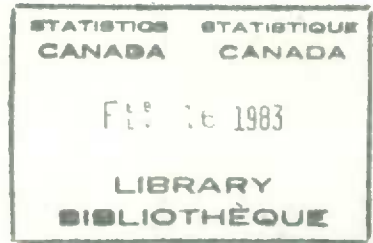


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CATALOGUE No.

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TRIENNIAL



BOOK AND STATIONERY STORES

(Independent)

OPERATING RESULTS

1965

First issue

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BOOK AND STATIONERY STORES

(Independent)

OPERATING RESULTS

1965

This is the first operating results survey of book and stationery stores. No survey of either chain or independent retailers of this kind has been made before.

This report deals with profit and loss statistics, presented mainly in the form of percentages of net sales. Results are shown for sales-size groups in some instances. Balance sheet data are not presented.

The primary purpose of the operating results survey is to provide averages or ratios on the different phases of business operation against which firms in the same trade may make direct comparisons with their own results. It also provides useful information to others interested in the cost of distribution of consumer goods.

Businesses in this classification are retail stores selling mainly books, stationery, greeting cards and school supplies. Newspapers, magazines, tobacco and cigarettes and gifts may be sold in this kind of store, but only as subsidiary lines. Stores dealing in Bibles and religious books are also included in this classification.

It is of some interest to note that the gross profit as a percentage of net sales for this kind of business revealed by the 1961 Census of Merchandising was 32.1 per cent. Ratios ranged from 29.9 per cent for Alberta to 35.4 per cent for Manitoba. The census statistics pertain to independent stores as well as chain stores and to both incorporated companies and unincorporated businesses.

The 1965 survey indicated gross profit of 30.23 per cent of net sales for unincorporated businesses and 31.73 per cent for incorporated companies. The tables which follow give operating expenses as percentages of net sales. Final net profit before deduction of proprietors' salaries, withdrawals and income tax is shown to be 13.21 per cent for unincorporated businesses. It is 3.53 per cent for incorporated companies, before allowances for income tax.

It should be mentioned that the "total" column in Table 1 and Table 2 have been weighted in order to arrive at ratios which are representative of the trade as a whole. Weights are assigned to the ratios in each sales-size category in accordance with its magnitude relative to 1961 total sales of the trade.

TABLE 1. Book and Stationery Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses) 1965

Item	Rented stores with annual net sales of			Total owned and rented
	\$20,000-49,999	\$50,000-199,999	Total	
Number of businesses reporting	12	8	20	22
Average net sales per business	37,342	83,261	67,358	66,575
Average beginning inventory	9,165	22,022	17,569	15,496
Average inventory, end of year	10,002	22,059	17,883	15,841
Average cost of goods sold.....	25,134	57,098	46,028	46,604
Stock turnover (times per year).....	2.62	2.59	2.60	4.47
Profit and loss data (Per cent of net sales)				
Gross profit	32.69	31.42	31.86	30.23
Operating expenses:				
Employees' salaries and wages (except delivery)	6.87	6.43	6.58	5.55
Delivery expenses (including salaries and wages).....	0.44	0.69	0.60	0.93
Occupancy expenses:				
Taxes	0.46	0.78	0.66	0.30
Insurance	0.61	0.72	0.68	0.61
Rent.....	5.10	4.86	4.94	4.05
Heat, light and power	0.70	0.45	0.54	0.53
Repairs and maintenance.....	0.37	0.53	0.47	0.44
Depreciation allowances	1.77	0.64	1.03	1.00
Total occupancy expenses.....	9.01	7.96	8.32	7.43
Office and store supplies.....	0.65	0.46	0.53	0.45
Advertising.....	0.49	0.67	0.61	0.55
Net loss on bad debts.....	-	0.13	0.09	0.07
All other expenses	3.32	2.22	2.60	2.47
Total operating expenses.....	20.78	18.56	19.33	17.45
Net operating profit.....	11.91	12.86	12.53	12.78
Non-trading income	0.60	0.48	0.52	0.43
Non-trading expense	-	-	-	-
Net profit before deduction of proprietors' salaries withdrawals and income tax	12.51	13.34	13.05	13.21

TABLE 2. Book and Stationery Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies) 1965

Item	Rented stores with annual net sales of				Total owned and rented
	\$50,000-99,999	\$100,000-199,999	\$200,000-499,999	Total	
Number of businesses reporting.....	4	11	4	19	20
Average net sales per business.....	73,611	149,224	294,152	178,640	192,068
Average beginning inventory	16,638	32,408	64,190	39,067	38,874
Average inventory, end of year.....	18,238	33,096	66,534	40,547	40,059
Average cost of goods sold.....	47,705	99,268	211,952	123,995	133,815
Stock turnover (times per year).....	2.74	3.03	3.24	3.03	3.35
Profit and loss data (Per cent of net sales)					
Gross profit	35.19	33.48	27.94	32.05	31.73
Operating expenses:					
Employees' salaries and wages (except delivery).....	16.87	17.26	13.64	15.94	15.69
Delivery expenses (including salaries and wages).....	0.51	1.77	0.73	1.10	1.16
Occupancy expenses:					
Taxes	0.54	0.29	0.47	0.42	0.53
Insurance	0.50	0.37	0.40	0.41	0.40
Rent	5.87	4.34	1.96	3.93	3.50
Heat, light and power.....	0.47	0.41	0.43	0.43	0.46
Repairs and maintenance.....	0.18	0.42	0.29	0.31	0.33
Depreciation allowances	1.32	0.61	0.56	0.78	0.78
Total occupancy expenses	8.88	6.44	4.11	6.28	6.00
Office and store supplies	0.78	0.56	0.48	0.59	0.58
Advertising	1.23	0.93	1.15	1.08	1.13
Net loss on bad debts	0.21	0.30	0.11	0.21	0.23
All other expenses	3.99	3.86	3.30	3.70	4.03
Total operating expenses	32.47	31.12	23.52	28.90	28.82
Net operating profit	2.72	2.36	4.42	3.15	2.91
Non-trading income.....	0.94	0.11	0.61	0.49	0.66
Non-trading expense.....	-	0.12	-	0.05	0.04
Net profit before allowances for income tax	3.66	2.35	5.03	3.59	3.53

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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