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OPERATING RESULTS OF
CHAIN FOOD STORES
1963



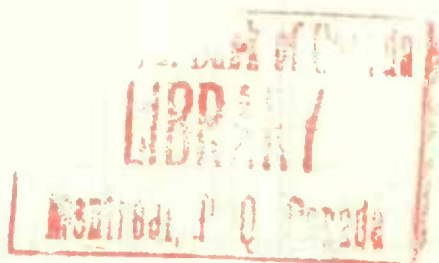
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OPERATING RESULTS OF CHAIN FOOD STORES

1963

INTRODUCTION

A retail chain is an organization operating four or more retail stores in the same kind of business under the same legal ownership.

This report deals with profit and loss statistics, presented mainly in the form of percentages of net sales. Results are shown for sales-size groups in some instances. Balance sheet data are not presented.

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

Summary of Results by Trades

The 1963 survey covers combination, dairy products and meat store chains. These are the only food trades where chain stores are of significance. In the grocery and meat field a shifting has occurred toward the combination store type of merchandising, i.e., specialized grocery store and meat market chains are becoming fewer.

The comparison of operating ratios for the food chain stores is shown below. The combination store chains operated on lower ratios of gross profit, spent less of their sale dollar on expenses and obtained larger net profits than the other kinds of stores.

TABLE 1. Comparison of Main Operating Results of Chain Food Stores, 1963

Item	Combination	Dairy products	Meat
Number of firms	34	5	3
Average net sales per firm \$	55, 296, 568	353, 484	2, 007, 086
Rate of stock turnover (times per year)	14. 91	21. 40	33. 45
Profit and loss data (per cent of net sales)			
Gross profit	19. 58	22. 95	20. 03
Operating expenses	16. 96	26. 24	17. 76
Net operating profit	2. 62	3. 29 ¹	2. 27
Non-trading income	0. 51	3. 66	0. 15
Non-trading expense	0. 08	0. 70	—
Net profit before income tax deduction	3. 05	0. 33 ¹	2. 42

¹ Loss.

CHAIN COMBINATION STORES

Firms in this classification sell groceries and fresh meat, with meat sales between 15 per cent and 50 per cent of sales. Fresh fruits and vegetables frequently form an important part of the trade of combination stores and other items may include

tobacco and candy. All firms reporting to the survey were incorporated. Operating results data are given for three sales size categories and for all sizes. There is a table giving historical data back to 1947.

TABLE 2. Operating Results of Chain Combination Stores, 1963, by Size of Firm

Item	Firms with 1963 sales of			Total all sizes
	Under \$10,000,000	\$10,000,000- 99,999,999	\$100,000,000 and over	
Number of firms	18	11	5	34
Number of stores operated	98	411	1, 191	1, 700
Average net sales per firm \$	3, 685, 707	24, 501, 425	308, 844, 978	55, 296, 568
Average cost of goods sold \$	3, 086, 068	20, 302, 206	246, 599, 678	44, 466, 820
Average inventory per firm:				
Beginning of year \$	197, 823	1, 308, 521	15, 652, 280	2, 829, 880
Percent of average net sales	5. 37	5. 34	5. 07	5. 12
End of year \$	216, 462	1, 492, 591	17, 246, 229	3, 133, 705
Per cent of average net sales	5. 87	6. 09	5. 58	5. 67
Stock turnover (times per year)	14. 90	14. 50	14. 99	14. 91

TABLE 2. Operating Results of Chain Combination Stores, 1963, by Size of Firm — Concluded

Item	Firms with 1963 sales of			Total all sizes
	Under \$10,000,000	\$10,000,000 - 99,999,999	\$100,000,000 and over	
Profit and loss data (per cent of net sales)				
Gross profit	16.27	17.14	20.15	19.58
Operating expenses:				
Salaries:				
Executives	0.94	0.31	0.09	0.15
Other employees	6.12	7.16	8.35	8.11
Employees' benefits	0.19	0.27	0.57	0.51
Occupancy	1.93	3.27	3.01	3.01
Taxes, licenses ¹	0.13	0.13	0.13	0.13
Insurance ¹	0.11	0.11	0.06	0.07
Repairs and maintenance ¹	0.28	0.25	0.33	0.32
Depreciation ¹	0.61	0.77	0.93	0.90
Supplies	0.95	0.99	0.96	0.97
Advertising	1.47	1.55	1.41	1.43
Travelling	0.08	0.09	0.11	0.10
Communication	0.05	0.06	0.05	0.05
Delivery	0.44	0.42	0.30	0.32
Bad debt loss	0.07	0.02	0.01	0.01
All other expenses	0.94	0.91	0.88	0.88
Total operating expenses	14.31	16.31	17.19	16.96
Net operating profit	1.96	0.83	2.96	2.62
Non-trading income	0.72	0.44	0.52	0.51
Non-trading expense	0.26	0.11	0.07	0.08
Net profit before income tax deduction	2.42	1.16	3.41	3.05
Income tax	1.15	0.68	1.59	1.44
Final net profit	1.27	0.48	1.82	1.61

¹ Excludes amount attributed to real estate which is in occupancy expense.TABLE 3. Chain Combination Stores — Comparison of Main Operating Results, 1947-63
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957	1959	1963
Number of firms	24	21	21	24	22	26	29	34
Gross profit	15.99	15.60	15.82	16.50	16.45	17.44	17.90	19.58
Operating expenses:								
Salaries	8.38	7.99	7.57	7.41	7.67	7.32	7.88	8.26
Occupancy	1.15	1.35	1.28	1.26	1.39	1.84	2.14	3.01
Supplies	0.71	1.31	1.10	1.00	0.96	0.98	0.99	0.97
Advertising	0.51	0.49	0.49	0.71	0.91	0.91	1.08	1.43
All other expenses	2.48	1.99	2.23	2.88	2.47	2.75	3.08	3.29
Total operating expenses	13.23	13.13	12.67	13.26	13.40	13.80	15.17	16.96
Net operating profit	2.76	2.47	3.15	3.24	3.05	3.64	2.73	2.62

CHAIN DAIRY PRODUCTS STORES

Five firms in this classification reported profit and loss data for 1963. Not all firms were incorporated so results cannot be shown for income tax and final net profit. Stores in this classification sell mainly dairy products but small amounts of products such as lard, honey, cooked meats and light groceries may be handled.

Gross profit of the responding firms ranged from 16.7 per cent to 53.3 per cent and the net

position for the year before income tax deduction ranged from a loss of 8.8 per cent to a profit of 32.1 per cent. Salaries paid to executives for incorporated firms amounted to 1.4 per cent of sales. Salaries paid to other employees for incorporated companies were 16.6 per cent; for unincorporated firms 14.3 per cent.

TABLE 4. Operating Results of Chain Dairy Products Stores, 1963

Item	Total all firms
Number of firms	5
Number of stores operated	37
Average net sales per firm \$	353,484
Average cost of goods sold \$	272,366
Average inventory per firm:	
Beginning of year \$	9,306
Per cent of average net sales	2.63
End of year \$	16,146
Per cent of average net sales	4.57
Stock turnover (times per year)	21.40
Profit and loss data (per cent of net sales)	
Gross profit	22.95
Operating expenses:	
Salaries:	
Executives	0.88
Other employees	15.73
Employees' benefits	0.06
Occupancy	4.56
Taxes and licenses ¹	0.27
Insurance ¹	0.10
Repair and maintenance ¹	0.98
Depreciation ¹	0.49
Supplies	0.65
Advertising	1.00
Travelling	0.03
Communication	0.28
Delivery	0.22
Bad debt loss	—
All other expenses	0.99
Total operating expenses	26.24
Net operating profit	3.29 ²
Non-trading income	3.66
Non-trading expense	0.70
Net profit before income tax deduction	0.33 ²

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

² Loss.

CHAIN MEAT STORES

Three firms in this classification reported profit and loss data for 1963. Not all firms were incorporated so results cannot be shown for income tax and final net profit. Firms in this classification sell mainly fresh meats. Other items such as cured meats, poultry, dairy products, eggs and dry groceries may be handled.

Salaries paid to executives for incorporated companies amounted to 0.24 per cent of sales. Salaries paid to other employees for incorporated firms were 9.2 per cent; for unincorporated firms 9.1 per cent.

TABLE 5. Operating Results of Chain Meat Stores, 1963

Item	Total all firms
Number of firms	3
Number of stores operated	23
Average net sales per firm	\$ 2,007,086
Average cost of goods sold	\$ 1,605,026
Average inventory per firm:	
Beginning of year	\$ 45,243
Per cent of average net sales	2.25
End of year	\$ 50,723
Per cent of average net sales	\$ 2.53
Stock turnover (times per year)	33.45
Profit and loss data (per cent of net sales)	
Gross profit	20.03
Operating expenses:	
Salaries:	
Executives	0.19
Other employees	9.23
Employees' benefits	0.15
Occupancy	1.84
Taxes and licenses ¹	0.06
Insurance ¹	0.13
Repair and maintenance ¹	0.32
Depreciation ¹	0.92
Supplies	0.91
Advertising	1.31
Travelling	0.15
Communication	0.20
Delivery	0.12
Bad debt loss	—
All other expenses	2.23
Total operating expenses	17.76
Net operating profit	2.27
Non-trading income	0.15
Non-trading expense	—
Net profit before income tax deduction	2.42

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

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. Included are salaries paid to executives of incorporated firms. Proprietors' salaries or withdrawals are included in "net operating profit" for unincorporated store operations.

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.

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