

Tariffs, extreme weather weigh on retailers in Q3

Article

In Q3, [retailers](#) struggled with shopping trends upended by extreme summer weather along with a threat of incoming tariffs.

Here's how they addressed these challenges in their Q3 earnings calls and what it could mean for the industry heading into 2025.

Retailers brace for tariffs

President-elect Donald Trump said he plans to impose a 25% tariff on imports from Canada and Mexico and an additional 10% tariff on goods from China. Fortunately, many retailers, including Williams-Sonoma and Gap Inc., have reduced their reliance on China in recent years.

- “We’ve significantly reduced our China-sourced goods from 50% to 25% over the last few years,” said Jeff Howie, chief financial officer at Williams-Sonoma. “So our exposure is significantly less than the last time in 2018 that we saw this [tariff] activity.”
- Similarly, China now represents less than 10% of sourcing at Gap.
- “Our scale, agility, and strong partnerships have allowed us to secure long-term freight contracts and make advancements in the diversification of our sourcing footprint over the last few years,” said Richard Dickson, CEO of Gap Inc.

What it means for 2025: Some retailers are prepared for tariffs on goods from China, but it’s unclear how additional tariffs on Canada or Mexico will affect retailers’ bottom lines.

- Discount retailers like TJ Maxx or HomeGoods have an advantage over higher-priced competitors.
- “If a brand were to get hit with increased tariff on a category, that brand would have to raise their price and then that price gets carried on to another retailer,” said Herrman. Could that price on that one SKU for us be up a little? It might, but it will never be at any issue with the value gap that we have relative to the competition.”

Extreme weather shifts retail patterns

The summer of 2024 was the hottest on record in the Northern Hemisphere, according to the National Oceanic and Atmospheric Administration (NOAA). Higher temps lasted into September, causing consumers to pause purchases of colder-weather products.

The TJX Cos. and Gap Inc. observed the pullback from consumers as the warm weather lingered.

- Gap experienced slowing demand for weather-sensitive kids and baby apparel, while TJX experienced a dip in its Marmaxx business (Marshalls and TJ Maxx).
- “The unseasonably warm weather kept pulling us down,” said Ernie Herrman, CEO and president of The TJX Cos.

- As the weather cooled, consumers resumed their normal shopping patterns at both TJX and Gap banners.

US consumers also faced major hurricanes in the latter half of the year, which had a slightly different effect on retailers like Lowe's.

- Sales of hurricane-related products—like generators, chainsaws, cleaning supplies, and flashlights—surged, said Bill Boltz, executive vice president, merchandising at Lowe's.
- The home improvement retailer estimates hurricane-induced demand raised comparable sales by 100 basis points. Though modest, this 1% increase helped offset the quarter's 1.1% decline in comparable sales.
- Lowe's also saw positive momentum in outdoor categories as consumers tried to recover their lawns from a summer of intense heat, noted Boltz.

What it means for 2025: Though it's impossible to know what weather the coming years will bring, it's safe to say that retailers need to be ready for anything.

- Longer, hotter summers may lead retailers to delay stocking colder-weather products or find creative ways to sell them while it's still hot.
- Retailers must proactively help consumers prepare before, during, and after extreme weather events.

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