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AUTOMOBILE DEALERS, ACCESSORIES, TIRE AND
BATTERY SHOPS AND SERVICE STATIONS
(CHAIN)

OPERATING RESULTS

1965

First issue

Published by Authority of
The Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Merchandising and Services Division

February 1968
6403-584

Price: 50 cents

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AUTOMOBILE DEALERS, ACCESSORIES, TIRE AND BATTERY SHOPS AND SERVICE STATIONS (CHAIN)

OPERATING RESULTS

1965

INTRODUCTION

A retail chain is an organization operating four or more retail stores in the same kind of business under the same legal ownership.

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.

SUMMARY OF RESULTS BY TRADES

The 1965 survey covers three kinds of businesses; automobile dealers, accessories, tire and battery shops and service stations. Gross profit ranged from 16.39 per cent of net sales in the case of automobile dealers to 24.07 per cent for acces-

sories, tire and battery shops. Net results before income tax deduction varied from a loss of 1.23 per cent for accessories, tire and battery shops to a profit of 2.13 per cent in the case of service stations.

TABLE 1. Comparison of Main Operating Results of Automobile Dealers, Accessories, Tire and Battery Shops and Service Stations (chain), 1965

Item	Automobile dealers	Accessories, tire and battery shops	Service stations
Number of firms	3	7	8
Average net sales per firm \$	10,053,422	6,692,076	1,422,231
Rate of stock turnover (times per year)	7.06	3.20	23.44
Profit and loss data (Per cent of net sales)			
Gross profit	16.39	24.07	21.74
Operating expenses	18.63	26.16	19.62
Net operating profit	2.24¹	2.09¹	2.12
Non-trading income	4.06	1.57	0.10
Non-trading expense	0.22	0.71	0.09
Net profit before income tax deduction	1.60	1.23¹	2.13

¹ Loss.

AUTOMOBILE DEALERS (CHAIN)

Businesses in this classification are primarily engaged in selling new or both new and used motor vehicles. The value of new car sales should amount to 20 per cent or over of total sales. No wholesale car department is maintained and no farm implements are handled by establishments in this kind of business.

This is the first operating results survey of automobile dealers. No survey of either chain or independent dealers has been made before.

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 Merchan-

dising was 15.9 per cent. Ratios ranged from 13.0 per cent for Prince Edward Island to 17.8 per cent for Alberta. The census statistics pertain to independent stores as well as chain and to both incorporated companies and unincorporated businesses. The 1965 survey indicated gross profit of 16.39 per cent of net sales for incorporated companies operating chain locations in this kind of business.

The table which follows gives operating expenses as percentages of net sales. Most of the non-trading income accrues from car rentals. Final net profit after providing for income tax for the three firms reporting is shown to be 0.90 per cent of net sales.

TABLE 2. Automobile Dealers (chain), Operating Results, by Size of Business, (Incorporated Companies), 1965

Item	Total all sizes
Number of firms	3
Number of stores operated	18
Average net sales per firm	\$ 10,053,422
Average cost of goods sold	\$ 8,405,397
Average inventory per firm:	
Beginning of year	\$ 832,364
Per cent of average net sales	8.28
End of year	\$ 1,547,833
Per cent of average net sales	15.40
Stock turnover (times per year)	7.06
Profit and loss (Per cent of net sales)	
Gross profit	16.39
Operating expenses:	
Salaries:	
Executives	0.52
Other employees	5.58
Employees' benefits	0.25
Occupancy	1.50
Taxes ¹ and licenses	1.00
Insurance ¹	0.28
Repairs and maintenance ¹	0.11
Depreciation ¹	3.86
Supplies	0.35
Advertising	0.61
Travelling	0.25
Communication	0.30
Delivery	0.34
Bad debt loss	0.30
All other expenses	3.38
Total operating expenses	18.63
Net operating profit	2.24²
Non-trading income	4.06
Non-trading expense	0.22
Net profit before income tax deduction	1.60
Income tax	0.70
Final net profit	0.90

¹ Excludes amount attributed to real estate which is in occupancy expense.

² Loss.

ACCESSORIES, TIRE AND BATTERY SHOPS (CHAIN)

Businesses included in this classification sell mainly a combination of automotive accessories, tires, batteries, radios and automotive parts and, occasionally, gas and oil. The sale of gas and oil does not account for more than 33 per cent of the total trade. Such establishments may also engage in service and repair activities but receipts from these do not constitute more than 25 per cent of the total trade.

This is the first operating results survey of businesses of this kind. No survey of either chain or independent accessories, tire and battery shops has been made before. It is of some interest to note that gross profit as a percentage of net sales for this kind of business revealed by the 1961 Census

of Merchandising was 30.6 per cent. Ratios ranged from 35.4 per cent for British Columbia to 24.1 per cent in the case of Saskatchewan. The census statistics pertain to independent stores as well as chain and to both incorporated companies and unincorporated businesses. The 1965 survey indicated gross profit of 24.07 per cent of net sales for incorporated companies operating chain locations in this kind of business.

The 1965 results in more detail and by size of business are shown in the table that follows. A significant part of non-trading income is charges for financing. The final result after providing for income tax for the seven chains reporting is shown to be a loss of 1.61 per cent of net sales.

TABLE 3. Accessories, Tire and Battery Shops (Chain), Operating Results, by Size of Business, (Incorporated Companies), 1965

Item	Firms with 1965 sales of		Total all sizes
	Under \$1,000,000	\$1,000,000 and over	
Number of firms	4	3	7
Number of stores operated	20	135	155
Average net sales per firm	\$ 610,935	14,800,265	6,692,076
Average cost of goods sold	\$ 444,479	11,263,837	5,081,347
Average inventory per firm:			
Beginning of year	\$ 171,534	3,113,724	1,432,472
Per cent of average net sales	28.08	21.04	21.41
End of year	\$ 148,046	3,872,187	1,744,106
Per cent of average net sales	24.23	26.16	26.06
Stock turnover (times per year)	2.78	3.22	3.20
Profit and loss (Per cent of net sales)			
Gross profit	27.25	23.89	24.07
Operating expenses:			
Salaries:			
Executives	1.28	1.00	1.01
Other employees	12.77	11.75	11.81
Employees' benefits	0.37	0.84	0.81
Occupancy	5.54	4.21	4.28
Taxes ¹ and licences	0.43	0.23	0.24
Insurance ¹	0.34	0.23	0.24
Repairs and maintenance ¹	0.46	0.65	0.64
Depreciation ¹	0.75	0.78	0.78
Supplies	1.20	0.74	0.76
Advertising	2.20	1.76	1.78
Travelling	0.67	0.74	0.74
Communication	0.65	0.29	0.31
Delivery	0.27	0.76	0.74
Bad debt loss	0.35	0.75	0.73
All other expenses	3.77	1.16	1.29
Total operating expenses	31.05	25.89	26.16
Net operating profit	3.80²	2.00²	2.09²
Non-trading income	2.94	1.49	1.57
Non-trading expense	1.31	0.67	0.71
Net profit before income tax deduction	2.17²	1.18²	1.23²
Income tax	0.25	0.39	0.38
Final net profit	2.42²	1.57²	1.61²

¹ Excludes amount attributed to real estate which is in occupancy expense.

² Loss.

SERVICE STATIONS (CHAIN)

Businesses in this classification are primarily engaged in selling gas, oil, parts and accessories and tires. They also perform services and repairs. To be classified to this trade the sale of gas and oil must constitute at least 50 per cent of the total trade. Occasionally a restaurant, snack bar or cabins will be subsidiary activities.

This is the first time that service station chain businesses have been surveyed for operating results. All respondents were incorporated companies.

It is of interest to note that the 1961 Census of Merchandising revealed that gross profit for

service stations in general was 23.1 per cent of net sales. The ratios ranged from 19.1 per cent for Nova Scotia to 26.5 per cent for British Columbia. The Census statistics pertain to independent stores as well as chain and to both incorporated companies and unincorporated businesses.

The 1965 survey indicated gross profit of 21.74 per cent of net sales for incorporated companies operating chain service stations. These results in more detail and by size of business are shown in the table that follows. Final net profit after providing for income tax for the eight chains reporting is shown to be 1.47 per cent of net sales.

TABLE 4. Service Stations (Chain), Operating Results, by Size of Business, (Incorporated Companies), 1965

Item	Firms with 1965 sales of		Total all sizes
	Under \$1,500,000	\$1,500,000 and over	
Number of firms	5	3	8
Number of stores operated	36	38	74
Average net sales per firm \$	1,041,708	2,056,436	1,422,231
Average cost of goods sold \$	806,475	1,623,962	1,113,032
Average inventory per firm:			
Beginning of year \$	40,295	56,296	46,295
Per cent of average net sales	3.87	2.74	3.26
End of year \$	44,777	55,123	48,657
Per cent of average net sales	4.30	2.68	3.42
Stock turnover (times per year)	18.96	29.15	23.44
Profit and loss (Per cent of net sales)			
Gross profit	22.58	21.03	21.74
Operating expenses:			
Salaries:			
Executives	1.90	0.70	1.25
Other employees	9.34	8.20	8.72
Employees' benefits	0.19	0.40	0.30
Occupancy	2.15	3.90	3.10
Taxes ¹ and licenses	0.15	0.42	0.29
Insurance ¹	0.11	0.11	0.11
Repairs and maintenance ¹	0.22	0.55	0.40
Depreciation ¹	0.36	0.44	0.40
Supplies	0.53	0.43	0.48
Advertising	1.16	2.84	2.07
Travelling	0.05	0.30	0.18
Communication	0.15	0.16	0.16
Delivery	0.13	0.97	0.59
Bad debt loss	0.07	0.12	0.10
All other expenses	2.80	0.34	1.47
Total operating expenses	19.31	19.88	19.62
Net operating profit	3.27	1.15	2.12
Non-trading income	0.17	0.04	0.10
Non-trading expense	-	0.16	0.09
Net profit before income tax deduction	3.44	1.03	2.13
Income tax	1.38	0.05	0.66
Final net profit	2.06	0.98	1.47

¹ Excludes amount attributed to real estate which is in occupancy expenses.

DEFINITIONS

Profit and Loss

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 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, and transportation costs from warehouse to stores.

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, commissions and bonuses (except delivery) – payments to employees before deduction of income tax or unemployment insurance, etc. Included are salaries paid to executives of incorporated firms. Proprietors' salaries or withdrawals are included in “net operating profit” for unincorporated store operations.

Employees' benefits – contributions made towards employees' pensions, unemployment insurance, hospitalization and other staff benefits. (Excludes employees' own contributions.)

Occupancy – the cost of maintaining and occupying a place of business and includes property taxes, insurance, heat, light and power, repairs and maintenance, depreciation, mortgage interest on owned real estate and rental expense on rented premises.

Taxes and licences – excluding property taxes.

Insurance – premiums for insurance policies carried to protect the business, covering furniture and fixtures and inventories but excluding real estate insurance and insurance on delivery equipment.

Repairs and maintenance – costs incurred to keep fixtures and equipment operating efficiently. (Excludes capital expenditure and delivery.)

Depreciation – allowances on fixtures and equipment (except delivery).

Supplies – wrapping paper, twine, store and office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Travelling – all travelling expense including buying.

Communication – telephone, telegraph and postage.

Delivery – 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.), all other costs from stores to customers including amounts paid for contract delivery.

Bad debt loss – amount written off or reserve provided for during the current year.

All other operating expenses – bank charges, legal, auditing and collection fees, etc.

Non-trading income – interest earned, net revenues from rentals, financial charges, delivery charges made to customers and bad debts recovered, revenues from investments and other non-trading activities.

Non-trading expense – interest expense and any other expenses not pertaining to the business.

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