

8.873  
C16d  
D  
1955  
v.3  
63-403



D.B.S.



# OPERATING RESULTS OF CHAIN FOOD STORES 1955

*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

6505-525-125

Price 25 cents

Vol. 3—Part 11—H-1

658.873

c16d

D

1955

## 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¢

## Part II – Retail Statistics

- E – General Review – (Discontinued)
- 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 Stores 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 1955.

(Oct. 19, 1955)

# OPERATING RESULTS OF CHAIN FOOD STORES

1955

## INTRODUCTION

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

**Scope** — Chain store firms are those which operate four or more retail outlets. Chain firms of 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. 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.

In this report, "occupancy expense" includes heat, light and power, taxes, insurance, mortgage interest, repairs and depreciation on owned real estate used in the business, together with rental

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

**Purpose** — The primary purpose of the operating results surveys is to provide averages on the different phases of business 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 1955 operations and is the fifth biennial publication in a series begun in 1947. Certain summary tables show comparative results for 1953 and 1955 and 1951-1955 for chain meat stores. The chart shows the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classifications for each trade.

## SUMMARY OF 1955 OPERATING RESULTS BY TRADES

The principal operating results figures for chain food stores are summarized in the following table. Chain meat markets are presented again this year after having been omitted in 1953.

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 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.

Average net sales for grocery, combination and meat chain store firms, due to their respective

peculiarities were \$6,074,644, \$40,225,764, and \$1,258,143, respectively. Due to the influence of meat sales, which have a comparatively high rate of turnover, the stock turnover rate of 18.28 times per year for combination chain store firms was almost double the rate for grocery chain store firms. Chain meat stores show a normal high turnover of 52.39 times per year. Gross profits, expressed as percentages of average net sales, showed meat stores with the highest ratio of 18.75 per cent; combination stores, 16.45 per cent; and grocery stores, 16.03 per cent. The ratio of total operating expenses for meat stores was higher than the other two trades. Final net profit ratios ranged from 0.71 per cent for grocery stores to 3.05 per cent for combination stores. Combination chain 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 0.82 per cent, 3.21 per cent and 1.10 per cent of the respective net sales of grocery, combination and meat chain stores.

Comparison of Main Profit and Loss Items in Chain Food Stores, 1955

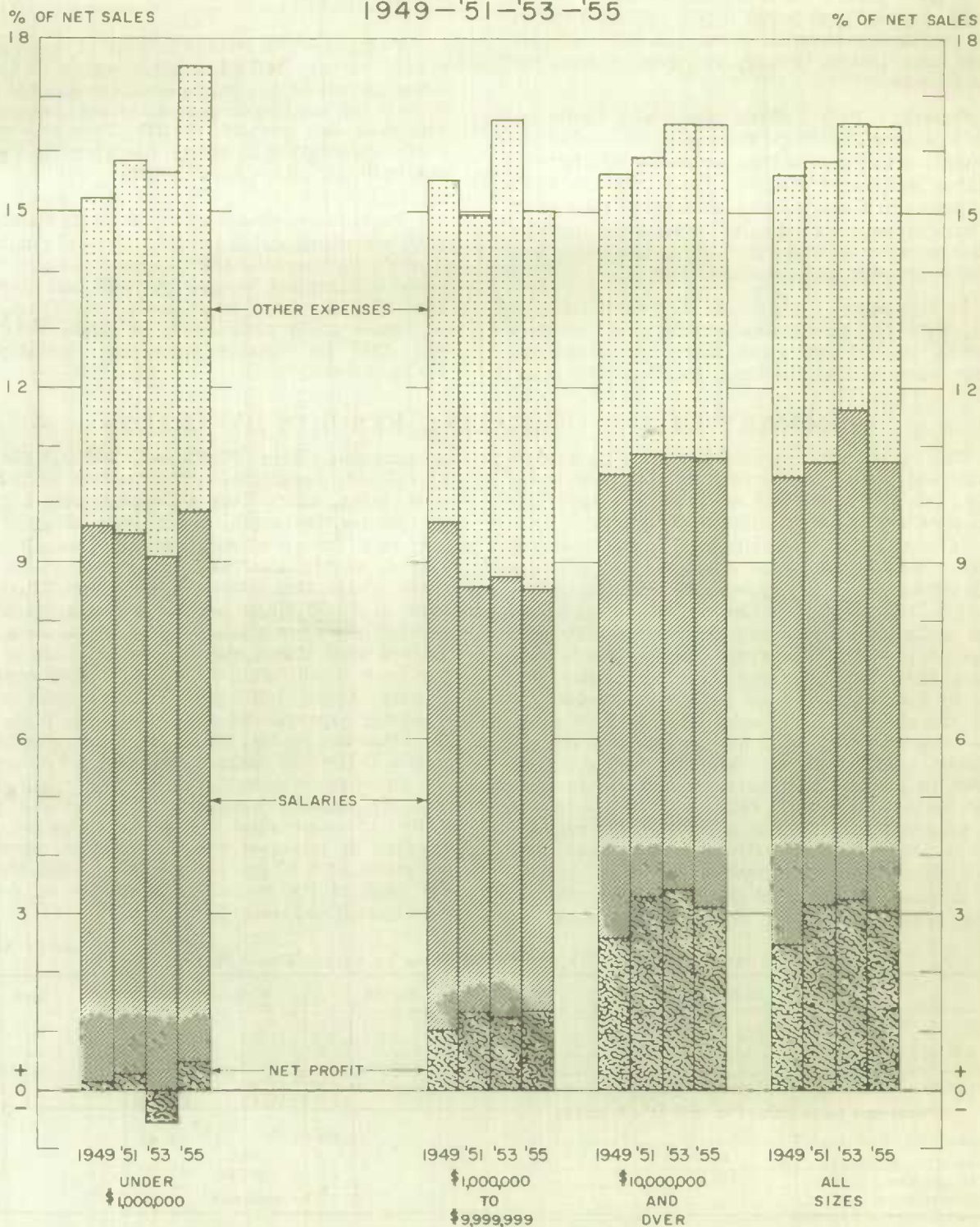
Item	Grocery	Combination	Meat
Number of firms .....	6	22	6
Average net sales per firm ..... \$	6, 074, 644	40, 225, 764	1, 258, 143
Rate of stock turnover (times per year) .....	9.92	18.28	52.39
<b>Profit and Loss data (Per cent of net sales)</b>			
<b>Gross profit</b> .....	<b>16.03</b>	<b>16.45</b>	<b>18.75</b>
Operating expenses .....	15.32	13.40	17.63
Net operating profit .....	0.71	3.05	1.12
Other income .....	0.37	0.40	0.04
Miscellaneous expense .....	0.26	0.24	0.06
<b>Net profit before income tax deduction</b> .....	<b>0.82</b>	<b>3.21</b>	<b>1.10</b>



# OPERATING RESULTS OF CHAIN COMBINATION STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

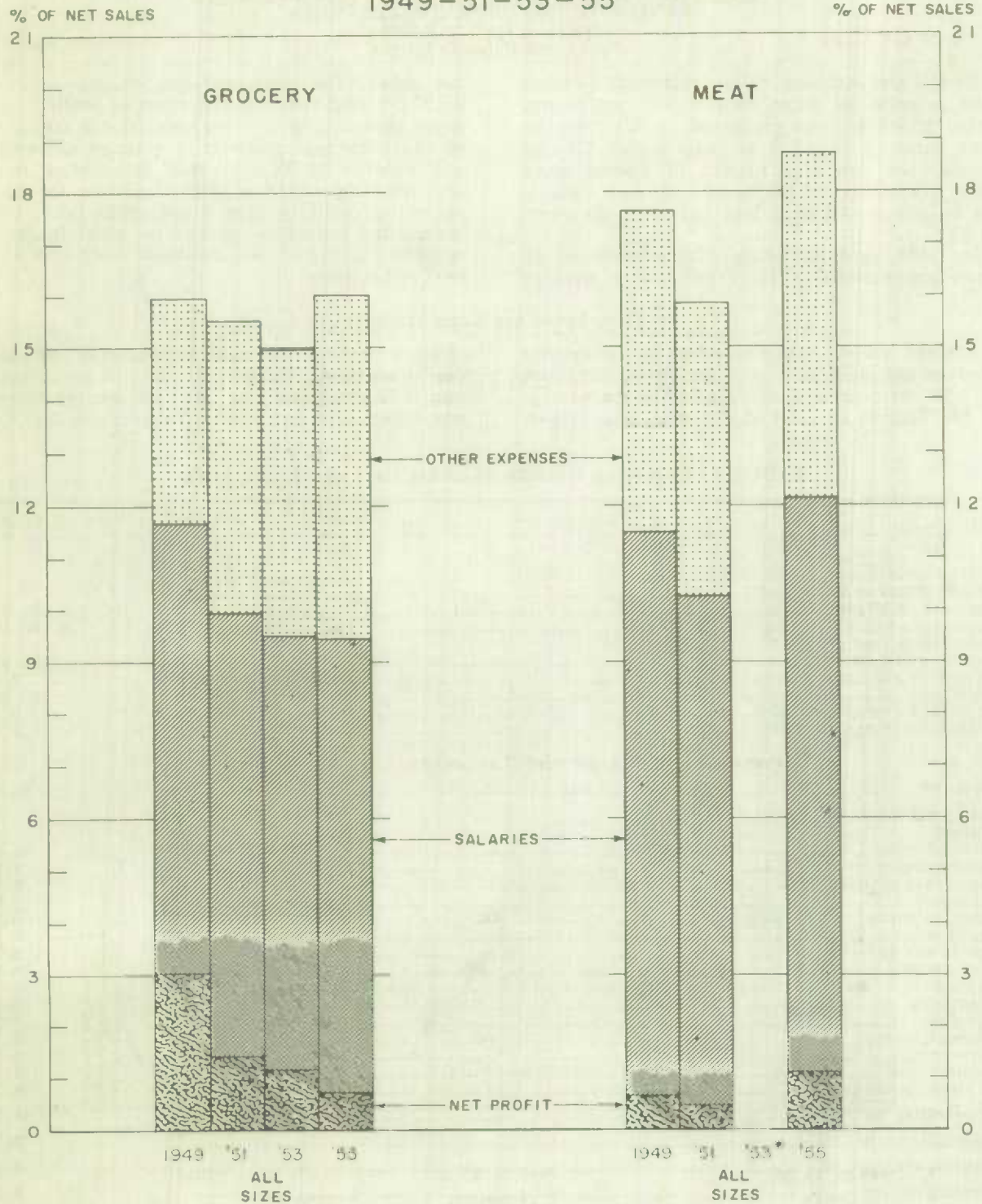
1949-'51-'53-'55



# OPERATING RESULTS OF CHAIN GROCERY AND MEAT STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1949-'51-'53-'55



\* Not available



## CHAIN GROCERY STORES

The six firms from which reports were received together operated 152 retail outlets in 1955. It was not practicable, in view of the small number of

firms in this classification, to present results by size classes based on annual net sales. All firms were incorporated.

## REVIEW OF 1955 OPERATING RESULTS

## Profit and Expense Ratios

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

In 1955, grocery store chains obtained an average gross profit of 16.03 per cent of average

net sales. The total operating expense ratio was 15.32 per cent reducing the marginal profit to a net profit operating of 0.71 per cent. Almost 60 per cent of expenses were made up of salaries and employees' benefits (8.93 per cent). Non-trading income and expense netted a slight increase to the net operating profit to give a net profit ratio, before income tax deduction, of 0.82 per cent. Income tax reduced this figure to a final net profit of 0.48 per cent of net sales.

## Inventories and Stock Turnover

Average inventories, expressed as proportions of average net sales of responding firms, increased from 7.55 per cent at the beginning of the year to 9.39 per cent at the end of the year. The rate of

of stock turnover — average of beginning and end-of-year inventories divided into cost of goods sold — was 9.92 times per year, a slight decline from the rate ascertained from the 1953 survey results.

TABLE 1. Operating Results of Chain Grocery Stores, 1955

Item	Total all firms
Number of firms .....	6
Number of stores operated .....	152
Average net sales per firm .....	\$ 6,074,644
Average cost of goods sold .....	\$ 5,100,882
Average inventories per firm:	
Beginning of year .....	\$ 458,574
Per cent of average net sales .....	7.55
End of year .....	\$ 570,141
Per cent of average net sales .....	9.39
Stock turnover (times per year) .....	9.92
<b>Profit and loss data (per cent of net sales):</b>	
<b>Gross profit .....</b>	<b>16.03</b>
<b>Operating expenses:</b>	
Salaries:	
Executives .....	0.61
Other employees .....	8.14
Employees' benefits .....	0.18
Occupancy .....	1.94
Taxes, licenses <sup>1</sup> .....	0.14
Insurance <sup>1</sup> .....	0.11
Repairs and maintenance <sup>1</sup> .....	0.18
Depreciation <sup>1</sup> .....	0.80
Supplies .....	0.91
Advertising .....	0.89
Travelling .....	0.20
Communication .....	0.16
Delivery .....	0.29
Bad debt loss .....	0.01
All other expenses .....	0.76
<b>Total operating expenses .....</b>	<b>15.32</b>
<b>Net operating profit .....</b>	<b>0.71</b>
<b>Non-trading income .....</b>	<b>0.37</b>
<b>Non-trading expense .....</b>	<b>0.26</b>
<b>Net profit before income tax deduction .....</b>	<b>0.82</b>
<b>Income tax .....</b>	<b>0.34</b>
<b>Final net profit .....</b>	<b>0.48</b>

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

## Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for the purpose of comparison. The number of firms reporting in 1955 was six, the same as in 1953; the number of retail outlets operated increased to 152 from 151 in 1953. 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 firm's results, irrespective of the number of retail outlets.

Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great

a rate as net sales. As an example, if net sales increased 10 per cent from \$1,000,000 in 1953 to \$1,100,000 in 1955 and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would show a decrease. It is, therefore, necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The gross profit ratio increased in 1955 compared with 1953. All major items of expense increased, contributing to a greater increase in the ratio of total expense than that which occurred in gross profit. The net result was a decline in the net profit ratio from 1.16 per cent in 1953 to 0.71 per cent in 1955.

**TABLE 2. Chain Grocery Stores Main Operating Results for 1953 and 1955 Compared**  
(Items expressed as percentages of net sales)

Item	1953 (6 firms)	1955 (6 firms)
Gross profit .....	14.96	16.03
Operating expenses:		
Salaries .....	8.35	8.75
Occupancy .....	1.19	1.94 <sup>1</sup>
Advertising .....	0.65	0.89
All other expenses .....	3.61 <sup>1</sup>	3.74
Total operating expenses .....	13.80	15.32
Net operating profit .....	1.16	0.71

1. Includes "heat, light and power".

## CHAIN MEAT STORES

A total of 50 retail outlets were operated by the six chain meat firms reporting to this survey. It was not practicable, in view of the small number

of firms in this classification, to present operating results in a sales-size classification breakdown.

## REVIEW OF 1955 OPERATING RESULTS

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

In 1955, meat store chains obtained an average gross profit of 18.75 per cent of average net sales. This marginal profit was reduced by operating expenses to a net operating profit of 1.12 per cent. Salaries and employees' benefits made up 63 per cent of total operating expenses. Non-trading income and expense decreased the net operating profit to 1.10 per cent before income tax deduction. Four firms were incorporated.

TABLE 3. Operating Results of Chain Meat Stores, 1955

Item	Total all firms
Number of firms .....	6
Number of stores operated .....	50
Average net sales per firm .....	\$ 1,258,143
Average cost of goods sold .....	\$ 1,022,242
Average inventory per firm:	
Beginning of year .....	\$ 18,991
Per cent of average net sales .....	1.51
End of year .....	\$ 20,034
Per cent of average net sales .....	1.59
Stock turnover (times per year) .....	52.39
<b>Profit and Loss Data (per cent of net sales)</b>	
<b>Gross profit .....</b>	<b>18.75</b>
Operating expenses:	
Salaries:	
Executives .....	0.94
Other employees .....	10.07
Employees' benefits .....	0.10
Occupancy .....	1.63
Taxes, licenses <sup>1</sup> .....	0.08
Insurance <sup>1</sup> .....	0.10
Repairs and maintenance <sup>1</sup> .....	0.16
Depreciation <sup>1</sup> .....	0.92
Supplies .....	1.28
Advertising .....	0.86
Travelling .....	0.07
Communication .....	0.17
Delivery .....	0.19
All other expenses .....	1.06
<b>Total operating expenses .....</b>	<b>17.63</b>
<b>Net operating profit .....</b>	<b>1.12</b>
Non-trading income .....	0.04
Non-trading expense .....	0.06
<b>Net profit before income tax deduction .....</b>	<b>1.10</b>

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



## Inventories and Stock Turnover

Average inventories, expressed as proportions of average net sales of responding firms, increased from 1.51 per cent at the beginning of the year to 1.59 per cent at the end of the year. The rate of

stock turnover — average of beginning and ending inventories divided into cost of goods sold — was 52.39 times, a substantial increase compared with 44.33 times per year in 1951.

## Comparison of 1951 and 1955 Operating Results

The principal operating ratios of the 1951 and 1955 surveys are summarized in the following table for the purpose of comparison. Only six firms reported for the 1955 survey, compared with eight firms in 1951. An insufficient number of firms reporting in 1953 did not permit publication. Four firms reporting in 1955 also reported in 1951. Even though the number of firms reporting in 1955 was less, the number of retail outlets increased from 43 in the earlier year to 50.

Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any firm's results irrespective of the number of outlets. Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or

expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10 per cent from \$1,000,000 in 1951 to \$1,100,000 in 1955 and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would show a decrease. It is, therefore, necessary to note changes in net sales in order to interpret a change in ratios between the two years correctly.

Average net sales per firm increased in 1955 to \$1,258,143 from \$785,905 in 1951. Ratios in 1955 increased at a faster rate than the rate of increase in average net sales. The 1955 gross profit ratio increased to a greater extent than did total operating expenses. The final net profit ratio for 1955 was 1.12 per cent compared with 0.44 per cent in 1951.

TABLE 4. Chain Meat Stores Main Operating Results for 1951 and 1955 Compared

(Items expressed as percentages of net sales)

Item	1951 (8 firms)	1955 (6 firms)
Gross profit.....	15.84	18.75
Operating expenses:		
Salaries .....	9.82	11.01
Occupancy .....	1.34	1.63 <sup>1</sup>
Supplies .....	0.69	1.28
All other expenses .....	3.55 <sup>1</sup>	3.71
Total operating expenses .....	15.40	17.63
Net operating profit .....	0.44	1.12

1. Includes "Heat, light and power"

## CHAIN COMBINATION STORES

A total of 1,002 retail outlets were operated by the 22 chain combination store firms reporting to this survey. All firms in the largest sales-size

category were incorporated companies for which income tax information was tabulated.

## REVIEW OF 1955 OPERATING RESULTS

## Profit and Expense Ratios

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

In 1955, chain combination store firms obtained a gross profit or margin of 16.45 per cent of net sales. Total operating expenses which amounted to 13.40 per cent of net sales reduced this figure to a net operating profit ratio of 3.05 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 3.21 per cent. Only two sales-size groups are presented this year. There were too few respondents in the group "under \$1,000,000" to permit publication of results. The group \$1,000,000 to \$9,999,999" had the smaller profit ratios and the higher total operating expense ratio. The opposite is true for the group "\$10,000,000 and over" which had 16.49 per cent gross profit, 13.38 per cent total expense, and a 3.11 per cent net operating profit ratio. The large-firm group had the most influence on the "total all-sizes" ratios, with the result that the ratios for these two categories are very similar.

TABLE 5. Operating Results of Chain Combination Stores, 1955 by Size of Firm

Item	Firms with 1955 sales of		Total all sizes
	\$1,000,000 to \$9,999,999	\$10,000,000 and over	
Number of firms .....	10	9	22
Number of stores operated .....	108	879	1,002
Average net sales per firm .....	\$ 2,968,030	94,778,027	40,225,764
Average cost of goods sold .....	\$ 2,522,450	79,146,355	33,610,247
Average inventory per firm:			
Beginning of year .....	\$ 171,964	3,904,794	1,685,452
Percent of average net sales .....	5.79	4.12	4.19
End of year .....	\$ 182,200	4,644,061	1,991,117
Per cent of average net sales .....	6.14	4.90	4.95
Stock turnover (times per year) .....	14.24	18.52	18.28
<b>Profit and Loss Data (per cent of net sales)</b>			
<b>Gross profit .....</b>	<b>15.01</b>	<b>16.49</b>	<b>16.45</b>
Operating expenses:			
Salaries:			
Executives .....	0.89	0.21	0.24
Other employees .....	6.32	7.47	7.43
Employees' benefits .....	0.15	0.28	0.28
Occupancy .....	2.03	1.37	1.39
Taxes, licenses <sup>1</sup> .....	0.14	0.15	0.15
Insurance <sup>1</sup> .....	0.13	0.08	0.08
Repairs and maintenance <sup>1</sup> .....	0.31	0.40	0.40
Depreciation <sup>1</sup> .....	0.67	0.67	0.67
Supplies .....	0.73	0.97	0.96
Advertising .....	0.93	0.91	0.91
Travelling .....	0.08	0.09	0.09
Communication .....	0.08	0.08	0.08
Delivery .....	0.58	0.20	0.22
All other expenses .....	0.63	0.50	0.50
<b>Total operating expenses .....</b>	<b>13.67</b>	<b>13.38</b>	<b>13.40</b>
<b>Net operating profit .....</b>	<b>1.34</b>	<b>3.11</b>	<b>3.05</b>
Non-trading income .....	0.17	0.42	0.40
Non-trading expense .....	0.29	0.24	0.24
Net profit before income tax deduction .....	1.22	3.29	3.21
Income tax .....	—	1.41	—
<b>Final net profit .....</b>	<b>—</b>	<b>1.88</b>	<b>—</b>

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



## Inventories and Stock Turnover

Average inventories expressed as percentages of average net sales of all responding firms increased from 4.19 per cent at the beginning of the year to 4.95 per cent at the end of the year. This trend was common to firms in both sales-size

classes. The rate of stock turnover — average of beginning and year-end inventories divided into cost of goods sold — was 18.28 times per year for all reporting firms.

## Incorporated Companies

Only one of all the firms responding was unincorporated. Any presentation of incorporated data for that group would not change the ratios to any degree and any results pinpointing any one

firm's operations by deduction are not published. Income tax reduced the net operating profit of the large chain group from 3.29 per cent to 1.88 per cent.

## Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for purpose of comparison. The number of firms decreased from 24 in 1953 to 22 in 1955, but the number of retail outlets increased to 1,002 in 1955 compared with 951 in 1953. Ratios, however, tend to eliminate these differences and may be used with a high degree of reliability when compared with any firm's results, irrespective of the number of outlets.

Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10 per cent from \$1,000,000 in 1953 to \$1,100,000 in 1955 and rent showed a proportionate increase from \$5,000 to \$5,500, the rent

expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would show a decrease. It is, therefore, necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Fifteen of all the firms reporting in 1955 also reported in 1953. Average net sales per firm showed a substantial increase in 1955 advancing to \$40,225,764 from \$30,430,551 in 1953. A slight decrease in gross profit ratio in 1955 compared with 1953 indicates that the marginal profit ratio increased at a slightly lower rate than did average net sales. The total operating expense ratio increased at a higher rate than did the gross profit ratio and average net sales. The final results are evidenced in the net operating profit ratio which was 3.05 per cent in 1955 and 3.24 per cent in 1953.

**TABLE 6. Chain Combination Stores Main Operating Results for 1953 and 1955 Compared**  
(Items expressed as percentages of net sales)

Item	1953 (24 firms)	1955 (22 firms)
Gross profit .....	16.50	16.45
Operating expenses:		
Salaries .....	7.41	7.67
Occupancy .....	1.00	1.39 <sup>1</sup>
Supplies .....	1.00	0.96
Advertising .....	0.71	0.91
All other expenses .....	3.14 <sup>1</sup>	2.47
Total operating expenses .....	13.26	13.40
Net operating profit .....	3.24	3.05

1. Includes "Heat, light and power"

STATISTICS CANADA LIBRARY  
BIBLIOTHÈQUE STATISTIQUE CANADA



1010738187

