QUARTERLY REPORT

INDEPENDENT RETAILER INDEX

November 2025 – Q3 2025 YoY Results

NHPA North American Hardware and Paint Association

THE Farnsworth GROUP

OBJECTIVE OF RESEARCH

The Independent Retailer Index, a collaboration between the North American Hardware and Paint Association (NHPA) and The Farnsworth Group (TFG), gauges the performance of independent channels.

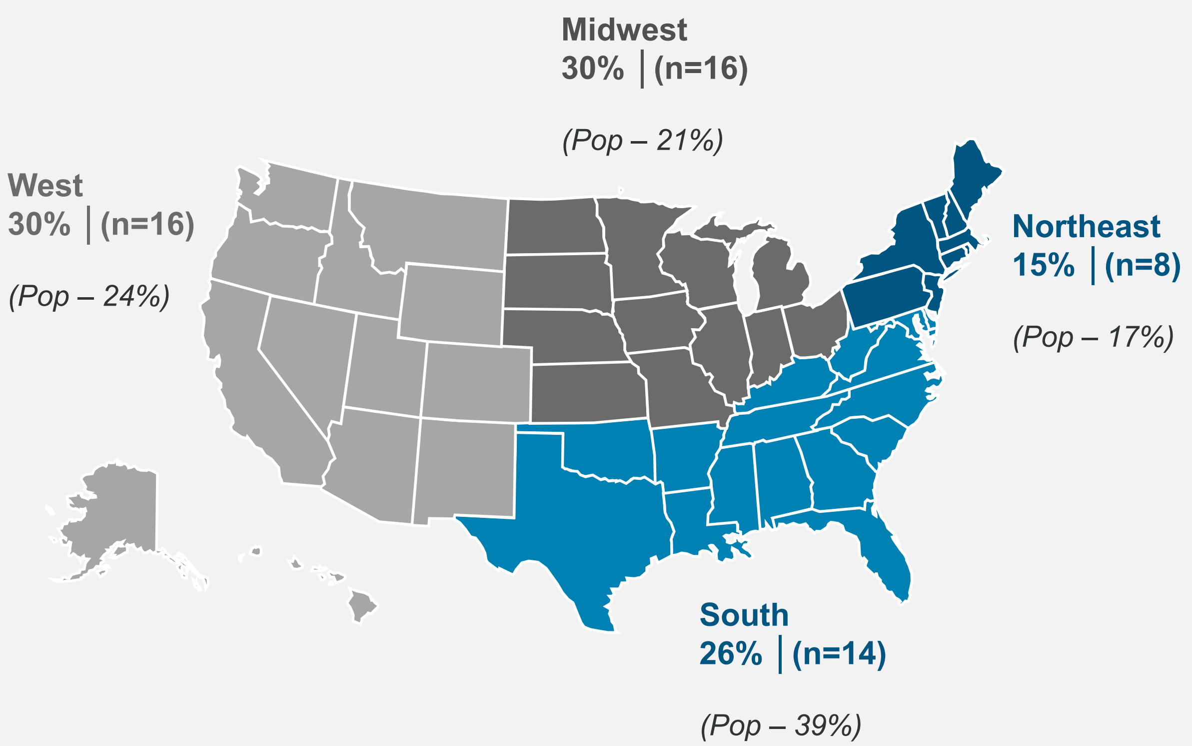
Published quarterly at **YourNHPA.org/retailer-index**, the index provides aggregate data on key business areas:

- 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

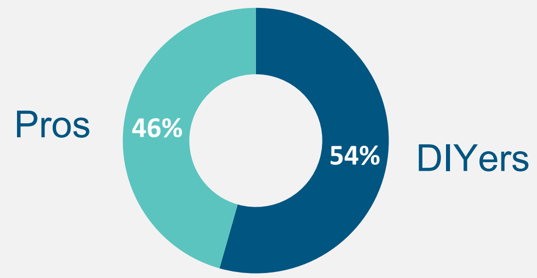
For Quarter 3, 57 independent retailers were interviewed throughout the country. Of those, 48 answered all the survey questions. Of those answering, just under half classified themselves as a 'hardware store.'

Regions



Population based on 2023 US Census estimates.

Store Sales by Customer Type



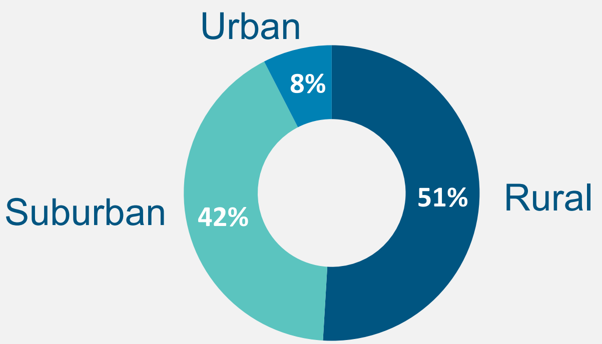
Store Type

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

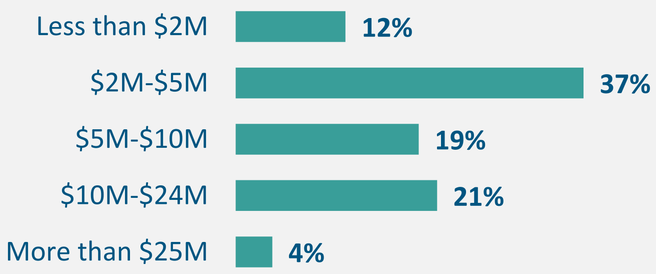
RESPONDENT PROFILES

Most independent retailers operate a single store in a rural location, with 33% employing 10 or fewer full-time staff.

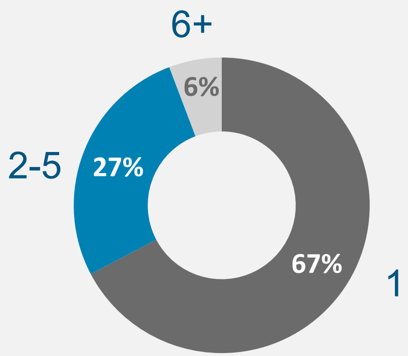
Business Location



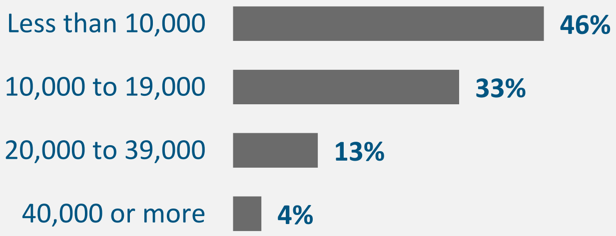
Annual Sales



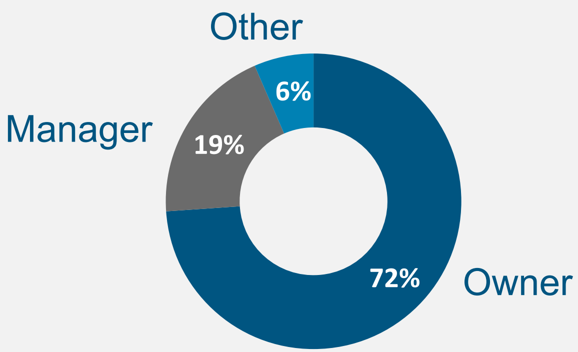
Operational Store Units



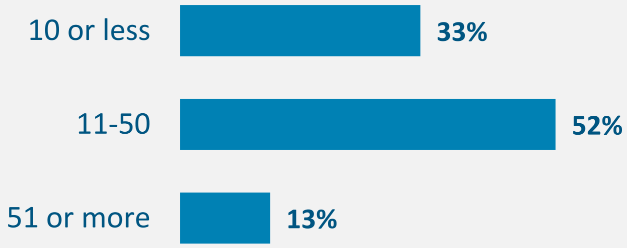
Sq Ft of Sales Floor



Role within the Company



Number of Full-Time Employees



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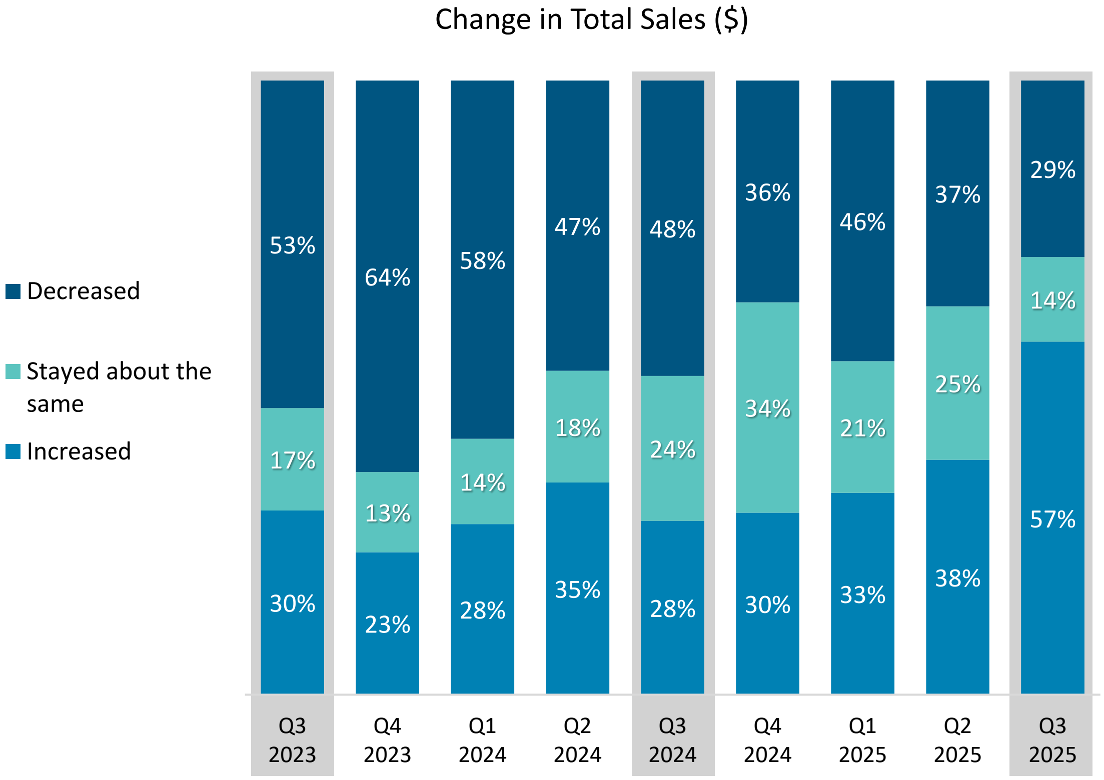
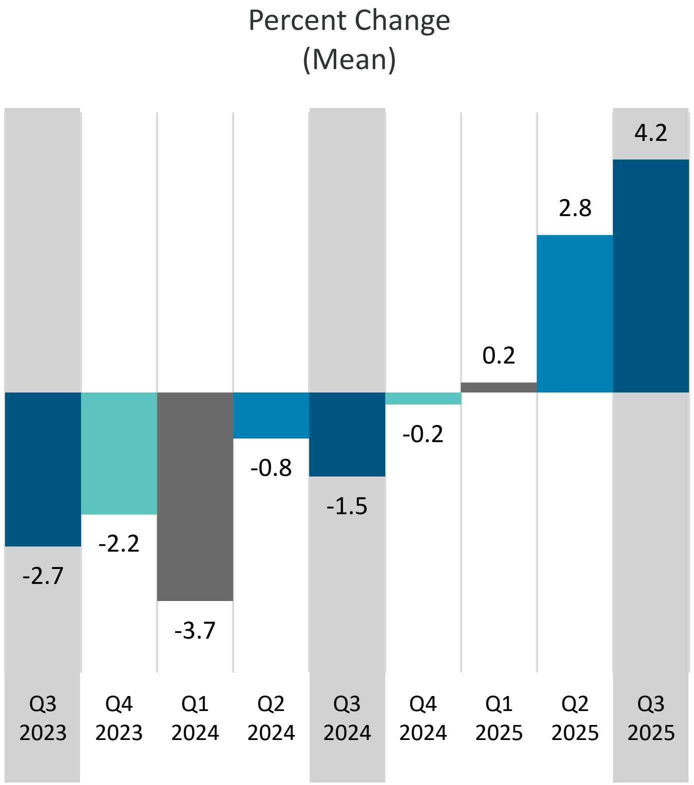
Q4. How would you describe the area where your business located?
Q5. What are your overall annual sales?
Q6. How many store units do you operate?

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

In Q3, 57% of retailers experienced year-over-year sales growth, up 29 percentage points over Q3 2024 and continuing the upward trend from Q3 2023. On average, total sales rose 4.2% year-over-year, building on last quarter's positive momentum.





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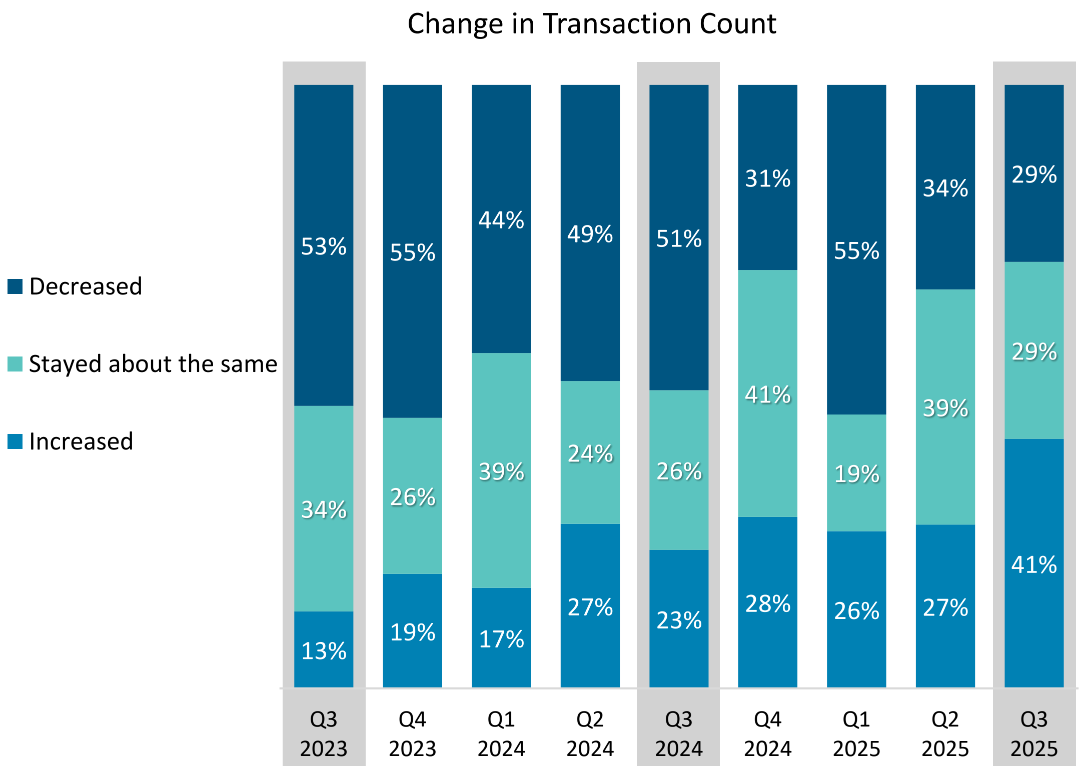
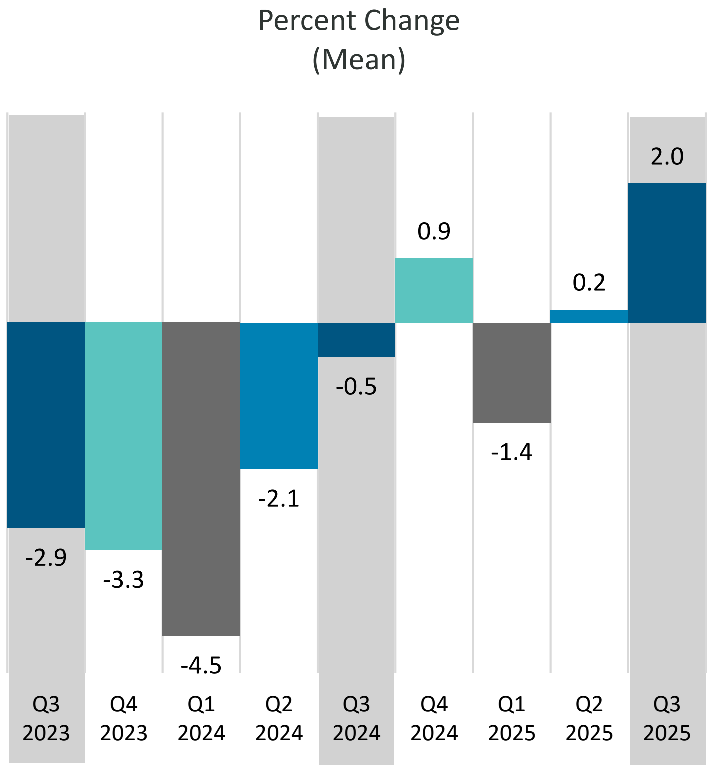
Q7. How have your total sales (in dollars) changed in <current quarter> compared to <same quarter last year>?
Q8. (ASK IF 1, 2, 4, OR 5 AT Q7) You stated that your total sales dollars <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN TRANSACTION COUNT - YoY

The share of retailers reporting increased transactions rose 18 percentage points from Q3 2024 and up 28 percentage points compared to two years ago. On average, year-over-year transactions grew 2.0%, showing clear improvement from the 0.5% decline in Q3 2024.





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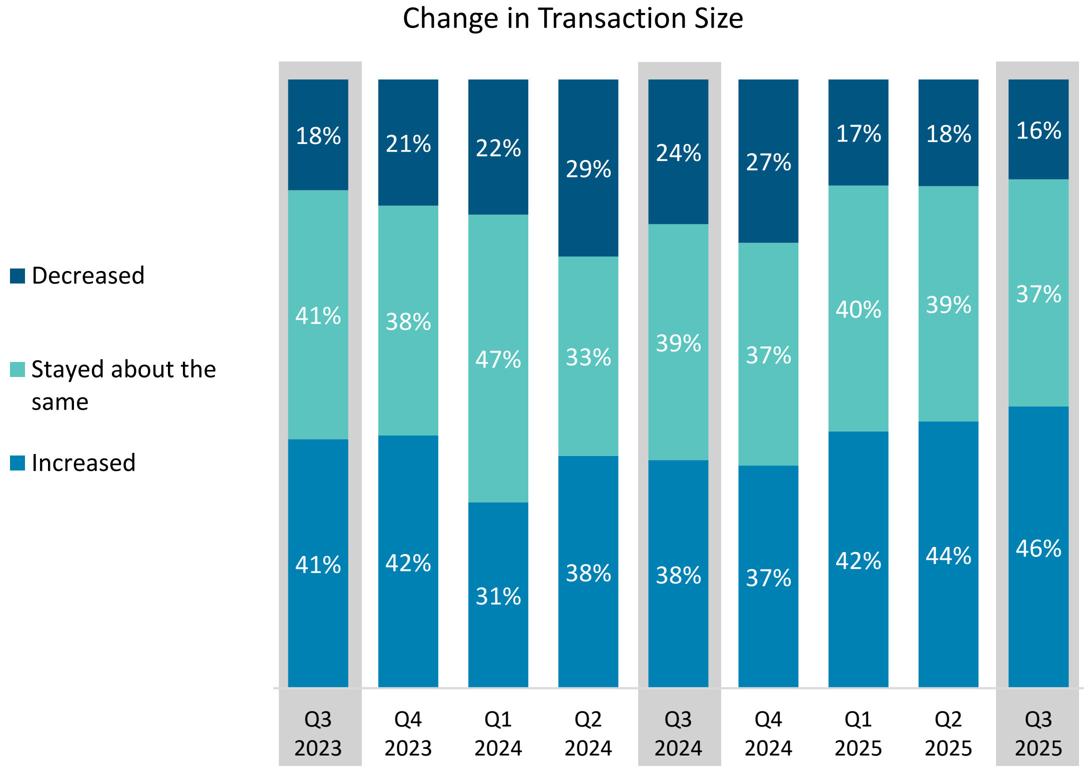
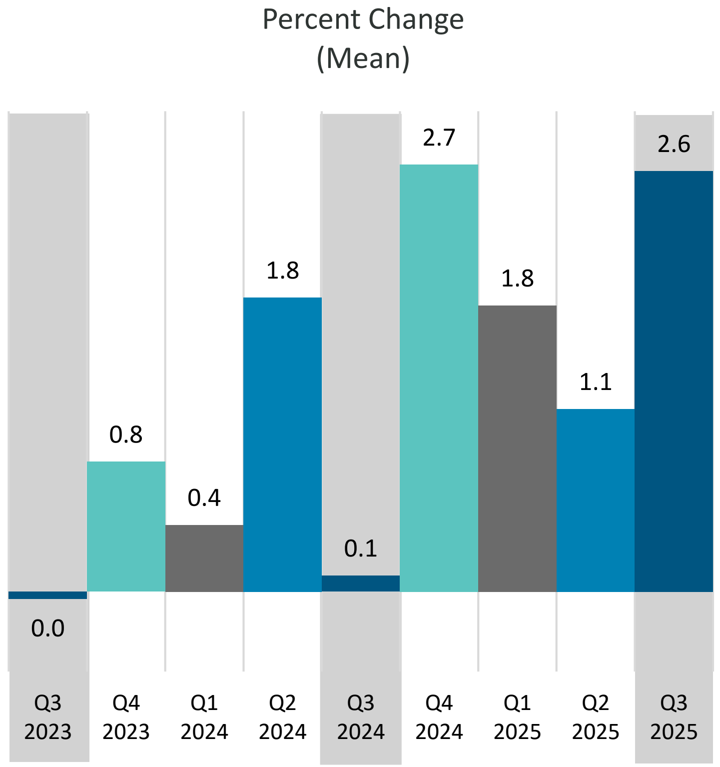
Q9. How has your transaction count changed in <current quarter> compared to < same quarter last year >?
Q10. (ASK IF 1, 2, 4, OR 5 AT Q9) You stated that your transaction count <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN TRANSACTION SIZE - YoY

The share of retailers reporting an increase in transaction size reached 46% in Q3 2025, up 8 percentage points from Q3 2024 and 5 percentage points from Q3 2023. The average increase in transaction size was 2.6%, an improvement from the 0.1% reported in Q3 2024.





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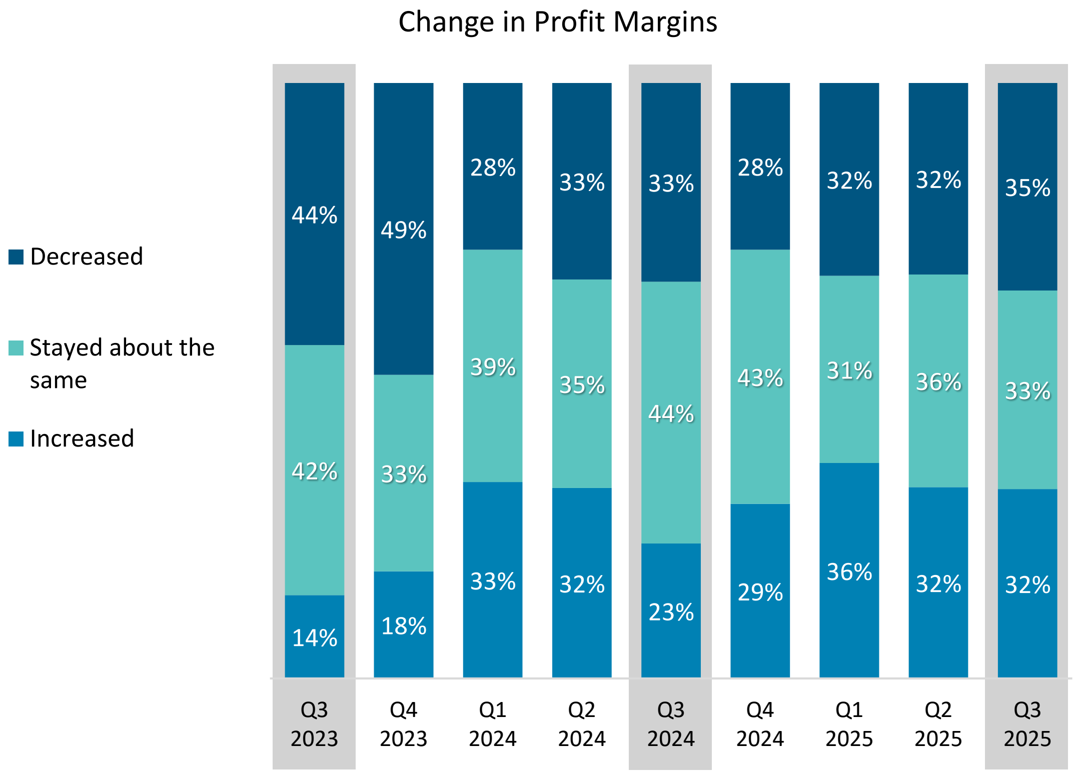
Q11. How has your transaction size changed in <current quarter> compared to <same quarter last year >?
Q12. (ASK IF 1, 2, 4, OR 5 AT Q11) You stated that your transaction size <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN GROSS PROFIT MARGINS - YoY

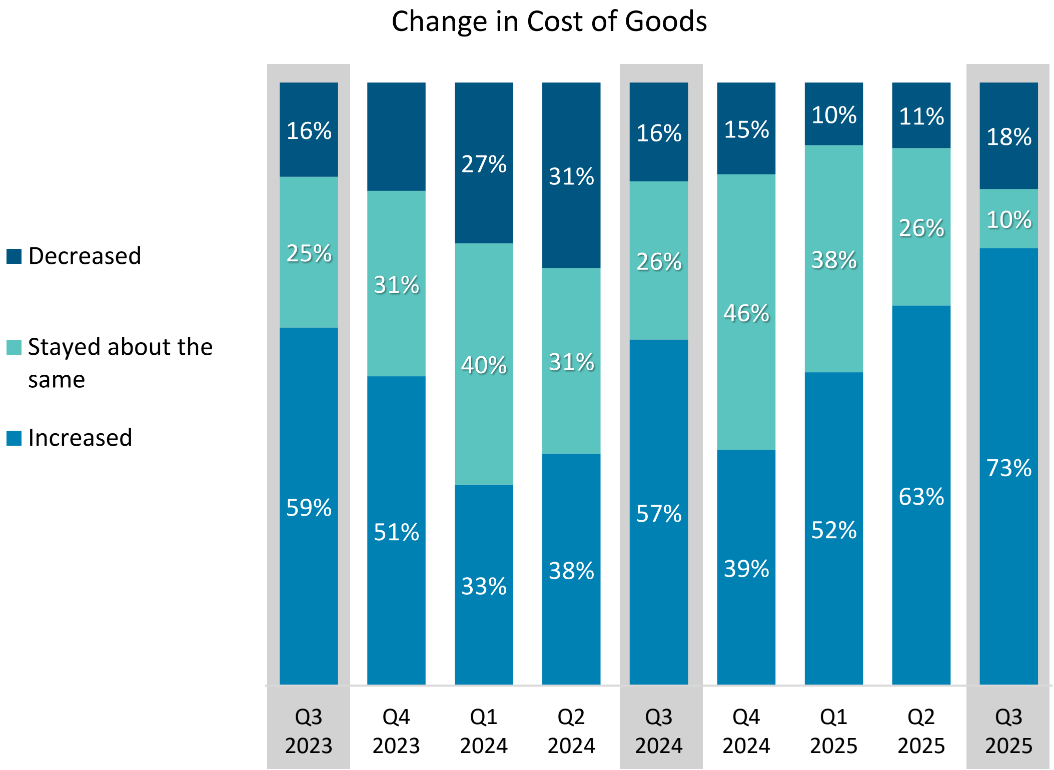
32% of retailers reported an increase in gross profit margins, matching last quarter and up from 23% in Q3 2024. The average margin change increased 2.4% year-over-year, an improvement from the 1.3% decline in Q3 2024.

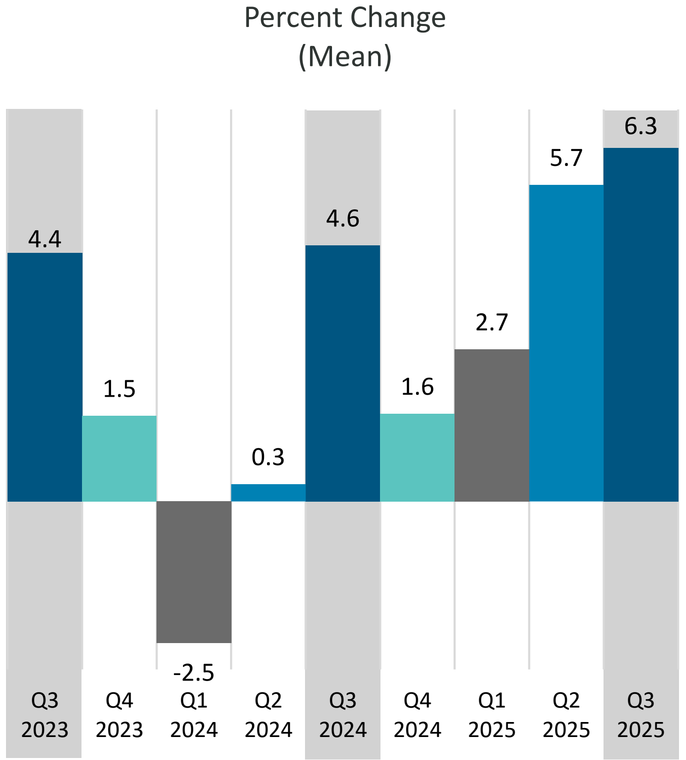


Q16. How have your store's gross profit margins changed in <current quarter> compared to < same quarter last year >?
Q17/19. (IF Increased/Decreased) By what percent of your profit margin dollars increase/decrease in <current quarter> over the same quarter last year?

CHANGES IN COST OF GOODS - YoY

Cost of Goods is the one metric where rising numbers are a negative trend. In Q3 2025, 73% of retailers reported year-over-year increases, up 16 percentage points from a year ago and continuing the upward trend in reported increases. The average COG rise is 6.3%, up from 4.6% in Q3 2024.





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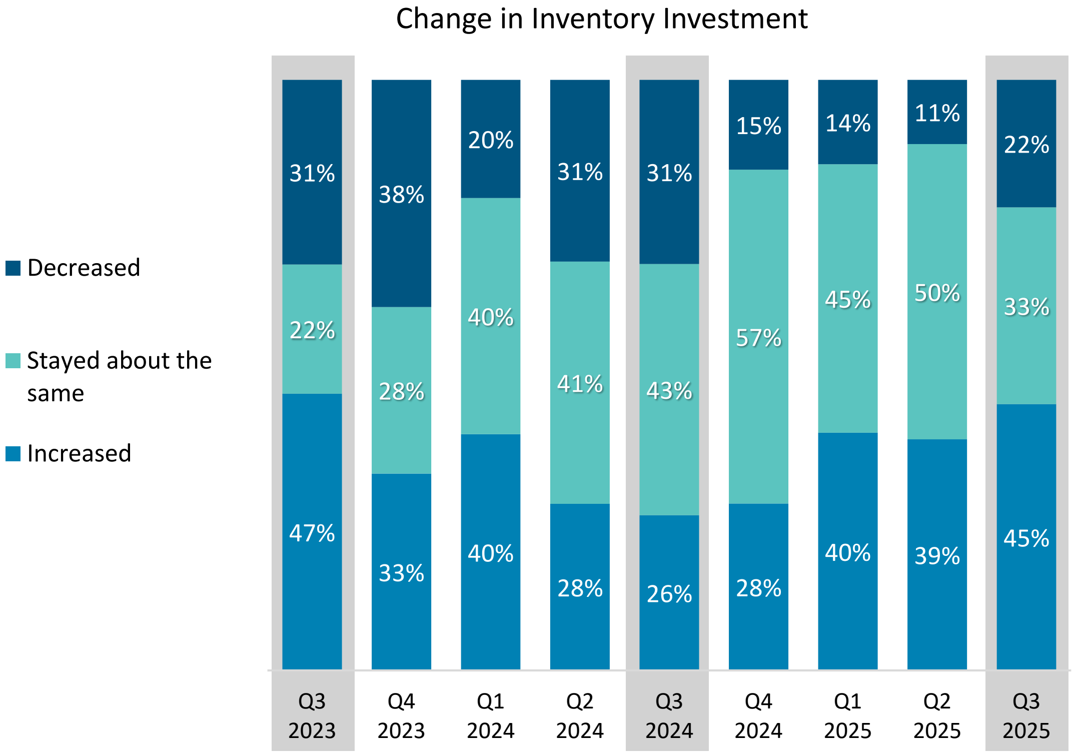
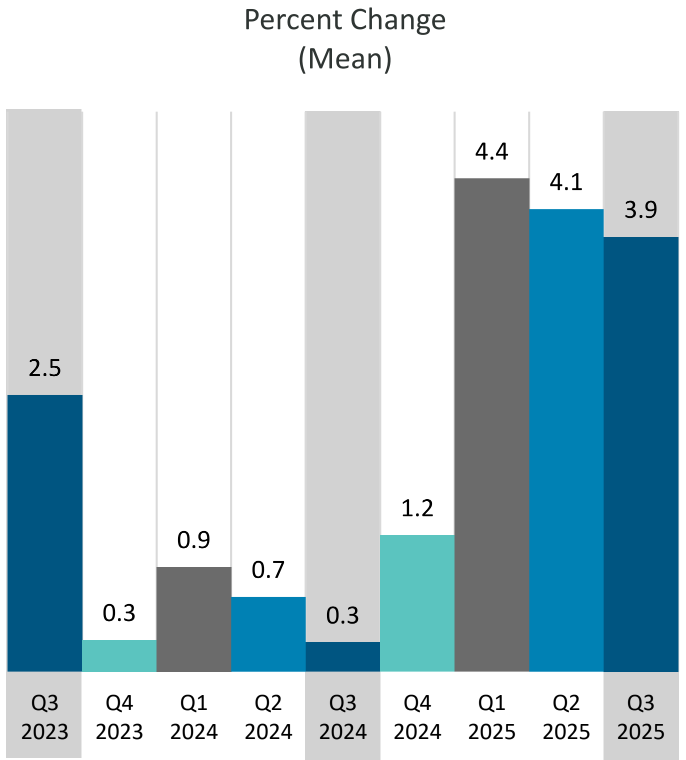
Q15. How have your cost of goods changed in <current quarter> compared to <same quarter last year>?
Q15b. (ASK IF 1, 2, 4, OR 5 AT Q15) You stated that your cost of goods <increased or decreased> in <current quarter> over the same quarter last year. By what percent?

CHANGES IN INVENTORY INVESTMENT - YoY

In Q3 2025, 45% of retailers reported an increase in inventory investment, up 19 percentage points from Q3 2024 but slightly below the 47% reported in Q3 2023. The average net inventory change rose by 3.9% year over year, a notable jump from 0.3% in Q3 2024 and 2.5% in Q3 2023.





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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 - 2025 YoY SUMMARY

Positive YoY gains in total sales, transaction size, transaction count, gross profit margins, and inventory investment signal continued market momentum. However, cost of goods continued to rise, adding pressure to overall profitability.

			Q3 YoY Increase Decrease	Avg % Change	Market Trend	
Total Sales	How have your total sales (in dollars) changed…? By what percent?	2025	57% inc. 29% dec.	4.2%		Total sales continues its positive trajectory, up notably YoY. Average sales rose considerably to 4.2%, hitting a 2-year high.
		2024	28% inc. 48% dec.	-1.5%		
Transaction Size	How have your transaction size changed…? By what percent?	2025	46% inc. 16% dec.	2.6%		More retailers are seeing higher transaction sizes, and at an increased average scale. The net average YoY Q3 transaction size was 2.6% vs. 0.1% a year ago.
		2024	38% inc. 24% dec.	0.1%		
Transaction Count	How has transaction count changed year over year? By what percent?	2025	41% inc. 29% dec.	2.0%		Transaction volumes sizably improved in Q3 2025 after moderating from a prior decline. The average transaction count showed clear improvement from each of the last 2 years.
		2024	23% inc. 51% dec.	-0.5%		
Gross Profit Margins	How have your store's gross profit margins changed…? By what percent?	2025	32% inc. 35% dec.	2.4%		32% of retailers reported YoY gains in Q3 2025, up 9% from Q3 2024. The average margin change shifted to the positive at 2.4%, signaling a solid recovery and strengthening profitability trend compared to last year.
		2024	23% inc. 33% dec.	-1.3%		
Inventory Investment	How has your inventory investment changed…? By what percent?	2025	45% inc. 22% dec.	3.9%		Inventory growth continues momentum following last year's moderation. 45% of retailers increased inventory investment—up from Q3 2024 but below Q3 2023. Average net change rose notably year-over-year but down from the last 2 quarters.
		2024	26% inc. 31% dec.	0.3%		
Cost of Goods	How has your cost of goods changed…? By what percent?	2025	73% inc. 18% dec.	6.3%*		COG continued its upward climb in Q3 2025, with 73% of retailers reporting YoY increases and the average rise reaching 6.3%, the highest in the past 2 years. This points to mounting cost pressures and ongoing inflationary strain.
		2024	57% inc. 16% dec.	4.6%*		

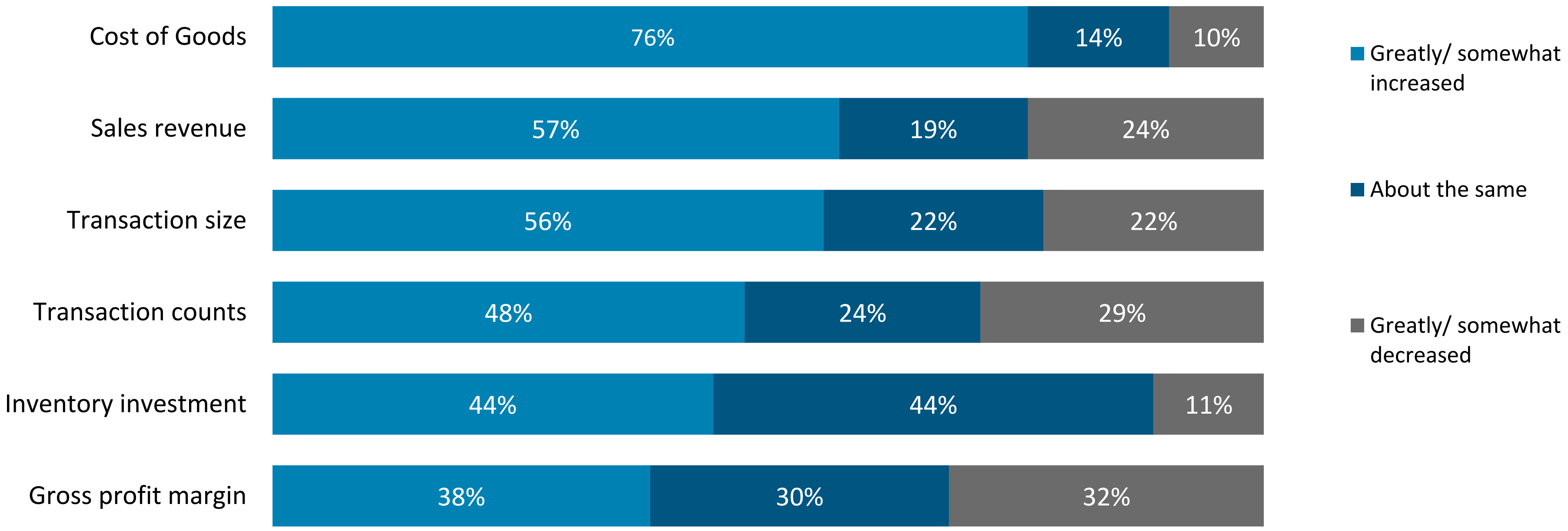
** Of the six market measures, Cost of Goods is the only one in which a lower average change is a positive indicator.*

^Results shown are year over year from Q3 2025 over Q3 2024.

OPERATIONS PERFORMANCE THIS YEAR TO DATE OVER THE PREVIOUS YEAR

Over three fourths of retailers reported higher **Cost of Goods** year to date in 2025 compared to 2024, reflecting cost pressures. More than half also reported increases in **Sales Revenue** and **Transaction Size,** indicating continued growth through Q3.

Year to Date (2025 Q1-Q3) Over the Previous Year (2024 Q1-Q3)



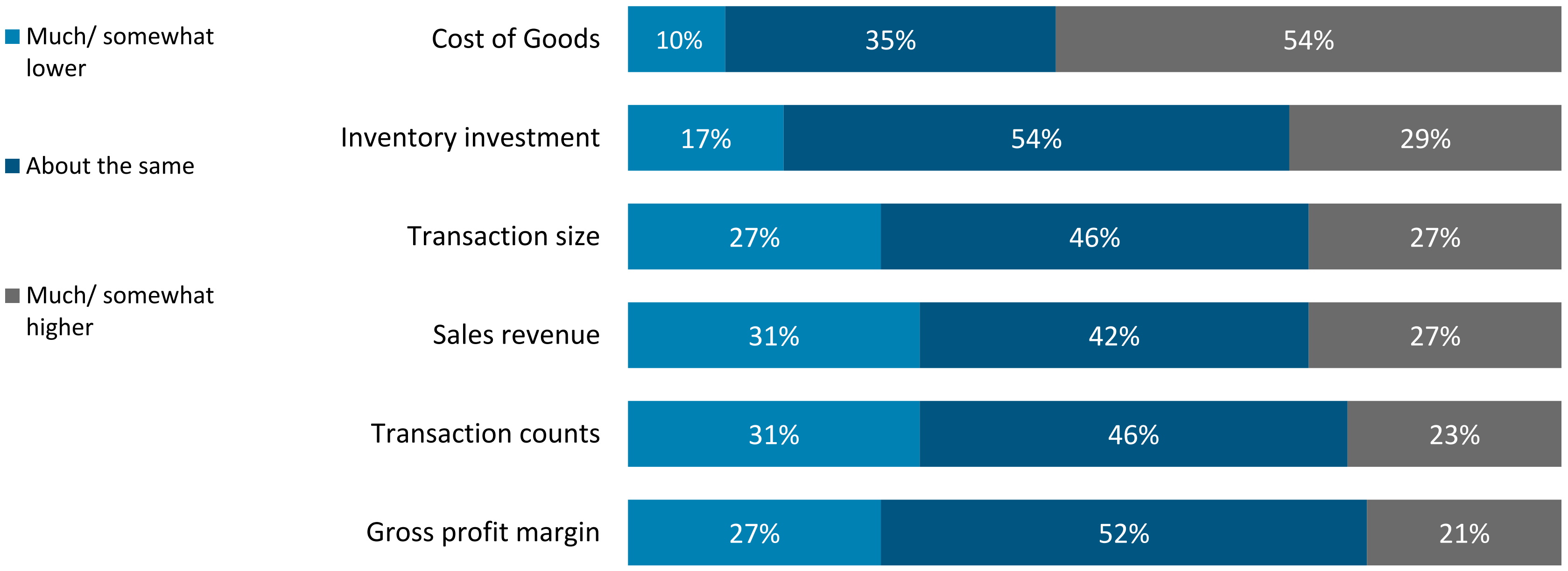
Q31. Year to date, how did the following change in 2025 (Q1-Q3) compared to 2024 (Q1-Q3)?

New question for Q3 2025

ANTICIPATED OPERATIONS PERFORMANCE THIS QUARTER OVER THE PREVIOUS YEAR

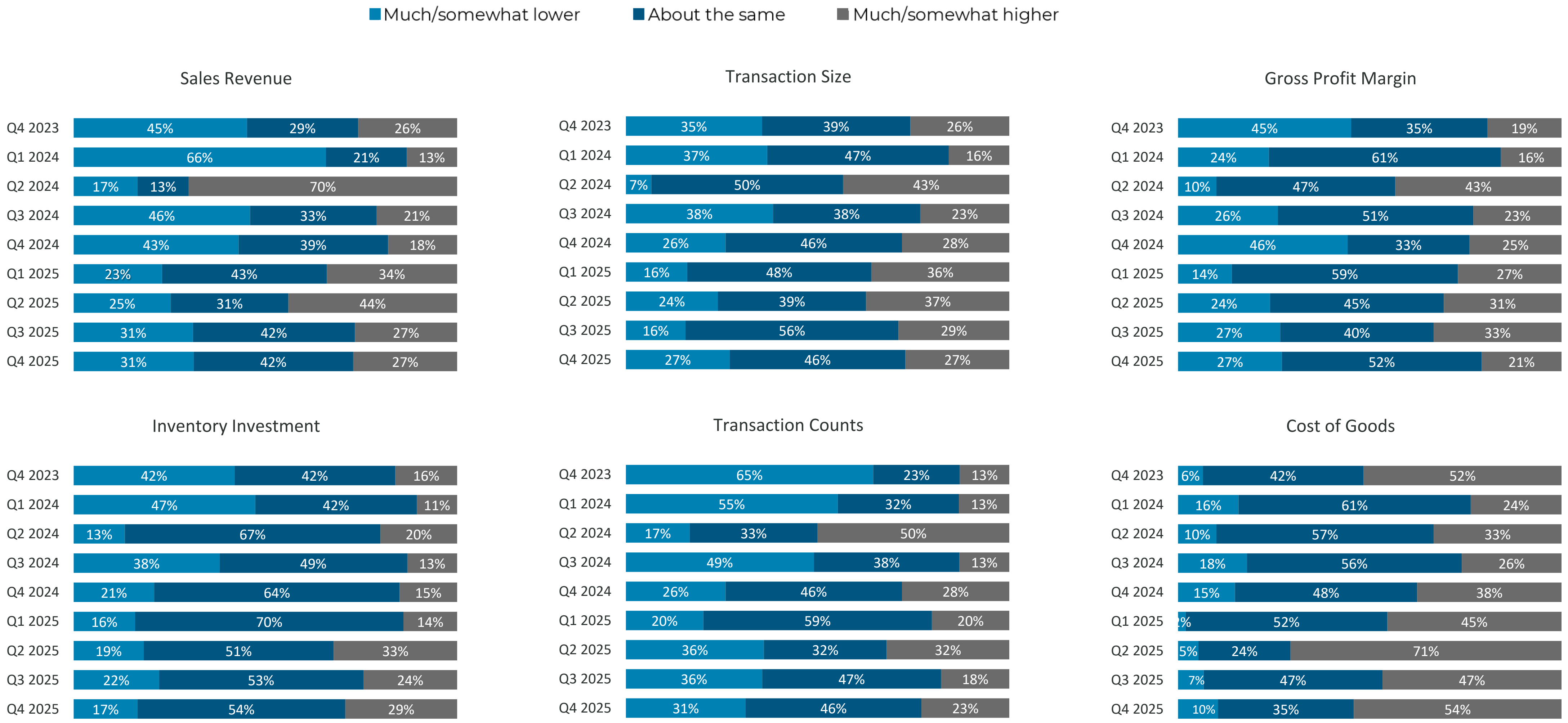
About a third of retailers expect their **Cost of Goods** to stay the same (35%), down from nearly half last quarter, while 54% are anticipating higher costs, up from 47% in Q3. Expectations for higher **Inventory investment** increased to 29%, a 5-percentage point rise from last quarter. The share anticipating lower **Transaction size** climbed by 11 percentage points compared to Q3.

This Quarter (2025 Q4) Over the Previous Year (2024 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>?

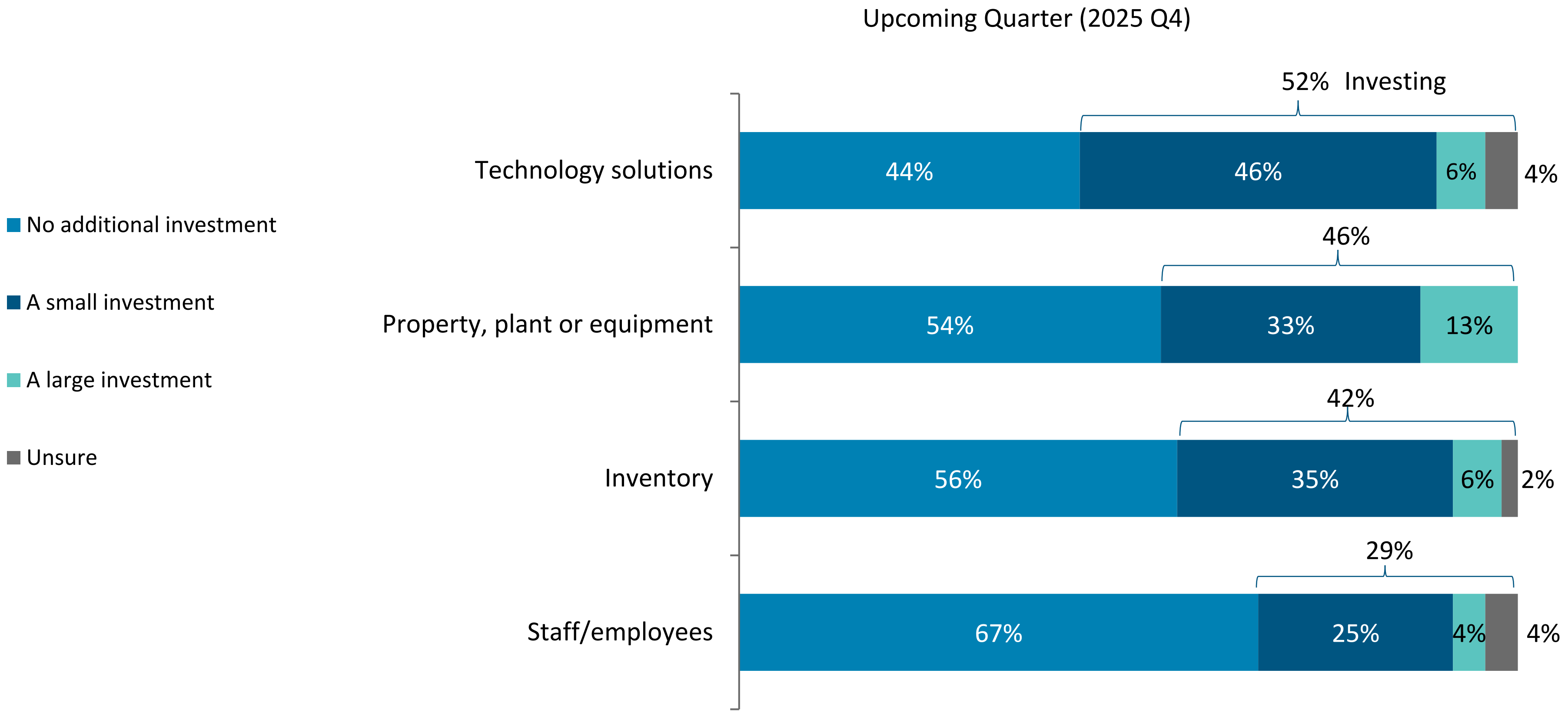
ANTICIPATED OPERATIONS PERFORMANCE – TRACKING



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>?

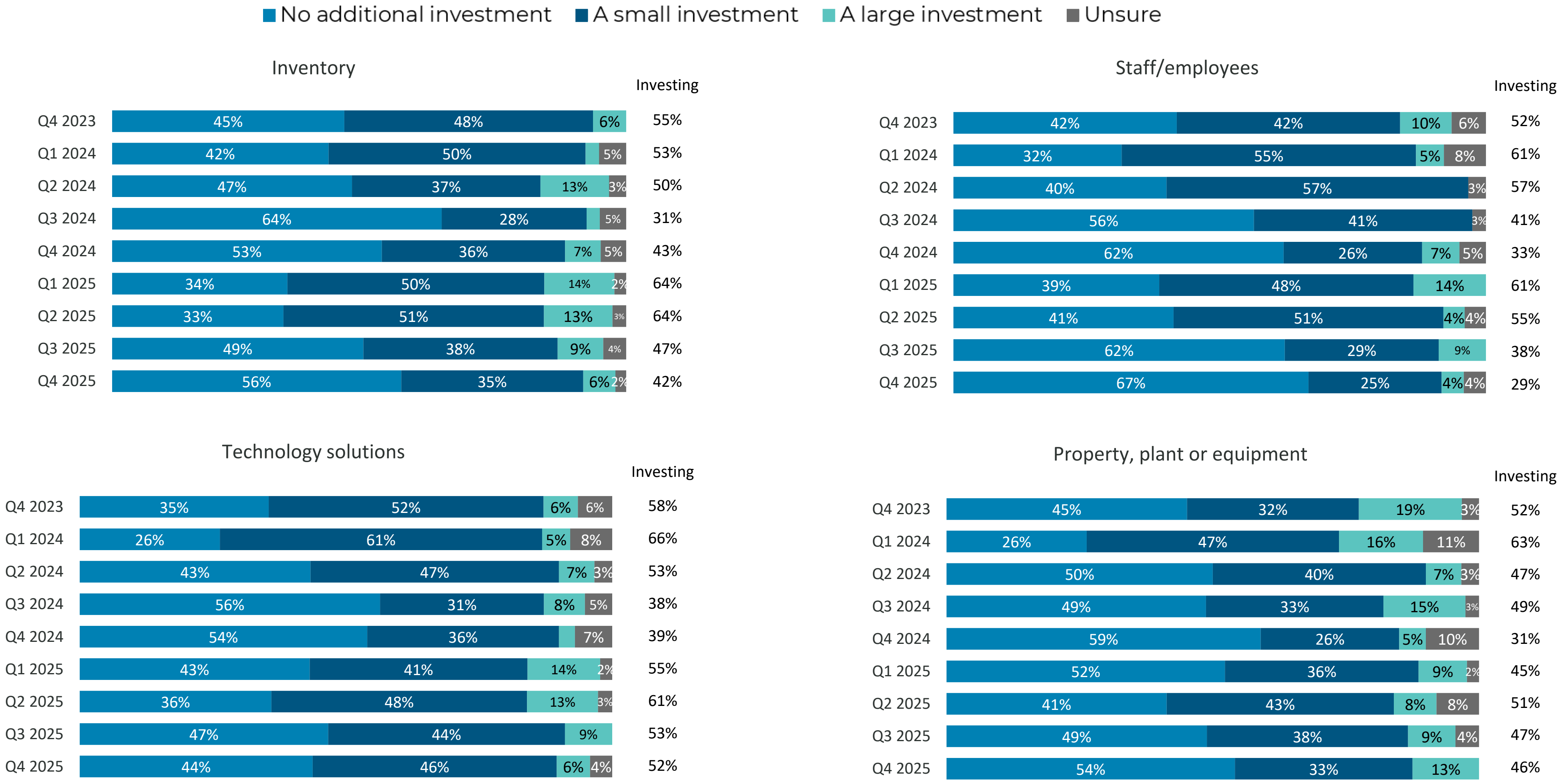
INVESTMENT PLANS FOR UPCOMING QUARTER

Planned investment had at least some decline across all categories this quarter, with Technology solutions still leading at 52%. The largest decline from Q3 was the 9% decrease in planned investment for Staff/employees.



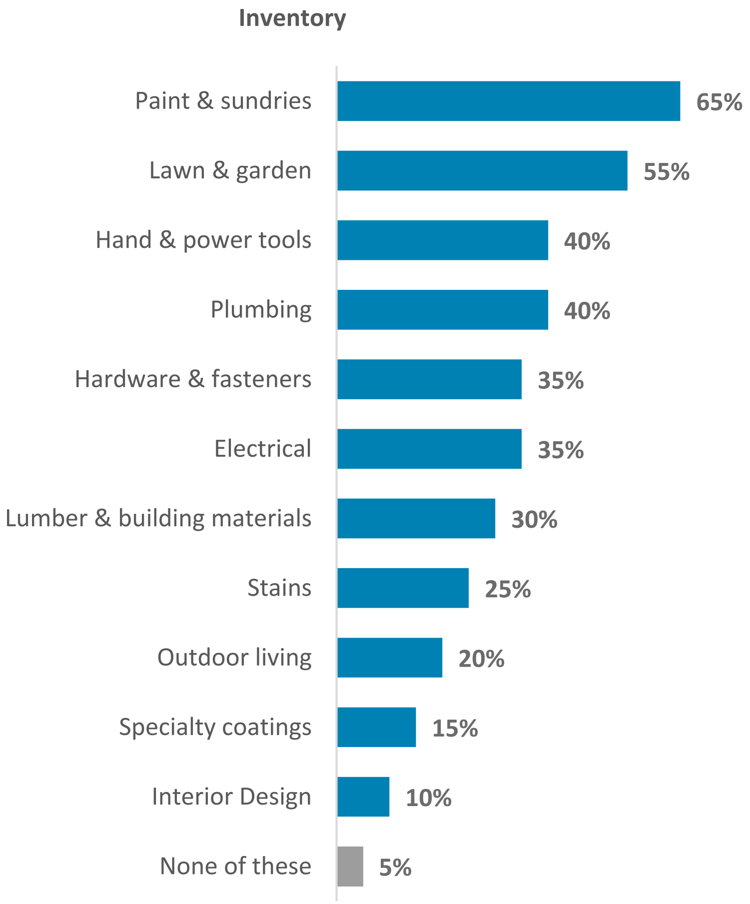
Q21. How much do you plan on investing in your business in <this quarter> in each of the following areas?

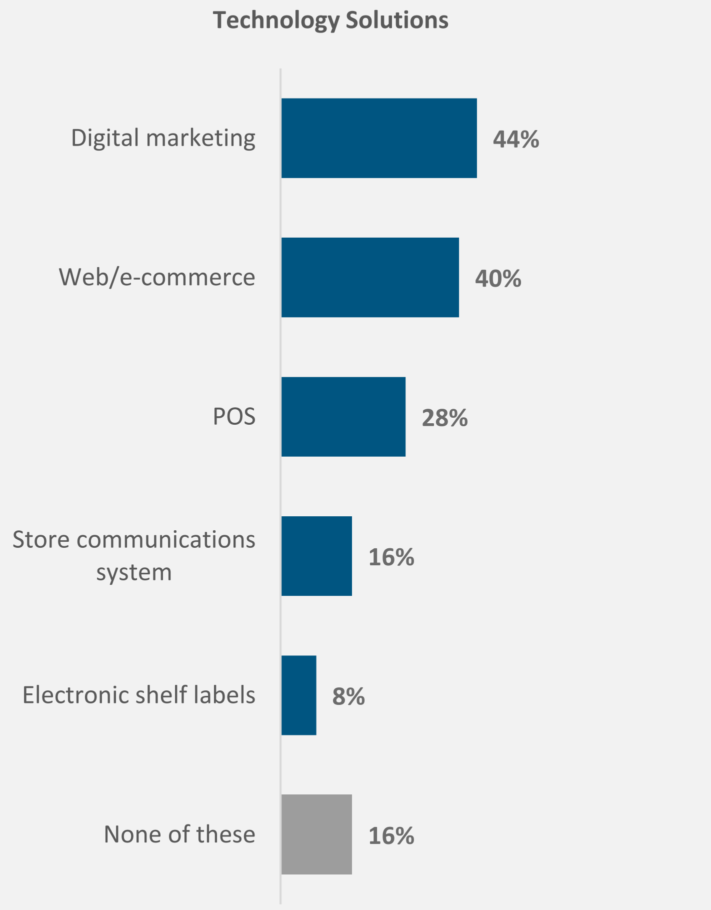
INVESTMENT PLANS FOR UPCOMING QUARTER – TRACKING

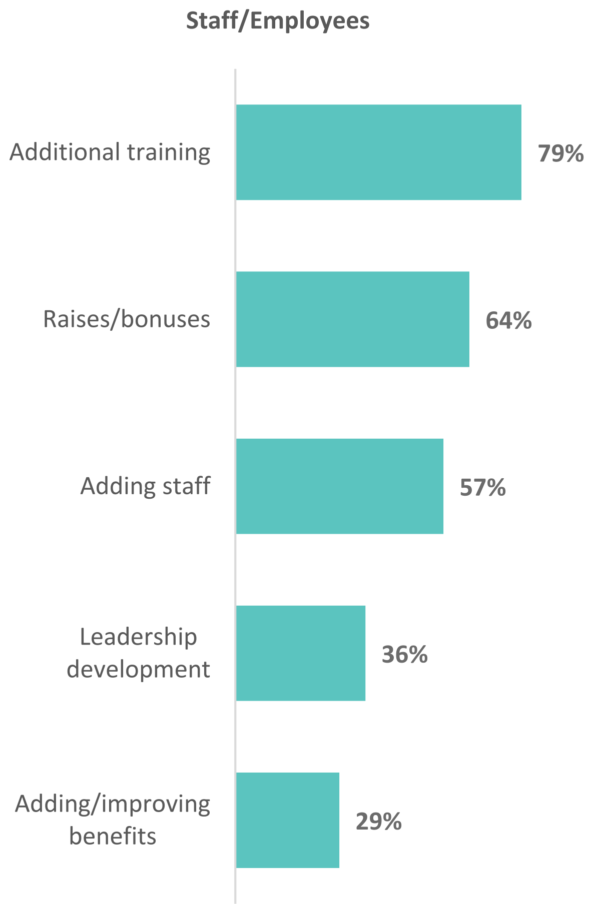


Q21. How much do you plan on investing in your business in this upcoming quarter in each of the following areas?

INVESTMENT PLANS FOR NEXT 12 MONTHS – TOP RESPONSES





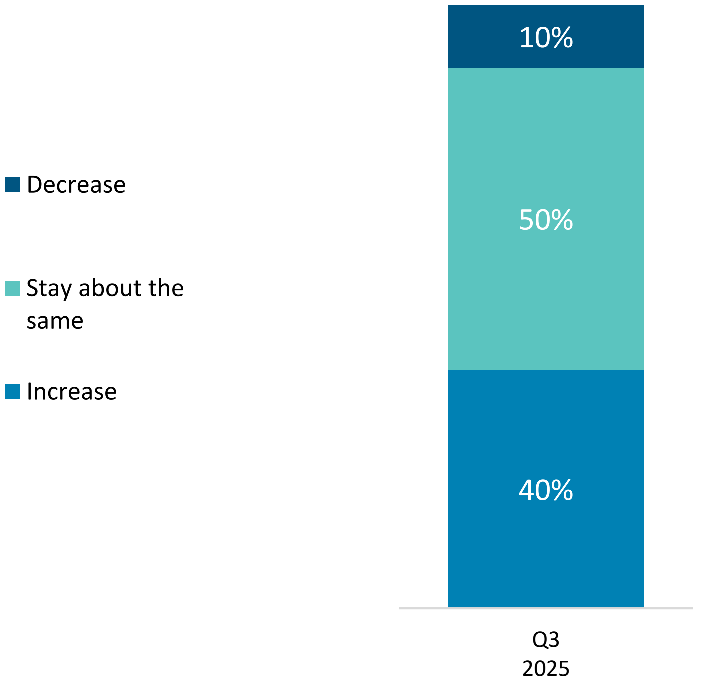


Q26. (IF INVESTING IN INVENTORY, ASK) Over the next 12 months, which of the following categories do you plan to invest in? Top responses only
Q27. (IF INVESTING IN TECHNOLOGY SOLUTIONS, ASK) Over the next 12 months, which of the following technology solutions do you plan to invest in? Top responses only
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

ANTICIPATED BUDGET REVENUE NEXT YEAR OVER THIS YEAR

40% of retailers reported they are planning to increase the budget revenue for 2026 for a same store basis compared to 2025. The average margin change anticipated is an 8.3% increase, suggesting confidence in next year's performance.

Anticipated Change in Budget Revenue



Percent Change (Mean)

Q29. How are you planning to budget revenue on a same store sales basis in 2026 compared to 2025?
Q30. (ASK IF 1, 2, 4, OR 5 AT Q29) You stated that you're planning to <increase or decrease> budget revenue in 2026 over 2025. By what percent?

New question for Q3 2025

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.**

THE Farnsworth GROUP

Improved Market Strategy With Customized Research

Customer Behaviors & Attitudes

- Learn where customers shop, when and why to identify marketing and sales opportunities through the path to purchase
- Profile customers for effective targeting
- Quantify product usage to define market opportunity
- Prioritize selection criteria to know what you must deliver

Brand Health & Performance

- Monitor brand performance to measure marketing success
- Capture brand perceptions to define market position
- Understand brand equity to improve category growth success
- Define brand usage to determine share opportunity

Product Development & Pricing

- Explore product uses and needs to establish viable concepts
- Validate concepts to increase adoption at launch
- Define price & feature combinations to win at point of sale
- Determine preferred messaging and packaging to attract buyers

Market Sizing & Structure

- Define total product sales volume to know market potential
- Define brand share to determine acquisition opportunity
- Define product distribution structure to inform channel strategy
- Define share by customer type to develop marketing and sales strategy

Learn More About Our Services