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Why Dollar Stores Are Conquering Retail

A look back at their history, and what's next amid
COVID-19

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Introduction

Many retail stores have significant closures, attributed to the retail apocalypse. In 2019 we saw a record of 9,300+ retail stores close, far surpassing previous numbers. However, Dollar stores were the top 3 retailers in terms of new store openings in 2019.

While many companies have laid off thousands of workers, with unemployment rising past 14%, retail discount providers have needed to ramp up their workforce to meet rising demand.

Dollar General announced they would be **hiring an additional 50,000 associates**

Dollar Tree & Family Dollar announced they would be **bringing on an additional 25,000 workers**

So, what does this mean for the industry? Understanding the rise of the “dollar” store in the United States will help us understand why they’ve been able to thrive in the current climate.

A brief history of dollar stores



The founder of Dollar Tree, Ken Perry, got his start in retail by purchasing a [Ben Franklin store in 1953](#). The Perry family renamed the store to K&K 5&10, while also expanding into the toy businesses in 1970 with K&K Toys.

After years of success, they launched their [first dollar store in 1986](#). They started with five locations, primarily based inside malls and next to their K&K Toy stores. Just five years after opening their first stores, they sold K&K Toys to KB Toys and used all the remaining assets towards [the expansion of the Dollar Tree](#) (renamed in 1993).



The founder of Family Dollar, Leon Levine, got started in retail at a young age. Just seventeen years old, his obsession began for [reselling low-priced items for a profit](#). He learned that factories have slow periods, where they sell their products at lower prices.

He took this knowledge to start the Family Dollar at just twenty-two years old. This had quickly become one of the fastest-growing retail chains in the county, [opening 100 stores](#) within the first decade, and an additional 100 just a year later.

DOLLAR GENERAL®

Dollar General's beginnings can be traced back to the early 1900s. Prior to the company's success, the founder J.L Turner grew up with limited education. After failing to enter the retail space on two separate occasions, he became a traveling salesman for a wholesale grocery store.

After 10 years, he took the knowledge he'd accumulated and began [buying and liquidating general stores](#) during the great depression. He would often bring his son Cal to his meetings, giving him valuable business insights.

In 1939, the father-and-son team opened up a store called J.L Turner & Son Wholesale. Wholesale grew to include retail, and by the early '50s, they were doing more than [\\$2 Million in annual sales](#). In 1955 they opened up their first Dollar General store. Just two years after opening, J.L & Cal Turner had expanded to 29 stores and were doing [annual sales of \\$5 million](#).



To this day, Dollar Tree, Family Dollar, and Dollar General have remained the largest players in the dollar store industry. As of 2018, these three companies accounted for [over 96%](#) of total dollar stores in the United States.

Why they've been successful

Dollar General and the entire dollar store sector have been squeezing their competition. Grocery stores and drug stores continue to scramble as they're unable to match the discounted prices.

Discounts can range from 20-40% of traditional grocery stores

A big factor in their ability to maintain lower prices has been the strategic positioning, the number of locations, and the size of their stores. As pointed out in Forbes, much of the lack of awareness in just how much dollar stores are disrupting the market has to do with geographic ignorance. Dollar and discount stores have found tremendous success in targeting rural areas between cities.

57%

of their clientele live in households
with income of less than \$49,900

30%

get by on less than \$25,000

With this strategic positioning, they are also the largest retailers (in terms of the number of locations) in the United States.

**Over 75% of the population is within five minutes of a Dollar General,
compared to just 37% for Walmart.**

U.S. dollar stores have **over 30,000 locations across the U.S.**, outpacing
the six biggest retailers in the U.S. – Walmart, Kroger, Costco,
Home Depot, CVS, and Walgreens – combined.

These 30,000 locations are significantly smaller than the typical supercenter. Each location is around 7,500 square feet and only requires between two to three employees for any given shift. The combination of low real estate and labor costs allows dollar stores to keep prices lower, while still turning a sizable profit.

Another factor of their success has been their merchandising strategies. According to Neil Saunders, [managing director of GlobalData Retail](#), “their business model is nimble and focused on what customers want; that’s made them a very popular destination not just for low-income customers, but lots of other Americans.”

Dollar stores on average have anywhere from [10,000-12,000 products](#), whereas a supercenter, such as Walmart, can have around 60,000 products.

COVID-19 and what’s next

The [unprecedented spike in demand](#) for food and essential supplies due to COVID-19 is the root cause for these large dollar stores retailers needing to add an additional 75,000 workers. The 2020 sales numbers for dollar stores are astonishing.

Dollar General sales have [grown by 21.7%](#), doubling the growth of both Walmart (10.0%) and Target (10.8%).

Dollar Tree and Family Dollar aren’t far behind, with **first-quarter [growth at 15.5%](#)**.

A reason for this massive growth is their proximity to the U.S. population. People now more than ever are trying to stay close to home, limiting any non-essential shopping.

With over 75% of the population within 5-miles to the nearest Dollar General, families are much more likely to choose to shop at that location. Dollar General’s CEO Todd Vasos also [emphasized at a Q1 earnings report](#) that their, “convenient small-box format [provides] for quick in and out access and limited crowds, both of which are conducive to social distancing.”

This isn’t the first time dollar stores have thrived during economic downturns. During the recession caused by the housing market crash in 2008, dollar stores [saw their net profits increase](#). The three main dollar stores - Dollar General, Dollar Tree, and Family General - will continue to pick at the market shares from the other retailers as we move past Covid-19. Regardless of the economic climate, it seems dollar stores are positioned to thrive.

Recommendations

TREAT ESSENTIAL WORKERS AS ESSENTIAL

The pandemic has proven that frontline workers in drugstores are not only the most critical, they are also the most vulnerable to illness. These frontline workers are being hailed as heroes [across the country](#). In a time where well-staffed, healthy employees are so important to maintaining operations and serving communities, companies need to take better care of their workers. Start by providing standard personal protective equipment, competitive wages, and sick leave.

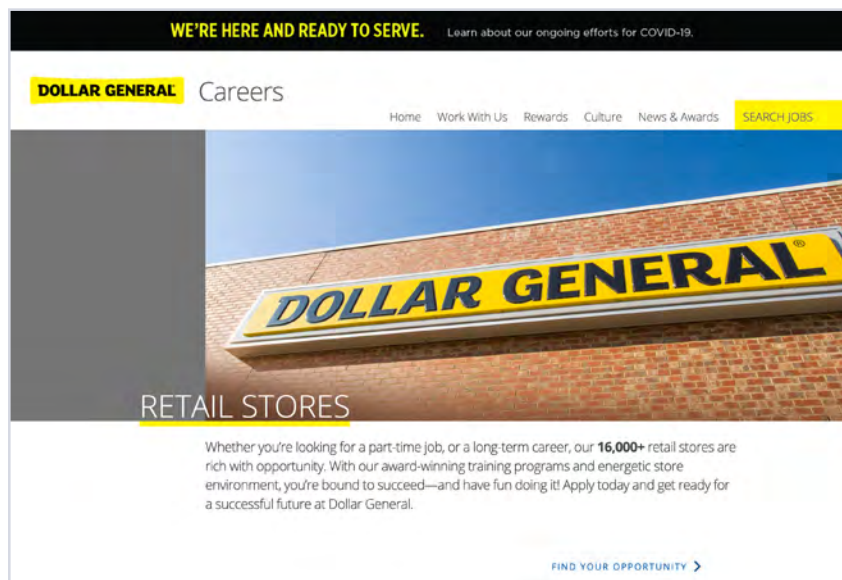
EMBRACE DIGITAL TRANSFORMATION

Covid-19 will forever [change](#) the way we work, shop, eat, workout, and even how we look for work. As U.S. unemployment [surged](#) to nearly 15%, after an all-time low of 3.5%, CVS, Walgreens, and Rite Aid alone are looking to hire more than 65,000 workers.

How can they do this? By implementing recruiting software that provides a mobile-first experience for candidates and hiring teams.

CREATE AN EASY APPLICATION PROCESS

The days of walking into a store and asking for a job application at the counter are long gone. To stay competitive, the application process needs to be as easy as possible. Make the application [mobile-first](#) and don't require an account login. Limit the application to just the required questions for the specific job. Communicate with candidates via text so they don't miss that call or voicemail. Leverage text-to-apply technology so those shopping in your store can text to a shortcode to get started.



Brought to you by Fountain

The talent acquisition platform built for hiring hourly workers that helps companies remove friction and scale their recruiting operations to source, screen, and onboard better people, faster.

COLLABORATION

Fountain is simple for managers to hire & onboard workers while running their business

COMMUNITY

Network with industry leaders and have productive conversations in our Hourly Recruiting Community

ROBUST ANALYTICS

Location, region, and company-level dashboards with real-time analytics and quick improvements

SAVED TIME

By automating sourcing, screening, and scheduling tasks, recruiters can focus on finding and hiring top talent.

CENTRALIZATION

No more toggling between systems. Fountain seamlessly connects with your other systems for an all-in-one experience

MOBILE FIRST

From apply to accept, Fountain is designed for on-the-go candidates and managers on their device of choice.

“We are having applicants complete interest forms within 30 to 45 minutes of the posting. We can post a job today and have a few candidates in front of a hiring manager to interview tomorrow.”

Regina Parker, HR Manager, Albertsons E-Commerce Unit (Safeway’s parent company)

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