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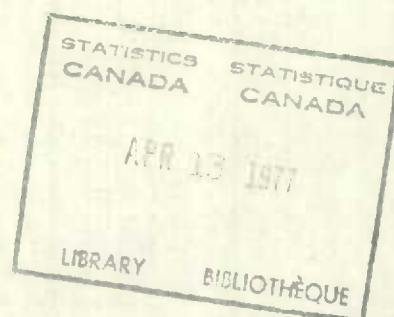
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ANNUAL



OPERATING RESULTS OF CHAIN FOOD STORES 1957

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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

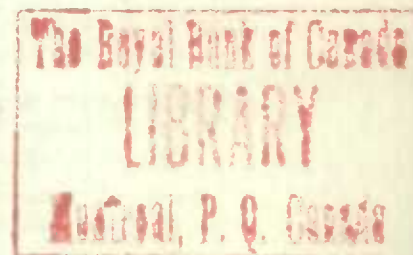
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Food Store Chains, 25¢
- I — Operating Results of Clothing Store Chains, 25¢
- J — 1 Operating Results of Variety Store Chains, 25¢
 - 2 Operating Results of Drug Store Chains, 25¢
 - 3 Operating Results of Furniture Store 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.



(October 31, 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 FOOD STORES 1957

INTRODUCTION

General comments regarding this sixth study of the operating results of Chain Food 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 grocery stores, combination (grocery and meat) stores and meat markets. A grocery chain is one in which the sale of fresh meats is less than 15 per cent while meat market chains must not sell over 15 per cent dry groceries to be so classified. All known firms meeting this definition were canvassed for financial statements.

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 rented premises. Delivery expense generally includes salaries, insurance, licenses, repairs and maintenance, gas, oil and depreciation of 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 structure 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 shown, on a biennial basis, generally since 1947. 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 three 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 average net sales per firm reflect the prevalence of large scale operations in the combination

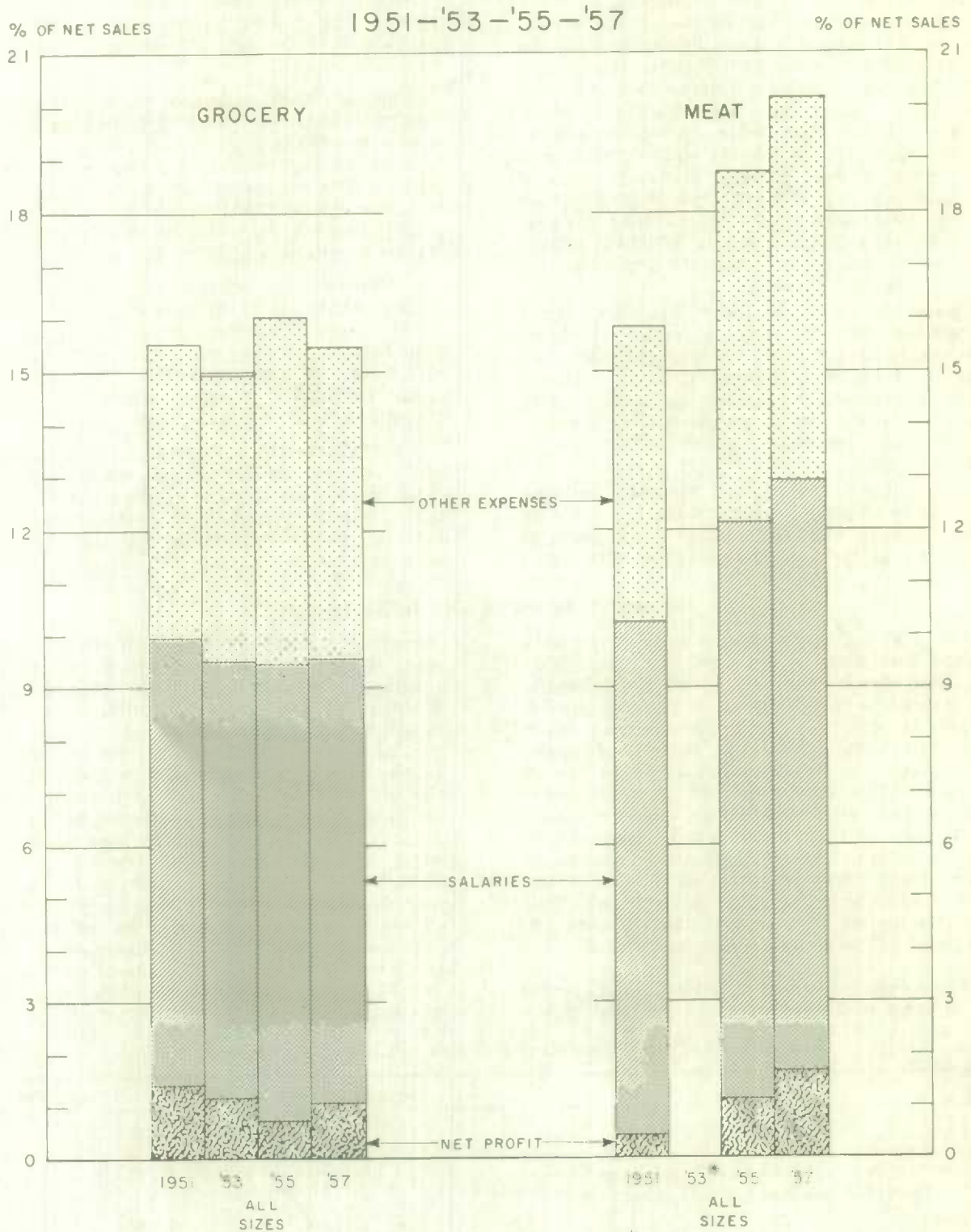
(grocery and meat) business while the more specialized grocery or meat business is operated on a smaller scale and, in fact, is declining in importance in the over-all food retailing field. The rate of stock turnover shows the effect of meat handling ranging from approximately ten times a year in the grocery chains to 44 times in the meat market chains. The necessary cost of handling meat, together with some loss, is reflected in the ratio of gross profit and also in salaries. Meat market chains, while obtaining the highest percentage of gross profit (20.17 per cent) also experienced the greatest over-all cost of operation with operating expenses amounting to 18.48 per cent of net sales. Combination store chains, because of their greater turnover and possibly improved efficiency of operation, paid only 13.80 per cent of sales as expenses and realized the highest ratio of net profit.

Comparison of Main Operating Results in Chain Food Stores, 1957

Item	Grocery	Combination	Meat
Number of firms	5	26	4
Average net sales per firm	\$ 4,741,026	45,981,936	1,891,338
Rate of stock turnover (times per year)	10.44	17.13	44.26
Profit and loss data (per cent of net sales)			
Gross profit	15.46	17.44	20.17
Operating expenses	14.38	13.80	18.48
Net operating profit	1.08	3.64	1.69
Non-trading income	0.51	0.35	0.19
Non-trading expense	0.14	0.31	—
Net profit before income tax deduction	1.45	3.68	1.88

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

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES



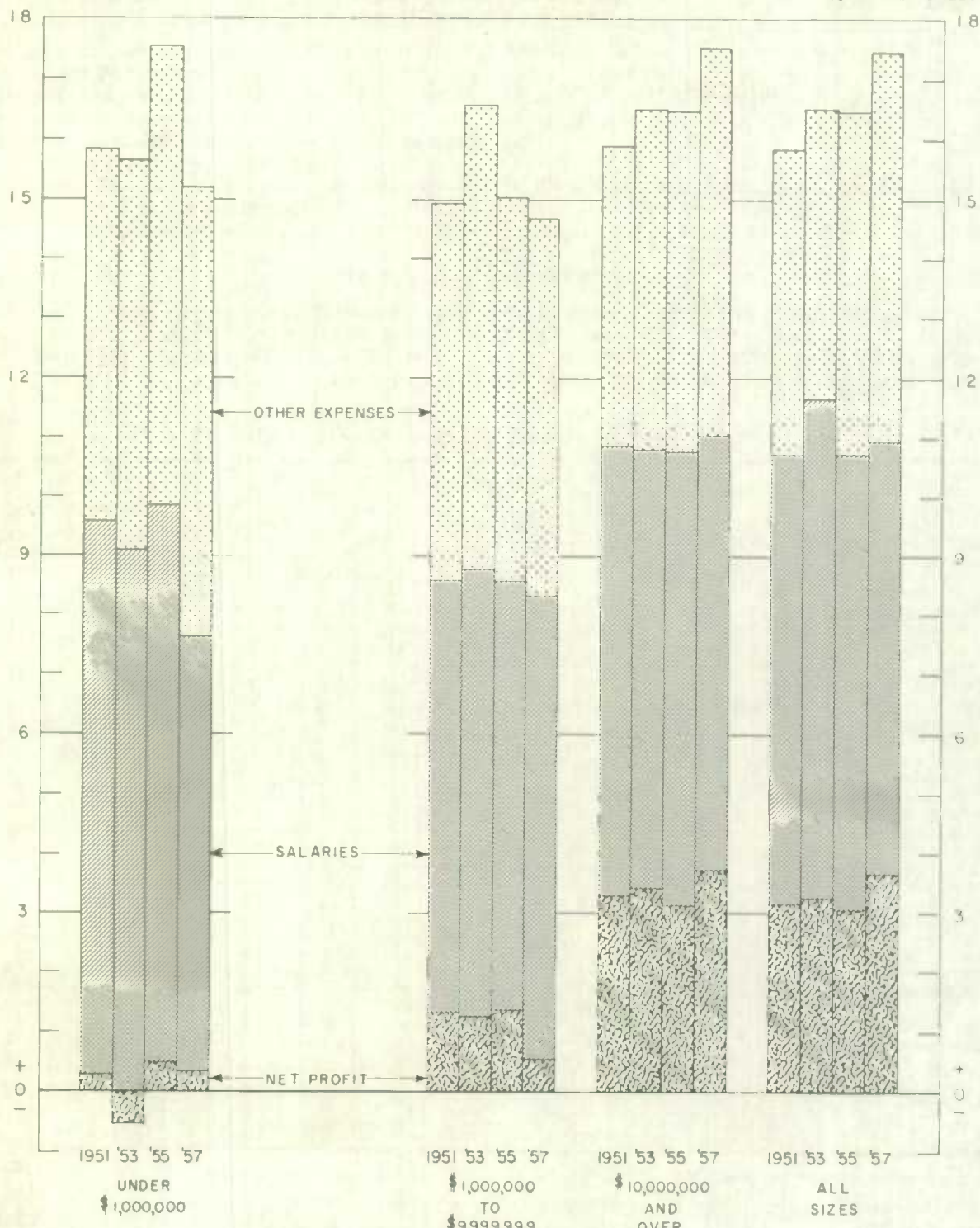
OPERATING RESULTS OF CHAIN COMBINATION STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1951-'53-'55-'57

% OF NET SALES

% OF NET SALES



CHAIN GROCERY STORES

Chain grocery store firms reporting to this 1957 survey numbered five, representing 105 retail outlets. All firms were incorporated. Presentation of results by sales-size was not permissible on account of the restricted number of respondents. Firms

selling 68 per cent or more of a general line of groceries, were covered under this classification. Fresh meats could also be carried but should not constitute more than 15 per cent of the total trade.

REVIEW OF 1957 OPERATING RESULTS AND FINANCIAL STATUS

Profit and Expense Ratios

The different expense items of the profit and loss statement are expressed as percentages of net sales. With such a standard presentation, the various items can be compared with a high degree of accuracy.

Grocery store chains obtained a gross profit of 15.46 per cent of net sales in 1957. This initial profit, coupled with the 14.38 per cent total opera-

ting expense ratio, resulted in a net operating profit of 1.08 per cent. Over 60 per cent of operating expenses were made up of salaries and employees' benefits, totalling 8.71 per cent of sales. Non-trading income was more than offset by the combined effects of non-trading expense and income tax items with the result that the 1.08 per cent net operating profit was decreased to a final net profit amounting to 0.91 per cent of net sales.

Inventories and Stock Turnover

Participating firms' inventories expressed as proportions of net sales showed an increase during the year from 7.67 per cent at the beginning to a year-end inventory of 8.52 per cent of net sales.

The average of these two inventories, divided into the cost of goods sold, produced a stock turnover rate of 10.44 times per year, a slight increase over the 1955 rate of 9.92 times.

TABLE 1. Operating Results of Chain Grocery Stores, 1957

Item	Total all firms
Number of firms	5
Number of stores operated	105
Average net sales per firm	\$ 4,741,026
Average cost of goods sold	\$ 4,008,021
Average inventories per firm	
Beginning of year	\$ 363,494
Per cent of average net sales	7.67
End of year	\$ 404,070
Per cent of average net sales	8.52
Stock turnover (times per year)	10.44
Profit and loss data (per cent of net sales):	
Gross profit	15.46
Operating expenses:	
Salaries:	
Executives	0.70
Other employees	7.79
Employees' benefits	0.22
Occupancy	1.56
Taxes, licenses ¹	0.09
Insurance ¹	0.09
Repairs and maintenance ¹	0.25
Depreciation ¹	0.69
Supplies	0.77
Advertising	0.61
Travelling	0.13
Communication	0.15
Delivery	0.46
Bad debt loss	0.01
All other expenses	0.86
Total operating expenses	14.38
Net operating profit	1.08
Non-trading income	0.51
Non-trading expense	0.14
Net profit before income tax deduction	1.45
Income tax	0.54
Final net profit	0.91

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

Comparison of Operating Results

The historical presentation of the main operating ratios from 1949 to 1957, in Table 2, affords an interesting comparison. The commodity structure of any trade is the criterion of classification and any fluctuation in this may change the typically grocery store aspect of a firm to a combination store type, the demarcation line being 15 per cent fresh meats. Retail grocery chains operated 105 retail outlets in 1957. Since ratios are expressed as percentages of net sales, valid comparisons can be made irrespective of the number of outlets.

Any changes in ratios between any two years are directly connected to changes that took place

in net sales. Identical changes between two years show that the sales and the profit or expense ratios moved up or down proportionally; any deviation from such a relationship causes ratios to increase or decrease accordingly.

The gross profit, ratio, for the five years surveyed, remained fairly constant and ranged between 14.96 per cent in 1953 and 16.03 per cent in 1955. The spread was greater for total operating expenses, 12.94 per cent in 1949 and 15.32 per cent in 1955. The year currently under study showed an improvement in net operating profit which increased to 1.08 per cent from 0.71 per cent in 1955.

TABLE 2. Chain Grocery Stores — Comparison of Main Operating Results, 1949-1957
(Items expressed as percentages of net sales)

Item	1949	1951	1953	1955	1957
Number of firms	8	8	6	6	5
Gross profit.....	15.96	15.53	14.96	16.03	15.46
Operating expenses:					
Salaries	8.66	8.53	8.35	8.75	8.49
Occupancy	1.61	1.61	1.55	1.94	1.56
Advertising	0.19	0.51	0.65	0.89	0.61
All other expenses.....	2.48	3.47	3.25	3.74	3.72
Total operating expenses	12.94	14.12	13.80	15.32	14.38
Net operating profit	3.02	1.41	1.16	0.71	1.08

Balance Sheet Data

Firms of similar size tend to have comparable operating experience 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; 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 "high" and "low" of different items and are not therefore "typical" or "goal" averages. With these facts in mind, they are of some interest in that they represent 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 are too heterogeneous, this part of the biennial survey could be discontinued.

TABLE 3. Financial Status of Incorporated Chain Grocery Stores, as at December 31, 1957
(Average results of 5 firms having an annual sales average of \$4,741,026)

Assets	\$	Liabilities	\$
Current assets:		Current liabilities:	
Cash on hand and in bank.....	63,707	Accounts and notes payable	348,918
Accounts and notes receivable (net).....	34,299	Fixed liabilities	109,500
Merchandise inventory.....	404,070	Other liabilities	37,835
Other current assets	32,963	Total liabilities.....	496,253
Total current assets	535,039		
Fixed assets (net).....	389,349	Net worth	
Other assets:		Capital stock	82,300
Long term investments	76,523	Surplus and undivided profits	442,442
Other assets	20,084	Total net worth	524,742
Total other assets	96,607	Total liabilities and net worth	1,020,995
Total assets	1,020,995		

CHAIN COMBINATION STORES

Chain combination store firms reporting to this survey numbered 26, representing 1,218 retail outlets. All firms were incorporated except one in the "under \$10,000,000" sales-size class, making it possible to show income tax information for the two larger sales-size categories. Growth of the dollar volume of sales has placed a larger number of firms in the class with annual net sales of \$10,000,000

or more. This shifting has permitted a breakdown of this group into two sizes thereby providing more meaningful statistics for comparative purposes.

Firms selling a general line of groceries and fresh meats are included in this classification. Neither groceries nor fresh meat should constitute less than 15 per cent of the total trade.

REVIEW OF 1957 OPERATING RESULTS AND FINANCIAL STATUS

Profit and Expense Ratios

The different expense items of the profit and loss statement are expressed as percentages of net sales. With such a standard presentation, various items can be compared with a high degree of accuracy. Gross profit of combination store chains reached 17.44 per cent in 1957, an increase of almost one per cent over 1955. This gain in margin

was partly reduced by increased total operating expenditures resulting in a 3.64 per cent net operating profit in 1957 compared with 3.05 per cent in 1955. The non-trading income and expense ratios were offsetting, except for a very small increase to net profit before income tax deduction.

Inventories and Stock Turnover

For "total, all sizes" the stock turnover rate was 17.13 times in 1957 compared with 18.28 times per year in 1955. The 1957 turnover rates of the two larger sales-size categories were lower than in 1955 when the sizes were combined; the smaller

firms increased their turnover rate noticeably over 1955. The average of the beginning and ending inventories divided into the cost of goods sold was used to determine the rate of turnover.

TABLE 4. Operating Results of Chain Combination Stores, 1957 by Size of Firm

Item	Firms with 1957 sales of			Total all sizes
	Under \$10,000,000	\$10,000,000 - \$99,999,999	\$100,000,000 and over	
Number of firms	14	7	5	26
Number of stores operated	79	191	948	1,218
Average net sales per firm \$	2,224,032	16,782,845	209,382,792	45,981,936
Average cost of goods sold \$	1,896,052	13,870,243	172,674,053	37,961,796
Average inventory per firm:				
Beginning of year \$	120,222	887,278	9,128,898	2,059,174
Percent of average net sales	5.41	5.29	4.36	4.48
End of year \$	106,952	980,891	10,665,480	2,372,729
Per cent of average net sales	4.81	5.84	5.09	5.16
Stock turnover (times per year)	16.69	14.85	17.45	17.13
Profit and loss data (per cent of net sales)				
Gross profit	14.75	17.36	17.53	17.44
Operating expenses:				
Salaries:				
Executives	1.05	0.43	0.13	0.19
Other employees	6.68	7.11	7.15	7.13
Employees' benefits	0.11	0.17	0.33	0.31
Occupancy	1.56	2.26	1.80	1.84
Taxes, licenses ¹	0.11	0.18	0.16	0.16
Insurance ¹	0.15	0.15	0.09	0.09
Repairs and maintenance ¹	0.26	0.44	0.41	0.41
Depreciation ¹	0.63	0.81	0.73	0.73
Supplies	0.79	1.22	0.96	0.98
Advertising	0.98	1.40	0.85	0.91
Travelling	0.06	0.18	0.08	0.09
Communication	0.08	0.07	0.06	0.06
Delivery	0.86	0.52	0.17	0.22
All other expenses	0.92	0.69	0.66	0.68
Total operating expenses	14.24	15.63	13.58	13.80
Net operating profit	0.15	1.73	3.95	3.64
Non-trading income	0.17	0.50	0.34	0.35
Non-trading expense	0.01	0.16	0.34	0.31
Net profit before income tax deduction	0.67	2.07	3.95	3.68
Income tax	—	0.82	1.80	—
Final net profit	—	1.25	2.15	—

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

Comparison of Operating Results

The historical presentation of the main operating ratios from 1947 to 1957, shown in Table 5, affords an interesting comparison. The commodity structure of any trade is the criterion of classification and any fluctuation in this may change the typically grocery store aspect of a firm to a combination store type, the demarcation line being 15 per cent fresh meats. In 1957, chain combination store firms operated 1,218 retail outlets. Since ratios are expressed as percentages of net sales, valid comparisons can be made irrespective of the number of outlets.

Any changes in ratios between any two years are directly connected with changes that took place in net sales. Identical changes between two years

show that the sales and the profit or expense ratios moved up or down proportionally. Any deviation from such a relationship causes ratios to increase or decrease accordingly.

The gross profit ratio, for the six years surveyed, generally increased from year to year, reaching a high of 17.44 per cent of net sales in 1957. Total operating expenses remained fairly constant with 1957 again showing the high at 13.80 per cent. The range was only 1.13 per cent, however, compared with a 1.84 per cent variation in marginal profits. This situation resulted in increased ratios of net operating profit, ranging from 2.47 per cent of net sales in 1949 to 3.64 per cent in 1957.

TABLE 5. Chain Combination Stores — Comparison of Main Operating Results, 1947-1957

(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957
Number of firms	24	21	21	24	22	26
Gross profit	15.99	15.60	15.82	16.50	16.45	17.44
Operating expenses:						
Salaries	8.38	7.99	7.57	7.41	7.67	7.32
Occupancy	1.15	1.35	1.28	1.26	1.39	1.84
Supplies	0.71	1.31	1.10	1.00	0.96	0.98
Advertising	0.51	0.49	0.49	0.71	0.91	0.91
All other expenses	2.48	1.99	2.23	2.88	2.47	2.75
Total operating expenses	13.23	13.13	12.67	13.26	13.40	13.80
Net operating profit	2.76	2.47	3.15	3.24	3.05	3.64

Balance Sheet Data

Firms of similar size tend to have comparable operating experience 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 "high" and "low" of different items and are not therefore "typical" or "goal" averages. With these facts in mind, they are of some interest in that they represent 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 are too heterogeneous, this part of the biennial survey could be discontinued.

**TABLE 6. Financial Status of Incorporated Chain Combination Stores by Size of Firm
as at December 31, 1957**

Item	Firms with 1957 sales of			Total all sizes
	Under \$10,000,000	\$10,000,000 - \$99,999,999	\$100,000,000 and over	
	average per firm			
Assets				
Current assets:				
Cash on hand and in bank	25,366	67,596	2,519,562	453,382
Accounts and notes receivable (net)	27,363	71,500	1,588,688	300,457
Merchandise inventory	109,945	978,530	11,615,162	2,280,819
Other current assets	18,610	75,313	2,810,596	500,479
Total current assets	181,284	1,192,939	18,534,008	3,535,137
Fixed assets (net)				
	142,841	2,283,092	21,922,752	4,397,065
Other assets:				
Long term investments	25,182	52,182	21,942,446	3,685,934
Other assets	4,310	15,154	1,279,464	219,999
Total other assets	29,492	67,336	23,221,910	3,905,933
Total assets	353,617	3,543,367	63,678,670	11,838,135
Liabilities				
Current liabilities:				
Accounts and notes payable	173,190	1,078,927	13,531,966	2,663,826
Fixed liabilities	14,685	48,180	114,820	41,143
Other liabilities	26,345	1,354,386	16,163,963	3,103,293
Total liabilities	214,220	2,481,493	29,810,749	5,808,262
Net worth				
Capital stock	52,924	421,468	15,117,280	2,671,142
Surplus and undivided profits	86,473	640,406	18,750,641	3,358,731
Total net worth	139,397	1,061,874	33,867,921	6,029,873
Total liabilities and net worth	353,617	3,543,367	63,678,670	11,838,135
Average net sales of firms	2,105,037	16,782,845	216,541,342	42,125,448
Number of firms	13	7	4	24

CHAIN MEAT STORES

Chain meat store firms reporting to this 1957 survey numbered 4, and operated 44 retail outlets. One half of the firms were incorporated companies. Presentation of results by sales-size was not per-

missible because of the restricted number of respondents. Firms selling mainly fresh meats were covered; dry groceries may also be carried but must not exceed 15 per cent of the total trade.

REVIEW OF 1957 OPERATING RESULTS AND FINANCIAL STATUS

Profit and Expense Ratios

The different expense items of the profit and loss statement are expressed as percentages of net sales. With such a standard presentation, the various items can be compared with a high degree of accuracy.

Meat store chains' trading profit in 1957 approximated one-fifth of net sales, at 20.17 per cent.

The net operating profit of 1.69 per cent was a direct result of a total operating expense ratio of 18.48. The non-trading income increased the 1.69 profit ratio to a net profit of 1.88 per cent before deductions for income tax.

Inventories and Stock Turnover

Beginning and ending inventories of participating firms, expressed as proportions of net sales, showed a very slight increase from 1.79 to 1.81 per cent, respectively. Obviously, a high stock turnover rate is to be expected with such small in-

ventories, a necessity when handling perishable goods. The cost of goods sold divided by the average of the two inventories was the formula used in producing a stock turnover rate of 44.26 times per year.

TABLE 7. Operating Results of Chain Meat Stores, 1957

Item	Total all firms
Number of firms	4
Number of stores operated	44
Average net sales per firm	\$ 1,891,338
Average cost of goods sold	\$ 1,509,738
Average inventory per firm:	
Beginning of year	\$ 33,958
Per cent of average net sales	1.79
End of year	\$ 34,254
Per cent of average net sales	1.81
Stock turnover (times per year)	44.26
Profit and loss data (per cent of net sales)	
Gross profit	20.17
Operating expenses:	
Salaries:	
Executives	0.40
Other employees	10.88
Employees' benefits	0.23
Occupancy	1.21
Taxes, licenses ¹	0.38
Insurance ¹	0.09
Repairs and maintenance ¹	0.18
Depreciation ¹	1.07
Supplies	1.08
Advertising	1.06
Travelling	0.19
Communication	0.16
Delivery	0.10
All other expenses	1.47
Total operating expenses	18.48
Net operating profit	1.69
Non-trading income	0.19
Non-trading expense	—
Net profit before income tax deduction	1.88

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

Comparison of Operating Results

The historical presentation of the main operating ratios from 1947 to 1957, in table 8, affords an interesting comparison. The commodity structure of any trade is the criterion of classification and any fluctuation in this may change the typically meat store aspect of a firm to either a grocery or more likely to a combination store. Retail meat store chains operated 44 retail outlets in 1957. Since ratios are expressed as percentages of net sales, valid comparisons may be made, irrespective of the number of outlets.

Any changes in ratios between any two years are directly connected to changes that took place in net sales. Identical changes between two years

show that the sales and the profit or expense ratios moved up or down proportionately; any deviation from such a relationship causes ratios to increase or decrease accordingly.

The gross profit ratios have declined for the first three years surveyed and climbed for the latter two surveys. The same situation persisted for total operating expenses and net operating profit items, but not as pronounced. Of the five years surveyed, 1957 stands out as the second best for profit ratios but highest in the total expense ratio. The year 1957 registered a 1.69 per cent net operating profit against 3.27 per cent for 1947.

TABLE 8. Chain Meat Stores — Comparison of Main Operating Results, 1947-1957
(Items expressed as percentages of net sales)

Items	1947	1949	1951	1955	1957
Number of firms	11	11	8	6	4
Gross profit	20.51	17.64	15.84	18.75	20.17
Operating expenses:					
Salaries	11.28	10.85	9.82	11.01	11.26
Occupancy	1.62	1.84	1.75	1.63	1.21
Supplies	1.03	1.06	0.69	1.28	1.08
All other expenses	3.31	3.25	3.14	3.71	4.93
Total operating expenses	17.24	17.00	15.40	17.63	18.48
Net operating profit	3.27	0.64	0.44	1.12	1.69

Note: Figures for 1953 not available.

Balance Sheet Data

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 "highs" and "lows" of different items and are not, therefore, "typical" or "goal" averages. With these facts in mind, they are of some interest in that they represent 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, this part of the biennial survey could be discontinued.

TABLE 9. Financial Status of Chain Meat Stores as at December 31, 1957
(Average results of 4 firms having an annual sales average of \$1,891,338)

Assets	\$	Liabilities	\$
Current assets:		Current liabilities:	
Cash on hand and in bank	94,462	Accounts and notes payable	81,484
Accounts and notes receivable (net)	6,978		
Merchandise inventory	34,253	Fixed liabilities	—
Other current assets	20,727		
Total current assets	156,420	Other liabilities	1,248
Fixed assets (net)	82,180		
Other assets:		Total liabilities	82,732
Long term investments	93		
Other assets	—	Total net worth¹	155,961
Total other assets	93		
Total assets	238,693	Total liabilities and net worth	238,693

¹ Includes 2 incorporated and 2 unincorporated firms.

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