

EXPENSES AND PROFITS OF
LIMITED PRICE VARIETY CHAINS
IN 1936

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FOREWORD

With the publication, in this bulletin, of figures on the margins, expenses, and profits of limited price variety chains for 1936, the Harvard Business School marks the sixth consecutive year of its surveys of this type of retail distribution and the seventh for which figures have been gathered. The School, through the Bureau of Business Research, began its studies of distribution costs for various types of independent retailers and wholesalers as far back as 1913. In 1920 these studies were extended to department stores, and in 1929 their scope was enlarged to embrace several kinds of chain store enterprise.

The School's purposes in carrying on this work have not changed since its inception. They are (1) to obtain factual knowledge and to develop generalized conclusions for use in teaching, especially in the courses in Marketing, Sales Management, and Retail Distribution; (2) to build up a large body of detailed knowledge on the behavior of distribution costs; (3) to furnish business executives with standard gauges of margin, expense, and profit in particular types of distributive enterprise for their use in budgeting expenses and otherwise seeking to improve efficiency of operation; and (4) to help promote a better understanding on the part of the public of the functions and costs of distribution.

Although there is now much more information generally available on distribution costs than was the case in earlier years, there is plenty of evidence that the need for knowing and understanding distribution costs is, if anything, more urgent than ever. During most of the years spanned by the Bureau's work, the expense of distribution has continued to rise relative to the cost of production; and although a goodly number of reasons can be adduced to account for this changing disposition of the consumer's dollar, the fact remains that opportunities to augment the real spending power of consumers and improve the standard of living must increasingly be sought in the area of distribution. Furthermore, the success which has thus far attended the efforts of pressure groups to enact restrictive legislation generally designed to hamper the activities of various types of distributors betokens widespread ignorance and confusion among the general public in regard to the functions and costs of marketing and their relation to the economic organization.

Like its immediate predecessors, this particular study of the chain variety business has been financed by the Limited Price Variety Stores Association; and the Bureau wishes to acknowledge to the Association and to its president, Dr. Paul H. Nystrom, appreciation both for financial support and for interest in the development of the study.

The Bureau also greatly appreciates the interest and coöperation of the individual companies which submitted their figures for use in this study. All statements of individual firms were handled on a strictly confidential basis. Under no circumstances did members of the trade, students in the School, or any other persons outside the Bureau staff have access to the figures of individual chains. As soon as the profit and loss statements were received, all identifying data were removed; and each statement went through the various stages of the statistical work under a code number.

This study was conducted by the Bureau of Business Research under the general direction of Assistant Professor Carl N. Schmalz. Miss Rose Winisky was immediately responsible for the detailed statistical work.

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CONTENTS

| | PAGE |
|--|--------|
| Summary and Appraisal | 1 |
| Chart 1. Disposition of the Consumer's Dollar Spent in Chain Variety Stores: 1936 | 1 |
| Table 1. Summarized Figures for 16 Identical Variety Chains: 1929, 1931- 1936 | 3 |
| Table 2. Summarized per Store Figures for 16 Identical Variety Chains: 1929, 1931-1936 | 4 |
| Operating Results for 1936 | 6 |
| Table 3. Sales by Merchandise Lines for 18 Variety Chains: 1936 | 7 |
| Table 4. Sales by Merchandise Lines for 13 Identical Firms: 1933-1936 | 7 |
| Table 5. Operating Results for 33 Variety Chains: 1936 | 9 |
| Table 6. Frequency Distribution of Important Operating Percentages for 33 Variety Chains: 1936 | 10 |
| Table 7. Monthly Sales and Inventories for 19 Variety Chains: 1936 | 11 |
| Table 8. Stock-Sales Ratios: 1934-1936 | 11 |
| Year-to-Year Trends | 13 |
| Chart 2. Sales and Inventories for 7 Variety Chains: 1924-1936 | 13 |
| Table 9. Operating Results for 20 Identical Variety Chains: 1932-1936 | 14 |
| Table 10. Operating Results for 16 Identical Variety Chains: 1929, 1931-1936 | 15 |
| Table 11. Operating Results per Store for 16 Identical Variety Chains: 1929, 1931-1936 | 16 |
| Table 12. Change in Relation of Groups of Assets to Total Assets for 19 Variety Chains: 1932-1936 | 17 |
| Factors Affecting Margin and Expense | 19 |
| Table 13. Operating Results for 31 Variety Chains Classified According to Volume of Sales: 1936 | 20 |
| Table 14. Operating Results for 31 Variety Chains Classified According to Number of Stores: 1936 | 21 |
| Table 15. Operating Results for 31 Variety Chains Classified According to Average Sales per Store: 1936 | 22 |
| Table 16. Operating Results for 33 Variety Chains Classified According to Rate of Stock-turn: 1936 | 23 |
| Table 17. Sales by Merchandise Lines According to Size of Average Sale: 1936 | 24 |

| | PAGE |
|---|---------------|
| Table 18. Operating Results for 17 Variety Chains Classified According to Average Sale: 1936 | 25 |
| Table 19. Operating Figures for 29 Variety Chains Classified According to the Population of the Cities in Which Their Stores Were Located: 1936 | 26 |
| Table 20. Operating Figures for 26 Variety Chains Classified According to the Region in Which Their Stores Were Located: 1936 | 27 |
| Table 21. Summary of Operating Results for Variety Chains Classified on Various Bases: 1936 (Median Figures) | 28 |
| Table 22. Summary of Operating Results for Variety Chains Classified on Various Bases: 1936 (Aggregate Figures) | 29 |
| The Relation of Store Expense to Overhead Expense | 31 |
| Table 23. Store Expense, General Overhead Expense, and Total Expense for 16 Variety Chains Classified According to Volume of Sales: 1936 | 32 |
| Relative Profit Performance | 34 |
| Table 24. Operating Results and Goal Figures for Variety Chains: 1936 | 35 |
| Table 25. Sixteen Variety Chains Ranked According to Rates of Net Profit or Loss: 1929, 1931-1936 | 36 |
| Table 26. Twenty Variety Chains Ranked According to Rates of Net Profit or Loss: 1932-1936 | 36 |
| Explanatory Notes | 37 |