

Dollar Stores Continue to Endure the Retail Apocalypse, for Now

Article

In a **record year for US retail store closures**, dollar stores are thriving. Not only are major players opening a significant number of new locations, but more consumers are regularly shopping for groceries at dollar stores than any other time in the past five years. But dollar stores, which have been praised as survivors of the ongoing retail apocalypse, could face new pressure from Amazon come 2020.

The top three US retailers with the most store openings in the first four months of 2019 were all dollar stores, according to Coresight Research. Collectively, Dollar General, Dollar Tree and Family Dollar opened more than 1,500 new locations.

Top 10 US Retailers, Ranked by Store Openings vs. Closings, Jan 1-April 1, 2019

Openings		Closings	
1. Dollar General	975	1. Payless ShoeSource	2,100
2. Dollar Tree	348	2. Gymboree	749
3. Family Dollar	202	3. Charlotte Russe	500
4. Aldi	159	4. Ascena Retail	400
5. Five Below	136	5. Shopko	371
6. Ross Stores	100	6. Family Dollar	359
7. Ulta	80	7. GNC	233
8. Tractor Supply Company	80	8. Walgreens	195
9. Hobby Lobby	65	9. Signet Jewelers	159
10. Burlington	50	10. Fred's	159
Total	2,641	Total	5,994

Note: closings/openings are calendarized to attribute them in the year in which they fell or are expected to fall; totals include retailers that have announced multiyear store opening plans which have been recorded based on an estimate for each year; includes Aldi's 5-year plan for openings until 2022

Source: Coresight Research, "Weekly US and UK Store Openings and Closures Tracker 2019: Week 15," April 12, 2019

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While Dollar Tree Inc.—which owns both Dollar Tree and Family Dollar—did **announce closures** of several hundred Family Dollar locations set for 2019, the combined opening of more than 500 new locations helped offset the loss. Dollar General Corp., which is Dollar Tree Inc.'s main competitor, has an even more **aggressive growth plan**, opening close to 1,000 new locations in the first four months of 2019, per Coresight Research.

Dollar stores are by far the most dominant value-store category in the US when it comes to quantity. With well over 30,000 combined locations, the number of Dollar Generals and Dollar Trees dwarfs those of wholesale retailers like Costco, Sam's Club and BJ's, according to Coresight Research.

Number of US Retail Stores Operated by Select Discount Stores and Warehouse Clubs, 2019*

Dollar General

15,472

Dollar Tree

15,237

Big Lots

1,401

Costco

770

Sam's Club

599

BJ's

216

Note: *figures are based on the end of the latest fiscal year for each retailer

Source: Coresight Research, Aug 13, 2019

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(Dollar stores even outnumber Walmart, which has fewer than 5,000 locations in the US, according to its website.)

Consumer interest in grocery shopping at dollar stores has gained significant traction in the past year. According to a report published in September 2019 by TABS Analytics and Caravan Engine, more than half of US internet users said they grocery shopped regularly at dollar stores, compared with just 33% who said the same in 2018. This is a significant shift in consumer grocery habits. Aside from the increased adoption of online grocery shopping (17% in 2018 and 37% in 2019), dollar store grocery saw the largest year-over-year uptake.

Where Do US Internet Users Regularly Shop* for Groceries?

% of respondents, 2014-2019

	2014	2015	2016	2017	2018	2019
Traditional grocery	69%	78%	76%	77%	75%	80%
Walmart	63%	56%	56%	59%	57%	70%
Dollar store	23%	21%	21%	29%	33%	52%
Target	31%	29%	25%	31%	32%	37%
CVS	17%	15%	15%	23%	27%	32%
Walgreens	19%	16%	17%	24%	24%	35%
Costco	16%	20%	18%	24%	23%	29%
Value grocery	5%	19%	14%	20%	22%	23%
Sam's Club	16%	15%	16%	18%	17%	22%
Online (any)	12%	11%	12%	13%	17%	37%
Trader Joe's	-	-	14%	13%	14%	17%
Convenience store	10%	8%	9%	14%	13%	23%
Whole Foods	-	-	10%	9%	11%	16%
Rite Aid	8%	7%	5%	7%	9%	13%
BJ's	6%	7%	5%	8%	6%	7%

Note: ages 18+; *6+ times per year

Source: TABS Analytics, "7th Annual Consumer Value Study: Food & Beverages (Consumables)" conducted by Caravan Engine, Sep 11, 2019

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But trouble could be looming for dollar stores, as Amazon expands its discount offerings, both online and at brick-and-mortars.

Earlier this year, **The Wall Street Journal reported** that the ecommerce giant has plans to open a new chain of grocery stores. Amazon has already entered the grocery space with its acquisition of upscale grocer Whole Foods—and was able to cut prices. Its new venture into even more affordable grocery products could bring greater competition to dollar stores.

Subsequent reporting **from The Journal** revealed Amazon's plan to open its new grocery stores in suburban areas outside of urban city centers, indicating that it will focus on targeting middle-income consumers.

USA Today cited Amazon's expansion of one-day shipping for Prime members as another potential threat to dollar stores. Previously, orders of \$25 or less were not eligible for the free one-day shipping included in Amazon Prime memberships. However, in recent months, Amazon has been rolling back this policy, and now offers free one-day shipping **on select low-price items**.

It's too early to tell whether Amazon's efforts will be able to disrupt the dollar store industry. But if media speculation is correct about the positioning of Amazon's new grocery stores—and if one-day shipping continues to expand—dollar stores could face new challenges in the coming years.