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Temu wins over Dollar General customers

Article

The insight: Dollar General customers spent more at **Temu** so far in Q3 than at the discounter, per credit card data analysis by Earnest Analytics.

- Just 10% of the dollar store's customers shopped from the Chinese ecommerce marketplace this quarter.
- But those who did spent $141 with the retailer, compared with $136 at Dollar General.

Why it matters: Temu's growing influence underscores the challenges Dollar General—and dollar stores in general—are facing. While they remain a primary destination for cash-strapped consumers, stiff competition from the likes of **Walmart** and **Target** alongside the rise of ultra-cheap Chinese ecommerce marketplaces is eating away at their market share, while economic conditions are causing their core customers to pump the brakes on spending.

- **Dollar General's slice of US discount spending dropped from 63% to 52% in the roughly two years since Temu's launch**, while **Dollar Tree**'s share fell 6 percentage points to 19.5% in the same period, per Earnest Analytics data cited by the Financial Times.
- **Both companies slashed their full-year guidance last quarter due to weak consumer spending**, as difficult economic conditions push shoppers to allocate more money to necessities and curb discretionary purchases.
- To compound Dollar General's problems, while its core lower-income customer is under considerable financial pressure, middle- and higher-income customers are not feeling stretched enough to trade down to dollar stores, preferring instead to stick with Walmart or else go straight to Temu.

Our take: Both Dollar General and Dollar Tree face considerable headwinds, which they're trying to combat with aggressive store expansion plans that they believe will help them regain market share and grow sales.

- The two retailers are on track to open over 1,300 stores this fiscal year as they try to reach more consumers.
- They are focusing in particular on rural areas where Walmart and **Amazon** have less of a presence—although the latter's efforts to bring fast delivery to those areas could quickly erode dollar stores' advantage.

However, the upcoming crackdown on de minimis loopholes should benefit both discounters by minimizing—or even eliminating—Temu's price advantage.