

Despite Retail Woes, Dollar Stores Are Thriving

Article

Declining mall foot traffic and competition from direct-to-consumer brands and **private-label** offerings have hurt mid-tier merchants like Toys “R” Us and Sears. **But dollar stores are flourishing.**

Today, **nearly 30,000 dollar stores exist nationwide**, exceeding Walmart and McDonald's combined. This is up from 20,000 locations in 2011, according to the Institute for Local Self-Reliance (ILSR).

Last year, Dollar General opened 900 stores, while Dollar Tree (which includes Family Dollar chains) opened 276, per November 2018 data from [Coresight Research](#).

Top 10 US Retailers, Ranked by Store Openings vs. Closings, Jan 1-Nov 2, 2018

| Openings | | Closings | |
|-------------------|-----|------------------------|-----|
| 1. Dollar General | 900 | 1. Toys "R" Us | 881 |
| 2. Dollar Tree | 276 | 2. Walgreens | 600 |
| 3. Aldi | 200 | 3. Sears and Kmart | 472 |
| 4. Five Below | 125 | 4. Mattress Firm | 388 |
| 5. Ulta | 100 | 5. Ascena Retail Group | 267 |
| 6. O Bag | 100 | 6. Bon-Ton Stores | 260 |
| 7. Ross Stores | 99 | 7. Best Buy | 250 |
| 8. Gap | 90 | 8. Signet Jewelers | 200 |
| 9. Walmart | 90 | 9. GNC | 200 |
| 10. TJX Companies | 87 | 10. Claire's | 132 |

Note: total store openings=2,846; total store closures=5,006; closings/openings are calendarized to attribute them in the year in which they fell or are expected to fall, including an estimation for Ascena Retail Group, Aldi and Gap

Source: Coresight Research (formerly Fung Global Retail), "Weekly Store Openings and Closures Tracker 2018 #44," Nov 2, 2018

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In 2019, Dollar Tree will renovate a minimum of 1,000 Family Dollar stores and open an additional 550 locations. Dollar Tree's new stores will be located in predominantly suburban areas, while Family Dollar stores will be in more urban locations.

Meanwhile, Dollar General plans to open roughly 975 new locations in 2019, surpassing the 900 stores they launched in 2018. The company's strategy focuses on its location penetration into lower-income cities and rural towns.

Today, most Dollar General stores exist in places with populations of fewer than 20,000 residents, miles away from grocery stores or big-box retailers. Dollar General executives also publicly described their core customers as households making less than \$35,000, but estimated that nearly three-quarters of the US population live within five miles of one of their stores.

Even in today's growing economy, people still exhibit recession-influenced shopping tendencies. According to eMarketer's retail analyst, Andrew Lipsman, "consumer confidence is actually at a high right now, but since the recession, people have developed and internalized a lot of bargain-shopping behaviors that aren't going away—at least for certain types of goods."

Indeed, households with income of \$20,000 to \$39,000 and those with \$100,000-plus income account for equal shares of dollar store consumers (21%), according to an Inmar study from July 2018.

However, while the economy overall improves, gains have not been shared equally by upper- and lower-income households. "And greater numbers of low-income households that continue to struggle to make ends meet make for a sizable customer base for dollar stores," Lipsman said.

With widening income disparities, it's not surprising that dollar stores feed more people in the US than grocers like Whole Foods. **According to private market data from China Store Guide, grocery sales at Dollar General and Dollar Tree neared \$24 billion in 2018, compared with Whole Foods' roughly \$15 billion.**

The increase in grocery sales can also be attributed to dollar stores' efforts to provide a greater diversity of goods to their consumers—specifically lower-income customers. According to Dollar Tree CEO, Gary Philbin, the company implemented Snack Zones—a snack section that includes nuts, crackers, chips, granola and cereal bars and apple sauce, among others—in more than 800 stores in 2018, and will continue this expansion in 2019.

Similarly, Dollar General introduced healthier food options (including their Good & Smart house brand), meat, produce and refrigerated sections to 450 stores in 2018, and said they plan to expand this initiative to 200 more stores this year.

At a mid-2018 conference, Dollar General's CEO, Todd Vasos explained that "[Dollar General's] core customer is always a little bit behind the curve," adding, "better-for-you is starting to emerge as a trend." In December 2018, the company said their plans to offer produce and meat in stores in predominantly rural and urban **food deserts** would, "drive a tremendous amount of traffic."

Food deserts are defined by the U.S. Department of Agriculture (USDA) as a rural community where one-third of residents live more than 10 miles from a grocery store selling fresh produce.