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OPERATING RESULTS OF CHAIN FURNITURE STORES 1955

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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¢

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- E — General Review — (Discontinued)
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The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1955.

(Oct. 19, '56)

OPERATING RESULTS OF CHAIN FURNITURE 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 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 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, 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.

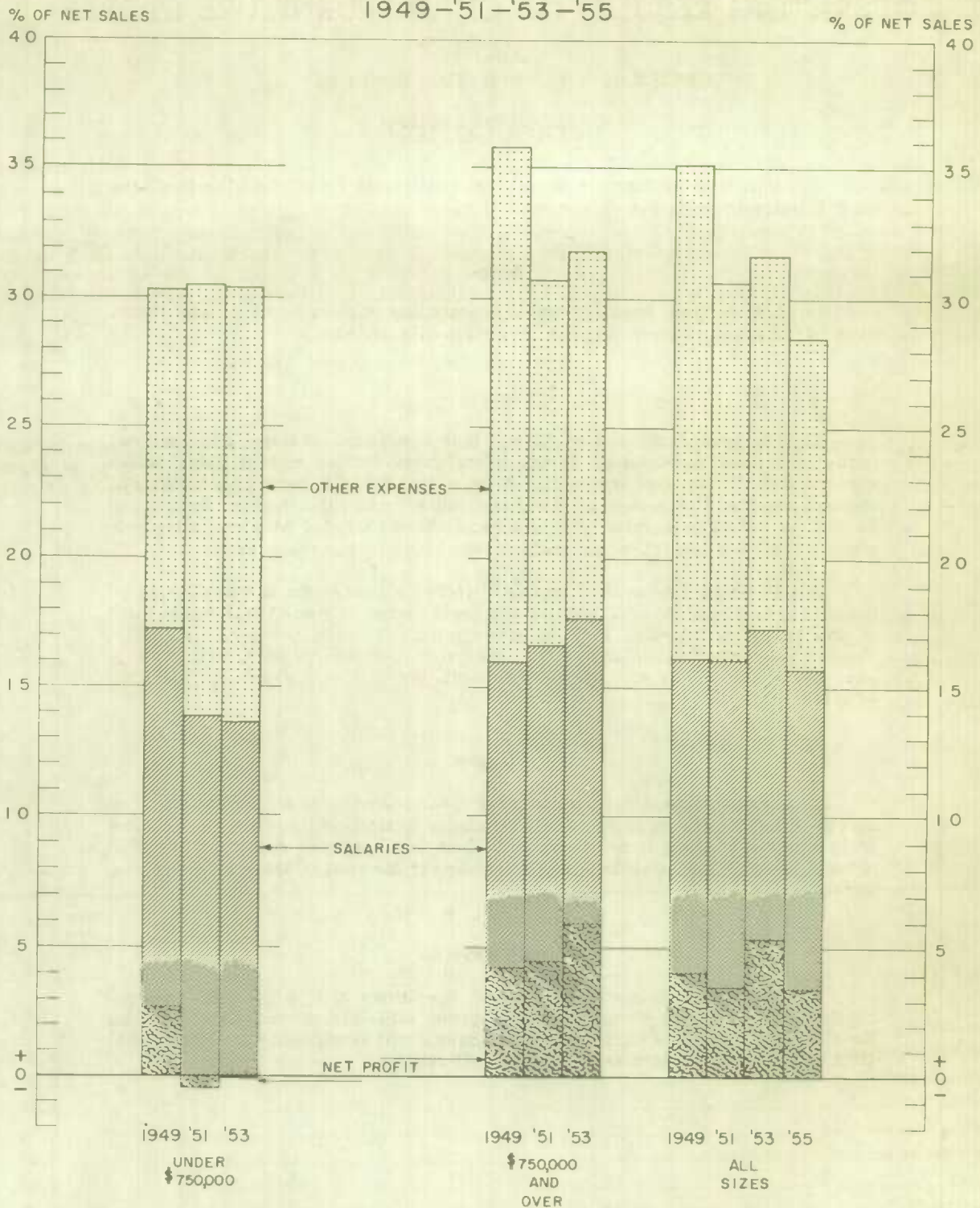
Period Covered

This report deals mainly with 1955 operations and is the fifth biennial publication in a series begun in 1947. Summary table shows comparative results for 1953 and 1955. The chart shows the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classifications.

OPERATING RESULTS OF CHAIN FURNITURE STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1949-'51-'53-'55



CHAIN FURNITURE STORES

The nine firms, from which reports were received, operated a total of 80 retail outlets in 1955. The sales-size breakdown presented in 1953 was not continued in 1955. Only two firms with annual net sales of less than \$750,000 were used; the rest were in the "over \$750,000" sales-size group. Of

the ten firms that reported in 1953, only four reports were used in 1955. The remainder were either cancelled or did not respond. Firms that did not report in 1953, or reported in 1955 for the first time, numbered five.

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 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 1955, furniture store chains obtained an average gross profit of 28.50 per cent of average

net sales. Operating expense ratios, which totalled 25.09 per cent for all firms, reduced the gross profit ratio to a net operating ratio of 3.41 per cent. The distribution of firms as to average net sales did not permit a sales-size breakdown. Non-trading operations netted an increase to the operating profit which resulted in a net profit ratio before taxation of 7.26 per cent.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 13.35 per cent at the beginning of the year to 16.08 per cent at the end of the year. The

rate of stock turnover--the average of beginning and end-of-year inventories divided into cost of goods sold--was 4.81 times per year for all firms combined.

Incorporated Companies

Most of the firms were incorporated and ratios of all firms compared to incorporated firms were almost identical. Net profits before income tax deductions, expressed as proportions of the respective net sales, were 7.27 per cent for incorporated and

7.26 per cent for all firms. Income tax reduced the incorporated firms' ratio of net profit before taxation of 7.27 per cent to a final net profit ratio of 3.95 per cent, a decrease of 45.67 per cent.

TABLE 1. Operating Results of Incorporated Chain Furniture Stores, 1955

(Items expressed as percentages of net sales)

Item	Total all firms
Gross profit	28.50
Total operating expenses	25.09
Net operating profit	3.43
Non-trading income	4.36
Non-trading expense	0.52
Net profit before income tax deduction	7.27
Income tax	3.32
Final net profit	3.95

TABLE 2. Operating Results of Chain Furniture Stores, 1955

Item	Total all firms
Number of firms	9
Number of stores operated	80
Average net sales per firm..... \$	3,130,842
Average cost of goods sold	\$ 2,238,734
Average inventory per firm:	
Beginning of year..... \$	427,278
Percent of average net sales	13.65
End of year..... \$	503,419
Per cent of average net sales	16.08
Stock turnover (times per year)	4.81
Profit and loss data (per cent of net sales)	
Gross profit	28.50
Operating expenses:	
Salaries:	
Executives	1.88
Other employees	10.42
Employees' benefits	0.21
Occupancy	3.37
Taxes, licenses ¹	0.26
Insurance ¹	0.35
Repairs and maintenance ¹	0.16
Depreciation ¹	0.24
Supplies	0.45
Advertising	2.14
Travelling	0.34
Communication.....	0.48
Delivery	1.69
Bad debt loss	1.55
All other expenses	1.55
Total operating expenses	25.09
Net operating profit	3.41
Non-trading income	4.37
Non-trading expense	0.52
Net profit before income tax deduction	7.26

1. Excludes amount attributed to real estate which is included 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. Only nine of the firms reporting could be used for this survey. Seven of the firms would be classified as larger firms if a sales-size breakdown were possible. The average net sales for 1955 were \$3,130,842, more than double the 1953 average net sales of \$1,477,898. Retail outlets for the nine firms reporting in 1955 numbered 80 compared with 59 in 1953.

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.

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. The difference in reporting firms for the two years, however, reduces the value of comparability of the 1953 and 1955 figures.

The decrease in total operating expenses in 1955 was not enough to compensate for the decrease in gross profit thereby reducing the net operating profit to 3.41 per cent in 1955 compared with 5.33 per cent in 1953.

TABLE 3. Chain Furniture Stores Main Operating Results for 1953 and 1955 Compared
(Items expressed as percentages of net sales)

Item	1953 (10 firms)	1955 (9 firms)
Gross profit	31.78	28.50
Operating expenses:		
Salaries	11.98	12.30
Occupancy	3.35	3.37 ¹
Advertising	3.46	2.14
All Other expenses	7.66 ¹	7.28
Total operating expenses	26.45	25.09
Net operating profit	5.33	3.41

1. Includes "heat, light and power".

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