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## CANADA

DOMINION BUREAU OF STATISTICS

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

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1944
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Bulletin No. 6

INDEPENDENT AUTOMOBILE DEALERS
INDEPENDENT FILLING STATIONS
INDEPENDENT GARAGES

Including

Purpose, Importance, Explanation of Use, Summary of Results, and Statistical Tables
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For some time the Bureau has recognized the practical value of published information on average operatine results, thet is, on average ratos of expences and profits, etc., in the principal retail trades. Inceod the first studies of this nature were made for the year $193 E$, and since then an increaslie demard for such information Las been experienced by this Bureau. It is in response to this demand that tho present series of reports is now belne issued.

Concerned mainly with average expense and profit percentages, comprehensive infornation on the operating results of retall stores deals with many of the eienificant factors which eventually determine their success or railure. Such information therefore represents the results which many retallers have obtained in meeting the problems that are common to their particular kird of business. Statistics of this nature, moreover, have the practical value of enabline individual merchants to compare their own rates of expenses and profits witt the results of similar stores in their trade, from which they can 1 solate for further analysis the areas in which their performance has been below average. The resultine opportunities for improvine the officiency in retail store managents may well be of some importance in peacetime as Canadian retallers under more competitive conditions endeavour to distribute the products of an expanded industrial economy These considerations ard possibilities have been set forth under the headine "Importence of Information on oneretin Results in Retall Trade" commencing on page $\dot{z}$ of these reports. A separatc discussion beginnine on pace 8 under the topic How the Retaller Can Use Information on Operatine Results" has also been included as a possible guide to retailers usine the bulletins.

It must be emphasized here, however, that the statistics presented in these reports are subject to important limitations in rebpect to their coverage and representativeness. This is because the fleures are based, not upon a comprehensive survey of laree numbers of co-operatine stores, but rather upon comparatively small sample numbers of such firms. These samples, of course, should be larec enough to permit the different influences affectire operatine results to average themselves out and thus present the more typlcal operiting experiences of storos in the different size and occupancy classifications of stores. For many kirds of stores, unfortunately. the number of usable returns when distributed between these classifications may be too small to permit any spocial or erratic conditions completely to iron or cancel themselves out. Those aspects of the reports are discussed more fully under the headine "Limitations to Information on Operating Results" on pace 6 of the bulletins. and to some extent uncer "How the Retailer Can Use Information on Operatine Resulta" on page $\varepsilon$, to both of which the reader is referred. It should therefore be noted that the present studies are tentative in maturo and must awalt the results of sub= sequent surveys for conclusive evidence as to the validity of many of the statistics herein resented.

In spite of the preliminary nature of the statistics, however, these repurts are being issued in the bellef that they will at least reveal the future cope for such studies and may well provide some useful, althoueh perhaps rough, indications of the operatine experiences of the retall trades under review. The bulletins have been prepared in the Kerchandising and Services Branch of the Bureau, of which Mr. A.C. Stecdman, BoA., is Chief, by $\mathbb{K}$. A.M. Chipman, M.B.A.,
Statistician in the Branch. The suegestions 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.

## Nerbun nucchare

H. Marshall,

Dominion Statistician.

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> IART I = GEMTRAL SECTION

This report is one of a series presenting averace operating results in selected branches of retail trade for 1944 and, where possible, for both 1941 and 1944. The first sories of such studies was nade by the Burcou for the year 1938 ard presented somewhat similar information on average operating expenses and profits açinst which individual firms could compare their own results. Since that tine 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 reportis are now being issued.

The basic information for such studies was obtained primarily for the purpose of improvins tho Bureau's estimates of the country's National Income which orisinated in unincorporated and independent retall stores. Juch establishments predoninate to a narkod extont in retall trade, comprising 90 per cent of ull 137,331 stores enumerated in the 1341 Jensus, accountins for 55 per cent of total sales of $4,410,301,700$, and frovidine a livelihood for nearly li32,000 proprietors and partners. The net earnings of these propietors and partners thus represent ar. important contribution to the liational Incone totals. diceregate tigures on these net earnines, however, are not readily available to the Bureau from other sources and for this reason it was becided early in 1945 to obtain the required information or a Giract surver of sumple eroups of retail stores.

Acurete and cosprentmive Nigures on the National Income are now xegarbed as on the best measures of the purchanin power and economic activity of the country. These statistics, consequently, are higrly important as aids to both coverments and business in the jetermination of their plans und policies, and particularly so in rolation to the problen of mintainine high levels of employment within the country. Feriodic surveys of rotail trade wlll therefore be made to obtair the information necessary to estimato accurately the total net earnings of whincormoratod retail stares for inclusion in the National Income statistics.

In carrying out this task it is hoped that information on sverage operating results will be hade available to retailers in even areater detail than has boen found possible in the recent survoy. Thus, the co-operation of retailers in suprlyin information on their own operating experiences has two benclicial
results. In the first instance, it emhances tho accuracy of the Bureau's estimates of the Nationsl 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 conficential in nature. They are alinctly so regardod by tho Bureau and are used bnly for the two purposes just outlined with no diselosures of the results of individual operations being made.

## Information Contained in Reports on Rotall Operating Resulta.

The information presented in this and subsequent bulletins consists primarily of the inancial results which the different kinds of co-operating atores obtained in the year under review. The information consequently covers suoh individual iteme as net sales, purchases of merchandise for resale and beginning and ending merohandise invontories, cost of goodo sold, eross trading profits after costs of merchandise sold havo been deductod from sales, the several categories of operating expenses inourred durinc the period ind finally the net carnines available to proprletors after all costs and expenses have boon subtracted from sales. In other words, the infomation here under study consists of the mare important financial itoms usually found in the typical rotall Profit and Loss Statement.

There are of course many general factors which commonly affect the Pinancial rosults of retail stares. Threo of the mare importunt of these consist of the kind of business, that is whether tho atore is a erocery, an apparel, a furniture store, etc., the amount of annual sales made by the store, and the besis of occupanoy, that is whether the store is owned or rented. The roports of the comoporating rotall storos were therefore classifled by kind of business and within the kind of business categortes into groups according to tho amount of selee made. Those groups were again divided by method of occupancy into momned" and "ronted" categories. The figuros were thon compiled for each of the individual groups and reduced to the form show in the tables of this report. Thus gross trading proilts, the several expense itoms and proprietors net earnings before income taxes and withdrawals appear as percentages of sales whilo stock turnover appears as a ratio indicating the number of times the average inventories were turbed over during the year.

These ratios are therefore averages of the operating results which the different croups of unincorporated stores actually obtainod. 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 poriod under review.

Importance of Information on Dperating Results in Retall Trade.
The oritical value of information on operatine rosults for uge in compating the net earnings contributed by unincorporated retail stores to the highly Important National Incomo estimates has already been pointed out. Indeed, the not, earaings of individually operated stores add to really 3 izable contributions, belng est imated 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 cconomle and business uses which increase still furthor the practical importance of this type of information.

Many, of these uses arise irou economiclchanges brought about by tranaition from war to peacetime conditions. During the war years, retail trade experienced high levels of consumer demand, usuelly for relatively inadequate and in some lines for severely restricted supplies of morchandise. These conditions in turn tonded 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 handing different kinds of goods. The resulting curtailment of price competition between retailers, the extension of price control which in general tended to stablize buying and selling price relationships for retallers, and a diminished need for mark devng and sales allowances all exerted influence in the direction of maintaining or imptoring the percentages of realized gross trading profits. Apart from the furniture, radio and electrical, and automotive kinds of atores, the sales volumes of individuai gtcres genarally inereased throughout the wer period. These gains in turn tended to level off or to reduce axpanse perceatages, the dollar amounts for some of which had been farourably affected by reduced credit lossea and by curtailed expenses of operetion.

Different conditions, however, can be expected to prevail in peacetime whioh, for purposes of discusaion, 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 80 far to meet consumers' pent-up demands, especially for many types of durable goods. Consumer purchasing power will likely remaln relatively high due partly to wartime sarings, partly to the high level of indugtrial 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 antipipated as war veterens, and individuals displaced from war production, establish theif own businesses. Daring the early part of this phase, the supplies of many kinds of consumer goods may be inadequate to moet popular demands for them. As this period advances, howeter, consumer demands w11 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 demend creation and sales promotion will become steadily more 1mportant.

The more normal peacetime period may therefore be marked by tho greater nocessity to promote and sell the products of an anpanded industry. With freer price relationghips between morchendise cost and selling price日 then provali1ng, greatar pressures may be exertad on ratallere' gross trading profit margins than before. This condition will probably result from a combination of influences ino oluding the increased quantities of readily available supplies, the desire of manufacturers and retailers to increase comodity and store sales through lowar prices, sind from making mark downs and sales allowonces more extensively than in the war and transition periods. Lower individual store sales volunes for many kinds of retail trade on average may also be experienced from 1 ncreases in the store population, the diftusion of consumer purchasing power over widened ranges of merohandise, inciuding for ingtance, autamobiles and related produots, electrical applianoes, etc., and Srom more intense competition between ilferent types and kinds of retail outleta. These lowered sales volumes will then tend to increase percentage rates of expense, many of whioh will be forced upmard by creater dollar expenditures for advertising, for store renovation, and poseibly for the provision of greater services to storecustomers.

Such tendenoles toward reduced store sales volumes, to lowered gross trading profit and to inoreased operating expense percentages in the more normal peacetime period emphasise the need for progresaive improvemonta in the management of independent storge if thein conthned axistance and thoir proprietors standarda
of liviag 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 operatine 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 wetedind and romediad.

Prese poricola reviaws of the stove'a pyesablons are wost revesling when individual merchants can measure their own financial results against certain cutside 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 exable 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 infomation on sales and earnings possibilities in different trades and localities, on trade practices, capital requirements, etc. Protision of figures on operating costs thus widens the field of service the Bureau can provide, a service particularly timely when so many are appraisine the opportunities for profitable establishment in business.

Over a perlod 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 retall 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 eamings 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 opermindedness and flexibility to meet new problems with new methods and cope with ther:.

The economy of the country also gains from the extension of these benefits throughout retail trade. Improved managerial efficiency may well mean the prowision of higher standards of livine 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 comodities 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 compre= hensive 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 recoived to enable oversll 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" classificationg.

Following completion of the editing process and the preparation of the National Income estimates, the schedules were re-processed for compllation 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 subiltted for the different retall trades, however, indicated that in many instances the number of schedules was too small to enable many of these detalled 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 retall trades were then prepared. Here the results appear in live alze-ofbusiness eroups for "owned" and for "ronted" stores baving 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 averse figures on the results which identical groups of stores obtained in 1941 and 1344. Individual returns were therefore classified before tabulation into three size-of-business divisions and within these, between "owned" and "rented" establishments, accordine 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 retill trades due to the limited numbers of reports giving information for both years. In other cases, comparative results for 1941 and 1944 are preseated 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 pructical value.

A glance at the tables appearing in this report will revoul quickly the items for which statistics are given in the various size-of-business and occupancy columne. These are grouped into two soctiona, one dosignated as the "ceneral Information" and the other as the "profit and Loss Data" section.

The "General Information" bootion, uo its name implies, consists of Btatistics useful as buckground matorial for interpreting; the percontages shown in the following division of the tablob. Nine individuel lfons are here shown, consistine of ileures on number of storea reporting, sules, inventories, cost of coode sold, and stock turnover in times per year. Apart from "Averace sales fer Store", "Average Inventory Por Store, End of Year" and "Stock Turnover (times per year)", the ifgures appearing in this section are the dollar totals of the amounts ahown in the individual reporta of the co-operating stores,

Itoms included in the "profit and Loss Data" saction consist of "Gross Trading Prorit", "Employees" Salaries and wages", "Rent", "Advertising", "Depreciation", "Other Operatine Exponsos", "Total Operating Exponses", "Proprietor's Net Earnings Before Income Taxes and Withdrawals", and "Avorage Froprietor's Net Earnings Par 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-aize and occupancy categories and were then expreased 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 explanetions for the above terms are set forth later in this report under the sub-heading entitied "How The Retailer Can Use Information on Operating Costan. It can be noted here, however, that both the percentages and the dollar flgures for proprietor's net earnings are welgated 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 inoorporated or had been oporated as a unit of a retall ohain system -- while the gocond consists of the smaller and residual net profit elament which compansates for capital iavested and risked and for unusual merchandising abilities brought into play. quite obriously the figures shown for net earnings conisiderably overstute the proprietor's 'not profits' because they also include the allowance for proprictor ${ }^{\circ} \theta$ managerial servioes. juestions were consequently included in the schodule to permit objective allowances to be made for these servioes but insufficient faformation was obtained to emable the two elements in proprietor's net returns to be separately presented. The innal item on avarace net oaraines per store is therefore shown in dollar ficures in the tables, partly as an offset to the relatively high net earnings percentages reveulod by the revious serles and partly to enable the reader to make hls own allowances for the two principal elements the net oarnings ifgurea contain.

## Inmitations to Information on Operating Resulta.

Many retailers may quite probably use the averages contained in the tables of this series of reports as information againet which their own results can be compared and analyzed. Others may uso 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 initations inherent in the figures aro fully appreciated.

In the first instance it is important to note that the figures are based only on the results of unincorporated retall stores. Tho averuces therefore do not reflect the results obtained by stores operatine under the incorporated rorm of
organization. The absence of these atores probably bears most heavily upon the representativeness of the averages for stores in the higher bales 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 yearend 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 1tem.

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 tit 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 oustomers, merchandiaing policies and variations in the quality of store managements. Size of busipess and method of occupancy rank high among these factors and the tables were therefore prepared to show opereting 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-alze and occupancy categories is ofton quite small, frequently representing less than ten stores. In such casos 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, rotailers 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. Onfortunately the isolation of such influences would require a considerubly 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 shom 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 dopreciation and no indication was given that any Lad been taken, the schedule was exarined to see if the size of business justifiled further attention. If so, the firm was cither corresponded with or an estimate was made for this item. In all cases, of course, the expense ratios represent the total dollar expense fieures for each item in each indviduel classification expressed as percentages of the totul sales reported by stores in that category. The expense percentages for these three items nay therefore be slightly less than they would hevo busa if ondy the sai es of stores raporting fail expense figures had been used.

## How the Fotadior Gan Use Information on uperatine Resuits

Lention 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 ractors, it was suceested, may in clude a greater pressure or available supplies or retail and consumer markets, a relatively smaller unstimulated demand for those coninolitios, a grester competition in ratailine associated quite probably with freer and often somewhat lower prices, and the possibilities of reduced percentaces of eross trading profit, of lower individual store sales volumes for many kinds of independent stores, and of higher expense percontacos. Such factors raise the question of how individual merchents can best utilize information on averace operatine results as a manacoment tool in meetine their problems of transition and adjustment to chaneine economic conditions.

Use of operatine cost averages in this way depends essentially upon comparine results of individual stores with those obtained by sinilar 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 comperine his own sales for the period with the sales-size brackets of the tables to determine his size catezcry and by selectine the occupancy basis coincidine with that of his own business. He should next reduce his own financial items such as his stock turnover, his eross trading profits and his several expense catecories 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 servicus performed. He is then in a position to compare directly his own results with those whick other more or less similar canadian stores obteined 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, indicatine the number of reports upon which the followine percentaces 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 perticular categories where the number of roports is small should be conparel with otier brackets for consistency before those averages are applied against the resulto of tho individual store.
"Average Sales Por Store" is a useful comparative ficure because it gives the retailer an diea of the size of the 'qverage' store in eack size-of-business bracket. With this information the merchant can identify the position of his store as either below, above, or at the salesaverace point in his appropriate category. He can make the necessary allowances therefor when comparine fieures 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 considereble interest. The first two show total inventories of merchandlse 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 comport with the trend for the group.
"Averare Inventory Per Store, End of Par", the last of sach iovastory 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 bave 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 or 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 cthers in his own sales-size bracket. Under normal supply-demand conditions, bowever, such fieures would probably prowide on average a better indication of the more basic and minimum inventories which reporting retallers 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, boing determined by adding beginning merchandise inventories to purchases and deducting stocks of goods left on hand at tho year-end. Nierchandise 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 onding 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 ficure for his store somewhet lower than the average for the comparable sroup of tetell 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 imilarly-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 boginning per store inventory for the group, thet his ending invent ory was larger than the ending per store inventory for the group, or that both bis 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 eroup, 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 axceeded 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 fust before his financial yeat 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 olosing 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 ourtailments 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 posaibility, that the retailer'a beginning and ending inventories were both higher than the average beginaing and ending per store inventories for the group, from the merohant's viewpoint is probably most olgaificant of all. Some retailers, of course, may end their fisoal 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 Pebruary when their atocks were comparatively low. In all other cases, however, such a state of affars indicates quite definitely that the retailer is using a larger inventory to produce his sales than those uged on the average by other stores in his class. For some stores, the size of the floor area or the use of mass diaplays of merchandise may require heavy but balanoed 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 foel the risks to be justifled 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 clearence 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 waya.
"Gross Tradine Profit", as has been pointed out earlier, is the dirference between net sales of meffhandise, inciuding proprietor's withdrawals of goods and receipts from repairs/Sorwices, and the "Cost of Goods Sold". The latter item is calculated by adding beginning merchandise inventories to purchases and then subtraoting 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 coat 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 directiy out of the retailer's activities in buying, selling and managing his inventories of merchandise. is 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 retallers, 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 retaller 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 percentace 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 seles, 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 retaller 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 recelpts 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 'averageup' his gross trading profits. Competition may possibly have required the retailer to sell at relatively dow selling prices and thus at relatively small original mark ups over cost values during the pericd under study. In some cases, merchants may have had satisfactory orlgimal mark ups but later on have marked down sharply the retall prices of various items for sales promotional purposes; in others, heavy mark down may have been taken to clear excessive stocks of slow-moving goods, to sell merchandise depreciated by atyle changes or by the possible appearance of Detter goods to replace various types of wartime articles, or to dispose of perishable comodities before total losses were sustalned.

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. Fallure to take the full benefit of cash discounts, also tenảs to reduce the gross trading profit percentage. Such discounts, althoueh representimg
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-thanaverage rate of gross profit. AO over-valued beginning inventory, for instance, Will cause a larer 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 load to the same result. Stock shortages, too, will have a similar effect. Here the rotaller should perhaps compare his gross profit percentage with those for previous jears to see whether a sudden or more gradual drop bas been experienced. Morchandise withdrawn by proprietors or by employees as part payment for services rendered, will likewise depress the gross profit percentage if such amounts have not bean included in sales at full retail values. In cases where casb receipts are considered as sales the withdrawal of cash by the propriotor 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.
"Mmployees' Salaries and Hagee", 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 moan 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 pore full-time and fewer part-time workers than the comparable outlots, or is relying more on male employees than was true of the group of similar reporting stores.

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

Certain pecullarities 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 stare holp. 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 mould result in a somewhat lower salary and wage percentage than otherwiso would have been shown. In general, however, these pecullarities 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 connarable stores. Some allowance, though, should be made for such differonces, particularly when merchants who are comparing their results are situated in the larger centers of population. This is because the reporting stores represent the varicus sizes of locallty, including the larger cities in which dollar rents often tend to be somewhat higher than in the smallor places. In the tables, however, these bigher rents are 'averaged down' by the lower rental experiences of stores in the smaller localities.

When due regard has been fiald to this fact, it may be true that the merchant's rental percentage is still above the average for his eroup,- 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. Mere 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 advertisimg expenses. This clearly would reduce the average advertisine 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 requirine 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 salea may have been held which required higher-than-average advertisiog 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 groming older. This of course is a real expense of the business even though it does not imediat,ely invol.ve 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 atores 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 scarcitios 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 cotimate 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 ner 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 atores 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 ocat may have been greater; some of them may have been purohased 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 limitg.
"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, intersest on borrowed money, etc., but do not include proprietor's saleries or withdyawals. 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 allowanoe for e 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 retaller may well chock 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 individuel 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 merchandiaing activitios. 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 whsch is, of couree, exclusive of mon-treding incomes such as return on investments, rentals received and so forth. If, ther, the retailer's percentage of net earnings is less-then-average, it must be due to either one - or both - of two factors: 1.e., a lower-than-average gross trading profit percentace, or a hicher-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, conslats of the total reported net earnings divided by the number of co-operating stores. Expressed as a percontage of total net sales, this item will frequently appear large. This is because it contains two dissimilar and unmeasured elements, one being the resuneration usually thought of as the proprietor's real salary for
managine the business, the other consisting of the net trading profits which are in turn made up of a legitimate rewerd for exceptional merohandisiag-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 1 n this tection, it will be noted, has dealt with three phases of the problem of "How The Retaller Can Use Information On Operating Results" in studying his stock turnover and his various profit and expense items. Mrst has oome an explanation of what each item is and how it 18 made up. Then it was assumed, for purposes of comparison only, thet the retailer's reaults were inferior to the average for his comparable class of stores. This, in turn, was collowed by e 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-awerage performances being obtained if their direction had been reverbed. For this renson, therefore, no attempt was made to analyze the reasons for higher-thanaverage oyerating results.

Finally, it will be observed that no recommendations were made for the corfection 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, ansiysis based on facts and imagination mast be relied upon to solve many of the individual problems of retail managemants.

## PART II - AUTOMOBILE DEALERS

Mccording to the Census of Merchandising, there were 1.962 automobile dealers and 212 distributors with wholesale car departments engaged in handling new motor vehicles in 1941. The total sales of these establishments which consisted of new and used vehicles, parts and accessories and service receipts amounted to $\$ 238,013,600$ for the former and \$102,029:100 for the latter type of firms for an aggregate volume of $\$ 340,042,700$ in that year. Such concerns provided livelihouds for 1,925 proprietors on partners. full time work for 20,306 employees to whom $\$ 29,017,200$ was distributed in salarios and wages, and part time employment to l.,755 individuals who received $\$ 853,500$ in salaries and wages for a total payroll of $\$ 29,870,700$ in 1941.

Any statement on the operating experiences of this important division of retail distribution obviousiy must recognize the drastic changes which followed the discontinuance early in 1942 of new motor vehicle production. Previously, the auto. mobile retailers had been geared to a high level of activity. In 1940, for example. their sales of now cars, tiucks and busses numbered 130,552 units for a retail value of $\$ 148,845,278$. In 1941, they sold 118,073 nevi units at an aggregate value of $\$ 151,868,905$ which constituted 45 per cent or slightly less than half of their total gross sales of $\$ 340,042,700, I_{n}$ 1943, only $4: 798$ new units were retailed at $\$ 7,557,400$, a valuation approximately 95 per cent below the $\$ 151,868,905$ realized in 1941. In 1944, there were 11,677 new vehicles released by the Notor Vehicle Controller of the Department of hunitions and Supply for civilian use of which 9,514 units were commercial and 2,163 were passenger models, but no figures on the total retail value of these are available.

Concurrent with this heavy contraction, the financing of used vehicles by firms which specialize in this activity and which of course takes no account of sales made on a cash basis dropped from 141.387 units in 1941 to 30,599 vehicles in 1944 for an overall decline of 78 per cent. Rates of gross profit realized on such transactions, however, were likely somewhat higher in the more recent years, for a considerable proportion of the 1941 sales were from trade. in stocks. In this regard, the Bureau's report on Motor Vehlale Retailing in Canada, 1937, showed a gross trading loss of 4.8 per cent of sales in that period.

Under the impact of these conditions, a number of the smaller new vehicle retailers probably discontinued operation. The majority of the firms, however, carried on at reduced levels by selling used cars when available and by maintaining and expanding their parts and accessories and repair departments, Some of the firms, indeed, may have developed their repair and servicing activities to the proportions of machine shop operations. The contributions of these servicine activities to the economy are well illustrated by the Bureau's estimates of passenger cars withdrawn from use. These totalled 166,054 in the three year period 1939-1941 against a figure of 110 , 962 for the three years of 1942 to 1944 inclusive. During 1943 and 1944 such withdrawals reached the exceptionally low levels of 23,143 and 16,319 units while the nine-year high of 71,500 withdrawals in 1942 reflected in part at least the displacements caused by heavy sales in the preceding years.

Sumary of operating results, 1941 and 1.944
The effects of these developments upon the operating results of automobile retailers are shown in the statistics presented in Table 1 and are commented upon later in the text. The more outstanding changes in operating results between 1941 and 1944, however, may be sumarized as follows:
(1) Total salcs obtained in 1941 by reporting establishments in owned and rented premises averaged 54 ger cent below the dollar volumes Which these same firms obtained in 1941. The greatest decreases were experienced by the largest firms, the 1944 sales of owned and rented establishments with salcs of $\$ 50,000$ and over being 53 and 61 per cent below the levels for the earlier year. Even these contractions, morecrer, do not reflect the decreases for the trade as a whole because the continuing firms undoubtedly secured a certain amount of the business Emmerly transacted by the establishments which had discontinued operations.
(2) Gross profit percentages were generally higher in 1944 than in 19\&1. is an example, the gross margins for owned and rented establishments with 1941 sales of $\$ 50,000$ and over increased from 18.1 and 15.2 per cent of sales in the earlier to 29.4 and 29,0 per cent in the later period. This was due mainly to the markedly higher proportions of total receipts from services which, consisting mainly of labour charges, contributed only small amounts to the offsetting item for cost of goods sold.
(3) Total operating experses as percentages of total sales also averaged considerably higher in 1944 than in 1941, the ratios of owned and rented firms with sales of $\$ 50,000$ and over rising from 13,7 and 12,0 per cent in the earlier to 21.7 and 21.5 per cent in the later period. Higher payroll ratios contributed heavily to the se increases, but rent, depreciation and all other expenses formed larcer percentages of the reduced sales volume in 1944 than of the much larger turnovers of 1941.
(4) The average rates of net earnings before income taxes and proprietors' withdrawals followed the upward movement recorded by eross profits forming hisher percentaces of sules in 1944. $\Lambda$ s an illustration, the ratios for owned and rented establishments with sales of $\$ 50,000$ and over rose from 4.4 and 3.2 per cent in 1941 to 7.7 and 7.5 per cent in 1944.
(5) The expansions in the not earnings ratios, however, were not sufficient to offset the sharp declines in total sales. Average net earnings per establishment in consequence were lower in the more recent period, the net carnings of owned and rented establishments with sales of $\$ 50,000$ and over receding from $\$ 6,166$ and $\$ 6,516$ per outlet in 1941 to 4,996 and 5,843 in 1944 .

Description of business activities, 1941
Before proceedine to analyze in detail the operating results of the revortine automobile retailers, a description of their merchandising activities may de in order. This is presented in the following table which reveals the percentages wiich the sales of the different comodities and receipts from services formed of the total dollar volumes of the firms which reported an analysis of the ir sales in the 1941 Census of Nerchandisinc. The averages are national in seope and rest upon the returns of both unincorporated and incorporated businesses.

Percentage Distribution of Sales by Cominodity Classes, Canada, 1941


Operating Results of Continuing Establishments in 1941 and 1944 Compared
For other retail trades the practice has been to present first the operating results obtained in 1944 followed where possible by the averages for the smaller numbers of firms which submitted figures for both 1941 and 1944. The interest of automobile retailers in such figures, however, is naturally directed back to their experiences in the more nomal year of 1941 as a possible indicator of their operations in 1946. The present report recognizes this interest by first presenting the comparative statistics of identical firms for 1941 and 1944 in Table 1, and then the results of a somewhat larger sample of establishments for 1944 only in Table 2.

Tuming to the recent survey, a total of 315 unincorporated concerns submitted usable returns on their operations in 1944. Of these, 223 also provided similar information for 1941. The latter group was classified into throe sizes of business: (a) fimus with sales of less than 20,000 , (b) between $\$ 20,000$ and $\$ 50,000$, and (c) those with dollar volumes of $\$ 50,000$ and over. This was done entirely on the basis of sales made in 1941 and therefore quite independently of sales in 1944. These catogories were then subdivided between establishments in owned and in rented preaises to form six sales and occupancy groupings of reports. Only 4 returns, however, were available to represent rented outlets with sales of less than 20,000 and figures were consequently compiled for only the renaining five classes of automobile retailers.

$$
\text { Sales decine from } 1941 \text { avoraced } 54 \text { per cent }
$$

A slance at tho total sales ficures indicates that dollar volumes in all but one of the five groupings were markedly lower in 1944 than in the earlier period. Fims in omned premises with sales of less than $\$ 20,000$ were the only ones to better their 1941 volunes, the 1944 sales for the eroup averaging 21 per cent hicher than in the previous period. The increase for these small firms was partly due to an expansion in their service receipts which tend to form sonewhat larger percentages of total sales than is true of the larcer establishnents. Bein; comparatively small, moreover, these outlets were able to replacc their relatively low sales of new vehicles with considerably froater quantities of used ones or indeed with other merchandise. Substantial declines, on the other hand, were experienced in the two larger sizes of
business. For owned and rented establishments with sales between $\$ 20,000$ and © 50,000 , the declines from 1941 levels amounted to 14 and 19 per cent. In the largest size of business, consistine of owned and rented outlets with average 1941 sales of 138,647 and 200,381 per firm, the declines were much more severe, represerting contractions of 53 and 61 per cent from previous levels.

The cossation of new motor vehicle production, of course, emphasized the need for conserving the cars and trucks already in use, and thereby increased the relative inportance of the repair and parts and accossories departments of the automobile dealers. Desimed primarily for acquiring information necessary for aitional income estimation, the schedule did not require the total receipts of the zenorting establishments to be broken down in detail. The form, however, did permit an analysis of such revenues as between sales of merchandise and receipts from repairs and services to be made, and the trends in these between 1941 and 1944 are shown in the following table. The sample, it will be observed, is quite small for owned establishments with 1941 sales of less than $\$ 20,000$ and the averages for these may not be typical of other retailers with similar dollar volumes in 1941.

Motor Vehicle Retailers
Malysis of Totul Sales by Size of Business, 1941 gna 1944

| Occupancy Class | Size of Business |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Uncer ${ }^{\text {d }}$ 20,000 |  | \$20,000-49,999 |  | \$50,000 and 0ver |  |
|  | 1941 | 1944 | 1941 | 1944 | 1941 | 1944 |
| Owned 1istablishments |  |  |  |  |  |  |
| Number reporting .. | 3.2 | 13 | 50 | 50 | 52 | 52 |
| Nuabor analyzine sales | 6 | 6 | 41 | 41 | 40 | 40 |
| ```Fer cent sales or merchandise .............``` | $7 \% .7$ | 74.2 | 87.9 | 84.1 | 90.7 | 79.9 |
| Fer cent receipts <br> fron services. | 22.3 | 25.8 | 12.1 | 15.9 | 9.3 | 20.1 |
| Averase sales per outlet. | \$14,284 | *18,459 | \$32,740 | 227,157 | \$150,149 | \$69,171 |
| por outlet | W, 3,23 | \$4,752 | \% 3,962 | \$ 4,318 | ¢ 13,964 | \$13,903 |
| Yonted Establishments |  |  |  |  |  |  |
| Number reporting ........... |  |  | 26 | 26 | 79 | 79 |
| Wuaber analyzing sules .... |  |  | 18 | 18 | 60 | 0 |
| Fer cent sales of merchandise ... | Samp.re | Sampl | 82.8 | 76.8 | 91.0 | 78.6 |
| Fer cent receipts from services . | Too | Too | 17.2 | 23.2 | 9.0 | 21.4 |
| Average sales per outlot. | Smal. 1 | Small | \%36,088 | \$30,109 | \$190,568 | \$77,100 |
| Average service receipts per outlet $\qquad$ |  |  | \% 6,207 | \$6,985 | \% 17,151 | \$16,499 |

Receipts from repairs and other services were consistently higher as percentages of total sales in 1944 than in 1941, the five averages ranging between 9.0 and 22.3 per cent in the earlier and between 15,9 and 25.8 per cent in the later year. Reflecting the major declines in sales volumes, the sharpest increases in the proportions of service receipts were recorded by establishnents with 1941 sales of $\$ 50,000$ and over. Firms of this size in owned premises obtained 9.3 per cent of their total receipts from repairs and services in 1941 against 20.1 per cent in 1944 while the corresponding ratios for outlets in rented premises stood at 9.0 and 21.4 per cent. By size of business, the smaller concerns depended more upon their repaix departments in 1941 than the larger ones did, the ratios of semving to totic? receipto declining steadily as the establishments became largar.

Actual service receipts per establishment in the intermediate and latesst sules sizes surprisingly enough remained comparatively stable in both periods. This sugeests that either the repair departments were operating at near capacity levels In 1941, or that through labour shortages they were unable to expand those repair volumes appreciably in 1944. Both factors, indeed, may have been present within these samples. Although not nocessarily indicative of general experiences because of the limited sample, the repair departments of the 6 owned establishments with sales of less than $\$ 20,000$, however, were able to better the performance of the larger outlets by obtaining on average considerably larger receipts per establishment in the later period.

The above averages, of course, are more significant as indicators of trend than as accurate measures of the contributions of repair departments to the sales volumes of motor vehicle retailers. In this regard, the service receipts of all firms included in the preceding table averaged 9.5 per cent of sales in 1941 against the overall ratios of 6.5 and 5.4 per cent for the much larger number of automobile dealers and distributors which reported for the same year in the Merchandisine Census. The comparison is a fairly close one - and might have been even closer if more of the larger firms had been included in the sample - but the gap nevertheless suggests that these figures should be regarded primarily as indicators of trend.

## Ending inventories generally much lower in 1944

Inventory positions of course were much lower at the end of 1944 than at the close of 1941. In the $\$ 20,000$ to $\$ 50,000$ sales size, the total ending stocks reported for 1944 by the 50 fims in owned premises were about 18 per cent below the correspending valuations for 1941, while the decline for the 26 rented esteblishments amounted to 46 per cent. Reflecting the probability that new motor venicles bulked more heavily in the stocks of the largest firms, their inventories recorded even greater declines which averaged 51 per cent for the 52 concerns in owned, and 63 pos cent for the 79 establishments in rented premises. Such contractions, it will be recalled, paralleled closely their declines in sales which amounted to 53 per cent and 61 per cent respectively. The 12 establishments in owned premises in the smallest size class reversed these trends, their stocks and sales being 11 and 21 per cent greater than the corresponding figures for 1941.

Average inventories. per establishment varied for the five sales and occupancy groupings between $\$ 1,875$ and $\$ 4,948$ at the end of 1941. The firus with sales of $\$ 50,000$ and over naturally reported the largest inventories, owned establishments with averace sales of $\$ 138,647$ having inventories of $\$ 17,091$ per unit while the rented outlets with the much higher average sales figure of 4200,381 had ending inventories amounting to $\$ 24.948$ per establishment. The merchandise inventories of the reporting retailers averaged much lower at the end of 1944, the five figures ranging between ${ }^{2}, 076$ and $\$ 9303$ per establishment.

## Stock turnover ratios irreçular in trend

The stock tumover ratios were calculated by dividing cost of goods sold, i.e., cost of sales, by the average cost values of beginning and ending inventories. Both cost of goods sold and the inventory valuations were to in clude the labour costs involved in reconditioning used cars for sale. The zesulting averages therefore represented the number of times such inventories of merchandise and incorporated labour costs were turned over in the year and were independent of the receipts or the labour costs which arose from the prow Vision of repair services.

So defined, the stock turnover averages for the five sales and occupancy groupings of firms varied between 5.6 and 7.5 times in 1941 and between 5.7 and 7.4 times in 1944. These outside figures, however, conceal the irrega. larities in trend which are apparent between the two yoars when the ratios are examined in detail. In two of the categories, that of owned establishments with volumes of less than $\$ 20,000$ and those with sales between $\$ 20,000$ and $\$ 50,000$, the ratios were only slightly higher in 1944 than in 1941. For rented outlets with sales ranging between $\$ 20,000$ and $\$ 50,000$ the average rose from 6.3 times in the earlier to 7.4 times in the later period. In the largest size of business the turnover rates were sharply lower in 1944, the ratio for owned establishments receding from 6.7 to 5.7 times and for rented ones from 7.5 to 6.0 times. During 1941 these firms were turning over their inventorles of motor vehicles at sufficiently fast rates to raise the overall averace above the slower turnovers recorded in their parts and accessories departments. In 1944, they derived practically no revenues from the sale of new cars and trucks and hence the lower stock turns of their parts and accessories departments effectively reduced the averages realized on their entire operations.

In 1941, as the more normal operating period, the largest retailers had the highest rates of stock turn. These averaged 6.7 times for the owned and 7.5 times for the rented establishments which compares with ratios of 5.5 and 6.3 times recorded by those with sales between 420,000 and $\$ 50,000$, The figure of 5.6 times, however, was exceeded by owned establishments with sales of less than $\$ 20,000$, the average for which stood at 6.0 times in 1941. This ranking was reversed in the later period when the largest firms turned over the ir average inventories at somewhat slower rates than the smaller establishments.

Gross profit percentages averased higher in 1944
Gross trading profits, or the difference between total sales and cost of sales, were generally higher as percentages of total receipts in 1944.0 overall the ratios for the five grourings of establishments ranged between 15.2 and 25.7 per cent in the earlier and between 20.6 and 30.2 per cent in the later period. No change was recorded ky the 12 outlets in owned premises with sales of less than $\$ 0,000$, the ir cross profits averaging 25.7 per cent in both years, service receipts forming only a moderately higher percentage of total sales in the more recent period.

Of the two larger sizes of business, the owned and rented establishments with sales of $\$ 50,000$ and over registered the sharpest gains in the average rates of gross trading profits between 1941 and 1944. This was due largely to the much higher proportions which receipts from repairs and other services formed of their total sales volumes in the later period. These receipts consist principally of labour charges, the wages for which were included in salaries and wages and hence had virtually no counterpart in the cost of goods sold. The
changes in rates of tross profit and in the percentages of service receipts between the two years are summarized below.

Gross Profit and Service Receipt Percentages, 1941 and 1944


By size of business the largest concems had the lowest rates of gross trading profits in 1941, the averages for firms in owned prenises declining from 25.7 per cent of sales in the smallest sales size to 19.0 per cent in the intermediate and to 18.1 per cent in the largest size categories. The movement is similar for rented establishments, for those with sales between $\$ 20,000$ and $\$ 50,000$ recorded an average of 21,8 per cent against a lower figure of 15,2 per cent for outlets with volunes of $\$ 50,000$ and over. In 1944 the trends were more irregular, the ratios for owned establishnents declining from 25.7 per cent in the smallest to 20.6 per cent in the intermediate and then rising to 29.4 per cent for the largest retailers of motor vehicles. This was paralleled by a similar progression in the percentages of service to total lecelpts which dropped from 25.8 per cent in the smallest to 15.9 per cent in the intermediate and expanded to 20.1 per cont of total receipts in the largest sales size. For rented establishments, average gross profits receded from 30.2 per cent in the $\$ 0,000$ to $\$ 50,000$ size to 29.0 per cent in the $\$ 50,000$ and over salet category while the ratio of service to total receipts fell fron 23.2 to 21.4 per cent of aggregate sales volumes.

## Yayroll ratios avecaged higher in 1944 than in 1941

Unallocated salaries and wages paid to employees, i.e., wages not charged directly to the reconditioning of used cars and included in the final costs of such vehicles, were higher as percentages of total sales in 1944. Overall the five payroll averages varied between 5.9 and 7.5 per cent in 1941 and betweon 7.1 and 11.5 per cent in 1944. Tho major increases were recorded by rented establishments with sales vetween $\$ 20,000$ and $\$ 50,000$ and by both owned and rented outlets with sales of 50,000 and over where the ratios rose from 7.5 to 11.3 ana from 7.1 to 11.4 and from 5.9 to 11.5 per cent, respectively. It was in these same croupings, moreover, that the proportions of scrvice to total receipts also showed the greatest increases between the years in question.

Actual expendituros for undistributed salaries and wafes per cstablishment were lower in three of the five groupings of outlets in 1944. Those consistod of fims in ormed prenises with sales between \$20,000 and $\$ 50,000$ and of fimms in owned and rented prenises with sales of $\$ 50,000$ and over, the avorages for which dropped from 2,347 to $\$ 2,174$, from $\$ 9,844$ to $\$ 7,362$, and from $\operatorname{mll}, 825$ to $\$ 8,917$ per unit, respectively. Omed establishritais With sales of less than $\$ 20,000$ and rented ones with volumes between 20,000 and $\$ 50,000$, on the other hand, reversed this trend, their average payrolls rising from $\$ 992$ to 1,218 and from $\$ 2,720$ to 33,193 between 1941 and 1944 . Such gains follow naturally from the fact that service receipts and the labour costs involved therein were greater both reletively and absolutely for these two classes of firms in 1944, while owned establishments in the smallest size also added to the labour required by increasing their sales over the 1341 levols.

By size of business, the payroll ratios for the three classes of owned cstablishments in 1941 were stable at 7.0 to 7.1 per cent of sules, while those for reited ones droppod from 7.5 in the $\$ 20,000$ to $\$ 50,000$ to 5.9 per cont in the $\$ 50,000$ and over groupings. In 1944 the trend was upward, the payroll ratios for automobile retailers in owned premises rising from 7.1 per cent in the smallest to 7.6 and 11.4 per cent in the two larger sales sizes and for those in rented premises from 11.3 to 11.5 per cent. This contrasting movament in the salary and wage ratios may have been due partly to differences in accountine methods and partly to economic changes. In 1941, it is possible that the smaller firms included in salaries and wages labour costs which the larger ones allocated to costs of sules. In 1944 there was probably less reconditionine of trade~ins and more regular repair work. These conditions tonded to place the snall and the large retailers on a nore comparable basis bocuuse the larger firms would also charge the labour costs in their repair work to salaries and wages. Such developments would then permit the ratio for employees' salaries and wages to increase normally with expansions in size of business, a trend which results naturally from the fact that the proprietors of the larger establishments obviously account for smaller shares of the total work than is true of the smaller businesses.

Among the four remaining expense categories, rentals formed hicher percentaces of sales in 1944 than in 1941. For establishments in the 20,000 to $\$ 50,000$ sales class the rentals ratio increased only slichtly from 1.8 to 1.9 per cent but the avorage for those with dollar volumes of $\$ 50,000$ and over doubled, being 0.7 per cent in 1941 and 1.4 per cent in 1944. This was due largely to the drop in sales, the relative decline being greatest for those having sales of $\$ 50,000$ and over. Advertising expenses in percentage fom were comparatively low in both years. For 1941, the rive avorages ranged between 0.1 and 0.3 per cent of sules and in 1944 between the wider limits of 0.1 and 0.7 per cent.

Depreciation allowances like rentals mere higher as percentages of sales in 1944. During 1941 the five ratios varied from 0.3 to 1.5 per cent against an outside range of 0.7 and 1.9 per cent in the later period. In actual amounts these writemoffs generally tend to remain relatively stable and therefore formed higher percentages of the reduced sales volumes which prevailed in 1944. Due possibly to special circumstances, the
depreciation ratio for the owned establishnents with sales of less than $\$ 20,000$ - the only classification to record an expansion in volume moved up from 1.5 per cent in 1911 to 1.9 per cent in the later period. Reflecting their greater investments in buildincs, the two groupings of owned establishments had higher averages for depreciation in both years than did their rented counterparts.

Other operating expenses were to include all operating costs other than those already mentioned. Such expenses as percentages of sales were higher in 1944 for the four categories of outlets which had receipts of $\$ 20,000$ or over and which experienced the contractions in seles between the two years, the four averages rangine between 4.9 and 6.3 per cent in 1941 and between 5.5 and 8.3 per cent in 1944. These increases were probably due to the fact that these expenses included a number of fixed or semi-fixed costs which in ratio form varied inversely with changes in dollar volume. Owned businesses having sales of less than $\$ 20,000$ and recording a sales increase of 21 per cent over 1941 was the only grouping to register a decline, the ratio dropping from 7.4 per cent of sales in the earlier to 6.0 per cent in the later period.

Total expense percentaços cenerally higher in 1944
Total operating expenses for the most part formed hicher percentages of sales in 1944 than in 1941. The group of retailers in owned premises with sales of less than $\$ 20,000$ was the one exception to this generulization. Total operating expenses here declined fram 16.1 to 15.4 per cent between the two years as a result of a sharp fall in the percentage for other operating expenses. Among the four remaining groupines, the averages ranged from 12.0 to 16.3 per cont in the earlier and from 14.2 to 22.1 per cent in the more recent year, with increases in most of the individual expense ratios contributing to the higher averages recorded in 1944.

The expansions in the rates of gross trading profit between the two years, however, was more than sufficient to offsct the increases in the total expense ratios. Consequently, proprietors' net earnines before deducting income taxes and withdrawals averaged higher as percentages of sales in the more recent period. For the four groupings with sales of $\$ 20,000$ or over, the net earnings percertages ranged between 3.2 and 6.0 per cent in 1941 and between 6.4 and 8.1 per cent in 1941. The gain for owned establishments with sales under $\$ 20,000$ resulted fron stability in the gross profit and a drop in the total expense ratios which caused net earnings to riso from 9.6 per cont in the earlier to 10.3 per cent in the lator period.

While the increases in the net earnines percentages in the two larger sizes of business were highly favourable considering the prevalling difficulties, they were not generally sufficient to overcome the adverse effects of reduced sales volumes. is a consequence, average net carnings per establishment for owned outlets with sales between $\$ 20,000$ and $\$ 50,000$, and for firms in owned and rented premises with sales of $\$ 50,000$ and over dropped from $\$ 1,981$ to $\$ 1,827$, from $\$ 6,166$ to $\$ 4,996$ and from $\$ 6,516$ to $\$ 5,843$, respectively, between 1941 and 1944. These represented relative declines of 8,19 and 10 per cent and thus compare advantageously with corresponding decreases in sales which amounted to 14,53 and 61 per cont from the carlier period. Reflecting a sub-
stantial gain in rates of net earnings, the actual returns for the rented outlets with sales between $\$ 20,000$ and $\$ 50,000$ moved up by 19 per cent from ${ }^{W} 1,933$ per outlet in 1941 to $\mathrm{W}_{2}, 296$ in 1944, a particularly favourable showing in the face or a 19 per cent contraction in sales. owned establishments in the smallest size of business not only experienced an expansion in business but also bettered their average rate of net earnings and their dollar averages rose from ${ }^{*} 1,366$ to $\$ 1,772$ per firm for an therease of 30 yer cent against a eain of 21 per cent in sales.

Trends by Size of Business, 1944
In addition to the 223 firms submittinf information for both years there were another 92 which reported only for 1944. These 315 reports were classified for Table 2 into three sizes of business according to their sales in 1944 rather than accordine to their sales in 1941 on which Table 1 was based. With sales volumes generally lower in 1944 this has caused some of the reports included in the $\$ 20,000$ to $\$ 50,000$ and the $\$ 50,000$ and over sales sizes for 1944 in Table lo be classified to the imnediately omaller groupings in Table 2. Similarly, a number of tho reports included in the less than $\$ 20,000$ grouping in Table 1 were probably classified for Table 2 into the next larger size of business because of the sales increase which some of those firms recorded. For these reasons the averages appearing in Table 2 are probably the better ones against which to compare individual operating experiences for 1944.

Stock turnover ratios higher for bigger establishments
Turning to the operating results for 1944 presented in Table 2, the larger establishments turned their inventories at faster rates than did the smaller ones. Owned and rented outlets with sales of less than $\$ 20,000$ therefore had the lowest stock turnover averages of 4.2 and 4.4 times from which the ratios moved upward to 5.7 and 6.4 times in the intermediate and to 6.7 and 7.3 times in the largest size of business. This is the customary trend among the different branches of retail trade and results directly from the fact that increases in sales size generally do not require proportionate expansions in inventories.

Invantories for the six sales and occupancy groupings $r$ anged between $\$ 1,826$ and $\$ 11,186$ per establishment at the end of 1944, the averages increasing steadily for both owned and rented outlets as the businesses becane larger. Inventory levels, as indicated by changes in total stocks, were generally higher at the ond of 1944 than at the beginning, the increase for the six categories averaging about 7 per cent above opening valuations. Rented establishments with sales of less than $\$ 20,000$, however, experienced an average decline of about 12 per cent from their opening levels but the increases in the other five varled between 4 and 21 per cent.

Gross profits averaged between 24.5 and 29.1 per cent
Average rates of gross trading profit for the six categories of firms were closcly grouped for 1944 between outside limits of 24.5 and 29.1 per cent of annual receipts. The hiehest ratios amounting to 26.6
and 29.1 per cent were recorded by owned and rented establishments in the smallest size of business while the second highest of 25.7 and 28.6 per cent stood for owned and rented outlets in the largest size category.

Among the individual expense ratios, unallocated salaries and wages puid to employees in 1944 ranged between 8.0 and 11.4 per cent of total sales. By size of business, the averages followed the customary trend for unincorporated retail stores and moved upward from the smallest to the largest sales category. Thus, standing at 8,0 per cent for both owned and rented establishments in the less than $\$ 20,000$ groupine, the ratios rose to 8,5 and 9.8 , and to 10,8 and 11.4 per cent of sales in the two lurger classifications.

Rental costs variod inversely with amount of business done, dropping from 3.5 par cent of sales in the smailest to 1. ? and 1.2 per cent in the two lareer sales sizes, Advertising expenditures as porcentages of sales ranged between the comparatively low averages of 0.2 and 0.5 per cent for the six sales and ocupaney groupings with little to suggest either a direct or incerse variation in the ratios by sizo of business. Depreciation allowances wera somewhat higher in ratio form, the six averages varying between outside 1 imits of 0.3 and 1.9 per cent of sales in 1944. Being a relatively fixed expense, these averages generally tended to bo smaller for the larger businesses. Owned establishments with their creater investments in fixed assets naturally had to make larger dollar allowances for obsoloscence and wear and tear and their depreciation expense percentages therefore averaged higher than those of their rented counterparts.

Other opecating expenses, the residual classification, varied narrowly for the six groupings between 6.6 and $\mathcal{B}_{2} 2$ per cent of total sales in 1944. The trends in these averages by size of business, however, were rather irregular. For rented establishments, the ratios moved upward from 6.5 per cent in the smaliost, to 6.9 and 7.3 per cont in the two 1 arger sales sizes, while those for owned outlets receded from 8.0 per cent in the less than 20,000 to 6.9 per cent in the intermediate and then rose to $7: 3$ per cent in the largest sales size.

## Total expenses avoraged botween 12.0 and 20.9 per cent of sales

Total operating expenses ranged for the six classes of ostablishments between 17.0 and 20.9 per cent of sales in the period under review, The larger concerns with but one exception had the higher total expense ratios. For rented establishments the trend was consistently upward from 19.2 per cent in the smallest to 20.0 and 20.9 per cent in the two larger sales sizos. For owned outlets, on the other hand, the average dropped fron 18.1 per cent in the less than 20,000 to 17.0 per cent in the intermediate grouping but rose sharply to 19.7 per cent in the largest size of business.

Proprietors ${ }^{\prime}$ net carnings as percentages of sules were generally lower for tho larger automobile retailers reporting for 1944. Tho proeression was consistently downard amone the three sizes of ownod establishments, the ratios declining fron 8.5 per cont for those with annual receipts of less
than $\$ 20,000$ to 7.5 and 6.0 per cent in the two larger groupincs. An exception to this trend occurred in the series of ratios for outlets in ronted premises where the average dropped sharply from 9.9 per cent in tho smallest to 6.9 per cent in the intermediate sizo and then rose to the secondary hich of 7.6 per cent for those firns with sales of $\$ 50,000$ and over.

Average proprietors' net earnings per firm, on the other hand, increased consistently with expansions in size of business. For establishnents in owned premises the dollar averages ranged upward from $\$ 1,262$ per outlet in the less than $\$ 20,000$ to $\$ 2,431$ and $\$ 5,798$ in the two larger sizes of business. A similar progression is apparent, in the figures for rented outlets, the averages here risine from $\$ 1,214$ in the smallest to $\%, 352$ and $\$ 7,211$ por firm in the following salos categories. The especially marked increase in average net earnings which occurred betweon the intermediate and the largest sizes of business is due of course to the sharp increases in average sales per outlet which jumped from $\$ 32,582$ and $\$ 34,099$ per owned and rented outlet in the $\$ 20,000$ to $\$ 50,000$ to $\$ 97,101$ and $\$ 94,456$ per firm in the $\$ 50,000$ and over sales classification.

Table 1.--Automobile Dealers - Operatine Results for Stores Classified According to 1341 Sales Size and Occupancy Basis, Canada, 1941 and 1944

| Item |
| :--- |

Table 1.--sutomobile Dealers - Operatinf Results for Stores Classified coordinc to 1341 Jales 3ize and occufancy Basis, Canada, 1941 and 1344


GENERAI INFORLATION

| 50 | 26 | 50 | 26 | 52 | 79 | 52 | 79 | 1. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| \$1,653,034 | \$908,168 | \$1,430,517 | \$734,550 | \$7,209,664 | \$15,830,064 | \$3,358,227 | \$6,125,904 | 2. |
| 33,061 | 34,930 | 28,610 | 28,252 | 138,647 | 200,381 | 64,581 | 77,543 | 3. |
| 233,439 | 104,278 | 191,817 | 73,091 | 858,904 | 1,622,713 | 402,438 | 707,938 | 4. |
| 245,288 | 119,799 | 200,983 | 64,789 | 888,738 | 1,970,918 | 431,661 | 734,934 | 5. |
| 239,364 | 112,039 | 196,400 | 68,940 | 873,821 | 1,796,816 | 417,050 | 721,436 | 6. |
| 4,906 | 4,608 | 4,020 | 2,492 | 17,091 | 24,948 | 8,301 | 9,303 | 7. |
| 1,338,958 | 709,279 | 1,135,830 | 511,981 | 5,897,505 | 13,423, 894 | 2,367,550 | 4,349,392 | 8. |
| 5.6 | 6.3 | 5.8 | 7.4 | 6.7 | 7.5 | 5.7 | 6.0 | 9. |

PFOFIT AVD LOSS DATA
(Items Expressed As l'ercentages of Sales)
$\left.\begin{array}{r|r|r|r|r|r|r|}\hline 19.0 & 21.8 & 20.6 & 30.2 & 18.1 & 25.2 & 29.4\end{array}\right] 29.0 \mid 10$.

| 7.1 | 7.5 | 7.6 | 1.1 .3 | 7.1 | 5.9 | 11.4 | 11.5 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| - | 1.8 | - | 1.9 | - | 0.7 | - | 1.4 |
| 0.1 | 0.3 | 0.1 | 0.3 | 0.3 | 0.2 | 0.7 | 0.4 |
| 0.8 | 0.4 | 1.0 | 0.7 | 0.7 | 0.3 | 1.3 | 0.8 |
| 5.0 | 6.3 | 5.5 | 7.9 | 5.6 | 4.9 | 8.3 | 7.4 |
| 13.0 | 16.3 | 14.2 | 22.1 | 13.7 | 12.0 | 21.2 | 21.5 |



| \$1,381 | 41,933 | \$1,827 | 世2,296 | \$0,166 | ¢6,516 | \$4,996 | \$5,843 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

Table 2. - iutomobile Dealers - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944


Table 2.--Automobilo Deulers - Operating Results for Stores Classiried According to 1344 Sales Size and Occupancy Basis, Canada, 1344

| \$20,000 to \$43,999 |  | \$50,000 and Over |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Owned | Rented | Owned | Rented |  |
| CENERAL INFORMATION |  |  |  |  |
| 87 | 58 | 45 | 65 | 1. |
| \$2,834,636 | \$1,977,734 | \$4,369,526 | \$6,139,618 | 2. |
| 32,582 | 34,099 | 97,101 | 94,456 | 3. |
| 364,665 | 214,120 | 470,463 | 589,372 | 4. |
| 391,921 | 240,055 | 503,374 | 614,795 | 5. |
| 378,293 | 227,088 | 486,919 | 602,084 | 6. |
| 4,505 | 4.139 | 11,186 | 9,458 | 7. |
| 2,140,150 | 1,445,724 | 3,246,558 | 4,383,687 | 8. |
| 5.7 | 6.4 | 6.7 | 7.3 | 9. |
| PROFIT AND LOSS DATA <br> (Items Expressed As Fercentages of Sales) |  |  |  |  |
|  |  |  |  |  |
| 24.5 | 26.9 | 25.7 | 28.6 | 10. |
| 8.6 | 9.8 | 10.8 | 11.4 | 11. |
| - | 1.7 | - | 1.2 | 12. |
| 0.2 | 0.4 | 0.5 | 0.3 | 13. |
| 1.3 | 1.1 | 1.1 | 0.8 | 14. |
| 6.9 | 6.9 | 7.3 | 7.3 | 15. |
| 17.0 | 20.0 | 19.7 | 20.9 | 16. |
|  |  |  |  |  |
| 7.5 | 6.9 | 6.0 | 7.6 | 17. |
|  |  |  |  |  |
| \$2,431 | \$2,352 | \%5,798 | \$7,211 | 18. |

## PART III - FILINTG STATIONS

Trends by Size of Business, 1944

Filline stations are engaged principally in selling gasolite and oil, parts and accessories and tires and tubes. They also derive a certain proportion of their revenues from repairs and services but subs receipts by definition must not form more than 25 per cent of their tobas sales. As an additional qualification, easoline and oil must account for at least 75 per cent of the total merchandise sales.

Gasoline, therefore, is the major revenuc producer for filling stations, its sales in fact amounting to 78 per cent of the total receipts of the filling stations which analyzed their sales by classes of comnodities in the 1941 lierchandising Cersus. Lubricating oils and greases cume next but formed only 6 per cent of the total trade. Receipts from repairs and services ranked third with 4 per cent of the total revenues. The remaining 12 per cent of the 1941 sales of these filling stations was made up of tires and tubes and of parts and uccessories each at 3 per cent, of new and used motor vehicles torether amounting to the minor figure of 1 per cent, of meals and lunches at 1 per cent, and of all other merchandise at 4 per cent of the total sales so analyzed. These percentages, of course, are national averages and hence the commodity sales distributions experienced by many establishments probably differed somewhat from the percentages shown above.

In the recent survey a total of 241 independent and unincorporated filling stations sent in usable reports on their operatine results for 1944. These reports were sorted into five categories for stations with sales of less than $\$ 10,000$, between $\$ 10,000$ and $\$ 20,000, \$ 20,000$ ard 30,000 , $\$ 30,000$ and $\$ 0,000$ and for those with dollar volumes of $\$ 50,000$ and over. The five resulting groupings were then broken down between establishments in owned and in rented promises to form ten salcs and occupancy classes of outlets. Statistics are presented in Table 1 for only nine of the ten groupings, the sample for owned stations with sales of $\$ 50,000$ and over being too small to justify the publication of averages.
iverage inventory turnover faster for Iarger stutions
Averace rates of inventory turnover for the rine classes of stations varied between a low of 11.4 and a high of 43.9 times in 1944. By size of business the filling stations with the larger sales volumes consistently had the higher rates of inventory turnover. In this regard the averages for the four groupings of owred stations ranged upward from 15.6 times in the snallest to 29.0 in the $\$ 30,000$ to 50,000 size while those for the five eroupines of rented outlets varied from 11.4 in the smallest to 43.9 times for those with sales of $\$ 50,000$ and over. Such an upward trend, of course, resulted from the fact that average sales per station increased from the smaller to the larger sizes of business at much faster rates than did the averafe of the beginning and ending inventories per outlet.

Ending inventories per station remained comparatively small in all sales and occupancy groupings of outlets. There was, however, a con-
sistent increase by size of business, tae valuation for the year-end stocks of owned stations ranging from $\$ 333$ per outlet in the smallest to $\$ 1,328$ in the $\$ 30,000$ to $\$ 50,000$ sales size and for rented establishments from $\$ 460$ in the less than $\$ 10,000$ to $\$ 1,415$ per station for those with sales of $\$ 50,000$ and over. Total inventories reported were valued somewhat higher a: the end than at the deginnine of 1944 operations, the overall fain over bosinsing ficrures for the four sizes of owned stations amounting to about 25 per cont and for the iive groupings of rented outlets to about 8 per cent.

## Gross profits averaged between 15.0 and 20.1 per cent of sales

Gross trading profits for the nine sules ard occupancy groupings of stations varied botween the narrow outside 1 imits of 15.0 und 20.1 per cent of sales in 1944. By size of business there was a definite trend for the larger sizes of rented filling stations to have lower rates of gross profit than the smaller ones, the averages aropping from 20.1 per cent for stations with sales of less than $\$ 10,000$ to $17.3,17.1,16.5$ and 16.1 per cent in the larger sizes of business. For outlets in owned preriises, however, the trend was not so conclusive, the averaces rising from 15.0 per cent in the smallest to 17.5 in the $\$ 10,000$ to $\$ 20,000$ sules size, receding to 15.0 per cent in the next and then increasing to 16.0 per cent for stations with sales between $\$ 30,000$ and $\$ 50,000$ in the year under review.

Amone the individual operatins expenses, the rine averages for employecs' salaries and wages ranged between a low of 0.6 and a high of 5.8 per cert of sales. When compured by size of business, the larger stations usually had the higher rates of payroll expense. In the five sales groupings of rented stations a consistent upward movenent was aprarent, the salary and wage ratios rising from 1.0 per cent in the smallest to $2.3,3.6,4.1$ and 4.4 per cent in the four lareer sizes of establishments. A similar trend with but one exception appeared amone the four classlfications of owned stations where the payroll averages increased from 0.6 in the smallest to 2.1 per cent in the $\$ 10,000$ to ${ }^{2} \mathrm{~L} 0,000$ seles groupinge receded to 1.7 per cent in the next and then rose to 5.8 per cent for filline stations with salos between 30,000 and 50,000 . Such a propression is a natural one for unincorporated stations becuuse the proprietors of the bieger ostablishnerits are personally unable to account for as large a share of the work as the proprietors of the smaller ones and hence have to rely on larger numbers of paid employees.

Rent, unlike salaries and wafes, is clearly a fixed dollar expense once the lease has been negotiated. This presents the retailer with the opporturity to reduce the weight of this fixed exnense by spreading his rentul charges over increased volumes of business. It is, therefore, not surprising to find that the rental expense ratios were senerally lower for the larger sizes of filline, stations, the averages receding from 2.9 per cent in the less than $\$ 10,000$ grouping to 2.6 and 1.9 per cent in the two inmediately larser sizes of business from which they increased slightly to 2.0 and 2.2 per cent of sales in the two largest sizes of bus iness.

Advertising expenses as percentages of sales were comaratively small in all of the nine sales and nccupancy classirications. Indeed in six
of the groupings the ratios amounted to only 0.1 per cent of sales while in two others they stood at 0.2 and in one at 0.4 per cent of total dollar volumes.

Derreciation allowances averaged sonewhat hicher ranging between 0.3 and 1.0 per cent of sules in 1944. By size of business, however, the ratios showed little evidence of varying either directly or inversely with amount of business done. In compurison with their rented counterpurts the five classes of owned stations nll had the higher rates of denreciation, a reflection of the 2 arger ampunts of ebatal their coners bac invested in thera.

Other operatime expunses, a residual expense category, grouped together such operating costs as heat, light, power and water, all taxes other than income taxes, insurance, repairs and minintenunce, interest on borrowed money, operating supplies, commnications and sundry expenses. Some of these were comson to all filling stations and herce were included quite consistently in the figures reported. Others, depending on individual circumstances, may not have been so unifumnly experienced and reported. In spite of this circumstance, however, the ratios for other operating expenses were generally lower for the larcer si::es of stations. Amongr the owned onos, the averases increased siightly from 4.2 per cent of sales in the smallest to 4.4 per cent in the $\$ 10,000$ to $\$ 20,000$ siles size and then receded to 3.8 and 3.5 per cent in the two following sizes of business. For rented stations, the progression started at 4.2 per cent in the $10 s s$ than $\$ 20,000$ sales erouping, dropped to a plateau of 3.5 per cent in the next two sizes and then receded to a level of 3.0 ner cent of sales in the two largest sizes of business. Such a declining tendency in the ratios for this expense category is due in part at least to its content of fixed dollur costs which decrease in nercentage form as sales volumes expand. leflecting the natural presence of residual nccupancy expenses, the ratios for owred stations were somewhat hisher than those recorded by the rented outlets in three of the four sizes for which comparisons were possible.

## Total expense rution were hisher for lurger stations

Total operutins expenses, sumarizinc: the individual expense items just discussed, runged between 5.9 and 10.4 per cent of sales in 1944. By size of business the fillint, stutions with tie lareer sales volumes generally had the higher rates of total expenses, a tread conforming with the experiences of most of the retail trudes from which reports were received in the recent survey. For stations in owned premises the smallest average ut 5.9 per cent of sales was obtained by outlets with sales of less than $\$ 10,000$, from which point the ratio rose to 7.4 per cent in the $\$ 10,000$ to $\$ 20,000$ size, dropped to 6.2 per cent in the next and then expunded to 10. 4 per cent for those with annual receipts runnine between 30,000 and $\$ 50,000$. A similer progression was also apparent in the averages for rented stations where tre jrogression started at $\beta_{n} 5$ per cent in the smallest, increased to 9.1 per cent in the next, levelled out at the higher average of 9.5 per cent in two larger sales sizes and finally rose to 10.3 per cent for outlets with 1944 sales of $\$ 50,000$ and over.

Net earnings ratios lower for the lurger sizes of stations
Due largely to the rising trend in the averages for total operating
expenses, the percentages for proprietor's net earnings decreased as the sizes of filling stations became larger. For outlets in owned premises, the series began with an average of 9.1 per cent of sales in the less than $\$ 10,000$ sales size, rose against the trend to 10.1 per cent in the next Grouping and then declined to 8.8 and 5.6 per cent in the two inmediately zarger sizes of business. Establishments in rented premises recorded a consistently downard trend, the net earnings percentages dropping from 11.6 per cent in the smallest to $8.2,7.6,7.0$ and 5.8 per cent for the four larger sizes of filling stations. These averages, it should be noted, include two types of returns, one of which consists of a reward for the proprietor's personal services and the other of a return on the capital he has invested in the business. Both of these aspects should, therefore, be taken into account when assessing the profitability of the filling stations co-operatine in the rocent survey.

When expressed in terms of dollar averages, net earnings per station reversed the trend above noted and were consistently higher for the larger sizes of establishments. Thus moving from the smallest to the largest sizes of stations, the averages for the four groupings of owned outlets increased from $\$ 549$ per unit in the smallest to $\$ 1,370, \$ 2,156$ and $\$ 2,280$ per station in the three larger sales categories. A similar trend was also apparent among the five sizes of rented stations, proprietor's net earnings here rising from $\$ 758$ per outlet in the less than $\$ 10,000$ sales grouping to $\$ 1,292,1,857, \$ 2,505$ and 3,912 per establishment in the four larger sizes of businoss.

## Operatine Results of Continuing Stations in 1941 and 1944 Compared

Of the 241 filline stations reporting their operatine results for 1944, only 100 were able to give similar information for 1941. These were classified by size of business for Table 2 according to the sules they made in 1941 and thus quite independently of their dollar volunes in 1944. In view of the limited number of firms reportine for both years, however, it was necessary to reduce the number of size categories from the five shown in Table lo the three enlarged ones which appear in the second table. Each of those was then divided between stations in owned and in rented premises to form six salcs and occundncy classifications of establishments. In one of these - that of owned stations with 1341 sales of $\$ 50,000$ and over - only three reports were included. Statistics are, therefor, presented in Tuble 2 for only five of the six groupings of outlets. In these the samples were also quite snall, there being three groupings for which the numbers varied between 10 and 14 reports. It is hoped, nevertheless, that the comparative averages will jrove at least approximate indicators of the tiends which were experienced.

A glance at the total sales figures shown in Table 2 will indicate the mixed and somewhat erratic trend in sales which the rive sroupinfs of continuing filling stations experienced between 1341 and 1344. The 24 owned outlets with sales of less than 20,000 recorced un average increase of about 27 per cent buttie 14 rerited stations in the sume size of business had an average ain of̂ only a per cent over 1341 sales levels. A sinilar dispurity may be noted for establishnenta :ith 1341 dollar volumes rumrine between $\{20,000$ and 050,000 , the 10 owned ones registerinf an average increase of 3 fer cent and the 35 rented mes a decrease of
nearly 7 per cent. No fictures were published for owned filling stations with sales of $\$ 50,000$ or more but the 14 rented establishmerts recorded a loss of 16 per cent in dollar volumes. Overall, the 63 stations in loased premises had an average decline of about 10 per cent against a seemingly erratic increase of 17 per cent experienced by the 34 owned outlets. Of the two percentages, the decrease of 10 per cent is probably a much closer approximation to the sales trencis of all continuine fillinf stations becauce rationing wicubtady offactad cousidersijo zaductiond ia oivilian gesulino consumption.

## Stook turnover avertges irregular in trend

Average rates of stock tumnover for the five sates and oocupancy froupincs of establishments varied between 15.7 and 33.0 times in 1941 and betweer 17.8 and 33.2 times in 1944. When oxamined in detail, however, the trends were quite irregular, the averages in 1944 being lower in threc and higher in two of the classifications than in the earlier period. liecording the decreases were owned stations aving sales less than 60,000 and between \$20,000 and 50,000 and rented ones with sales of 50,000 and over whose averages dropped from 19.3 to 18.2 , from 29.8 to 24.7 and from 39.0 to 29.7 times, respectively。 Average sales per station for the two owned groupings were hifher in 1944 but their average endinc inventories recorded ereater percentage increases to lower the rates of stock tumover. The similar trend for the frouping of rented stations resulted from a decrease in average sales und an increase in average ending inventories jer outlet. lented stations with sales of less than $\$ 20,000$ and between that and $\$ 50,000$ bettered their turnover ratios for 1941, their ratios rising from 15.7 and 26.4 times in the earlier to 17.8 and 33.2 times in 1944 。. In the first of these, higher average sales in 1341 combined with lower average ending inventories per outlet to raise the turnover ratio while the increase in the second was caused by a relatively ereater decline in average ending stocks than that which occurred in averafe sales per establishment.

Neasured by total inventories reported, the trends in inventories at the end of 1941 and 1944 were mixed. For stations in owned prenises huving sales of less than $\$ 20,000$ and between $\$ 20,000$ and $\$ 50,000$ and rented outlets with volumes of $\$ 50,000$ and over, the total inventories were 43,28 and 11 per cent hifher at the end of 1944 than at the same date in the earlier year. In the two smaller sizes of rented stations, however, the ending stocks were valued about 12 and 16 per cent lower. This meant a decline of about 7 per cent in the ending inventories of all rented establishments which compares with a rather erratic increase averaging 36 per cent ir the stocks of their owned counterparts.

Inventories of merchandise per station were comparatively small at the close of both years. In 1941, the averages for the five sales and occupancy grounings ranged from $\$ 472$ to $, 1,445$ and in 1944 from $\$ 023$ to \$l, 605 per establishment. Jith valuations us low as these, even moderate changes in the dollar fipures between different stations in the same year or between 1941 and $19 \leq 4$ could produce sizable variations in average rates of stock turnover and in inventory positions between the end of the two years - variations less important economically than the percentage differences would suggest.

## Gross profit percentaces veraged silchtiy lower

Averace rates of gross tradine profits for the five clasises of filling stations ruafod betweon 15.8 und 19.8 per cent of sules ir 1941 and between 24.5 und 29.6 per cent in 1944 . In 411 but one of the sules and occupancy eroupines, moreover, the ratios were somewhat lower in the more recent period. Cwned stations with sales of less than $\$ 0,000$ recorded the reatest cecine, the averace dropping from 16.5 per cont in the earlier to 14.5 per cent in tho later period. Owned and rented stations with sales running between , wo,000 ard 50,000 experienced the second and third lurisest Locreases, their rutios falling from 15.9 to 15.0 and from 17.6 to 17.0 ver cent of sales between the two yeurs wiile a minor contraction was recorded in the smallest, and a slight increase appeared in the largest size of rertod establishnents.

## Fayroll ratios also lower in: 1344

imone the operatine oxpenses, the five fercentares for employess salarics ind waices were likewise consistently lower in the more recent period. In 1941 total payroll costs varied botween 1.7 and 5.5 per cent or sales and ir: 1944 between the lower outside Iimits of 1.8 and 4.6 per cent of annuul receipts. The three sroupings of rented stations recorded the largest contructions, the averages for the smalest, intermediate and lurcest sizes of business droplines from 5.0 to $1.8,5.0$ to 3.8 and from 5.5 to 4.2 per cent of sules, respectively. For owned outlets the reductions were sumewhat less marked, the rutio for those hang sales under, 20,000 declining from 1.7 to 1.2 per cent ard for those with annual volunies between $\$ 20,000$ urd $\$ 50,000$ from 5.5 to 4.6 per cent.
bartime rogulations requiring filling stations to remain closed on Junday and restricting open hours fror: $7 \mathrm{a} . \mathrm{m}$. to $7 \mathrm{p} . \mathrm{m}$. on week duys probably, were muinly responsiblo for the downwurd trends in the puyroll percentaces. These restrictions senerally concentrated business volumes into the more productive daytime selling periods where sverufe sules per dar?icht payroll doll:ar were normally hishest. and, by eliminuting tho eveninc and nicht periods when sales ner comparable nayroll dollar avorged lower, enabled emplovees' salarics and wages to form smaller percentuges or sales. Such conilions muy have permitted at leest some of these continuing stations to reduce the numbers of persons employed, their average payroll oosts in dollir ficurcs beine somewhat lower in 2914. Chantes rrom fulltime to part-time and from male to female employees may ulso heve contributed to tie smiller dollar avorases. These regulatiors, it ahould be coted, vecanc effcctive during tho latter half of 1941 and hence influenced $\therefore$ :he operetin result fiqures rresented in Table 2 for purt of thet year. This has tomded to reduco the contrasts between 1941 and 1944 for the restrictions were fully in efiect during the moro recent year.

Kontul costs is percontages of sales in 1944 were virtually unchanged from their 1941 levels. In the smallest size of businoss the averages stood at 2.6 per cent of sales in both years ind thus reflected the comparutive stability found in averuge sales nez station in the two periods under review. In the intermediate and largest sales sizes, the latios dropped from 2.2 to 2.1 and fron 2.1 to 1.9 per cent of amual receipts. Nith average sales per station also somewhat lower for these
groupings in 1944, the small declines in the ratios may be due in some instances to a contraction in properties leased or to the renemal of leases at moderately lower levels of dollar oxporditure.
davertising expenses in percentage forth were relatively small in both periods, the five averages varyin; between 0.1 and 0.3 per cent of sales in 1941 and botween 0.1 and 0.4 per cent in the more recent year. Depreciation allor ances also formed comparatively sniall percentages of sales in each of the two periods. These averages rangea from a low of 0.2 to a high of 1.1 per cent in 1941 and from 0.3 to 0.9 per cent of annual receipts in 1944. Little evidence of a trend vetween the two years is epparent, there being two grourings in which the ratios were unchanged, two in which slight declines were recorded und one which registered a minor advance.

Cther operating expenses also remaned comparatively stable as percentages of sules in the two years under review. For 1941 the five averages were contained within outside linits of 2.7 and 4.3 per cent while the corresponding figures for the later period amounted to 2.9 and 4.4 per cent of total sales reported.

Total expense percentages averaged lower in 1944
Total oneratinf expenses for the five sales and ocupurcy classes of filling stations were all lower as percentages of sales in the :hore recent year. For 1941 these averages varied between 7.2 and 10.9 per cent while in 1944 the outside linites stood at 0.6 and 3.7 per cent of the dollar volumes. The greatest contractions occurred in the smallest, intermediate and largest sizes of rented stations, the ratios dropping from 9.9 to $9.0,10.9$ to 9.5 and from 10.8 to 9.7 per cent, respectively. In a relative way the reductions were also important for owned stations havine sales below $\$ 20,000$ and between $\$ 20,000$ and $\$ 50,000$, the averages for which receded from 7.2 to 6.6 and from 10.0 to 9.0 per cent of receipts. These ceclines, it will be noted, were principally due to the recessions in the payroll ratios, the possible reasons for which have alresdy been susgested.

## Net earnines ratios were muinly higher

As a consoquence of the more pronounced decrease in operating oxpenses than in eross margins, net earnines as percentages of sales moved upward between 1941 and 1944 in all but one of the five classifications of filling stations. Increases were general for the three sizes of rented stations, the ratios for the smallest, internediate and largest sizes rising fron 3.9 to $20.6,6.7$ to 7.5 and 5.0 to 6.4 per cent of sales in the earlier and later yeriods. Owned stations with sales of less than 20,000 experienced a decline, their averages dropping from 9.3 to 7.9 per cent as a result of a particularly sharp contraction in the erross profit percentage. Stability, on the other hand, fcatured the net carnings of owned stations vith sales varyine between $\$ 20,000$ and $\$ 50,000$, the sverage amounting to 5.9 and 6.0 per cent in 1341 and 1944. Averafe net earnings per station when expressed in dollar figures
followed the same seneral trend and wele unifornly hisher in the more recent year, the figuros ransin betweon $\$ 973$ and $\$ 3,245$ per outlet in 1941 ard betwoen 41,047 and $\$ 3,469$ in 1944. The sains, howover, were not large for even the greatest increase ir the averages amounted to on?y 2as.

Table $1, \ldots$ Filline Gtations - Operatine, Results for stations Classified nccordint to 1944 Sales size and Decmpancy Pasis, Canads, 1944


PROFIT AND LOJS DATA
(Iterns Expressed is l'ercentages of 3ales)
10. Gross Tradile Profit

| 15.0 | 20.1 | 17.5 | 17.3 |
| :---: | :---: | :---: | :---: |

Operatinc Expenses:
11. Em!loyees' Balaries and Nages
12. Rent
13. Advertising

| 0.6 | 1.0 | 2.1 | 2.3 |
| :---: | :---: | :---: | :---: |
| 0.1 | 2.9 | - | 2.6 |
| 1.0 | 0.1 | 0.1 | 0.1 |
| 4.2 | 0.3 | 0.8 | 0.6 |
| 5.9 | 4.2 | 4.4 | 5.5 |

17. Proprietor's Net Earnings Bcfore Thutine maxes and inthdrawals

| 9.1 | 11.6 | 10.1 | $\varepsilon_{0.2}$ |
| ---: | ---: | ---: | ---: |

18. iverace Proprictor's Net Earnings Per store $\square$ 12,370 12,292

Table 1.--Fillin: Stations - Cperatinc iesults for Stations classified Accordina to 1941 Jales jize and Cocupancy Basis, Cunada, 1344

| 420,000 to 23,939 | 50, 0 | -43, 339 | 150 | Lver |
| :---: | :---: | :---: | :---: | :---: |
| Cwned | Owred | Kented | Owned | Rented |

GEIERAL INFORMATION

| 12 | 37 | 13 | 32 |  | 14 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| \$294,710 | \$898,651 | \$529,987 | \$1,138,563 |  | \$941,852 |
| 24,559 | 24,288 | 40,768 | - 35,580 |  | 67,275 |
| 11,919 | 23,323 | 46 | 4,707 | SARPLE | O |
| 14,026 | 25,962 | 17,262 | 25,867 | T00 | 19,808 |
| 12,973 | 24,642 | 15,362 | 25,287 | 100 | 17,989 |
| 1,169 | 702 |  |  | STMLL |  |
| 250,504 | 744,982 | 445,189 | 950,700 |  | 790,415 |
| 19.3 | 30.2 | 29.0 | 37.6 |  | 43.9 |

PROTIT AND LOSS DATA
(Items ixpressed as Fercentages of Sales)


Table 2.-Filling Stations - Operating Results for Stations Classified mecordine to 1941 Sales size and Occuparicy Basis, Canada, 1341 and 1944


Table 2.--Filling Stations - Operating Results for Stations Classified

| A ANOUTM OF AMMUSL SALES |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ,20,000 to \$49,999 |  |  |  | - \$50,000 and over |  |  |  |
| 19 | 41 | - 1944 |  | 1 | 11 | 1344 |  |
| Cwned | Rented | Cumed | Rented | Owned | Rented | Owned | Rented |
| GERERAL INTORVATION |  |  |  |  |  |  |  |
| 10 | 35 | 10 | 35 |  | 14 |  | 14 |
| \$316,954 | +1,138,645 | \$345,627 | \$1,063,726 |  | 898,676 |  | \$758,114 |
| 31,695 | 32,533 | 34,563 | 30,392 |  | 64,191 |  | 54,151 |
|  |  |  |  | SAMYLE |  | SMPLE |  |
| 7,796 | 27,732 | 10,794 | 25,105 |  | 18,571 |  | 20,368 |
| 10,096 | 33,400 | 12,964 | 28,087 | TOO | 20,237 | T00 | 22,475 |
| 8,946 | 35,566 | 11,879 | 26,596 |  | 19,404 |  | 21,422 |
|  |  |  |  | SMALL |  | SMALL |  |
| 1,010 | 954 | 1,296 | 802 |  | 1,445 |  | 1,605 |
| 266,558 | 932,243 | 293,783 | 882,893 |  | 756,685 |  | 636,058 |
| 29.8 | 26.4 | 24.7 | 33.2 |  | 39.0 |  | 29.7 |

IROFIT AND LOSS DATA
(Items Expressed As Percentages of Sales)


## PARII IT - GNRACES

Trends by Size of Business, 1944

The garaces whose operatinc results are annlyzed in this scction are those which in 1941 so combined the sale of such merchandise as narts and accessories, fas and oil, with the performance of repairs that recoipts frofi repairs or other services made up between 25 and 50 per cent of the total annual business. These estublishner.ts might we terned "merchardisine", as distinguished from "service" caraces in which repuirs and othes services represents the major activity ard occounts for the ereater portion of the dollar volume of business. The firms incluced here, moreover, have been classified according to the type of busincss they conducted in 1941. With the practical clinination of the new car market which took place in the following year and with the increased emphasis on ropair work which ensued it is altomether likely that repuir und other service receipts in many cases formed a considerably greater proportion of the total business in 1944 than in 1941, perhaps even exceeding the 50 per cent linit which was set in the census instructions.

There were 3,256 establishments in Canada in 1341 of the type defined above. These had annual recoipts from all sources amounting to $447,561,400$ in that year. Sales of gasoline and oil formed 41.7 per cent of this total; parts and accessories, tires, tubes and storafe batteries accounted for 23.4 per cent; recopts from renairs and other services cane next at 21.6 per cent while the remaining ? 3 per cent represcnted the sule of relatively small numbers of new and ubed motor vehicles torether with miscellancous morchandise.

The averace operatine results contained in this section are based on reports received from 165 gurazes which gave details regardinf their trading operations in 1944. These have been classiftied into five size-of-bustness (groupings: (a) less thar $\$ 10,000$; (b) $\$ 10,000$ to $\$ 19,399$; (c) $\$ 20,000$ to $\$ 29,939$; (d) 30,000 to $\$ 49,999$ and (e) $\$ 50,000$ and over. Each of these cutegories was further divided as between those in owned and those in rented rremises. When thus classified the sample number of firms in the varlous categories ranges from oight for owned establishuefts in the largest size category to twenty-four for ronted establishments having annual receipts of between 30,000 and 50,000 . The averace results quoted in the followinf pararraphs and shown in the table should be used only after due consideration hus been siven to the limited size of the sariple bijon which the results are based.

## Inventory turnover avorazed between 6.3 and 15.8 times

While the rate at which inventories were turned over durins the yenr showed some tondency to be hicher for the lurger than the snaller businesses, no consistent trend was apparent. Stock turnover, calculated by dividing cost of merchundise sold by the averace at cost levels of the inventories reported at the beginnine and end of the yar, ranged from a low of 5.3 tines for a group of 20 establishments in owned premises havine annual sales of less than $\$ 10,000$ to a hich of 15.8 times for 20 establishuents in rented pronises having armual reccipts of tetween $\$ 10,000$ and 20,000. The absence of any consistent trend in turnover in relation to size of businoss may be attributed to wide variations between reports in respect to the proportions of receipts which were derived from the performance of services. If the reporting farages had been classified by size according to their sales of merchandise only it is quite possible that the stock turnover averages of the larger farages would have been higher than
those of the smiller ones. wheh a trend, it may be noted, is a normal one in many branches of retail trade. The necessary information, unfortunately, was not available for this urpose.

The year 1944 witnessed an incroase in the merchandise inventory holdings of the reporting carages, a fyain shared by owned and rented establishnents in almost all sizes of business, and averasing 13.7 per cent from the beginning to the end of the year for the 165 gurages submitting information. Such an inorease in inventory holdinfs reflects the growth in the importance of automotive repair work which took place during the year under review in response to the eontinued curtailment of autoriobile production. In this ropurd the sules of wholesalors specializing in the distribution of automotive parts and accossories were 25 per cent higher in 1944 than in 1943. It is altogether likely that the increase in total inventories held by the retail merchandise gearages represented expanded holdings of parts and accessories rathor than any increase in the stocks of pasoline or lubricatins oils carried.

Average inventories fer establishment for the ten sales and occupancy groupings of caraces varied between $\$ 608$ and $\$ 5,185$ in 1944. These, with but two exceptions, conformed to the eeneral trend in retail trade and were hichor for the larger businesses than the smaller ones in the year under review.

## Gross trading nrofits varied between 23.7 and 30.3 per cent

Oross tradine profits or the difference between anmul receipts and the cost of merchandise sold represents the amount of revenues available to derray operating expenses and to yield a net profit on the year's operations. When expressed as percentages of annual receipts the gross tradine profit for garages in owned premises was somewhat lower for large than for small businesses and ranged from 27.9 per cont for the sample with annual receipts of less than $\$ 20,000$ to 25.2 per cent for establishments having annual receipts of $\$ 50,000$ or more. In the case of rented establishments no such definite tendency was found to exist. The ratios centered around 30 per cent of anmal recoipts in the case of the smallest, the riddle and the largest size classes, and around 25 per cent for each of the other two groups. The eross rrofit percentages were perhaps somewhat higher than they would have been in a more normal year because of the possibility that the proportions of receipts derived from service activities were higher than usual. Such service receipts, of course, consisted mainly of labour costs which were fenerally included in salaries and waees and thus added little to the cost of goods sold. In view of the limited size of the sample and the varying moportions of total receipts obtained from merchandise sules and from services, Wreover, the ratios offor little indication of the way the grose frofits percentages would have varied by size of business if the effects of these fiactors could have been removed.

Salary and wage payments to employees when expressed as percentages of annual sales varied widely between the different size classes into which the total sample number of estabiishments has been divided. In the case of owned establishnents the wage ratios varied from a minimum of 1.3 per cent for the smallest to 10.7 per cent for the largest size of business. Corresponding ratios for rented establishments were 2.5 per cent and 12.9 per cent, respectively. It should be noted in this connection that the salary and wace figures on which these ratios are based do not include tio compensation of proprietors. Their services form large portions of the work of the entire labour forces in the case of small businesses. The upward trend in wage payments when expressed as percentages of sales as the size of business increases, therefore, reflects the decreasing
importance of the proprictor's services relative to the total wage costs and the increasing proportion of the work performed by paid employees.

Rentals puid for properties used by the garages are fixed dollar costs once the lease has been negotiated. Such costs when expressed as percontages of sales generally decrease as the size of business increases indicating the ability of the proprietor to spread these fixed costs more thinly over larger volumes of sales. That this relationship holds true in the case of garages is evident from a glance at the table. Ilere the rentals varied from 4.2 per cont of annual receipts for the sample of 13 establishments in rented premises with annual receipts of less than $\$ 10,000$ to 2.8 per cent for the 9 garages having receipts of $\$ 50,000$ or more. The ratio of only 1.9 per cent for the group of 20 garages in the $\$ 10,000$ to $\$ 20,000$ bracket must be attributed to the inclusion in this group of a number of establishments having rental costs markedly out of line with the general uverage.

Advertisine expenses as percentages of receipts were comparatively small, generally averaging 0.2 or 0.3 per cent for earages in rented premises and somewhat lower at 0.1 or 0.2 per cent for faragos in which the premises were owned. The higher advertiaine expense ratio for rented garages is probably related to differences in shop locations, a higher proportion of the garages in rented premisos being located in the larger urban areas where competition is keener and adyertising expenditures consequently more necessary.

Depreciation allowances as percentages of receipts were lower for the larger establishnents and, for a given size of bus iness, were lower for garages in rented prenisos than for those in which the property was owned by the proprietor. The table shows that depreciation allowances for owned premises ranged downwards from 2.1 per cent for establishments in the smallest size category to 1.0 per cent for those having annual receipts of $\$ 50,000$ or more. The corresponding range for farages in rented premises was from 2.3 per cent to 0.7 per cent. The higher ratios for owned than for rented garages is a natural reflection of the greater capital investment in buildings and other physical assets by the proprietors of garages who own their business premises. The decline in this expense ratio as the size of business increases may be attributed to the same factor as that explainine the similar trend for rental expenditures, namely, the ability of the proprietor to spread this more or less fixed cost over expanding volumes of business.

All other operating costs were combined into one classification. Included here are such items as communication, heat, 1 legh, power and water, taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed moner, losses on bad debts and sundry expenses. Due to the varying nature of the components of this residual expense category the results showed no definite tendency to vary either directly or inversely as the size of business expanded. With the exception of the smallest size-or-business category the ratios for owned establishments ranged narrowly around 6.4 per cent of recelpts. The corresponding average for the same four size groups of rented establishments was 5.5 per cent. The higher expense ratio for owned establishments may be attributed in part at least to the inclusion therein of certain occupancy expenses such as insurance, repairs and maintenance and perhaps interest on mortgage indebtedness, items which would find their counterpart in rental costs rather than in the miscellaneous item in the case of garages in rented premises.

Total expense ratios varied between 12.0 and 21.6 per cont
On consolidating the various expense items already described, total operatine expenses raneed upward from 12.0 per cent of receipts for the smallest size category to 18.5 per cent for the largest size group in the case of owned premises. In the case of rented establishments the corresponding range was from 15.9 per cent to 21.6 per cent. The upward movement in the total oxpense ratio as the size of business increased was due principally to tho expansion in payroll ratios which more than offset the decreases recorded in rental costs and depreciation allowances. But here again it should be noted that neither in the wage costs nor in the total expense ratios are any allovancos made for the value oi proprietors' services. Inclusion of a fair estimate for the value of such services mold no doubt reverse the trend noted above and would result in a hisher total operatinc expense ratio for the smaller establishments than for those with a larger annual volume of business.

Net earnings ranced between 6.7 and 15.9 per cent of receipts
Proprietor's net earnings before income taxes as revealed by the results of this survey may be considered to contain two components. One of these consists of a sulary return for the proprietor's mangerial, clerical and mechanical sorvices while the other reprosents the net profit which the proprietor might reasonably expect to receive from the capital he has invested and risked in his business. Thus defined, the net earnings for carages when expressed as percentages of annual receipts varied between wide limits ranging downwards from 15.9 per cent for owned garages in the smallest size class to 6.7 per cent for owned establishments with annual receipts of $\$ 50,000$ or more. liotwithstanding this downward trend, the dollar figures for average net earnings per establishment showed a consistent expansion as the size of business increased. Thus, in the under $\$ 10,000$ sales size the average proprietor's net earnines amount ed to \$1,066 and $\$ 944$ for owned and rented establishments, respectively, from which the averages moved progressively upward for each size of business until averages of $\$ 4,375$ and $\$ 5,775$ for owned and for rented garages in the lurgest size category were reached.

Garazes - Operating Results for 之stablishrients Classified Accordine to 1944 Sales Size ard Occupancy Basis, Canada, 1944

| Item |
| :--- |

10. Gross Trading Prorit $\qquad$
$\square$
(Items Expressed is Percentagea of Sales)

| 27.9 | 30.3 | 23.7 | 25.1 |
| :--- | ---: | ---: | ---: | Operating Expenses:

11. Employees' Salaries and Nages..

| 1.3 | 2.5 | 4.1 | 4.9 |
| :---: | :---: | :---: | :---: |
| - | 4.2 | - | 1.9 |
| 0.1 | 0.2 | 0.2 | 0.3 |
| 2.1 | 1.3 | 2.1 | 1.0 |
| 8.5 | 7.7 | 6.6 | 5.0 |
| 12.0 | 15.9 | 13.0 | 13.1 |

17. 1roprietor's Net Earnings Before Income Taxes and Withdrawals...

| 15.9 | 14.4 | 10.7 | 12.0 |
| ---: | ---: | ---: | ---: |

18. Average Proprietor's Net Earn-



## Aucording to 1944 Sales Size and Cocurancy Basis, Canada, 184



PROTIT AND IOSS DATA
(Items Expressed As Fercentages of Sales)

| 27.2 | 28.9 | 26.1 | 24.9 | 25.2 | 29.8 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 7.2 | 10.4 | 10.2 | 9.5 | 10.7 | 12.9 |
| - | 2.3 | - | 2.1 | - | 1.8 |
| 0.1 | 0.3 | 0.1 | 0.2 | 0.2 | 0.4 |
| 1.6 | 1.0 | 1.5 | 0.9 | 1.0 | 0.7 |
| 6.3 | 6.1 | 6.1 | 4.9 | 6.6 | 5.8 |
| 15.2 | 20.1 | 17.9 | 17.6 | 18.5 | 21.6 |
| 12.0 | 8.8 | 8.2 | 7.3 | 6.7 | 8.2 |
| ,995 | 2,112 | 3,173 | \$2,713 | +4,375 | 5,775 |

