

# Dollar Store Impacts

Dollar General, Dollar Tree, and Family Dollar have big expansion plans. But are these chains good for communities? **Get the facts and learn what you can do.**

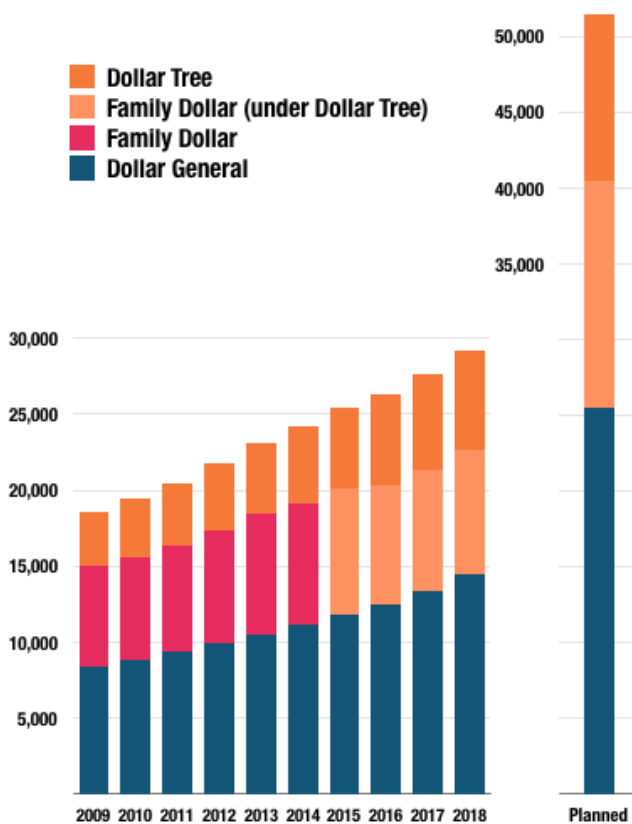
Dollar stores are multiplying rapidly. Since 2011, two dominant chains – Dollar General and Dollar Tree, which acquired Family Dollar in 2015 – have grown from about 20,000 locations to nearly 30,000 total. Both plan to expand even further. In recent annual reports, the two chains indicate they have identified locations for a combined total of 20,000 additional outlets.

While dollar stores sometimes fill a need in cash-strapped communities, growing evidence suggests these stores are not merely a byproduct of economic distress. They're a cause of it. In small towns and urban neighborhoods alike, dollar stores are triggering the closure of grocery stores, eliminating jobs, and further eroding the prospects of the vulnerable communities they target.

The dollar chains have thrived in part by taking advantage of lax land use policies. New dollar stores, which are generally smaller than 10,000 square feet, are often subject to little or no planning review or other permitting hurdles. But communities do have the authority to check their spread – and some are starting to use it.

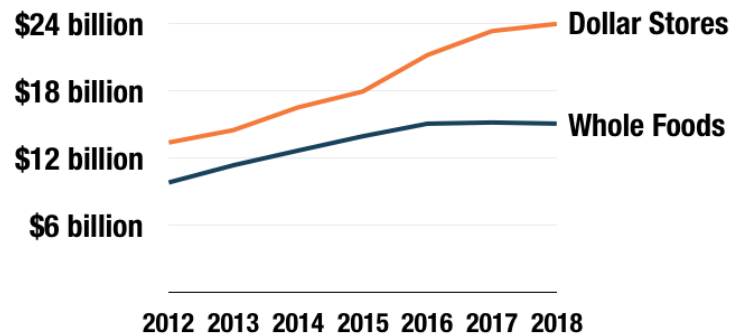
## Rapid Expansion of Dollar Stores

"Planned" stores are based on "identified locations" as reported by the major dollar store chains.



Source: Dollar General, Dollar Tree, and Family Dollar Annual Reports

**Although most dollar stores sell no fresh food and only a limited selection of packaged foods, the two major dollar chains are now feeding more Americans than Whole Foods is.**



Source: Chain Store Guide | Note: "Dollar Stores" combines data from Dollar General and Dollar Tree, which owns Family Dollar

## Eliminating Grocery Stores

Dollar stores are taking a toll on grocery stores and, in many cases, reducing people's access to fresh food. In small towns, which are often served by a single locally owned supermarket, a dollar store's arrival typically cuts sales at the supermarket by about 30 percent.<sup>1</sup> In most cases, that's enough to put a local grocer out of business, leaving the community's commercial district without an anchor and negatively impacting other businesses.

In cities, dollar stores concentrate in areas that already have few or no grocery stores.<sup>2</sup> Our research suggests that they often target African American neighborhoods.<sup>3</sup> Their strategy of saturating these neighborhoods with multiple outlets can make it nearly impossible for new grocers and other businesses to take root and grow.

Dollar stores are a poor substitute for grocery stores. A typical dollar store carries no fresh produce, only a limited selection of processed foods. And they aren't necessarily less expensive. Packaged in single-serving quantities, their food offerings have lower price points, but are often more expensive per ounce.<sup>4</sup>

*"What the dollar stores are betting on in a large way is that we are going to have a permanent underclass in America."<sup>5</sup>*

– Garrick Brown, retail analyst, Cushman & Wakefield

For more information, see ILSR's research on dollar stores on our website, at [www.ilsr.org/dollar-stores](http://www.ilsr.org/dollar-stores)

## Fewer Jobs and Lower Wages

Dollar stores employ fewer people than the grocery stores they eliminate. Dollar General outlets have a nine-person staff on average, while small independent grocery stores employ an average of 14 people.<sup>6</sup>

Dollar store jobs are not only fewer in number but also low-wage and low quality. Employees are monitored intensely and subject to a “web of contradictory work policies.”<sup>7</sup> Store managers earn a salary of about \$40,000 but must work long hours without overtime. Court records reveal that dollar chains frequently face class-action lawsuits for violating fair labor laws, typically paying millions to settle such suits out of court.<sup>8</sup> These companies also lean heavily on taxpayers to subsidize their employees’ healthcare.<sup>9</sup>

## Left-Behind Places

Dollar stores worsen inequality by extracting wealth from vulnerable communities, leaving them to fall further behind.<sup>10</sup> As dollar stores multiply, they’re contributing to a growing disparity between communities that have access to fresh food and healthy local economies, and those who do not.

“The jobs, tax dollars, and even any profits generated from a local grocery store go back to community,” David Procter, Director of the Rural Grocery Initiative at Kansas State University, explains. “Profits from Dollar General are going back to their corporate office, not to the community.”<sup>11</sup>

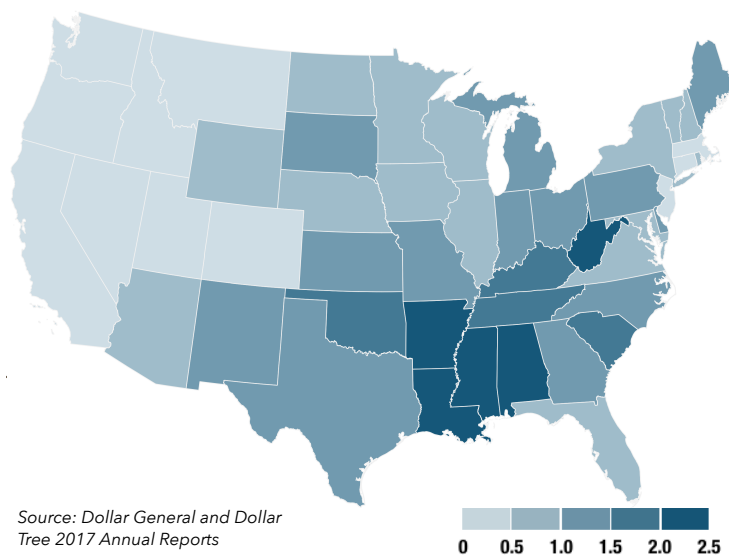
“When dollar stores are able to proliferate – in poor, black, and brown communities – it makes it more difficult for grocers to come and survive.”<sup>12</sup>

– Vanessa Hall-Harper, City Councilor, Tulsa, Okla.



## Dollar Stores by State

Dollar General, Dollar Tree, and Family Dollar Locations, per 10,000 Residents



## What Your Community Can Do About Dollar Stores

- **Set Limits on Chains** – Cities and towns have authority to adopt “formula business” ordinances that place limits on the ability of chains to open new locations.<sup>13</sup> These ordinances apply to dollar store chains and they’ve been enacted in dozens of cities and towns.
- **Adopt a Dispersal Policy for Dollar Stores** – Cities can adopt dollar store dispersal restrictions to reduce the growing concentration of these stores.<sup>14</sup> Leaders in Tulsa, Okla., amended the city’s zoning code to require new dollar stores be no less than one mile from existing stores in North Tulsa, one of the city’s hardest-hit food deserts.
- **Strengthen Planning Review Polices** – Cities and towns can elect to designate particular retail uses, including “small box discount stores,” as conditional uses. This means that these stores must undergo a review and meet certain conditions before they are permitted to open. These conditions can include economic impact criteria.<sup>15</sup>
- **Expand Financing for Locally Owned Grocery Stores** – One of the biggest barriers entrepreneurs face in starting new grocery stores is securing a business loan.<sup>16</sup> Programs such as the Pennsylvania Fresh Food Financing Initiative, which supported more than 80 grocery store projects, can incubate new stores in underserved areas.<sup>17</sup> Funding for new financing programs could come from eliminating tax incentives for chain stores, dollar stores included.<sup>18</sup>
- **Make Your Voice Heard** – Everyday people are organizing campaigns to raise awareness about the threats dollar stores pose to their communities. As Tulsa developed its ordinance, hundreds of residents attended meetings and submitted formal comments; some organized protests of new dollar store development. Their actions led not only to local policy wins but also focused national attention on dollar store impacts and inspired other communities to act.

**ENDNOTES** 1. Sales drops of roughly 30% have been reported in numerous accounts of small-town grocery stores after a Dollar General opens. See, e.g., “Where even Walmart won’t go: how Dollar General took over rural America,” C. McGreal, *The Guardian*, Aug. 13, 2018 2. “Dollar Days: How Dollar Stores Are Growing In A Weak Economy,” A.T. Natunewicz, *Colliers International*; “Disparities and access to healthy food in the United States: A review of food deserts literature,” R.E. Walker, C.R. Keane, & J.G. Burke, *Health & Place*, 2011, 16(5): 876-884 3. “Dollar Stores Are Targeting Struggling Urban Neighborhoods and Small Towns. One Community is Showing How to Fight back,” M. Donahue & S. Mitchell, *ILSR*, Dec. 2018 4. “Dollar stores are thriving – but are they ripping off poor people?” J. Eskenazi, *The Guardian*, June 28, 2018 5. “Dollar General Hits a Gold Mine in Rural America,” M. Frazier, *Bloomberg Businessweek*, Oct. 11, 2017 6. Dollar General. 2018 Annual Report; U.S. Economic Census. 7. “Employees or Suspects? Surveillance and Scrutinization of Low-Wage Service Workers in U.S. Dollar Stores,” T.L. Vargas, *J. of Labor & Society*, 2017 8. “Join The Booming Dollar Store Economy! Low Pay, Long Hours, May Work While Injured,” D. Jamieson, *The Huffington Post*, Aug. 29, 2013 9. “New Data Show How Big Chains Free Ride on Taxpayers at the Expense of Responsible Small Businesses,” S. Mitchell, *ILSR*, 2013 10. “What Dollar Store Locations Reveal About America,” R. Florida, *CityLab*, Feb. 2012; “The Growing Inequality Between America’s Superstar Cities, and the Rest,” R. Florida, *CityLab*, Nov. 2018 11. See supra note 3. 12. *Ibid.* 13. See “Formula Business Restrictions,” *ILSR* 14. See “Dollar Store Dispersal Restrictions,” *ILSR* 15. See “Economic Impact Review,” *ILSR* 16. See “Access to Capital for Local Businesses,” *ILSR* 17. “Pennsylvania Fresh Food Financing Initiative,” S. Mitchell, *ILSR*, 2010 18. See “Banning Public Subsidies for Big Retailers,” *ILSR* | PHOTO CREDIT Councilor V. Hall-Harper (top right) – Vice News, April 7, 2018.

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