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THE
Farnsworth
GROUP

July 2025 – Q2 (2025) YoY Results

Independent Retailer Index



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:

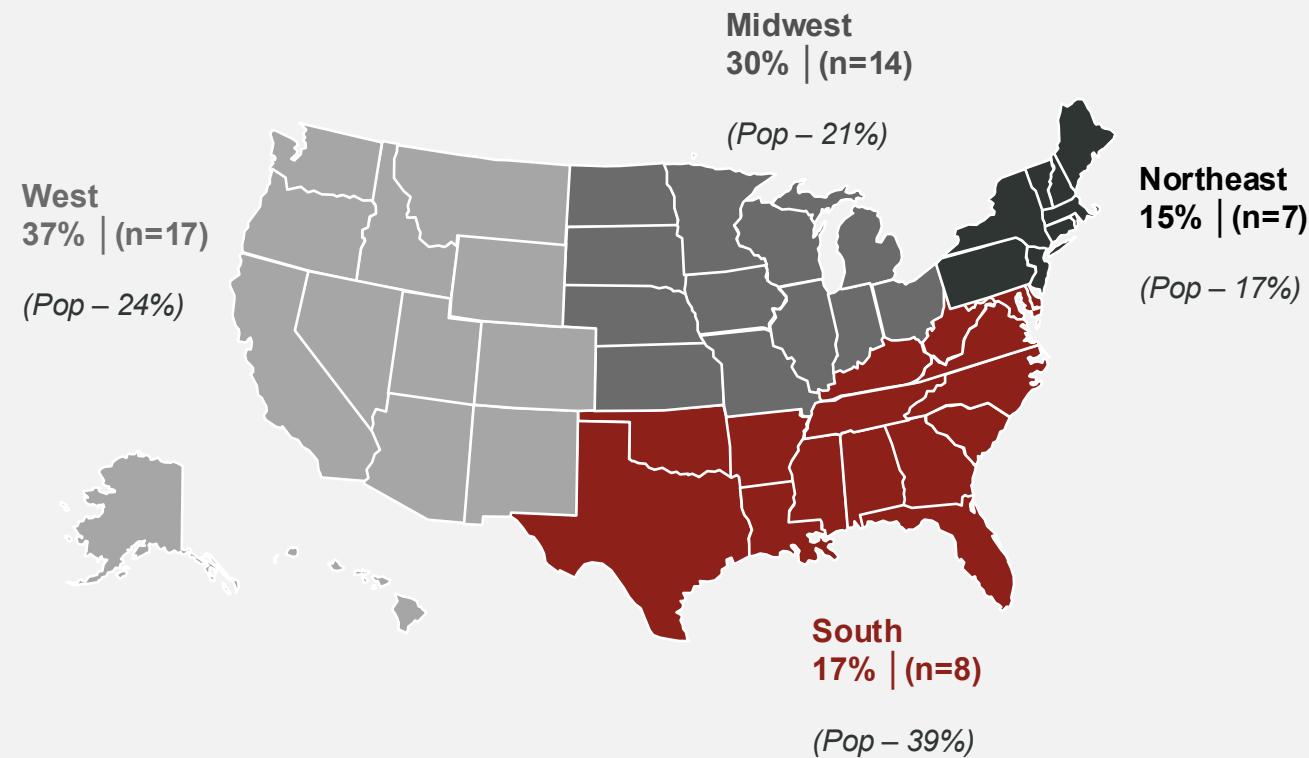
- Total sales
- Transaction count
- Inventory investment
- Cost of goods
- Gross profit margins
- Future expectations
- Investment plans: inventory, staff, property, plant and equipment and technology solutions



Respondent Profile

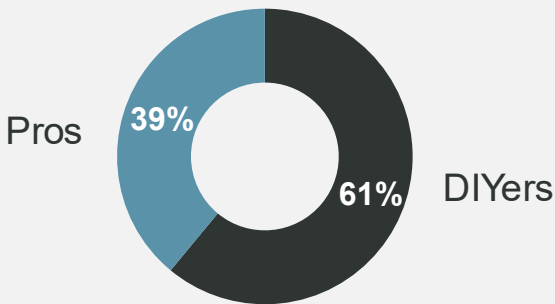
For Quarter 2, 68 independent retailers were interviewed throughout the country. Of those, 44 answered all the survey questions. Of those answering, just under half classified themselves as a ‘hardware store.’

Regions

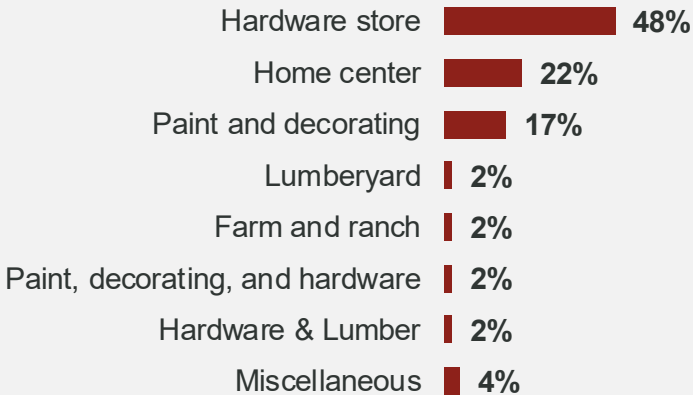


Population based on 2023 US Census estimates.

Store Sales by Customer Type



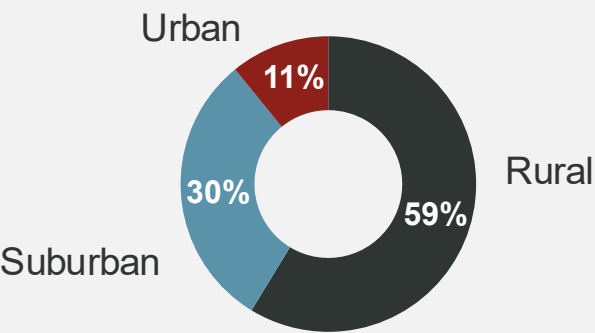
Store Type



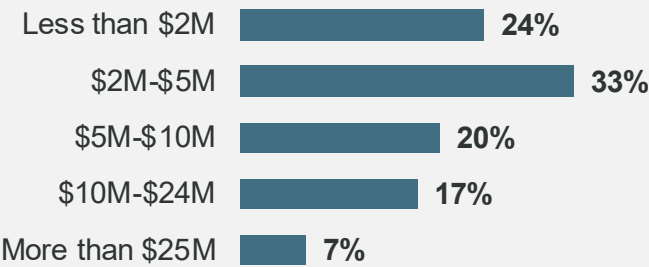
Respondent Profile

Most independent retailers operate a single store in a rural location, with 43% employing 10 or fewer full-time staff.

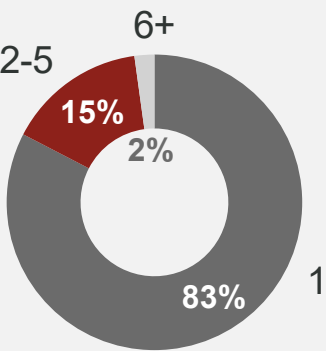
Business Location



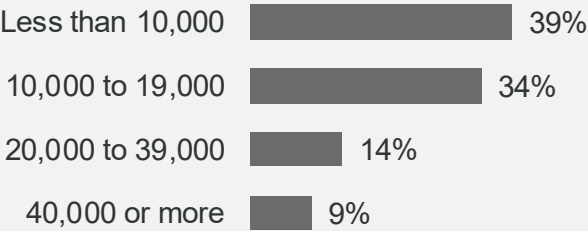
Annual Sales



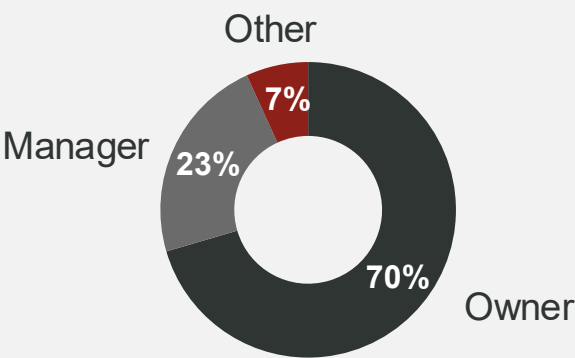
Operational Store Units



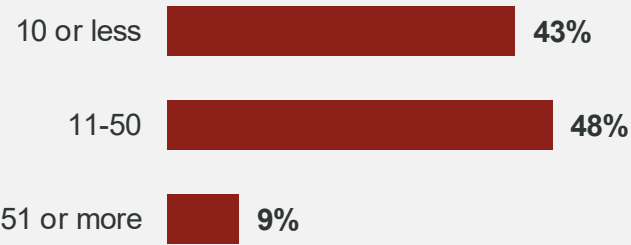
Sq Ft of Sales Floor



Role within the Company



Number of Full-Time Employees

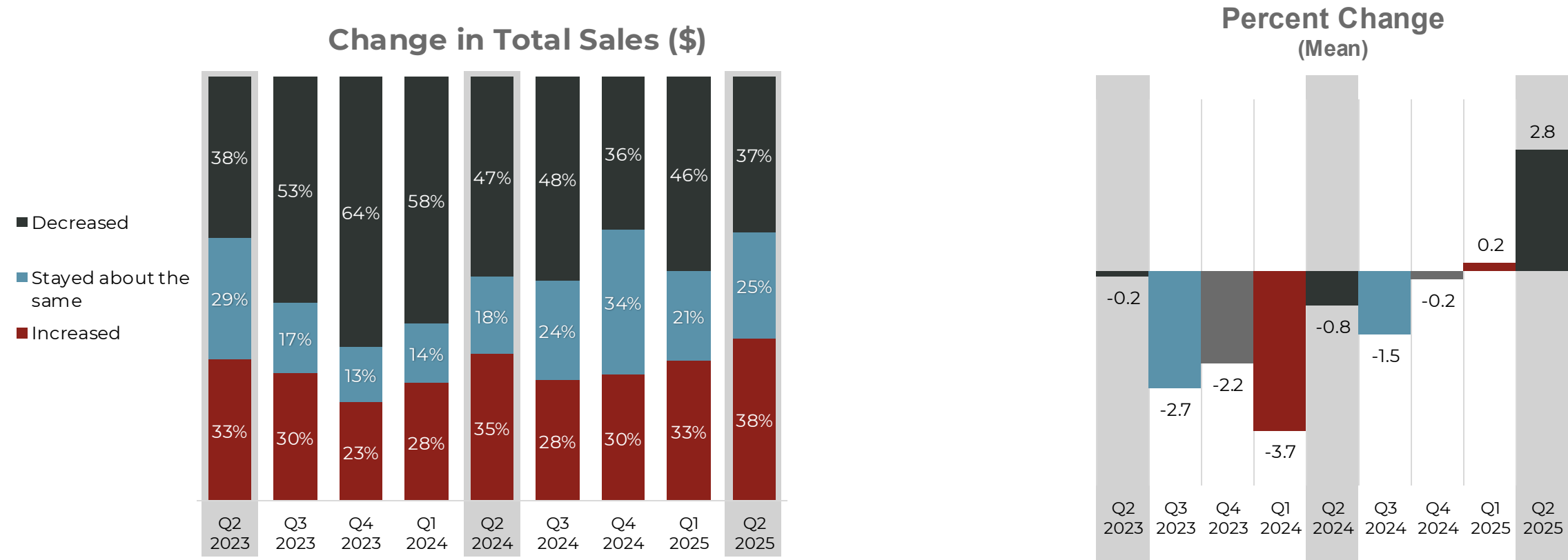


Q4. How would you describe the area where your business is located?
Q5. What are your overall annual sales?
Q6. How many store units do you operate?
Q22. How many square feet is your sales floor?

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

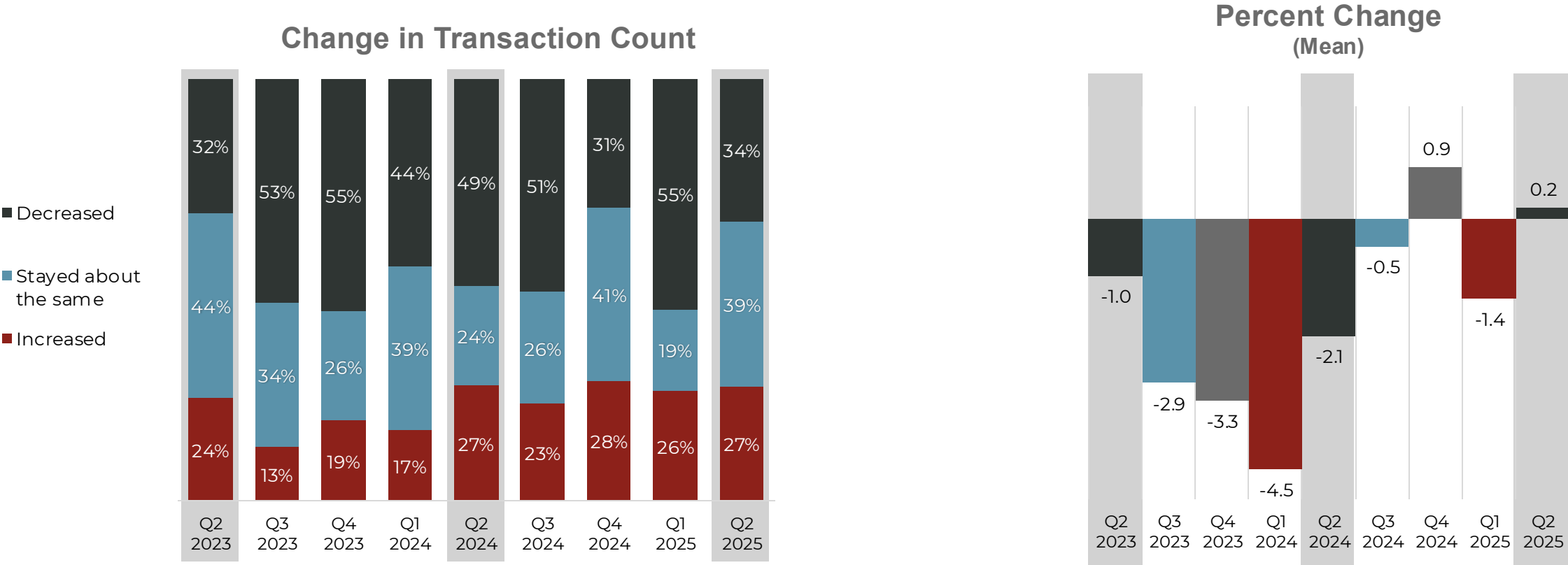
In Q2, 38% of retailers experienced year-over-year sales growth—a 3 percentage point increase over Q2 2024 and a continuation of the upward trend from Q2 2023. On average, participant sales rose 2.8% year-over-year, building on last quarter’s positive shift



Q7. How have your total sales (in dollars) changed in <current quarter> compared to <same quarter last year>?
Q8. (ASK IF R, 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

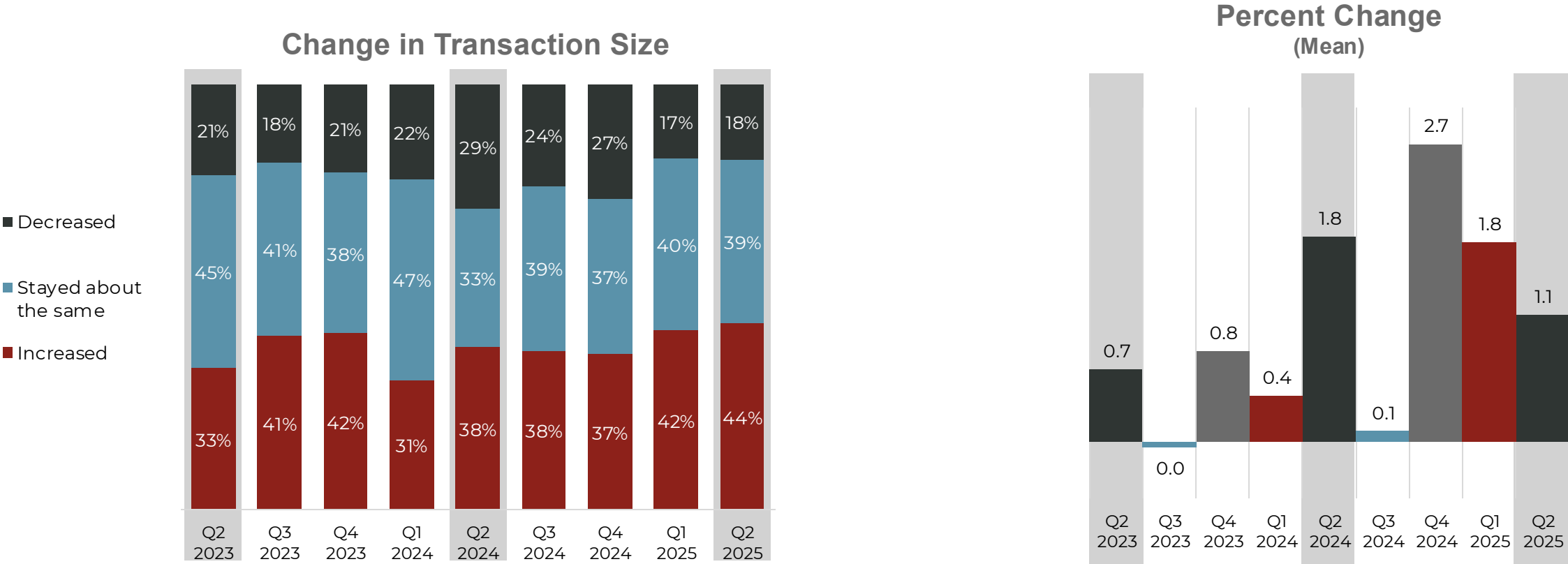
The share of retailers reporting increased transactions held steady from Q2 2024 and rose 3 percentage points over Q2 2023. On average, year-over-year transactions increased by 0.2% — a notable improvement from the 2.1% decline seen in Q2 2024.



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

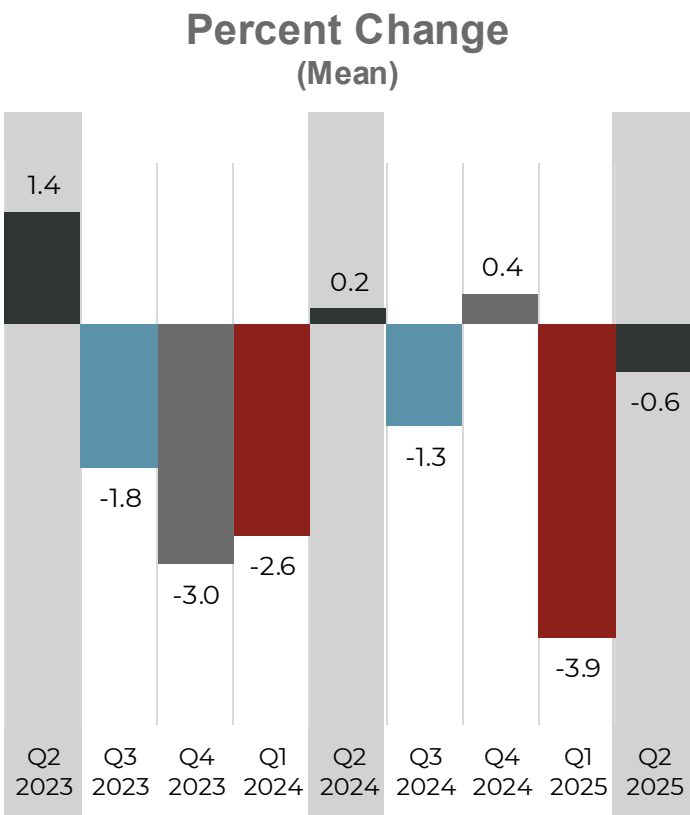
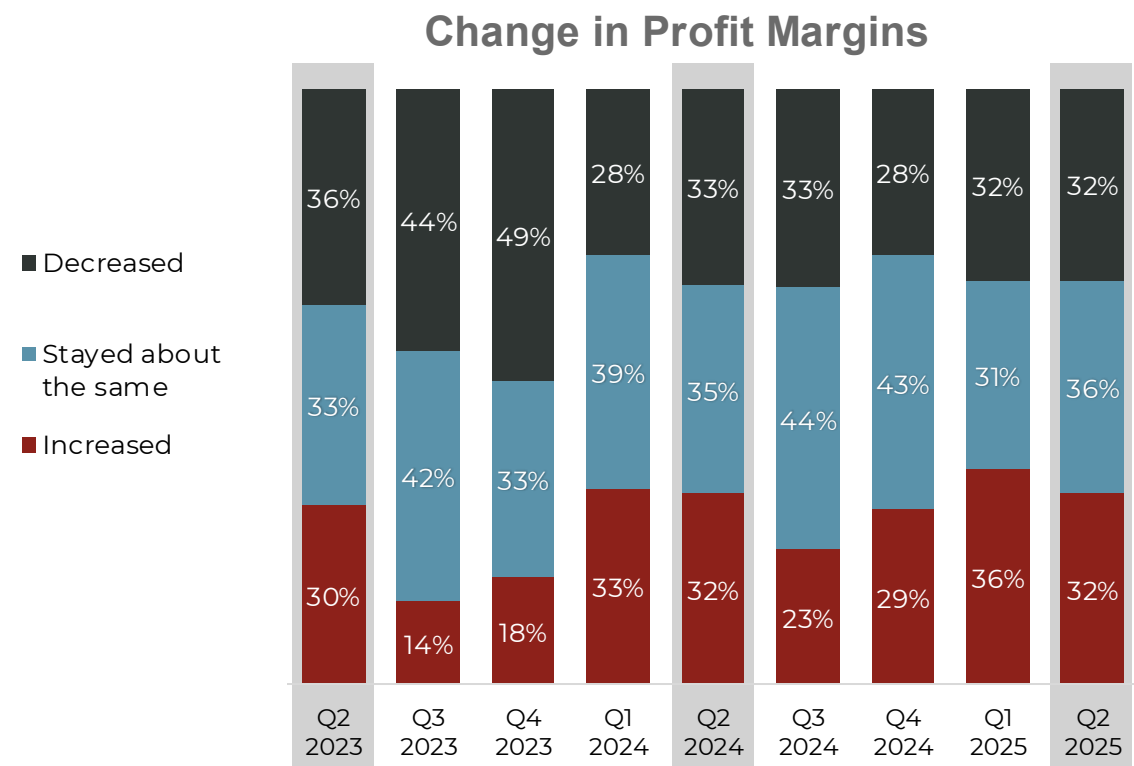
The share of retailers reporting an increase in transaction size reached 44% in Q2 2025—up 6 percentage points from Q2 2024 and 11 from Q2 2023. The average increase in transaction size was 1.1%, a decline from 1.8% in Q2 2024 though higher than in Q2 2023.



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?

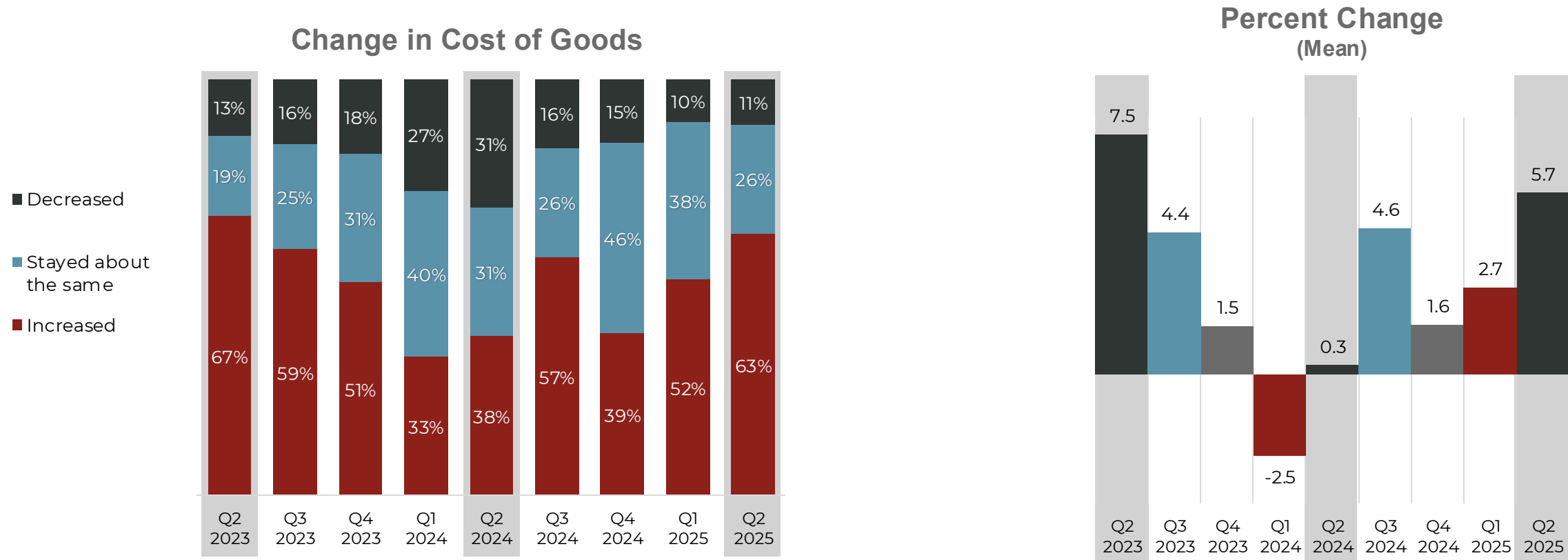
Changes in Gross Profit Margins - YoY

32% of retailers reported an increase in gross profit margins—matching Q2 2024 and up slightly from 30% in Q2 2023. Despite this, the average margin change declined 0.6% year-over-year, improving from last quarter’s -3.9% but still in negative territory.



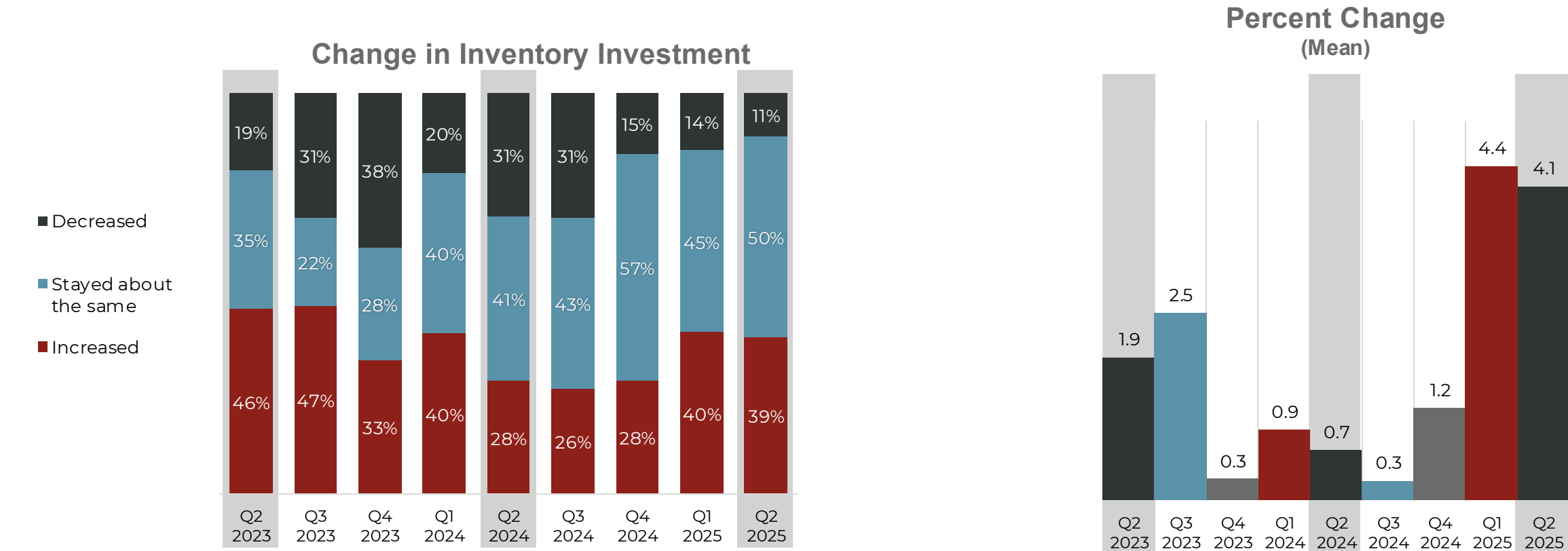
Changes in Cost of Goods - YoY

Cost of Goods is the one metric where rising numbers are a negative, yet more retailers reported year-over-year increases in Q2 2025, continuing the upward trend in reported increases. The average COG rise reached 5.7%—up from 0.3% in Q2 2024, but still below the 7.5% spike seen in Q2 2023.



Changes in Inventory Investment- YoY

In Q2 2025, 39% of retailers reported an increase in inventory investment—higher than Q2 2024 but below the 46% reported in Q2 2023. The average net inventory change rose by 4.1%, a notable jump from 0.7% in Q2 2024 and 1.9% in Q2 2023.



Q2 – 2025 YoY Summary

Positive YoY trends in inventory investment, transaction size, and total sales signal continued momentum, while gross profit margins remain under pressure and cost of goods has resumed its upward climb.

			Increase Decrease	Avg % Change	Market Trend	
Inventory Investment	How has your inventory investment changed? By what percent?	2025	39% inc. 11% dec.	4.1%		Inventory growth demonstrates momentum following last year's moderation. 39% of retailers increased inventory investment—up from Q2 2024 but below Q2 2023. Average net change rose notably year-over-year to 4.1%.
		2024	28% inc. 31% dec.	0.7%		
Transaction Size	How have your transaction size changed...? By what percent?	2025	44% inc. 18% dec.	1.1%		More retailers are seeing higher transaction sizes, but at a reduced average scale. The net average YoY Q1 transaction size was 1.1% vs. 1.8% a year ago.
		2024	38% inc. 29% dec.	1.8%		
Total Sales	How have your total sales (in dollars) changed...? By what percent?	2025	38% inc. 37% dec.	2.8%		Total sales continues its positive trajectory, up slightly YoY. Average sales rose notably by 2.8%, hitting a 2-year high.
		2024	35% inc. 47% dec.	-0.8%		
Transaction Count	How has transaction count changed year over year? By what percent?	2025	27% inc. 34% dec.	0.2%		Transaction volumes stabilized and slightly improved in Q2 2025 after a prior decline, indicating a modest rebound. The average transaction count grew slightly by 0.2%, reversing the decline experienced in the previous year.
		2024	27% inc. 49% dec.	-2.1%		
Gross Profit Margins	How have your store's gross profit margins changed...? By what percent?	2025	32% inc. 32% dec.	-0.6%		Despite 32% of retailers reporting YoY gains in Q2 2025, the average margin change remains negative at -0.6%. This reflects a modest recovery from last quarter's -3.9% but highlights ongoing pressure as more retailers reported declining margins than increases.
		2024	32% inc. 33% dec.	0.2%		
Cost of Goods	How has your cost of goods changed...? By what percent?	2025	63% inc. 11% dec.	5.7%*		GOG continued its upward climb in Q2 2025, with 63% of retailers reporting YoY increases and the average increase rising to 5.7%. While still below the 7.5% spike in Q2 2023, marking a return to inflationary pressure after a temporary easing in early 2024.
		2024	38% inc. 31% dec.	0.3%*		

*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 quarter over quarter from Q2 2025 over Q2 2024.

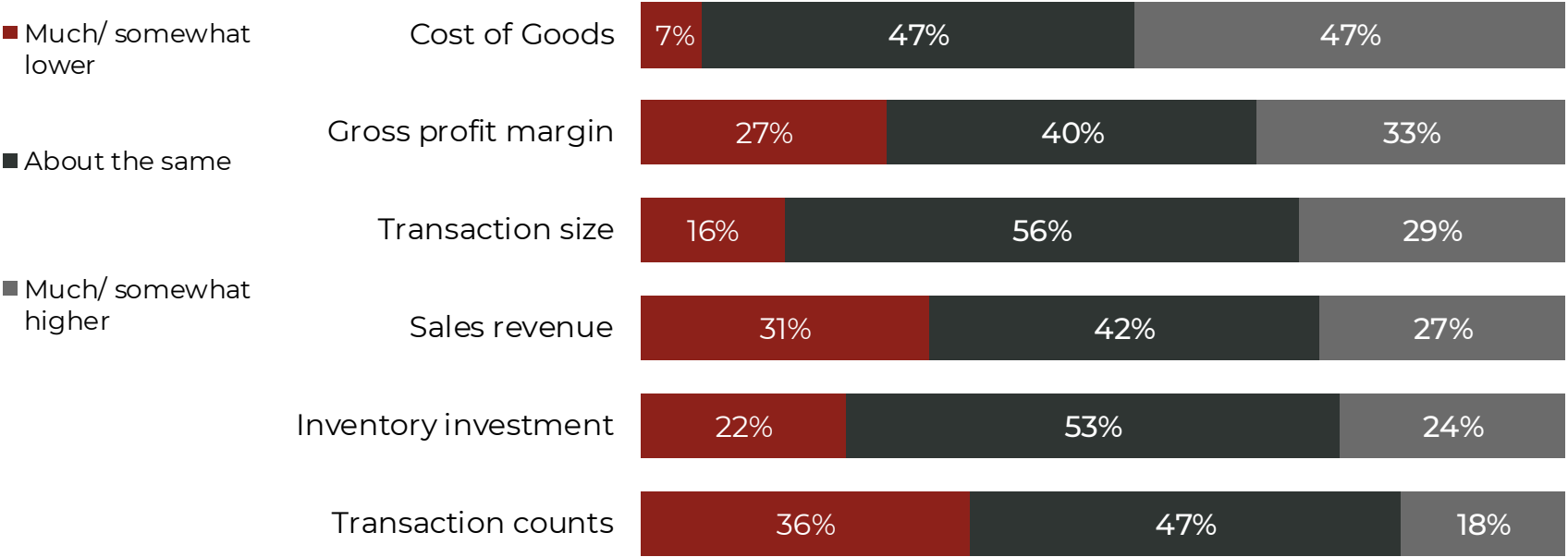


Anticipated Operations Performance for Q3 Over the Previous Year



Almost half of retailers expect their **Cost of Goods** to stay the same (47%), another 47% are anticipating they will be higher – down from 71% last quarter. Expectations for higher **Sales Revenue** dipped to 27%, a 17% decrease from last quarter.

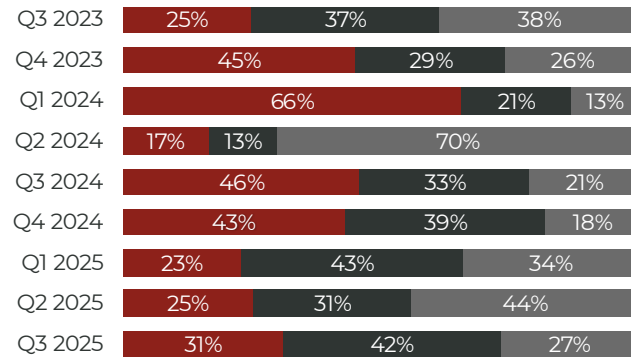
This Quarter (2025 Q3) Over the Previous Year (2024 Q3)



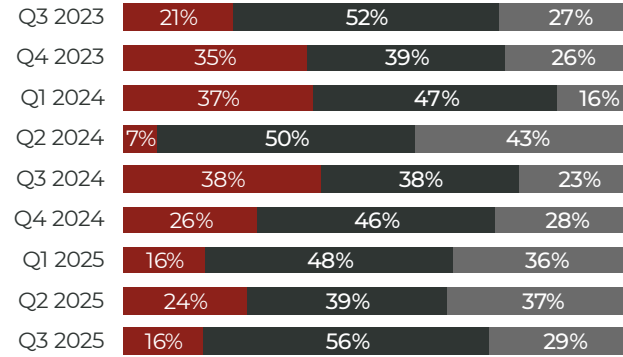
Anticipated Operations Performance for Q2 - Tracking

■ Much/somewhat lower ■ About the same ■ Much/somewhat higher

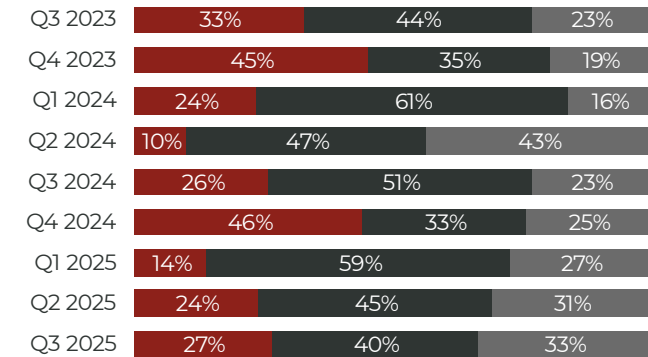
Sales Revenue



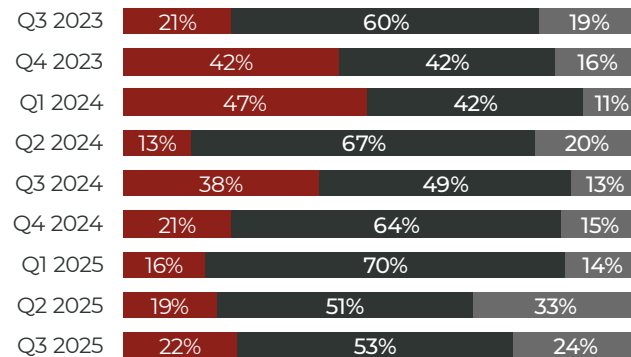
Transaction Size



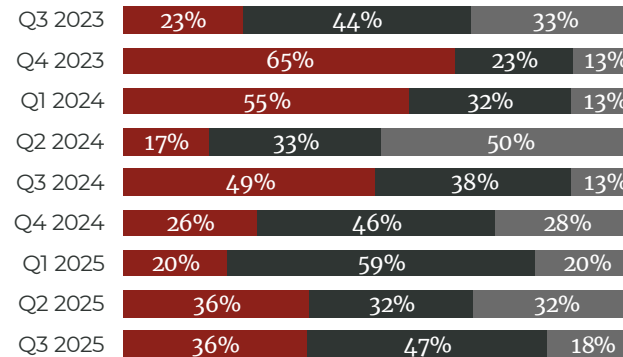
Gross Profit Margin



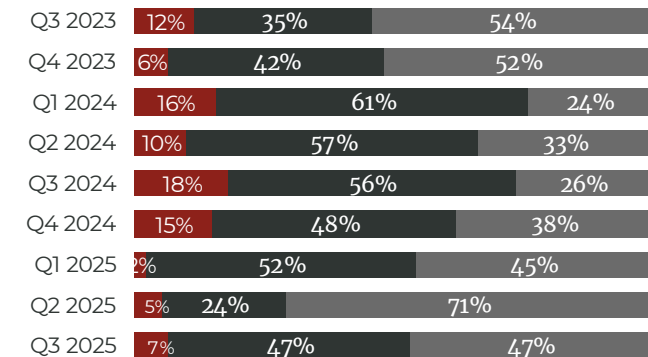
Inventory Investment



Transaction Counts

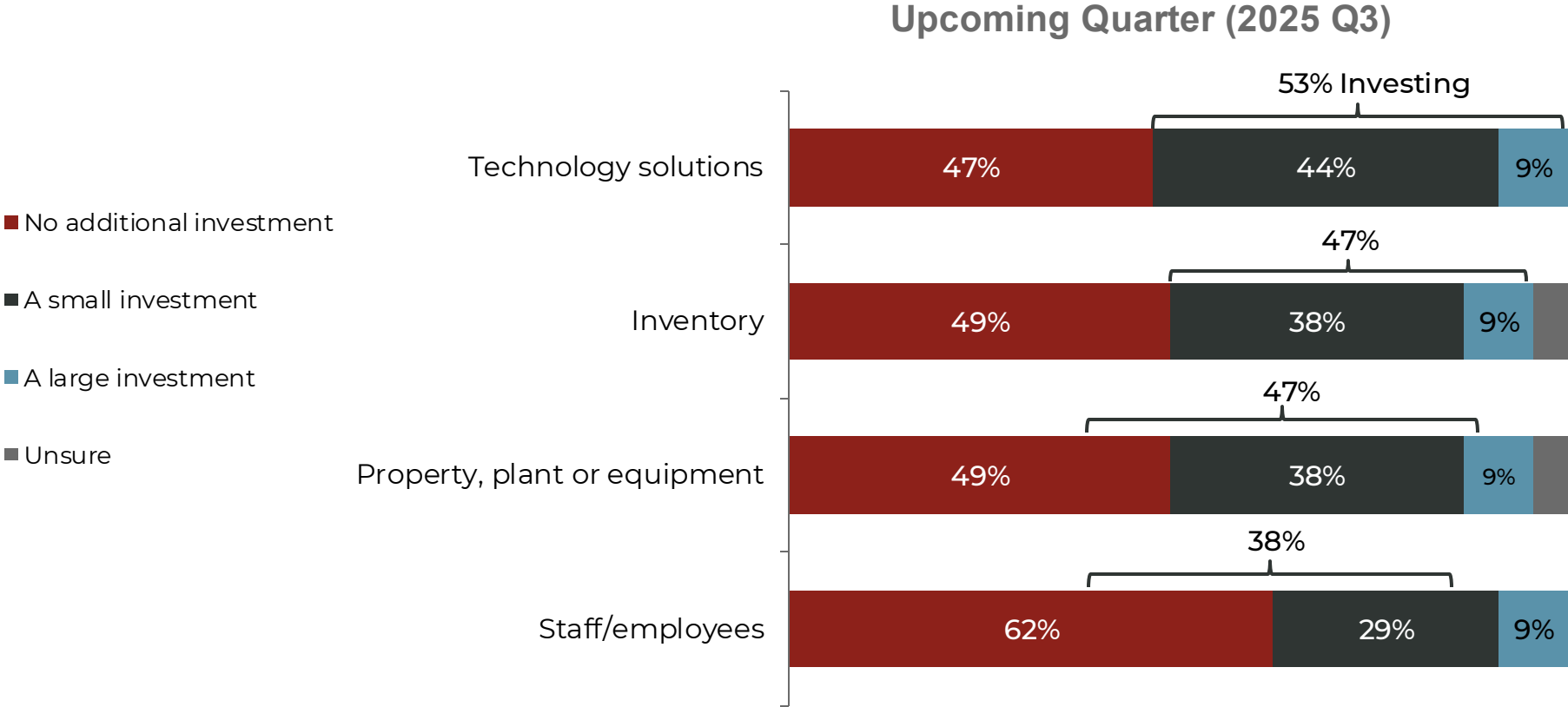


Cost of Goods



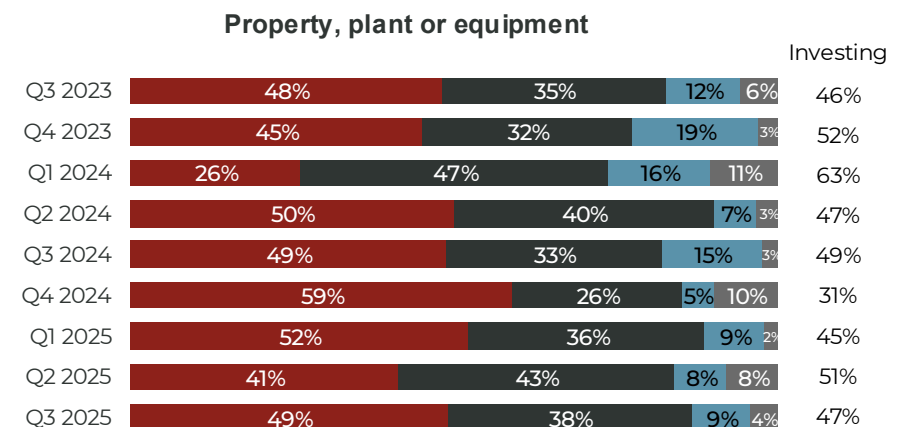
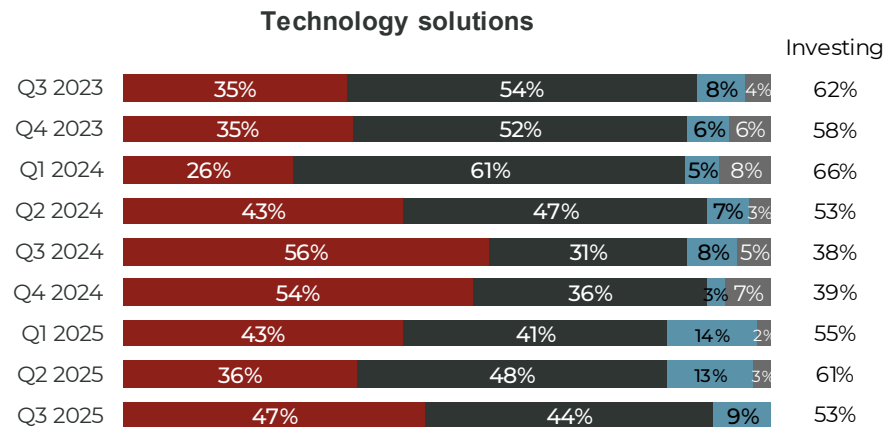
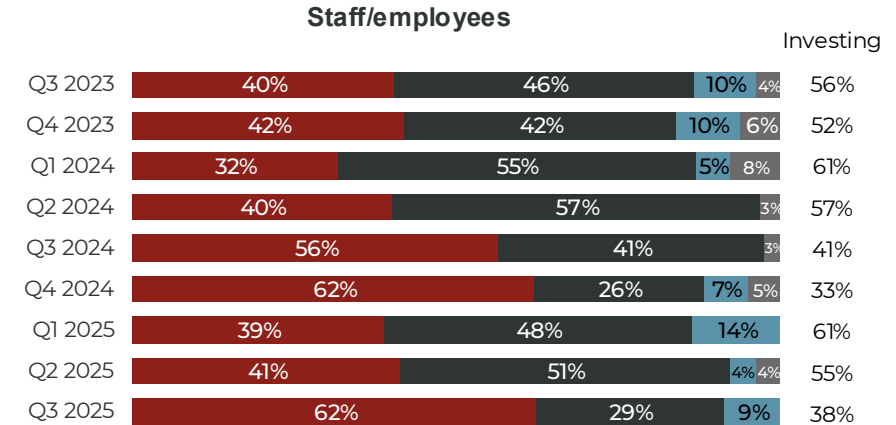
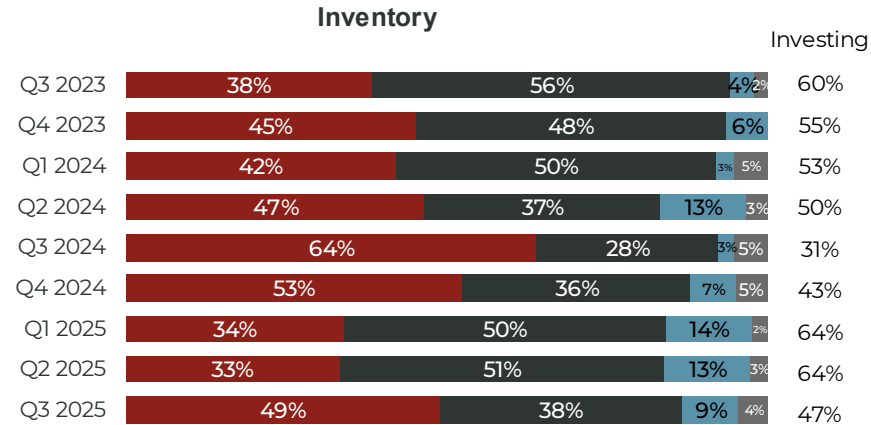
Investment Plans for Upcoming Quarter (Q3)

Planned investment declined across all categories this quarter, with Technology solutions now leading at 53%. Inventory dropped to 47%—down 17% from Q2—while investment in staff and equipment also softened compared to last quarter.




Investment Plans for Upcoming Quarter - Tracking

■ No additional investment ■ A small investment ■ A large investment ■ Unsure



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

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Thank You!



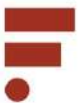
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ABOUT NHPA

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**](https://YourNHPA.org).