

Ross Stores: How fast, and where, should the network grow?

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On May 23, 2024, Ross Stores reported first-quarter results. Its March 11 release had set a fiscal-year plan to open approximately 90 stores: about 75 Ross Dress for Less and 15 dd's DISCOUNTS. Eighteen locations had already opened by that March update. A hypothetical strategy committee must decide whether to preserve the announced pace and brand mix, or adjust the pace, mix, or sequence of openings among established markets and newer geographies.

This is a classroom decision, not a disclosed internal review. Assume the committee may request market-level evidence and recommend changes to the remaining pipeline. No candidate-site forecasts or store-level returns have been provided. The question is whether the next location adds value to the chain after accounting for customer access, sales diverted from nearby stores, and any local operating or distribution benefits.

Two brands, different propositions

Ross Dress for Less serves middle-income households with branded apparel, accessories, footwear, and home fashions at discounts from regular department and specialty store prices. dd's DISCOUNTS targets more moderate-income households and offers a more value-oriented assortment. Ross describes dd's locations as generally occupying established shopping centers in dense urban and suburban areas. Each chain has separate merchandising, field-management, and distribution operations, while some corporate and support functions are shared. The company reports one external business segment, so its public financial statements do not show brand-level profitability. [P1]

At February 3, 2024, Ross operated 1,764 stores in 43 states, the District of Columbia, and Guam; dd's operated 345 stores in 22 states. Those counts describe the footprint, not the depth of coverage or demand in any local market. Ross says it clusters stores when market size and real-estate opportunities allow, seeking stronger local penetration and potential leverage in advertising, distribution, field management, and overhead. Site-selection factors include availability and quality of sites, demographics, competition, population density, and adjacent-store performance. The company does not disclose the weights or expected returns attached to those factors. [P1]

The 2024 opening plan

In March, Ross said it had opened 18 locations-11 Ross and 7 dd's-and was targeting approximately 90 openings for fiscal 2024, about 75 Ross and 15 dd's. The Ross openings included entry into Michigan and New York. The dd's openings were in California, Florida, and Texas. Management described long-run store potential of 2,900 Ross and 700 dd's. These are company plans and opportunity estimates, not verified market demand or a promise that every location will earn an acceptable return. The 18-opening figure is a dated March snapshot; the public information here does not map the remaining pipeline site by site. [P2]

Ross had 97 gross openings and three closures in fiscal 2023, for 94 net additions: 72 Ross openings and 25 dd's openings, less one Ross and two dd's closures. This illustrates why opening activity and net footprint growth are different measures. The stores open at year-end were 2,109 in total. [P1]

Trading is strong, but it does not identify store returns

For the 13 weeks ended May 4, 2024, total sales were \$4.858 billion, up 8% from \$4.495 billion. Comparable-store sales grew 3%. Operating margin was 12.2%, compared with 10.1% a year earlier. Ross defines comparable sales using stores open more than 14 complete months; the measure excludes newer stores and cannot be read as total chain growth or as the sales ramp of the recent openings. [P3]

Management attributed the margin improvement mainly to lower distribution, incentive, and freight costs, partly offset by a planned lower merchandise margin. The company kept its fiscal-2024 comparable-sales outlook at 2% to 3% and its diluted-EPS outlook at \$5.79 to \$5.98. These reported results and forecasts describe the chain as a whole. They do not reveal whether new locations drove growth, how recent cohorts are performing, or what the marginal store contributes after nearby-store effects. [P3]

Investment capacity and opportunity cost

Fiscal-2023 capital expenditures were \$762.8 million: \$209.2 million for new stores, \$167.6 million for existing stores, \$306.0 million for distribution and transportation, and \$80.0 million for information systems, corporate, and other purposes. Management projected approximately \$840 million of capital expenditures for fiscal 2024. Dividing new-store capital spending by the number of openings would not produce a reliable per-store investment estimate because the category spans differing timing and project costs. [P1]

The company generated \$2.5 billion of operating cash flow in fiscal 2023 and held approximately \$4.9 billion in cash and cash equivalents at year-end. It also authorized up to \$2.1 billion of share repurchases over fiscal 2024 and 2025. The public figures do not establish a funding shortage. They do make the expected return and execution demands of the growth plan relevant alongside other uses of capital. [P1, P3]

The competitive environment also contains active expansion. TJX reported a plan for more than 140 net store additions in fiscal 2024 and long-run potential near 6,300 stores across its concepts and countries. Its formats, scale, and geographic mix differ from Ross's, so the count is context rather than a direct benchmark for Ross's demand or unit economics. [P4]

What makes a store valuable to the chain?

A store can serve customers who otherwise would shop elsewhere, improve convenience, and strengthen local density. It can also move sales from another Ross or dd's location, add occupancy, labor, inventory, and support costs, or increase pressure on local execution. Some network benefits may be brand-specific: the two chains share selected corporate functions but maintain separate distribution and field operations.

Research on retail networks helps identify the mechanisms but does not supply a Ross forecast. Holmes's study of Walmart's historical expansion finds a trade-off between local density benefits and cannibalization, including distribution-center proximity. Walmart's period, format, distribution system, and store economics differ from Ross's. Pancras, Sriram, and Kumar study one fast-food chain in one U.S. city; the full paper was not available for this case, and its abstract result is not a Ross estimate. Other studies describe firm-specific network effects and spatial competition, but were available only at abstract level. [A1-A4]

The public record does not disclose store-level sales or contribution, sales ramps, lease terms by cohort, overlap with existing trade areas, brand-specific margins, or local distribution costs and savings. It also does not identify the actual proposed sites or provide a city-level pipeline. A recommendation therefore depends on what the committee believes it needs to learn before committing to the remaining openings.

Alternatives for the committee

Path	Potential case for it	Key risk or unanswered question
Maintain the approximately 90-opening plan and 75/15 brand mix	Keeps the stated growth program on track and expands both distinct customer propositions. Sites may be lost if delayed.	Aggregate store potential and strong quarterly results do not show that the marginal sites clear an investment hurdle or that the remaining pipeline is equally attractive.
Tilt toward Ross or dd's, or change market sequence	Could focus resources on the brand or geographies with stronger evidence of customer demand, site quality, or network support.	Public disclosures do not provide brand-specific margins, market-level demand, or comparable cohort returns; a shift based on aggregate results could misread the opportunity.
Stage or slow selected openings	Preserves capital and execution capacity while the company measures new-store and incumbent-store effects in uncertain markets.	Deferral may sacrifice attractive locations or delay customer access; staging without a defined learning plan postpones rather than resolves the decision.

These paths can be combined. A committee might keep the annual total while changing the mix and sequence, or preserve the mix but defer selected sites. Any alternative allocation is a student recommendation, not a company proposal.

Decision assignment

Recommend how Ross should manage the remaining fiscal-2024 opening plan:

1. Would you preserve the approximately 90-store pace and 75 Ross / 15 dd's mix, or adjust the pace, mix, or market sequence? State the conditions behind your recommendation.

2. What evidence would you use to evaluate a site's contribution to its brand and to the overall chain, including sales shifted from nearby stores and possible local network benefits?
3. How would you distinguish total sales growth, comparable-store sales, gross openings, closures, and net additions when evaluating the plan?
4. What data, decision gates, and post-opening measures should determine whether to continue, reallocate, or defer openings? What finding would change your recommendation?

Do not treat a store-count target, same-store-sales result, or the cited academic estimates as a company-specific return forecast. Label any numerical inputs you create as assumptions. Separate reported facts, management explanations, and your analysis. No information after May 23, 2024 is part of this case.

Sources and conventions

Company facts are from Ross's fiscal-2023 Form 10-K, the March 11, 2024 store-opening release, and the May 23, 2024 first-quarter release [P1-P3]. TJX's fiscal-2023 Form 10-K provides competitor context [P4]. Academic sources are Holmes (2011), *Econometrica* 79(1):253-302; Pancras, Sriram, and Kumar (2012), *Management Science* 58(11):2001-2018; Ellickson, Houghton, and Timmins (2013), *RAND Journal of Economics* 44(2):169-193; and Aguirregabiria and Vicentini (2016), *Journal of Industrial Economics* 64(4):710-754. Exact locators, links, source versions, access limits, and reading depth are in the instructor research packet at <site/research/ross-stores-inc/source-register.md>.