28	30	29
Gross profit	30.18	29.40	28.32	31.48	32.70	34.38
Operating expenses:						
Salaries	11.59	12.14	12.16	12.90	14.07	14.97
Occupancy	5.10	5.36	5.38	5.60	6.42	6.78
Advertising	1.65	1.43	1.54	1.51	1.44	1.80
All other expenses	5.69	6.39	6.48	6.79	6.84	7.30
Total operating expenses	24.03	25.32	25.56	26.80	28.77	30.85
Net operating profit	6.15	4.08	2.76	4.68	3.93	3.53

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of the trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 6. Financial Status of Incorporated Women's Clothing Store Chains, as at December 31, 1957

Item	Firms with annual net sales of				Total all sizes
	Under \$500,000	\$500,000 - \$999,999	\$1,000,000 - \$2,999,999	\$3,000,000 and over	
	average per firm				
Assets					
Current assets:					
Cash on hand and in bank	16,780	32,061	56,349	147,711	58,964
Accounts and notes receivable (net)	2,717	18,102	87,653	226,486	77,313
Merchandise inventory	59,703	155,893	293,131	656,109	270,569
Other current assets	1,888	6,325	23,937	192,371	50,756
Total current assets	81,088	212,381	461,070	1,222,677	457,602
Total fixed assets (net)	24,949	89,692	117,018	877,352	250,231
Other assets:					
Long term investments	—	2,044	30,294	344,917	84,881
Other assets	6,493	17,230	1,896	20,070	10,306
Total other assets	6,493	19,274	32,190	364,987	95,187
Total assets	112,530	321,347	610,278	2,465,016	803,020
Liabilities					
Current liabilities:					
Accounts and notes payable	38,454	121,499	233,659	373,450	178,885
Fixed liabilities	6,144	—	—	13,833	5,122
Other liabilities	10,395	13,750	44,885	169,590	55,335
Total liabilities	54,993	135,249	278,544	556,873	239,342
Net worth					
Capital stock	21,756	136,684	145,486	625,039	209,180
Surplus and undivided profits	35,781	49,414	186,248	1,283,104	354,498
Total net worth	57,537	186,098	331,734	1,908,143	563,678
Total liabilities and net worth	112,530	321,347	610,278	2,465,016	803,020
Average net sales of firms reporting	306,398	700,687	1,609,163	6,744,212	2,147,794
Number of firms	9	5	7	6	27

FAMILY CLOTHING STORE CHAINS

There were 19 firms in this classification, a combination of men's, women's and children's clothing, whose financial reports were used in the compilation of the following statistics. Operating results are shown for three sales-size groups compared with a two-way breakdown in former years.

This finer breakdown permits a more accurate comparative analysis of the results for individual firms. A separate tabulation was made for income tax and final net profit ratios covering incorporated companies. Each sales-size category included one or more unincorporated firms.

Review of 1957 Operating Results

Profit and Expense Ratios

Family clothing store chains obtained a gross profit ratio of 32.88 per cent on their 1957 operations. Total operating expenses absorbed most of this ratio with an amount equal to 30.79 per cent of net sales. The net operating profit of 2.09 per cent was slightly higher than that of 1955. The greater share of operating expenses (55 per cent) was accounted for by employees' salaries and benefits. Non-trading income exceeded non-trading expense to

enlarge net profit, before income tax deduction, to 2.67 per cent of net sales.

Inventories and Stock Turnover

Inventories on hand at the end of the year were slightly greater in ratio to sales than those held at the beginning of the year, 21.72 and 21.01 per cent respectively. The average of these two inventories divided into cost of goods sold produced a stock turnover rate of 3.14 times per year. The rate of turnover in 1955 was 2.85 times.

TABLE 7. Operating Results of Family Clothing Store Chains, 1957, by Size of Firm

Item	Firms with 1957 sales of			Total all sizes
	Under \$750,000	\$750,000 - \$1,999,999	\$2,000,000 and over	
Number of firms	7	7	5	19
Number of stores operated	40	70	39	149
Average net sales per firm	\$ 446,136	1,107,632	4,190,447	1,675,190
Average cost of goods sold	\$ 307,891	758,571	2,779,742	1,124,418
Average inventory per firm:				
Beginning of year	\$ 121,474	275,135	782,181	351,956
Per cent of average net sales	27.23	24.84	18.67	21.01
End of year	\$ 130,601	293,733	788,785	363,908
Per cent of average net sales	29.27	26.52	18.82	21.72
Stock turnover (times per year)	2.44	2.67	3.54	3.14
Profit and loss data (per cent of net sales)				
Gross profit	30.99	31.51	33.66	32.88
Operating expenses:				
Salaries:				
Executives	4.65	2.39	0.95	1.66
Other employees	12.92	14.00	15.55	14.91
Employees' benefits	0.19	0.19	0.38	0.31
Occupancy	4.67	4.78	5.53	5.27
Taxes, licenses ¹	0.19	0.40	0.51	0.45
Insurance ¹	0.59	0.50	0.60	0.58
Repairs and maintenance ¹	0.45	0.51	0.52	0.51
Depreciation ¹	0.70	0.90	0.95	0.91
Supplies	0.54	0.91	0.53	0.62
Advertising	1.56	2.85	3.69	3.28
Travelling	0.54	0.74	0.44	0.52
Communication	0.34	0.36	0.48	0.44
Delivery	0.14	0.07	0.14	0.13
Bad debt loss	0.11	0.34	0.18	0.21
All other expenses	1.80	1.74	0.59	0.99
Total operating expenses	29.39	30.68	31.04	30.79
Net operating profit	1.60	0.83	2.62	2.09
Non-trading income	1.22	1.01	0.96	1.00
Non-trading expense	0.28	0.01	0.59	0.42
Net profit before income tax deduction	2.54	1.83	2.99	2.67

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

Incorporated Companies

The ratios of the main items in Table 8 differ slightly from those of Table 7 because of the exclusion of those firms which are not incorporated. The main purpose of this separate tabulation is to show income tax deduction and final net profit as percentages of net sales. Income tax deduction for incor-

porated and unincorporated firms cannot be combined in a study such as this. For all incorporated firms, the net profit of 2.77 per cent before income tax deduction was reduced to a final profit of 1.70 per cent of net sales.

TABLE 8. Operating Results of Incorporated Family Clothing Store Chains, 1957
(Items expressed as percentages of net sales)

Item	Firms with 1957 sales of			Total all sizes
	Under \$750,000	\$750,000-\$1,999,999	\$2,000,000 and over	
Gross profit	32.26	32.23	34.85	34.03
Total operating expenses	30.65	30.55	32.18	31.68
Net operating profit	1.61	1.68	2.67	2.35
Non-trading income	1.36	0.89	0.76	0.85
Non-trading expense	0.31	—	0.58	0.43
Net profit before income tax deduction	2.66	2.57	2.85	2.77
Income tax	0.56	0.88	1.21	1.07
Final net profit	2.10	1.69	1.64	1.70

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

The ratio of gross profit ranged from 26.38 per cent of net sales to 33.35 per cent over the past six surveys summarized in Table 9. No consistent pattern was evident during this period other than that the last two years show the highest ratios. Total operating expenses have generally increased but on a somewhat irregular pattern from 1947 to 1957. The resulting net operating profit showed a steady decline, in ratio terms, from 5.60 per cent in 1947 to 1.71 per cent in 1955. A small gain was registered in 1957 (2.09 per cent) over the 1955 low.

TABLE 9. Family Clothing Store Chains — Comparison of Main Operating Results, 1947-1957
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957
Number of firms	13	15	16	15	18	19
Gross profit	26.38	30.23	28.78	31.04	33.35	32.88
Operating expenses:						
Salaries	12.86	14.98	14.56	16.48	16.71	16.57
Occupancy	2.18	3.19	3.56	4.12	4.89	5.27
Advertising	1.49	2.86	3.13	1.81	3.53	3.28
All other expenses	4.25	6.55	5.52	6.63	6.51	5.67
Total operating expenses	20.78	27.58	26.77	29.04	31.64	30.79
Net operating profit	5.60	2.65	2.01	2.00	1.71	2.09

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of the trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 10. Financial Status of Incorporated Family Clothing Store Chains, as at December 31, 1957

Item	Firms with annual net sales of			Total all sizes
	Under \$750,000	\$750,000 - \$1,999,999	\$2,000,000 and over	
	average per firm			
Assets				
Current assets:				
Cash on hand and in bank	11, 530	20, 983	82, 201	33, 527
Accounts and notes receivable (net)	19, 748	79, 675	597, 460	193, 780
Merchandise inventory	139, 664	272, 893	832, 965	368, 954
Other current assets	6, 830	5, 101	54, 056	18, 847
Total current assets	177, 772	378, 652	1, 566, 682	615, 108
Total fixed assets (net)	40, 741	93, 073	702, 939	234, 771
Other assets:				
Long term investments	3, 651	149, 081	36, 685	60, 937
Other assets	4, 219	56	85, 435	24, 489
Total other assets	7, 870	149, 137	122, 120	85, 426
Total assets	226, 383	620, 862	2, 391, 741	935, 305
Liabilities				
Current liabilities:				
Accounts and notes payable	76, 345	166, 369	504, 626	220, 562
Fixed liabilities	6, 450	25, 915	296, 625	90, 318
Other liabilities	15, 243	73, 700	274, 164	103, 774
Total liabilities	96, 038	265, 964	1, 075, 415	414, 654
Net worth				
Capital stock	55, 429	76, 906	802, 791	261, 885
Surplus and undivided profits	72, 916	277, 972	513, 535	258, 766
Total net worth	128, 345	354, 678	1, 316, 326	520, 651
Total liabilities and net worth	226, 383	620, 862	2, 391, 741	935, 305
Average net sales of firms reporting	467, 208	1, 088, 799	4, 493, 809	1, 748, 165
Number of firms	6	5	4	15

SHOE STORE CHAINS

The 36 firms reporting financial data to this survey operated 715 retail stores; these firms sell a general line of footwear as their main business with some predominantly men's or women's shoes. Highly specialized firms such as those selling custom-made footwear or health appliances were excluded. It was possible to place the firms in five arbitrary sales-size categories for better comparative analysis.

Three of the five size classes include unincorporated firms; for this reason, a special tabulation was made for incorporated companies only, to show ratios of income tax and final net profit. Results are not available on an individual store size basis as the financial reporting of profit and loss and balance sheet items is made for the "enterprise" as a whole.

Review of 1957 Operating Results

Profit and Expense Ratios

Shoe store chains operated on a gross profit amounting to 33.95 per cent of net sales in 1957. Total operating expenses decreased with size of firm ranging from 33.52 per cent of sales in the smallest to 28.58 per cent in the largest sales-size class to an average of 29.08 for all firms. Net operating profit increased with size to a high of 6.35 per cent in the largest class compared with an average of 4.87 per cent for all firms. Non-trading expense exceeded non-trading income to reduce this ratio to

4.81 per cent of net sales before income tax deduction.

Inventories and Stock Turnover

Inventory at the end of the year was higher than that held at the beginning and amounted to 28.14 and 26.93 per cent of net sales respectively. The average of these two inventories, divided into cost of goods sold, was used to obtain a stock turnover rate of 2.40 times per year. The rate of turnover in 1955 was 2.33 times.

TABLE 11. Operating Results of Shoe Store Chains, 1957, by Size of Firm

Item	Firms with 1957 sales of					Total all sizes
	Under \$300,000	\$300,000-\$499,999	\$500,000-\$999,999	\$1,000,000-\$2,999,999	\$3,000,000 and over	
Number of firms	6	9	8	7	6	36
Number of stores operated	31	63	75	112	434	715
Average net sales per firm \$	257,584	390,262	686,315	1,975,865	5,081,492	1,524,122
Average cost of goods sold \$	168,208	256,135	462,602	1,340,802	3,306,545	1,006,671
Average inventory per firm:						
Beginning of year \$	104,815	111,789	223,510	550,924	1,249,316	410,429
Per cent of average net sales	40.69	28.64	32.57	27.88	24.59	26.93
End of year \$	108,198	120,686	218,836	562,359	1,336,685	428,963
Per cent of average net sales	42.00	30.92	31.89	28.46	26.30	28.14
Stock turnover (times per year)	1.58	2.20	2.09	2.41	2.56	2.40
Profit and loss data (per cent of net sales)						
Gross profit	34.70	34.37	32.60	32.14	34.93	33.95
Operating expenses:						
Salaries:						
Executives	2.65	1.79	2.28	1.30	1.80	1.74
Other employees	14.76	15.91	14.04	14.14	13.25	13.77
Employees' benefits	0.20	0.20	0.28	0.18	0.28	0.25
Occupancy	8.69	6.83	6.30	6.54	6.77	6.72
Taxes, licenses ¹	1.00	0.75	0.75	0.40	0.48	0.52
Insurance ¹	0.73	0.36	0.51	0.39	0.28	0.35
Repairs and maintenance ¹	0.54	0.87	0.61	0.77	0.54	0.63
Depreciation ¹	0.75	0.63	1.12	0.79	0.92	0.88
Supplies	0.42	0.65	0.49	0.61	0.46	0.51
Advertising	1.34	1.59	1.28	1.68	1.81	1.70
Travelling	0.27	0.47	0.35	0.36	0.25	0.30
Communication	0.37	0.29	0.25	0.30	0.28	0.28
Delivery	0.16	0.08	0.13	0.34	—	0.11
Bad debt loss	0.01	0.01	0.02	0.05	—	0.02
All other expenses	1.63	1.28	1.08	1.03	1.46	1.30
Total operating expenses	33.52	31.71	29.49	28.88	28.58	29.08
Net operating profit	1.18	2.66	3.11	3.26	6.35	4.87
Non-trading income	0.69	0.12	0.16	0.84	0.04	0.28
Non-trading expense	0.29	0.02	0.66	0.28	0.35	0.34
Net profit before income tax deduction	1.58	2.76	2.61	3.82	6.04	4.81

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

Incorporated Companies

The ratios of the main profit and loss items are shown for incorporated companies only, in Table 12. The purpose of this tabulation is to show income tax deduction and final net profit ratios. The net

profit, before income tax deduction, amounted to 4.85 per cent of net sales; this was reduced by income tax to a final net profit of 2.60 per cent.

TABLE 12. Operating Results of Incorporated Shoe Store Chains, 1957

(Items expressed as percentages of net sales)

Item	Firms with 1957 sales of					Total All sizes
	Under \$300,000	\$300,000-\$499,999	\$500,000-\$999,999	\$1,000,000-\$2,999,999	\$3,000,000 and over	
Gross profit	35.50	37.58	32.60	31.52	34.93	34.07
Total operating expenses	34.61	35.12	29.49	28.40	28.58	29.02
Net operating profit	0.89	2.46	3.11	3.12	6.35	5.05
Non-trading income	0.79	0.18	0.16	0.43	0.04	0.16
Non-trading expenses	0.33	0.03	0.66	0.32	0.35	0.36
Net profit before income tax deduction	1.35	2.61	2.61	3.23	6.04	4.85
Income tax	0.24	0.80	0.61	1.55	2.93	2.25
Final net profit	1.11	1.81	2.00	1.68	3.11	2.60

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

Shoe store chains have shown a slight but consistent increase in gross profit since 1947 when the margin was 30.75 per cent of net sales; in 1957 this ratio had increased to 33.95 per cent. Total operating expense, however, increased in ratio at a faster rate over the 1947-1957 interval, ranging from 24.23 per cent of sales to 29.08 per cent in 1957. The resulting net operating profit for 1957 was the lowest of the series at 4.87 per cent of net sales.

TABLE 13. Shoe Store Chains - Comparison of Main Operating Results For 1947-1957

(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957
Number of firms	22	23	29	30	35	36
Gross profit	30.75	30.78	31.58	31.60	32.95	33.95
Operating expenses:						
Salaries	14.45	14.71	14.61	14.78	15.35	15.51
Occupancy	5.78	5.27	5.32	5.30	5.84	6.72
Advertising	1.18	1.45	1.55	1.65	1.72	1.70
All other expenses	2.82	4.42	5.00	4.99	5.07	5.15
Total operating expenses	24.23	25.85	26.48	26.72	27.98	29.08
Net operating profit	6.52	4.93	5.10	4.88	4.97	4.87

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 14. Financial Status of Shoe Store, Chains as at December 31, 1957.

Item	Firms with annual net sales of					Total all sizes
	Under \$300,000	\$300,000- \$499,999	\$500,000- \$999,999	\$1,000,000- \$2,999,999	\$3,000,000 and over	
	average per firm					
Assets						
Current assets:						
Cash on hand and in bank	3, 630	9, 579	14, 617	90, 125	107, 411	37, 781
Accounts and notes receivable (net)	1, 388	1, 315	11, 850	30, 403	5, 332	9, 133
Merchandise inventory	110, 528	120, 686	218, 334	673, 791	1, 378, 709	426, 499
Other current assets	488	5, 545	4, 114	10, 954	8, 873	5, 762
Total current assets	116, 034	137, 125	248, 915	805, 273	1, 500, 325	479, 175
Total fixed assets (net)	12, 371	14, 314	111, 609	392, 927	334, 489	147, 520
Other assets:						
Long term investments	1, 179	27, 338	19, 333	122, 097	283, 093	76, 017
Other assets	18, 054	9, 069	105	28, 989	38, 174	15, 892
Total other assets	19, 233	36, 407	19, 438	151, 086	321, 267	91, 909
Total assets	147, 638	187, 846	379, 962	1, 349, 286	2, 156, 081	718, 604
Liabilities						
Current liabilities:						
Accounts and notes payable	75, 185	60, 147	102, 886	391, 619	796, 842	240, 083
Fixed liabilities	—	1, 706	21, 028	31, 560	100, 000	26, 293
Other liabilities	12, 577	30, 373	98, 092	536, 995	35, 348	124, 459
Total liabilities	87, 762	92, 226	222, 006	960, 174	932, 190	390, 835
Net worth¹						
Capital stock	31, 670	—	60, 314	146, 801	356, 769	—
Surplus and undivided profits	25, 206	—	97, 642	242, 311	867, 122	—
Total net worth	59, 876	95, 620	157, 956	389, 112	1, 223, 891	327, 769
Total liabilities and net worth	147, 638	187, 846	379, 962	1, 349, 286	2, 156, 081	718, 604
Average net sales of firms reporting	267, 953	390, 262	686, 315	1, 992, 362	4, 901, 127	1, 400, 315
Number of firms	5	9	8	5	5	32

¹ Where unincorporated firms are included, only "Total" net worth is shown.

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