CANADA

OPERATING RESULTS OF CHAIN FOOD STORES
1953

Published by Authority of

The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

Industry and Merchandising Division

Merchandising and Services Section

6505-525
21-12-54

Price 25 cents

Vol. 3—Part II—H-1

EDMOND CLOUTIER, C.M.G., O.A., D.S.P., Queen's Printer and Controller of Stationery, Ottawa, 1954.

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 (not issued 1953)
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 Equipment Wholesalers, 25¢
5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

E — General Review — (Discontinued)
F — Retail Trade, 50¢
G — Retail Chain Stores, 50¢
H — Operating Results of Chain Food Stores, 25¢
I — Operating Results of Chain Clothing Stores, 25¢
J — 1 Operating Results of Chain Variety Stores, 25¢
2 Operating Results of Chain Drug Stores, 25¢
3 Operating Results of Chain Furniture Stores, 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 and Radio Stores, 25¢
* N — Operating Results of Filling Stations & 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 Consumer Credit

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 1953.

CONTENTS

OPERATING RESULTS – LIST OF REPORTS

WHOLESALE TRADE (1947, 1949, 1951 and 1953)

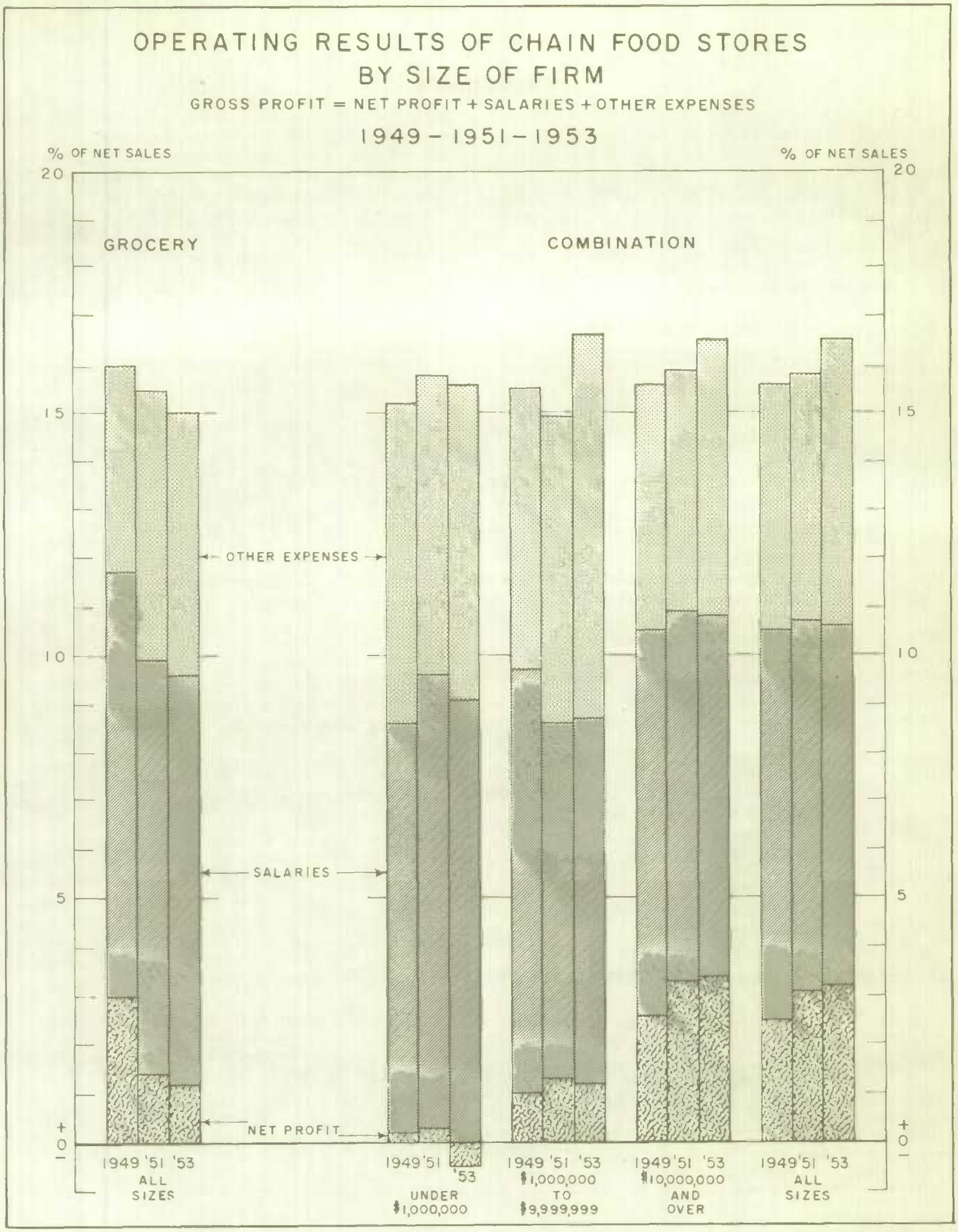
1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Automotive Parts and Accessories Wholesalers
4. Drug Wholesalers
5. Hardware Wholesalers
6. Plumbing and Heating Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948, 1950 and 1952)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. General Stores
6. Restaurants
7. Fuel Dealers
8. Drug Stores
9. Jewellery Stores
10. Tobacco Stores

RETAIL CHAIN STORES (1947, 1949, 1951 and 1953)

1. Chain Food Stores
2. Chain Clothing Stores
3. Chain Variety Stores
4. Chain Furniture Stores
5. Chain Drug Stores


OPERATING RESULTS OF CHAIN FOOD STORES
BY SIZE OF FIRM
GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES
1949 - 1951 - 1953
% OF NET SALES
20
15
10
5
+
0
−
GROCERY
COMBINATION
OTHER EXPENSES
SALARIES
NET PROFIT
1949 '51 '53
ALL SIZES
1949 '51 '53
UNDER $1,000,000
1949 '51 '53
$1,000,000 TO $9,999,999
1949 '51 '53
$10,000,000 AND OVER
1949 '51 '53
ALL SIZES

OPERATING RESULTS OF CHAIN FOOD STORES
1953

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 two trades are covered in this bulletin – grocery stores and combination grocery and meat 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 no chain food stores in Newfoundland. Salaries or 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 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 and maintenance, gas, oil and depreciation of owned equipment, together with expense of contract delivery.

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 1953 operations and is the fourth biennial publication in a series begun in 1947. Certain summary tables show comparative results for 1951 and 1953. The chart shows the gross profit components for 1949, 1951 and 1953 by suitable sales-size classifications for both trades.

SUMMARY OF 1953 OPERATING RESULTS BY TRADES

The principal operating results figures for chain grocery and chain combination store firms, are summarized in the following table. For the first time since the commencementof this biennial survey in 1947, there was an insufficient number of meat chain store firms to permit separate presentation of results for this classification.

In analyzing the results of an individual food chain company, reference should be made to the detailed tables in the appropriate sections of this bulletin. The increase in the number of combination food chain store firms reporting permitted the continuation of the presentation of results for firms in typical sales-size groupings. 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 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 net sales for grocery and combination chain store firms, due to their respective peculiarities, were $4,047,995 and $30,430,551 respectively. Due to the influence of meat sales, which have a comparatively very high rate of turnover, the stock turnover rate of 19.67 times per year for combination chain store firms was almost double the rate for grocery chain store firms. Gross profits, expressed as percentages of average net sales, showed combination stores with a higher ratio of 16.50 per cent and grocery stores with 14.96 per cent. Because the ratios of total operating expenses were highly similar for the two trades, this difference in the gross profit was reflected in the net operating profit ratios. Grocery stores, however, reported a slightly larger net gain in the ratios of non-trading income and expense which resulted in ratios of net profit before income tax deduction of 1.54 per cent and 3.52 per cent of the respective net sales of grocery and combination chain store firms.

Comparison of Main Profit and Loss Items in Chain Food Stores, 1953

Item	Grocery	Combination
Number of firms	6	24
Average net sales per firm $	4,047,995	30,430,551
Rate of stock turnover (times per year)	10.26	19.67
Profit and Loss Data (Percent of net sales):		
Gross profit	14.96	16.50
Operating expenses	13.80	13.26
Net operating profit	1.16	3.24
Non-trading income	0.60	0.37
Non-trading expense	0.22	0.09
Net profit before income tax deduction	1.54	3.52

CHAIN GROCERY STORES

The six firms from which reports were received, together operated 151 retail outlets in 1953. It was not practicable, in view of the small number of firms in this classification, to present results in a sales-size classification breakdown.

REVIEW OF 1953 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 grocery store chains, irrespective of the number of retail outlets, might be compared with a high degree of accuracy. In 1953 grocery store chains obtained an average gross profit of 14.96 per cent of average net sales. Average operating expense ratios totalling 13.80 per cent reduced this figure to a net operating profit of 1.16 per cent. Salaries and wages, amounting to 8.35 per cent, together with employees' benefits of 0.22 per cent, accounted for almost two thirds of the total operating expense ratio. Non-trading income and expense netted a slight increase to the net operating profit resulting in a net profit before income tax deduction ratio of 1.54 per cent. Income tax reduced this figure by 38 per cent to a final net profit of 0.95 per cent of net sales.

Inventories and Stock Turnover

Average inventories, expressed as proportions of average net sales of responding firms, increased from 7.42 per cent at the beginning of the year to 9.16 per cent at the end of the year. The rate of stock turnover — average of beginning and end of year inventories divided into cost of goods sold — was 10.26 times per year, a slight decline from the rate ascertained from the 1951 survey results.

TABLE 1. Operating Results of Chain Grocery Stores, 1953

Item		Total all sizes
Number of firms		6
Number of stores operated		151
Average net sales per firm	$	4,047,995
Average cost of goods sold	$	3,442,558
Average inventory per firm:		
Beginning of year	$	300,212
Per cent of average net sales		7.42
End of year	$	370,994
Per cent of average net sales		9.16
Stock turnover (times per year)		10.26
Profit and Loss Data (per cent of net sales)		
Gross profit		**14.96**
Operating expenses:		
Salaries:		
Executives		0.86
Other employees		7.49
Employees' benefits		0.22
Occupancy		1.19
Heat, light and power		0.36
Taxes, licenses[1]		0.09
Insurance[1]		0.09
Repairs and maintenance[1]		0.17
Depreciation[1]		0.67
Supplies		0.63
Advertising		0.65
Travelling		0.15
Communication		0.18
Delivery		0.35
Bad debt loss		0.06
All other expenses		0.64
Total operating expenses		**13.80**
Net operating profit		**1.16**
Non-trading income		0.60
Non-trading expense		0.22
Net profit before income tax deduction		1.54
Income tax		0.59
Final net profit		**0.95**

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

Comparison of 1951 and 1953 Operating Results

The principal operating ratios of the 1951 and 1953 surveys are summarized in the following table for the purpose of comparison. Although the number of reporting firms declined from 8 in 1951 to 6 in 1953, the number of retail outlets operated increased from 129 to 151 for the two years respectively. Because the results are presented in ratio form, the differences which arise from comparison of absolute dollar values tend to be eliminated. Consequently, the ratio comparisons might be made with a high degree of reliability when compared with any one firm's results, irrespective of the number of retail outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, 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 1951 to $1,100,000 in 1953, 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.

Although there were fewer firms reporting in 1953 than in 1951, the number of retail outlets operated by these firms increased, thereby showing a substantial increase in the average net sales per firm. The increase in average net sales per retail outlet of 21 per cent however, provides a more realistic figure for comparison. The gross profit ratio declined slightly in 1953 when compared to 1951 results. However, this ratio decline, when considered together with the increased average net sales per retail outlet, indicates that the absolute average gross profit also increased but at a smaller rate than sales. Within the itemized factors of expense, ratio declines in salaries and all other expenses more than offset the slight increase in the advertising ratio. Consequently, with occupancy expense remaining the same proportion of net sales, there was a decline in the total operating expense ratio from 14.12 per cent in 1951 to 13.80 per cent in 1953. This decline was slightly smaller than the decline experienced in the gross profit ratio which resulted in a slightly smaller 1953 ratio of net operating profit.

TABLE 2. Main Operating Results Items 1951 and 1953 Compared
(Items expressed as percentages of net sales)

Item	1951 (8 firms)	1953 (6 firms)
	%	%
Gross profit	**15.53**	**14.96**
Operating expenses:		
Salaries	8.53	8.35
Occupancy	1.19	1.19
Advertising	0.49	0.65
All other	3.91	3.61
Total operating expenses	**14.12**	**13.80**
Net operating profit	**1.41**	**1.16**

CHAIN COMBINATION STORES

A total of 951 retail outlets were operated by the 24 chain combination store firms reporting to this survey. All firms in the two largest sales-size categories were incorporated companies for which income tax information was tabulated.

REVIEW OF 1953 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 combination store chains, irrespective of the number of retail outlets, might be compared with a high degree of accuracy.

In 1953, chain combination store firms obtained a gross profit or margin of 16.50 per cent of net sales. Total operating expenses which amounted to 13.26 per cent of net sales reduced this figure to a net operating profit ratio of 3.24 per cent. Non-trading income and expense netted a slight increase to the net operating profit which resulted in a ratio of net profit before income tax deduction of 3.52 per cent. Within the three typical sales-sizes, the ratio of gross profit was lowest for the smaller firms with 15.62 per cent, and highly similar for the middle and larger firms which reported 16.57 per cent and 16.50 per cent, respectively. Total operating expense ratios showed a much wider range, from 16.16 per cent of 13.09 per cent, decreasing with sales-size. As a result, the smaller firms, which reported the smallest gross profit ratio, averaged the largest operating expense ratio and netted an operating loss of 0.54 per cent. The larger firms, which reported the smallest operating expense ratio, netted the largest ratio of operating profit of 3.41 per cent. In each instance, a small net gain resulted from non-trading operations. The middle-sized and larger firms, which were all incorporated, obtained ratios of final net profit after taxation of 0.84 per cent and 1.89 per cent, respectively.

TABLE 3. Operating Results of Chain Combination Stores, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under $1,000,000	$1,000,000 to $9,999,999	$10,000,000 and over	
Number of firms	5	13	6	24
Number of stores operated	27	162	762	951
Average net sales per firm $	605,112	4,065,075	112,406,950	30,430,551
Average cost of goods sold $	510,627	3,391,285	93,860,809	25,408,529
Average inventory per firm:				
Beginning of year $	39,824	226,133	4,415,679	1,234,705
Percent of average net sales	6.58	5.56	3.93	4.06
End of year $	31,779	258,421	4,809,935	1,349,082
Per cent of average net sales	5.25	6.36	4.28	4.43
Stock turnover (times per year)	14.26	14.00	20.35	19.67
Profit and Loss Data (per cent of net sales)				
Gross profit	**15.62**	**16.57**	**16.50**	**16.50**
Operating expenses:				
Salaries:				
Executives	1.18	0.66	0.17	0.21
Other employees	8.45	6.86	7.22	7.20
Employees' benefits	0.15	0.12	0.24	0.23
Occupancy	1.12	1.36	0.98	1.00
Heat, light and power	0.35	0.37	0.25	0.26
Taxes, licenses[1]	0.14	0.10	0.11	0.11
Insurance[1]	0.09	0.12	0.08	0.08
Repairs and maintenance[1]	0.46	0.36	0.43	0.42
Depreciation[1]	0.50	1.28	0.63	0.68
Supplies	0.82	0.99	1.00	1.00
Advertising	0.75	1.00	0.69	0.71
Travelling	0.04	0.07	0.06	0.06
Communication	0.16	0.10	0.11	0.11
Delivery	0.78	0.48	0.23	0.25
Bad debt loss	0.07	0.03	0.01	0.01
All other expenses	1.10	1.43	0.88	0.93
Total operating expenses	**16.16**	**15.33**	**13.09**	**13.26**
Net operating profit	**0.54**[2]	**1.24**	**3.41**	**3.24**
Non-trading income	0.21	0.34	0.37	0.37
Non-trading expense	0.05	0.15	0.08	0.09
Net profit before income tax deduction	0.38[2]	1.43	3.70	3.52
Income tax	—	0.59	1.81	—
Final net profit	**—**	**0.84**	**1.89**	**—**

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

Inventories and Stock Turnover

Average inventories expressed as percentages of average net sales of all responding firms increased from 4.06 per cent at the beginning of the year to 4.43 per cent at the end of the year. This trend was common to firms in the middle and larger sales-sizes, but the smaller firms reported a slight decline. The rate of stock turnover – average of beginning and year-end inventories divided into cost of goods sold – was 19.67 times per year for all reporting firms.

Comparison of 1951 and 1953 Operating Results

The principal operating ratios of the 1951 and 1953 surveys are summarized in the following table for the purpose of comparison. The number of reporting firms increased from 21 to 24 with a corresponding increase in the number of establishments operated from 831 to 951 for the 1951 and 1953 surveys, respectively. Ratios, however, tend to eliminate these differences and may be used with a high degree of reliability when compared with any one firm's results, irrespective of the number of outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, 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 1951 to $1,100,000 in 1953, 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.

Average net sales per retail outlet showed an increase of approximately 14 per cent. Therefore, the slight increase in the gross profit ratio indicates that the absolute average gross profit increased at a slightly greater rate than did average net sales. Each of the itemized factors of expense, except advertising, showed a ratio decline. The "all other expense" category, however, increased sufficiently to cause a slight increase in the total operating expense ratio in 1953. Because this increase in the ratio of total operating expenses was less than the gain reported for gross profit, the net operating profit ratio showed a slight increase from 3.15 per cent in 1951 to 3.24 per cent in 1953.

TABLE 4. Main Operating Results Items 1951 and 1953 Compared

(Items expressed as percentages of net sales)

Item	1951 (21 firms)	1953 (24 firms)
	%	%
Gross profit	**15.82**	**16.50**
Operating expenses:		
Salaries	7.57	7.41
Occupancy	1.01	1.00
Supplies	1.10	1.00
Advertising	0.49	0.71
All other	2.50	3.14
Total operating expenses	**12.67**	**13.26**
Net operating profit	**3.15**	**3.24**