QUARTERLY REPORT

INDEPENDENT RETAILER INDEX

November 2024 – Q3 YoY Results

NHPA North American Hardware and Paint Association | THE Farnsworth GROUP

OBJECTIVE OF RESEARCH

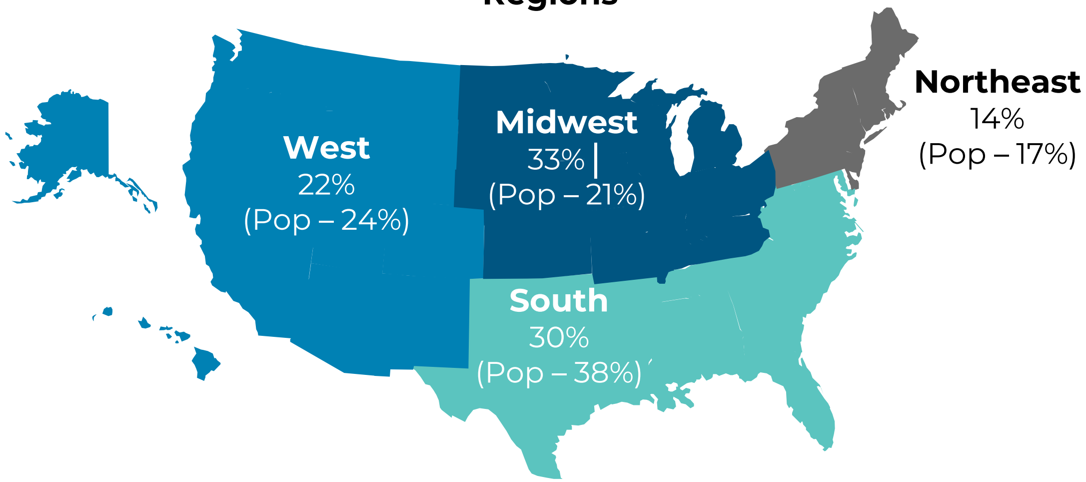
The Independent Retailer Index, a project produced in partnership between the North American Hardware and Paint Association (NHPA) and The Farnsworth Group (TFG), serves as a regular measure of the independent channel's performance. Reports are published at **YourNHPA.org/retailer-index** each quarter, and all data is presented in aggregate. The index tracks quarterly changes in various business areas including:

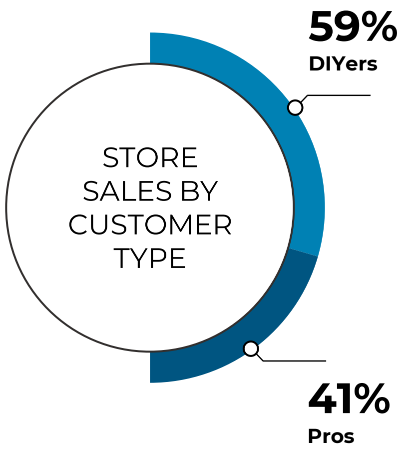
- Total sales
- Transaction count
- Inventory investment
- Cost of goods
- Gross profit margins
- Future expectations
- Investment plans: inventory, staff, property, plant and equipment and technology solutions

RESPONDENT PROFILES

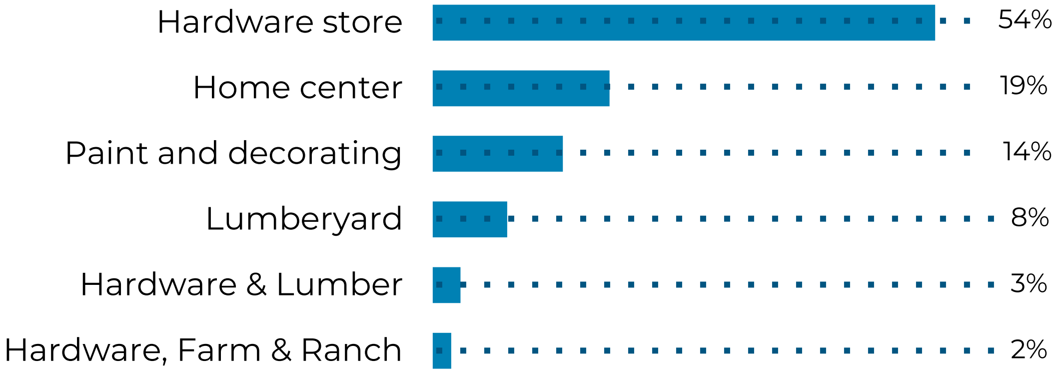
For Quarter 3, 106 independent retailers were interviewed throughout the country. Of those, 61 answered all the survey questions. Of those answering, half classified themselves as a 'hardware store.'

Regions





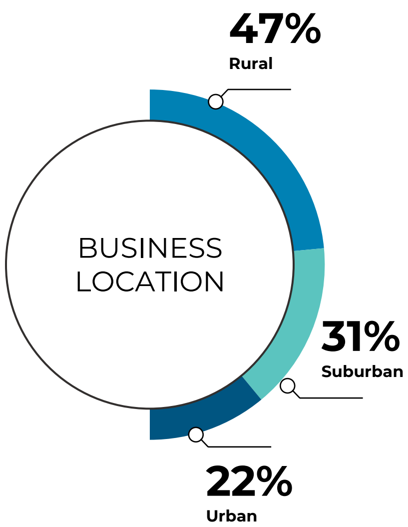
Store Type



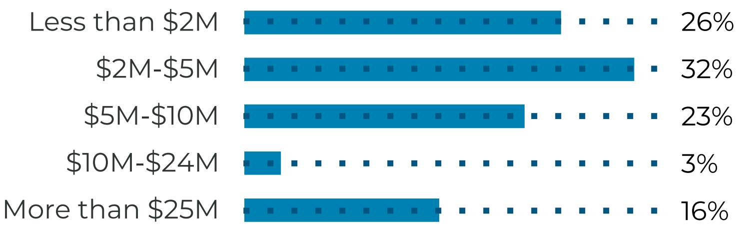
Q1. In what state are you located?
Q2. What's your store type?
Q3. What percentage of your sales comes from the following audiences?

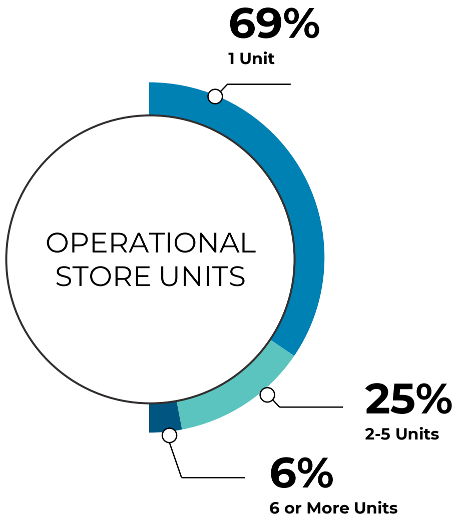
RESPONDENT PROFILES

A good mix of independent retailers took part in the survey with over two thirds (69%) having just one store unit.

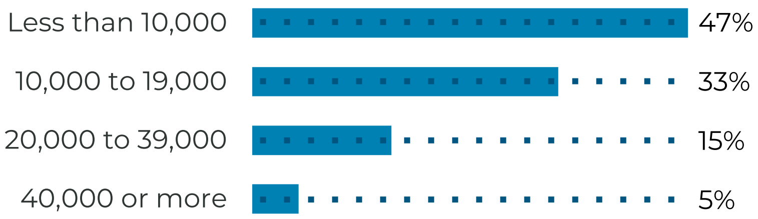


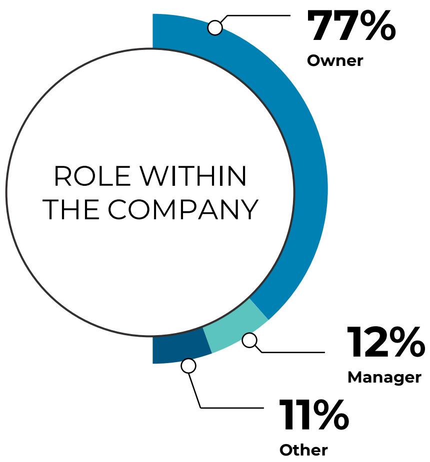
Overall Annual Sales



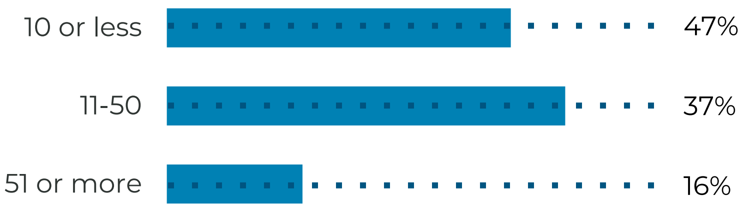


Sq Ft of Sales Floor





Number of Full-Time Employees



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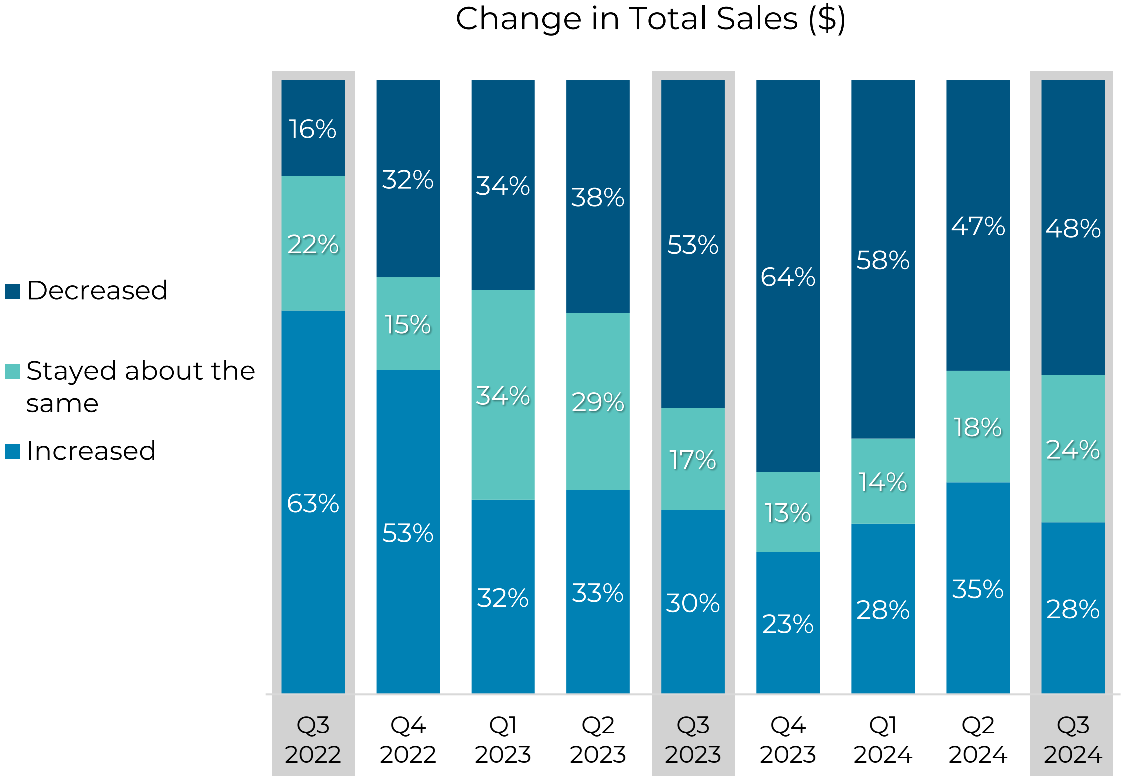
Q4. How would you describe the area where your business located?
Q5. What are your overall annual sales?
Q6. How many store units do you operate?
Q22. How many square feet is your sales floor?

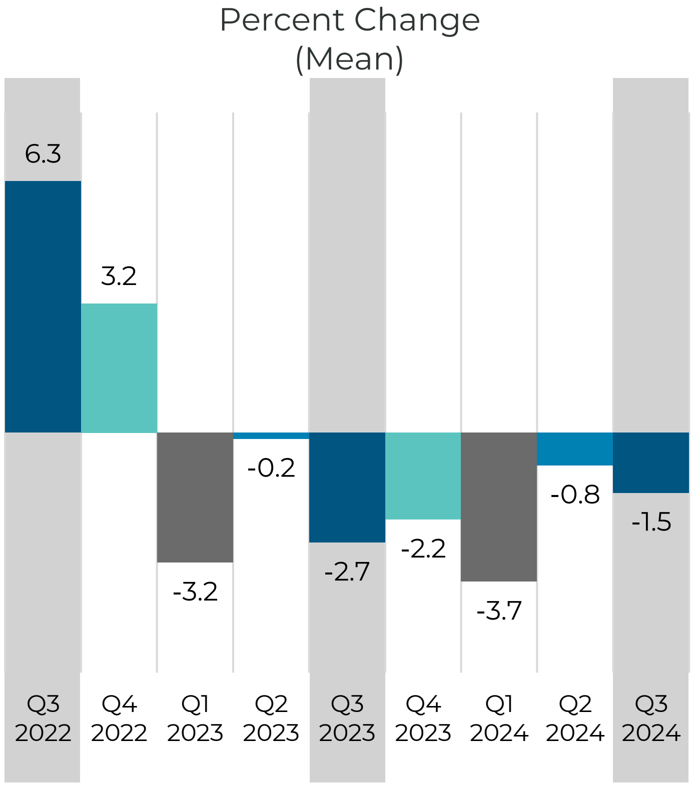
Q23. What best describes your role within the company?
Q24. Including yourself, how many full-time employees does your total company (across all locations) have?

CHANGES IN TOTAL SALES ($) - YoY

28% of retailers saw year-over-year sales growth in Q3, mirroring the previous year's performance but significantly lower than the 63% growth from two years prior.

On average, total sales decreased by 1.5% year-over-year, a slight improvement compared to Q3 2023.





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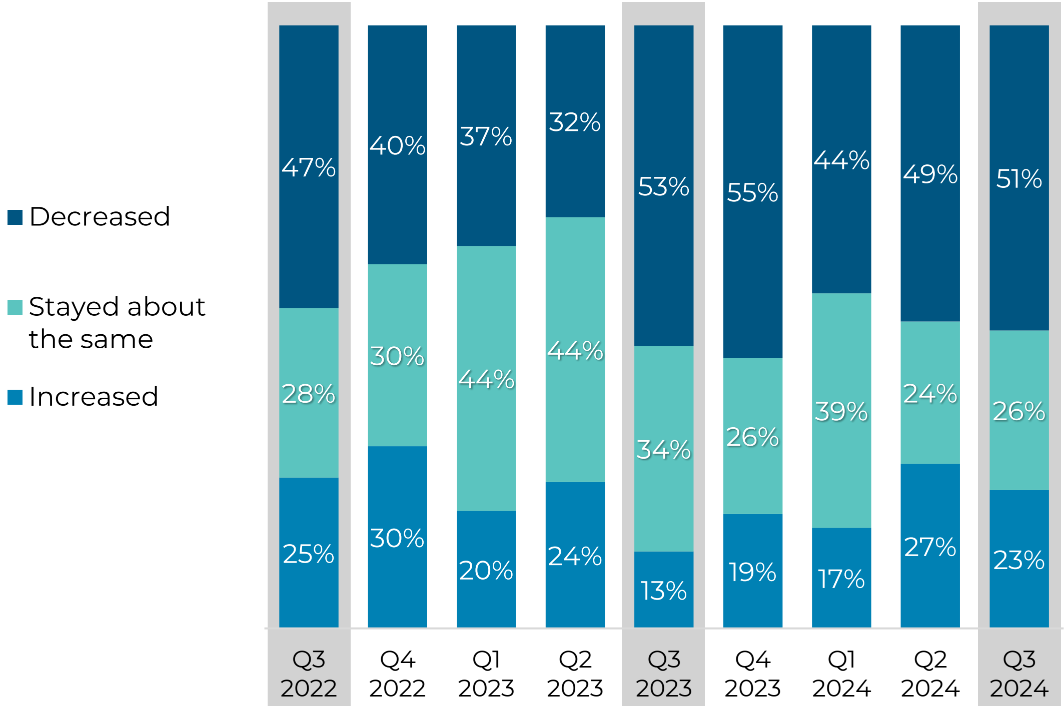
Q7. How have your total sales (in dollars) changed in <current quarter> compared to <same quarter last year>?
Q8. (ASK IF 1, 2, 4, OR 5 AT Q7) You stated that your total sales dollars <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN TRANSACTION COUNT - YoY

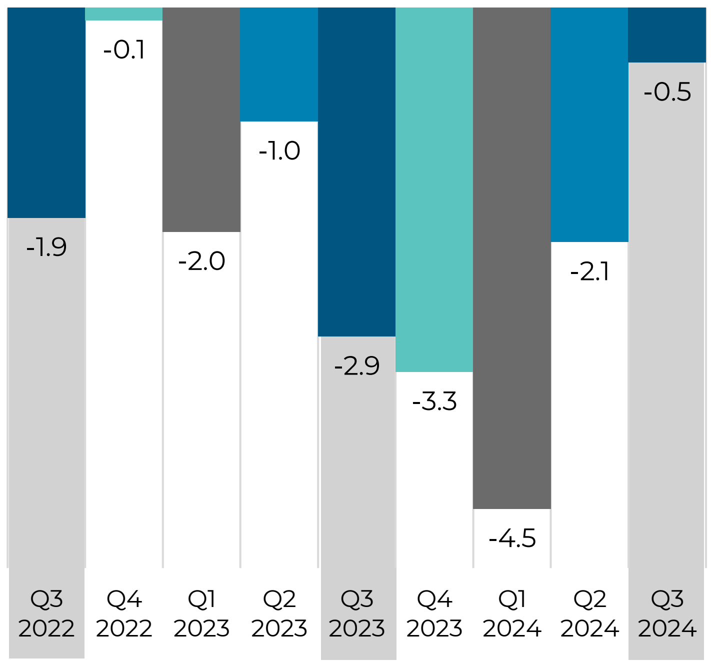
Transaction count increased over Q3 2023 and is on par with Q3 2022.

On average, retailers experienced a 0.5% decline in year-over-year transactions in Q3 2024. While still a decrease, this represents the smallest decline in transactions since Q4 2022, which saw a 0.1% average reduction.

Change in Transaction Count



Percent Change (Mean)



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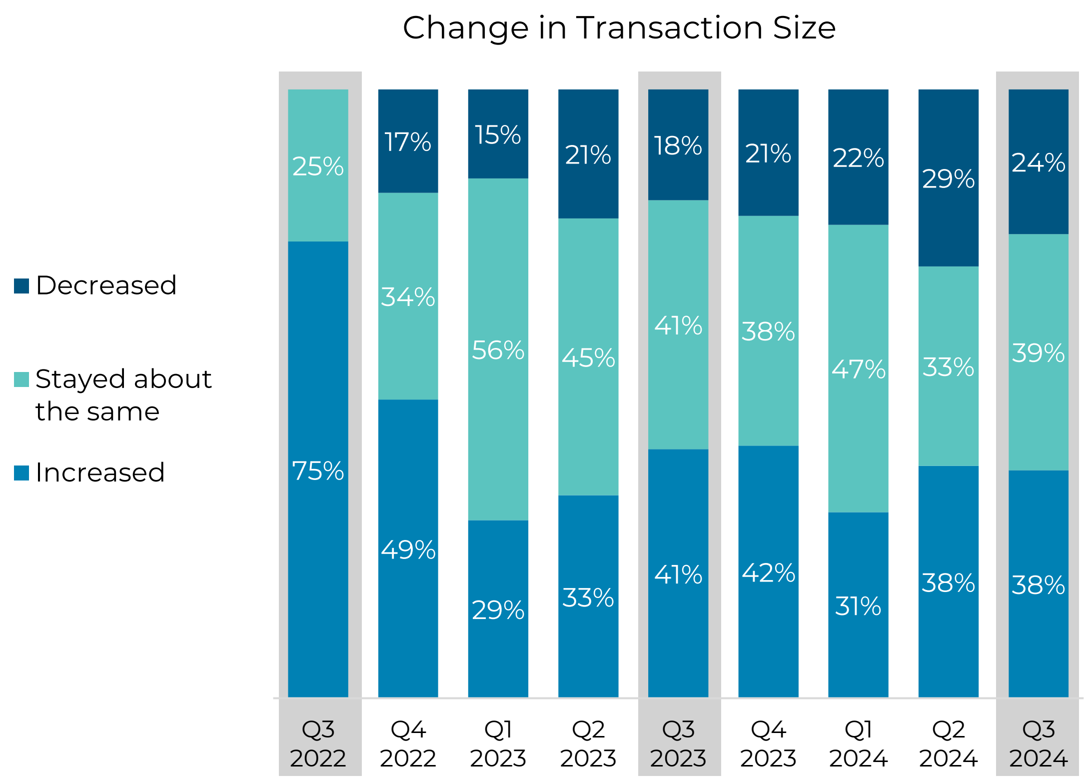
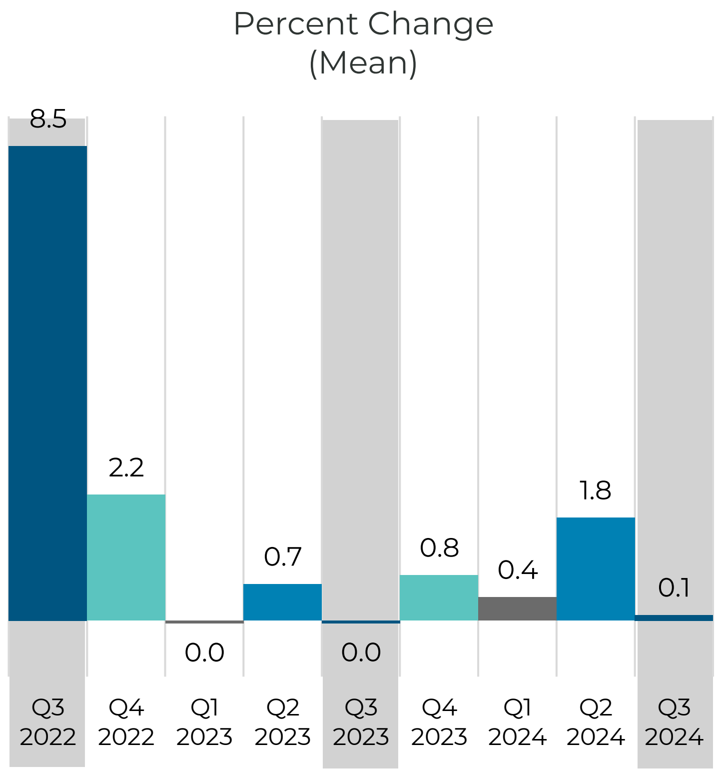
Q9. How has your transaction count changed in <current quarter> compared to < same quarter last year >?
Q10. (ASK IF 1, 2, 4, OR 5 AT Q9) You stated that your transaction count <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN TRANSACTION SIZE - YoY

Transaction size is on par with Q3 2023 with an average size of change almost zero (0.1%) compared to Q3 2023 (0.0%).





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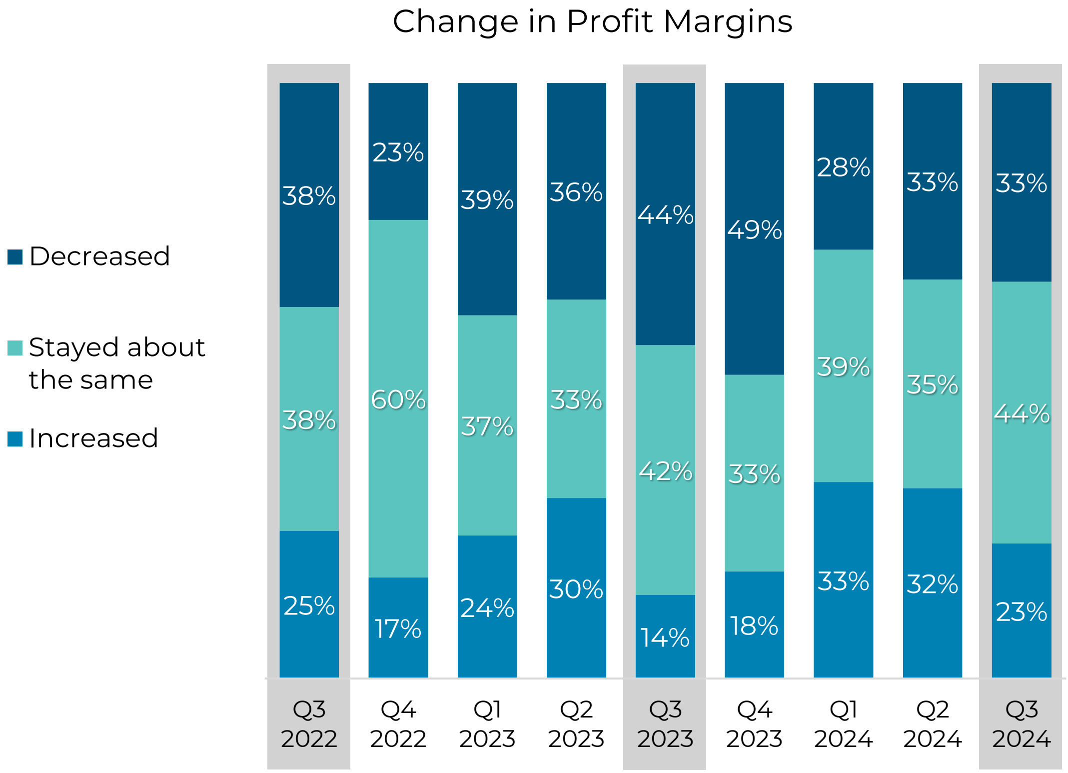
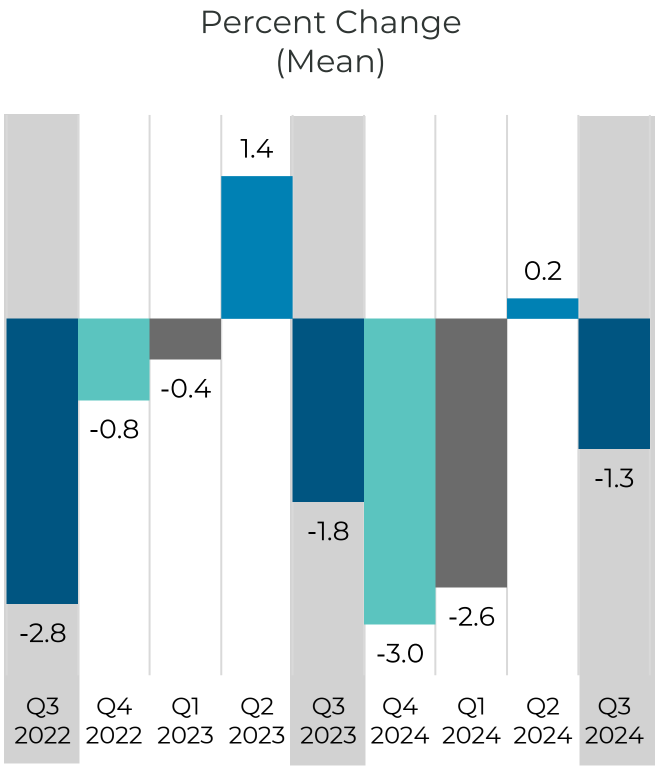
Q11. How has your transaction size changed in <current quarter> compared to <same quarter last year >?
Q12. (ASK IF 1, 2, 4, OR 5 AT Q11) You stated that your transaction size <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN GROSS PROFIT MARGINS - YoY

More retailers are seeing an increase in profit margins over Q3 2023 and on par with Q3 2022, but most (44%) have stayed about the same.

The average change in profit margin is up from Q3 2023 (-1.8%), but still a negative at -1.3% average change.



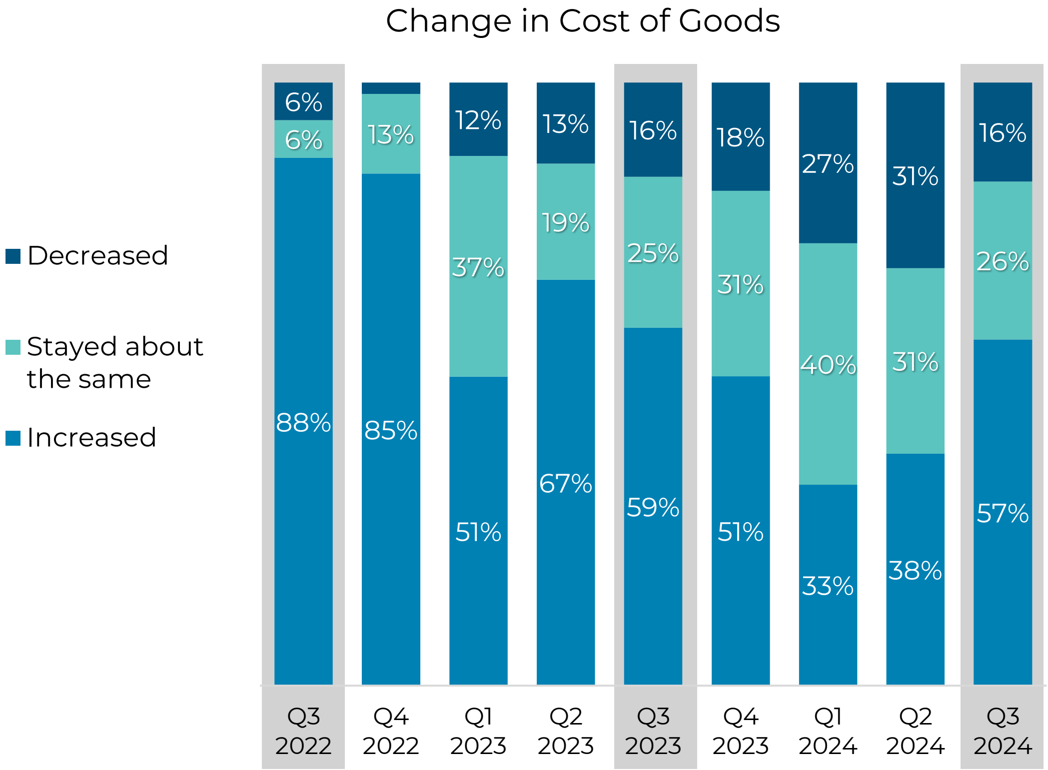


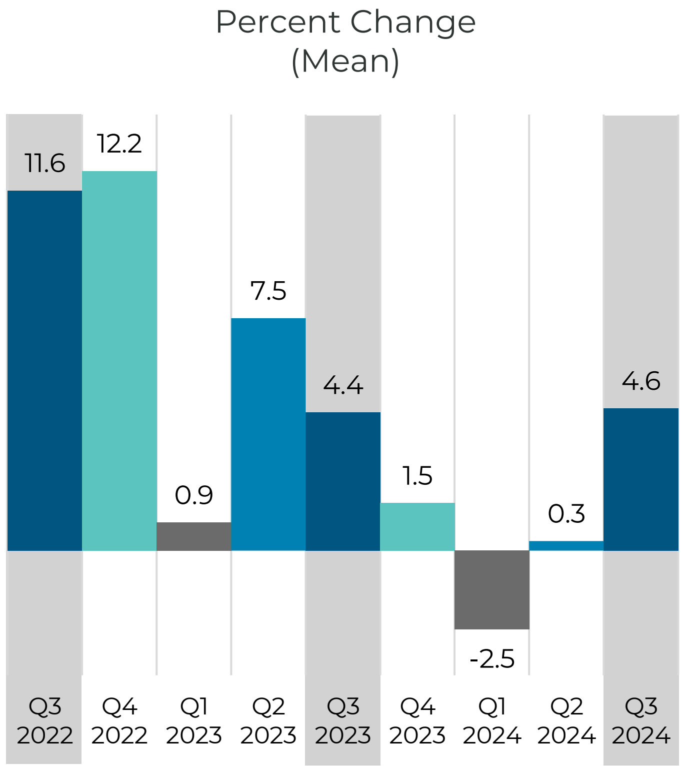
Q16. How have your store's gross profit margins changed in <current quarter> compared to < same quarter last year >?
Q17/19. (IF Increased/Decreased) By what percent of your profit margin dollars increase/decrease in <current quarter> over the same quarter last year?

CHANGES IN COST OF GOODS - YoY

YoY change in cost of goods is on par with what retailers saw in Q3 2023.

The average increase of all retailers is 4.6%, the highest average change since a near identical 4.4% mean increase in Q3 2023.





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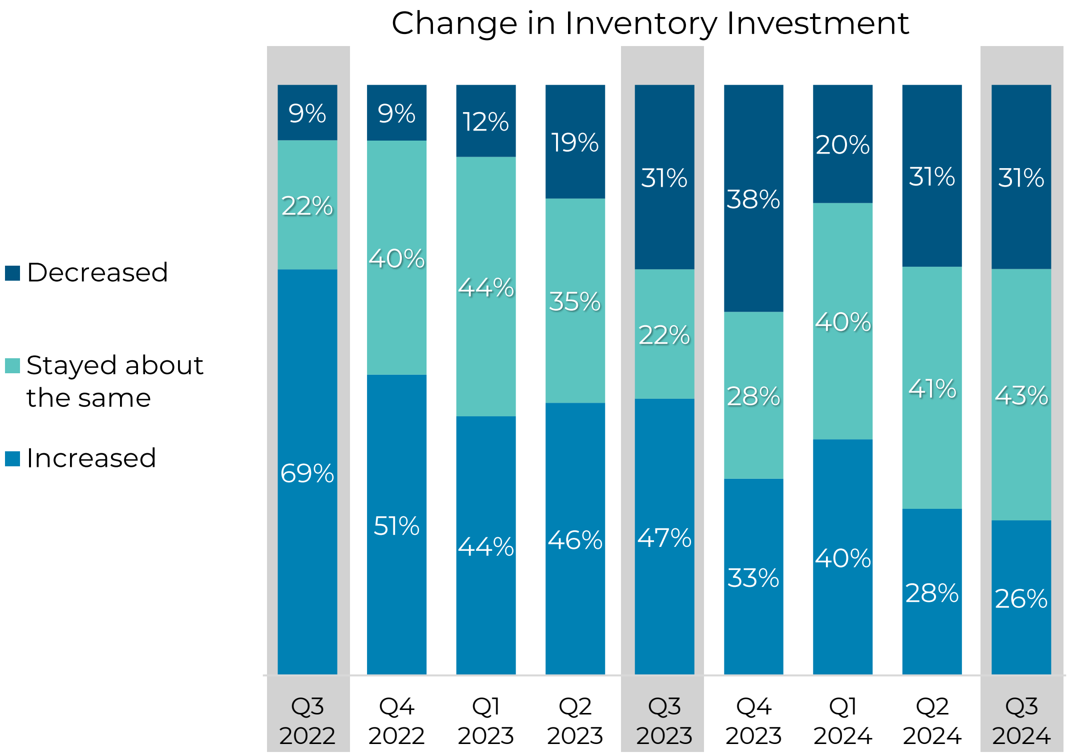
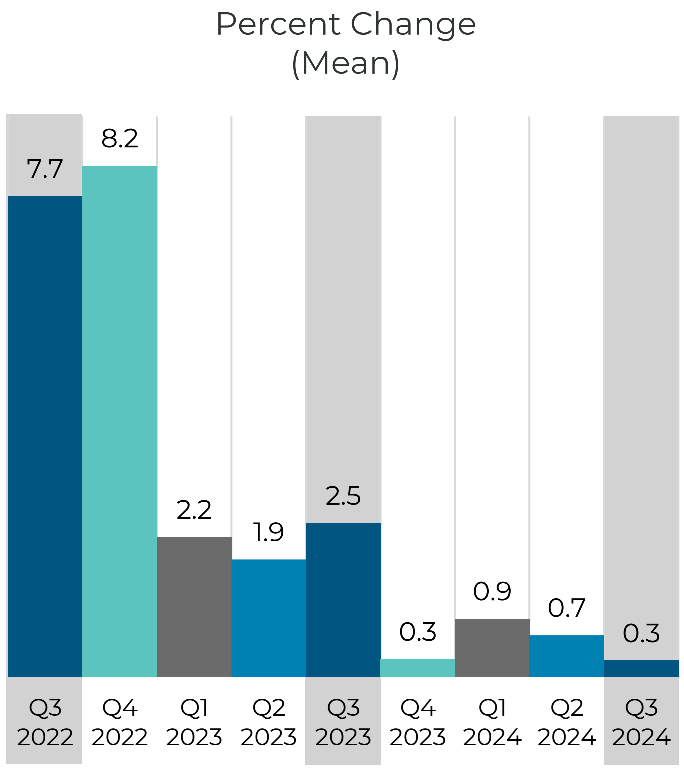
Q15. How have your cost of goods changed in <current quarter> compared to <same quarter last year>?
Q15b. (ASK IF 1, 2, 4, OR 5 AT Q15) You stated that your cost of goods <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN INVENTORY INVESTMENT - YoY

The number of retailers increasing their inventory investment has declined nearly every quarter over the past 2 years.

Close to half (43%) said their inventory investment stayed the same YoY. The average net change of all retailers was a mere 0.3% increase.





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Q13. How has your inventory investment changed in <current quarter> compared to <same quarter last year >?
Q14. (ASK IF 1, 2, 4, OR 5 AT Q13) You stated that your inventory investment <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

Q3 - 2024 YoY SUMMARY

While still down on average, transaction counts, profit margins, and total sales are improving compared to 2023.

Cost of Goods continues to be a thorn in retailers side, and isn't getting any better or worse from 2023.

Measure	Question	Year	Increase Decrease	Avg % Change	Market Trend	Comment
Transaction Count	How has transaction count changed year over year? By what percent?	2024	23% inc. 51% dec.	-0.5%		Nearly double the number of retailers said their YoY transaction count is up (23%) compared to Q3-2023 (13%). This is shown also with a net average of -0.5% change in transactions compared to -2.9% in 2023.
		2023	13% inc. 53% dec.	-2.9%		
Profit Margins	How have your store's gross profit margins changed…? By what percent?	2024	23% inc. 33% dec.	-1.3%		More retailers are seeing an increase in profit margins over Q3 2023 and on par with 2022, but for most (44%) they have stayed about the same.
		2023	14% inc. 44% dec.	-1.8%		
Total Sales	How have your total sales (in dollars) changed…? By what percent?	2024	28% inc. 48% dec.	-1.5%		Total sales is improving, albeit slowly. Nearly half of retailers (48%) saw a decrease in sales, however this is slightly better than Q3 2023 in which over half (53%) saw a decrease.
		2023	30% inc. 53% dec.	-2.7%		
Transaction Size	How has your transaction size changed…? By what percent?	2024	38% inc. 24% dec.	+0.1%		Transaction size has remained steady most quarters and Q3 is no exception. The net average YoY change was +0.1%.
		2023	41% inc. 18% dec.	0.0%		
Cost of Goods	How have your cost of goods changed…? By what percent?	2024	57% inc. 16% dec.	+4.6%*		YoY change in cost of goods is on par with what retailers saw in Q3 2023. The average increase of all retailers is 4.5%, the highest average change since a near identical 4.4% mean increase in Q3 2023.
		2023	67% inc. 13% dec.	+4.4%*		
Inventory Investment	How has your inventory investment changed…? By what percent?	2024	26% inc. 31% dec.	+0.3%		Inventory investment continues a downward trend in outlays with a net of only 0.3% average increase. This is down from an 7.7% average increase in 2022 and 2.5% in 2023.
		2023	47% inc. 31% dec.	+2.5%		

** Of the six market measures, Cost of Goods is the only one in which a lower average change is a positive indicator.*

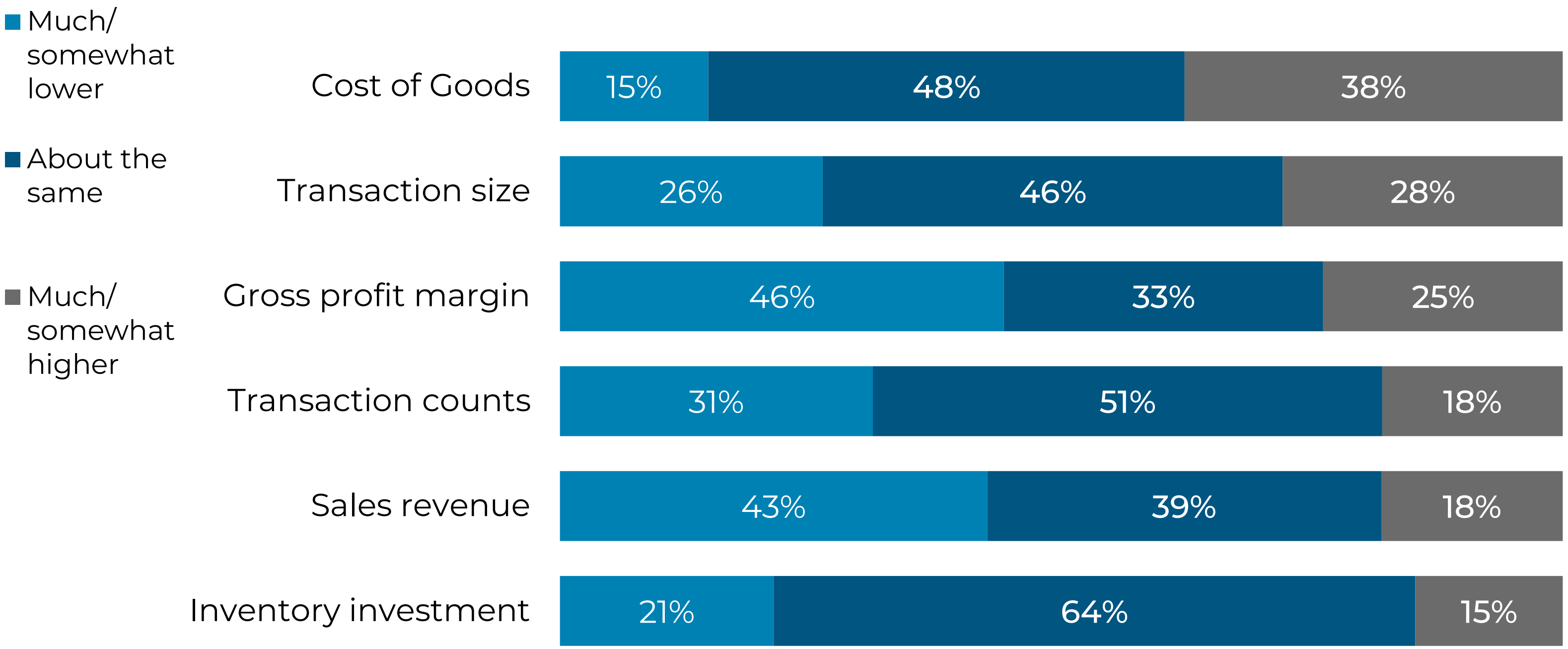
^Results shown are year over year from Q3 2024 over Q3 2023.

ANTICIPATED OPERATIONS PERFORMANCE THIS QUARTER OVER THE PREVIOUS YEAR

Nearly half of the retailers (46%) expect their **Profit Margins** to be lower in Q4.

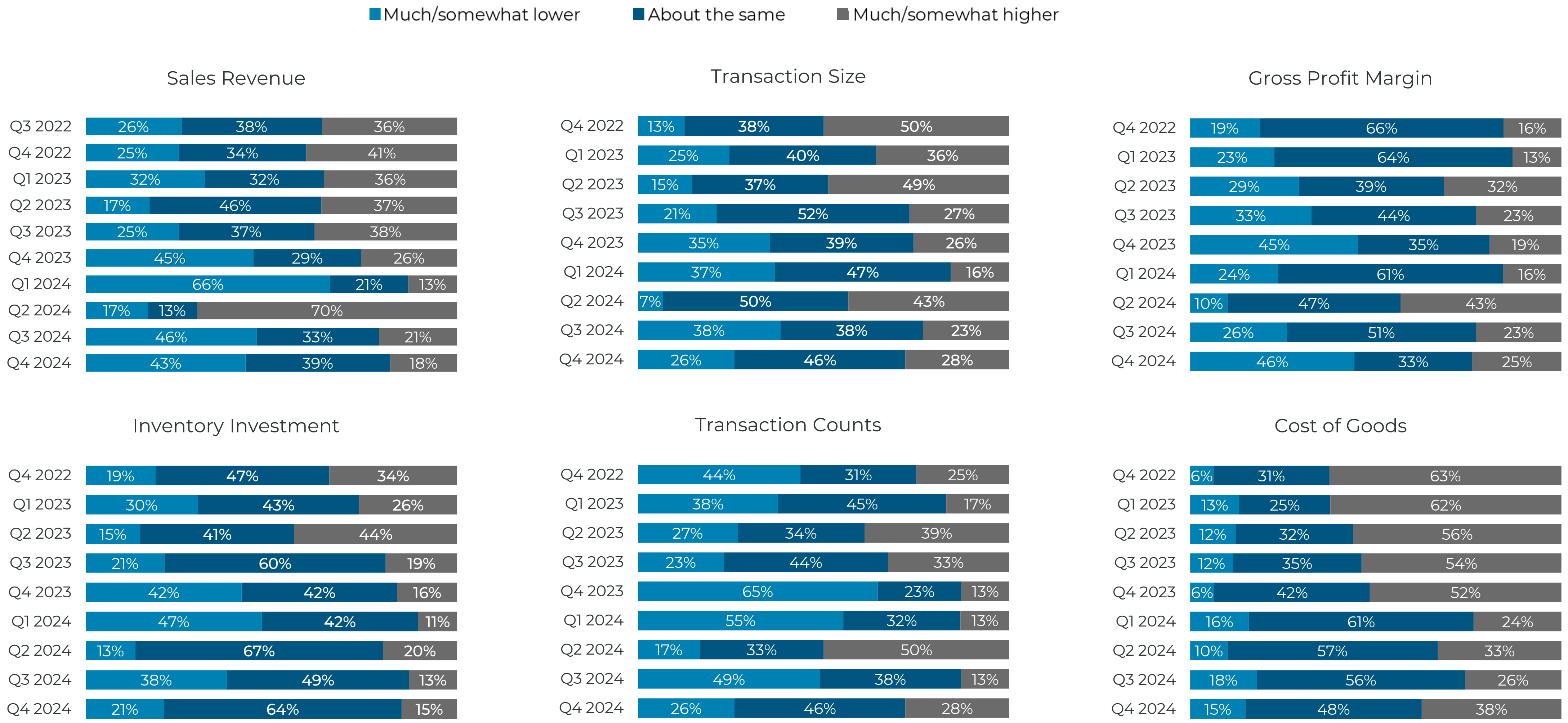
While almost half (48%) expect their **Cost of Goods** to stay the same, many (38%) are predicting they will be higher.

This Quarter (2024 Q4) Over the Previous Year (2023 Q4)



Q20. Considering your operation’s performance so far <this quarter>, are you anticipating the following to be higher, lower or stay the same from the <same quarter last year>?

ANTICIPATED OPERATIONS PERFORMANCE – TRACKING

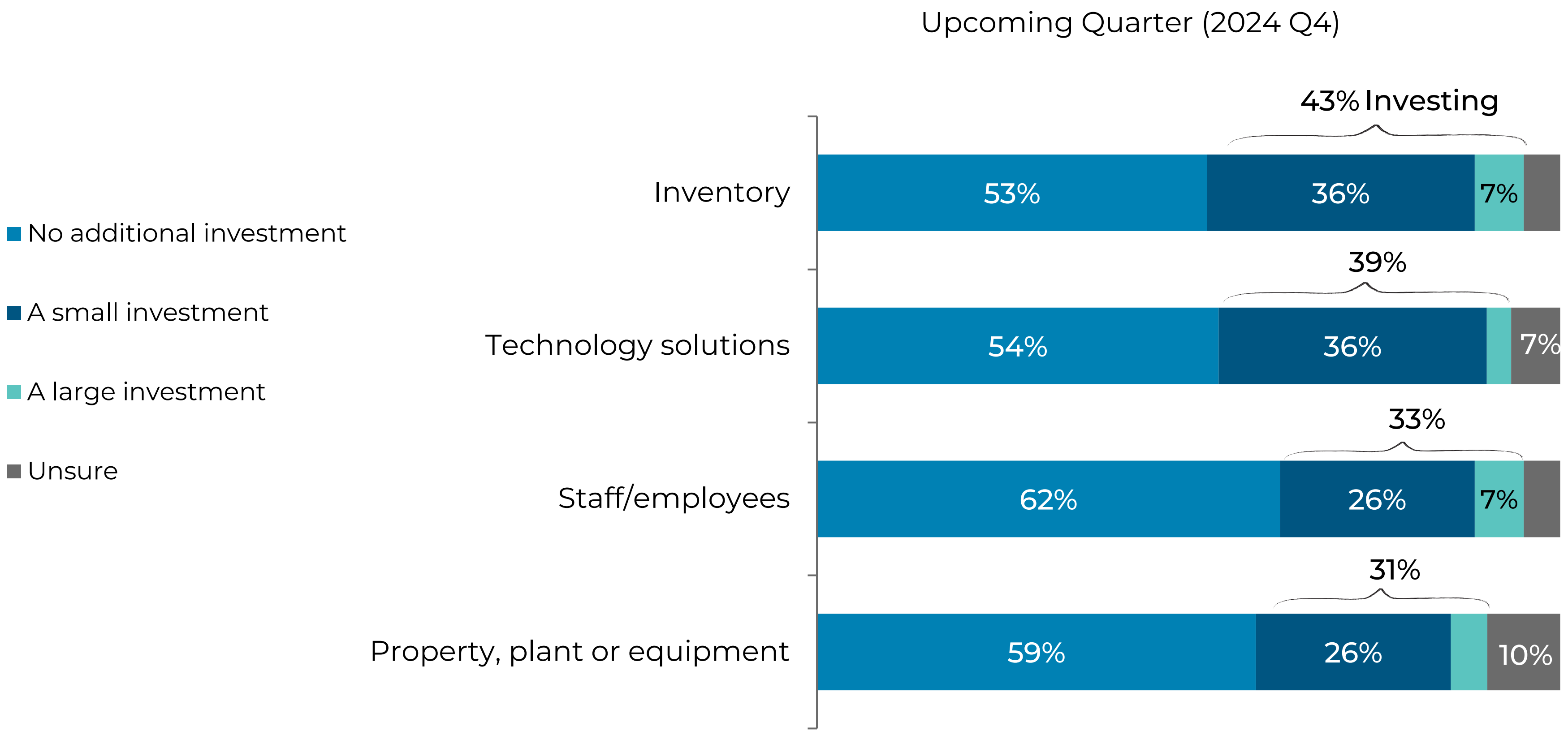


? Q20. Considering your operation’s performance so far <this quarter>, are you anticipating the following to be higher, lower or stay the same from the <same quarter last year>?

INVESTMENT PLANS FOR UPCOMING QUARTER

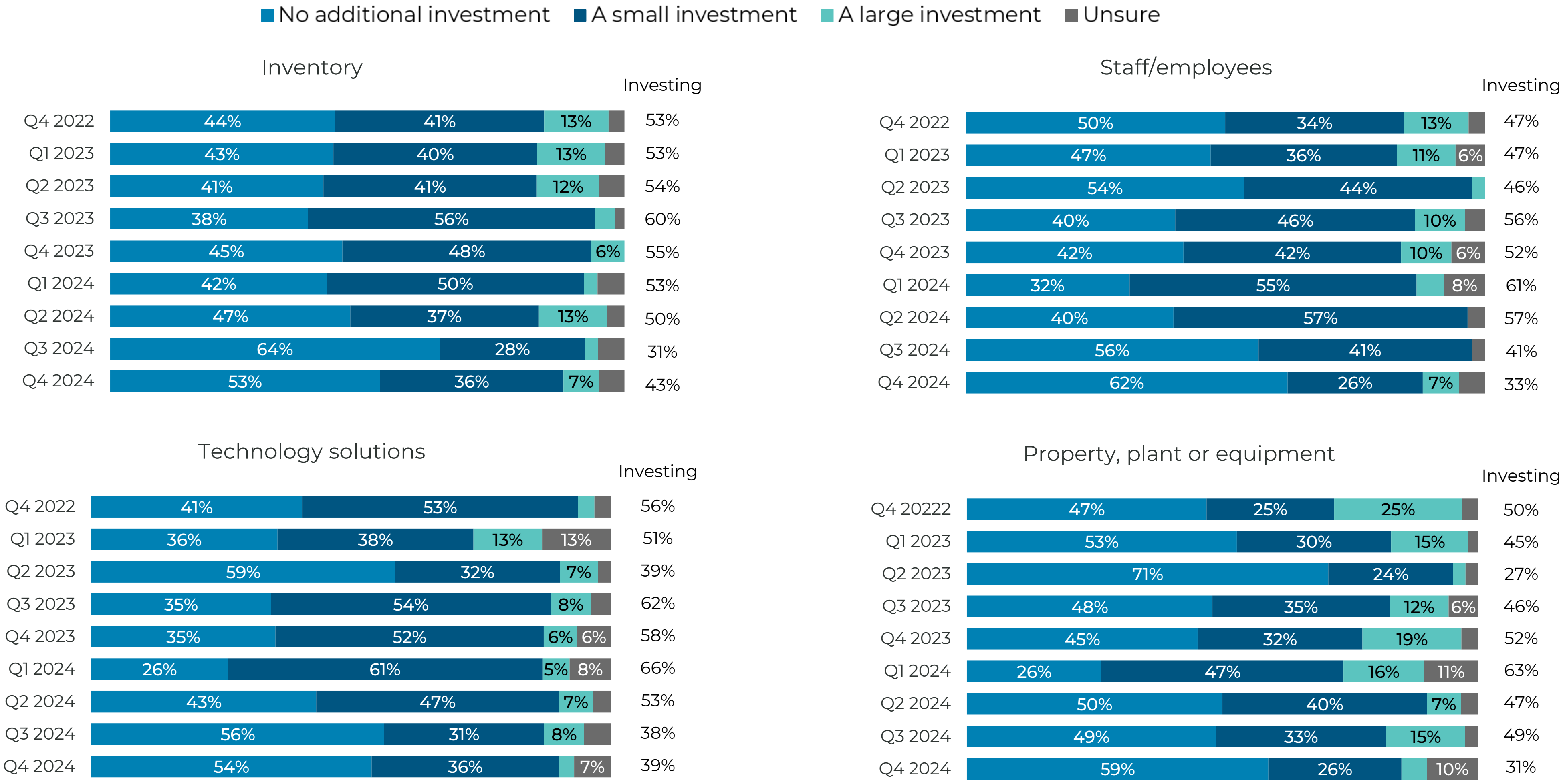
For Q4, Inventory is the most likely to see outlays with nearly half (43%) planning investment in this area. This matches prior Q4 Inventory investment plans, likely as retailers prepare for the spring season.

Property, plant or equipment and staff are the least likely to see investment in Q4.



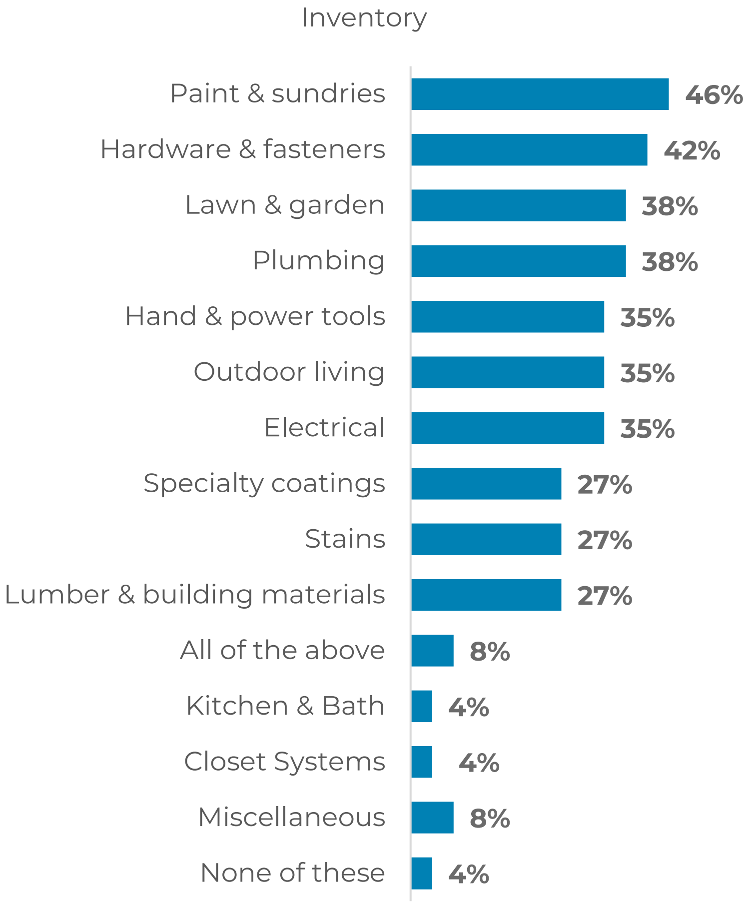
Q21. How much do you plan on investing in your business in <this quarter> in each of the following areas?

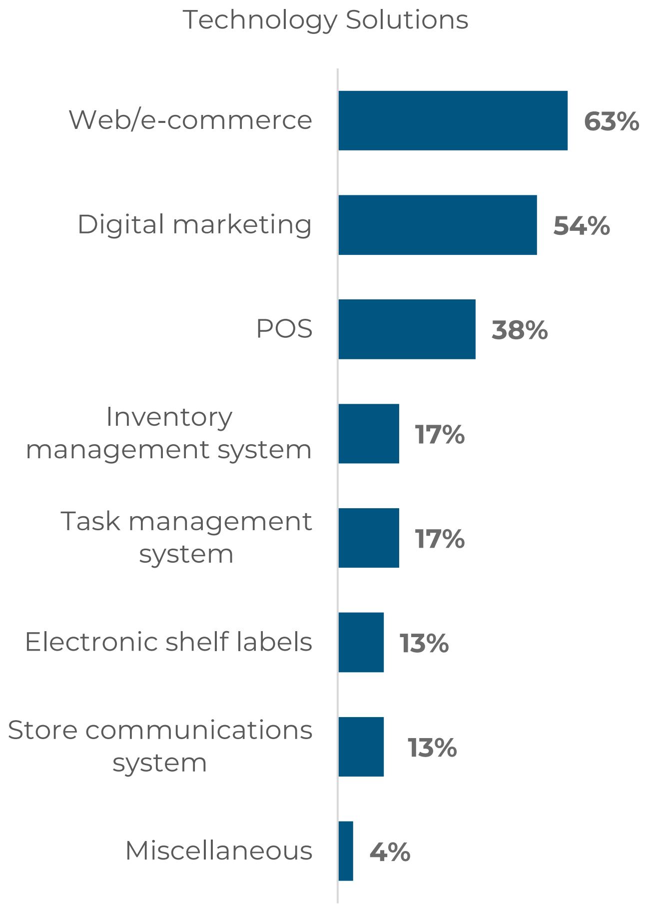
INVESTMENT PLANS FOR UPCOMING QUARTER – TRACKING

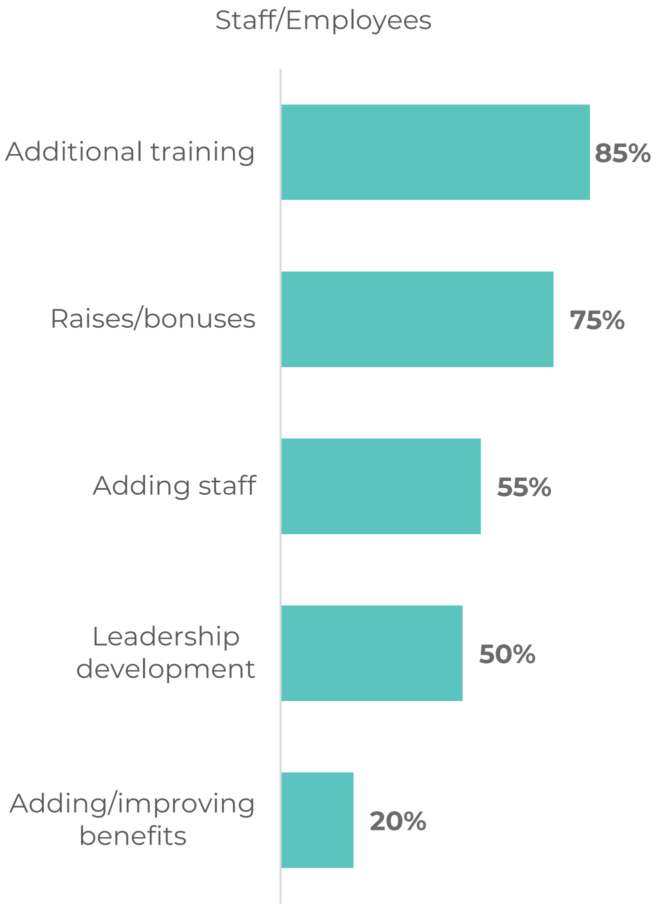


Q21. How much do you plan on investing in your business in this upcoming quarter in each of the following areas?

INVESTMENT PLANS FOR NEXT 12 MONTHS – TOP RESPONSES







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Q26. (IF INVESTING IN INVENTORY, ASK) Over the next 12 months, which of the following categories do you plan to invest in? Top responses only
Q27. (IF INVESTING IN TECHNOLOGY SOLUTIONS, ASK) Over the next 12 months, which of the following technology solutions do you plan to invest in? Top responses only
Q28. (IF INVESTING IN STAFF/EMPLOYEES, ASK) Over the next 12 months, in which ways will you be investing in your employees? Top responses only

NHPA

ABOUT NHPA

The North American Hardware and Paint Association was founded in 1900 by a group of independent home improvement retailers. Since then, the organization has been governed by a board of retailers and works toward a simple mission: To help independent home improvement and paint and decorating retailers become better and more profitable.

The association works toward its mission by providing comprehensive education programs, networking opportunities and exclusive research projects, like this index, to over 40,000 operators in the U.S. and Canada.

Learn more about the opportunities and services that are available to you from NHPA at **YourNHPA.org**.

ABOUT THE FARNSWORTH GROUP

Industry-focused, custom research to provide insights that improve strategy

For over 30 years, The Farnsworth Group has dedicated its business to understanding consumers and professionals in specific industries.

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