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# OPERATING RESULTS OF 

 CHAIN VARIETY STORES 1959Published by Authority of<br>The IIonourable George Mes, Minister of Trade and Commerce

# DOMINION BUREAU OF STATISTICS <br> Industry and Merchandising Division 



# OPERATING RESULTS OF CHAIN VARIETY STORES 1959 

## INTRODUCTION

Retail 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" of "sponsored" groups in which the stores are individually owned are not.

This report deals with profit and loss statistics, presented mainly in the form of percentages to net sales. Results are shown for two sales-size grouns similar to the 1957 study. Balance sheet data, first collected for 1957 , have not been retained in this series. The financial structure of firas in this catin shore survey is so widely different that averages have little meaning.

The primary purpose of the operating results survey is to provide arerages 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.

Note: Definitions will be found on the last page of this repurt.
Ciatalogue Title Price number
(a) Weekly
63-003 Percentage Change in Department Store Sales ..... per year $\$ 2.00$
(b) Monthly
63-001 Chain Store Sales and Stocks ..... per year 1.00
63-002 Department Store Sales and Stocks. ..... per year 1.00
63-004 Percentage Change in Department Store Sales (Preliminary) ..... per year 1.00
63-005 Retail Trade per year 3.00
63-007 New Motor Vehicle Sales and Motor Vehicle Financing ..... per year 1.00
61-004 Credit Statistics ..... per year 1.00
(c) Quarterly
63-006 Retail Credit ..... per year 2.0063-009Farm Implement and Equipment Salesper year 1.00
(d) Annual
63-203 Farm Implement and Equipment Sales ..... 50
63-208 New Motor Vehicle Sales and Motor Vehicle Financing ..... 50
63-209 Retail Trade (including Shopping Centres) ..... 50
63-210 Retail Chain Stores. ..... 50
63-211 Sales Financing ..... 25
(e) Biennial
63-401 Operating Results of Chain Clothing Stores ..... 50
63-402 Operating Results of Chain Drug Stores ..... 25
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63-404 Operating Results of Chain Furniture Stores ..... 25
63-405 Operating Results of Chain Variety Stores ..... 25
63-406 Operating Results and Financial Structure of Independent Retall Clothing Stores ..... 75
63-407 Operating Results and Financial Structure of Independent Drug Stores ..... 50
63-408 Operating Results and Financial Structure of Filling Stations and Garages ..... 50
63-409 Operating Results and Financial Structure of Independent Food Stores ..... 50
63-410 Operating Results and Financial Structure of Independent Fuel Dealers. ..... 50
63-411 Operating Results and Financial Structure of Independent General Stores ..... 50
63-412 Operating Results and Financial Structure of Independent Retall Hardware, Furniture, Appliance, Radio and Television Stores .....  50
63-413 Operating Results and Financial Structure of Independent Jewellery Stores. ..... 50
63-414 Operating Results and Financial Structure of Independent Restaurants. ..... 80
63-415 Operating Results and Financial Structure of Independent Tobacco Stores ..... 50

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## CHIN VARIETY STORES

Variety stores are generally known as five-cents-to-a-dollar stores, carrying a wide range of goods. Sales are normally made on a cash and carry basis with merchandise openly displayed and selection made by the customer. Lay-away plans and check-out counters have been added to the operations of some stores in more recent years, but for all practical purposes, the results of the 16 firms shown in this report are comparable to those of previous years.

A slightly higher ratio of gross profit was obtained in 1959, continuing the general upward trend evident over the years covered by this study. The ratios of salaries and occupancy costs were slightly lower but other operating expenses were
considerably greater to give a total of 29.93 per cent of net sales, the highest ratio of operating expenses in the series; this more than offset the advantage gained in gross profit to result in a net profit ratio of 8.73 per cent of net sales, the lowest in the series.

3y size breakdown, firms with annual net sales of $\$ 5,000,000$ and over operated on higher ratios of gross and net profit than the smaller firms. Operating expenses were generally greater in relation to net sales and the rate of stock turnover was more rapid. Inventory on hand at year end was at a higher dollar level than at the beginning of 1959 for both size classes.

TABLE 1. Chain Variety Stores - Main Operating Results for 1947-59 Compared
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Number of firms | 16 | 11 | 13 | 11 | 15 | 16 | 16 |
| Gross profit | 37.67 | 37.52 | 37.79 | 37.78 | 38.30 | 38. 56 | 38.66 |
| Operating expenses: |  |  |  |  |  |  |  |
| Salaries | 15.91 | 16.66 | 17.11 | 17.53 | 17.86 | 18. 16 | 18.10 |
| Occupancy | 4.60 | 4.70 | 3. 75 | 5.09 | 5.02 | 5.34 | 5.09 |
| Supplies | 0.82 | 1.00 | 1.06 | 1.12 | 0.93 | 1.28 | 1.32 |
| All other expenses | 3.30 | 3.87 | 5.72 | 4.60 | 5.22 | 4.77 | 5.42 |
| Total operating expenses ................ | 24.63 | 26.23 | 27.64 | 28.34 | 29.03 | 29.55 | 29.93 |
| Net operating profit. | 13.04 | 11.29 | 10.15 | 9.43 | 9.27 | 9. 01 | 8.73 |

TABLE 2. Operating Results of Chain Variety Stores, 1959, by Size of Firm

| Item |  | Firms with 1959 sales of |  | $\begin{aligned} & \text { Total } \\ & \text { all } \\ & \text { sizes } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{gathered} \text { Under } \\ \$ 5,000,000 \end{gathered}$ | $\$ 5,000,000$ and over |  |
| Number of firms |  | 8 | 8 | 16 |
| Number of stores operated |  | 62 | 699 | 761 |
| Average net sales per firm | \$ | 918, 021 | 34, 067, 524 | 17,492,772 |
| Average cost of goods sold | \$ | 630. 106 | 20,831, 412 | 10,730,758 |
| Average inventory per firm: |  |  |  |  |
| Beginning of year | \$ | 177.716 | 4,450,484 | 2,314,100 |
| Per cent of average net sales |  | 19.36 | 13.06 | 13.23 |
| End of year | \$ | 196, 769 | 5.027 .017 | 2,611.893 |
| Per cent of average net sales |  | 21.43 | 14.76 | 14.93 |
| Stock turnover (times per year) |  | 3.37 | 4.40 | 4.36 |

TABLE 2. Operating Results of Chain Variety Stores, 1959, by Size of Firm: - Concluded


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## DEFINITIONS

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## Items

Net sales - the dollar volume of business done. Allowances and discounts granted to rustomers and value of goods returned by customers afe deducted from gross sales, but sales of meals of lunches provided employees and any goods withdrawn by the proprietof for personal use are included.

Purchases - are taken at lnvolce value less returns and allowances, cash and trade discounts. Added to the cost of mepchandise ate the following expenses: duty. inwatd freight. express and trucking, alterations, etc.

Cost of goods sold - determined by adding the beginning inventory to net purchases and deducting the ending Inventory.

Gross proflt - 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 (except delivery) - payments to employees before tleduction of income tax or unemployment insurance. Proprietors" salaries or withdrawals are included in "net operating profit" In unincorporated store operations.

Delivery - Includes salaries paid to deltvery mers, truck repairs and maintenance, depreciation, licences and insurance on dellvery equipment and supplies used in connection with delivery (gas, oll, etc.)

Taxes - business, property and water taxes. Taxes collected for remittance to governnental bodies and income tax are not included.

Insurance - annuai proportion of premiums for insurance policies carried to protect the business.

Rent - payments for use of business premises.
Heat, light and power - cost applicable to year's operations.

Repaiss and maintenasice - costs incurred to keep fixed store assets operating efficiently (excludes captai expenditure).

Store moplies - wrapping paper, office supplies, etc.

Advertising - displays, window dressing and sales promotion.

Net bad debt loss - estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses - telephone, telegraph. postage, bank charges. legal, auditing and collection fees, etc.

Net operating profit - is the difference between "total operating expenses" and "gross proft'" and includes propriecors" salaries and withdrawals belore income tax deductions.

Occupancy - the cost of maintaining and occupying a place of business and includes: rent, buslness and property taxes, insurance, heat, light and power, repaits and maintenance and depreciation.

Non-trading income - interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense - interest expense, rental expense, any other expenses nut pertaining to the business.

## Ratios

Stock turnovef - the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these tatios. Each ratio represents a portion of the average net sales ${ }^{\text {b }}$ dallar.

Gross profit ratto - sometimes referred to as the "gross margin ratio" of "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales" dollar from which the merchant meets his operating expenses and obtains his net operating proflt.

Operating experse ration - each ltem of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales. dollar required to operate the average business.

Net operating profit ratio - the remaining proportion of the average sales" dollar arter "cost of goods sold" and "total operating expenses" have been teducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to deternune the percentage to saies of net returns on capital investment

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[^0]:    Other occasional reports and 1951 Consus reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Stotistics which is ovailoble on request from the Information Services Division, D.8.5., or from the Queen's Printer, Ottawa.

[^1]:    ${ }^{1}$ Excludes amount attributed to real estate which is in occupancy expense.

