

Where the DOLLARS Are

Dollar stores represent the fastest growing sector in retailing. And everyone is taking notice.

INSIDE

Understanding the D-Store Consumer
Who the dollar store shopper is, was and will be in the future.

Big Store, Little Store
Three stores versus 3,000. A look at the opposite ends of the dollar store spectrum.

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A conversation with Dollar Store Expo's Dell Holden.

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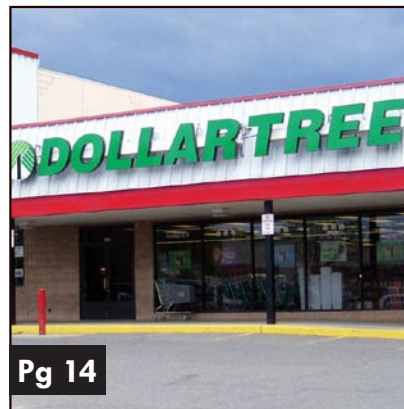
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Dollar stores represent the fastest growing sector in the off-premise retail business. And everyone is taking notice.

What started as a gentle summer breeze has developed into a mighty gale-force wind. Dollar stores, once perceived by many as places for those families and individuals with low and fixed incomes to shop for bargains, have become so pervasive, so mainstream, it's impossible not to take notice. Want proof?

Dollar Stores Today

- ➔ [ACNielsen](#) has identified dollar stores as the fastest-growing retail segment in the U.S. today.
- ➔ Channel leader [Dollar General](#) averages 50-60 new store openings per month.
- ➔ With nearly 7,500 units, Dollar General operates more stores in 30 states than [Wal-Mart](#) does worldwide.
- ➔ Virtually every other channel of trade has mimicked dollar stores in one form or another.
- ➔ Dollar General and [Family Dollar](#) have more stores than the top five supermarkets. Combined.
- ➔ [Willard Bishop Consultants, Ltd.](#), a leading retail consultant, projects that by 2010 there will be more dollar stores in the United States than supermarkets.
- ➔ In terms of store count, two of the top three U.S. retailers are d-stores.

And that's just for starters. As a dedicated channel of trade, dollar stores are in their relative infancy.



Where the DOLLARS Are

By Bob Phillips

The Day the Earth Stood Still

The timeline on the dollar store industry extends back to the 1950s – actually, well before that when the “5 and dime” store was an integral part of the American retail landscape. However, many experts point to the devastating toll exacted by the ghastly events of September 11, 2001, and its economic aftermath, as significant factors in the recent growth of dollar stores.

In fact, the American economy was in a tailspin well before the events of that horrific day. While experts debate whether the economic downturn actually began in November 2000 or March 2001, signs of recession – loss of jobs and the ensuing lack of confidence in the overall economy – were already rearing their ugly heads. And that, naturally, had many families focused on cutting corners.

“What has happened in recessions past is consumers become more price oriented and you get a down-market shift,” observes Carl Steidtman, chief economist for [Deloitte Research](#). “The tragedy of September 11 just accelerated that.”

Indeed, several dynamics converged to fuel growth in the dollar store channel.

“Rapid store count growth is making the format accessible to more people,” explains ACNielsen

D-STORE CLOSE-UP

National brands account for 51 percent of all sales at d-stores; store brands make up 25 percent of the product mix; the remaining 24 percent is unbranded or generic merchandise.

Source: Meyers Research Center’s Dollar Store Close-Up, 2003

With nearly 7,500 units (including its new Market format) Dollar General operates more stores in 30 states than Wal-Mart operates worldwide.

A photograph of a Dollar General Market store exterior. The sign above the entrance reads "DOLLAR GENERAL Market" in yellow and red lettering. The store has a brick facade and a large glass entrance. A blue car is parked in the foreground.

senior vice president Todd Hale. “Also, the tough economy is prompting more people to become bargain shoppers. Finally, dollar-store retailers have made their stores more appealing by cleaning them up aesthetically and improving both the assortment of products they carry and the quality of those products.”

According to ACNielsen, since 2000, the top five d-store chains – Dollar General, Family Dollar, [Dollar Tree](#), [Fred’s](#) and [99 Cents Only](#) – have added over 4,445 stores, representing a 44-percent increase. In 2003 alone, over 1,700 new stores were added to the channel’s store count by the five majors. Ironically, while everyone points to Wal-Mart as the key driver in retail expansion, the Bentonville, Ark.-based giant has opened only 424 new stores over the past four years, according to [TDLinx](#).

Overall, the channel has grown from 11,683 stores in 2000 to 17,070 in 2004, a 46-percent gain. Furthermore, ACNielsen Homescan data reveals that two-thirds of all American households visited d-stores in 2003, with the average family making 12 return visits per year.

[Retail Forward, Inc.](#), a Columbus, Ohio-based retail marketing and consulting firm, expects the trend to continue, with the overall d-store market



Market leaders Family Dollar and Dollar General operate more stores than the top five U.S. supermarket chains combined.

increasing by another 50 percent over the next five years.

“The small-format value retailing sector is on a rapid expansion trail and market saturation is more than a decade away,” explains Sandy Skrovan, vice president for Retail Forward. “We expect market leaders to continue their rapid growth course, extending their appeal as a convenient, easy-to-shop value alternative to big-box stores.”

“Rapid store count growth is making the format accessible to more people.”

**—Todd Hale
ACNielsen**

While similar to the major discount chains in terms of price point – albeit usually lower – the “small format” quality of most dollar stores gives them a huge advantage in convenience over their big-box competition.

“People are looking for convenience and value,” says Jeff Friedlaender, vice president for New York-based market consultant firm [Meyers Research Center](#). Dollar stores deliver both.”

Although convenience stores offer convenience, they charge a premium for it. And mass merchandisers offer value, but when was the last time you heard someone describe a trip to Wal-Mart as “convenient”?

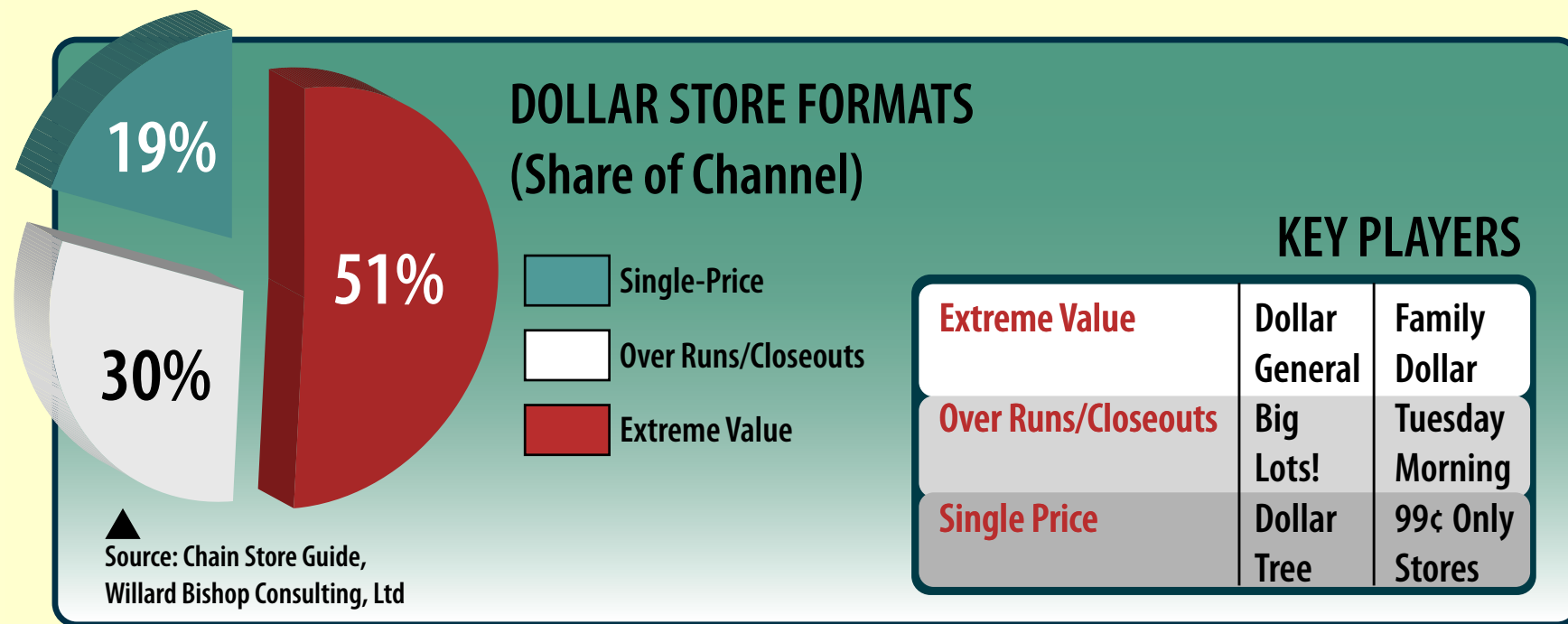
“Dollar stores have become one of the few places that you can park right in front, go in, get a few items and get out quickly and easily. And you know what? You can get some pretty good deals at the same time,” notes Friedlaender.

A down economy may have provided impetus for new consumers to sample the dollar store channel, but once there, many liked what they saw and became regular d-store shoppers.

“Once people go to dollar stores, they tend to go back frequently.”
 —Jeff Friedlaender
 Meyers Research Center

“What we’re seeing is that once people go to dollar stores, they tend to go back frequently,” Friedlaender says. “It’s becoming a destination in a number of different categories.”

That includes, more and more, consumables. “We find that people are stopping in for their favorite snack or beverage on their way to work or school,” says Dell Holden, director of retail relations for the [Retail Dollar Store Association](#) and Dollar Store Expo. “They find the locations convenient, and they’re in and out quickly.”



Misunderstood Channel

So what exactly is a dollar store? To begin with, the term “dollar store” doesn’t necessarily mean that every item on the premises is priced at a buck. For some stores that is the case. For others, however, the pricing structure is similar to the mass-discount trade – with smaller basket rings at the end of the trip.

“That’s the first thing you think of when you hear ‘dollar store,’ but it’s not what the term has come to mean,” says David Bishop, director of Willard Bishop Consultants, Ltd. “Dollar Tree and 99 Cents Only might be true ‘dollar stores’ in that they sell everything in the store at one price point, but when you ask someone to name a dollar store, you’ll most likely get Dollar General or Family Dollar as a response.”

Both of those companies – the leading chains in the channel – are not simply “dollar stores” but, rather, employ an everyday low-price strategy

with price points generally ranging from \$1 to a maximum of about \$20.

“It’s a very misunderstood channel,” continues Bishop. “We look at dollar as a separate trade class the same way we look at mass vs. discount, or even wholesale clubs. Mass and discount stores are so incredibly different from dollar stores – from a merchandising perspective, from a square-footage perspective, from a price-point perspective, and from the way consumers shop.”

Today’s dollar store channel is comprised of three types of stores:

D-STORE CLOSE-UP

In terms of store count, two of the top three off-premise retail chains in the U.S. are dollar stores.

Dollar General (6,525) 7 Eleven (5,365) CVS (4,177)
 Family Dollar (5,160) Walgreen’s (4,231)

Source: TDlinx, as of 12/31/03

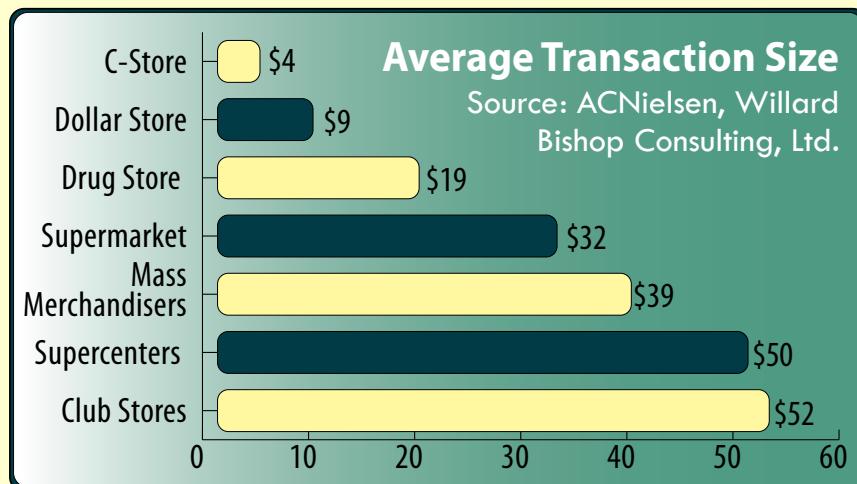
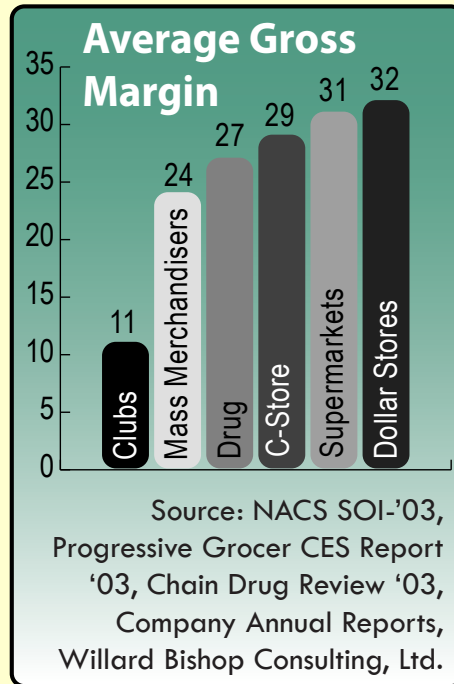
“It’s a very misunderstood trade class.”

—David Bishop

Willard Bishop Consultants

- ➔ Extreme value (examples: Dollar General, Family Dollar)
- ➔ Single-price (Dollar Tree, 99 Cents Only)
- ➔ Over-runs/Close-outs ([Big Lots!](#), [Tuesday Morning](#))

Extreme value retailers carry an assortment of branded products in several categories, but SKUs within those categories are minimal. In this segment, merchandising is done in simple, convenient increments, such as \$1, 2 for \$3, \$2.50, \$5, \$10, etc., and the average



price per transaction is also usually lower than the mass retailer.

“The average basket at a Dollar General is about 3 percent to 5 percent lower than Wal-Mart,” says Bishop. “That’s why Wal-Mart is so interested in Dollar General. On a basket or transaction basis, Dollar General will typically offer a stronger value to the consumer. And since many consumers shopping at Dollar General are Wal-Mart’s target consumers, they’re concerned with it.”

Some industry analysts predict that Wal-Mart’s interest will inevitably bring the world’s largest retailer into the channel beyond the Pennies-n-Cents dollar aisles currently being tested in its stores.

“[Dollar stores] are a major threat, so much so that Wal-Mart will eventually have to buy one of these chains or start one,” observes John Stilgoe, professor of visual and environmental studies at Harvard University and a noted historian.

“There is room in the retail environment for all types of competitors,” counters Wal-Mart spokesperson Sharon Weber.

While extreme value retailers aren’t locked into a single price-point, the \$1 tag remains an important part of the mix. At channel leader Dollar General, for instance, 33 percent of the merchandise is priced at \$1.

“We have one thing in common with Wal-Mart,” explains David Perdue, chairman and CEO of Goodlettsville, Tenn.-based Dollar General. “Both companies took a down-home approach to satis-

fying an underserved customer. Wal-Mart competes on price and assortment. We compete on price and convenience.”

Single-price retailers are self-explanatory. They are the “traditional” dollar stores that sell products at one price point, such as 99 cents or \$1. Most of their products are non-consumables (paper goods, house wares, HBC items, cleaning supplies, clothing, etc.) and are purchased from brokers and distributors that cater exclusively to the dollar store channel.

Often the items are produced in Asia or Eastern Europe, and are imported by the crate. Many independent dollar store retailers fall into this grouping. Closeout and discontinued merchandise also make up a portion of the product mix for this segment.

How in the world can anyone make a profit by selling everything for a buck? Controlling supply chain costs is critical, and dollar retailers strive to average their costs at around 60 cents per item.

Over-run and closeout chains typically purchase goods from stores that have gone out of business, from manufacturers that have over-produced, from chains in other channels – primarily supermarkets and mass merchandisers – that have over-ordered, and from product lines that have been discontinued. They typically pay cash for their inventories, then move the products through their stores priced 40 percent to 50 percent below the original suggested retail tag.

Overall, according to data provided to *Dollar Retailing News* by Bishop Consulting, extreme

value retailers make up 51 percent of the dollar store market, followed by over-run/closeout retailers (30 percent) and single-price stores (19 percent).

“Stores in more upscale areas take longer to develop.”

—Eric Schiffer

99 Cents Only

Cool Beans

The introduction of coolers into the Dollar Castle environment mirrors one of the growing trends in the dollar store channel. Many dollar stores, regardless of format, merchandise beverages in cold boxes near the register to spur spontaneous purchases and immediate consumption. Dollar General has embarked on a major push into consumables with its Dollar General Market concept, introducing coolers and freezers into its mix.

“They’ve become a one-stop shop,” observes Friedlaender. “Combine that with value and convenience, and you’ve got a great selling proposition.”

Dollar General Markets are about twice the size of a regular Dollar General, averaging in the neighbor-

hood of 16,000 square feet. Among the products carried in Dollar General’s cooler program are dairy, eggs and luncheon meats, while frozen foods and ice cream are staples of the chain’s freezers.

According to Retail Forward, food made up 42.3 percent of Dollar General’s product mix in 1998. Five years later, that number had grown to 61.2 percent. Closeout chain Big Lots! has also expanded its consumable offerings with positive results. In fact, many of the consumables at Big Lots! have been placed in an automatic replenishment program.

Thrill Factor

The evolving shopping environment offered by dollar stores has resulted in more upscale consumers sampling the channel – many enchanted by the thrill of the hunt.

“Absolutely,” says Friedlaender. “When we asked people to rate different store formats, the thing that just jumped off the page was that people really enjoy shopping in dollar stores, and I don’t hear the word ‘fun’ associated with shopping very often.”

This ever-growing phenomenon – the “joy of hunting” – has led many higher-income consumers to experiment with d-store shopping. For instance, 99 Cents Only, which operates about



Comparison Shopping

Which Gives Better Value?

Television station WETM, Channel 18 in Elmira, NY conducted an informal survey this spring, purchasing four bought four branded items from Wal-Mart, Dollar General, Family Dollar and Dollar Tree. While the cash outlay was significantly less in the Dollar Channel, the overall value proposition was a matter of conjecture.

Comparison shopping between dollar stores and mass merchandisers can be like comparing apples to oranges, since SKUs vary from chain to chain. So *Dollar Retailing News* decided to even the playing field by taking WETM’s sample and pro-rating the costs on an equivalent volume basis.

For instance, all the chains sold Suave Shampoo in a 15-ounce bottle, so no common denominator was necessary. However, Colgate Toothpaste was measured using a “common” volume unit of 6 ounces; Bounty Paper Towel, 330 sheets; and Downy Fabric Softener, 64 ounces.

Furthermore, since Dollar Tree did not sell Downy, which effects both the total basket and pro-rated basket measures, *Dollar Retailing News* also evened the playing field completely by averaging the cost of the basket per-item. ■

PRICE COMPARISON	Wal-Mart	Family Dollar	Dollar General	Dollar Tree
Suave Shampoo 15-oz. bottle	\$0.96	\$1.00	\$1.00	\$1.00
Downy Fabric Softener 64-oz.	\$5.86	\$2.00	\$5.60	Not Sold
Bounty Paper Towels 330 sheets	\$3.33	\$3.50	\$3.50	\$5.50
Colgate Toothpaste 6.0-oz.	\$2.44	\$2.00	\$2.75	\$1.50
TOTAL	\$12.59	\$8.50	\$12.85	\$8.00
AVERAGE COST PER ITEM	\$3.15	\$2.13	\$3.21	\$2.67

Source: WETM 18, Elmira, NY



▲ Target’s dollar section is called “1-Spot,” and is located at the entry point in its stores.

220 stores, primarily in California, reports that its store on Wilshire Boulevard in the Westwood section of Los Angeles – just a stone’s throw from Beverly Hills – is the chain’s busiest store.

“People have this preconceived notion of what dollar stores are all about,” says Eric Schiffer, 99 Cents Only’s CEO. “The stores in more upscale areas take longer to develop, but the upside is that when they finally mature, they’re often among our company’s best stores.”

Brand Power

Indeed, one would be hard pressed to court an upscale shopper without offering a wide selection of branded merchandise. According to Meyers Research Center, name brands account for 51 percent of all sales at d-stores, while private label chips in with 25 percent and unbranded

merchandise accounts for 24 percent of sales in the channel.

“Dollar stores concentrate on branded merchandise because it reinforces value to their consumer,” explains Ben Ball, vice president for [Dechert-Hampe](#), a sales and marketing consulting firm, with offices in Trumbull, Conn., Northbrook, Ill. and Mission Viejo, Calif. “It is much easier to calibrate a credible ‘bargain’ when you are shopping brands that are familiar to you.”

According to Ball, manufacturers see this trend and are aggressively responding. “P&G reportedly does as much volume in the dollar channel now as it does with Wal-Mart,” he says. “Like club stores, dollar stores need brands to succeed.”

The biggest difference is the number of SKUs available per category, and smaller package sizes, which helps in keeping costs lower.

“A Hershey’s bar gives you instant credibility,” notes Adam Bergman, the former director of investor relations for Chesapeake, Va.-based Dollar Tree.

Targeting D-Stores

If imitation is the purest form of flattery, then dollar stores should feel honored, indeed. From Wal-Mart to

[Target](#), [Albertson’s](#), [Stop & Shop](#) and [ExxonMobil](#), virtually every successful retailer in nearly every channel has either incorporated some aspect of the dollar concept into its own format, or is considering doing so.

Target’s dollar section is called “1-Spot,” and is located at the point of entry in its stores. The Minneapolis-based mass retailer is hopeful of being able to bring at least some of the “thrill of the hunt” into its stores.

“It’s a part of the fun of shopping,” explains Target spokesperson Lena Michaud.

In this context, the term “dollar” either can be taken as the ultimate in channel blurring, or a cross-channel category of merchandise unto itself. And yet, try as they may, the other channels will probably never be able to recreate the dollar store experience.

“Dollar sections in grocery and mass do not provide the same ‘treasure hunt’ experience,” Ball says. “One of the keys to the dollar store experience is that shoppers never

know what bargain they may find.”

Because dollar sections are not central to the core businesses of the other channels, many industry experts are skeptical about their legs.

“The challenge with dollar [sections] is in execution,” explains Ron Margulis, managing director of [RAM Communications](#), a marketing communications firm based in Westfield, N.J. “There is a tendency among retailers to let these spaces lapse

into a state of mediocrity.”

But perhaps the most important factor in the long-term viability of the channel is that everyone – retailers and suppliers alike – is making money. Indeed, dollar

stores generate the highest average gross margin (32 percent) of any off-premise retail channel.

“Their stores are generally 10,000 square feet or less and many are in strip malls, which are begging for occupancy,” Ball says. “Low fixture costs, low inventory costs and high turns translate into high margins.” ■

“The challenge with dollar [sections] is in execution.”
—Ron Margulis
RAM Communications



Who the dollar store shopper is, was, and will be in the future.

Dollar stores were once thought of as the last outpost in the retail universe – tacky backwater stops that offered little more than trinkets and junk, mostly from Eastern Europe and Asia. Dollar store shoppers were thought to be the very same people seen slugging it out each afternoon on “The Jerry Springer Show” – or, at the very least, the people sitting in the audience. Or perhaps they were fans on their way to Wrestlemania looking for some cheap projectiles to launch into the ring. Maybe they were just unable to afford to shop anywhere else.

In other words, they were always someone else, but never mainstream consumers; never you and me.

But as it turns out, many d-store shoppers were the people watching the Springer show. And just

Understanding the D-Store Consumer

By Bob Phillips

like sneaking a peek at Springer’s sometimes fascinating, always low-brow program, there was some sort of self-mandated shame associated with an excursion to the dollar store.

Thankfully, those days are long gone. Today there is no embarrassment involved in shopping a d-store. Indeed, dollar stores are considered to be trendy by many.

“There once was a stigma attached to dollar store merchandise – the ‘you get what you pay for’ mindset,” says Dell Holden, director of retail relations for the [Retail Dollar Store Association](#), which runs the [Dollar Store Expo](#). “If you’re buying something cheap, it must be of low quality. But today, a great dollar store operation will have a mix of products that includes national brands, private label and closeouts. That mix has spurred the growth of interest in the channel.”

The Average D-Store Shopper

So what exactly does the “average” dollar store shopper look like? Without question, that demographic was decidedly downscale about a decade ago. Lower-income households have always been an integral part of the d-store mix, and continue to be so today. According to [ACNielsen](#), dollar stores had a 77-percent penetration rate among

households earning less than \$20,000 per year in 2002, up from 67 percent in 2000.

But penetration rates are up substantially in all household income groups. Perhaps the most fascinating growth comes at the higher end of the scale, where the channel’s penetration rate among households earning in excess of \$70,000 grew from 37 percent in 2000 to 49 percent in 2003.

That’s right. Nearly half of all families earning more than \$70,000 are dollar store consumers. Can you believe it?

Believe it. According to [Retail Forward](#), a Columbus, Ohio-based marketing and consulting firm, 36 percent of all U.S. households shop at dollar stores on a monthly basis

“Dollar stores are benefiting from what I call the ‘curiosity factor,’” explains ACNielsen senior vice president Todd Hale. “People want to see what’s available on deep discount.”

“There isn’t the same stigma there was 10 years ago about going to a dollar store,” notes Adam Bergman, the former director of investor relations for Chesapeake, Va.-based [Dollar Tree](#). “People used to think dollar stores offered lower-quality merchandise. Now people see name-brand merchandise they trust.”

Once inside the store, all consumers of all income levels seem to be enthralled with the “thrill of the hunt,” in search of the ultimate bargain. For example, in the Westwood section of Los Angeles, [99 Cents Only](#) operates a store just two miles from ultra-trendy Rodeo Drive. According to company

Dollar Store Expo Targets the \$5.00 or Less Retail Price Points

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president Eric Schiffer, it is the 99 Cents Only chain's best-performing store with annual sales of more than \$10 million, compared with \$4.9 million for an average 99 Cents Only store. And the clientele is decidedly upscale.

“Half of the people are buying brand-name merchandise.”

—Jeff Friedlaender

Meyers Research Center

While the “thrill of the hunt” may have brought upscale consumers into the dollar store franchise to begin with, many obviously like what they see and have decided to stay.

According to ACNielsen, of those families earning \$70,000 or more that shop the channel, the average number of trips per year is eight – or once every six weeks. Not too shabby for a channel that was treated with disdain by the upper crust not so long ago.

The Future Is Bright

Using data provided by [Meyers Research Center](#), a straight demographic profile of “the typical dollar store consumer” would describe a female aged 54 or younger with an income of under \$35,000. But the channel is growing at such an explosive rate, using a cookie cutter approach to define the “typical” d-store consumer would not be accurate.

Drilling down further, we find that while 44 percent of dollar store consumers have household in-

comes of under \$30,000 per year, 25 percent are over \$50,000. And Retail Forward reports that 25 percent of American households earning \$100,000 or more have shopped at a dollar store at least once in the past six months.

In terms of age, the largest group of consumers, according to Meyers Research Center, comes from the 45-and-over set. That’s good news in terms of long-term growth, as the baby boom generation ages and retires – many on fixed incomes.

And let us not forget the college crowd. Meyers Research Center reports that among all d-store shoppers, 18 percent are aged 18-24.

“It’s only logical that college students would shop dollar stores because of the value offered and the fact that they live on strict budgets,” Friedlaender reasons, adding it’s important to note the improvement in quality of merchandise over what might have been offered in the past, as a major reason for all income segments to shop the channel.

“It used to be you could get a good value, but maybe the quality wasn’t on par with some of the name brands,” Friedlaender says. “When we talk to people in the stores, half of the people are buying brand-name merchandise.

“The ones that are going back again and again are doing so, for the most part, to buy brand names. And the quality of generic and private-label products has gone up as well.” ■

Bargain Hunting in the Burbs

A report that aired on National Public Radio in September 2003 profiled the “new” d-store consumer. In it, shoppers were interviewed as they shopped a Dollar Tree store in Rockville, MD.

“We don’t have to come here, you know,” said Maryanne Keithley, a consumer from DC’s affluent suburbs.

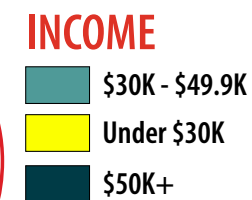
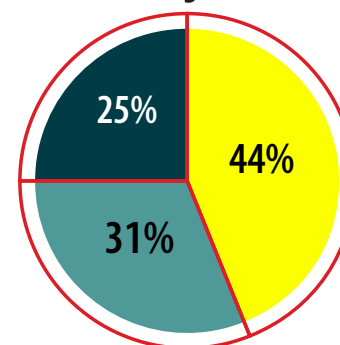
“We love it,” chimed Keithley’s friend, Betty Rubin. “If you can’t find something in here, you go some other place and you’ll pay the price. But many times, we just find what we want in here.”

Ah, the thrill of the hunt.

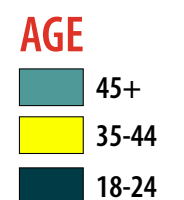
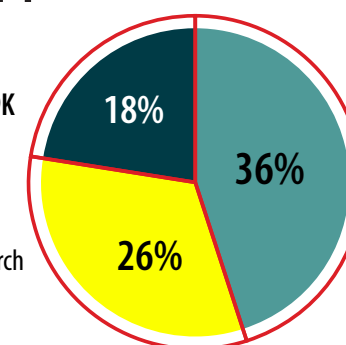
In fact, over a third of all Americans visit a Dollar Store each month. The channel attracts these shoppers with everyday staples that need constant replenishment. Most recently, consumables have become part of the d-store mix, making the dollar store a destination stop for many – not unlike a convenience store.

Just cheaper. And a whole lot more fun. ■

Heavy Dollar Store Shoppers



Source: Meyers Research Center Dollar Store Close-Up 2003



Source: Meyers Research Center Dollar Store Close-Up 2003



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▲ With over 2,750 stores in the 48 contiguous states and growing, Dollar Tree is the clear leader in the single-price segment.



▲ Located in midtown Manhattan, Jack's is two stores in one: Downstairs is Jack's 99¢ Store, and upstairs is Jack's World, a bargain hunter's paradise.

BIGstore LittleSTORE

-By Laurie Russo-

Everyone loves a deal. Some want it, others need it. In this day and age, Americans are even more pressed to make their dollar go further, given the rise in gasoline prices. And these Americans are heading for dollar stores in droves.

to reduce costs while maintaining price. According to Hoovers.com, about 40 percent of [Dollar Tree's](#) merchandise is imported – primarily from China – with closeouts representing less than 15 percent of inventory. Dollar Tree's product mix includes

Dollar Tree has nearly 3,000 stores, Jack's has three. Both are successful. A look at the opposite ends of the dollar store spectrum.

Dollar stores come in all shapes and sizes, from the almost 8,000-store [Dollar General](#) (which doesn't limit prices to a buck) to those independent 99-cent places found in almost every town. Somewhere in the middle is Dollar Tree of Chesapeake, Va., the leader (2,780 stores in 48 states as of April 15) in the single-price-point/everything-at-a-dollar segment of the channel.

"The smaller local stores are increasingly challenged to maintain their margin structure with the dollar price-point because inflation is going up," observes David Bishop, director of [Willard Bishop Consulting, Ltd.](#) "If you've locked yourself in at a dollar, where do you go from there?"

Some forecasts, he says, would suggest that smaller competitors may have to migrate upward from a dollar, or buy more imports, allowing them

health and beauty care, household items/housewares, food and beverages, toys, party goods, stationery, books, pet supplies, automotive products and seasonal items.

"There's a very clear seasonality to Dollar Tree's business," notes Bishop. "They do almost a third of their business in the fourth quarter holiday season, while the first three quarters are relatively stable in terms of sales." (Consumables have become the single most important category in Dollar Tree's product mix, having accounted for 41.2 percent of sales in fiscal year 2004. Seasonal goods finished a distant second at 9.3 percent.)

Dollar Tree has also been experimenting with national TV advertising. "In test markets where they did have TV, they saw incremental sales of about 5 percent over markets that didn't have it in

that same time period,” says Bishop. “Dollar Tree is building its brand, building consumer awareness and obviously looking to build trip occasions for the consumer.”

Toward that end, the company opened two distribution centers in 2004 to reduce transportation

“The trick to a good close-out business is to keep the merchandise changing.”

—Ira Steinberg
Jack’s World

costs, has rolled out chainwide POS terminals, and by the beginning of next year expects to complete an automatic replenishment system for 800 to 1,000 basic items to reduce out-of-stocks.

But no matter the size of the chain, dollar consumers come in looking for a bargain, and relish the thrill of the hunt .

The Bloomie’s of Dollar Stores

Only the most jaded New Yorker would fail to be amazed at the scene that unfolds at Manhattan’s Jack’s 99¢ Store/Jack’s World every day at lunchtime. Savvy shoppers converge on the place to pick up everything from a cold beverage to a handful of fresh bamboo. The clean, bright, efficiently organized store is well-equipped to handle the crush – you’ll find no haphazard piles of subpar seconds littering the aisles at Jack’s, known as “the Bloomingdale’s of dollar stores.” No sooth-

ing Muzak, either... the music, like everything else here – including the staff – is decidedly upbeat. Are we really in New York City?

“There’s a wonderful energy in the store,” smiles the enigmatic Jack. (Yes, there is a Jack, but that’s all he’ll tell us.) “You feel it when you walk in, and it makes being here a fun experience.”

The Jack’s experience in Herald Square is two-fold – downstairs is Jack’s 99¢ Store, which sells quality merchandise at 99 cents. Cooler doors abound with every beverage imaginable, as well as other consumables, household goods, health and beauty items, toys and housewares.

Upstairs you’ll find Jack’s World, which carries slightly higher-priced merchandise and seasonal specials. Here, you could be forgiven for thinking you’re in a department store. The goods are high-quality, well-presented and timely. From throw pillows to picture frames, candles to small appliances, gourmet food items to fragrances, Jack’s World is a bargain-hunter’s paradise. But being located just steps from Madison Square Garden in the heart of midtown Manhattan, distribution must present itself as a logistical nightmare.

Not so, says of Vice President of Merchandising/Operations Ira Steinberg, as he shows off the warehouse and freight operation. “We have separate freight on either side of the building. One side accommodates the 99-cent store, the other side Jack’s World. It operates as two separate entities – separate management and organizations.”

There’s also a different vibe on each floor, but both are equally inviting in their shopability.

“We try really hard to keep the store interesting and fresh,” Steinberg says. “We have a little bit of everything – we touch on all categories, but the trick to a good closeout business is to keep the merchandise changing all the time.” Wanting to give the store a unique look, Jack’s uses higher-quality fixtures than most discounters. “It’s more like what you’d see at upscale retail stores – better lighting, nice colors, wood floors,” notes Steinberg. “We tried to make it aesthetically pleasing.”

And Steinberg is quick to point out that Jack’s doesn’t sell “cheap” merchandise. It’s mainstays are national brands, licensed goods and closeout items.

“We’re not just selling dollar merchandise, we’re selling high-value merchandise for a dollar,” adds Jack. “We were strictly in the dollar business, but it was natural for

Dollar Tree



▲ By the beginning of next year, Dollar Tree expects to have completed implementation of an automatic replenishment system for 800 to 1,000 basic items to reduce out-of-stocks.

Jack’s 99¢ Store



▲ Jack’s 99¢ Store in New York offers shoppers a dual experience: all items downstairs are 99 cents; upstairs are higher-priced closeouts and seasonal specials.

us to go into over-a-dollar closeouts – which is clearly separated by a floor – because too many opportunities from vendors were constantly in front of us.”

Much the same way [Target](#) and [Wal-Mart](#) want to go into the dollar business, Jack’s is going into theirs, but at a far more manageable size for shoppers. “People in New York just don’t have the time to shop a 100,000-square-foot store on their way to or from work,” explains Jack.

and when I took a good look at it, it hit me in my core,” he recalls. “Only when you feel that way about something is it real and honest. It’s no longer a mental thing. This hit me in the heart. I felt I knew more about this business than anyone, just because of my history and the products I’d be able to sell.”

Customers and employees are Jack’s No. 1 priority.

“I treat both like gold,” he says

“It’s easy at a dollar to make everybody happy.”

**—“Jack”
Jack’s 99¢ Store**

And everybody, especially in New York, loves a bargain. Rich or poor, everybody loves getting that higher perceived value, and that’s the feeling Jack’s tries to keep fresh on a daily basis.

Jack himself has been in retail for nearly 30 years, with experience in everything from pharmacy, health and beauty, general discount stores and ladies’ clothing to flea markets. Then someone he knew had vacant retail space, wasn’t sure what to do with it and asked Jack to help.

“I noticed the one thing that was different was the dollar business,

with pride. “There’s nothing a customer could do that I wouldn’t give them double their money back if they’re not satisfied. Lost your receipt and need to return something? No problem. If I had hundreds of stores, I couldn’t do that. It would wipe us out. It’s easy at a dollar to make everybody happy, no matter how wrong they might have been.”

And that includes vendors.

“I wouldn’t buy from someone to the point where they aren’t making money,” he says. “I leave money on the table for everyone, and pay as fast as I can.” ■

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Dollars and \$ense



Dollar Retailing News chats with Dell Holden, Director Retailer Relations, Dollar Store Expo

DRN: CAN YOU GIVE ME A MISSION STATEMENT, THAT WILL TELL ME WHY EVERYONE CONNECTED WITH THE DOLLAR STORE INDUSTRY ABSOLUTELY, POSITIVELY HAS TO BE AT DOLLAR STORE EXPO?

Holden: The [Dollar Store Expo](#) serves the deep-discount dollar and in-store value programs for all classes of trade. The major focus is to bring together vendors that can fill the product needs for all levels and types of retailers, as well as up-to-the-minute information and education for the \$1-\$5 retail channel.

DRN: SO WHY DO YOU HAVE TO BE THERE?

Holden: It's a great mid-year resource for retailers. It lets them take a snapshot of where they're at for the year with their products, and come to the show

WHY YOU NEED TO BE AT DOLLAR STORE EXPO



◀ FAR LEFT: For suppliers, between 1,200 and 1,500 key buyers are expected.

◀ LEFT: For retailers, about 400 companies will be displaying approximately 15,000 products.

hoping to source products that will offset slow performers and make a run at the end of the year. It's also a great networking resource for suppliers, distributors and retailers – particularly smaller operators. It gets them in touch with people that are experts in particular areas such as distribution, product assortment, delivery and dates, etc.

My goal is to have a schedule of pre-sent appointments around the clock. All the seminars will be held on the first day that will hit on all the main issues affecting the dollar store industry. The second day will be devoted to business meetings on the exhibit floor.

The strength of Dollar Store Expo, because it's so focused, is that it's a get-in, get-out show. I have lots of experience with larger shows, and I've found that with them, the first day is basically spent collecting information. The second day is when the orders take place. We did run a seminar on the second day in our fall show, but it had minimal turnout.

Dollar Store Expo is the only dedicated event in the country serving the needs of the \$40 billion

channel, and it offers opportunities for both sides of the business like no other event can. It's a business development show for the major chains, where they will meet with vendors who can fulfill their dollar and in-store value programs, and it's a place where every independent of small chain can come and fulfill their product needs from small unit buys to case and pallet loads. It's a catch-all show that services every level.

DRN: WHAT ABOUT FUN STUFF?

Holden: We're having a poolside party at the Hard Rock Hotel on the opening night. The open bar will be 5:30-7:30. It's a great networking opportunity for all attendees – especially if they haven't gotten hooked up on the show floor for one reason or another. It's a low-key social setting where they can strike gold. We've got entertainment scheduled – a local band that plays a good mix of songs.

It also coincides with the first day of summer, which should be a good time. That ties into the poolside setting. Plus, the Hard Rock Hotel has a celebrity factor.

DRN: HOW MANY PEOPLE ARE YOU EXPECTING?

Holden: Somewhere between 1,200 and 1,500 key buyers are expected to attend. It's the best qualified buyer show in the business. We focus on the 10-50 chain stores, then the 100-500 regionals.

DRN: WHAT'S THE CONFIRMED NUMBER OF EXHIBITORS?

Right around 400 companies occupying between 500 and 600 booths. There will be around 15,000 differ-

ent product lines on display in all relevant categories, including from housewares, HBC, office supplies, stationery, consumables, hardware, electronics. We have a dedicated food pavilion, and with a lot of stores running out test food programs and with many getting into cooler and freezers, this is a popular destination.

There will be technology vendors representing such categories POS systems and cash-flow management solutions. We're pretty much set to reflect all that's going on in the dollar store marketplace. ■



SEMINAR PROGRAM WEDNESDAY JUNE 22, 2005

9:00 AM Keynote Address

Why are Dollar Stores The Hottest Retail Format With Today's Consumers?

Jeff Friedlaender, [Meyers Research Center](#)

Using cutting edge research data and actual consumer interviews, you'll gain valuable insight into the state of the Dollar Store Industry and why all other retail formats are developing their own dollar concepts.

12:00 PM Session Getting a Larger Share of a Dollar

David Bishop, Director, [Willard Bishop Consulting, Ltd.](#)

As traditional dollar stores experience more pressure everyday as alternative trade channels such as, convenience, drug, mass, and supermarket stores open their own Dollar section, it's important to have a response strategy.

3:00 PM Session How to Improve Money Handling in Your Store Operations

Brady Metcalfe, Vice President, International Payment Systems

Learn how to improve count & balance procedures, making floats, deposit procedures, and audit procedures, including creating detailed audit trails and count time.

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New York, NY 10010
(212) 647-0396
Fax (212) 647-7522

CSP INFORMATION GROUP

Chairman:

Drayton McLane

President/Editorial Director:

Paul Reuter

Executive Vice President:

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Senior Vice President/Group Publisher:

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Vice President:

Kay Segal

Director of Marketing & Client Services:

Gregory Pas

Controller:

Renee Burgett

Accounting Coordinator:

Beth O'Brien

CSP INTERNET GROUP

(212) 647-0396;
Fax: (212) 647-7522

Publisher:

John Callanan

jcallanan@cspnet.com

Project Editor:

Bob Phillips

bob_phillips2004@yahoo.com

Online Editor:

Greg Lindenberg

glindenberg@cspnet.com

Production Manager/

Graphic Design:

Angelica Krott

akrott@cspnet.com

Production Manager/

Web Development:

Kara Venella

kvenella@cspnet.com

Administrative/

Production Assistant:

Mary Petsiavas

mpetsiavas@cspnet.com

CSP MAGAZINE

(630) 574-5075;
Fax (630) 574-5175

Editorial Director:

Paul Reuter

preuter@cspnet.com

Group Editor:

Mitch Morrison

mmorrison@cspnet.com

Executive Editor:

Jennifer Bulat

jbulat@cspnet.com

News Director:

Steve Holtz

sholtz@cspnet.com

Senior Editor:

Dan Blunk

dblunk@cspnet.com

Senior Editor:

Samantha Oller

soller@cspnet.com

Senior Editor:

Angel Abcede

aabcede@cspnet.com

Contributing Editor:

Kay Segal

ksegal@cspnet.com

CSP SALES

Sr. Vice President/

Group Publisher:

Jim Bursch

jbursch@cspnet.com

Sr. Vice President/Sales & Mktg.:

Myra Kressner

mkressner@cspnet.com

Vice President, Sales:

Ted Asprooth

tasprooth@cspnet.com

Regional Sales Manager:

John Gaus

jgaus@cspnet.com

Regional Sales Manager:

Karen Spiegel

kspiegel@cspnet.com

National Account Executive:

Sherri Stubbers

sstubbers@cspnet.com

Director of Mktg. &

Client Services:

Gregory Pas

gpas@cspnet.com

Controller:

Renee Burgett

controller@cspnet.com

Client Services/

Production Manager:

Dawn Kasper

dkasper@cspnet.com

Marketing & Client

Services Coordinator:

Heather Stenson

hstenson@cspnet.com

Production Coordinator:

Tammie Bouchard

tbouchard@cspnet.com

Accounting Coordinator:

Beth O'Brien

bobrien@cspnet.com

CSP MEETINGS & CONFERENCES

Senior Vice President:

Jim Dickens

(270) 746-9318

fax (270) 781-1658

jdickens@cspnet.com

Vice President:

Kay Segal

(480) 368-8002

fax (480) 368-2972

ksegal@cspnet.com

Event/Project Administrator:

Bari Strauss

bstrauss@cspnet.com

CONSULTING PARTNER B2B Solutions, LLC

President: Steve Montgomery

240 Dover Circle, Suite 101

Lake Forest, IL 60045

(847)-295-2418

fax (847)-295-2412

www.b2bsolutionsllc.com

