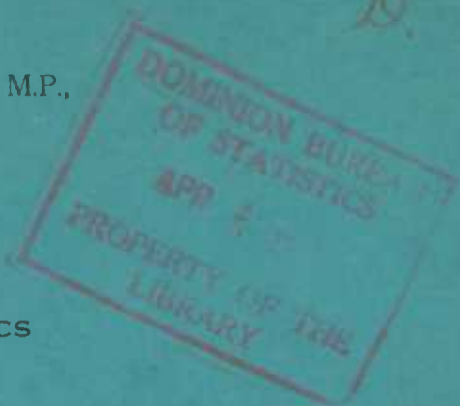


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OTTAWA, CANADA



OPERATING RESULTS

OF

COUNTRY GENERAL

AND

RETAIL DRY GOODS STORES

1946

BULLETIN NO. 3



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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returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.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 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 the ending inventory.

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

Salaries and wages - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit.

Advertising

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

Loss on bad debts - during the year - amount written off
Less debts which are recovered.

Taxes and Insurance - business, property and water taxes, licences including truck licences, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals - monies paid for premises used only in the business.

Heat, light and power expenses - amount paid for these used during the year.

Repairs and maintenance - incurred for the purposes of keeping fixed store assets, including delivery equipment, operating efficiently.

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

Occupancy expense - comprises taxes and insurance, rent, heat, light and power, repairs and maintenance, and depreciation.

Other expenses - telephone, telegraph, postage, bank charges, legal fees, 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.

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MERCHANDISING AND SERVICES STATISTICS
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OPERATING RESULTS OF COUNTRY GENERAL AND RETAIL DRY GOODS STORES

INTRODUCTION

The operating results of country general stores and dry goods stores are presented in this report, which continues the series of bulletins published in 1944 and 1945. The survey is based upon operating statements contributed by a sample of independent unincorporated firms throughout the country in these two kinds of business.

Results of earlier studies are compared with those of 1946. Tables and charts clarify and facilitate understanding of the text. It is hoped that merchants, students and others will consult these reports as sources of reference and information.

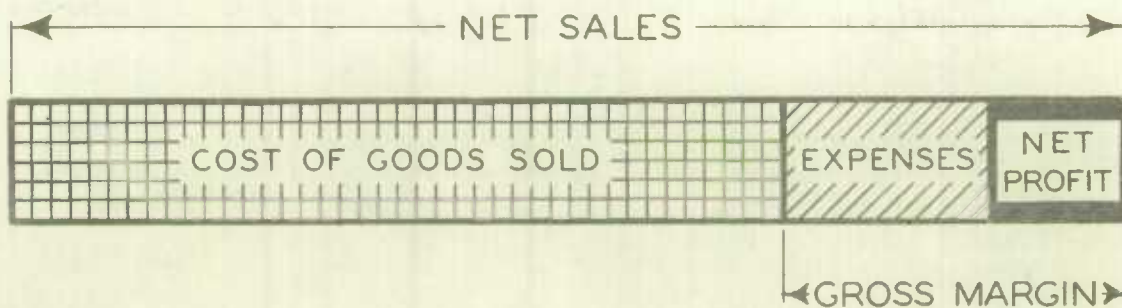
Once each year, at least, the merchant must come to grips with the problem of reviewing his operations, and calculating his expenses and profits. At the same time he may make plans for the coming months, applying his knowledge, experience, and personal observations to increase the efficiency of his business. This bulletin has been prepared for the purpose of augmenting the merchant's experience with data which describe the operations of his own type and size of business.

Our studies do not attempt to deal with such matters as store layout, advertising display, and salesmanship, which may be called methods of operation. The emphasis here is upon operating results, comparisons of profit and loss statements and their component parts.

The necessity of maintaining some orderly system of book-keeping cannot be over-emphasized. If some method of current record keeping is not employed, it is difficult to compare individual operations with average experience as shown in this study. It is essential that the meanings of terms be checked in such comparisons. For this purpose a list of definitions has been inserted at the beginning of this bulletin.

The component parts of operating ratios are graphically portrayed in the following formula and bar chart:

$$\text{NET SALES} = \text{COST OF GOODS SOLD} + \text{GROSS MARGIN}$$



$$\text{GROSS MARGIN} = \text{EXPENSES} + \text{NET PROFIT}$$

SUMMARY.....

COUNTRY GENERAL STORES

1. On the average, country general stores realized a gross margin of 15.5 per cent in 1946, altered by only one point from the 1945 ratio of 15.4 per cent. An increase in operating expenses, particularly salaries paid to employees, left a net profit of 6.6 per cent, a slightly smaller ratio than that obtained in the previous year and the same as the 1944 figure. (See Table 1, below).
2. Gross profits in 1946, as percentages of net sales, were irregular in trend over the different size-of-business classes, but were lowest in the middle size groups. In common with most of the retail trade, employees' salaries advanced in proportion with increased volume of business from 1.8 per cent to 6.6 per cent in the largest stores. The rate of stock turnover increased from 2.7 times per year in the smallest size-group of stores to 5.3 times in the largest. (See Table 3, page 10).
3. Net profits decreased from 9.2 per cent of net sales in owned stores with sales less than \$10,000 to 5.5 per cent in stores with sales over \$100,000. This lesser ratio in the larger class, however, represented greater dollar volume of net profits per store. (See Table 3, page 10).

TABLE 1. - OPERATING RESULTS OF COUNTRY GENERAL STORES - 1944, 1945, 1946

Item	1944	1945	1946
Number of stores reporting	169	560	607
Average net sales per store \$	36,462	42,492	47,764
Gross margin	14.7	15.4	15.5
Operating expenses:			
Employees' salaries and wages ...	3.6	3.9	4.3
Advertising	} 4.5	0.1	0.1
Store supplies		0.8	0.7
Bad debts		0.3	0.3
Occupancy expense		2.5	2.5
All other expenses		1.0	1.0
Total operating expenses	8.1	8.6	8.9
Net profits before deduction of proprietors' salaries and income tax	6.6	6.8	6.6

(Items expressed as percentages of net sales)

DRY GOODS STORES

1. An average gross profit or margin of 25.8 per cent was realized by independent retail dry goods stores in 1946, somewhat lower than the 27.3 per cent obtained in 1945. Although expenses were reduced from the previous year, net profit was also lower than that for 1945- 12.5 per cent in 1946 as compared to 13.3 per cent in 1945. (See Table 2, below).
2. Little change was shown in gross and net profits over the size-of-business groups except in the smallest class where the ratios were somewhat greater. Salaries paid to employees as a proportion of net sales increased with sales volume and stock turnover was more frequent in the larger stores. The inventory position was considerably better at the end of the year than at the beginning. (See Table 4, page 12).

TABLE 2. - OPERATING RESULTS OF RETAIL DRY GOODS STORES - 1945, 1946

Item	1945	1946
Number of stores reporting	221	243
Average net sales per store \$	32,788	37,204
Gross margin	27.3	25.8
Operating expenses:		
Employees' salaries and wages	6.5	6.3
Advertising	0.6	0.6
Store supplies	0.7	0.7
Bad debts	0.1	0.1
Occupancy expense	4.2	3.7
All other expenses	1.9	1.9
Total operating expenses	14.0	13.3
Net profits before deduction of proprietors' salaries and income tax	13.3	12.5

(Items expressed as percentages of net sales)

OPERATIONS OF COUNTRY GENERAL STORES 1938 TO 1946 COMPARED

COUNTRY GENERAL STORES

Gross profit or margin decreased from 16.1 per cent of net sales in 1938 to 14.7 per cent in 1944 and has risen since then to 15.4 and 15.5 per cent in 1945 and 1946 respectively. Net profits were lowest in 1938 at 4.3 per cent, and changed little between 1941 and 1946, ranging between 6.6 and 6.8 per cent of net sales.

The average sales of the sample stores ranged from \$37,714 in 1938 to \$47,764 in 1946 with 1941 the low point at \$27,194. Beginning inventories expressed as percentages of net sales declined from 25.8 per cent in 1938 to 16.7 in 1946. Stocks held at the end of the year declined in ratio to sales from 25.4 per cent in 1938 to 17.7 per cent in 1945 and rose to 19.4 per cent at the end of 1946. The low level in stock-sales ratio was at the beginning of 1946.

The rate of stock turnover rose from 3.3 times a year in 1938 and 3.4 times in 1941 to 4.7 and 4.8 times in the later war years. This was no doubt due to a greater demand for merchandise which was in more limited supply than in earlier years. The comparison of these main items in the operation of country general stores, is shown in the following table. Comparable information concerning profits and expenses by size of business is illustrated in the chart on page 9.

COMPARISON OF MAIN ITEMS OF THE PROFIT AND LOSS STATEMENT OF COUNTRY GENERAL STORES - 1938, 1941, 1944, 1945, 1946

Year	Average sales per store	Beginning inventory % of net sales	Ending inventory % of net sales	Stock turnover times per year	Gross margin	Net profit
	\$				%	%
1938 .	37,714	25.8	25.4	3.3	16.1	4.3
1941 .	27,194	24.9	24.2	3.4	16.0	6.7
1944 .	36,462	17.6	18.9	4.7	14.7	6.6
1945 .	42,492	17.4	17.7	4.8	15.4	6.8
1946 .	47,764	16.7	19.4	4.7	15.5	6.6

DRY GOODS STORES

No comparable figures on dry goods stores are available prior to 1945. The main items for 1945 and 1946 are shown in Table 2, page 6.

GENERAL DISCUSSION TABLES, AND CHARTS

1. COUNTRY GENERAL STORES

Stores classed as country general stores are those carrying a general line of merchandise and situated in localities of less than 2,000 population. Food products bulk large in the commodity sales of these stores, but if more than 80 per cent, the business was classed as a food store. Other commodities generally handled are clothing, dry goods, shoes, hardware and tobacco products.

When the 607 usable returns were classified by size of business, there were only five in the rented category with sales less than \$10,000. The results from this small coverage were not considered as representative and are therefore not shown.

Trends by Size of Business (Table 3, page 10)

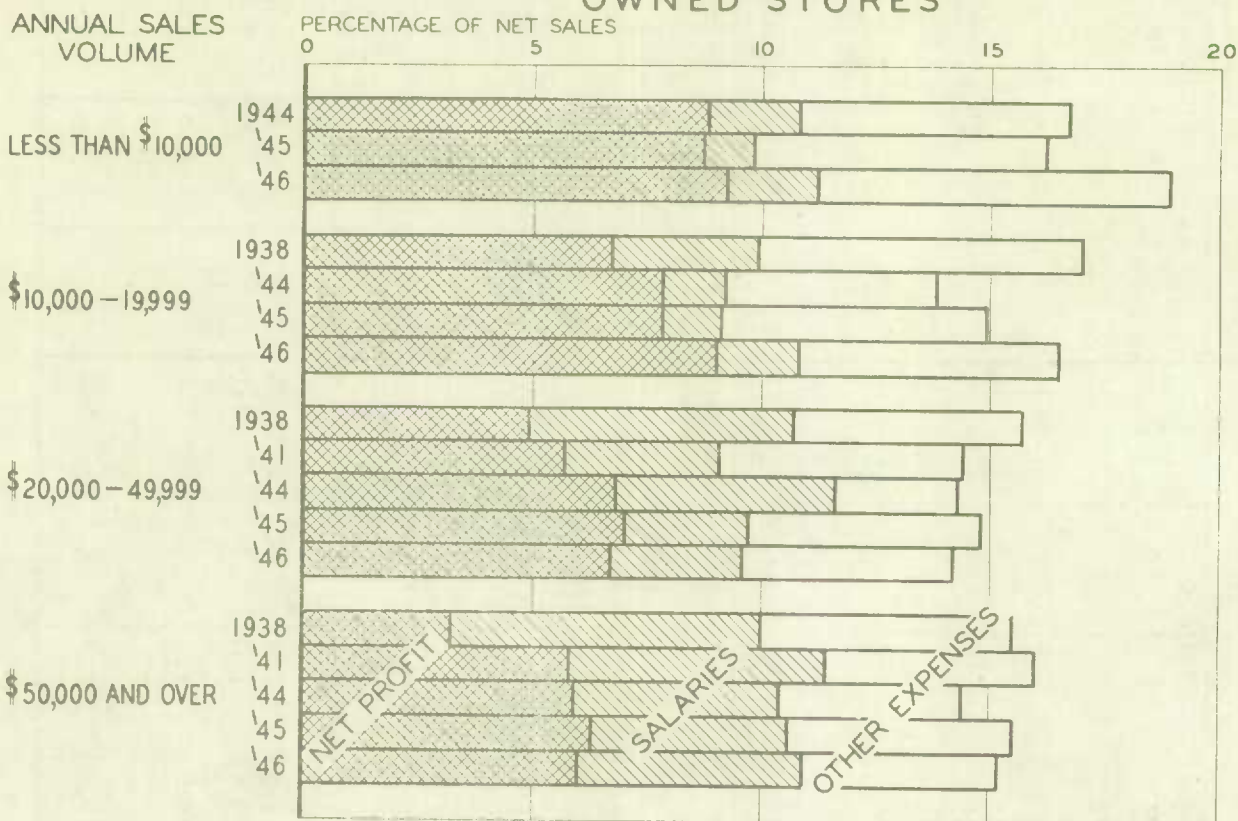
Gross profit or margin decreased in ratio to net sales from the small store to the middle size of business then rose in the largest size groups. Net profits followed a general downward trend in ratio as business volume increased.

Similar to other retail businesses, the ratio of salaries paid to employees increased with volume of business. The other expense items remained fairly constant over the various size ranges. Stocks held at the end of the year were greater in dollar value in all size categories than at the beginning. (See Table 3, page 10).

OPERATING RESULTS OF COUNTRY GENERAL STORES

GROSS MARGIN=NET PROFIT + SALARIES + OTHER EXPENSES

OWNED STORES



RENTED STORES

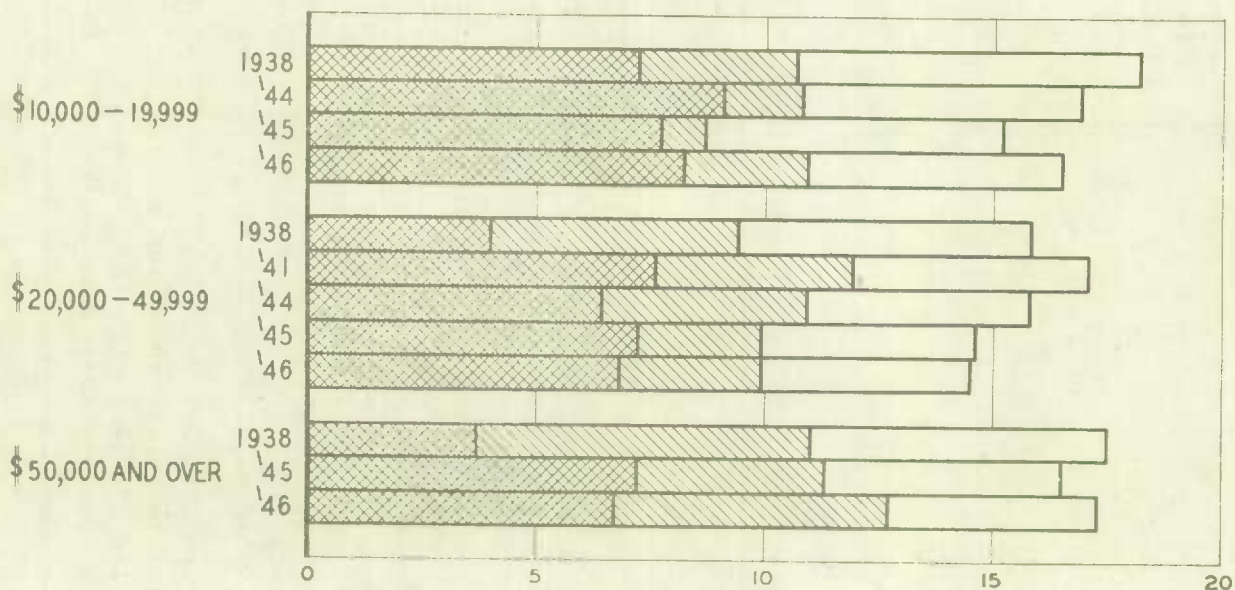


Table 3.--Country General Stores - Operating Results Classified According to Amount
of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES					RENTED STORES				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of stores reporting	40	104	209	97	46		19	36	26	23
Average net sales per store \$	7,533	14,594	32,287	69,487	140,174		15,914	33,153	71,739	154,966
Average cost of goods sold, per store	\$ 6,108	12,186	27,713	58,918	118,783		13,296	28,346	60,449	126,944
Average inventory beginning of year	\$ 2,265	3,152	5,486	11,400	22,123	SAMPLE	3,402	6,453	12,189	21,596
Average inventory end of year ... \$	2,335	3,515	6,254	13,303	25,600		3,730	7,189	14,935	26,075
Stock turnover (times per year) ...	2.7	3.7	4.7	4.8	5.0		3.7	4.2	4.5	5.3
Average net profits per store ... \$	691	1,310	2,163	4,522	7,647		1,299	2,264	4,758	10,486
Number of working proprietors	40	108	240	132	66		21	41	39	33

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	18.9	16.5	14.2	15.2	15.3		16.5	14.5	15.7	18.1
Operating expenses:										
Employees' salaries and wages ...	2.0	1.8	2.9	4.0	5.7		2.7	3.1	4.9	6.6
Advertising	0.1	0.1	0.1	0.2	0.2		0.1	0.1	0.2	0.3
Store supplies	1.1	0.9	0.8	0.7	0.7		0.7	0.6	0.4	0.6
Bad debts	0.5	0.4	0.2	0.3	0.3		0.2	0.2	0.2	0.3
Taxes and insurance	1.4	0.9	0.7	0.7	0.7	TOO	0.7	0.6	0.6	0.5
Rent	-	-	-	-	-		1.3	1.0	0.9	0.7
Light, heat, and power	1.7	1.1	0.7	0.6	0.4		1.1	0.7	0.5	0.4
Repairs and maintenance	0.9	0.8	0.5	0.6	0.4		0.4	0.3	0.1	0.4
Depreciation	0.6	0.6	0.6	0.6	0.4		0.2	0.3	0.2	0.3
All other expenses	1.4	0.9	1.0	1.0	1.0	SMALL	0.9	0.8	1.1	1.2
Total operating expenses	9.7	7.5	7.5	8.7	9.8		8.3	7.7	9.1	11.3
Net profits before deduction of proprietors' salaries and income tax	9.2	9.0	6.7	6.5	5.5		8.2	6.8	6.6	6.8

2. DRY GOODS STORES

This class of store sells piece goods, notions, smallwares, and clothing. To remain in the classification, however, clothing must not form more than 50 per cent of total net sales. A total of 243 independent unincorporated stores submitted satisfactory reports. When classed by size of business there were too few stores in the owned category with over \$100,000 sales volume to allow presentation of their results.

Trends by Size of Business (Table 4, page 12)

Gross and net profits, as percentages of net sales, were greater in the stores with sales less than \$10,000 but remained fairly constant over the other size groups. While salaries and wages increased proportionately with sales volume, the occupancy items of taxes and insurance, rent, light, heat, and power, and repairs decreased in ratio in the larger size stores.

Every size and occupancy class held larger dollar volume of stock at the end of the year than at the beginning. Expressed in dollar value, net profits ranged from \$884 in the smallest size class to \$8,890 in the largest.

Table 4.--Retail Dry Goods Stores - Operating Results Classified According to
Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES					RENTED STORES				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of stores reporting	8	23	40	12		34	37	46	28	10
Average net sales per store \$	5,719	15,144	31,927	74,275		6,661	14,264	31,068	62,865	174,736
Average cost of goods sold, per store	\$ 4,115	\$ 11,733	\$ 24,122	\$ 55,122		\$ 4,637	\$ 10,605	\$ 23,217	\$ 47,160	\$ 128,114
Average inventory beginning of year	\$ 1,551	\$ 4,807	\$ 6,747	\$ 15,188	SAMPLE	\$ 2,259	\$ 4,035	\$ 6,598	\$ 11,190	\$ 22,570
Average inventory end of year ... \$	1,724	5,500	7,785	19,143		2,690	4,756	7,851	13,635	28,217
Stock turnover (times per year) ...	2.5	2.3	3.3	3.2		1.9	2.4	3.2	3.8	5.0
Average net profits per store ... \$	884	1,926	3,717	8,890		1,024	1,978	3,718	7,475	20,490
Number of working proprietors	9	24	45	14		35	43	55	35	16

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	28.0	22.5	24.4	25.8		30.4	25.6	25.3	25.0	26.7
Operating expenses:										
Employees' salaries and wages ...	4.4	3.4	5.5	6.8		5.4	3.8	6.1	6.3	8.0
Advertising	0.4	0.2	0.3	0.9		0.4	0.2	0.5	0.5	0.8
Store supplies	0.7	0.7	0.7	0.8		0.8	0.9	0.7	0.8	0.4
Bad debts	0.3	0.1	0.2	(a)		0.5	0.1	0.1	0.1	(a)
Taxes and insurance	2.7	1.4	1.5	1.2	TOD	1.0	0.9	0.7	0.7	0.4
Rent	-	-	-	-		3.8	2.7	2.3	1.8	2.4
Light, heat, and power	1.9	1.0	0.9	0.5		1.6	0.8	0.7	0.5	0.2
Repairs and maintenance	0.9	0.7	0.7	0.6		0.8	0.2	0.5	0.6	0.3
Depreciation	0.2	0.6	0.7	0.5		0.3	0.2	0.2	0.2	0.2
All other expenses	1.1	1.7	2.3	2.5	SMALL	2.4	2.0	1.6	1.6	2.3
Total operating expenses	12.6	9.8	12.8	13.8		18.0	11.8	13.4	13.1	15.0
Net profits before deduction of proprietors' salaries and income tax	15.4	12.7	11.6	12.0		15.4	13.8	11.9	11.9	11.7

(a) Less than 0.05 per cent.

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