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OPERATING RESULTS OF CHAIN FOOD STORES 1949



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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

- A. General Review
- B. Wholesale Trade
- C. Operating Results of Food Wholesalers
- D. Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers
- E. Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment)

Part II — Retail Statistics

- F. General Review
- G. Retail Trade
- H. Department Store Sales and Stocks
- I. Retail Chain Stores
- J. Operating Results of Food Store Chains
- K. Operating Results of Clothing Store Chains
- L. Operating Results of Miscellaneous Chain Stores (variety, drug, furniture)

Part III — Services and Special Fields

- M. Laundries, Cleaners and Dyers
- N. Theatres
- P. Advertising Agencies (Memorandum)
- Q. Sales Financing
- R. Farm Implement and Equipment Sales
- AA. New Motor Vehicle Sales and Motor Vehicle Financing

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

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OPERATING RESULTS - LIST OF REPORTS

WHOLESALE TRADE (1947 and 1949)

1. Food Wholesalers.
2. Dry Goods, Piece Goods and Footwear Wholesalers.
3. Miscellaneous Wholesalers (automotive equipment, drugs, hardware, heating and plumbing supplies).

INDEPENDENT RETAIL STORES (1944, 1945, 1946 and 1948).

1. Food Stores.
2. Clothing Stores.
3. Hardware, Furniture, Household Appliance and Radio Stores.
4. Filling Stations and Garages.
5. Miscellaneous Stores (country general, restaurants, fuel, drugs, jewellery and tobacco stores).

RETAIL CHAIN STORES (1947 and 1949)

1. Food Stores.
2. Clothing Stores.
3. Miscellaneous Stores (variety, furniture and drugs).

OPERATING RESULTS OF CHAIN FOOD STORES

1949

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 three trades are covered in this bulletin — grocery stores, combination grocery and meat stores and meat markets.

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. A breakdown of operating expenses between the functions of head office and warehouse is reported wherever possible. There were no chain food stores in Newfoundland. Salaries of proprietors of unincorporated companies

have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

Purpose — The primary purpose of the operating costs surveys 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 1949 operations and is the second biennial publication in a series begun in 1947. Certain summary tables and charts show comparative results for both years.

SUMMARY OF 1949 OPERATING RESULTS BY TRADES

The main profit and loss items for the three food trades are compared in the following table. More detailed information is contained in separate sections of this bulletin where each trade is dealt with individually.

The "combination" store chains which handled both groceries and meats include most of the larger food store companies in Canada and account for the greater part of the chain food trade by volume, as the number of firms and their high average sales volume reveal. Stock turnover was much

more rapid in the case of meat stores, 44 times a year or once every 8.3 days, than for grocery stores which replenished stocks an average of 9 times a year or once every 40 days. Combination stores had a turnover rate — 17.4 times — which fell between that of the other two trades and represents stock replacement at an average of every 21 days. Meat chain stores operated on a gross profit of 17.64%, about 2% more than that of grocery and combination chain stores. However, expenses accounted for a higher proportion of gross profit, reducing the net operating profit of meat chains well below that of the other two trades.

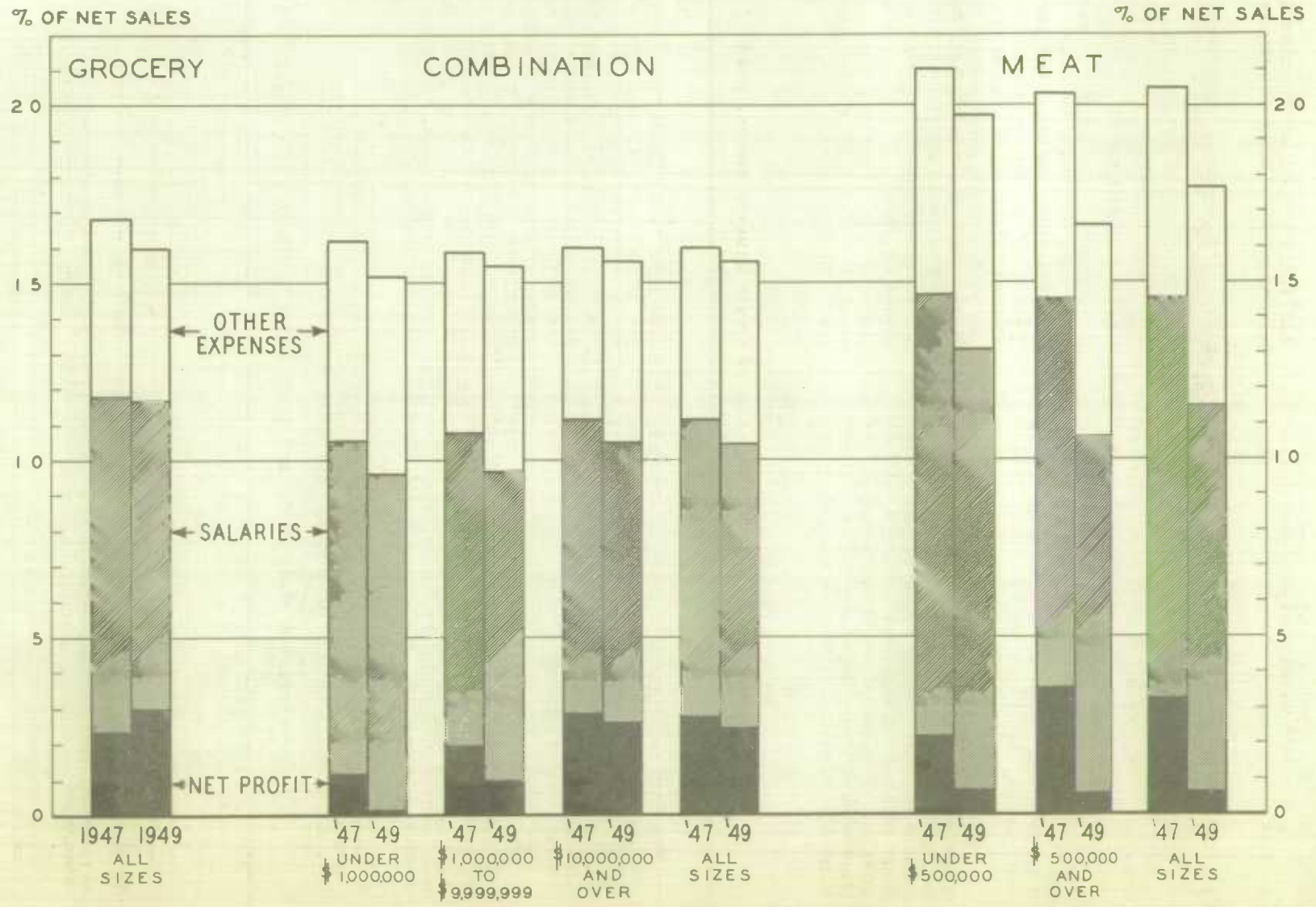
Comparison of Main Profit and Loss Items in Chain Food Stores, 1949

Item	Grocery	Combination	Meat
Number of firms.....	8	21	11
Average sales per firm..... \$	950,654	18,697,266	594,067
Rate of stock turnover..... (times per year)	9.15	17.40	44.04
Profit and loss data (Percentages of net sales):			
Gross profit.....	13.96	13.60	17.64
Operating expenses.....	12.94	13.13	17.00
Net operating profit.....	3.02	2.47	0.64
Other income.....	0.15	0.36	0.03
Total net profit before income tax deduction....	3.17	2.83	0.67

OPERATING RESULTS OF CHAIN FOOD STORES

1947 AND 1949
BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES



GROCERY STORES

The 8 firms from which reports were received operated 68 retail stores in 1949. It was not feasi-

ble, in view of the small number of firms in this classification, to attempt a sales-size breakdown.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios: In 1949, grocery store chains obtained an average gross profit of 15.96% of net sales. Operating expenses absorbed 12.84% of net sales leaving a net operating profit of 3.02%. Other income raised total net profit to 3.17% of net sales before deduction of income tax. Salaries and wages paid to all employees, at 8.66% of net sales, accounted for 67% of total operating expenses. Occupancy expense formed 1.24% while the other individual expense items were less than 1% of net sales.

Inventories and Stock Turnover: The inventory position of grocery store chains was practically the same at the end of 1949 as at the beginning of the year. Average dollar volume of stock on hand at the year's end was \$87,389. The rate of stock turnover — cost of goods divided by the average of beginning and ending inventories — was 9.15 times during the year.

TABLE 1. Operating Results of Chain Grocery Stores, 1949

Item	Total all sizes
Number of firms.....	8
Number of stores operated.....	68
Average sales per firm.....	\$ 950,654
Average cost of goods sold.....	\$ 798,926
Average inventory per firm:	
Beginning of year.....	\$ 87,149
Percent of net sales.....	9.17
End of year.....	\$ 87,389
Percent of net sales.....	9.19
Stock turnover (times per year).....	9.15
Profit and loss data: (percent of net sales):	
Gross profit.....	15.96
Operating expenses:	
Salaries:	
executives.....	0.95
other employees.....	7.71
Employees' benefits.....	0.08
Occupancy.....	1.24
Taxes ¹	0.13
Repairs ¹	0.14
Depreciation ¹	0.49
Supplies.....	0.66
Heat, light and power.....	0.37
Advertising.....	0.19
Travelling.....	0.03
Communication.....	0.19
Bad debt loss.....	0.04
All other expenses.....	0.72
Total operating expenses.....	12.94
Net operating profit.....	3.02
Other income.....	0.15
Total net profit before income tax deduction.....	3.17

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

COMPARISON OF 1947 AND 1949 OPERATING RESULTS

The results of the 17 firms which reported to the 1947 survey and of the 8 firms contributing to the 1949 study are summarized below. The 1949 gross profit ratio decreased from the 1947 level as

did operating expense ratios. The decline in the expense ratio was greater than in gross profit and a higher net operating profit resulted in 1949 compared with 1947.

Main Operating Results Items for 1947 and 1949 Compared (Items expressed as percentages of net sales)

Item	1947 (17 firms)	1949 (8 firms)
	%	%
Gross profit.....	16.80	15.96
Operating expenses:		
Salaries.....	9.42	8.66
Occupancy.....	1.27	1.24
Supplies.....	0.75	0.66
All other.....	3.00	2.38
Total operating expenses.....	14.44	12.94
Net operating profit without other income and before deduction of income tax	2.36	3.02

COMBINATION STORES

The results of this trade were obtained from the reports of 21 firms. These firms operated a total of 816 retail stores in 1949. All firms

in the two largest sales-size classes were incorporated companies for which income tax information was tabulated.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios: The ratio of gross profit obtained by combination store chains in 1949 varied only slightly as between the different size ranges, and for all sizes combined amounted to 15.60% of net sales. Operating expenses formed 13.13% of net sales and net profit was 2.47%. The larger firms experienced smaller relative expenses and higher net profits than did the smaller chains. Other income of 0.36% produced a net profit of 2.83% of net sales before deduction of income tax. The firms in the two highest sales categories were all incorporated companies. Those within the \$1,000,000 to \$10,000,000 range paid one-half of 1% as income tax, while the larger firms paid 1.17% of net sales as income tax, leaving final net profits of 0.73% and 1.80% respectively. (See Table 2).

Inventories and Stock Turnover: Average stocks per firm increased from \$854,408 at the beginning

of 1949 to \$949,017 at the end of the year. The rate of stock turnover — cost of goods sold divided by average inventory — was more rapid in the largest size class and averaged 17.40 times during the year for all sizes combined. (See Table 2).

Comparison of Head Office and Warehouse Expense with Store Expense. A sufficiently large number of firms in the largest size group reported a breakdown of expenses to permit separate tabulation of expenses for stores and for warehouses (including head office). Store expenses formed approximately 74% of total operating expenses with the remainder attributed to head office and warehouse. Salaries paid to store employees formed two-thirds of store expense but salaries of head office and warehouse were only half of total head office and warehouse expense. (See Table 3).

TABLE 2. Operating Results of Chain Combination Stores, 1949, by Size of Firm

Item	Firms with 1949 sales of			Total, all sizes
	Under \$1,000,000	\$1,000,000 to \$9,999,999	\$10,000,000 and over	
Number of firms.....	9	6	6	21
Number of stores operated.....	41	102	673	816
Average sales per firm..... \$	638,037	3,639,855	60,843,520	18,697,266
Average cost of goods sold..... \$	541,040	3,075,769	51,346,543	15,781,102
Average inventory per firm:				
Beginning of year..... \$	44,290	226,726	2,697,266	854,408
Percent of net sales.....	6.94	6.23	4.43	4.57
End of year..... \$	40,589	253,199	3,042,477	959,017
Percent of net sales.....	6.36	6.96	5.00	5.13
Stock turnover (times per year).....	12.75	12.82	17.89	17.40
Profit and loss data: (percent of net sales)				
Gross profit.....	15.20	15.50	15.61	15.60
Operating expenses:				
Salaries:				
executives.....	1.88	0.76	0.26	0.31
other employees.....	7.57	7.91	7.67	7.68
Employees' benefits.....	0.12	0.11	0.25	0.24
Occupancy.....	1.28	1.42	1.10	1.12
Taxes ¹	0.10	0.18	0.13	0.13
Repairs ¹	0.35	0.41	0.33	0.34
Depreciation ¹	0.57	0.76	0.34	0.37
Supplies.....	0.83	1.00	1.34	1.31
Heat, light and power.....	0.29	0.32	0.22	0.23
Advertising.....	0.48	0.76	0.48	0.49
Travelling.....	0.05	0.11	0.17	0.17
Communication.....	0.11	0.13	0.08	0.08
Bad debt losses.....	0.36	0.03	2	0.01
All other expenses.....	1.05	0.59	0.65	0.65
Total operating expenses.....	15.04	14.49	13.02	13.13
Net operating profit.....	0.16	1.01	2.59	2.47
Other income.....	0.10	0.22	0.38	0.36
Total net profit before income tax deduction.....	0.26	1.23	2.97	2.83
Income tax.....	—	0.50	1.17	—
Final net profit.....	—	0.73	1.80	—

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

2. Less than 0.005%.

TABLE 3. Combination Chain Stores, Head Office and Warehouse Expenses Compared with Store Expenses, 1949. (Size class \$10,000,000 and over) — (Items expressed as percentages of net sales)

Item	Head Office and Warehouse	Stores	Total
	%	%	%
Operating expenses:			
Salaries:			
executives.....	0.26	—	0.26
other employees.....	1.46	6.21	7.67
Employees' benefits.....	0.12	0.13	0.25
Occupancy.....	0.22	0.88	1.10
Taxes ¹	0.03	0.10	0.13
Repairs ¹	0.15	0.18	0.33
Depreciation ¹	0.17	0.17	0.34
Supplies.....	0.25	1.09	1.34
Heat, light and power.....	0.06	0.16	0.22
Advertising.....	0.09	0.39	0.48
Travelling expense.....	0.15	0.02	0.17
Communication.....	0.04	0.04	0.08
Bad debt losses.....	2	2	2
All other expenses.....	0.39	0.26	0.65
Total operating expenses.....	3.39	9.63	13.02

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

2. Less than 0.005 percent.

MEAT STORES

Reports were received from 11 meat store chains on 1949 business operations.

These operated a total of 68 retail stores.

REVIEW OF 1949 OPERATING RESULTS

Inventories and Stock Turnover: Firms in this trade had smaller dollar volume inventories at the end of 1949 than at the beginning of the year. This stock decline was experienced by firms in both size classes reviewed. Stock turnover — cost of goods sold divided by average inventory — was more rapid than in the other food trades at 44.04 times during the year. Firms with annual net sales of \$500,000 or over had a faster rate of turnover than firms with sales under \$500,000.

Profit and Expense Ratios: Meat store chains operated on an average gross profit of 17.64% of net sales in 1949. Operating expenses, which amounted to 17.00% of net sales, absorbed most of the gross profit and left a net operating profit of only 0.64%. A very small amount of other income raised this to a net profit of 0.67% of net sales before income tax deduction.

TABLE 4. Operating Results of Chain Meat Stores, 1949, by Size of Firm

Item	Firms with 1949 sales of		Total all sizes
	Under \$500,000	\$500,000 and over	
Number of firms.....	7	4	11
Number of stores operated.....	33	35	68
Average sales per firm.....	314,808	1,082,772	594,067
Average cost of goods sold.....	252,812	903,003	489,245
Average inventory per firm:			
Beginning of year.....	7,321	20,372	12,066
Percent of net sales.....	2.33	1.88	2.03
End of year.....	6,240	16,993	10,150
Percent of net sales.....	1.98	1.57	1.71
Stock turnover (times per year).....	37.29	48.33	44.04
Profit and loss data (percent of net sales):			
Gross profit.....	19.69	16.60	17.64
Operating expenses:			
Salaries:			
executives.....	2.06	1.16	1.46
other employees.....	10.35	8.90	9.39
Employees' benefits.....	0.18	0.18	0.18
Occupancy.....	1.77	1.32	1.47
Taxes ¹	0.14	0.15	0.15
Repairs ¹	0.56	0.56	0.56
Depreciation ¹	0.75	0.69	0.71
Supplies.....	1.09	1.05	1.06
Heat, light and power.....	0.54	0.28	0.37
Advertising.....	0.24	0.59	0.47
Travelling.....	—	0.16	0.10
Communication.....	0.20	0.22	0.22
Bad debt losses.....	0.03	0.01	0.02
All other expenses.....	1.08	0.73	0.84
Total operating expenses.....	18.99	16.00	17.00
Net operating profit.....	0.70	0.60	0.64
Other income.....	0.08	—	0.03
Total net profit before income tax deduction.....	0.78	0.60	0.67

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

Comparison of 1947 and 1949 Results: Eleven firms reported to the 1949 survey and the same number, but not identically the same firms, submitted information on 1947 business operations. The results for all reporting firms are summarized below. Gross profit dropped from 20.51% of net

sales in 1947 to 17.64% in 1949. Expenses declined very little with the result that there was a sharp drop in net profit. Net profit before addition of other income or deduction of income tax fell from 3.27% of net sales in 1947 to 0.64% in 1949.

Main Operating Results Items for 1947 and 1949 Compared (Items expressed as percentages of net sales)

Item	1947 (11 firms) %	1949 (11 firms) %
Gross profit.....	20.51	17.64
Operating expenses:		
Salaries.....	11.28	10.85
Occupancy.....	1.23	1.47
Supplies.....	1.03	1.06
All other.....	3.70	3.62
Total operating expenses.....	17.24	17.00
Net profit without other income and before income tax deduction.....	3.27	0.64

Comparison of 1947 and 1949 Results: Twenty-four firms contributed to the 1947 survey results and 21 submitted reports on their 1949 operations. The results for all respondents to the two surveys are summarized below. A decrease in the 1949 average gross profit from the 1947 figure was ac-

companied by a slight decline in operating expenses. Particularly noticeable were the decreases in the expense ratios for salaries and "all other" expenses. Net profit decreased from 2.76% of net sales in 1947 to 2.47% in 1949.

Main Operating Results Items for 1947 and 1949 Compared (Items expressed as percentages of net sales)

Item	1947 (24 firms) %	1949 (21 firms) %
Gross profit.....	15.99	15.60
Operating expenses:		
Salaries.....	8.38	7.99
Occupancy.....	0.88	1.12
Supplies.....	0.71	1.31
Advertising.....	0.51	0.49
All other.....	2.75	2.22
Total operating expenses.....	13.23	13.13
Net profit without other income and before income tax deduction.....	2.76	2.47

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