

Value Channel (Dollar Stores) Enjoy Unprecedented Growth

One retail channel that has enjoyed the biggest success in this protracted economic downturn is the dollar store. This was once the niche bastion of the economically disadvantaged, and is now visited by nearly 40 % of US Households.

Value Channel is led by the big three of Dollar General, Family Dollar and Dollar Tree, have posted impressive growth. In a recent NY Times article entitled Stores Scramble to Accommodate Budget Shoppers written by Stephanie Clifford on 9/21/10 referenced the following IRI data:

- Value Channel number of shopping trips up +2.6% vs. YAG compared to large format retailers such as Wal-Mart down 7 %.
- Impressive same store sales growth – three major chains reporting sales growth for 10 consecutive quarters vs. Walmart where same store sales were reported to be down for the last five quarters

Suppliers who may have sat on the sidelines and watched this explosive growth are now trying to figure out how to capitalize on this channel with a volume opportunity that's now too big to ignore. Consider the following commentary from Tracy Van Bibber, senior vice president of sales of Dial, who reinforces that the value channel has indeed reached critical mass levels in a quote in the same NY Times article saying:

“Retailers that service value shoppers have enough scale that manufacturers can customize and it pays off now”.

- Is your company capitalizing on this growth channel?
- Are you offering the right products in the right sizes?
- Are you delivering the right level of value to succeed?
- What is your effective distribution compared to your competition?
- What are the price value best practices for this channel?
- What is the opportunity cost of not capitalizing on this opportunity?

If you are interested in reaching the rapidly growing pool of value shoppers, the value channel is your key to success. Get started by learning more about how to win in this channel and gain a better understanding of how well you and your competitors deliver in these channels.

John Ferramosca, Principal, Edgewood Consulting Group

