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# HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION CHAIN STORES

## OPERATING RESULTS

### 1964

The last issue of this report, formerly known as  
Operating Results of Chain Furniture Stores, was  
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# ANNUAL REPORT OF THE STATISTICS OF CANADA

1964

The Department of Statistics is pleased to present this report to the public. It contains a summary of the work of the Department during the year 1964, and a list of the publications issued during the year.

Produced by Statistics Canada

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DEPARTMENT OF STATISTICS

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# HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION CHAIN STORES

## OPERATING RESULTS

1964

### 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. 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 1964 survey covers four kinds of stores in the floor coverings, furniture, appliance and hardware line. Chain stores have in the order of 15-20 per cent of the business in trades represented in this study. Gross profit ranged from 25.86 per cent of net sales in the case of Furniture, TV, Radio

and Appliance Chain Stores to 39.92 per cent for Floor Coverings, Curtains, Upholstery and Interior Decoration Chain Stores. Net profit before income tax deduction varied from 0.80 per cent for Furniture, TV, Radio and Appliance Chain Stores to 10.92 per cent in the case of Furniture Chain Stores.

**TABLE 1. Comparison of Main Operating Results of Hardware, Furniture, Appliance, Radio and Television Chain Stores, 1964**

Item	Floor coverings, curtains, upholstery and interior decoration	Furniture	Furniture, TV, radio and appliance	Hardware
Number of firms.....	4	9	3	6
Average net sales per firm ..... \$	1,479,357	5,107,640	956,143	5,667,950
Rate of stock turnover (times per year).....	1.47	4.44	3.54	2.83
<b>Profit and loss data</b> (Per cent of net sales)				
Gross profit .....	39.92	37.25	25.86	32.08
Operating expenses .....	37.00	40.11	26.75	26.80
Net operating profit .....	2.92	2.86 <sup>1</sup>	0.89 <sup>1</sup>	5.28
Non-trading income.....	0.60	14.25	1.96	0.79
Non-trading expense.....	0.12	0.47	0.27	0.38
Net profit before income tax deduction .....	3.40	10.92	0.80	5.69

<sup>1</sup> Net operating loss.

### FLOOR COVERINGS, CURTAINS, UPHOLSTERY AND INTERIOR DECORATION CHAIN STORES

Firms in this classification are primarily engaged in selling either singly or in combination any of the following lines: floor coverings such as rugs, carpets, linoleums and other related lines; curtains and draperies; upholstery, mattresses and cushions; and lamp shades, brass work, blinds and so forth.

This is the first operating results survey of stores in the floor coverings, curtains, upholstery and interior decoration line. No survey of either chain or independent stores has been made before.

It is of some interest to note that the gross profit, as a percentage of net sales, for this kind of business revealed by the 1961 Merchandising Cen-

sus survey was 39.5 per cent. Ratios ranged from 45.0 per cent for Nova Scotia to 31.4 per cent for Saskatchewan. The Census statistics pertain to all stores of this kind, independent as well as chain and incorporated companies as well as unincorporated businesses. The 1964 survey indicated gross profit of 39.92 per cent of net sales for incorporated companies operating chain stores in this kind of business.

The table which follows gives operating expenses as percentages of net sales. Final net profit after providing for income tax is shown for the four firms reporting to be 2.44 per cent of net sales.

**TABLE 2. Floor Coverings, Curtains, Upholstery and Interior Decoration, Chain Stores, Operating Results, 1964**  
Incorporated Companies

Item	Total all firms
Number of firms.....	4
Number of stores operated.....	32
Average net sales per firm..... \$	1,479,357
Average cost of goods sold..... \$	888,819
Average inventory per firm:	
Beginning of year..... \$	275,402
Per cent of average net sales.....	18.62
End of year..... \$	329,916
Per cent of average net sales.....	22.30
Stock turnover (times per year).....	1.47
<b>Profit and loss data</b> (Per cent of net sales)	
<b>Gross profit</b> .....	<b>39.92</b>
Operating expenses:	
Salaries:	
Executives.....	2.41
Other employees.....	16.31
Employees' benefits.....	0.40
Occupancy.....	6.73
Taxes <sup>1</sup> and licences.....	0.18
Insurance <sup>1</sup> .....	0.40
Repairs and maintenance <sup>1</sup> .....	0.35
Depreciation <sup>1</sup> .....	0.83
Supplies.....	0.73
Advertising.....	3.18
Travelling.....	0.27
Communication.....	0.44
Delivery.....	2.16
Bad debt loss.....	0.11
All other expenses.....	2.50
<b>Total operating expenses</b> .....	<b>37.00</b>
<b>Net operating profit</b> .....	<b>2.92</b>
Non-trading income.....	0.60
Non-trading expense.....	0.12
<b>Net profit before income tax deduction</b> .....	<b>3.40</b>
Income tax.....	0.96
<b>Final net profit</b> .....	<b>2.44</b>

<sup>1</sup> Excludes amount attributed to real estate which is in occupancy expense.

#### FURNITURE CHAIN STORES

Firms included in this classification are primarily engaged in selling household furniture. Other items such as home furnishings and appliances may be handled but furniture constitutes at least 67 per cent of total sales.

Table 4 which follows provides a comparison of the operating results of furniture chain stores for a number of years. Table 3 gives profit and loss ratios for 1964. It is of interest to note that the 1961 Census of Merchandising revealed that furniture stores earned a gross profit of 30.6 per cent of net sales in that year. This statistic was derived

from reports of both independent and chain stores and unincorporated businesses as well as incorporated companies. The gross profit of chain stores operated by incorporated companies was 37.25 per cent for 1964. As has been the case for a number of years, carrying charges on credit sales are an important item for this kind of business. This is reported as non-trading income while the related expenses incurred are reported with the regular operating expense items. Because of this special feature in the reports, non-trading income, about 85 per cent of which is derived from carrying charges, must be taken into account when evaluating the profitability of the trade in question.

**TABLE 3. Furniture Chain Stores, Operating Results, 1964**  
Incorporated Companies

Item	Total all firms
Number of firms .....	9
Number of stores operated .....	164
Average net sales per firm .....	\$ 5,107,640
Average cost of goods sold .....	\$ 3,204,895
Average inventory per firm:	
Beginning of year .....	\$ 698,884
Percent of average net sales .....	13.68
End of year .....	\$ 743,627
Per cent of average net sales .....	14.56
Stock turnover (times per year) .....	4.44
<b>Profit and loss data</b> (Per cent of net sales)	
<b>Gross profit</b> .....	<b>37.25</b>
Operating expenses:	
Salaries:	
Executives .....	1.73
Other employees .....	15.03
Employees' benefits .....	0.51
Occupancy .....	6.04
Taxes <sup>1</sup> and licences .....	0.31
Insurance <sup>1</sup> .....	0.21
Repairs and maintenance <sup>1</sup> .....	0.30
Depreciation <sup>1</sup> .....	0.14
Supplies .....	0.91
Advertising .....	5.25
Travelling .....	0.70
Communication .....	1.02
Delivery .....	3.12
Bad debt loss .....	3.38
All other expenses .....	1.46
<b>Total operating expenses</b> .....	<b>40.11</b>
<b>Net operating loss</b> .....	<b>2.86</b>
Non-trading income .....	14.25
Non-trading expense .....	0.47
<b>Net profit before income tax deduction</b> .....	<b>10.92</b>
Income tax .....	5.13
<b>Final net profit</b> .....	<b>5.79</b>

<sup>1</sup> Excludes amount attributed to real estate which is in occupancy expense.

**TABLE 4. Furniture Chain Stores - Main Operating Results for 1947-64 Compared**  
Incorporated Companies  
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955 <sup>1</sup>	1957	1959	1964
Number of firms .....	10	10	13	10	8	10	9	9
<b>Gross profit</b> .....	<b>32.57</b>	<b>35.11</b>	<b>30.68</b>	<b>31.78</b>	<b>33.45</b>	<b>36.69</b>	<b>36.13</b>	<b>37.25</b>
Operating expenses:								
Salaries .....	13.86	12.11	12.62	11.98	14.24	16.81	16.78	16.76
Occupancy .....	2.85	5.34	4.11	3.96	4.95	4.43	4.99	6.04
Advertising .....	3.04	4.69	3.22	3.46	3.15	4.82	5.46	5.25
All other expenses .....	4.99	8.94	7.27	7.05	8.90	15.40	14.01	12.06
<b>Total operating expenses</b> .....	<b>24.74</b>	<b>31.08</b>	<b>27.22</b>	<b>26.45</b>	<b>31.24</b>	<b>41.46</b>	<b>41.24</b>	<b>40.11</b>
<b>Net operating profit</b> .....	<b>7.83</b>	<b>4.03</b>	<b>3.46</b>	<b>5.33</b>	<b>2.21</b>	<b>4.77<sup>2</sup></b>	<b>5.11<sup>2</sup></b>	<b>2.86<sup>2</sup></b>
<b>Net profit before income tax deduction</b> .....	<b>7.83</b>	<b>7.73</b>	<b>4.51</b>	<b>5.65</b>	<b>5.85</b>	<b>8.71</b>	<b>8.08</b>	<b>10.92</b>

<sup>1</sup> Revised.

<sup>2</sup> Net operating loss.

# FURNITURE, TELEVISION, RADIO AND APPLIANCE CHAIN STORES

Firms in this classification are primarily engaged in selling a combination of two or more of the lines of furniture and home furnishings, household appliances, radios and television sets, pianos and musical instruments with no one line constituting 67 per cent of total sales.

This is the first operating results survey of chain stores in the furniture and appliance line of business. A survey of independent stores is part of the regular program and prior to 1964 the last survey was for 1959.

It is of some interest to note that the gross profit, as a percentage of net sales, for this kind of business revealed by the 1961 Merchandising Census survey was 26.4 per cent. Ratios ranged from 30.4 per cent for Nova Scotia to 22.6 per cent

for Quebec. The Census statistics pertain to all stores of this kind, independent as well as chain and incorporated companies as well as unincorporated businesses. The 1964 survey indicated gross profit of 25.86 per cent of net sales for incorporated companies operating chain stores in this kind of business.

The table which follows gives operating expenses as percentages of net sales. Carrying charges on credit sales are an important item for this kind of business. These are reported as non-trading income while the related expenses incurred are reported with the regular operating expense items. Because of this special feature in the reports, non-trading income, a large part of which is derived from carrying charges, must be taken into account when evaluating the profitability of the trade.

**TABLE 5. Furniture, TV, Radio and Appliance Chain Stores, Operating Results, 1964**  
Incorporated Companies

Item	Total all firms
Number of firms .....	3
Number of stores operated .....	19
Average net sales per firm .....	\$ 956,143
Average cost of goods sold .....	\$ 708,880
Average inventory per firm:	
Beginning of year.....	\$ 178,911
Per cent of average net sales .....	18.71
End of year .....	\$ 221,969
Percent of average net sales .....	23.22
Stock turnover (times per year) .....	3.54
<b>Profit and loss data</b> (Per cent of net sales)	
<b>Gross profit</b> .....	<b>25.86</b>
<b>Operating expenses:</b>	
Salaries:	
Executives .....	1.85
Other employees .....	11.09
Employees' benefits .....	0.17
Occupancy .....	5.41
Taxes <sup>1</sup> and licences .....	0.17
Insurance <sup>1</sup> .....	0.25
Repairs and maintenance <sup>1</sup> .....	0.21
Depreciation <sup>1</sup> .....	0.31
Supplies .....	0.87
Advertising .....	2.31
Travelling .....	1.05
Communication .....	0.32
Delivery .....	1.23
Bad debt loss .....	0.82
All other expenses .....	0.69
<b>Total operating expenses</b> .....	<b>26.75</b>
<b>Net operating profit</b> .....	<b>0.89<sup>2</sup></b>
Non-trading income .....	1.96
Non-trading expense .....	0.27
<b>Net profit before income tax deduction</b> .....	<b>0.80</b>
Income tax .....	0.23
<b>Final net profit</b> .....	<b>0.57</b>

<sup>1</sup> Excludes amount attributed to real estate which is in occupancy expense.

<sup>2</sup> Net operating loss.

# HARDWARE CHAIN STORES

Firms in this classification are primarily engaged in selling typical hardware lines such as builders' hardware or shelf hardware, carpenters' and mechanics' tools, paints and varnishes, household appliances, electrical appliances, farm tools, kitchenware, radios and sporting goods. Certain service operations such as funeral directing, tin-smithing, black-smithing and harness and shoe repair may be carried on but such revenues do not exceed 50 per cent of total sales.

This is the first time that Hardware Chain Stores have been surveyed and operating results are shown in Table 6 which follows. All respondents were incorporated companies. It is of interest to note that the 1961 Census of Merchandising revealed that gross profit for Hardware Stores in general was 28.9 per cent of net sales. The ratios ranged from 23.3 per cent for New Brunswick to 31 per cent for Newfoundland. These figures were derived from reports of both chain and independent stores.

**TABLE 6. Hardware Chain Stores, Operating Results, 1964**  
Incorporated companies

Items	Total all firms
Number of firms .....	6
Number of stores operated .....	81
Average net sales per firm ..... \$	5,667,950
Average cost of goods sold ..... \$	3,849,892
Average inventory per firm:	
Beginning of year..... \$	1,249,535
Per cent of average net sales .....	22.05
End of year .....	1,468,685
Per cent of average net sales .....	25.91
Stock turnover (times per year) .....	2.83
<b>Profit and loss data</b> (Per cent of net sales)	
Gross profit.....	32.08
Operating expenses:	
Salaries:	
Executives .....	0.95
Other employees .....	13.78
Employees' benefits .....	0.34
Occupancy .....	3.00
Taxes <sup>1</sup> and licences .....	0.20
Insurance <sup>1</sup> .....	0.27
Repairs and maintenance <sup>1</sup> .....	0.62
Depreciation <sup>1</sup> .....	0.45
Supplies .....	0.54
Advertising .....	1.73
Travelling .....	0.15
Communication .....	0.39
Bad debt loss .....	0.35
All other expenses (delivery included) .....	4.03
Total operating expenses .....	26.80
Net operating profit .....	5.28
Non-trading income .....	0.79
Non-trading expense .....	0.38
Net profit before income tax deduction .....	5.69
Income tax .....	2.82
Final net profit .....	2.87

<sup>1</sup> 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.

**Employees' benefits** — 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 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 on fixtures and equipment (except delivery).

**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.

**Bad debt loss** — 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 expense** — interest expense and any other expenses not pertaining to the business.

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