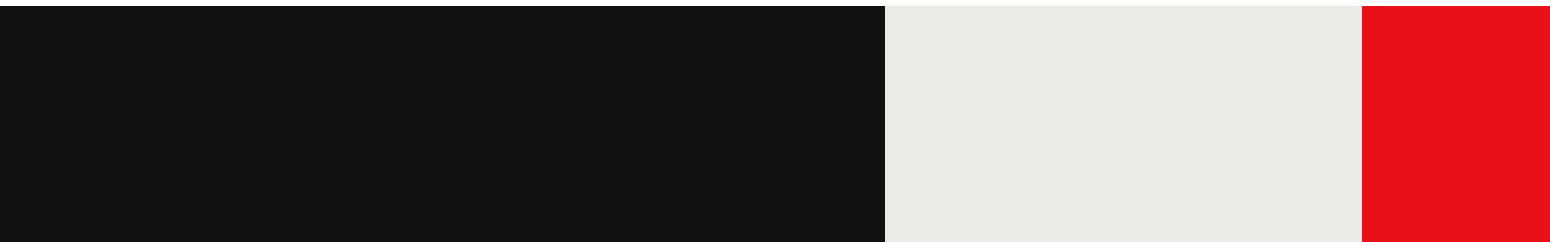



4 things to know about dollar store consumers

Article



Dollar store consumers, especially lower-income households, are facing financial difficulties, relying on [credit cards](#) to cover necessities. [Retailers](#) like Dollar General and Dollar Tree are focusing on pricing and promotions to keep customers shopping, but there has been a decline in discretionary spending from middle- and high-income consumers, who may be turning to mass retailers like [Walmart](#).

Here are four insights into the state of the dollar store consumer.

1. Lower-income consumers are struggling to afford necessities

Over 60% of Dollar General's "core" consumers (households that earn less than \$35,000 annually) say they've had to sacrifice purchasing basic necessities due to higher costs, per the retailer.

"The majority of them state they feel worse off financially than they were six months ago as higher prices, softer employment levels, and increased borrowing costs have negatively impacted low-income consumer sentiment," said [CEO Todd Vasos](#).

To help cover the costs, many consumers have turned to credit cards, said Vasos.

"More of our customers report that they are now resorting to using credit cards for basic household needs and approximately 30% have at least one credit card that has reached its limit."

2. The back half of the month is key for promotions

Comparable sales were lowest in the last week of each month during Q2, according to [Kelly Dilts](#), executive vice president and chief financial officer at Dollar General.

"For us, that really indicates that [the consumer] started to run out of money," she said.

To help "build a bridge" at the end of the month, Dollar General marks down prices or offers promotions across food and beverage and household essentials, said Vasos.

"Those are areas that are best suited for this type of activity. [They're the] categories mainly that really drive that traffic for us, but more so, what that customer was looking for to bridge that time."

3. Middle- and high-income consumers pull back

Dollar Tree saw a pullback in spending from higher-income consumers in Q2, especially on discretionary and bigger-ticket items, according to executive vice president and chief financial officer [Jeff Davis](#).

"People have maybe changed how they celebrate a party this summer, fewer guests, fewer parties," he said. "They're really tightening their belts and the macro economy is driving them to behave a bit differently."

Though the cohort still seeks value, they don't feel as pressured as lower-income households.

- “The job market is still pretty decent, right? It's not as robust as it was, but also unemployment hasn't spiked greatly, if you will, in the last quarter or so,” said Vasos.
- But to get middle- and upper-middle income households to purchase at higher rates, it takes “something a little bit more substantial than we've even seen to occur.”

4. Consumers may turn to mass retailers instead

While Dollar General claims it hasn't lost share to any one competitor, Vasos acknowledged that mass retail is the channel that has done the best to gain share of consumer dollars.

“At least in this quarter, the mass channel, especially those that are down South actually did a lot better in gaining the share that was available in the marketplace,” he said.

Walmart stands to win the most, as it gains popularity with middle- and high-income households while remaining a staple for low-income consumers.

“We're also seeing higher engagement across income cohorts with upper-income households continuing to account for the majority of gains even while we grow sales and share among middle- and lower-income households,” [John David Rainey](#), executive vice president and chief financial officer at Walmart, said in a Q2 earnings call.

Walmart's strength in digital could be a threat to Dollar General, especially with middle- and upper-middle income consumers.

- “We've noticed more and more online activity comes from that cohort,” said Vasos.
- While Dollar General offers [delivery](#) through a few physical locations and a partnership with DoorDash, it's hard to compete with Walmart's ecommerce business, which grew 22% in Q2.
- Walmart Inc. is the No. 2 retailer in the US ranked by ecommerce sales, raking in \$98.82 billion this year, per our forecast.

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