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# VARIETY AND GENERAL MERCHANDISE STORES

(Independent)

OPERATING RESULTS

1964

The last issue of this report, formerly known as Operating Results and Financial Structure - General Stores (Independent), was for 1960. Previously Biennial, it is now Triennial.

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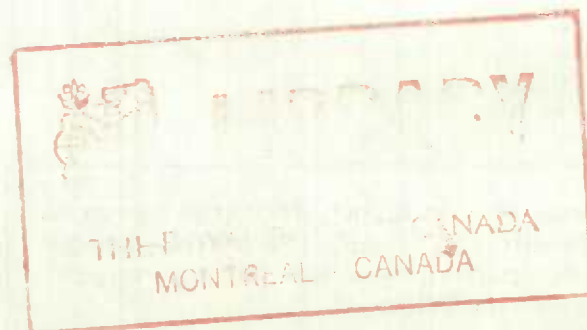
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# VARIETY AND GENERAL MERCHANDISE STORES

(Independent)

## OPERATING RESULTS

1964

### INTRODUCTION

This report is the first of its kind since 1960. During the 1961 Census of Merchandising and Service Establishments, data were collected on gross profit ratios for retail trades and these are published in Table 20, Volume VI, Part 1, of the Census of Canada, 1961; the small bulletin containing Table 20 bears Catalogue No. 97-505. These publications are obtainable from the Queen's Printer, Ottawa.

It is the intention to survey the trades reported on by the present bulletin every three years.

The figures in this report are published primarily as a guide for retailers. The averages and ratios that are shown can be used as a standard against which business men can compare their own operating experience. Data are provided for various types and sizes of operations. However, it is well to keep in mind that the averages and ratios published here do not represent the ideal situation to be aimed for. They are merely the observed results of a range of operational efficiencies. Where averages and ratios are given for a number of size categories or a number of types of operation, a weighting procedure has been applied to such data. These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores. Data on financial structure are no longer collected.

For the next report, in addition to the type of data being made available now, it is intended to produce averages and ratios for stores engaged entirely, or almost entirely, in dealing in certain key commodities such as groceries, meat, confectionery, vegetables and so forth. The information on the cost of retailing specific commodities, as distinguished from the cost of retailing a combination of commodities generally handled by an identifiable trade, will then be available. This information is often required when the costs of marketing various commodities are under study.

**Note:** Definitions are given at the end of this report.

# GENERAL MERCHANDISE STORES, INDEPENDENT

The stores in this classification are primarily engaged in selling piece goods and/or a combination of men's and women's apparel, home wares and house furnishings and other lines in limited amounts. Stores selling commodities covered in the definition for Department Stores, but not carrying either major household appliances or furniture are included in this classification. A general merchandise store may carry a line of grocery items but these should not exceed one third of total sales. This is the first time that general merchandise independent stores have been surveyed and operating results are shown in two tables which follow.

Forty usable reports were received from unincorporated businesses and incorporated companies. The gross profit for independent, unincorporated businesses was 23.72 per cent of net sales in 1964. For 1961, the Census of Merchandising calculated a figure of 30.0 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 7.47 per cent, delivery expense was 0.75 per cent, occupancy

expenses were 6.41 per cent, office and store supplies 0.41 per cent, all other expenses 4.17 per cent, making total operating expenses 19.21 per cent. Net operating profit before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income was 4.51 per cent of net sales. Taking account of non-trading income and expense, net profit was 6.57 per cent. In the detailed tables, there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector of the trade, gross profit was 28.76 per cent of net sales. Salaries and wages, in 1964, excluding the pay for delivery employees, were 14.91 per cent of net sales, delivery expenses were 0.60 per cent, occupancy expenses 4.85 per cent, office and store supplies 0.61 per cent, all other expenses 5.53 per cent, making total operating expenses 26.50 per cent. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 2.26 per cent. Taking account of non-trading income and expense, net operating profit was 2.74 per cent of net sales in 1964.

**TABLE 1. General Merchandise Stores, Independent, Operating Results of Unincorporated Businesses with owned and Rented Premises, 1964**

Item	Owned premises with annual net sales of under \$200,000	Rented premises with annual net sales of \$30,000 - 199,000	Total owned and rented
Number of businesses reporting .....	12	5	17
Average net sales per business .....	84,740	79,737	83,778
Average beginning inventory .....	30,219	42,557	32,591
Average inventory, end of year .....	30,581	39,791	32,352
Average cost of goods sold .....	65,538	58,007	64,090
Stock turnover (times per year) .....	2.16	1.41	1.97
<b>Profit and loss data</b> (Per cent of net sales)			
<b>Gross profit</b> .....	<b>23.26</b>	<b>25.66</b>	<b>23.72</b>
<b>Operating expenses:</b>			
Employee's salaries and wages (except delivery) .....	6.76	10.45	7.47
Delivery expenses (including salaries and wages) .....	.88	.88	.75
<b>Occupancy expenses:</b>			
Taxes .....	1.15	.83	1.09
Insurance .....	.98	.73	.93
Rent .....	—	2.69	.52
Heat, light and power .....	1.41	.97	1.32
Repairs and maintenance .....	.75	.63	.73
Depreciation allowances .....	2.00	1.08	1.82
<b>Total occupancy expenses</b> .....	<b>6.29</b>	<b>6.93</b>	<b>6.41</b>
Office and store supplies .....	.34	.68	.41
Advertising .....	.63	2.23	.94
Net loss on bad debts .....	.49	.24	.44
All other expenses .....	2.85	2.53	2.79
<b>Total operating expenses</b> .....	<b>18.24</b>	<b>23.26</b>	<b>19.21</b>
<b>Net operating profit</b> .....	<b>5.02</b>	<b>2.40</b>	<b>4.51</b>
Non-trading income .....	2.58	.65	2.31
Non-trading expense .....	.19	—	.15
<b>Net profit before deduction of proprietors' salaries, withdrawals and income tax</b> .....	<b>7.41</b>	<b>3.05</b>	<b>6.57</b>

**TABLE 2. General Merchandise Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy, (Unincorporated Businesses), 1964**

Item	Owned premises with annual net sales of			Rented premises with annual net sales of			Total owned and rented
	\$50,000-199,999	\$200,000 and over	Total	\$100,000-499,999	\$500,000- and over	Total	
Number of businesses reporting .....	6	7	13	5	5	10	23
Average net sales per business .....	142,854	858,086	781,473	285,353	1,211,920	925,696	872,892
Average beginning inventory .....	64,483	205,830	190,689	105,029	233,782	194,009	192,793
Average inventory, end of year .....	64,973	222,746	205,848	102,993	233,546	193,217	197,842
Average cost of goods sold .....	109,184	576,943	526,838	212,917	867,456	665,264	614,582
Stock turnover (times per year) .....	1.69	2.69	2.66	2.05	3.71	3.44	3.15
<b>Profit and loss data</b> (Per cent of net sales)							
Gross profit .....	23.53	31.78	30.90	25.65	28.35	27.52	28.76
Operating expenses:							
Employees' salaries and wages (except delivery) .....	14.06	17.67	17.28	11.85	14.31	13.55	14.91
Delivery expenses (including salaries and wages) .....	.36	.17	.19	.39	1.03	.83	.60
Occupancy expenses:							
Taxes .....	.69	1.05	1.01	.29	.35	.33	.58
Insurance .....	.67	.42	.45	.51	.37	.42	.43
Rent .....	—	—	—	3.79	2.92	3.19	2.02
Heat, light and power .....	.70	.58	.59	.93	.38	.55	.56
Repairs and maintenance .....	.14	.76	.69	.52	.30	.37	.49
Depreciation allowances .....	.68	1.20	1.15	.29	.67	.55	.77
Total occupancy expenses .....	2.88	4.01	3.89	6.33	4.99	5.41	4.85
Office and store supplies .....	.34	.69	.65	.41	.67	.59	.61
Advertising .....	.98	1.95	1.85	.99	2.83	2.26	2.11
Net loss on bad debts .....	.40	.28	.29	.13	.37	.30	.30
All other expenses .....	2.82	3.14	3.11	2.95	3.20	3.12	3.12
Total operating expenses .....	21.84	27.91	27.26	23.05	27.40	26.06	26.50
Net operating profit .....	1.69	3.87	3.64	2.60	.95	1.46	2.26
Non-trading income .....	.56	.47	.48	.09	.98	.70	.62
Non-trading expense .....	—	.02	.02	—	.31	.21	.14
Net profit before allowances for income tax .....	2.25	4.32	4.10	2.69	1.62	1.95	2.74

### GENERAL STORES, INDEPENDENT

The stores in this classification are usually located in rural communities and engaged in selling dry goods or apparel with groceries amounting to one third to two thirds of total sales. In addition such establishments must show sales for at least one of

the following subsidiary lines: hard goods (hardware, farm implements, building materials, housewares, household appliances, furniture, etc.), feed, fertilizer, gasoline and lubricants.

Four hundred usable reports were received from unincorporated businesses and incorporated companies. The gross profit for independent, unincorporated businesses was 16.02 per cent of net sales in 1964 compared with 15.38 per cent in 1960. For 1961, the Census of Merchandising produced a figure of 17.0 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 3.52 per cent of net sales compared with 3.14 per cent in 1960. Delivery expense was 0.95 per cent (0.69 per cent in 1960), occupancy expenses were 3.64 per cent (3.44 per cent), office and store supplies 0.32 per cent (0.33 per cent), all other expenses 1.93 per cent (1.77 per cent). Total operating expenses were 10.36 per cent (9.37 per cent) and net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 5.66 per cent (6.01 per cent). Taking account of non-trading income and expense, net profit was 6.21 per cent of net sales compared with 6.65 per cent in 1960. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

For the first time data were collected from independent stores operated by incorporated companies. For all stores the gross profit was 19.29 per cent of net sales. Salaries and wages were 9.54 per cent, delivery expense was 0.79 per cent, occupancy expense was 3.37 per cent, office and store supplies 0.43 per cent, all other expenses 2.99 per cent, making total operating expenses 17.12 per cent of net sales. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 2.17 per cent of net sales. Taking account of non-trading income and expense, net profit was 2.79 per cent. A distinction is made in this category also between stores with owned premises and stores with rented premises.

At the end of this section, data are given for co-operative associations operating general stores. Usable reports were received from 91 stores. Gross profit was 16.58 per cent of net sales. Total operating expenses were 14.08 per cent and net profit, after taking account of net non-trading income and expense, was 3.45 per cent of net sales in 1964.

**TABLE 3. Operating Results of Independent General Stores, 1954 - 64**

Item	Unincorporated businesses					Incorporated <sup>1</sup>
	1954	1956	1958	1960	1964	1964
	per cent of net sales					
<b>Gross profit</b> .....	<b>14.92</b>	<b>15.16</b>	<b>14.81</b>	<b>15.38</b>	<b>16.02</b>	<b>19.29</b>
<b>Operating expenses:</b>						
Employees salaries and wages (except delivery employees) .....	3.74	3.28	3.15	3.14	3.52	9.54
Occupancy expense .....	2.96	3.07	3.15	3.44	3.64	3.37
Office and store supplies .....	0.39	0.41	0.35	0.33	0.32	0.43
Advertising .....	0.26	0.30	0.29	0.32	0.31	0.50
All other expenses .....	1.89	1.94	2.09	2.14	2.57	3.28
<b>Total operating expenses</b> .....	<b>9.24</b>	<b>9.00</b>	<b>9.03</b>	<b>9.37</b>	<b>10.36</b>	<b>17.12</b>
<b>Net operating profit</b> before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income .....	<b>5.68</b>	<b>6.16</b>	<b>5.78</b>	<b>6.01</b>	<b>5.66</b>	<b>2.17<sup>2</sup></b>

<sup>1</sup> Please refer to detailed table following for data on incorporated Consumer Cooperative Stores.

<sup>2</sup> Net operating profit before addition of net non-trading income and allowance for income tax.

**Note:** These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores.

**TABLE 4. General Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy  
(Unincorporated Businesses), 1964**

Item	Owned premises with annual net sales of						Total
	\$10,000 - 19,999	\$20,000 - 29,999	\$30,000 - 49,999	\$50,000 - 99,999	\$100,000 - 199,999	\$200,000 - 499,999	
Number of businesses reporting .....	24	36	55	114	64	16	314
Average net sales per business .....	14,896	24,085	41,248	71,175	138,723	267,182	99,590
Average beginning inventory .....	5,019	7,603	9,308	16,260	23,908	42,286	18,852
Average inventory, end of year .....	4,700	7,777	9,380	16,884	24,449	46,307	19,661
Average cost of goods sold .....	12,246	19,337	35,353	59,817	116,506	226,229	83,906
Stock turnover (times per year) .....	2.52	2.51	3.78	3.61	4.82	5.11	4.36
<b>Profit and loss data</b> (Per cent of net sales)							
<b>Gross profit</b> .....	<b>17.79</b>	<b>19.71</b>	<b>14.29</b>	<b>15.96</b>	<b>16.02</b>	<b>15.33</b>	<b>15.97</b>
Operating expenses:							
Employee's salaries and wages (except delivery) .....	1.02	2.21	1.94	2.29	4.31	5.88	3.43
Delivery expenses (including salaries and wages) .....	.74	1.17	.71	.90	1.14	.91	.95
Occupancy expenses:							
Taxes .....	1.10	.82	.77	.60	.47	.45	.62
Insurance .....	.90	.73	.64	.57	.48	.43	.57
Rent .....	—	—	—	—	—	—	—
Heat, light and power .....	2.20	1.54	1.14	.93	.76	.75	1.01
Repairs and maintenance .....	.71	.42	.59	.46	.41	.35	.47
Depreciation allowances .....	.60	.67	.89	.94	.95	1.39	.96
<b>Total occupancy expenses</b> .....	<b>5.51</b>	<b>4.18</b>	<b>4.03</b>	<b>3.50</b>	<b>3.07</b>	<b>3.37</b>	<b>3.63</b>
Office and store supplies .....	.53	.48	.27	.28	.31	.37	.32
Advertising .....	.16	.25	.27	.33	.27	.42	.30
Net loss on bad debts .....	.43	.89	.63	.31	.32	.17	.38
All other expenses .....	1.93	1.88	1.40	1.27	1.07	1.27	1.28
<b>Total operating expenses</b> .....	<b>10.32</b>	<b>10.36</b>	<b>9.25</b>	<b>9.88</b>	<b>10.49</b>	<b>12.39</b>	<b>10.29</b>
<b>Net operating profit</b> .....	<b>7.47</b>	<b>9.35</b>	<b>5.04</b>	<b>6.08</b>	<b>5.53</b>	<b>2.94</b>	<b>5.68</b>
Non-trading income .....	1.59	1.61	1.07	.64	.29	.68	.71
Non-trading expense .....	.42	.44	.16	.12	.01	.11	.13
<b>Net profit before deduction of proprietors' salaries, withdrawals and income tax</b> .....	<b>8.64</b>	<b>10.52</b>	<b>5.95</b>	<b>6.60</b>	<b>5.81</b>	<b>3.51</b>	<b>6.26</b>
Rented premises with annual net sales of						Total owned and rented	
	\$30,000 - 49,999	\$50,000 - 99,999	\$100,000 - 199,999	\$200,000 - 499,999	Total		
Number of businesses reporting .....	3	7	7	4	23		337
Average net sales per business .....	48,526	77,539	166,372	267,589	133,919		102,206
Average beginning inventory .....	9,153	12,766	34,139	46,714	24,844		19,309
Average inventory, end of year .....	8,382	14,003	35,477	48,266	25,781		20,127
Average cost of goods sold .....	41,057	66,309	137,120	219,648	111,032		85,973
Stock turnover (times per year) .....	4.68	4.95	3.94	4.63	4.39		4.36
<b>Profit and loss data</b> (Per cent of net sales)							
<b>Gross profit</b> .....	<b>15.39</b>	<b>14.48</b>	<b>17.58</b>	<b>17.92</b>	<b>16.58</b>		<b>16.02</b>
Operating expenses:							
Employees' salaries and wages (except delivery) .....	5.01	4.04	4.40	5.90	4.55		3.52
Delivery expenses (including salaries and wages) .....	.90	1.67	.91	.30	.99		.95
Occupancy expenses:							
Taxes .....	.33	.16	.25	.20	.22		.59
Insurance .....	.49	.28	.37	.42	.37		.56
Rent .....	1.42	1.17	1.57	1.05	1.46		.11
Heat, light and power .....	.72	.63	.50	.59	.64		.98
Repairs and maintenance .....	.09	.30	.17	.52	.28		.46
Depreciation allowances .....	.07	.56	.89	.72	.63		.94
<b>Total occupancy expenses</b> .....	<b>3.12</b>	<b>3.10</b>	<b>3.75</b>	<b>3.50</b>	<b>3.60</b>		<b>3.64</b>
Office and store supplies .....	.24	.31	.38	.62	.37		.32
Advertising .....	.15	.25	.59	.92	.46		.31
Net loss on bad debts .....	.20	.09	.24	.01	.16		.36
All other expenses .....	.49	.76	1.14	1.70	1.05		1.26
<b>Total operating expenses</b> .....	<b>10.11</b>	<b>10.22</b>	<b>11.41</b>	<b>12.95</b>	<b>11.18</b>		<b>10.36</b>
<b>Net operating profit</b> .....	<b>5.28</b>	<b>4.26</b>	<b>6.17</b>	<b>4.97</b>	<b>5.40</b>		<b>5.66</b>
Non-trading income .....	—	.05	—	.86	.18		.67
Non-trading expense .....	—	—	—	—	—		.12
<b>Net profit before deduction of proprietors' salaries, withdrawals and income tax</b> .....	<b>5.28</b>	<b>4.31</b>	<b>6.17</b>	<b>5.83</b>	<b>5.58</b>		<b>6.21</b>

**TABLE 5. General Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964**

Item	Owned premises with annual net sales of						Rented premises with annual net sales of			Total owned and rented
	\$50,000-99,999	\$100,000-199,999	\$200,000-499,999	\$500,000-999,999	\$1,000,000 and over	Total	\$100,000-199,999	\$200,000-499,999	Total	
Number of businesses reporting .....	11	11	14	3	5	48	5	7	15	63
Average net sales per business .....	69,981	156,790	337,867	697,700	1,557,039	504,601	150,162	367,436	259,791	465,786
Average beginning inventory .....	20,917	37,874	67,503	123,726	332,001	102,684	28,945	69,428	50,372	94,390
Average inventory, end of year .....	20,167	38,989	70,728	123,137	371,638	109,252	29,192	72,882	52,189	100,205
Average cost of goods sold .....	56,387	128,545	270,961	550,532	1,251,366	404,009	120,630	302,884	213,295	373,771
Stock turnover (times per year) .....	2.74	3.34	3.92	4.46	3.56	3.81	4.15	4.26	4.16	3.84
<b>Profit and loss data</b> (Per cent of net sales)										
Gross profit .....	19.43	18.01	19.80	21.09	19.63	19.55	19.67	17.54	17.93	19.29
Operating expenses:										
Employees' salaries and wages (except delivery) .....	10.37	9.87	8.74	10.28	9.83	9.53	11.83	8.34	9.61	9.54
Delivery expenses (including salaries and wages) .....	.47	.27	.80	1.21	.99	.76	1.06	.98	.94	.79
Occupancy expenses:										
Taxes .....	.52	.53	.33	.24	.36	.38	.50	.29	.36	.37
Insurance .....	.92	.52	.63	.56	.48	.59	.49	.52	.52	.58
Rent .....	—	—	—	—	—	—	1.14	.69	1.02	.16
Heat, light and power .....	1.18	.67	.62	.68	.66	.69	.78	.57	.68	.69
Repairs and maintenance .....	.32	.23	.67	.33	.61	.47	.20	.28	.24	.43
Depreciation allowances .....	.82	.96	1.26	1.61	1.48	1.25	.41	.72	.54	1.14
Total occupancy expenses .....	4.16	2.91	3.51	3.42	3.59	3.38	3.52	3.07	3.36	3.37
Office and store supplies .....	.28	.32	.32	.56	.67	.41	.46	.59	.52	.43
Advertising .....	.16	.33	.27	1.29	.71	.52	.32	.44	.38	.50
Net loss on bad debts .....	.52	.15	.78	.30	.25	.47	.30	.36	.33	.45
All other expenses .....	1.41	1.95	2.16	2.46	2.47	2.14	1.89	1.36	1.54	2.04
Total operating expenses .....	16.97	15.80	16.58	19.52	18.51	17.21	19.38	15.14	16.68	17.12
Net operating profit .....	2.46	2.21	3.22	1.57	1.12	2.34	.29	2.40	1.25	2.17
Non-trading income .....	1.32	.62	.78	.99	1.24	.88	.62	.08	.29	.79
Non-trading expense .....	.16	.07	.16	.24	.53	.20	—	—	—	.17
Net profit before allowances for income tax .....	3.62	2.76	3.84	2.32	1.83	3.02	.91	2.48	1.54	2.79

**TABLE 6. General Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Co-operative Associations), 1964**

Item	Owned premises with annual net sales of						Total
	\$50,000-99,999	\$100,000-199,999	\$200,000-499,999	\$500,000-999,999	\$1,000,000 and over		
Number of businesses reporting .....	7	22	20	21	18		91
Average net sales per business .....	72,895	150,127	307,521	666,295	1,414,789		430,628
Average beginning .....	19,922	27,111	50,373	101,064	191,511		66,164
Average inventory, end of year .....	20,667	27,476	51,860	107,933	203,603		69,470
Average cost of goods sold .....	61,528	128,053	255,185	551,576	1,138,987		354,565
Stock turnover (times per year) .....	3.03	4.69	4.99	5.28	5.77		5.23
<b>Profit and loss data</b> (Per cent of net sales)							
Gross profit .....	15.59	14.70	17.02	17.22	19.49		16.58
Operating expenses:							
Employees' salaries and wages (except delivery) .....	8.50	7.17	7.53	8.31	9.76		7.91
Delivery expenses (including salaries and wages) .....	.17	.40	.44	.79	.72		.52
Occupancy expenses:							
Taxes .....	.41	.56	.49	.53	.67		.53
Insurance .....	.67	.51	.40	.34	.26		.42
Rent .....	—	—	—	—	—		—
Heat, light and power .....	.85	.74	.63	.60	.67		.67
Repairs and maintenance .....	.34	.28	.29	.31	.34		.30
Depreciation allowances .....	.62	1.00	1.19	1.35	1.43		1.14
Total occupancy expenses .....	2.89	3.09	3.00	3.13	3.37		3.06
Office and store supplies .....	.27	.37	.34	.44	.59		.39
Advertising .....	.40	.23	.30	.47	.57		.35
Net loss on bad debts .....	—	.18	.07	.12	.03		.10
All other expenses .....	1.76	1.56	1.80	1.68	2.32		1.75
Total operating expenses .....	13.99	13.00	13.48	14.94	17.36		14.08
Net operating profit .....	1.60	1.70	3.54	2.28	2.13		2.50
Non-trading income .....	.27	1.00	1.75	2.18	2.22		1.50
Non-trading expense .....	—	.12	1.06	.70	.54		.61
Net profit before allowances for income tax .....	1.87	2.58	4.23	3.76	3.81		3.45

# VARIETY STORES, INDEPENDENT

Variety stores are sometimes known as "five-cent-to-a-dollar stores", or some such designation indicating the merchandise sold is in the low price ranges. Usually a wide variety of merchandise is carried but as a rule no furniture or major household appliances are sold which is a feature to distinguish variety stores from department stores. They are also distinguishable from general merchandise stores because the emphasis is on a cash-and-carry basis, low prices, and merchandise displayed openly and selected directly by the customers.

For the first time data were collected from independent variety stores operated by unincorporated businesses and incorporated companies. Over 60 usable reports were received. The gross profit for independent, unincorporated businesses was 27.87 per cent of net sales in 1964. The 1961 gross profit figure shown by the Census of Merchandising of that year was 34.5 per cent (see 1961 Census Bulletin 6.1-5) but this was for all variety stores, including chains and stores operated by incorporated companies. Salaries and wages, in 1964, excluding the pay for delivery employees, were 7.77 per cent of

net sales. Delivery expense was 0.33 per cent, occupancy expense 5.94 per cent, office and store supplies 0.63 per cent and all other expenses 2.98 per cent, making total operating expenses 17.65 per cent of net sales. Net operating profit, before deduction of proprietors' salaries, withdrawals, and income tax and addition of net non-trading income, was 10.22 per cent. Taking account of non-trading income and expense, net profit was 10.75 per cent of net sales in 1964.

In the incorporated sector of the trade, the gross profit was 30.37 per cent of net sales. Salaries and wages, excluding the pay for delivery employees, were 14.09 per cent, delivery expenses were 0.06 per cent, occupancy expenses 6.27 per cent, office and store supplies 0.60 per cent, all other expenses 4.11 per cent, making total operating expenses 25.13 per cent of net sales in 1964. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 5.24 per cent. Taking account of non-trading income and expense, net profit was 5.20 per cent of net sales in 1964.

TABLE 7. Variety Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of			Rented premises with annual net sales of				Total owned and rented
	\$10,000-49,999	\$50,000-199,999	Total	\$30,000-49,999	\$50,000-99,999	\$100,000-499,999	Total	
Number of businesses reporting .....	9	16	25	6	11	4	21	46
Average net sales per business .....	34,995	95,200	76,614	36,471	69,236	132,319	74,433	75,584
Average beginning inventory .....	10,060	17,506	15,207	11,144	20,949	28,336	19,937	17,441
Average inventory, end of year .....	10,684	20,253	17,299	11,627	19,989	24,488	18,724	17,972
Average cost of goods sold .....	25,272	70,026	56,210	26,885	48,334	96,250	53,161	54,770
Stock turnover (times per year) .....	2.44	3.71	3.46	2.34	2.36	3.64	2.75	3.09
Profit and loss data (Per cent of net sales)								
Gross profit .....	28.94	26.43	27.21	26.83	30.19	27.16	28.60	27.87
Operating expenses:								
Employees' salaries and wages (except delivery) .....	5.93	8.04	7.38	5.72	9.39	8.59	8.21	7.77
Delivery expenses (including salaries and wages) .....	.36	.37	.37	.67	—	.42	.28	.33
Occupancy expenses:								
Taxes .....	1.15	.76	.88	.48	.32	.35	.37	.64
Insurance .....	.87	.70	.75	.66	.37	.34	.44	.60
Rent .....	—	—	—	4.93	4.27	3.77	4.34	2.05
Heat, light and power .....	1.30	.80	.96	.72	.86	.66	.78	.88
Repairs and maintenance .....	.54	.77	.70	.32	.32	.35	.33	.53
Depreciation allowances .....	1.18	1.60	1.47	.63	.97	1.48	.99	1.24
Total occupancy expenses .....	5.04	4.63	4.76	7.74	7.11	6.95	7.25	5.94
Office and store supplies .....	.59	.65	.63	.35	.73	.69	.62	.63
Advertising .....	.52	.53	.53	.44	.46	.36	.43	.48
Net loss on bad debts .....	.07	—	.02	—	.04	—	.02	.02
All other expenses .....	1.85	2.84	2.54	1.80	2.75	2.45	2.42	2.48
Total operating expenses .....	14.36	17.06	16.23	16.72	20.48	19.46	19.23	17.65
Net operating profit .....	14.58	9.37	10.98	10.11	9.71	7.70	9.37	10.22
Non-trading income .....	.96	.30	.51	.50	.91	.31	.66	.58
Non-trading expense .....	—	.01	.01	—	.21	—	.11	.05
Net profit before deduction of proprietors' salaries, withdrawals and income tax .....	15.54	9.66	11.48	10.61	10.41	8.01	9.92	10.75

**TABLE 8. Variety Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy  
(Incorporated Companies), 1964**

Item	Owned premises with annual net sales of		Rented premises with annual net sales of			Total owned and rented
	\$200,000 - 499,999	Total	\$100,000 - 199,999	\$200,000 - 499,999	Total	
Number of businesses reporting.....	3	4	6	7	15	19
Average net sales per business.....	323,107	293,854	144,512	291,111	177,590	215,260
Average beginning inventory .....	73,434	69,016	38,112	58,209	42,920	51,375
Average inventory, end of year.....	88,651	82,896	37,405	64,323	45,165	57,390
Average cost of goods sold .....	229,193	208,595	101,654	195,953	121,548	149,751
Stock turnover (times per year) .....	2.83	2.75	2.69	3.20	2.76	2.75
<b>Profit and loss data (Per cent of net sales)</b>						
<b>Gross profit</b> .....	<b>29.07</b>	<b>28.89</b>	<b>29.66</b>	<b>32.69</b>	<b>31.08</b>	<b>30.37</b>
Operating expenses:						
Employees' salaries and wages (except delivery) ..	13.46	13.96	13.20	14.34	14.15	14.09
Delivery expenses (including salaries and wages)	.08	.07	.13	—	.05	.06
Occupancy expenses:						
Taxes .....	.80	.81	.67	.38	.46	.87
Insurance .....	.40	.48	.49	.40	.49	.49
Rent .....	—	—	3.99	3.49	3.99	2.70
Heat, light and power .....	.39	.44	.67	.53	.71	.62
Repairs and maintenance .....	.30	.34	.81	.52	.66	.56
Depreciation allowances.....	1.41	1.62	1.85	1.05	1.20	1.33
<b>Total occupancy expenses</b> .....	<b>3.30</b>	<b>3.69</b>	<b>8.48</b>	<b>6.37</b>	<b>7.51</b>	<b>6.27</b>
Office and store supplies .....	.58	.52	.50	.76	.64	.60
Advertising .....	.40	.37	.99	1.20	1.33	1.02
Net loss on bad debts .....	—	—	.02	—	.01	.01
All other expenses.....	4.20	4.10	2.40	2.49	2.60	3.08
<b>Total operating expenses</b> .....	<b>22.02</b>	<b>22.71</b>	<b>22.72</b>	<b>25.16</b>	<b>26.29</b>	<b>25.13</b>
<b>Net operating profit</b> .....	<b>7.05</b>	<b>6.18</b>	<b>3.94</b>	<b>7.53</b>	<b>4.79</b>	<b>5.24</b>
Non-trading income .....	.20	.18	.09	.14	.08	.11
Non-trading expense .....	.02	.02	.02	.18	.07	.05
<b>Net profit before allowances for income tax</b> .....	<b>7.23</b>	<b>6.34</b>	<b>4.01</b>	<b>7.49</b>	<b>4.80</b>	<b>5.30</b>

## DEFINITIONS

### PROFIT AND LOSS

#### Items

**Net sales**—the dollar 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.

**Purchases**—are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

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

**Gross profit**—the difference between "cost of goods sold" and "net sales".

**Operating expenses**—all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

**Salaries and wages** (except for delivery employees)—payments to employees (wages, salaries, bonuses, payments for leave, payments in kind) before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

**Delivery**—includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

**Taxes**—business, property and water taxes and licenses. Taxes collected for remittance to governmental bodies and income tax are not included.

**Insurance**—annual proportion of premiums for insurance policies carried to protect the business.

**Rent**—payments for use of business premises.

**Heat, light and power**—cost applicable to year's operations.

**Repairs and maintenance**—costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

**Depreciation**—Write-offs for the year of fixed assets used in the business only, or rates authorized by the Income Tax Department.

**Store supplies**—wrapping paper, office supplies, etc.

**Advertising**—displays, window dressing and sales promotion.

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

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

**Net operating profit**—is the difference between "total operating expenses" and "gross profit" and in the case of unincorporated businesses includes proprietors' salaries and withdrawals before income tax deductions.

**Occupancy**—the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

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

**Non-trading expense**—interest expense, rental expense, any other expense not pertaining to the business.

#### Ratios

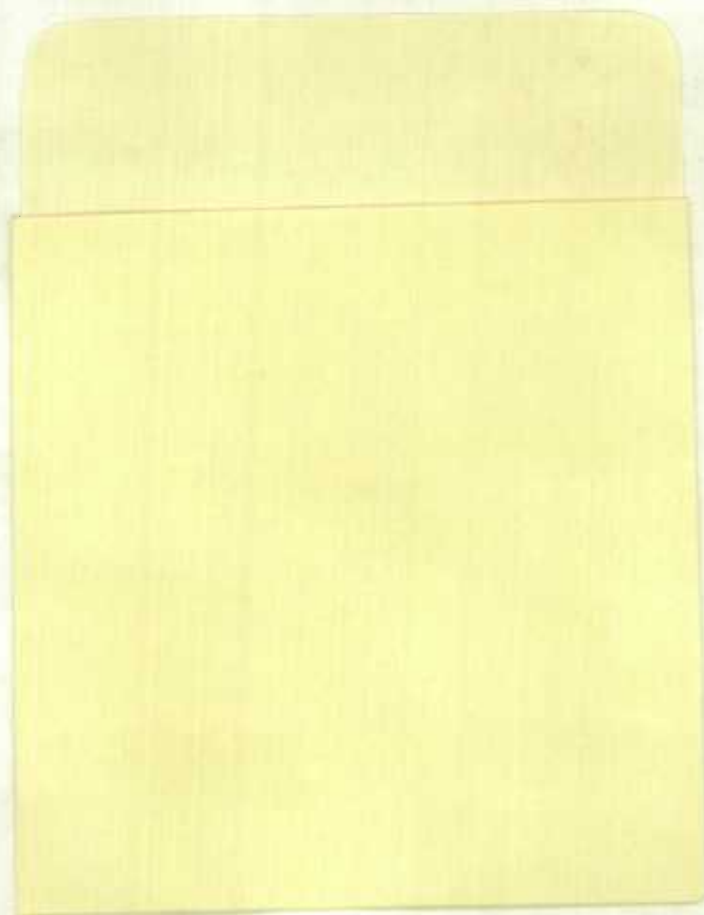
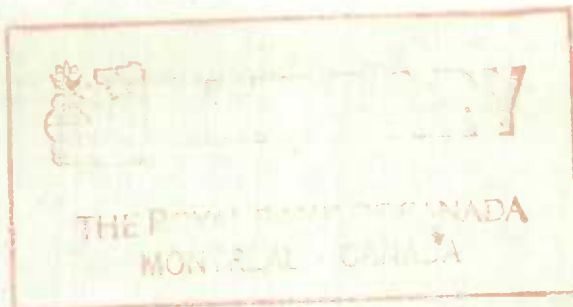
**Stock turnover**—the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

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

**Operating expense ratios**—each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

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





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