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Best Buy, Dick's Sporting Goods, and others position themselves for success

Article

The trend: Better-than-expected Q3 earnings for a crop of retailers—including **Foot Locker**, **Dick's Sporting Goods**, **Best Buy**, and **American Eagle**—offer a glimmer of hope for

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consumer spending this holiday season.

- Foot Locker's comp sales rose 0.8% year-over-year (YoY), an unexpected increase after analysts forecast a 5.9% decline, causing the retailer to raise its Q4 and full-year outlook.
- Dick's Sporting Goods similarly defied an expected downturn with a 6.5% YoY increase in comp sales, well above the 3.1% decline forecast by analysts.
- While Best Buy's comp sales fell 10.4% YoY, that's better than the 12.9% analysts anticipated. The company's revenues were also higher than expected at $10.59 billion, more than the $10.31 billion forecast per Refinitiv estimates.
- American Eagle's earnings per share (EPS) and revenues beat expectations thanks to strong growth at its **Aerie** brand and revenue contributions from its supply chain offering **Quiet Platform**.

Foot Locker and Dick's offer variety: While some of the earnings beats were the result of an abundance of caution from retailers after seeing a sharp pullback from consumers in Q2, there are indications that shoppers are willing to spend for the right product—and the right price.

- Foot Locker leaned into areas where it saw the most demand—such as basketball sneakers and kids' products from **Nike**—and continues to broaden its assortment with products from popular (and premium) brands including **On Running**, **Hoka**, **New Balance**, and **Ugg**. The company is also enhancing its omnichannel presence to give shoppers a seamless experience online and in stores.
- Like Foot Locker, Dick's Sporting Goods is leaning on its access to premium products and brands, as well as its relationship with Nike, to drive growth and enhance shopper appeal. Dick's noted in its earnings presentation that 80% of its active customers look to the company for its diverse brand assortment.

Best Buy and American Eagle control inventory levels: After facing bloated inventory levels in Q2, many retailers have made significant headway in rightsizing their product assortments ahead of the holiday season.

- While Best Buy managed to avoid the pileups that plagued so many others after prudently anticipating that demand for electronics and appliances would wane after two years of record sales, it has kept a tight lid on inventory throughout the year. Inventory levels in Q3

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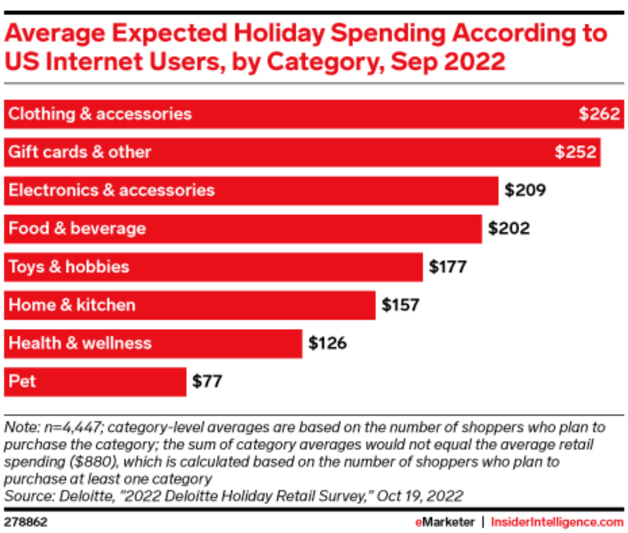
were 14.7% lower YoY, allowing Best Buy to protect its margins somewhat by avoiding heavy discounting.

- Still, CEO **Corie Barrie** said the company has managed its inventories with the expectation of higher sales during Black Friday, Cyber Monday, and the two weeks leading up to Christmas.
- While American Eagle was one of the retailers hit by excess inventory last quarter, CEO **Jay Schottenstein** said its "bold" approach to inventory reduction is paying off, allowing the company to focus on selling through its holiday collections. However, American Eagle expects the holiday period to be highly promotional, which will weigh on margins.

The big takeaway: While there's no question that macroeconomic pressures will affect shoppers for some time, there are signs that consumers remain willing and able to spend this holiday season.

Go further: *Check out our [2022 US Holiday Shopping report](#).*



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