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OPERATING RESULTS

OF

RETAIL FILLING STATIONS

AND

GARAGES

1945

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DEFINITIONS

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS TRADING PROFIT OR MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in operating a business, except the cost of merchandise. They include:

Salaries and wages paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are not included.

Advertising

Store supplies used in the business during the year such as: wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts in the year - amount written off less bad debts recovered.

Taxes and insurance - business, property and water taxes, licences including truck licences, insurance premiums carried for the protection of the business. Income taxes are not included.

Rentals - for premises used only in the business.

Heat, light and power used in the year.

Repairs and maintenance - incurred for the purpose of keeping fixed store assets in efficient operation, including delivery equipment.

Depreciation - allowances to cover decreases in the value of fixed store assets including delivery equipment.

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

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

CUSTOMERS' ACCOUNTS OUTSTANDING are all accounts receivable on the books at the end of the year.

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OPERATING RESULTS OF RETAIL FILLING STATIONS AND GARAGES, 1945

Introduction

This report is one of a series reviewing average operating results for 1945, and covers retail filling stations and garages. In 1944 a similar survey was carried out for a dual purpose; to provide an estimate of the contribution made to the national income by unincorporated retail stores, and to provide reliable statistics on operating costs in retail trade. The average results presented in this report were obtained from stores whose individual profits and expenses vary considerably. Therefore, if the results of an individual store do not coincide with the averages, it does not follow that the store is being operated inefficiently.

The tables, however, may assist the merchant in deciding where economies may be most effective and may indicate the need for additional expenditures in other phases of business operation to meet changing conditions. Repairs or replacements of fixed assets and equipment, not available during war years, may now become a necessity. The resuming of pre-war services such as deliveries and credit, may be necessary to keep up sales volume in face of otherwise declining sales. With the possibility of more competition, unstable prices and greater expense outlay, these basic operating ratios may be of use in planning for changed conditions in the retail field.

The ultimate objective of business is to realize a net profit on operations. This might be the first item of comparison an individual owner makes with his own results. If his net profit is greater than the average shown for his particular business in this report, he may gain further by item-by-item comparison of his operating costs with those in the tables. If his net profit is smaller than average, a careful check should be made on his different expense items, using the averages shown as a guide in determining which items require investigation. In this way improvement in gross margin or a lessening of expenses may be accomplished to result in a greater net profit.

The prospective new entrant may find much information useful in planning his inventory outlay, expected rate of stock turnover, and various expenses such as salaries, advertising, rentals and so on.

Definitions of the terms used in this report and the components of the different expense items are given on page 2. When making comparison with other results, allowance should be made for any difference in definitions. When making comparisons of present day results with this report, allowance should also be made for any economic changes which have occurred since 1945. Chain stores were not included in this survey.

SUMMARY

Some of the significant features in the operation of retail filling stations and garages in 1945 are noted below.

Filling Stations

1. Filling stations realized a wider gross margin in 1945 than in 1944, the respective ratios being 17.9 per cent and 16.5 per cent. A higher ratio of expenses, especially salaries, offset the 1945 marginal advantage to result in a slightly smaller net profit than was realized in 1944. Average net profit of filling stations in 1945 was 7.1 per cent as compared to 7.3 per cent in the previous year. (See table 1).
2. Though gross margin ratios were irregular over the different size ranges, net profit ratios decreased consistently as the volume of business expanded. Reflecting an increase in ratio of salary expense, total expenses were greater in the larger filling stations. (See table 3, page 7).
3. Filling stations operating in rented premises, obtained wider gross margins than those operating from owned premises. Total expenses in rented premises were greater, reflecting rent expense and higher salary cost. No consistent differences appeared in net profit ratios of owned and rented stations. (See table 3, page 7).

Table 1. - Operating Results of Filling Stations
(With 1944 percentages for comparison)

Item	1945 (515 stations)		1944 (241 stations)
	Average dollar figures	Percentage of net sales	Percentage of net sales
	\$	%	%
Average net sales	32,492	100.0	100.0
Gross trading profit	5,832	17.9	16.5
Operating expenses:			
Employees' salaries	1,619	5.0	3.7
Advertising	60	0.2	0.2
Store supplies	238	0.7	5.3
Bad debts	40	0.1	
Occupancy expense	1,187	3.7	
All other expenses	364	1.1	
Total operating expenses	3,508	10.8	9.2
Net profits before deduction of proprietors' salaries and income tax	2,324	7.1	7.3

Garages

1. In 1945, garages for the repair of motor vehicles and for sale of parts, accessories, gasoline, oil and grease operated on a gross profit of 27.9 per cent as compared to the 1944 gross margin of 26.7 per cent. A greater expense ratio in 1945 reduced this advantage to only slightly greater net profit - 1945, 9.3 per cent and 1944, 9.0 per cent. (See table 2).

2. Although gross profit ratios were irregular over the different size ranges, net profit ratios showed a consistent decrease with expanding sales volume. A high ratio of salary expense reflected the repair work which formed approximately 24 per cent of net sales. While the ratio of salary expense increased with sales volume, other expenses generally decreased in ratio in the larger garages. (See table 4, page 9).

Table 2. - Operating Results of Garages
(With 1944 percentages for comparison)

Item	1945 (240 garages)		1944 (165 garages)
	Average dollar figures	Percentage of net sales	Percentage of net sales
	\$	%	%
Average net sales	34,525	100.0	100.0
Gross trading profit	9,644	27.9	26.7
Operating expenses:			
Employees' salaries	3,449	10.0	9.1
Advertising	106	0.3	0.2
Store supplies	355	1.0	8.4
Bad debts	91	0.2	
Occupancy expense	1,756	5.1	
All other expenses	680	2.0	
Total operating expenses	6,437	18.6	17.7
Net profits before deduction of proprietors' salaries and income tax	3,207	9.3	9.0

GENERAL DISCUSSION AND TABLES

Filling Stations

Filling stations are engaged principally in selling gasoline and oil, accessories, tires and tubes. To remain in this classification, repairs should not form more than 25 per cent of net sales and gasoline and oil must account for 75 per cent of total merchandise sales. Usable reports were received from 515 filling stations. When classified by size of business and occupancy basis there were too few establishments in rented premises with sales less than \$10,000 and in both owned and rented groups with sales over \$100,000 to allow publication of average results.

Trends by Size of Business (See table 3, page 7)

While gross profits were irregular in ratio to net sales, a proportion of expenses expanding with sales volume resulted in decreasing net profit ratios. Because of business volume, the smaller net profit ratios in the larger businesses actually represented greater dollar value net earnings. Other than in salary expense where an upward trend in ratio was evident, and in light, heat and power where a declining ratio was shown, no significant change took place in expenses over the different size ranges.

Stocks on hand at the end of the year were greater than at the beginning in every size and occupancy class shown. With one exception, the rate of stock turnover increased with sales volume; in rented premises from 17.3 times per year to 32.0 times; in owned premises from 13.5 times to 27.3 times.

Table 3.--Filling Stations - Operating Results Classified According to Amount of
Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than \$10,000		\$10,000- \$19,999		\$20,000- \$49,999		\$50,000- \$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stations reporting	24		78	46	93	184	20	55
Average net sales \$	6,764		15,582	16,184	30,237	32,460	62,832	63,271
Average inventory beginning of year ... \$	256		839	719	1,230	877	1,747	1,512
Average inventory end of year \$	293		1,064	813	1,419	1,104	2,103	1,712
Average cost of goods sold \$	5,672		12,820	13,216	25,066	26,643	52,553	51,637
Stock turnover (times per year)	20.7	SAMPLE	13.5	17.3	18.9	26.9	27.3	32.0
Number of working proprietors	24		82	49	101	201	23	67
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	16.1		17.7	18.3	17.1	17.9	16.3	18.4
Operating expenses:								
Employees' salaries and wages	0.5		2.7	2.9	4.4	4.7	5.1	6.2
Advertising	0.1		0.1	0.2	0.2	0.2	0.2	0.2
Store supplies	0.5		0.9	0.6	0.7	0.8	0.6	0.7
Bad debts	(a)		0.2	0.1	0.1	0.1	0.2	0.1
Taxes and insurance	0.7		0.8	0.6	0.7	0.5	0.6	0.5
Rent	-	T00	-	2.0	-	1.8	-	1.9
Light, heat and power	1.7		1.3	1.1	0.8	0.8	0.6	0.6
Repairs and maintenance	0.5		0.7	0.3	0.7	0.3	0.7	0.3
Depreciation	0.8		1.0	0.3	0.8	0.4	0.8	0.4
All other expenses	1.0		1.2	1.1	1.1	1.1	1.2	1.1
Total operating expenses	5.8		8.9	9.2	9.5	10.6	10.0	12.0
Net profits before deduction of proprie- tors' salaries and income tax	10.3		8.8	9.1	7.6	7.3	6.4	6.4
Average net earnings \$	700	SMALL	1,376	1,484	2,300	2,376	3,974	4,023
Average customers' accounts outstanidng \$	22		374	269	619	466	1,870	1,488

(a) Less than 0.05 per cent.

Garages

Garages in this classification are those which might be termed "merchandising" as apart from "service" garages. If the receipts from repairs or other services formed more than 50 per cent of total sales, the business was not included in this classification. The average garage included in this report showed receipts from services as 23.7 per cent of total sales.

Usable reports were received from 240 such garages. When classified by size of business and occupancy basis there were too few in the size class of over \$100,000 sales and in rented garages with sales less than \$10,000 to allow presentation of average results. Comparable information for previous years other than 1944 is not available.

Trends by Size of Business (See table 4, page 9)

Although gross profit ratios were irregular over the different size ranges, a ratio of total expenses increasing with sales volume resulted in a diminishing net profit ratio. This smaller net profit ratio in the larger garages actually represented greater dollar value net earnings because of the greater business volume. While the ratio of salary expense increased considerably with sales volume, most of the other expense items showed minor declines in ratio.

Stocks on hand at the end of the year were greater in every class shown than at the beginning. With one exception the rate of stock turnover increased with expanding volume of business. In owned premises the turnover ranged from 6.9 times per year to 10.3 times and in rented garages from 10.0 times to 15.3 times.

Table 4.--Garages - Operating Results Classified According to Amount of
Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than \$10,000		\$10,000- \$19,999		\$20,000- \$49,999		\$50,000- \$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of garages reporting	27		44	30	62	63	16	22
Average net sales	7,173		15,372	15,464	31,704	33,540	61,636	66,787
Average inventory beginning of year ... \$	683		1,242	1,006	2,137	1,472	3,805	3,097
Average inventory end of year \$	763		1,370	1,229	2,502	1,733	4,887	4,039
Average cost of goods sold \$	4,964		11,124	11,168	22,853	24,556	44,930	47,717
Stock turnover (times per year)	6.9	SAMPLE	8.5	10.0	9.9	15.3	10.3	13.4
Number of working proprietors	30		47	32	68	81	24	31
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	30.8		27.6	27.8	27.9	26.8	27.1	28.6
Operating expenses:								
Employees' salaries and wages	3.6		7.0	6.3	9.8	9.6	11.4	12.1
Advertising	0.2		0.1	0.2	0.3	0.3	0.4	0.4
Store supplies	1.3		1.0	1.2	1.3	1.0	0.8	0.8
Bad debts	0.2		0.1	0.3	0.2	0.2	0.5	0.3
Taxes and insurance	1.7		1.3	0.8	1.3	0.8	1.2	1.0
Rent	-	TOO	-	2.4	-	1.9	-	1.6
Light, heat and power	2.5		1.6	1.7	1.2	1.2	1.0	1.0
Repairs and maintenance	1.4		1.1	0.8	1.1	0.5	0.7	0.6
Depreciation	2.0		1.7	1.1	1.4	0.7	1.4	0.7
All other expenses	2.1		1.9	1.8	2.0	1.7	2.3	1.5
Total operating expenses	15.0		15.8	16.6	18.6	17.9	19.7	20.0
Net profits before deduction of proprie- tors' salaries and income tax	15.8		11.8	11.2	9.3	8.9	7.4	8.6
Average net earnings \$	1,134	SMALL	1,817	1,734	2,958	2,979	4,578	5,745
Average customers' accounts outstanding \$	234		438	526	1,644	1,591	4,244	3,905
Receipts from repairs (% of net sales) ..	24.0		25.3	23.7	25.5	21.6	23.2	23.7

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