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# OPERATING RESULTS OF CHAIN VARIETY STORES

1955

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## NOTICE

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Volume III consists of the following parts with individual trade reports listed under each:

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- 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¢
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\* Biennial reports — not issued for 1955.

(Sept. 13, 1956)

# OPERATING RESULTS OF CHAIN VARIETY 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 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 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.

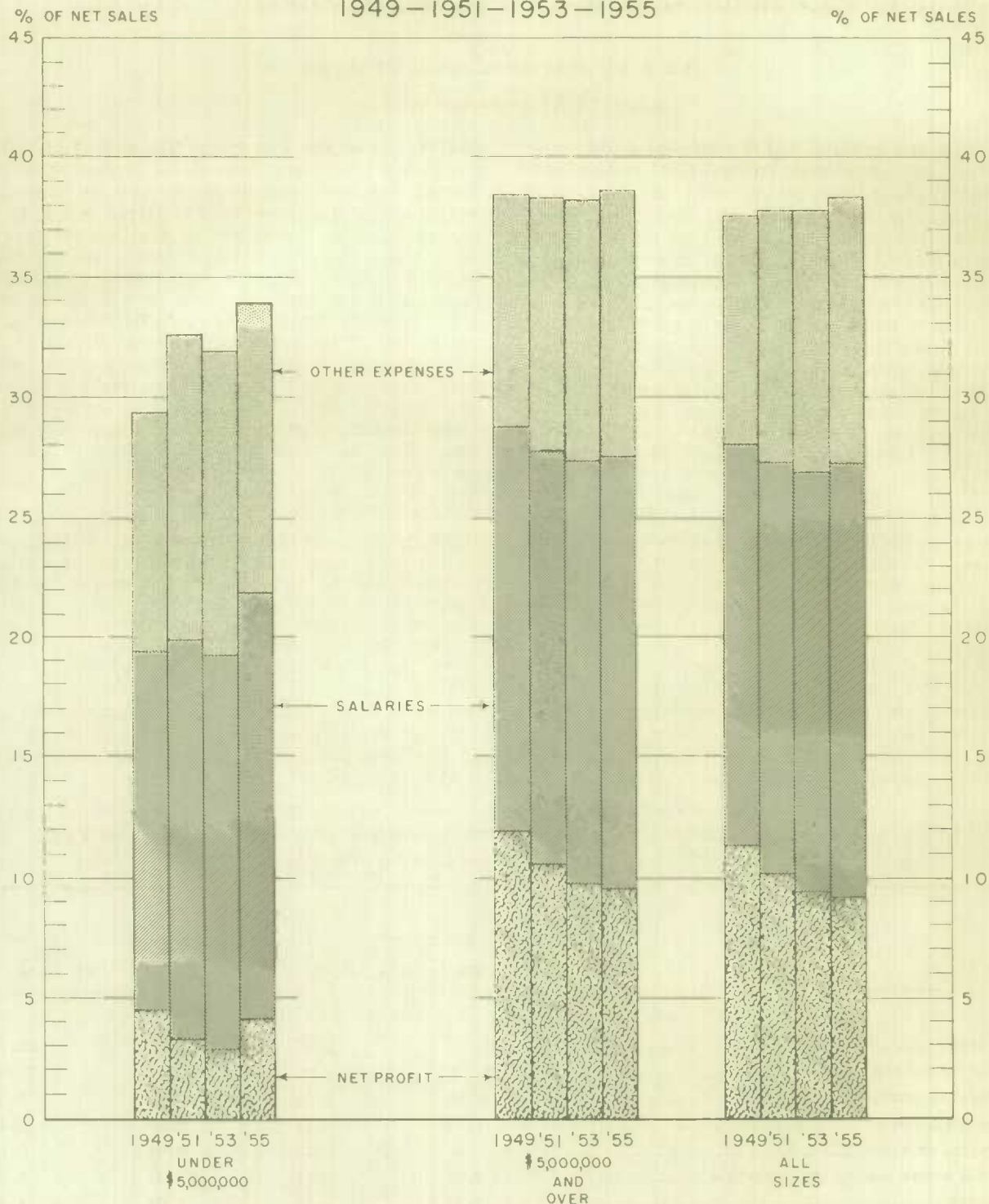
### Period Covered

This report deals mainly with 1955 operations and is the fifth biennial publication in a series begun in 1947. A 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 VARIETY STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1949-1951-1953-1955





## CHAIN VARIETY STORES

The 15 firms, from which reports were received, together operated 615 retail outlets in 1955. The increase over 1953 in number of firms reporting was sufficient to permit a new sales-size breakdown for 1955 although the former sales-size breakdown was

retained for the historical chart. All firms in the two largest size groups are incorporated. Income tax information is shown separately for the three groups (table 1). Table 2 shows all firms combined as to form of organizations.

## 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 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 1955, variety store chains obtained a gross profit ratio or margin of 38.30 per cent of net sales. A total operating expense ratio of 29.03 per cent reduced the marginal profit to a net operating profit of 9.27 per cent. A change in sale-sizes breakdown gives more scope for comparison, with the two smaller sale sizes reporting smaller gross profits at 32.93 and 31.90 per cent compared with 39.62 per

cent for the largest size group. The under \$1,000,000 sales-size class experienced the highest total operating expense ratio of 30.91 per cent and also lowest net operating profit of the three groups (2.02 per cent). The \$1,000,000 to \$14,999,999 sales-size class had the smallest total expense ratio 24.65 per cent, and also the lowest gross profit ratio 31.90 per cent, resulting in a 7.25 per cent net operating profit. The \$15,000,000 and over sales-size category carried the most weight in the final analysis of total all sizes having gross profit, total expenses and net operating profit ratios respectively of 39.62, 29.84 and 9.78 per cent. The net profit ratio, before taxes, increased with sales size.

## Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales, increased from 12.53 per cent at the beginning of the year to 14.24 per cent at the end of the year. This pattern was common to each sales-size. The rate of stock turnover-average of

beginning and end-of-year inventories divided into cost of goods sold-was 4.61 times per year a slight decline from the 1953 stock turnover rate of 4.81 times.

## Incorporated Companies

Most of the reporting firms were incorporated, with only the sale-size class under \$1,000,000 having any unincorporated firms. Final results show hardly any change in ratios between tables 1 and 2.

The ratio of net profit before taxation of 9.73 per cent for incorporated firms was reduced by income tax to a final net profit of 5.33 per cent, a decrease of 45.22 per cent.

TABLE 1. Operating Results of Incorporated Chain Variety Store, 1955, by Size of Firm

(Items expressed as percentage of net sales)

Item	Firms with 1955 sales of			
	Under \$1,000,000	\$1,000,000-\$14,999,999	\$15,000,000 and over	Total all sizes
Gross profit .....	34.00	31.90	39.62	38.33
Total operating expenses.....	33.20	24.65	29.84	29.05
Net operating profit.....	0.80	7.25	9.78	9.28
Non-trading income .....	1.23	0.24	0.50	0.46
Non-trading expense .....	—	0.05	0.01	0.01
Net profit before income tax deduction .....	2.03	7.44	10.27	9.73
Income tax .....	0.25	3.46	4.64	4.40
Final net profit .....	1.78	3.98	5.63	5.33

TABLE 2. Operating Results of Chain Variety Stores, 1955, by Size of Firm

Item	Firms with 1955 sales of			
	Under \$1,000,000	\$1,000,000- \$14,999,999	\$15,000,000 and over	Total all sizes
Number of firms.....	6	5	4	15
Number of stores operated.....	37	189	389	615
Average net sales per firm ..... \$	472,511	6,364,276	41,483,102	13,372,590
Average cost of goods sold..... \$	316,887	4,333,886	25,046,583	8,250,472
Average inventory per firm:				
Beginning of year ..... \$	98,703	927,197	4,978,382	1,676,115
Per cent of average net sales.....	20.90	14.57	12.00	12.53
End of year ..... \$	120,692	1,037,112	5,661,928	1,903,828
Per cent of average net sales.....	25.54	16.30	13.65	14.24
Stock turnover (times per year)	2.89	4.41	4.71	4.61
<b>Profit and loss data</b> (per cent of net sales)				
Gross profit .....	32.93	31.90	39.62	38.30
Operating expenses:				
Salaries:				
Executives.....	3.68	1.52	0.72	0.89
Other employees .....	15.84	12.96	17.76	16.97
Employees' benefits.....	0.30	0.35	0.64	0.59
Occupancy .....	5.00	4.69	5.08	5.02
Taxes, licenses <sup>1</sup> .....	0.75	0.43	0.75	0.69
Insurance <sup>1</sup> .....	0.62	0.35	0.19	0.22
Repairs and maintenance <sup>1</sup> .....	0.44	0.64	0.21	0.28
Depreciation <sup>1</sup> .....	1.65	1.16	1.31	1.29
Supplies .....	0.72	1.25	0.87	0.93
Advertising .....	0.28	0.48	0.41	0.42
Travelling .....	0.23	0.20	0.19	0.19
Communication .....	0.19	0.13	0.17	0.17
Bad debt loss .....	0.02	—	0.01	0.01
All other expenses .....	1.19	0.49	1.53	1.36
Total operating expenses .....	30.91	24.65	29.84	29.03
Net operating profit .....	2.02	7.25	9.78	9.27
Non-trading income.....	0.95	0.24	0.50	0.40
Non-trading expense.....	—	0.05	0.01	0.01
Net profit before income tax deduction .....	2.97	7.44	10.27	9.72

1. Excludes amount attributed to real estate which is 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 purpose of comparison. Fifteen firms reported in the 1955 survey compared to eleven in 1953. This increase in the reporting firms raised the number of retail outlets to 615 in 1955 from 560 in 1953. For consistency purpose with the 1953 sale-size breakdown the following data can be used: in the sale-size under \$5,000,000 there were 9 firms reporting in 1955 with 95 retail outlets and \$1,447,126 average net sales per firm; in sales-size \$5,000,000 and over 6 firms reported with 520 retail outlets and \$31,260,786 average net sales.

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.

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 did net sales. As an example, if net sales increased 10% 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%, 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 an increase in the gross profit in 1955 over 1953, and an increase in total operating expenses, resulted in a decrease in the net operating profit from 9.43 per cent in 1953 to 9.27 per cent in 1955.

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

Item	1953 (11 firms)	1955 (15 firms)
Gross profit .....	37.77	38.30
Operating expenses:		
Salaries .....	17.53	17.86
Occupancy .....	4.42	5.02 <sup>1</sup>
Supplies .....	1.12	0.93
All other expenses .....	5.27 <sup>1</sup>	5.22
<b>Total operating expenses .....</b>	<b>28.34</b>	<b>29.03</b>
<b>Net operating profit .....</b>	<b>9.43</b>	<b>9.27</b>

1. Includes "Heat, Light and Power".

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