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CANADA



OPERATING RESULTS OF CHAIN VARIETY STORES 1953

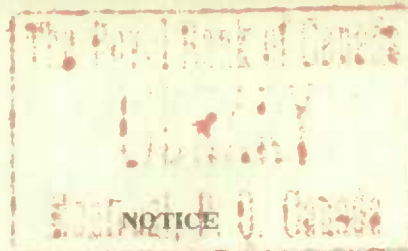
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The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **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¢
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- P — Retail Consumer Credit

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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 VARIETY 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 variety 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

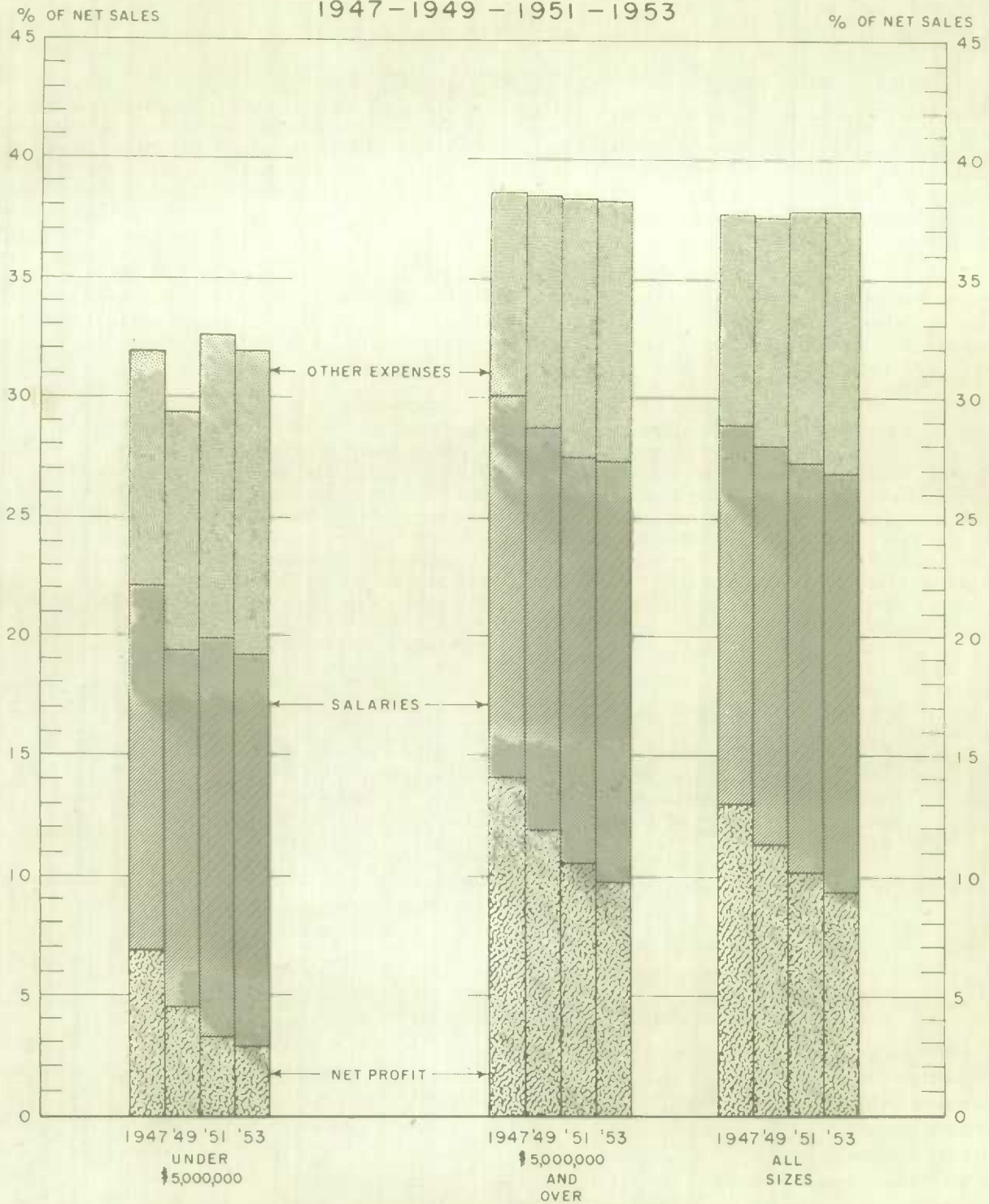
This report deals mainly with 1953 operations and is the fourth biennial publication in a series begun in 1947. A summary table shows comparative results for 1951 and 1953. The chart shows the gross profit components for 1947, 1949, 1951 and 1953 by suitable sales-size classifications.

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

OPERATING RESULTS OF CHAIN VARIETY STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1947-1949 - 1951-1953



CHAIN VARIETY STORES

The eleven firms, from which reports were received, together operated 560 retail outlets in 1953. There was a sufficient number of firms reporting to permit a sales-size breakdown of results. All firms

in the larger size group and most of the firms in the smaller size group were incorporated. Income tax information is shown separately for these two groups, and all firms combined, in a separate table.

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

In 1953, variety store chains obtained a gross profit ratio or margin of 37.77 per cent of sales. Average operating expense ratios totalling 28.34 per cent reduced this figure to a net operating profit ratio of 9.43 per cent. A lower gross profit ratio

of 31.93 per cent was experienced by the firms in the first or smaller size group when compared with 38.08 per cent obtained by the larger firms. This lower ratio of gross profit together with a higher ratio of operating expense, 29.15 per cent compared with 28.30 per cent, resulted in the firms of the first category obtaining the smaller net operating ratio of 2.78 per cent compared with 9.78 per cent. Non-trading income and expense netted a substantial increase to the first and a small increase to the second group of firms which resulted in ratios of net profit before taxation of 5.11 per cent and 10.31 per cent, respectively.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales, increased slightly from 12.64 per cent at the beginning of the year to 13.21 per cent at the end of the year. This trend was common to both sales-size categories. The rate of stock turnover — average of beginning and end-of-year

inventories divided into cost of goods sold — was 4.81 times per year, a very slight decline from the rate derived from the 1951 survey results. The stock turnover rates of the two size groups, 4.66 and 4.82 times per year, increased directly with sales-size.

Incorporated Companies

Because most of the reporting firms were incorporated, the differences in the principal operating ratios between incorporated firms only and all firms were negligible. The ratio of net profit before tax-

ation of 10.06 per cent for incorporated firms was reduced by income tax to a final net profit of 5.19 per cent, a decrease of 48.41 per cent.

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

(Items expressed as percentage of net sales)

Item	Firms with 1953 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
Gross profit.....	32.02	38.08	37.78
Total operating expenses	29.18	28.30	28.34
Net operating profit	2.84	9.78	9.44
Non-trading income	2.39	0.58	0.67
Non-trading expense	—	0.05	0.05
Net profit before income tax deduction	5.23	10.31	10.06
Income tax	2.44	5.00	4.87
Final net profit.....	2.79	5.31	5.19

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

Item	Firms with 1953 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
Number of firms	5	6	11
Number of stores operated	75	485	560
Average net sales per firm \$	1,881,692	29,035,210	16,692,702
Average cost of goods sold \$	1,280,919	17,978,197	10,388,525
Average inventory per firm:			
Beginning of year \$	267,356	3,646,064	2,110,288
Per cent of average net sales	14.21	12.56	12.64
End of year \$	282,157	3,808,349	2,205,535
Per cent of average net sales	14.99	13.12	13.21
Stock turnover (times per year)	4.66	4.82	4.81
Profit and loss data (per cent of net sales)			
Gross profit	31.93	38.08	37.77
Operating expense:			
Salaries:			
Executives	2.41	0.72	0.81
Other employees	14.04	16.87	16.72
Employees' benefits	0.18	0.53	0.52
Occupancy	4.82	4.39	4.42
Heat, light and power	0.80	0.66	0.67
Taxes, licenses ¹	0.48	0.43	0.43
Insurance ¹	0.49	0.22	0.23
Repairs and maintenance ¹	0.67	0.25	0.28
Depreciation ¹	1.56	0.99	1.02
Supplies	1.53	1.10	1.12
Advertising	0.81	0.31	0.33
Travelling	0.39	0.19	0.20
Communication	0.23	0.15	0.15
Delivery	—	—	—
Bad debt loss	—	0.01	0.01
All other expenses	0.74	1.48	1.43
Total operating expenses	29.15	28.30	28.34
Net operating profit	2.78	9.78	9.43
Non-trading income	2.33	0.58	0.66
Non-trading expense	—	0.05	0.05
Net profit before income tax deduction	5.11	10.31	10.04

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

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 eleven firms reported to the 1953 survey compared with thirteen in 1951, representing a decline of one in each size group. Despite this decline in the number of reporting firms, total retail outlets operated by responding firms increased from 523 in 1951 to 560 in 1953. For this reason, there was a very large increase in average net sales per firm which represented a gain of 10.79 per cent in average net sales per retail outlet. 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.

Since profit and expense ratios are percentages based on net sales, it is difficult to interpret a ratio change 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 net sales together with changes in operating ratios, it would be advisable to express 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.

The combined effect of a very slight decline in the gross profit ratio from 37.79 per cent in 1951 to 37.77 per cent in 1953, and an increase in total operating expenses from 27.64 per cent to 28.34 per cent, caused a decline in the net operating profit ratios from 10.15 per cent to 9.43 per cent for the respective years' operations. The decline in the ratio of all other expense was sufficient to offset the increase in each of the itemized principal factors of expense.

TABLE 3. Main Operating Results Items for 1951 and 1953 Compared
(Items expressed as percentages of net sales)

Item	1951 (13 firms)	1953 (11 firms)
	%	%
Gross profit	37.79	37.77
Operating expenses:		
Salaries	17.11	17.53
Occupancy	3.02	4.42
Supplies	0.27	1.12
All other	7.24	5.27
Total operating expenses	27.64	28.34
Net operating profit	10.15	9.43

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