





OPERATING RESULTS OF CHAIN CLOTHING STORES 1959

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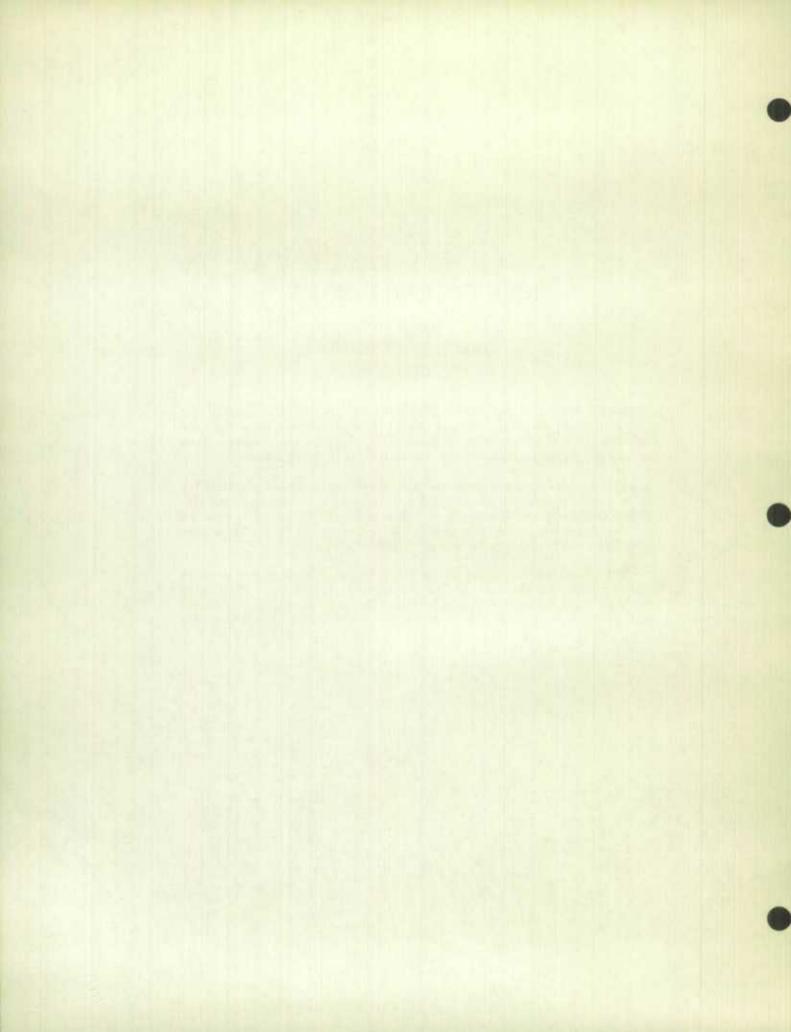
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OPERATING RESULTS OF CHAIN CLOTHING STORES 1959

INTRODUCTION

Retail 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" or "sponsored" groups in which the stores are individually owned are not.

This report deals with profit and loss statistics, presented mainly in the form of percentages to net sales. Results are shown for sales-size groups similar to the 1957 study. Balance sheet data, first collected for 1957, have not been retained in this series. The financial structure of firms in this chain store survey is so widely different that averages have little meaning.

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

Note: Definitions will be found on the last page of this report.

Summary of 1959 Results by Trades

Comparison of the four clothing trades shows the highest ratio of gross and net profit in shoe store chains. The rate of stock turnover was more rapid in the women's clothing group while men's clothing chains had the highest ratio of total operating expenses.

TABLE 1. Comparison of Main Operating Results in Clothing Store Chains, 1959

Item	Men's clothing	Women's clothing	Family clothing	Shoes
Number of firms	23	34	21	37
Average net sales per firm\$	1, 200, 897	2, 161, 502	2, 103, 993	1,822,218
Rate of stock turnover (times per year)	2. 79	5. 08	3. 32	2 46
Profit and loss data (per cent of net sales)				
Gross profit	35, 65	34, 61	32, 58	35, 94
Operating expenses	33. 92	31. 58	29. 27	30. 19
Net operating profit	1.73	3. 03	3. 31	5. 75
Non-trading income	1.02	1. 78	0,96	0.22
Non-trading expense	0. 16	0.65	0. 64	0. 53
Net profit before income tax deduction	2, 59	4, 16	3, 63	5. 44

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.

The main operating results for all reporting firms are shown in Table 2. Not all of the firms were incorporated; a tabulation of the incorporated firms with corporation income tax and final net profit shown appears in Table 4.

TABLE 2. Operating Results of Men's Clothing Store Chains, 1959, by Size of Firm

	Firms	Total		
Item	Under	\$500,000-	\$1,000,000	all
	\$500,000	999,999	and over	sizes
Number of firms Number of stores operated Average net sales per firm Average cost of goods sold Average inventory per firm:	11	6	6	23
	53	44	121	218
	295, 444	801, 684	3, 260, 107	1, 200, 897
	196, 875	530, 246	2, 071, 358	772, 837
Beginning of year \$ Per cent of average net sales End of year \$ Per cent of average net sales Stock tumover (times per year)	85, 911	171, 382	619, 922	247, 515
	29, 08	21, 38	19, 02	20, 61
	111, 253	200, 425	772, 548	307, 027
	37, 66	25, 00	23, 70	25, 57
	2, 00	2, 85	2, 98	2, 79

TABLE 2. Operating Results of Men's Clothing Store Chains, 1959, by Size of Firm - Concluded

	Firms	Total		
Item	Under \$500,000	\$500,000- 999,999	\$1,000,000 and over	all sizes
Profit and loss data (per cent of net sales)				
iross profit Operating expenses: Salaries:	33, 36	33, 86	36. 46	35. 6
Executives	3, 65	3, 43	1, 76	2. 2
Other employees	11, 36	12.92	13.98	13.4
Employees' benefits	0.17	0, 25	0.38	0.3
Occupancy	6. 33	5. 96	5. 75	5. 8
Taxes' and licenses	0.59	0,41	0.34	0.:
Insurance ¹	0. 57	0.56	0.32	0.
Repairs and maintenance ¹	0.32	0.46	0.46	0.
Depreciation ¹	0. 98	1.05	0.85	0, 9
Supplies	0. 66	0.69	1. 21	1.
Advertising	2. 25 0. 23	2. 72 0. 35	5, 01 0, 31	4.
Communications	0. 49	0.38	0. 31	0.
Delivery	0. 59	1. 07	0. 72	0.
Bad debt loss	0. 38	0, 19	0.35	0.
All other expenses	3, 16	1.82	2. 92	2.
Total operating expenses	31. 73	32, 26	34, 69	33.
Net operating profit	1. 63	1. 60	1, 77	1.
on-trading income	0, 68	0, 83	1, 12	1. (
on-trading expense	-	0.02	0. 21	Ô.
et profit before income tax deduction	2, 31	2, 41	2, 68	2,

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

TABLE 3. Men's Clothing Store Chains - Comparison of Main Operating Results, 1947 - 59
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957	1959
Number of firms	9	9	12	15	18	17	23
Gross profit	29,95	29. 13	28. 75	30. 91	30.97	32, 13	35. 65
Operating expenses: Salaries Occupancy Advertising All other expenses	12. 66 3. 33 2. 11 4. 31	13. 60 3. 92 2. 99 5. 06	14. 07 3. 87 3. 12 5. 16	15.76 4.89 3.18 8.01	14. 43 5. 02 2. 94 6. 00	15. 60 4. 86 3. 44 6. 22	15. 87 5. 86 4. 29 7. 90
Total operating expenses	22, 41	25, 57	26. 22	29. 10	28. 39	30. 12	33, 92
Net operating profit	7. 54	3. 56	2, 53	1. 81	2, 58	2, 01	1. 73

TABLE 4. Operating Results of Incorporated Men's Clothing Store Chains, 1959

(Items expressed as percentages of net sales)

	Firms	Total		
Item	Under \$500,000	\$500,000- 999,999	\$1,000,000 and over	all sizes
Gross Profit	32, 91	33. 74	36. 46	35. 71
Total operating expenses	31. 79	31. 44	34. 69	33.92
Net operating profit	1. 12	2, 30 0, 56	1. 77 1. 12	1. 79 1. 00
Non-trading expense	-	0.03	0. 21	0. 16
Net Profit before income tax deduction	1. 92	2, 83	2, 68	2, 63
ncome tax	0.44	0.66	0. 85	0.78
Final net profit	1, 48	2, 17	1. 83	1. 85

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.

TABLE 5. Operating Results of Women's Clothing Store Chains, 1959, by Size of Firm

		Firms with 1959 sales of					
Item	Under \$500,000	\$500,000 - 999,999	\$1,000,000 - 2,999,999	\$3,000,000 and over	all sizes		
Number of firms	9	9	10	6	34		
Number of stores operated	64	77	159	341	641		
Average net sales per firm	366, 290	710,001	1,650,828	7,882,697	2, 161, 502		
Average inventory per firm:	229,906	448, 346	1,075,857	5, 199, 128	1, 413, 459		
Beginning of year	78,773	126,959	253, 834	797, 572	269, 863		
Per cent of average net sales	21.51	17.88	15. 38	10.12	12.48		
End of year	81, 114	137, 928	264. 512	853, 841	286.457		
Per cent of average net sales					13. 25		
	22.14	19.43	16.02	10.83			
Stock turnover (times per year)	2.88	3.39	4. 15	6.30	5.08		
Profit and loss data (per cent of net sales)			Terms				
Gross profit	37.23	36.85	34.83	34.04	34.61		
Operating expenses:							
Salaries:							
Executives	3.64	3.98	1. 45	1.04	1.50		
Other employees	14.23	14. 13	16. 24	12.59	13.6		
Employees' benefits	0.27	0.28	0.27	0.22	0. 24		
Occupancy	9.32	7.01	6. 84	7.41	7. 3		
Taxes1 and licenses	1.08	0.70	0.74	0.29	0.4		
Insurance ¹	0.87	0.53	0.54	0.21	0.34		
Repairs and maintenance1	0.61	0.33	0.54	0.59	0.5		
Depreciation ¹	0.75	1.36	0.95	1.04	1.04		
Supplies	0.59	0.88	1.45	2. 19	1. 84		
Advertising	1. 33	2.61	3. 18	1.91	2. 23		
Travelling	0.48	0.59	0.40	0.52	0.50		
Communication	0.46	0.47	0.50	0.30	0.3		
Delivery	0.28	0.26	0.39	0.44	0.4		
Bad debt loss	0.05	0.13	0.20	0.07	0.1		
All other expenses	1. 89	2.53	1. 27	0.70	1.04		
Total operating expenses	35.95	35.79	34.96	29.52	31.5		
Net operating profit	1. 28	1.06	0. 132	4.52	3.00		
Non-trading income	0.55	4.91	0.61	1.85	1.7		
Non-trading expense	0.09	5.02	0.55	0.13	0.6		
Net profit before income tax deduction	1.74	0.95	0.072	6.24	4. 10		
Income tax	0.50	3	0.33	2.90	3		
Final net profit	1. 24	9	0.402	3.34	3		

¹ Excludes amount attributed to real estate which is in occupancy expense.
² Net operating loss.
³ Not available due to the inclusion of unincorporated firms.

TABLE 6. Women's Clothing Store Chains - Comparison of Main Operating Results, 1947-59
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957	1959
Number of firms	26	23	29	28	30	29	34
Gross profit	30. 18	29. 40	28. 32	31.48	32.70	34. 38	34.61
Operating expenses: Salaries Occupancy Advertising All other expenses	11. 59 5. 10 1. 65 5. 69	12. 14 5. 36 1. 43 6. 39	12. 16 5. 38 1. 54 6. 48	12.90 5.60 1.51 6.79	14.07 6.42 1.44 6.84	14. 97 6. 78 1. 80 7. 30	15.11 7.33 2.23 6.91
Total operating expenses	24.03	25. 32	25. 56	26.80	28.77	30.85	31.58
Net operating profit	6.15	4. 08	2.76	4.68	3.93	3.53	3. 03

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. 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.

TABLE 7. Operating Results of Family Clothing Store Chains, 1959, by Size of Firm

	Firms	Total		
Item	Under \$750,000	\$750,000 - 1,999,999	\$2,000,000 and over	all sizes
Number of firms				2
Number of stores operated	7 40	7	7	21
Average net sales per firm\$	438, 437	1, 251, 241	4,622,302	2, 103, 99
Average cost of goods sold\$	286, 186	848,026	3, 121, 536	1.418.58
Average inventory per firm:	200, 100	040,020	3, 121, 330	1,410,00
Beginning of year	128,550	331.324	754,607	404.82
Per cent of average net sales	29.32	26.48	16.33	19. 2
End of year	124,557	364,657	862, 277	450, 49
Per cent of average net sales	28.41	29. 14	18.65	21.4
Stock turnover (times per year)	2, 26	2, 44	3, 86	3.3
Profit and loss data				
(per cent of net sales)				
Gross profit	34.73	32, 23	32.47	32.5
Operating expenses:	02110	0.01.00	010. 41	0410
Salaries:				
Executives	4.69	2.49	1. 17	1.68
Other employees	13.47	13.82	13, 66	13.6
Employees' benefits	0.22	0.24	0.29	0.2
Occupancy'	6.30	4.09	4.38	4.4
Taxes and licenses	0.25	0.52	0.40	0.4
Insurance ¹	0.69	0.47	0.32	0.3
Repairs and maintenance ¹	0.45	0.40	0.41	0.4
Depreciation ¹	0.53	0.81	0.83	0.8
Supplies	0. 98	0.75	1.01	0.9
Advertising	2. 36	2.42	3.37	3.1
Travelling	0.67	0.69	0.49	0.5
Communication	0.63	0.32	0.38	0.3
Delivery	0.63	0.11	0.47	0.4
All other expenses	0.11 2.01	0. 22	0.31	0.2
Total operating expenses	33. 99			1.4
Net operating profit	0.74	28.59	28. 99	29. 2
			3.48	
fon-trading income	1.61	0.87	0.93	0.9
Ion-trading expense	0.16	1.20	0.54	0.6
et profit before income tax deduction	2, 19	3.31	3.87	3, 6:

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

TABLE 8. Operating Results of Incorporated Family Clothing Store Chains, 1959
(Items expressed as percentages of net sales)

		Firms with 1959 sales of				
Item	Under \$750,000	\$750,000 - 1,999,999	\$2,000,000 and over	Total all sizes		
Gross profit	33. 30	32. 23	33. 45	33. 17		
Total operating expenses	30. 70	28. 60	29. 10	29. 09		
Net operating profit	2.60	3. 63	4. 35	4.08		
Non-trading income	1.52	0.87	0.65	0.75		
Non-trading expense	0, 20	1. 20	0. 56	0.68		
Net profit before income tax deduction	3.92	3, 30	4. 44	4. 15		
Income tax	0.76	1. 06	2.14	1. 81		
Final net profit	3. 16	2. 24	2, 30	2. 34		

TABLE 9. Family Clothing Store Chains - Comparison of Main Operating Results, 1947-59 (Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957	1959
Number of firms	13	15	16	15	18	19	21
Gross profit	26. 38	30, 23	28. 78	31, 04	33, 35	32, 88	32, 58
Operating expenses:						2	
Salaries	12. 86	14.98	14. 56	16. 48	16. 71	16.57	15.36
Occupancy	2,18	3, 19	3.56	4. 12	4.89	5. 27	4. 45
Advertising	1. 49	2. 86	3. 13	1.81	3. 53	3. 28	3. 11
All other expenses	4. 25	6.55	5. 52	6.63	6. 51	5.67	6.35
Total operating expenses	20. 78	27. 58	26. 77	29. 04	31. 64	30, 79	29. 27
Net operating profit	5. 60	2. 65	2. 01	2.00	1, 71	2, 09	3.31

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.

Four 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.

TABLE 10. Operating Results of Shoe Store Chains, 1959, by Size of Firm

Item	Firms with 1959 sales of						
	Under \$300,000	\$300,000 - 499,999	\$500,000 - 999,999	\$1,000,000 - 2,999,999	\$3,000,000 and over	Total all sizes	
Number of firms	3	9	12	5	8	3	
Number of stores operated	14	54	91	72	573	80	
Average net sales per firm\$	235, 919	407, 401	657, 225	1, 894, 851	5,710,843	1,822,21	
Average cost of goods sold	145,206	262, 644	414, 745	1, 233, 026	3, 656, 287	1, 167, 34	
Beginning of year\$	80, 337	136, 737	152, 808	549,020	1, 296, 246	443, 79	
Per cent of average net sales	34, 05	33. 56	23, 25	28. 97	22. 70	24.3	
End of year	86,013	165, 224	175, 998	538,767	1,515,613	504.75	
Per cent of average net sales	36. 46	40. 56	26. 78	28.43	26.54	27.	
Stock turnover (times per year)	1. 75	1.74	2.52	2.27	2.60	2.4	
Profit and loss data	The state of						
(per cent of net sales)							
Pross profit	38, 45	35. 53	36, 89	34. 93	35, 98	35,	
perating expenses:							
Salaries:	2 10	0.50	0.00	0.40	0.00		
Executives	3. 16 16, 23	2. 78 15. 93	2. 90 15. 24	2. 42 14. 04	2. 20	2.3	
Other employees	0. 17	0.32	0.41	0. 53	12. 76 0. 29	0.	
Occupancy	6, 33	7. 55	7.09	6. 79	7. 21	7.	
Taxes' and licenses	1. 25	0.54	0. 52	0. 56	0,61	0.6	
Insurance ¹	1, 12	0.48	0.41	0, 51	0. 33	0.	
Repairs and maintenance ¹	0.88	0, 47	0, 30	0. 77	0.47	0.4	
Depreciation ¹	0. 32	0. 93	1.03	1. 23	0, 96	1. (
Supplies	1. 09	1.07	0.60	0.68	0.45	0. 5	
Advertising	1. 11	1. 80	1. 79	2.08	1. 52	1. (
Travelling	0.43	0.59	0.66	0.50	0.25	0. :	
Communication	0. 29	0.46	0. 28	0.49	0. 28	0. :	
Delivery	0.36	0. 29	0.80	0.46	0. 16	0. 2	
All other expenses	1, 15	0.02	0.09	0.05 1.22	1.28	0.0	
Total operating expenses	33, 89	35, 00	33, 31	32, 33	28. 77	30. 1	
	4, 56	0, 53					
Net operating profit			3. 58	2. 60	7. 21	5.	
on-trading income	0.01	0. 28	0.41	0.90	0. 05	0.2	
Ion-trading expense		0. 23	0.09	1. 24	0, 50	0, 5	
let profit before income tax deduction	4. 57	0. 58	3, 90	2. 26	6. 76	5. 4	

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

TABLE 11. Operating Results of Incorporated Shoe Store Chains, 1959
(Items expressed as percentages of net sales)

NAME OF TAXABLE PARTY.		Total				
Item	\$300,000- 499,999	\$500,000- 999,999	\$1,000,000 - 2,999,999	\$3,000,000 and over	all sizes	
	25.07		24.02	20.00	20.40	
Gross profit	35. 97	37. 54	34. 93	36, 60	36, 47	
Total operating expenses	36. 25	33. 84	32. 33	29. 27	30, 64	
Net operating profit	0. 281	3. 70	2, 60	7. 33	5. 83	
Non-trading income	0.36	0.47	0.90	0. 05	0. 24	
Non-trading expenses	0. 29	0.06	1. 24	0. 54	0.58	
Net profit before income tax deduction	0, 211	4. 11	2, 26	6. 84	5.49	
Income tax	0.73	0.75	0.45	3. 58	2. 63	
Final net profit	0. 941	3, 36	1, 81	3, 26	2, 86	

¹ Net operating loss.

TABLE 12. Shoe Store Chains - Comparison of Main Operating Results for 1947-59 (Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957	1959
Number of firms	22	23	29	30	35	36	37
Gross profit	30. 75	30, 78	31. 58	31, 60	32. 95	33, 95	35, 94
Operating expenses:							
Salaries	14. 45	14. 71	14. 61	14. 78	15.35	15. 51	15.80
Occupancy	5. 78	5. 27	5.32	5. 30	5. 84	6. 72	7. 14
Advertising	1. 18	1.45	1. 55	1.65	1.72	1. 70	1. 64
All other expenses	2.82	4. 42	5. 00	4. 99	5.07	5. 15	5.61
Total operating expenses	24, 23	25. 85	26. 48	26. 72	27. 98	29. 08	30. 19
Net operating profit	6, 52	4. 93	5. 10	4. 88	4.97	4, 87	5. 75

DEFINITIONS

PROFIT AND LOSS

Items

- 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 by the proprietor 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, etc.
- 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 (except delivery) payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.
 - Delivery includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oii, etc.).
 - Taxes business, property and water taxes. Taxes collected for remittance to governmental bodles and income tax are got included.
 - Insurance annual proportion of premiums for insurance policies carried to protect the business.
 - Rent payments for use of business premises.
 - Heat, light and power cost applicable to year's operations.
 - Repairs and maintenance costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).
 - Store supplies wrapping paper, office supplies, etc.
 - Advertising displays, window dressing and sales promotion.

- Net bad debt loss estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.
- Other expenses telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.
- Net operating profit is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.
- Occupancy the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.
- Non-trading income interest earned, revenues from rentals, other activities, carrying charges and investments,
- Non-trading expense interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

- Stock turnover the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.
 - Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.
- Gross profit ratio sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales dollar from which the merchant meets his operating expenses and obtains his net operating profit.
- Operating expense ratios each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales dollar required to operate the average business.
- Net operating profit ratio the remaining proportion of the average saies' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.



