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JEWELLERY CHAIN STORES

OPERATING RESULTS

1965

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JEWELLERY CHAIN STORES

OPERATING RESULTS

1965

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. They also provide useful information to others interested in the cost of distribution of consumer goods.

Stores included in this classification sell mainly jewellery, silverware, clocks and watches. Additional lines carried may be optical goods, leather goods, gifts and novelties. Receipts from repairs also constitute an important source of revenue but do not exceed 50 per cent of the total trade.

This is the first operating results survey of jewellery chain stores. Financial data of 17 incorporated companies which operated 162 retail outlets are included in this report.

It is of some interest to note that the gross profit as a percentage of net sales for jewellery stores revealed by the 1961 Census of Merchandising was 41.6 per cent. Gross profit ranged from 37.2 per cent in the case of New Brunswick and Quebec to 44.3 per cent for Saskatchewan. The Census statistics pertain to all stores of this kind, independent as well as chain, and incorporated companies as well as unincorporated businesses. The 1965 survey indicated gross profit of 43.56 per cent of net sales for incorporated companies operating chain stores in this kind of business. The 1965 results in more detail and by size of business are shown in the table. The non-trading income accrues primarily from interest earned, bad debts recovered, charges for financing and rents. Final net profit after providing for income tax is shown for the 17 firms reporting to be 4.06 per cent of net sales.

Jewellery Chain Stores, Operating Results, by Size of Business (Incorporated Companies), 1965

Item	Firms with 1965 sales of			Total all sizes
	Under \$500,000	\$ 500,000 - 1,499,999	\$1,500,000 and over	
Number of firms	5	5	7	17
Number of stores operated	25	50	87	162
Average net sales per firm..... \$	360,772	1,018,740	6,955,554	3,269,791
Average cost of goods sold	197,080	591,324	3,919,018	1,845,597
Average inventory per firm:				
Beginning of year	187,909	367,111	1,842,951	922,103
Per cent of average net sales	52.08	36.04	26.50	28.20
End of year	198,121	392,575	2,018,140	1,004,733
Per cent of average net sales	54.92	38.54	29.01	30.73
Stock turnover (times per year)	1.02	1.56	2.03	1.92
Profit and loss (Per cent of net sales)				
Gross profit	45.37	41.96	43.66	43.56
Operating expenses:				
Salaries:				
Executives	4.74	3.17	1.14	1.44
Other employees	19.65	13.72	14.21	14.34
Employees' benefits	0.66	0.30	1.15	1.06
Occupancy	8.42	7.97	4.30	4.77
Taxes ¹ and licences	0.46	0.33	0.74	0.70
Insurance ¹	0.85	0.66	0.42	0.46
Repairs and maintenance ¹	0.38	0.20	0.87	0.79
Depreciation ¹	1.56	0.73	0.70	0.74
Supplies	1.57	2.14	1.02	1.14
Advertising	4.08	3.90	4.37	4.31
Travelling	0.73	0.49	0.23	0.27
Communication	1.13	0.71	0.66	0.68
Delivery	1.17	0.21	1.12	1.03
Bad debt loss	2.15	0.95	1.03	1.06
All other expenses	1.62	2.61	5.54	5.15
Total operating expenses	49.17	38.09	37.50	37.94
Net operating profit	3.80 ²	3.87	6.16	5.62
Non-trading income	8.78	1.84	4.13	4.07
Non-trading expense	1.32	2.70	1.58	1.67
Net profit before income tax deduction	3.66	3.01	8.71	8.02
Income tax	0.84	0.85	4.41	3.96
Final net profit	2.82	2.16	4.30	4.06

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

² Loss.

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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