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MERCHANDISING AND SERVICES BRANCH

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

1944

Bulletin No. 4

COUNTRY GENERAL STORES

GENERAL MERCHANDISE AND DRY GOODS STORES

Including

Purpose, Importance, Explanation of Use, Summary of Results,
and
Statistical Tables

OTTAWA
1946

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FOREWORD

For some time the Bureau has recognized the practical value of published information on average operating results, that is, on average rates of expenses and profits, etc., in the principal retail trades. Indeed the first studies of this nature were made for the year 1938, and since then an increasing demand for such information has been experienced by this Bureau. It is in response to this demand that the present series of reports is now being issued.

Concerned mainly with average expense and profit percentages, comprehensive information on the operating results of retail stores deals with many of the significant factors which eventually determine their success or failure. Such information therefore represents the results which many retailers have obtained in meeting the problems that are common to their particular kind of business. Statistics of this nature, moreover, have the practical value of enabling individual merchants to compare their own rates of expenses and profits with the results of similar stores in their trade, from which they can isolate for further analysis the areas in which their performance has been below average. The resulting opportunities for improving the efficiency in retail store managements may well be of some importance in peacetime as Canadian retailers under more competitive conditions endeavour to distribute the products of an expanded industrial economy. These considerations and possibilities have been set forth under the heading "Importance of Information on Operating Results in Retail Trade" commencing on page 2 of these reports. A separate discussion beginning on page 8 under the topic "How the Retailer Can Use Information on Operating Results" has also been included as a possible guide to retailers using the bulletins.

It must be emphasized here, however, that the statistics presented in these reports are subject to important limitations in respect to their coverage and representativeness. This is because the figures are based, not upon a comprehensive survey of large numbers of co-operating stores, but rather upon comparatively small sample numbers of such firms. These samples, of course, should be large enough to permit the different influences affecting operating results to average themselves out and thus present the more typical operating experiences of stores in the different size and occupancy classifications of stores. For many kinds of stores, unfortunately, the number of usable returns when distributed between these classifications may be too small to permit any special or erratic conditions completely to iron or cancel themselves out. These aspects of the reports are discussed more fully under the heading "Limitations to Information on Operating Results" on page 6 of the bulletins, and to some extent under "How the Retailer Can Use Information on Operating Results" on page 8, to both of which the reader is referred. It should therefore be noted that the present studies are tentative in nature and must await the results of subsequent surveys for conclusive evidence as to the validity of many of the statistics herein presented.

In spite of the preliminary nature of the statistics, however, these reports are being issued in the belief that they will at least reveal the future scope for such studies and may well provide some useful, although perhaps rough, indications of the operating experiences of the retail trades under review. The bulletins have been prepared in the Merchandising and Services Branch of the Bureau, of which Mr. A.C. Steedman, B.A., is Chief, by Mr. A.M. Chipman, M.B.A., Statistician in the Branch. The suggestions of those obtaining and using these reports will be most welcome to the end that better and more useful studies can be made in future.

Herbert Marshall

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Dominion Statistician.

TABLE OF CONTENTS

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OPERATING RESULTS OF INDEPENDENT RETAIL STORES, 1944.

PART I - GENERAL SECTION

This report is one of a series presenting average operating results in selected branches of retail trade for 1944 and, where possible, for both 1941 and 1944. The first series of such studies was made by the Bureau for the year 1938 and presented somewhat similar information on average operating expenses and profits against which individual firms could compare their own results. Since that time requests have been received on an expanding scale for corresponding types of reports, a fact which indicates the growing interest of merchants and others in information on costs in retail trade. It is in response to this demand that these reports are now being issued.

The basic information for such studies was obtained primarily for the purpose of improving the Bureau's estimates of the country's National Income which originated in unincorporated and independent retail stores. Such establishments predominate to a marked extent in retail trade, comprising 90 per cent of all 137,331 stores enumerated in the 1941 Census, accounting for 55 per cent of total sales of $3,440,901,700, and providing a livelihood for nearly 132,000 proprietors and partners. The net earnings of these proprietors and partners thus represent an important contribution to the National Income totals. Aggregate figures on these net earnings, however, are not readily available to the Bureau from other sources and for this reason it was decided early in 1945 to obtain the required information by a direct survey of sample groups of retail stores.

Accurate and comprehensive figures on the National Income are now regarded as one of the best measures of the purchasing power and economic activity of the country. These statistics, consequently, are highly important as aids to both governments and business in the determination of their plans and policies, and particularly so in relation to the problem of maintaining high levels of employment within the country. Periodic surveys of retail trade will therefore be made to obtain the information necessary to estimate accurately the total net earnings of unincorporated retail stores for inclusion in the National Income statistics.

In carrying out this task it is hoped that information on average operating results will be made available to retailers in even greater detail than has been found possible in the recent survey. Thus, the co-operation of retailers in supplying information on their own operating experiences has two beneficial

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results. In the first instance, it enhances the accuracy of the Bureau's estimates of the National Income and the soundness of the governmental and business policies which are based on such figures. Secondly, the co-operation of retailers in these surveys provides them with yardsticks of performance against which they can compare their own financial results.

The figures which co-operating retailers supply to the Bureau on their costs, expenses and profits are quite obviously highly confidential in nature. They are strictly so regarded by the Bureau and are used only for the two purposes just outlined with no disclosures of the results of individual operations being made.

Information Contained in Reports on Retail Operating Results.

The information presented in this and subsequent bulletins consists primarily of the financial results which the different kinds of co-operating stores obtained in the year under review. The information consequently covers such individual items as net sales, purchases of merchandise for resale and beginning and ending merchandise inventories, cost of goods sold, gross trading profits after costs of merchandise sold have been deducted from sales, the several categories of operating expenses incurred during the period and finally the net earnings available to proprietors after all costs and expenses have been subtracted from sales. In other words, the information here under study consists of the more important financial items usually found in the typical retail Profit and Loss Statement.

There are of course many general factors which commonly affect the financial results of retail stores. Three of the more important of these consist of the kind of business, that is whether the store is a grocery, an apparel, a furniture store, etc., the amount of annual sales made by the store, and the basis of occupancy, that is whether the store is owned or rented. The reports of the co-operating retail stores were therefore classified by kind of business and within the kind of business categories into groups according to the amount of sales made. These groups were again divided by method of occupancy into "owned" and "rented" categories. The figures were then compiled for each of the individual groups and reduced to the form shown in the tables of this report. Thus gross trading profits, the several expense items and proprietors' net earnings before income taxes and withdrawals appear as percentages of sales while stock turnover appears as a ratio indicating the number of times the average inventories were turned over during the year.

These ratios are therefore averages of the operating results which the different groups of unincorporated stores actually obtained. As such, these averages are at least indicators of rates of gross trading profits, of expenses and net earnings which similar stores may have experienced in the period under review.

Importance of Information on Operating Results in Retail Trade.

The critical value of information on operating results for use in computing the net earnings contributed by unincorporated retail stores to the highly important National Income estimates has already been pointed out. Indeed, the net earnings of individually operated stores add to really sizable contributions, being estimated at nearly $150,000,000 in 1941 and nearly $200,000,000 in 1944. Quite apart from its value in this respect, however, there are other economic and business uses which increase still further the practical importance of this type of information.

Many of these uses arise from economic changes brought about by transition from war to peacetime conditions. During the war years, retail trade experienced high levels of consumer demand, usually for relatively inadequate and in some lines for severely restricted supplies of merchandise. These conditions in turn tended to reduce the intensity of competition between stores in the same kind of business, as well as competition for the consumer's dollar between stores handling different kinds of goods. The resulting curtailment of price competition between retailers, the extension of price control which in general tended to stabilize buying and selling price relationships for retailers, and a diminished need for mark downs and sales allowances all exerted influence in the direction of maintaining or improving the percentages of realized gross trading profits. Apart from the furniture, radio and electrical, and automotive kinds of stores, the sales volumes of individual stores generally increased throughout the war period. These gains in turn tended to level off or to reduce expense percentages, the dollar amounts for some of which had been favourably affected by reduced credit losses and by curtailed expenses of operation.

Different conditions, however, can be expected to prevail in peacetime which, for purposes of discussion, can be broken down into two phases. During the earlier transition period industry will re-convert to peacetime activities and its subsequent production can be deemed to go far to meet consumers' pent-up demands, especially for many types of durable goods. Consumer purchasing power will likely remain relatively high due partly to wartime savings, partly to the high level of industrial activity, and partly, with crops permitting, to the substantial export and domestic demand for food products. An expansion in the numbers of retail stores in business may also be anticipated as war veterans, and individuals displaced from war production, establish their own businesses. During the early part of this phase, the supplies of many kinds of consumer goods may be inadequate to meet popular demands for them. As this period advances, however, consumer demands will settle down more to a replacement basis, expanded output will be able to build up normal stocks of merchandise at different levels in the manufacturing and distributive processes, and the functions of demand creation and sales promotion will become steadily more important.

The more normal peacetime period may therefore be marked by the greater necessity to promote and sell the products of an expanded industry. With freer price relationships between merchandise cost and selling prices then prevailing, greater pressures may be exerted on retailers' gross trading profit margins than before. This condition will probably result from a combination of influences including the increased quantities of readily available supplies, the desire of manufacturers and retailers to increase commodity and store sales through lower prices, and from making mark downs and sales allowances more extensively than in the war and transition periods. Lower individual store sales volumes for many kinds of retail trade on average may also be experienced from increases in the store population, the diffusion of consumer purchasing power over widened ranges of merchandise, including, for instance, automobiles and related products, electrical appliances, etc., and from more intense competition between different types and kinds of retail outlets. These lowered sales volumes will then tend to increase percentage rates of expense, many of which will be forced upward by greater dollar expenditures for advertising, for store renovation, and possibly for the provision of greater services to store customers.

Such tendencies toward reduced store sales volumes, to lowered gross trading profit and to increased operating expense percentages in the more normal peacetime period emphasize the need for progressive improvements in the management of independent stores if their continued existence and their proprietors' standards of living are to be assured. These conditions thus impose upon retail merchants the necessity for using productive methods of sales promotion to maintain sales volumes, for informed buying and pricing practices to obtain adequate gross trading profits, and for careful control of operating expenses to secure adequate and reasonable net trading profits. They require in addition the periodic self-examination of the merchant's financial results so that weak spots in the store's operations can be revealed and remedied.

These periodic reviews of the store's operations are most revealing when individual merchants can measure their own financial results against certain outside standards or yardsticks of achievement. It is these standards or yardsticks of financial performance which this Bureau is now presenting in its reports on the actual operating results of sample groups of retail stores. With reports of this type, individual merchants can compare their rates of inventory turnover and their percentages of gross trading profits, operating expenses, and net trading profits with those obtained by similar kinds of stores. Guides of this nature enable retailers to determine whether their experiences are better or poorer than average, and where poorer, the factors producing the inferior results can be further analyzed for corrective action.

In addition to serving as aids to store management, information on operating costs is of considerable practical value to individuals planning the establishment of retail businesses. Reports of this type enable prospective retailers to find out what operating conditions are like in the trades they are considering, what net earnings they may reasonably expect from different sales volumes, and what standards they must achieve to obtain the net earnings they desire. The same reports also provide these individuals with knowledge of the average sizes of inventories carried, a factor of importance in estimating their capital requirements. Frequent requests are now received by the Bureau for information on sales and earnings possibilities in different trades and localities, on trade practices, capital requirements, etc. Provision of figures on operating costs thus widens the field of service the Bureau can provide, a service particularly timely when so many are appraising the opportunities for profitable establishment in business.

Over a period of years the expanding use of the Bureau's reports on operating results may produce benefits of importance to those engaged in retail trade. These benefits may well appear in the form of greater efficiency in store managements, increased flexibility to meet changing conditions in distribution, and greater stability in the business existence of retail stores through reductions in overall rates of business mortality. Improved management implies a greater knowledge of operating costs and the means of controlling them. It enables the value of services rendered to be measured against their costs, and by focussing attention on the critical gross trading profit percentage emphasizes the importance of careful buying to reduce mark downs, etc., and yet maintain satisfactory net earnings positions. Management of this sort, particularly in the smaller independent stores, also implies an awareness of trends and competitive conditions in retail trade, thus tending to promote the openmindedness and flexibility to meet new problems with new methods and cope with them.

The economy of the country also gains from the extension of these benefits throughout retail trade. Improved managerial efficiency may well mean the provision of higher standards of living to those engaged in retailing. Under the pressure of competition lower prices can be passed on to consumers without impairing the earnings of other groups of individuals or producers, thereby increasing indirectly the purchasing power available for other commodities and services. Finally, reductions in business mortalities represents lowered credit losses and the decreased wastage of capital and effort invested by unsuccessful merchants in their retail businesses.

Methods of Making Survey and of Compiling Results.

As already indicated, the purpose of this survey of operating results was to obtain sufficient information from stores operated by individuals and partnerships to enable accurate overall estimates of their net earnings in 1941 and 1944 to be made for inclusion in National Income figures. This would have involved a coverage according to 1941 figures of some 124,000 stores -- far too many to permit a comprehensive survey of all stores.

It was therefore decided to obtain the results from a sample of these stores, some 17,000 being chosen for this purpose. These stores, although selected at random, were carefully distributed geographically to represent each province and each of the 28 important retail trades from which the information was needed. Not all firms were able readily to provide the required information while changes in business and other causes further reduced the sample. In addition, some of the reporting stores were able to supply figures for only 1944. In general, however, sufficient reports were received to enable overall net earnings' estimates to be made for both 1941 and 1944. Reductions in the size of the sample, however, prevented the preparation of tables showing 1941-1944 comparisons of operating results for some trades and in some cases also limited the extent to which average operating results could be broken down into sales size and "owned" and "rented" classifications.

Following completion of the editing process and the preparation of the National Income estimates, the schedules were re-processed for compilation of reports on operating results in the various kinds of retail business. In addition to the kind-of-business groupings, there were several ways in which the schedules could have been classified such as by size of business and method of occupancy, by provinces or regions by size of business, by size of locality by size of business, etc. Examination of the reports submitted for the different retail trades, however, indicated that in many instances the number of schedules was too small to enable many of these detailed classifications to be made. The reports were therefore grouped on a Canada-wide basis into size-of-business categories and within these by method of occupancy into "owned" and "rented" sub-divisions.

Statistical tables showing average operating results in 1944 for the various retail trades were then prepared. Here the results appear in five size-of-business groups for "owned" and for "rented" stores having 1944 sales volumes of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000, and sales of $50,000 and over. In some instances, however, the number of reports for "owned" or for "rented" stores was too small to justify the publication of figures for one of these types of occupancy.

Where possible tables were also prepared to present comparative and average figures on the results which identical groups of stores obtained in 1941 and 1944. Individual returns were therefore classified before tabulation into three size-of-business divisions and within these, between "owned" and "rented" establishments, according to the sales they made and the methods of occupancy they used in 1941, irrespective of their size of business or type of occupancy in 1944. Unfortunately, however, comparative statistics for both 1941 and 1944 cannot be published for some retail trades due to the limited numbers of reports giving information for both years. In other cases, comparative results for 1941 and 1944 are presented by size-of-business groups for only "owned" or "rented" stores, the sample in these instances being too small to permit statistics for one of these types of occupancy to be of much practical value.

A glance at the tables appearing in this report will reveal quickly the items for which statistics are given in the various size-of-business and occupancy columns. These are grouped into two sections, one designated as the "General Information" and the other as the "Profit and Loss Data" section.

The "General Information" section, as its name implies, consists of statistics useful as background material for interpreting the percentages shown in the following division of the tables. Nine individual items are here shown, consisting of figures on number of stores reporting, sales, inventories, cost of goods sold, and stock turnover in times per year. Apart from "Average Sales Per Store", "Average Inventory Per Store, End of Year", and "Stock Turnover (times per year)", the figures appearing in this section are the dollar totals of the amounts shown in the individual reports of the co-operating stores.

Items included in the "Profit and Loss Data" section consist of "Gross Trading Profit", "Employees' Salaries and Wages", "Rent", "Advertising", "Depreciation", "Other Operating Expenses", "Total Operating Expenses", "Proprietor's Net Earnings Before Income Taxes and Withdrawals", and "Average Proprietor's Net Earnings Per Store". Dollar figures for all of the above items with the exception of "Average Proprietor's Net Earnings Per Store" were of course compiled by sales-size and occupancy categories and were then expressed as percentages of the total sales reported by those groups of stores. In this way the percentages become averages for the several classes of unincorporated retail stores.

The explanations for the above terms are set forth later in this report under the sub-heading entitled "How The Retailer Can Use Information on Operating Costs". It can be noted here, however, that both the percentages and the dollar figures for proprietor's net earnings are weighted by the inclusion of two different elements. One of these comprises the proprietor's remuneration for managing the business -- an amount which would in fact have been charged as an expense against the store if the business had been incorporated or had been operated as a unit of a retail chain system -- while the second consists of the smaller and residual net profit element which compensates for capital invested and risked and for unusual merchandising abilities brought into play. Quite obviously the figures shown for net earnings considerably overstate the proprietor's 'net profits' because they also include the allowance for proprietor's managerial services. Questions were consequently included in the schedule to permit objective allowances to be made for these services but insufficient information was obtained to enable the two elements in proprietor's net returns to be separately presented. The final item on average net earnings per store is therefore shown in dollar figures in the tables, partly as an offset to the relatively high net earnings percentages revealed by the previous series and partly to enable the reader to make his own allowances for the two principal elements the net earnings figures contain.

Limitations to Information on Operating Results.

Many retailers may quite probably use the averages contained in the tables of this series of reports as information against which their own results can be compared and analyzed. Others may use the statistics in a broader way as indicators of distribution costs in the various retail trades. Both uses are of course quite proper but the information will serve these uses best when the limitations inherent in the figures are fully appreciated.

In the first instance it is important to note that the figures are based only on the results of unincorporated retail stores. The averages therefore do not reflect the results obtained by stores operating under the incorporated form of organization. The absence of these stores probably bears most heavily upon the representativeness of the averages for stores in the higher sales volume brackets in which incorporated stores are most frequently found. Quite apart from differences in the qualities of management between these two types of establishments, however, the figures for average sales and average year-end inventories per store, stock turnover, gross trading profits and percentages for rent, advertising, depreciation and all other operating expenses will be readily useful to incorporated store managements. Employees' salaries and wages and proprietor's net earnings before income taxes and withdrawals, on the other hand, are not comparable without adjustments with similar percentage figures for individual incorporated stores because allowances for proprietors' managerial services have been excluded from the former and included in the latter item.

In the second place, the figures on operating results are based upon returns from relatively restricted numbers of stores in the different retail trades under study. These samples, chosen at random, are presumed to give representation to the several factors which influence operating results, including differences arising from size of business, methods of occupancy, from the sizes of locality and provinces in which the stores are situated, from degrees of service provided to customers, merchandising policies and variations in the quality of store managements. Size of business and method of occupancy rank high among these factors and the tables were therefore prepared to show operating result averages for different sales-size and occupancy groups of stores. Within these breakdowns of the overall sample the remaining factors naturally tend to 'average out' in the Canada-wide operating averages presented.

The proper 'averaging-out' of the above variations is naturally dependent upon a sufficient number of reports being included to permit this process automatically to take place. Examination of the tables, however, will indicate that the number of usable reports included in the various sales-size and occupancy categories is often quite small, frequently representing less than ten stores. In such cases the results should be compared carefully with the results shown for other sales-size brackets to appraise consistencies in trends between the different groups. Where the results appear definitely out of line with these trends, the figures should be interpreted with considerable care because it is quite possible that the averages for that bracket are not typical of the average results for all stores of that size.

The 'averaging-out' within the different sales-size brackets of the factors which affect retail operating results, however, imposes certain limitations upon the use of operating cost information by individual merchants. This is because retailers wish to compare their own results with those obtained by stores as similar to their own as possible. With the tables set up in the present manner, retailers are able in part to do this because they can match their own results against those of stores in their own sales-size and occupancy classes. On the other hand, these overall figures also reflect the combined and average influences of location by provinces and by size of locality, of degrees of service provided and of merchandising policies followed. Individual retail stores, however, experience not the 'average', but rather the full effects of such factors in their operating results. Thus the overall percentages may well be quite accurate in what they represent and yet differ considerably from the experiences of many individual stores. Unfortunately the isolation of such influences would require a considerably larger number of reports than were received from the recent survey of operating costs.

An additional point arises in connection with the way average expense percentages for employees' salaries and wages, advertising and depreciation were built up. Some reports for instance did not show dollar amounts for one or two of these expense items. When no values were shown for the first two types of expenses, the practice was to accept the report on the assumption that the store required no paid help and in the case of advertising that no such expenditures were incurred. Where no amounts were shown for depreciation and no indication was given that any had been taken, the schedule was examined to see if the size of business justified further attention. If so, the firm was either corresponded with or an estimate was made for this item. In all cases, of course, the expense ratios represent the total dollar expense figures for each item in each individual classification expressed as percentages of the total sales reported by stores in that category. The expense percentages for these three items may therefore be slightly less than they would have been if only the sales of stores reporting full expense figures had been used.

How the Retailer Can Use Information on Operating Results

Mention has already been made of the conditions in retail trade which may prevail in the more normal peacetime period after the transition phase has been negotiated. This possible pattern of economic factors, it was suggested, may include a greater pressure of available supplies on retail and consumer markets, a relatively smaller unstimulated demand for those commodities, a greater competition in retailing associated quite probably with freer and often somewhat lower prices, and the possibilities of reduced percentages of gross trading profit, of lower individual store sales volumes for many kinds of independent stores, and of higher expense percentages. Such factors raise the question of how individual merchants can best utilize information on average operating results as a management tool in meeting their problems of transition and adjustment to changing economic conditions.

Use of operating cost averages in this way depends essentially upon comparing results of individual stores with those obtained by similar stores in the same kind of business. The retailers therefore should first determine from the tables the size of business and occupancy categories most similar to his own store. This may be done by comparing his own sales for the period with the sales-size brackets of the tables to determine his size category and by selecting the occupancy basis coinciding with that of his own business. He should next reduce his own financial items such as his stock turnover, his gross trading profits and his several expense categories to conform with those appearing in the tables and express these figures in ratio form -- for the most part as percentages of his own total net sales and receipts from services performed. He is then in a position to compare directly his own results with those which other more or less similar Canadian stores obtained in the same period.

"Number of Stores Reporting", the first item in the tables is also the first item to which the merchant should direct his attention. This figure, indicating the number of reports upon which the following percentages are based, is a good overall indicator of how typical those ratios may be of the entire class of stores they are presumed to represent. Such percentages, it will be recalled, become more accurate as overall measures of their class as the numbers of stores in the sample increases. Consequently the averages for particular categories where the number of reports is small should be compared with other brackets for consistency before those averages are applied against the results of the individual store.

"Average Sales Per Store" is a useful comparative figure because it gives the retailer an idea of the size of the 'average' store in each size-of-business bracket. With this information the merchant can identify the position of his store as either below, above, or at the sales-average point in his appropriate category. He can make the necessary allowances therefor when comparing figures for stock turnover and percentages for the various operating expenses and net earnings with his own results.

"Total Inventory Reported" as a section within the tables contains four items of which the first two and the last will be of considerable interest. The first two show total inventories of merchandise for resale of all reporting stores at the beginning and end of the year under review. Individual merchants can thereby take note of the dollar change in such stocks between the two dates which for the sake of convenience may be reduced to percentage form. This variation can then be compared with changes in their own inventory levels to indicate how their own experiences conform with the trend for the group.

"Average Inventory Per Store, End of Year", the last of such inventory items reduces the total end-of-year stocks of reporting retailers to a per store basis and thereby indicates the average amount of capital per store that was invested in stocks at that date. Admittedly these figures have been influenced by wartime conditions which have affected the quantities on hand, the commodity composition of the stocks and the cost prices on which the inventory valuations rest. Moreover, the value of inventories on hand at the end of the year is often an inadequate measure of the stocks which were maintained throughout the period because the end-of-year stocks for many trades tend to reach a relatively low point at that time. In view of such limitations, comparisons based on these averages reveal at the most the extent to which the merchant's residual and immediate supply position conforms with others in his own sales-size bracket. Under normal supply-demand conditions, however, such figures would probably provide on average a better indication of the more basic and minimum inventories which reporting retailers of that size feel were required at that time.

"Stock Turnover (times per year)" is the number of times that reporting stores disposed of their average inventories of merchandise in the year. For purposes of this report, it has been calculated by dividing the average of the total beginning and ending inventories at cost values into the "Cost of Goods Sold". The latter item itself is a computed one, being determined by adding beginning merchandise inventories to purchases and deducting stocks of goods left on hand at the year-end. Merchandise purchases here consists of the invoice value of all goods bought for resale during the year, less returns, allowances and cash and trade discounts, but including duty, inward freight, and express and truckage charges. Obviously the individual merchant must calculate his own stock turnover in the same way before valid comparisons can be made with similar stores. So computed, both stock turnover figures probably overstate the actual number of times the average inventory was disposed of since the beginning and ending inventory figures each reflect year-end valuations when stocks are frequently at their lowest. This does not impair the value of conclusions based on comparisons because the turnover figures for the individual store and sample group of stores are similarly affected.

Having computed his stock turnover in the above manner, the retailer may find the figure for his store somewhat lower than the average for the comparable group of retail establishments. The immediate explanation for this variation of course is that the merchant seemingly used a larger average inventory to obtain his sales volume than the sample of similarly-sized stores used to obtain theirs. The merchant's larger average inventory, in turn, may result from one of three situations, namely, that his opening inventory was higher than the beginning per store inventory for the group, that his ending inventory was larger than the ending per store inventory for the group, or that both his beginning and ending inventories were larger than that of the sample group of stores.

The first of these, that the retailer's opening inventory was out of line with the average for the group, may be determined by calculating the average per store beginning inventory for his class of store and then making a direct comparison. The merchant's larger beginning inventory may have been caused by the arrival of a comparatively large shipment of merchandise just before the year opened, or to other conditions applying more particularly to operations in the preceding year. The fact, however, that his end-of-year stocks were more closely in line with the average for his group not only indicates a liquidation of part of his inventories, but also suggests that the merchant enjoyed a higher rate of stock turnover during the latter part of the year than that of his class.

The second possibility, that his ending inventory exceeded the average for his group while his beginning stocks were more closely in line, could have been caused by several factors. Thus receipts of merchandise just before his financial year ended may have been sufficiently heavy to produce the comparatively larger inventory position. This would clearly reduce his calculated rate of stock turnover but it would not necessarily mean that his real turnover was lower than the average for his class. Another explanation is that the merchant experienced a lower volume of sales in the closing months of the year than he had expected, while his purchases of merchandise continued unchecked. Such a condition might be a matter of considerable concern, first because of the possibility of continued curtailments in sales and second, because the merchant would be facing a new financial year with a relatively heavy and perhaps unbalanced inventory position.

The third possibility, that the retailer's beginning and ending inventories were both higher than the average beginning and ending per store inventories for the group, from the merchant's viewpoint is probably most significant of all. Some retailers, of course, may end their fiscal years at times when due to seasonal factors their stocks are naturally quite high. In such instances an unreal comparison could result because most of the reporting stores terminated their accounting years at the end of December, January, or February when their stocks were comparatively low. In all other cases, however, such a state of affairs indicates quite definitely that the retailer is using a larger inventory to produce his sales than those used on the average by other stores in his class. For some stores, the size of the floor area or the use of mass displays of merchandise may require heavy but balanced stocks of goods; for others, the comparatively large inventories may result from the policy of purchasing in sizable quantities for quantity discounts, or for other reasons. Such inventories of course require the investment of additional capital in merchandise, but the retailers concerned may feel the risks to be justified in the light of the gains achieved. In other instances, however, the carrying of higher inventories may well suggest the presence in the inventory of unnecessarily large quantities of slow-moving goods which have accumulated over a considerable period. Here, the careful examination of the retailer's inventory position with a view to the clearance of the excessive stocks of particular items may be in order to minimize the possibilities of losses on eventual disposal, to make way for better stocks, and to release capital for more profitable investment in other ways.

"Gross Trading Profit", as has been pointed out earlier, is the difference between net sales of merchandise, including proprietor's withdrawals of goods and receipts from repairs and services, and the "Cost of Goods Sold". The latter item is calculated by adding beginning merchandise inventories to purchases and then subtracting the inventory of merchandise left over at the end of the period. Merchandise purchases, of course, represents the total invoice cost of the goods less returns, allowances and cash and trade discounts, but includes both duties levied on imported commodities and inward transportation charges. "Cost of Goods Sold" is therefore the cost value of the merchandise which was sold or otherwise disposed of while "Gross Trading Profit" is the gross income fund remaining from store receipts after the merchandise costs have been deducted.

The "Gross Trading Profit", then, arises directly out of the retailer's activities in buying, selling and managing his inventories of merchandise. As such, it can be considered in two ways, that is, the total amount of gross trading profits realized during the period and also the percentage rate at which they are made. To retailers, both aspects are important. The actual amount of such profits is significant because it is from this profit fund that the operating expenses must be deducted before the retailer can properly claim the net earnings which determine his standard of living. The percentage rate is of interest because it is a measure of his success in obtaining a satisfactory overall spread between merchandise costs and sales, and indicates what could reasonably be expected in the future from a given volume of sales.

In the tables, the gross trading profit is shown only as a percentage of sales, thereby setting forth average standards of performance for each of the size and occupancy classes of co-operating stores. These percentages therefore represent the overall maintained mark up on sales which, on average, was obtained by the reporting stores. Such ratios can also be expressed as percentages of cost of goods sold merely by expressing the gross profit percentage as a fraction of the remaining cost of goods sold percentage and multiplying by 100. For instance, if the gross profit forms 25 per cent of sales, the cost of goods sold would form 75 per cent of sales, and the maintained mark up on cost for the store then would be 25 per cent over 75 per cent times 100 per cent, or 33-1/3 per cent on the cost of goods sold.

To compare his own rate of gross trading profit with the average obtained by the reporting stores in his own group the retailer should be sure his gross profits have been calculated in the above manner and then expressed as a percentage of his total net sales including his receipts from repairs and other services rendered. Having done this, the retailer may find his own gross profit percentage, for instance, somewhat lower than the average for the reporting stores in his sales and occupancy group. He can then analyze his own trading activities to uncover by process of elimination the possible reasons for his seeming less-than-average performance.

One or more of a number of factors, together or singly, could depress the merchant's percentage of gross trading profits. On the selling side of the picture it is possible, for instance, that an unusually large proportion of the retailer's sales could have been concentrated in the lower-profit lines of merchandise; in other words, that he was not selling enough of the higher profit items to 'average-up' his gross trading profits. Competition may possibly have required the retailer to sell at relatively low selling prices and thus at relatively small original mark ups over cost values during the period under study. In some cases, merchants may have had satisfactory original mark ups but later on have marked down sharply the retail prices of various items for sales promotional purposes; in others, heavy mark downs may have been taken to clear excessive stocks of slow-moving goods, to sell merchandise depreciated by style changes or by the possible appearance of better goods to replace various types of wartime articles, or to dispose of perishable commodities before total losses were sustained.

Factors relating to purchasing for resale likewise could have had a downward influence on the gross profit percentage. Miscalculations in estimating the demand for certain lines of merchandise, for instance, could have been the original reason for some of the clearance mark downs just described. Difficulties in purchasing goods at cost prices sufficiently low to enable satisfactory original mark ups to competitive selling values to be obtained is another factor. This experience, of course, is at least partly common to other retailers in the same kind of business. Failure to take the full benefit of cash discounts also tends to reduce the gross trading profit percentage. Such discounts, although representing a worth while addition to the income of the business, will usually not of themselves cause any considerable change in the gross profit percentage.

A number of other factors may also be influential in producing a lower-than-average rate of gross profit. An over-valued beginning inventory, for instance, will cause a larger figure to be shown for cost of goods sold and thereby will reduce gross trading profits. An ending inventory that is under-valued, or one which has been written down in value due to lower cost prices or to depreciation in the quality of the merchandise, will also lead to the same result. Stock shortages, too, will have a similar effect. Here the retailer should perhaps compare his gross profit percentage with those for previous years to see whether a sudden or more gradual drop has been experienced. Merchandise withdrawn by proprietors or by employees as part payment for services rendered, will likewise depress the gross profit percentage if such amounts have not been included in sales at full retail values. In cases where cash receipts are considered as sales the withdrawal of cash by the proprietor without including it in his total receipts, or the transacting of an unusually large proportion of business on a credit basis near the end of the financial year, again will reduce the gross trading profit and its percentage for the year under review.

"Employees' Salaries and Wages", exclusive of all types of cash withdrawals by the individual retailer, may appear higher when expressed as a percentage of his total sales than the average obtained by reporting stores in his own size and occupancy group. Such a situation could mean that the merchant's employees are not as productive of sales volume in proportion to their salaries and wages as those of similar stores. This might result from the fact that the retailer is paying them at higher rates of pay than other merchants in his class. Alternatively, the retailer could be using more full-time and fewer part-time workers than the comparable outlets, or is relying more on male employees than was true of the group of similar reporting stores.

The types of services provided by the retailer to his customers might also be an explanation. Some of these extended on a non-charge basis, such as free delivery, the provision of credit, the making of adjustments and alterations, etc., could have increased the routine work of the store sufficiently to require additional help. Certain other services performed on a charge basis, such as repairs, etc., could also increase staff requirements, even though profitable revenues were obtained.

Certain peculiarities in the retailer's business may also account for the higher-than-average percentage for salaries and wages. If the merchant is conducting a mixed business or, in other words, is operating another business besides his retail store, he may have allocated too high a proportion of his salaries and wages to his store. On the other hand, the proprietor may be giving more of his attention to the other activity, relying to a greater extent on paid help to operate his store.

In some instances the merchant's higher payroll percentage may reflect peculiarities of some of the stores included in the different sample groups of stores. Probably the most important of these is the likelihood that some of the reporting stores may have been relying in part at least on family members for store help. Some of these individuals may not receive any regular wages and others may be paid at less than going rates of pay for their services. The inclusion of these stores in the sample therefore would result in a somewhat lower salary and wage percentage than otherwise would have been shown. In general, however, these peculiarities to the extent that they do exist will probably be most pronounced in the smaller size-of-business groups of stores.

"Rent", when expressed as a percentage of the retailer's total sales may also appear higher than the average for comparable stores. Some allowance, though, should be made for such differences, particularly when merchants who are comparing their results are situated in the larger centers of population. This is because the reporting stores represent the various sizes of locality, including the larger cities in which dollar rents often tend to be somewhat higher than in the smaller places. In the tables, however, these higher rents are 'averaged down' by the lower rental experiences of stores in the smaller localities.

When due regard has been paid to this fact, it may be true that the merchant's rental percentage is still above the average for his group,- in other words that he is not obtaining as large a sales volume per dollar of rent expense as the comparable stores obtained. Several factors, of course, can account for his less-than-average performance. Among these is the possibility that especially severe competition or lack of aggressive promotion may be keeping the retailer's sales volume down; that he has been in business for a relatively short time and has not yet built up his sales volume to the potential his location offers; or that the merchant is situated in a city with particularly high commercial rentals. In other cases, the merchant may be renting more than the space required for his store and yet be charging the full rent to the store business. Here the comparison may not be as adverse as it seems when the proportionate amount of rent is charged against the store.

"Advertising", shown in the tables as average percentages of sales, is based on the sales of all stores in the several categories even though some stores may not have incurred any advertising expenses. This clearly would reduce the average advertising expense ratios below what would have been the average for the stores that advertised, and hence should be allowed for in making comparisons. As in other cases, a higher-than-average advertising expense ratio may be due to a number of possibilities requiring analysis by the merchant concerned. Thus he may have been trying to expand his sales volume through advertising and deliberately incurring high initial expenses for such publicity. Special clearance sales may have been held which required higher-than-average advertising expenditures, or perhaps he found it necessary to advertise heavily as a defensive measure against especially severe competition which may have featured his trading locality. There is also the further possibility that due to various reasons his advertising is not producing the extra business that it should.

"Depreciation", as percentages of total sales, measures the extent to which the owned fixed assets of the store -- including the value of new additions or replacements -- have decreased in value by wear and tear, by getting out of date, or simply by growing older. This of course is a real expense of the business even though it does not immediately involve cash expenditures, for the business man should recover his capital either for investment in new assets or for other uses. The size of this expense obviously depends upon whether the store building is owned or rented, the original costs and types of the fixed assets which are owned, and the rate at which those assets are being written off.

. Not all of the co-operating stores reported allowances for depreciation. In some instances, at least, this may have been due to the fact that the fixed assets had already been written off. Quite possibly, the wartime scarcities of equipment, materials and labour may often have prevented replacement or renovation of the fixed assets, thus depressing the depreciation expense percentages below what they would have been in normal times. In other instances where no depreciation was shown, a corrected figure was obtained for depreciation or alternatively an estimate was entered in the tabulations for this expense. In general where correspondence with reporting stores was undertaken the following rates were suggested for consideration: on cost of building, a maximum of 5 per cent if of wood, and of 2-1/2 per cent if of brick or stone; on delivery equipment, 25 per cent of cost for the first year and 20 per cent thereafter; on fixtures, a maximum of 5 per cent; and on machinery, of 10 per cent per year.

In comparing his own depreciation expense percentage with those shown in the tables, the retailer should recognize that the averages are somewhat lower, frequently in the smaller size groups, than they would have been if only stores reporting depreciation allowances had been taken. If the merchant's depreciation ratio still appears high it is very likely due to certain factors peculiar to his own business. Thus his fixed assets may be more elaborate; their original cost may have been greater; some of them may have been purchased more recently; or the rates of depreciation used may have been higher. In any event the element of depreciation is there, and the rate of allowing for it can only vary on a sound basis between fairly narrow limits.

"Other Operating Expenses", comprise all legitimate expenses still remaining, and include heat, light and power, store supplies, taxes other than income taxes, business insurance, losses on bad debts, repairs and maintenance, interest on borrowed money, etc., but do not include proprietor's salaries or withdrawals. As such it is unfortunately too mixed an expense category to permit a detailed analysis of the reasons for the difference btween the individual retailer's expense ratio and that of his group. Furthermore the merchant must make an allowance for a reasonable difference between the two expense percentages because of the varying experiences of stores reporting their "all other operating expenses". If his own percentage is still somewhat higher than the average, however, the retailer may well check through his residual expenses to determine the reasons for them and to assess the possibilities of effecting certain reductions in the future.

"Total Operating Expenses", when expressed as a percentage of the store's total sales, is of course merely the sum of the individual expense percentages previously discussed. The difference between the individual merchant's total expense ratio and that of his group is consequently the net result of the variations he finds between his own individual expense items and the averages for his comparable group of stores. These differences could quite possibly cancel each other out to leave the retailer's total expense ratio closely approaching the average for the category against which it is compared. Clearly, however, this does not mean that no opportunities exist for a curtailment in total operating expenses by a careful examination of the individual expenses which were incurred.

"Proprietor's Net Earnings Before Income Taxes and Withdrawals" is obviously the final result and financial objective of the retailer's merchandising activities. In percentage form it is the measure of the merchant's success in keeping his gross trading profit and his total operating expenses sufficiently far apart to yield a positive percentage of net earnings which is, of course, exclusive of non-trading incomes such as return on investments, rentals received and so forth. If, then, the retailer's percentage of net earnings is less-than-average, it must be due to either one - or both - of two factors: i.e., a lower-than-average gross trading profit percentage, or a higher-than-average total operating expense ratio, the possible causes of which have already been commented upon.

"Average Proprietor's Net Earnings Per Store", as already explained, consists of the total reported net earnings divided by the number of co-operating stores. Expressed as a percentage of total net sales, this item will frequently appear large. This is because it contains two dissimilar and unmeasured elements, one being the remuneration usually thought of as the proprietor's real salary for managing the business, the other consisting of the net trading profits which are in turn made up of a legitimate reward for exceptional merchandising abilities and a return on capital invested - and risked - in the enterprise. Allowances must therefore be made in the dollar figures shown in this item for the proprietor's managerial services before the real profitability of the individual store or the comparable group of stores can be appraised.

Discussion in this section, it will be noted, has dealt with three phases of the problem of "How The Retailer Can Use Information On Operating Results" in studying his stock turnover and his various profit and expense items. First has come an explanation of what each item is and how it is made up. Then it was assumed, for purposes of comparison only, that the retailer's results were inferior to the average for his comparable class of stores. This, in turn, was followed by a discussion of the possible operating factors which might have caused the poorer results. Many of these factors, however, would have resulted in average or better-than-average performances being obtained if their direction had been reversed. For this reason, therefore, no attempt was made to analyze the reasons for higher-than-average operating results.

Finally, it will be observed that no recommendations were made for the correction of adverse conditions. Frequently such conditions, such as particularly severe competition, are in fact hard realities which must be faced. Here, as in other cases, analysis based on facts and imagination must be relied upon to solve many of the individual problems of retail managements.

PART II - COUNTRY GENERAL STORES

Trends by Size of Business, 1944

Country general stores as defined in the Census are located in places of less than 2,000 population and carry a general line of merchandise. Food products are sold in important quantities but if their sale amounts to as much as 80 per cent of the total business the store is considered to be a grocery rather than a country general store. Men's and women's apparel, dry goods, shoes, hardware products and tobacco products are other important types of commodities which are handled by this trade.

An analysis of the goods carried by the country general stores reporting their sales by types of products in the 1941 Census of Merchandising well illustrates the multitude of individual products they usually carry. Food items bulked heaviest with 43 per cent of total sales, but men's and women's clothing together formed 12 per cent; dry goods, 4 per cent; footwear, 5 per cent; hardware 5 per cent, and tobacco products, 4 per cent of sales. Other products handled in fairly important amounts consisted of such lines as hay, straw, grain and feed at nearly 6 per cent of sales; gasoline, lubricating oils and greases at 4 per cent; household supplies at 3 per cent; building materials, and paints, varnishes and glass at nearly 2 per cent for each, and drugs, drug sundries, toilet articles and preparations at 2 per cent. The remaining 8 per cent of total sales was made up of a great diversity of items including farm and garden equipment and supplies, automobile parts and accessories, fuel, furniture, house furnishings, and miscellaneous merchandise.

These stores, it may be noted, play an important part in Canada's system of retail distribution. In 1941, for instance, there were 11,917 country general stores in Canada making total sales of $214,747,800 to consumers in that year. In terms of employment their contributions were equally noteworthy for they provided gainful occupations for nearly 11,900 proprietors, and for some 15,300 employees who received a total of $9,309,000 in salaries and wages.

Turning now to the results of the recent survey of operating costs, 169 usable schedules for 1944 were received from co-operating country general stores. These were sorted into five groupings according to size of business and each was further divided into owned and rented stores to produce ten sales and occupancy classes of stores. Here it was found that only 2, 3 and 5 reports for rented establishments were included in the less than $10,000, the $20,000 to $30,000 and in the $50,000 and over sizes of stores, numbers far too small to permit averages to be shown. Table 1 therefore presents statistics for only seven of the ten sales and occupancy groupings where the samples ranged between 15 and 29 reports to a classification.

Stock turnover faster in bigger country general stores

According to the figures presented in that table, the average rates of stock turnover varied for the seven classes of stores between 2.6 and 5.2 times in 1944. Here, it is clearly apparent that the larger general stores turned over their average inventories of merchandise more frequently than did the smaller ones. Such a trend of course merely means that in progressing from the smaller to the larger sizes of stores, the average sales per outlet expanded much faster than did the average inventories. This relationship is illustrated most clearly by the jump from a stock turnover of 2.6 times for owned stores in the less than $10,000 size to 4.4 times in the $10,000 to $20,000 size of business. Average sales here increased from $6,278 to $15,706 per store or roughly by about 150 per cent while average inventories rose from $2,093 to $3,279 per outlet or by only 57 per cent. Thereafter the stock turnover for owned outlets dropped slightly to 4.1 times in the $20,000 to $30,000 store size to increase finally to 5.1 and 5.2 times in the $30,000 to $50,000 and the $50,000 and over sizes of business.

These rates of stock turnover, it may be noted, are considerably lower than the corresponding averages for grocery stores which ranged between 6.7 and 13.4 times in the same year. On the other hand, the reporting country general stores obtained substantially higher rates of turnover than the averages which the reporting men's, women's and family clothing stores experienced during that period. In this respect, of course, the rates of turnover recorded by general stores were influenced upward by their substantial trade in fast-selling food products and downward by their sales of slower moving lines of apparel and other goods.

Indicating the substantial amounts of capital invested in merchandise stocks, the average ending inventories of country general stores ranged between $2,093 and $15,811 per store at the close of 1944. These averages expanded consistently as the businesses became larger, a reflection of the greater quantities of goods required to support the higher sales volumes. Inventory levels, it will be observed, were uniformly larger at the end of 1944 than at its beginning, the overall increase for all five size classes of owned stores amounting in fact to about 7 per cent over total inventories reported for the beginning of the year. By size of business, however, the gains for owned stores were quite irregular; moving from the smallest to the largest sales groupings the average gains amounted to 5, 11, 4, 8 and 7 per cent over beginning inventories.

Gross trading profits average between 13.8 and 16.9 per cent of sales

Average rates of gross trading profit for the seven classes of country general stores varied between a low of 13.8 and a high of 16.9 per cent of sales in 1944. For the five groupings of owned stores gross profits were highest in the less than $10,000 sales size at 16.7 per cent of sales. From that point, the ratio dropped sharply to 13.8 per cent for stores with sales between $10,000 and $20,000 and then stabilized at 14.6, 14.2 and 14.4 per cent of sales for the three larger sizes of stores. These rates of gross profit, it is interesting to note, were relatively close to those obtained by grocery outlets whose averages for nine sales and occupancy groupings of stores ranged in 1944 between 13.0 and 18.8 per cent of sales. This similarity probably arose partly from the fairly high proportion of food products the reporting general stores were handling and partly from the fact that many of their other lines of merchandise being mainly staple types of merchandise were also probably sold at relatively low rates of gross profit.

Bigger stores had the higher payroll ratios

Among the operating expenses, the seven ratios for employees' salaries and wages varied in 1944 between 1.4 and 4.5 per cent of sales. With but one exception, the five ratios for owned establishments were higher for the bigger stores, a natural trend because the proprietors of the larger general stores probably accounted personally for smaller shares of the greater selling and indirect types of work. Thus beginning with the average of 1.4 per cent in the $10,000 to $20,000 store size, the progression moved upward to 2.1, 3.1, and finally to 4.5 per cent of sales in the largest size of business. The considerable increase from 3.1 per cent in the $30,000 to $50,000 grouping to 4.5 per cent in the $50,000 and over sales size probably reflects the sharp gain in store sales, for average sales in the former category amounted to $40,913 per outlet against an average of $93,464 per unit in the largest size of business. The apparent exception mentioned earlier occurred in the less than $10,000 store size where the ratio stood at 2.0 per cent against 1.4 per cent in the next larger size. This probably resulted from the presence of a number of erratic payroll experiences in the smallest sales size which may have included several cases where general stores were operating without active proprietors and hence were incurring somewhat higher salary and wage costs.

Average percentages for rentals were shown for only two sizes of business for 1944. These, amounting to 1.8 and 0.9 per cent of sales in the $10,000 to $20,000 and $30,000 to $50,000 sales sizes exhibited the usual pattern and decreased as the stores became larger. Advertising expenses were low for all seven sales and occupancy classes of general stores in 1944. In one case the ratio was less than 0.1 per cent of sales and hence was too small to report while in five others it averaged only 0.1 and in the seventh it amounted to only 0.2 per cent of sales.

Depreciation percentages declined as stores became larger

Depreciation allowances in dollar figures are of course relatively fixed in nature because they are based upon the value of the physical assets such as buildings, fixtures and equipment employed in the business. These assets are generally used more intensively as sales increase and hence in percentage terms the allowances are spread more thinly over the larger volume of sales. It is therefore not surprising to find that the average ratios for depreciation for the five classes of owned general stores were somewhat lower for the bigger establishments in 1944, the percentages dropping from 1.1 per cent in the less than $10,000 sales size to 0.4 per cent of sales for stores with sales of $50,000 or over. By type of occupancy, the percentages for depreciation are usually higher for the owned stores. In the two cases shown in the table, however, the relationship is reversed, the averages standing at 0.7 and 0.8 per cent for owned and rented stores in the $10,000 to $20,000, and at 0.5 and 0.8 per cent of sales in the $30,000 to $50,000 size of business. These may result from the presence of certain erratic experiences in the two groupings of stores but further studies are obviously required to establish accurate comparisons between owned and rented general stores.

Other operating expenses include such costs of doing business as supplies, communications, taxes other than income taxes, insurance, light, heat and power, repairs, bad debt losses, interest on borrowed money and sundry expenses. Some of these, such as supplies, communications, taxes, insurance, etc., were commonly experienced and therefore were probably included quite uniformly in the totals reported. Others, such as repairs, interest on borrowed money, etc., may not have been encountered so generally and probably were not so consistently included in the dollar totals. With only one exception, nevertheless, the percentages were lower for the larger sizes of country general stores than for the smaller ones in 1944. For owned establishments the series started with the average of 4.8 per cent of sales in the less than $10,000 sales size, dropped to 3.8 in the next, rose rather sharply against the trend to 5.0 per cent in the $20,000 to $30,000 sales grouping and then receded to 3.7 and 3.5 per cent in the two largest sizes of business. In the case of the two averages for rented stores, the pattern is again apparent, the ratio dropping from 3.4 per cent in the $10,000 to $20,000, to 3.0 per cent for stores with sales between $30,000 and $50,000 in 1944. These percentages, it will also be observed, were somewhat lower than the averages of 3.8 and 3.7 per cent recorded by their owned counterparts in the same sizes of business a fact probably due to the higher content of such occupancy costs as taxes, repairs, etc., in the other expenses of the owned establishments.

Total expense ratios higher for the larger stores

Total operating expenses, summarizing the trends in the expenses just described, varied for the seven sales and occupancy classes of stores between 6.0 and 9.4 per cent of sales in 1944. By size of business the general trend was for the larger stores to have the higher rates of total expense, although the upward movement was quite irregular in nature. Thus moving from the smallest to the largest sizes of owned outlets, the ratio dropped from 7.9 per cent in the smallest to 6.0 per cent in the $10,000 to $20,000 sales size, increased to 7.8 per cent in the next, then declined to 7.4 per cent in the $30,000 to $50,000 grouping to rise finally to 8.5 per cent for stores having sales of $50,000 or over. The sharp drop from 7.9 per cent in the smallest to 6.0 per cent in the next larger store size partly reflected the unusual drop in the payroll ratios and partly the decline in the ratios for other operating expenses, while the small decline from 7.8 to 7.4 per cent between the $20,000 to $30,000 and the $30,000 to $50,000 sales sizes was caused mainly by the decrease in the average for other operating expenses which more than offset the gain in the payroll ratios. These irregularities, however, would have ironed themselves out into progressively larger percentages if the five sizes of business had been reduced to three groupings for stores having sales of less than $20,000, between $20,000 and $50,000 and over $50,000 in the year under review.

The larger stores had the lower net earnings ratios

Proprietor's net earnings before income taxes and withdrawals include both the rewards for the operator's services and his returns in the form of net trading profits. So defined, net earnings as percentages of sales were for the most part smaller in the larger sizes of stores. For owned establishments this was due partly to the generally upward movement in the total expense percentages and partly to the fact that irregularities in the size-of-business pattern for these ratios were offset by opposing variations in the gross trading profit percentages. Thus net earnings dropped from 8.8 per cent in the smallest sales size to 7.8 per cent in the $10,000 to $20,000 sales class, flattened out at the lower figure of 6.8 per cent in the two larger groupings and receded finally to 5.9 per cent of sales for stores having sales of $50,000 or over. In the case of the two averages for rented general stores a similar trend is apparent, the net earnings percentage dropping from 9.1 per cent in the $10,000 to $20,000 store size to 6.4 per cent in the $30,000 to $50,000 sales category.

In spite of the downward trend in the ratios, however, the dollar averages for net earnings expanded steadily from the smaller to the larger sizes of general stores. Moving from the smallest to the largest sizes of owned establishments, the averages rose from $550 per store in the less than $10,000 sales grouping to $1,226, $1,682, $2,790, and $5,503 per outlet in the four larger sizes of business. The sharp gain in dollar net earnings between the two largest sales classes was due of course to the pronounced gain in sales volumes, for average sales per store rose from $40,913 in the $30,000 to $50,000 to $93,464 in the $50,000 and over classification.

Operating Results of Continuing Stores in 1941 and 1944 Compared

Only 89 out of the 169 usable schedules received from country general stores co-operating in the recent survey of operating results gave figures for both 1941 and 1944. When these were sorted into the three enlarged sales classifications and then broken down between owned and rented establishments, however, only 3 schedules were included in the $50,000 and over sales size for rented stores. Statistics are therefore presented in Table 2 for only five of the six sales and occupancy classes of stores. In three of these the samples are rather small with only 8, 10 and 11 reports forming the basis for the figures on operating results.

It is important to note that for Table 2 the schedules were assigned to their sales sizes for both 1941 and 1944 entirely on the basis of the sales reported for 1941 regardless of the dollar volumes they obtained in the later year. For Table 1, on the other hand, the schedules were classified into their sizes of business by the sales they gave for 1944. Resulting from this procedure, the averages appearing in Table 1 are not directly comparable with those given in Table 2 for the same year. This is because the schedules making up, for instance, the $50,000 and over store size in Table 1 may, and probably do, differ somewhat from the individual reports included in the same sales grouping for 1944 in Table 2. Nevertheless, the method used in sorting the schedules for the latter table does permit the trends in operating results between the two years to be determined for identical and continuing stores. These trends, however, are not necessarily accurate indicators of the average experiences of all such stores because the samples are too small to enable this projection to be made.

Turning now to the statistics presented in that table, a glance at the sales totals is sufficient to indicate the marked increases which the continuing stores experienced between 1941 and 1944. These in fact amounted to about 48, 46 and 68 per cent over 1941 levels for the less than $20,000, the $20,000 to $50,000 and the $50,000 and over sales sizes of owned stores, and to about 62 and 28 per cent for the two smallest sizes of rented outlets. Such gains represented a total increase of 54 per cent for the owned and of 50 per cent for both owned and rented stores. Against these must be set the increase of 39 per cent shown in the Bureau's indexes for a much larger sample of continuing general stores. It is obvious, therefore, that quite a number of stores reporting in the recent survey experienced sales gains considerably above many of those included in the Bureau's sample for monthly sales trends.

Inventory turnover was faster in 1944 than 1941

In view of the substantial gains in sales, it is not surprising to find that the reporting general stores turned over their average inventories of merchandise at considerably faster rates in the later year. This was true of all five of the sales and occupancy classes of stores. Thus for 1941 the five averages ranged between 2.4 and 3.6 times per year and for 1944 between the higher outside limits of 3.5 and 6.2 times per year. This upward shift in rates of stock turnover, however, was partly caused by changes in inventory positions. In the two smaller sizes of owned stores, average inventories per store at the end of 1944 were valued at 5 and 3 per cent higher than at the close of 1941 while in the largest a decrease of about 2 per cent was recorded. For rented establishments with sales of less than $20,000, the average ending inventory was almost 7 per cent higher but in the $20,000 to $50,000 sales class a decrease of about 29 per cent occurred. The three increases were much smaller than the expansions in sales and like the declines in the other two sizes contributed to faster turnovers of average inventories in 1944. In summary, the five figures for average inventories ranged between $3,943 and $16,089 per store in 1941 against outside limits of $3,758 and $15,811 in the later period, and by size of business moved steadily higher in both years as the stores became larger.

Gross profit ratios averaged lower in 1944 for reporting stores

Gross trading profits as percentages of sales varied for the five sales and occupancy classes of stores between 14.4 and 19.0 per cent of sales in 1941 and between 14.7 and 19.2 per cent in 1944. The greatest changes between the two years occurred in the $20,000 to $50,000 grouping for rented stores and in the less than $20,000 and the $50,000 and over sales sizes for owned establishments where the ratios declined from 17.1 to 15.9 per cent, from 17.2 to 16.1 and from 16.0 to 15.0 per cent, respectively. In the other two categories, however, the average rates of gross trading profits remained virtually unchanged from their 1941 levels. These decreases are made all the more pointed by the fact that the reporting grocery and combination grocery and meat stores also experienced lower rates of gross profit in the more recent year. Nevertheless it would require a considerably larger number of reports to establish with finality the direction and extent of the trends here indicated.

Declines featured all of the five sets of percentage averages for total operating expenses, the contractions in four of them ranging between 0.9 and 1.8 percentage points and representing decreases varying between 10 and 19 per cent from the 1941 rates of total operating expenses. Overall the five series of ratios for total expenses ranged between outside limits of 8.4 and 10.2 per cent of sales in 1941 and between 6.9 and 8.6 per cent of sales in 1944. By size of business, moreover, the total expense percentages followed the usual pattern and were higher for the bigger stores in both years.

Higher net earnings percentages experienced in 1944

Incorporating the results of changes in the ratios for gross trading profits and total operating expenses, proprietor's net earnings before income taxes and withdrawals when expressed as percentages of sales were higher in three of the five groupings of stores in 1944 than in 1941. These gains were recorded by rented stores in the smallest, and by owned establishments in the $20,000 to $50,000 and $50,000 and over sizes of business where the averages moved up from 10.5 to 12.3 per cent, from 5.7 to 6.2 per cent and from 5.8 to 6.6 per cent, respectively. For the other two classifications, however, the ratios were practically unchanged from their previous levels. In summary, the five net earning percentages varied between 5.7 and 10.5 per cent of sales in the earlier and between 6.2 and 12.3 per cent in the later period. When expressed in dollar figures average earnings per store were all much higher in 1944, and resulted mainly from the much larger sales volumes which were experienced in the more recent period. In this regard, the averages for owned stores ranged upward by size of business from $993 to $3,921 per store for 1941, and from $1,442 to $7,456 per store for 1944.

Payroll percentages tended to remain fairly stable

Among the several types of operating expenses, the ratios for employees' salaries and wages for the most part showed little change from 1941 levels. The experiences of owned stores with 1941 sales of $50,000 or more, however, differed somewhat from the general trend because their payroll ratio declined from 5.6 per cent in 1941 to 4.8 per cent in the later period. Overall, the percentages ranged between 1.5 and 5.6 per cent in 1941 and between 1.7 and 4.8 per cent of sales in 1944. In all cases, however, the substantial increases in sales between the two years meant that the reporting stores were actually paying out considerably more in payroll in the later period. By size of business, the payroll ratios adhered to the usual pattern with the larger stores in both years having the higher rates of expenditure for salaries and wages.

Rentals amounted to 2.7 and 1.4 per cent of the sales of rented stores with sales of less than $20,000 and $20,000 to $50,000 in 1941 and to 1.8 and 1.0 per cent of dollar volumes for these two size groupings in 1944. This, of course, is a natural trend for rentals are fixed dollar outlays and hence formed smaller fractions of the expanded sales volumes which were obtained in the more recent period.

Advertising costs as percentages were very small in 1941 and 1944 with the averages ranging between less than 0.1 and 0.2 per cent of sales in both periods. Depreciation allowances, on the other hand, were somewhat greater, the five averages varying between 0.6 and 1.1 per cent of sales in 1941 against outside limits of 0.3 and 0.9 per cent of sales in 1944 and were all somewhat lower in the more recent year. In view of the increases in sales which the reporting general stores experienced, however, it is probable that for many of them the dollar allowances were actually greater in 1944. By size of business the depreciation expense percentages were smaller in both years for the bigger retail outlets. The depreciation averages for the owned general stores, moreover, were larger than those of their rented counterparts in three of the four cases in which comparisons can be made.

Other operating expenses, the category which includes all remaining costs of operation, were lower as percentages of sales in three of the five groupings of general stores in 1944 and virtually unchanged in the two other cases. These averages ranged between 3.0 and 5.4 per cent of sales in the former year and between 2.8 and 4.5 per cent in the later period. By size of business the ratios in both years decreased as the store sizes became larger. Reflecting the higher content of occupancy costs, the other expense ratios for owned stores were higher in both years than those which the rented establishments experienced.

Table 1.--Country General Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	27		22	15
2. Total Sales	$169,513		$345,541	$234,891
3. Average Sales Per Store	6,278		15,706	15,659
Total Inventory Reported,		SAMPLE		
4. Beginning of Year	53,620		64,742	45,141
5. End of Year	56,522	TOO	72,141	51,500
6. Average for Year	55,071		68,442	48,321
Average Inventory Per Store,		SMALL		
7. End of Year	2,093		3,279	3,433
8. Cost of Goods Sold	141,204		297,856	195,194
9. Stock Turnover (times per year) ..	2.6		4.4	4.0
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	16.7		13.8	16.9
Operating Expenses:				
11. Employees' Salaries and Wages ..	2.0		1.4	1.7
12. Rent	-	SAMPLE	-	1.8
13. Advertising	(a)		0.1	0.1
14. Depreciation	1.1	TOO	0.7	0.8
15. Other Operating Expenses	4.8		3.8	3.4
		SMALL		
16. Total Operating Expenses	7.9		6.0	7.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	8.8		7.8	9.1
18. Average Proprietor's Net Earnings Per Store	$550		$1,226	$1,426

(a) Less than .05 per cent.

Table 1.--Country General Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
25	SAMPLE TOO SMALL	24	17	29	SAMPLE TOO SMALL	1.
$619,418		$981,906	$660,739	$2,710,445		2.
24,777		40,913	38,867	93,464		3.
126,104		160,705	118,932	429,370		4.
130,987		172,826	124,992	458,531		5.
128,546		166,766	121,962	443,951		6.
5,239		7,201	7,352	15,811		7.
528,983		842,475	556,342	2,320,141		8.
4.1		5.1	4.6	5.2		9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
14.6		14.2	15.8	14.4		10.
2.1	SAMPLE TOO SMALL	3.1	4.5	4.5	SAMPLE TOO SMALL	11.
-		-	0.9	-		12.
0.1		0.1	0.2	0.1		13.
0.6		0.5	0.8	0.4		14.
5.0		3.7	3.0	3.5		15.
7.8		7.4	9.4	8.5		16.
6.8		6.8	6.4	5.9		17.
$1,682		$2,790	$2,475	$5,503		18.

Table 2.--Country General Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	32	8	32	8
2. Total Sales	$359,016	$84,109	$530,403	$136,150
3. Average Sales Per Store	11,219	10,514	16,575	17,019
Total Inventory Reported,				
4. Beginning of Year	118,127	26,489	124,432	25,307
5. End of Year	126,184	28,231	133,000	30,062
6. Average for Year	122,156	27,360	128,716	27,685
Average Inventory Per Store,				
7. End of Year	3,943	5,529	4,156	3,758
8. Cost of Goods Sold	297,265	68,128	445,008	110,009
9. Stock Turnover (times per year)..	2.4	2.5	3.5	4.0
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	17.2	19.0	16.1	19.2
Operating Expenses:				
11. Employees' Salaries and Wages .	1.8	1.5	1.9	1.7
12. Rent	-	2.7	-	1.8
13. Advertising	0.2	(a)	0.1	(a)
14. Depreciation	1.0	1.1	0.9	0.6
15. Other Operating Expenses	5.4	3.2	4.5	2.8
16. Total Operating Expenses	8.4	8.5	7.4	6.9
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ..	8.8	10.5	8.7	12.3
18. Average Proprietor's Net Earnings Per Store	$993	$1,106	$1,442	$2,092

(a) Less than .05 per cent.

Table 2.--Country General Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
25	11	25	11	10		10		1.
$791,534	$337,468	$1,152,243	$431,021	$668,740		$1,121,345		2.
31,661	30,679	46,090	39,184	66,874	SAMPLE	112,135	SAMPLE	3.
195,689	86,465	202,356	82,772	148,275		150,793		4.
211,551	125,058	218,856	89,405	160,889	TOO	158,111	TOO	5.
203,620	105,762	210,596	86,089	154,582		154,452		6.
8,462	11,369	8,754	8,128	16,089	SMALL	15,811	SMALL	7.
677,553	279,761	982,863	362,489	561,742		953,143		8.
3.3	2.6	4.7	4.2	3.6		6.2		9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
14.4	17.1	14.7	15.9	16.0		15.0		10.
3.4	4.3	3.6	4.2	5.6		4.8		11.
-	1.4	-	1.0	-	SAMPLE	-	SAMPLE	12.
0.1	0.2	0.1	0.2	0.1		0.1		13.
0.8	0.6	0.6	0.3	0.6	TOO	0.4	TOO	14.
4.4	3.0	4.2	2.9	3.9		3.1		15.
8.7	9.5	8.5	8.6	10.2	SMALL	8.4	SMALL	16.
5.7	7.6	6.2	7.3	5.8		6.6		17.
$1,809	$2,342	$2,876	$2,847	$3,921		$7,456		18.

PART III - GENERAL MERCHANDISE AND DRY GOODS STORES

Trends by Size of Business, 1944

General merchandise and dry goods stores, according to the definition used in the 1941 Census of Merchandising, comprises two different types of business. One represents stores located in places of 2,000 population or over and selling a general line of goods which usually includes food products. Such establishments would be classed as country general stores if they were situated in places having less than 2,000 persons. The second type consists of a number of stores specializing in the sale of piece goods.

As a further description, the percentage distribution of the sales of general merchandise stores reporting their sales by commodities in the 1941 Census may be of interest. Dry goods and notions comprising piece goods, bedding and house linens and notions and smallwares bulked heaviest with 29 per cent of their total sales. Food products were also important at 17.3 per cent of sales while household supplies formed 1.5 and tobacco products 1.1 per cent of total dollar volume. Women's, misses' and children's apparel equalled the 17.3 per cent recorded for food products and this was followed by men's and boys' clothing at 8.3 and by footwear at 2.7 per cent of total sales. House furnishings also made an important contribution which amounted to 5.4 per cent of the total trade. The remaining 17.4 per cent was spread over a wide range of goods, including hardware at 2.5 per cent; fuel at 1.6 per cent; furniture, 1.5 per cent; paints and varnishes, 0.8 per cent; radios and electrical appliances and supplies, 0.6 per cent, and miscellaneous merchandise at 10.4 per cent of the total sales so analyzed.

Goods sold by country general and general merchandise stores

Since both country general and general merchandise and dry goods stores handle such a diversity of merchandise a comparison of the commodity distributions of their sales may be informative. Country general stores situated in places of less than 2,000 population tend naturally to concentrate more on the staple lines of goods required by their farm and other rural customers. Food products, household supplies and tobaccos therefore bulked heavier, forming about 43, 3 and 4 per cent of their sales against corresponding figures of 17, 2 and 1 per cent for general merchandise stores located in the larger centers. Footwear made up 5 per cent of the dollar turnover of the country stores and only 3 per cent in the sales volume of the general merchandise establishments. Similarly, hardware and paints comprised 5 and 2 per cent of country general store sales against 3 and slightly less than 1 per cent of the trade of their more urban counterparts. Gasoline and its related products, and hay, straw, grain and feed at 6 and 4 per cent of the sales of the country general outlets, however, were virtually unrepresented in the sales of the general merchandise stores.

The general merchandise stores, on the other hand, concentrated much more on selling apparel and other lines of shopping goods to their more urban customers in 1941. The biggest difference appeared in dry goods and notions which made up 29 per cent of their sales against only 4 per cent for country general stores. Women's, misses' and children's clothing came next at 17 per cent in contrast to 4 per cent for the more rural establishments. House furnishings came third at 5 per cent against less than 1 per cent for the country stores. The sale of men's and boys' apparel items was about the same for each kind of store at 8 per cent of sales but the types of merchandise probably differed in nature and price to some extent.

Turning now to the table of statistics, a total of 170 unincorporated general merchandise and dry goods stores co-operated in the recent survey by returning usable reports on their operating results for 1944. These were sorted into five sizes of business for stores with sales of less than $10,000, with sales between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000, and for establishments having sales of $50,000 or over. When such groupings were divided by types of occupancy between owned and rented stores, however, only 2 reports for owned establishments were included in the $10,000 to $20,000 store size. No averages were therefore shown for that classification. The samples were also quite small in the other four classes of owned stores with the numbers ranging between 6 and 12 reports; the results for these sizes should be treated with some caution.

Inventory turnover higher for the larger stores

Average rates of stock turnover for the nine sales and occupancy classes of general merchandise stores varied between a low of 1.4 and a high of 4.3 times in 1944. With but two exceptions the larger sizes of stores turned over their average inventories somewhat faster than the smaller ones. This of course was a natural result for once balanced stocks of goods were established, the inventories could support, with only moderate increases, proportionately larger volumes of sales. In illustrating this trend the stock turnover ratios for owned stores moved up from 1.4 times in the less than $10,000 to 2.7 and 4.3 times in the $20,000 to $30,000 and the $30,000 to $50,000 sales sizes to decline slightly to 4.1 times in the $50,000 and over sales grouping. For rented stores the averages expanded from 2.3 in the smallest to 3.1, 2.8, 3.8 and 4.0 times in the four larger sizes of business. In relation to the country general stores, however, the general merchandise outlets had lower rates of stock turnover in all six of the comparable sales and occupancy groupings, a reflection of the smaller proportions of the fast-selling food, household supply and tobacco products which they carried.

Because of the fairly low repeat demand and the style, price and size factors which featured many of the products they sold, the general merchandise stores apparently found it necessary to carry substantial quantities of goods in stock. Even the owned and rented stores with sales of less than $10,000 on average had inventories amounting to $2,737 and $1,812 per outlet at the close of 1944. From that point the values increased steadily to $7,244 and $7,117 per owned and rented establishment in the $30,000 to $50,000 size and to $18,790 and $15,329 per outlet for stores with sales of $50,000 or over. The sharp increases between the two largest groupings were due mainly to the considerable expansions in sales because owned and rented stores in the $30,000 to $50,000 category had average sales of $36,638 and $38,270 per outlet against averages of $105,471 and $84,174 per store in the largest size of business. The average ending inventories of these stores, moreover, were higher than those of similarly-sized country general stores in five of the six categories in which comparisons can be made, a fact again explainable by the differences in the commodity make-up of their sales.

Changes in inventory levels between the beginning and the end of 1944 were somewhat mixed for the nine groupings of stores. Decreases from beginning figures predominated among the four sizes of owned establishments where three of them in fact showed declines of about 4 per cent against one which recorded an increase of about 4 per cent. Gains, on the other hand, outnumbered declines among the five classes of rented general merchandise stores where increases of 8, 20 and 5 per cent were scored in the three smaller sizes of stores against contractions of 10 and 2 per cent in the two largest classifications. Overall, the four categories of owned stores experienced an inventory decline of about 3 and the five groupings of rented outlets an increase of about 1 per cent from beginning valuations.

Smallest stores obtained highest gross profit ratios

Gross trading profits in eight of the nine sales and occupancy groupings ranged between 24.2 and 30.3 per cent of sales in 1944. In one of them, however, the unusually low figure of 16.6 per cent was recorded. This average probably reflects the presence of a number of erratic conditions in the grouping such as the inclusion of stores with relatively high proportions of food sales, of stores experiencing inventory losses, etc.

By size of business, the highest average rates of gross trading profit were secured by the smallest stores, the average for the owned ones amounting to 30.3 and for the rented ones to 30.1 per cent of sales. From these points, and omitting from the comparison the abnormally low ratio of 16.6 per cent secured by owned establishments in the $30,000 to $50,000 sales grouping, the averages for owned outlets dropped to 28.1 and 25.4 per cent in the $20,000 to $30,000 and the $50,000 and over sales sizes, while for rented ones the ratios stood at the lower figures of 25.6, 26.3, 24.2 and 27.1 of sales in the four larger classifications. There was thus no clear tendency for the percentages to vary either directly or indirectly with amount of sales made. In comparison with country general stores, the general merchandise outlets had higher rates of gross profit in all six of the corresponding groupings. This was probably due mainly to differences in the commodity composition of their sales for the general merchandise stores sold larger amounts of apparel and dry goods items on which the mark ups were generally higher than those which food products carried.

Payroll ratios higher for the larger sizes of stores

Among the operating expenses, the nine averages for employees' salaries and wages varied between 1.4 and 9.4 per cent of sales in 1944. With but two exceptions the larger sizes of stores had the higher payroll percentages, the ratios for the four groupings of owned establishments increasing from 1.4 per cent in the less than $10,000 to 9.4 per cent in the $50,000 and over sales size, and those for the five classes of rented outlets from 3.0 to 8.2 per cent. This upward trend was the natural result of changes in size for as the stores became larger their proprietors accounted for smaller shares of the enlarged work and hence found it necessary to add to their sales staffs to handle the greater selling and other activities of their businesses. Compared with the experiences of the reporting country general stores, the general merchandise outlets had higher payroll percentages in all but one of the six corresponding classifications. These differences probably resulted principally from the greater amount of time required to handle and sell the larger amounts of shopping and less staple lines of goods which the general merchandise stores usually carried, but the fact that they were located in the larger centers of population could also have been partially responsible.

Average rental ratios generally lower for the larger stores

Rentals as percentages of sales varied for the five sizes of business between 1.8 and 4.2 per cent of reported dollar volumes. These generally followed the usual pattern and were lower for the larger establishments, the ratios dropping from 4.2 in the smallest to 2.6 per cent in each of the next two larger sales groupings, to 1.8 per cent in the $30,000 to $50,000 sales class and then rising slightly to 2.3 per cent for stores with 1944 sales of $50,000 or more. Comparisons with rented country general stores, however, can be made for only two store sizes. In these the general merchandise outlets had the higher rates of rental expense, a fact which probably reflects the influence of the larger sizes of locality upon their rental costs.

Advertising expense ratios for the nine sales and occupancy groupings of general merchandise stores ranged between 0.1 and 0.6 per cent of sales in 1944. By size of business the movement was quite erratic, there being no clearly marked tendency for the larger stores to have either higher or lower expense percentages for publicity. In comparison with country general stores, however, the general merchandise outlets had higher advertising expense ratios in four of the six comparable groupings while in the other two they were the same as those recorded by the country stores.

Depreciation and other expense ratios also averaged lower

Depreciation allowances on the fixed assets of the reporting general merchandise stores when expressed as percentages of their sales were generally lower for the larger sizes of business. For owned establishments the four ratios declined from 1.5 per cent in the less than $10,000 to 0.7 per cent in the $50,000 and over store size while for the five sizes of rented stores the averages declined from 0.7 to 0.4 per cent. This downward trend is a reflection of the higher investment in fixed store assets in relation to the sales volume which the smaller outlets obtained. Due to their greater investments in buildings and fixtures the depreciation expense percentages were naturally somewhat larger for those stores which owned their own premises. In comparison with the depreciation expense percentages of their rural counterparts, however, no regular pattern was apparent for in three of the six corresponding groupings the general merchandise stores had the higher ratios while in the other three they were somewhat lower.

All other operating expenses including supplies, communications, taxes other than income taxes, insurance, light, heat and power, repairs, interest on borrowed money, etc., were grouped under one heading. Some of these, of course, were commonly experienced and therefore quite uniformly reported while others may not have been so generally encountered nor so consistently included. Nevertheless, the ratios for these residual expenses were consistently lower in the larger sizes of general merchandise stores, a trend probably resulting from the inclusion of various items of fixed costs which vary inversely with sales. Thus for owned establishments the ratios ranged downward from 7.4 per cent of sales in the smallest to 3.9 per cent in the largest store size and for rented stores from 6.8 to 3.7 per cent of sales. Against their rented counterparts the four groupings of owned stores had the larger averages for other operating expenses, a reflection probably of the higher residual occupancy costs which the latter type of outlets experienced. In comparison with the reporting country general stores, moreover, the general merchandise establishments had the larger percentages for other operating expenses in all six of the classifications where comparisons can be made.

Total expenses ratios were irregularly higher

Summarizing the expenses just described, the nine averages for total operating expenses varied between 9.5 and 15.2 per cent of sales in 1944. Going from the smallest to the largest sizes of stores the trend in these percentages was highly irregular, the averages for owned outlets moving from 10.6 per cent in the less than $10,000 to 11.7, 9.5 and 14.2 per cent in the three larger sales sizes, and for rented ones from 14.9 per cent in the smallest to 11.3, 14.5, 12.7 and 15.2 per cent in the bigger sizes of stores. Generally speaking, the larger sizes of unincorporated stores usually have the higher percentages for total operating expenses. Such a trend would have been apparent here if the five sizes had been combined into three groupings for stores having sales of less than $20,000, between $20,000 and $50,000 and of $50,000 or more. Reflecting the influences of factors already discussed the total expense ratios of the general merchandise outlets were all higher than the six corresponding averages obtained by the country general stores which reported their results for 1944.

Net earnings percentages were lower for bigger stores

Proprietor's net earnings before income taxes may be regarded as comprising two elements,- one consisting of the compensation for the operator's managerial services and the other representing his annual return in the form of net trading profits. Including these, the nine ratios for net earnings varied between extreme limits of 7.1 and 19.7 per cent of sales while the middle seven ranged between the narrower outside figures of 11.2 and 16.4 per cent in 1944. The larger sizes of stores tended to have the smaller rates of net earnings for the percentages moved irregularly downward from

19.7 in the smallest to 11.2 per cent in the largest of the four groupings of owned and from 15.2 to 11.9 per cent of sales for the five sizes of rented establishments. Resulting directly from their higher percentages of gross profit, moreover, the general merchandise stores obtained higher net earnings ratios than those which the six comparable groupings of country stores recorded in the year under review.

Actual dollar figures for net earnings per store were generally much higher for the larger than the smaller general merchandise stores. Among the four groupings of owned stores the averages moved upward from $1,125 per store in the smallest to $4,019 in the $20,000 to $30,000 store size from which it dropped to $2,593 in the next and then jumped to $11,762 per outlet in the largest sales grouping. For the five classes of rented stores, however, the averages increased steadily from $862 per outlet in the smallest to $2,016, $2,779, $4,397 and $10,036 per store in the four larger sizes of establishments. The substantial gains between the two largest sizes of business were due of course to major expansions in the dollar volumes, the average sales of $36,638 and $38,270 per owned and rented store in the $30,000 to $50,000 sales size being greatly exceeded by the averages of $105,471 and $84,174 per owned and rented outlet in the largest size of business.

General Merchandise and Dry Goods Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	10	39		30
2. Total Sales	$56,987	$221,063		$422,072
3. Average Sales Per Store	5,699	5,668		14,069
Total Inventory Reported,			SAMPLE	
4. Beginning of Year	28,537	65,432		91,870
5. End of Year	27,369	70,652	TOO	109,921
6. Average for Year	27,953	68,042		100,896
Average Inventory Per Store,			SMALL	
7. End of Year	2,737	1,812		3,664
8. Cost of Goods Sold	39,720	154,523		314,022
9. Stock Turnover (times per year)	1.4	2.3		3.1
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	30.3	30.1		25.6
Operating Expenses:				
11. Employees' Salaries and Wages	1.4	3.0		2.8
12. Rent	-	4.2	SAMPLE	2.6
13. Advertising	0.3	0.2		0.3
14. Depreciation	1.5	0.7	TOO	0.4
15. Other Operating Expenses	7.4	6.8		5.2
			SMALL	
16. Total Operating Expenses	10.6	14.9		11.3
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals	19.7	15.2		14.3
18. Average Proprietor's Net Earnings Per Store	$1,125	$862		$2,016

General Merchandise and Dry Goods Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
6	22	10	16	12	23	1.
$147,452	$519,472	$366,376	$612,322	$1,265,650	$1,935,995	2.
24,575	23,612	36,638	38,270	105,471	84,174	3.
40,600	133,051	69,779	127,260	236,184	359,900	4.
38,879	137,441	72,435	113,865	225,481	352,563	5.
39,740	135,246	71,107	120,563	230,833	356,232	6.
6,480	6,247	7,244	7,117	18,790	15,329	7.
106,018	382,851	305,558	464,140	944,175	1,411,340	8.
2.7	2.8	4.3	3.8	4.1	4.0	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
28.1	26.3	16.6	24.2	25.4	27.1	10.
5.7	6.3	4.5	6.4	9.4	8.2	11.
-	2.6	-	1.8	-	2.3	12.
0.1	0.6	0.1	0.4	0.2	0.6	13.
0.5	0.5	0.8	0.4	0.7	0.4	14.
5.4	4.5	4.1	3.7	3.9	3.7	15.
11.7	14.5	9.5	12.7	14.2	15.2	16.
16.4	11.8	7.1	11.5	11.2	11.9	17.
$4,019	$2,779	$2,593	$4,397	$11,762	$10,036	18.