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# OPERATING RESULTS OF CHAIN VARIETY STORES 1957

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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¢
- E — Agents and Brokers, Wholesale Trade (Memorandum), 10¢

**Part II — Retail Statistics**

- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Food Store Chains, 25¢
- I — Operating Results of Clothing Store Chains, 25¢
- J — 1 Operating Results of Variety Store Chains, 25¢
  - 2 Operating Results of Drug Store Chains, 25¢
  - 3 Operating Results of Furniture Store Chains, 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, Radio and Television Stores, 25¢
- \*N — Operating Results of Filling Stations and 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 Credit, 25¢

**Part III — Services and Special Fields**

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- S — Hotels, 25¢
- T — Sales Financing, 25¢
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- 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 1957.

(November 28, 1958)

## 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. Also included are salaries paid to executives of incorporated firms and to proprietors of unincorporated businesses.

**Payments contributed by the firm** — 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 business 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** — expenditure on fixtures and equipment (except delivery).

**Office and store 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.

**Loss on bad debts** — 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 expenses** — interest expense and any other expenses not pertaining to the business.



## DEFINITIONS

### Balance Sheet

#### Assets

**Cash on hand or in bank** — the amount of cash on hand at the end of the year.

**Net accounts receivable** — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

**Merchandise inventory** — the cost value of merchandise on hand for resale not including store supplies on hand.

**Other current assets** — includes assets which may be converted into cash, if necessary, within a reasonably short time, such as Dominion of Canada Bonds, prepaid insurance, and deferred and prepaid charges of a current nature.

**Fixed assets (net)** — the cost value of land, buildings, furniture, fixtures, equipment and improvements, less any reserves for depreciation.

**Other assets** — investments of a permanent nature not readily converted into cash and intangibles such as goodwill, organization costs, and financing expenses.

#### Liabilities and Net Worth

**Current liabilities** — obligations which must be paid in the near future (usually one year) and represent accounts and notes payable or any item that may be considered as a direct lien against current assets.

**Fixed liabilities** — mortgages payable, secured by fixed assets.

**Other liabilities** — Long-term loans, notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income, advances to shareholders, etc.

**Net worth** — for incorporated businesses, net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Where unincorporated firms are included, only "total" net worth is shown.

# OPERATING RESULTS OF CHAIN VARIETY STORES

1957

## INTRODUCTION

General comments regarding this sixth study of the operating results of Chain Variety stores conducted by the Dominion Bureau of Statistics are as follows:

**Scope**—Chain store firms are defined as those organizations operating four or more retail outlets in the same or related lines of business under the same ownership. Controlled subsidiary companies are included but "voluntary" groups in which individual owners enjoy certain purchasing or other privileges are not.

**Content**—This report deals mainly with profit and loss statistics. Operating expenses are shown in percentage to net sales for suitable sales-size categories. A few unincorporated firms are included for which proprietors' salaries are grouped with executive salaries; income tax tabulation, however, was made only for groups where all were incorporated companies.

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.

Balance sheet data were requested for the first time from retail chain store organizations from which it was intended to show certain averages and ratios. In some cases, the financial structures of the firms were so different that averages of some items would be meaningless. This variability, plus failure to supply balance sheet information in other cases, places a certain caution on the use of these data.

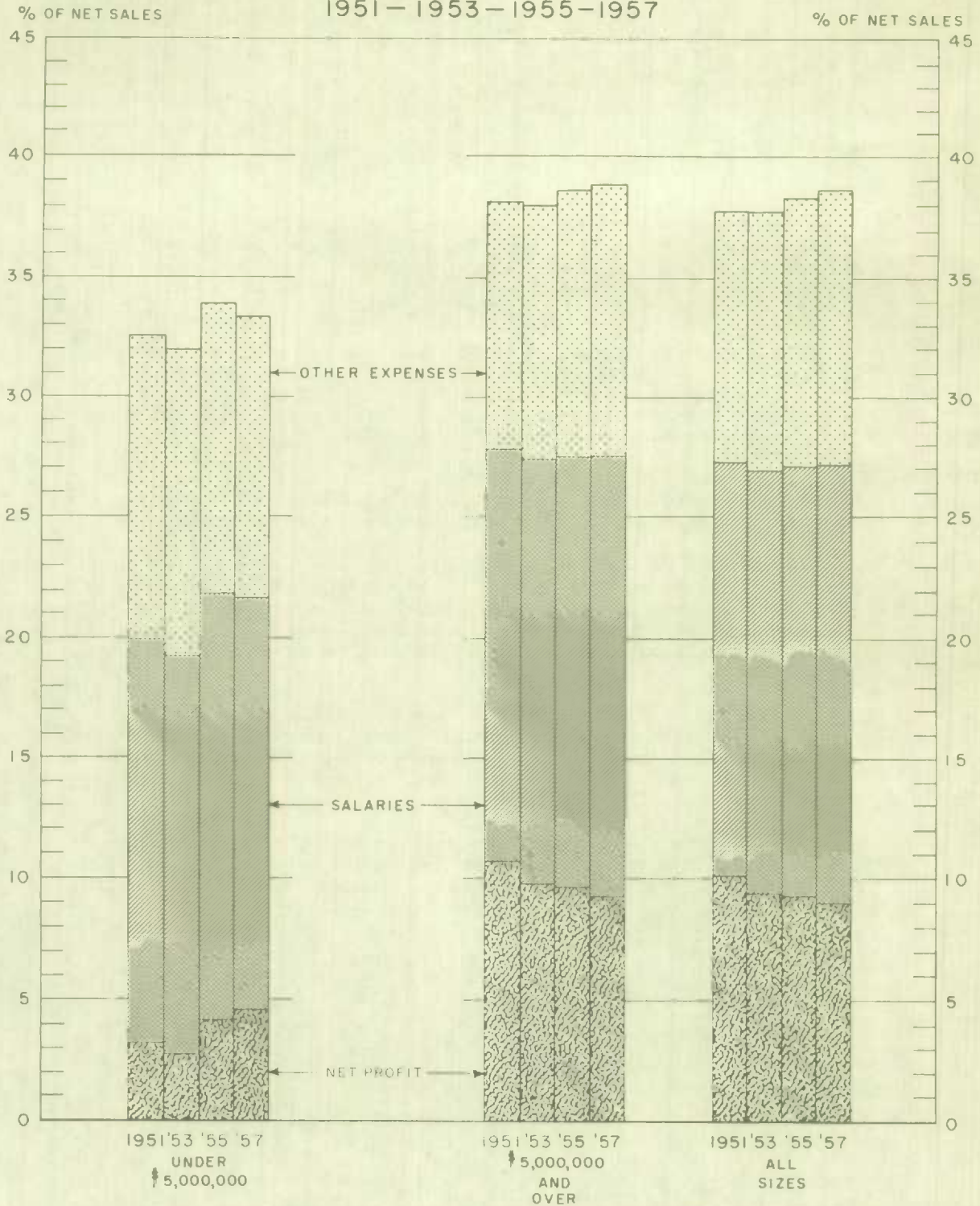
**Purpose**—The primary purpose of the operating results survey is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

**Period Covered**—This report deals mainly with 1957 business operations with summaries of principal ratios since 1947 on a biennial basis. This study is alternated each year with a similar one on independent retail stores covering the even year.

# OPERATING RESULTS OF CHAIN VARIETY STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1951-1953-1955-1957





## CHAIN VARIETY STORES

The 16 firms reporting to this survey operated a total of 697 retail stores. Variety stores are generally known as five-cents-to-a-dollar stores, carrying a wide variety of goods in the lower price range. Sales are normally made on a cash and carry basis with merchandise displayed openly and selection made by the customer.

A shifting in sales volume of reporting firms made it impossible to adhere to the sales-size breakdown of former years. For best presentation of operating results, this 1957 study shows the firms in two size classes, under \$5,000,000 annual net sales and \$5,000,000 and over.

### Review of 1957 Operating Results

#### Profit and Expense Ratios

Total operating expenses amounted to 29.55 per cent of net sales in 1957, reducing a gross profit margin of 38.56 per cent to a net trading profit of 9.01 per cent. Other income exceeded non-trading expense to produce a net profit of 9.63 per cent of net sales before income tax deduction. For best comparative analysis, profit and expense items are shown in the standard form of percentages to net sales. Salaries and wages, together with contributions by the firms toward employees' benefits accounted for over 63 per cent of total operating cost with occupancy as the next largest expense item at 5.34 per cent of net sales. Ex-

penses of large firms were generally greater in ratio to sales than the smaller sales-size class. The large firms, however, obtained greater percentages of gross and net profits.

#### Inventories and Stock Turnover

The amount of stock on hand at the end of 1957 was greater in dollar volume than at the first of the year; as percentages to sales for the year, they were respectively 12.49 per cent and 11.51 per cent. The rate of stock turnover, calculated by dividing the "cost of goods sold" by the average of these two inventories, was 5.12 times during the year compared with a rate of 4.61 times for 1955.

**TABLE 1. Operating Results of Chain Variety Stores, 1957, by Size of Firm**

Item	Firms with 1957 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
Number of firms .....	10	6	16
Number of stores operated.....	118	579	697
Average net sales per firm ..... \$	1,360,488	38,198,636	15,174,793
Average cost of goods sold..... \$	906,564	23,350,057	9,322,874
Average inventory per firm:			
Beginning of year..... \$	219,437	4,291,974	1,746,639
Per cent of average net sales.....	16.13	11.24	11.51
End of year..... \$	235,620	4,661,315	1,895,256
Per cent of average net sales.....	17.32	12.20	12.49
Stock turnover (times per year).....	3.98	5.22	5.12
<b>Profit and loss data (per cent of net sales)</b>			
<b>Gross profit .....</b>	<b>33.36</b>	<b>38.87</b>	<b>38.56</b>
Operating expenses:			
Salaries:			
Executives.....	4.04	0.78	0.96
Other employees .....	13.06	17.44	17.20
Employees' benefits.....	0.20	0.56	0.54
Occupancy .....	5.81	5.31	5.34
Taxes, licenses <sup>1</sup> .....	0.36	0.72	0.70
Insurance <sup>1</sup> .....	0.42	0.22	0.23
Repairs and maintenance <sup>1</sup> .....	0.51	0.26	0.27
Depreciation <sup>1</sup> .....	1.15	1.36	1.35
Supplies .....	1.19	1.29	1.28
Advertising .....	0.58	0.61	0.60
Travelling .....	0.17	0.21	0.21
Communication .....	0.23	0.17	0.18
Bad debt loss .....	—	0.01	0.01
All other expenses .....	1.04	0.65	0.68
<b>Total operating expenses .....</b>	<b>28.76</b>	<b>29.59</b>	<b>29.55</b>
<b>Net operating profit .....</b>	<b>4.60</b>	<b>9.28</b>	<b>9.01</b>
Non-trading income.....	0.47	0.73	0.72
Non-trading expense.....	0.65	0.07	0.10
<b>Net profit before income tax deduction .....</b>	<b>4.42</b>	<b>9.94</b>	<b>9.63</b>
Income tax .....	—	4.56	—
<b>Final net profit .....</b>	<b>—</b>	<b>5.38</b>	<b>—</b>

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

## Comparison of Operating Results, 1947-1957

The main profit and expense ratios are compared in Table 2. Although some changes in reporting have occurred, valid comparisons can be made as all items are expressed as percentages of net sales. It must be realized that changes in ratios do not always mean that a change in dollars has occurred for any item. The ratio of an expense item could decrease in a two-year comparison but, if net sales increased to a greater extent, the expense item in dollar terms could also have increased slightly.

Gross profit as a percentage of net sales has shown moderate gains since 1953 to reach 38.56 per cent in 1957. Salaries paid have shown a consistent gain since 1947 which, together with other operating expenses, has resulted in a range of expense from 24.63 per cent of sales in 1947 to 29.55 per cent in 1957. The resulting net operating profit of variety store chains has decreased consistently from 13.04 per cent to 9.01 per cent over the period reviewed.

**TABLE 2. Chain Variety Stores — Main Operating Results for 1947 to 1957 Compared**  
(Items expressed as percentages of net sales)

Item	1947	1949	1951	1953	1955	1957
Number of firms .....	16	11	13	11	15	16
Gross profit .....	37.67	37.52	37.79	37.77	38.30	38.56
Operating expenses:						
Salaries .....	15.91	16.66	17.11	17.53	17.86	18.16
Occupancy .....	4.60	4.70	3.75	5.09	5.02	5.34
Supplies .....	0.82	1.00	1.06	1.12	0.93	1.28
All other expenses .....	3.30	3.87	5.72	4.60	5.22	4.77
Total operating expenses .....	24.63	26.23	27.64	28.34	29.03	29.55
Net operating profit .....	13.04	11.29	10.15	9.43	9.27	9.01

## Balance Sheet Data

Firms of similar size tend to have comparable operating experience so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case; while in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other, or again, an unusually large capital surplus account.

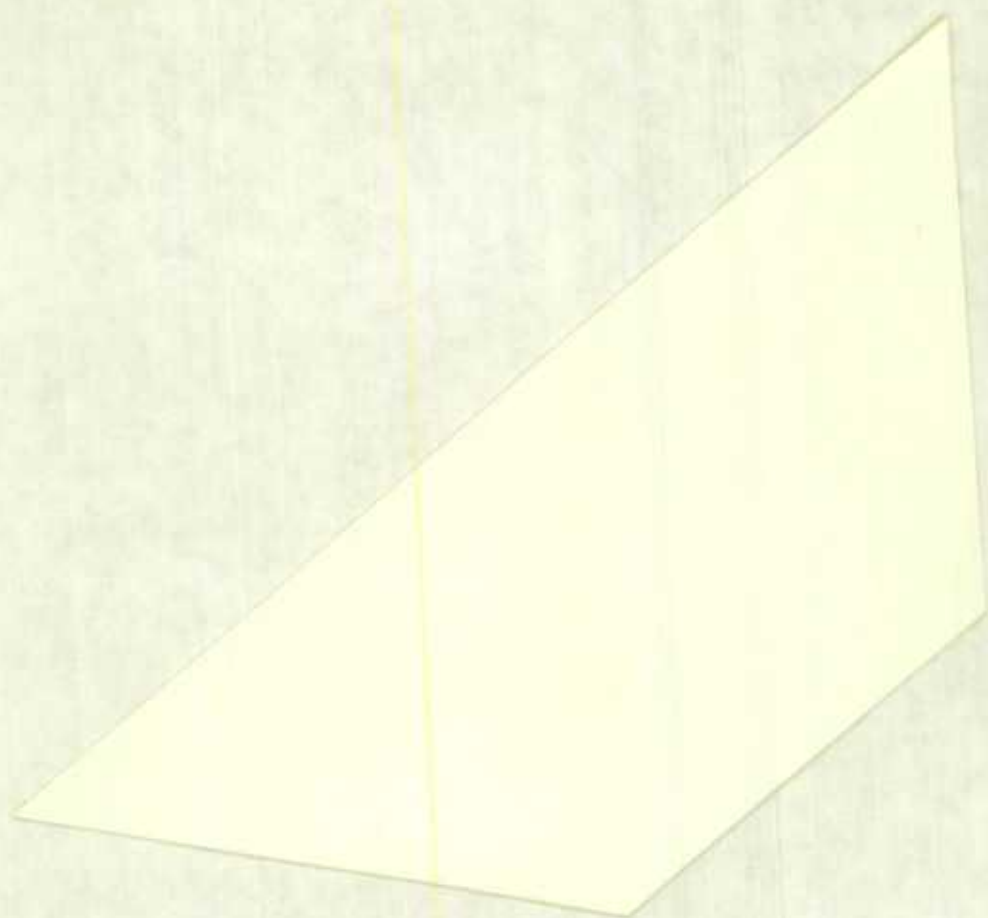
The figures shown here represent the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. With these facts in mind, they are of some interest in that they represent the trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or again, if the group of firms in a trade are too heterogeneous, this part of the biennial survey could be discontinued.



TABLE 3. Financial Status of Incorporated Chain Variety Stores, as at December 31, 1957

Item	Firms with 1957 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
	average per firm		
<b>Assets</b>			
Current assets:			
Cash on hand and in bank .....	86,702	4,059,849	1,614,835
Accounts and notes receivable (net) .....	24,197	181,320	84,629
Merchandise inventory .....	292,968	5,597,818	2,333,295
Other current assets .....	91,041	616,645	293,197
<b>Total current assets .....</b>	<b>494,908</b>	<b>10,455,632</b>	<b>4,325,956</b>
<b>Fixed assets (net) .....</b>	<b>175,374</b>	<b>18,373,789</b>	<b>7,174,764</b>
Other assets:			
Long term investments .....	210,033	320,432	252,494
Other assets .....	4,497	268	2,870
<b>Total other assets .....</b>	<b>214,530</b>	<b>320,700</b>	<b>255,364</b>
<b>Total assets .....</b>	<b>884,812</b>	<b>29,150,121</b>	<b>11,756,084</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts and notes payable .....	116,495	3,139,905	1,279,345
Fixed liabilities .....	94,221	988,384	438,130
Other liabilities .....	138,455	1,469,193	650,277
<b>Total liabilities .....</b>	<b>349,171</b>	<b>5,597,482</b>	<b>2,367,752</b>
<b>Net worth</b>			
Capital stock .....	184,560	2,503,830	1,076,587
Surplus and undivided profits .....	351,081	21,048,809	8,311,745
<b>Total net worth .....</b>	<b>535,641</b>	<b>23,552,639</b>	<b>9,388,332</b>
<b>Total liabilities and net worth .....</b>	<b>884,812</b>	<b>29,150,121</b>	<b>11,756,084</b>
Average net sales of firms reporting .....	1,606,684	42,764,563	17,436,637
Number of firms reporting .....	8	5	13







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