

# Mass Merchandisers

## Key Takeaways

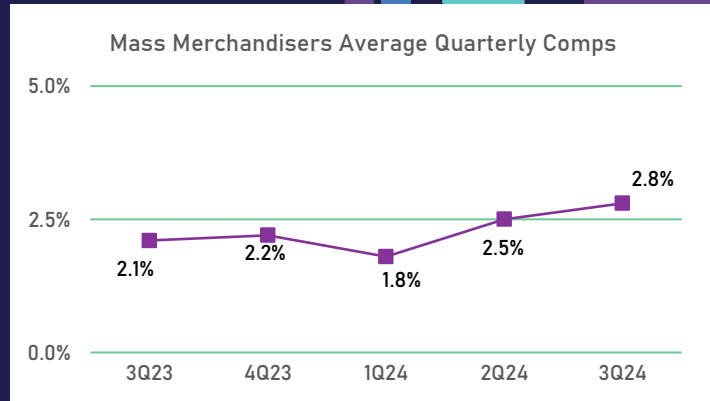
- The broader mass merchandising sector continues to show positive comp trends, led by value-driven retailers
- E-commerce momentum remains strong, driven by convenient shopping options such as store pickup and delivery

	Comps	Sales (millions)	YoY Sales % Change	E-Comm % Growth	E-Comm % of Sales	Quarter-End Date
<b>U.S.</b>						
BJ's	3.8%	\$5,099.4	3.5%	30.0%	11.0%	11/2/24
Costco	7.1%	\$62,151.0	7.5%	13.0%	N/A	11/24/24
Dollar General	1.3%	\$10,183.4	5.0%	N/A	N/A	11/1/24
Dollar Tree	1.8%	\$7,568.2	3.5%	N/A	N/A	11/2/24
Five Below	0.6%	\$843.7	14.6%	N/A	N/A	11/2/24
Ollie's	-0.5%	\$517.4	7.8%	N/A	N/A	11/2/24
PriceSmart	5.7%	\$1,257.9	9.6%	N/A	N/A	11/30/24
Target	0.3%	\$25,668.0	1.1%	10.8%	18.5%	11/2/24
Walmart	5.5%	\$169,588.0	5.5%	27.0%	18.1%	10/31/24
Average - U.S.	2.8%		6.3%			
<b>International</b>						
Canadian Tire	-1.5%	CAD 4,192.9	-1.4%	N/A	N/A	9/28/24
Dollarama	3.3%	CAD 1,562.6	5.7%	N/A	N/A	10/27/24
Walmart Mexico	4.5%	MXN 228,427	8.0%	N/A	N/A	9/30/24
Average - International	2.1%		4.1%			
Total Average	2.7%		5.7%			

The broader mass sector continues to see favorable comp trends led by value-driven retailers; average comps finished at 2.8% in 3Q. Walmart U.S., Sam's Club, Costco U.S., and BJ's Wholesale reported comp sales growth (ex. fuel) of 5.3%, 7%, 7.2%, and 3.8%, respectively. Consistent with previous quarters, Walmart highlighted that growth at its namesake and banner, Sam's Club, was primarily driven by market share wins across high frequency categories such as grocery and health and wellness. Additionally, the Company saw sales in general merchandise shift to the positive as consumers responded favorably to price deflation across the category. Meanwhile in the U.S., Sam's Club continued to grow membership count and increase its penetration of plus members, resulting in 15% membership income growth, while Walmart+ membership income grew double digits again this quarter. Management noted that three quarters of its market share gains in the third quarter were attributable to upper-income households making over \$100,000. Online sales also remained robust with Walmart U.S. and Sam's Club reporting gains of 22% and 26%, respectively. This online growth continued to be driven largely by store pickup and delivery service as consumers seek convenience. Costco maintained pace with Sam's Club and managed to outpace Walmart U.S.'s performance. Management cited high-single-digit sales growth in the fresh foods category and a mid-single-digit gain in food and sundries. Like Walmart, Costco highlighted strength across several discretionary categories, including home furnishings, jewelry and sporting goods. Membership income also grew a solid 7.5%, and U.S. renewal rates were 92.8% at quarter-end. Similarly, BJ's Wholesale reported another strong quarter, prompting management to slightly increase FY comp guidance. The discount club reached 7.5 million club members this past quarter and, like Costco, announced its first membership price increase in over seven years. In addition, both membership tiers will now also include two free same-day deliveries on orders of \$50 or more during each annual membership period as the retailer looks to grow its online market share. In 3Q24, online sales jumped 30% and 47% over a two-year period. Despite efforts such as cutting prices on 5,000 items in May and hosting its Target Circle Week sale in early October, Target delivered comp gains of just 0.3% in 3Q24. Modest growth in high-frequency categories was largely offset by weak demand for discretionary items as management indicated that consumers have grown increasingly selective with their spending. As mentioned, Walmart and Costco noted positive trends within discretionary as of late which largely contrast Target's recent performance. Target announced another round of price cuts to spur demand ahead of the holiday season. However, given the expectation of flat top-line growth in 4Q, as well as management likely needing to leverage heavy promotion to move excess inventory that was pulled forward to mitigate potential impacts from the recent port strikes, we think any potential lift is likely to be muted.

Following a challenging 1H24, Five Below delivered solid 3Q24 results driven by slightly positive comps, surpassing management's guidance of mid-single-digit comp decline. The Company announced holiday results today, for the period between November 3, 2024, and January 4, 2025. Sales rose 8.7%, while comps declined 3.2%. Management had expected a challenging holiday season primarily due to the shorter shopping season compared to last year.

Across the segment, the extreme value end remains under the most pressure. Ollie's for the first time reported negative comps. Management cited competitive challenges from Big Lots liquidation as a culprit which makes sense and will probably replicate in the next quarter as Big Lots closes another 500 or so stores. Meanwhile, Dollar General reported a 1.3% comp gain; however, EBITDA fell 11%. The Company remains under near-term pressure as necessary investments in labor hours and store remodels have collided with weak spending capacity from low-income shoppers. Management released its fiscal 2025 real estate plans that feature 575 new store openings (down meaningfully from its pace of about 900 annual store openings over the past 10 years and 2,000 full-store remodels. The Company also rolled out "Project Elevate," which features the light remodeling of newer stores that don't yet meet the criteria for a full remodel. An additional 2,250 stores are expected to be touched next year under the new plan. Management estimates that full remodels could see a 6%-8% bump in comp sales in the first year, while lighter remodels could boast a 3%-5% gain. Lastly, Dollar Tree reported a mostly positive quarter, with comps rising at both banners, aided by it closing 670 (mostly Family Dollar) stores earlier this year. Though management has yet to provide details on its formal review of the Family Dollar business it continues to invest in both banners with broader multi-price assortment and of course improving operating efficiencies.



2024 Seasonally Adjusted Retail Sales (Monthly % Change Year-Over-Year) Source: U.S. Census	Upcoming Comparative Periods					
	Sep'24	Oct'24	Nov'24	Dec'23	Jan'24	Feb'24
Total Retail Sales	2.2%	2.8%	3.8%	4.4%	0.3%	2.1%
Retail Sales Ex Auto	2.5%	2.6%	3.2%	3.7%	0.9%	2.0%
Retail Sales Ex Auto and Gas	3.8%	3.7%	3.9%	4.8%	1.8%	2.5%
<b>By Category:</b>						
Furniture & home furnishings	0.4%	2.2%	0.7%	-1.6%	-13.5%	-9.8%
Electronics & appliance	-3.8%	-2.5%	1.2%	6.8%	-5.4%	1.2%
Building materials, garden equip. & supplies	1.7%	2.8%	4.1%	-4.0%	-8.6%	-5.6%
Food & beverage stores	2.3%	2.1%	1.8%	-0.0%	0.6%	0.1%
Grocery stores	2.2%	2.1%	1.7%	-0.7%	0.8%	-0.3%
Health & personal care	4.9%	1.3%	1.8%	11.3%	3.5%	1.6%
Gasoline stations	-8.9%	-7.3%	-3.9%	-6.3%	-7.1%	-3.3%
Clothing & clothing accessories	2.7%	3.4%	2.2%	1.8%	-0.3%	1.5%
Sporting goods, hobby, musical instrument & book stores	-2.4%	-2.5%	-1.4%	-3.5%	-3.4%	-1.5%
Footwear	-7.0%	-6.6%	TBD	2.2%	-5.5%	-2.1%
General merchandise	2.9%	2.9%	3.1%	3.6%	0.2%	1.0%
Department stores	-1.1%	0.0%	1.4%	-2.6%	-5.7%	-3.9%
Nonstore retailers	7.1%	7.1%	9.8%	8.6%	8.9%	7.5%
Food services & drinking places	3.6%	4.0%	1.9%	11.1%	3.7%	6.4%

\*Sporting goods figures are not seasonally adjusted

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