

How retailers can use discount, dollar store strategies to protect their grocery share

Article

The fight for grocery dollars is heating up. Retailers that offer shoppers the right assortment of products at the lowest prices are likely to win. In order to keep dollar and discount stores

from stealing share, other retailers need to borrow their pricing and merchandising strategies to connect with cash-strapped consumers.

Food for thought: Dollar Tree and Dollar General increased same-store sales in Q4 thanks to their strong grocery businesses.

- Dollar Tree's enterprise same-store sales grew by 3% in Q4, helped by strong sales growth of 10.8% in the Dollar Tree banner consumables business.
- Dollar Tree added 3.4 million new customers in 2023, mostly from households earning over \$125,000 a year, said Rick Drieling, chairman and CEO.
- Dollar General's same-store sales grew 0.7% in Q4, driven entirely by the consumables category, per CEO Todd Vasos.

Fresh food frontiers: To fuel grocery growth, the retailers are expanding their assortment of fresh, refrigerated, and frozen foods.

- Dollar General had nearly 30 cooler doors per location and fresh produce in more than 5,400 stores at the end of 2023. The retailer hopes to introduce fresh produce in up to 1,500 additional stores this year.
- Last year, Dollar Tree rolled out a line of \$3, \$4, and \$5 frozen and refrigerated items to over 6,500 stores. It also added over 17,000 cooler doors to Family Dollar stores for an average of 26 coolers per store.

Rightsizing the physical footprint:

- Dollar Tree will close about 1,000 Family Dollar and 30 Dollar Tree stores that are underperforming due to theft, inflation, and cuts to food stamps.
- Discount grocer Aldi is expanding, adding 800 stores across the US by the end of 2028, investing more than \$9 billion to increase its physical presence, something that has served other retailers like [Walmart](#) well.

The retail lesson: Consumers aren't likely to stop shopping for groceries at dollar and discount stores any time soon, especially as these retailers hone their merchandising strategies and physical footprints.

To compete, other grocery retailers need to make sure they're reaching the right consumers in the right ways, whether that means adding physical locations or stepping up their discounting game. However, keeping up with dollar store prices can be difficult for most retailers. Instead, retailers need to be strategic in their discounting strategies, personalizing offers using previous purchase history and other customer data.

The right product mix:

- In Q3, Dollar General said it would [reduce the number of SKUs](#) in-store to cut down on operational costs and simplify the shopping experience. This will continue into 2024, with the retailer cutting 1,000 SKUs by the end of this year, on top of the 1,000 slashed in 2023.
- Dollar Tree, however, is adding SKUs, relying on a multiprice strategy to resonate with customers and increase sales. "Over time, you will also see us fully integrate multiprice merchandise more into our stores so our shoppers will find \$5 bags of dog food next to our traditional \$1.25 pet treats and toys, and our \$3 bags of candy will be found in the candy aisle," said Drieling.

The retail lesson: There isn't a one-size-fits-all approach to product assortment and pricing. More choices at different price points can help customers manage their shopping lists without breaking the bank, but it also means that retailers need to invest more in storing, stocking, and promoting those items.

This was originally featured in the Retail Daily newsletter. For more retail insights, statistics, and trends, [subscribe here](#).