

Macy's and Dick's Sporting Goods see Q2 sales fall as consumer demand wanes

Article

The news: Both Macy's and Dick's Sporting Goods reported Q2 earnings and sales above analyst expectations despite softening consumer demand and difficult year-over-year comps.

But while Macy's lowered its outlook for the rest of the year, Dick's Sporting Goods is optimistic that its core consumer base will continue to spend.

Some pandemic gains remain: Dick's Sporting Goods and Macy's each reported a drop in comp sales, but overall sales remained above 2019 levels for both.

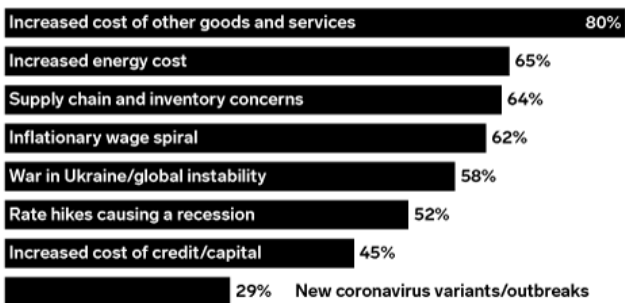
- **Macy's comp sales fell 1.5% year-over-year (YoY)** on an owned basis, but were 4.3% higher compared with 2019.
- **Dick's Sporting Goods' comp sales declined 5.1% YoY**, although net sales were 38% higher than in Q2 2019.

Inventory troubles persist: Inventory pressures continue to weigh on both retailers; however, Dick's Sporting Goods expressed comfort with its elevated stock levels.

- Dick's Sporting Goods' **net inventory levels were 49% higher YoY** in Q2, although CEO **Lauren Hobart** said the retailer's inventory is "healthy and well-positioned" ahead of the back-to-school season.
- **Macy's inventory is up 7% YoY** as it struggles to clear seasonal, pandemic-related, and private brand merchandise from its balance sheet. That's forced the retailer to institute permanent markdowns to increase sell-through and stay competitive as other companies also slash prices.
- While Macy's said it anticipates rightsizing its inventory by the end of the year, it has to move quickly to make room for all the fresh stock it's bringing in for the holiday season, which could force further markdowns and margin hits.

US CFOs' Reasons for Negative US Economy Outlook, April 2022

% of respondents



Note: in the next 6 months

Source: Grant Thornton LLP, "Q1 2022 CFO Survey," May 24, 2022

275887

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Demand wavers: While Macy's noted weakening demand for activewear as one of the reasons for lower profits, Dick's Sporting Goods sees its products as a necessity for shoppers across the income spectrum.

- Dick's Sporting Goods' executive chairman **Ed Stack** told CNBC that he sees demand for the retailer's assortment in the "highs and lows of the economy," noting that parents have to buy shoes for their children regardless of financial circumstances.
- Despite the pressures in some categories, Macy's said sales of occasion-based categories and luggage grew significantly, while its premium **Bloomingdale's** and **Bluemercury** subsidiaries turned strong demand for luxury goods into robust sales growth.

Looking ahead: While Dick's Sporting Goods is more optimistic about its future performance than Macy's, it still anticipates a decline in sales for the rest of the year—albeit a slightly smaller fall than it initially forecast.

Macy's faces more challenging headwinds: With shoppers spending less on discretionary goods and turning to cheaper retailers, its inventory—and profit—troubles may well continue through the holiday season and beyond.

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