CANADA

OPERATING RESULTS OF CHAIN FURNITURE STORES 1953

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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 (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 Supplies 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.

Canada. D.B.S.

OPERATING RESULTS OF CHAIN FURNITURE 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 the furniture trade only are covered in this bulletin.

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 not enough firms in this trade to permit publication of regional results. There were no Newfoundland stores in this survey. 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 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, maintenance, gas, oil and depreciation of owned equipment, together with expense of contract delivery.

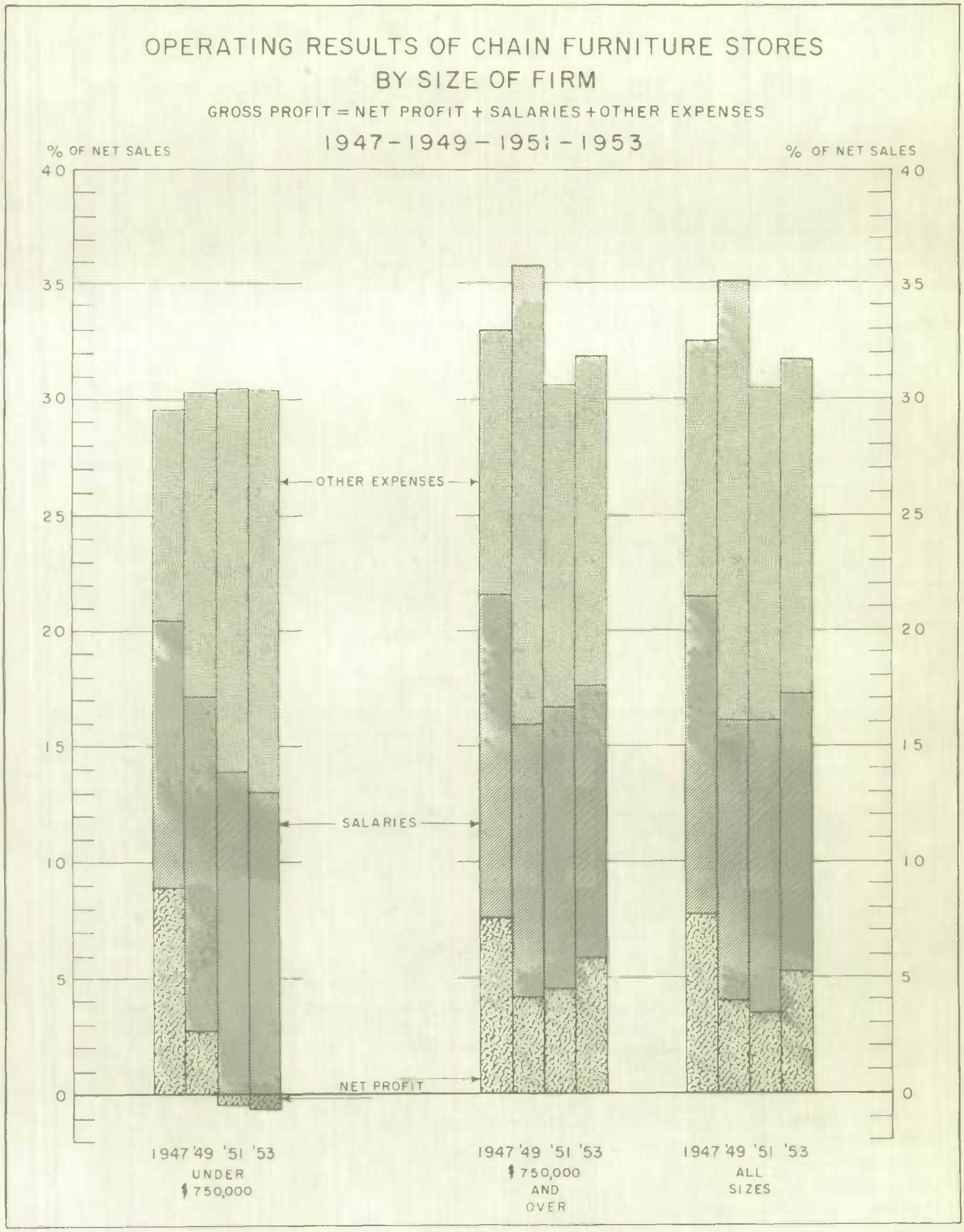
Purpose

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. Summary table shows comparative results for 1951 and 1953. The chart shows the gross profit components for 1947, 1949, 1951 and 1953 by suitable sales-size classifications.

Note: "Operating Results of Chain Furniture Stores" was formerly contained in the bulletin "Operating Results of Miscellaneous Chain Stores".


OPERATING RESULTS OF CHAIN FURNITURE STORES
BY SIZE OF FIRM
GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES
1947 - 1949 - 1951 - 1953
% OF NET SALES
% OF NET SALES
40
35
30
25
20
15
10
5
0
OTHER EXPENSES
SALARIES
NET PROFIT
1947 '49 '51 '53
UNDER
$750,000
1947 '49 '51 '53
$750,000
AND
OVER
1947 '49 '51 '53
ALL
SIZES

CHAIN FURNITURE STORES

The ten firms, from which reports were received, together operated a total of 59 retail outlets in 1953. There was a sufficient number of incorporated firms to permit the presentation of income tax information by sale-size classification.

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 expressed in this form, on a unit basis, a standard is established. To this standard the operating results of furniture store chains, irrespective of the number of retail outlets, might be compared with a high degree of reliability.

In 1953 furniture store chains obtained an average gross profit of 31.78 per cent of average net sales. The ratios of the firms within the smaller and larger sales-size categories were slightly below and slightly above the average, respectively. Operating expense ratios, which totalled 26.45 per cent for all firms, reduced the gross profit ratio to a net operating profit ratio of 5.33 per cent. Firms in the smaller sales-size group experienced a greater than average total operating expense ratio and netted an operating loss of 0.07 per cent. Firms in the larger sales-size group, however, netted an operating profit of 5.92 per cent. In both instances non-trading operations netted increases to the operating profits which resulted in net profit ratios before taxation of 1.33 per cent and 6.13 per cent for the smaller and larger sales-size categories, respectively.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 15.38 per cent at the beginning of the year, to 18.31 per cent at the end of the year. This trend was common to firms in both sales-size groups. The rate of stock turnover—the average of beginning and end of year inventories divided into cost of goods sold—was 4.05 times per year for all firms combined. This rate increased with sales-size and ranged from 2.61 to 4.31 times per year.

Incorporated Companies

All of the reporting firms classified to the larger sales-size category and most of the smaller firms were incorporated. For this reason there was no significant difference between the operating ratios of the "incorporated firms" only and the results of "all firms". Net profits before income tax deduction, expressed as proportions of the respective net sales, were 5.76 per cent and 5.65 per cent for the "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio of net profit before taxation of 5.76 per cent to a final net profit ratio of 3.01 per cent, a decrease of 47.74 per cent.

TABLE 1. Operating Results of Incorporated Furniture Store Chains, 1953, by Size of Firm

(Items expressed as percentages of net sales)

Item	Firms with 1953 sales of		Total all sizes
	Under $750,000	$750,000 and over	
Gross profit	28.89	31.93	31.68
Total operating expenses	28.77	26.01	26.25
Net operating profit	0.12	5.92	5.43
Non-trading income	1.69	0.53	0.63
Non-trading expense	0.01	0.32	0.30
Net profit before income tax deduction	1.80	6.13	5.76
Income tax	0.70	2.94	2.75
Final net profit	1.10	3.19	3.01

TABLE 2. Operating Results of Chain Furniture Stores, 1953, by Size of Firm

Item		Firms with 1953 sales of		Total all sizes
		Under $750,000	$750,000 and over	
Number of firms		4	6	10
Number of stores operated		19	40	59
Average net sales per firm	$	363,022	2,221,148	1,477,898
Average cost of goods sold	$	252,657	1,511,834	1,008,163
Average inventory per firm:				
Beginning of year	$	95,233	315,278	227,260
Per cent of average net sales		26.23	14.19	15.38
End of year	$	98,238	385,611	270,662
Per cent of average net sales		27.06	17.36	18.31
Stock turnover (times per year)		2.61	4.31	4.05
Profit and loss data (per cent of net sales)				
Gross profit		**30.40**	**31.93**	**31.78**
Operating expenses:				
Salaries:				
Executives		1.07	1.58	1.53
Other employees		12.59	10.21	10.45
Employees' benefits		0.17	0.19	0.19
Occupancy		4.82	3.19	3.35
Heat, light and power		1.65	0.50	0.61
Taxes, licenses[1]		0.51	0.20	0.23
Insurance[1]		0.37	0.32	0.32
Repairs and maintenance[1]		0.47	0.14	0.17
Depreciation[1]		0.18	0.12	0.13
Supplies		0.44	0.27	0.29
Advertising		1.83	3.64	3.46
Travelling		0.31	0.21	0.22
Communication		0.43	0.25	0.27
Delivery		2.52	2.12	2.16
Bad debt loss		0.30	1.34	1.24
All other expenses		2.81	1.73	1.83
Total operating expenses		**30.47**	**26.01**	**26.45**
Net operating profit		**0.07**[2]	**5.92**	**5.33**
Non-trading income		1.41	0.53	0.61
Non-trading expense		0.01	0.32	0.29
Net profit before income tax deduction		**1.33**	**6.13**	**5.65**

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

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. Only ten firms reported for the 1953 survey compared with thirteen respondents in 1951. This decline occurred in the smaller of the two sales-size groups, and resulted with 59 retail outlets operated by reporting firms in 1953, as opposed to 69 in 1951. Ratios, however, tend to eliminate the lack of comparability arising from variations in the number of responding firms and total retail outlets operated. The ratios of items expressed as percentages of net sales, may be used with a high degree of reliability, for a specific year, 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.

Average net sales per retail outlet showed a substantial increase in 1953 when compared with 1951 results. The reason for this is partially accounted for by the fewer number of small firms reporting to the 1953 survey. However, the same number of larger firms reported to both surveys, and their average net sales showed a marked increase. Consequently, a slight increase in the 1953 gross profit ratio of 31.78 per cent, compared with the 1951 ratio of 30.68 per cent, indicates that the average gross profit increased to a slightly greater extent than did average net sales. Similarly, the slight decline in the total expense ratio indicates that operating expenses also increased but to a smaller degree than did average net sales. The combined effect of an increase in the gross profit ratio and a decline in the total operating expense ratio resulted in a greater net operating profit ratio of 5.33 per cent in 1953, compared with 3.46 per cent in 1951.

TABLE 3. Main Operating Results Items for 1951 and 1953 Compared

(Items expressed as percentages of net sales)

Item	1951 (13 firms)	1953 (10 firms)
	%	%
Gross profit	**30.68**	**31.78**
Operating expenses:		
Salaries	12.62	11.98
Occupancy	3.39	3.35
Advertising	3.22	3.46
All other	7.99	7.66
Total operating expenses	**27.22**	**26.45**
Net operating profit	**3.46**	**5.33**