



REPRESENTATIVE PHOTO

**DOLLAR GENERAL**  
6<sup>TH</sup> STREET NE & BROADWAY AVENUE  
KENMARE, NORTH DAKOTA 58746

OFFERING  
MEMORANDUM

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# INVESTMENT OVERVIEW

**DOLLAR GENERAL**  
KENMARE, NORTH DAKOTA

NAME	DOLLAR GENERAL
LOCATION	6 <sup>th</sup> Street NE & Broadway Avenue Kenmare, North Dakota 58746
MAJOR CROSS STREETS	NWC 6 <sup>th</sup> St NE & Broadway Ave
TENANT	DG RETAIL, LLC
LEASE GUARANTOR	DOLLAR GENERAL CORPORATION
PURCHASE PRICE	\$1,468,000
CAP RATE	6.80%
ANNUAL RENT	\$99,852
GROSS LEASEABLE AREA	9,026 SF
RENTAL ESCALATIONS	10% Every 5 Years in Options
LEASE TYPE	Absolute NNN
OWNERSHIP	(Building & Land) Fee Simple
YEAR BUILT	September 2019 (Under Construction)
LOT SIZE	±1.05 Acres
LEASE EXPIRATION	September 30, 2034 (Est.)
OPTIONS	Four 5-Year Renewal Options
ROOF	Standing Metal Seam

## POINTS OF INTEREST

**RETAIL | SHOPPING | ENTERTAINMENT:** Nearby retailers include NAPA Auto Parts, Hansen's Hardware & Sporting, Gartner's Jack & Jill, Farmers Union Lumber; Lodgings in the area include Quilt Inn, San Way Ve Motel

**EDUCATION:** The City of Kenmare has 2 public schools; Kenmare Elementary (PreK to Grade 8 with 246 students) & Kenmare High School (Grades 9 to 12 with 82 students)

**HEALTH CARE:** Less than 1 mile from Trinity Kenmare Community Hospital (a 25-bed critical access hospital offering acute care & swing bed services to rural communities with a 24-hour emergency room)

## INVESTMENT HIGHLIGHTS

**LEASE:** Brand New Corporately Guaranteed 15-Year Absolute NNN Lease! **No Landlord Responsibilities!**

**TENANT:** Dollar General Corporation (NYSE: DG | S&P BBB Investment Grade Credit Rating | Moody's Baa2 Rating) Operates 15,472 Stores in 44 States (as of March 1, 2019)

**BRAND NEW CONSTRUCTION:** Dollar General's Latest Prototype and Slated for Completion in September 2019

**LIMITED COMPETITION:** Closest Dollar Store is Over 40 Miles Away!

**TRAFFIC COUNTS:** Positioned on a Hard Corner of 6<sup>th</sup> St NE & Broadway Ave with Great Drive-by Visibility where Traffic Counts Exceed 4,700 CPD!

**DEMOGRAPHICS (5-MI):** Total Population: 1,155 | Average Household Income: \$71,902



# FINANCIAL ANALYSIS

## SUMMARY

TENANT	DG Retail, LLC	YEAR BUILT	September 2019 (Under Construction)
LEASE GUARANTOR	Dollar General Corporation	LOT SIZE	±1.05 Acres
PURCHASE PRICE	\$1,468,000	EXPENSE REIMBURSEMENT	This is an <b>Absolute NNN lease</b> . Tenant is responsible for all expenses.
CAP RATE	6.80%	FINANCING	All Cash or Buyer to obtain new financing at Close of Escrow.
GROSS LEASABLE AREA	9,026 SF		
PRICE PER SQ FT	\$162.64		

## RENT ROLL

TENANT INFO		LEASE TERMS	RENT SUMMARY		
TENANT NAME	SQ FT	TERM	INCREASE	RENT	ANNUAL INVESTOR RETURN
DG Retail, LLC	9,026	Years 1-15: <b>09/21/19 to 09/30/34</b>	Current	<b>\$99,852</b>	<b>6.80%</b>
RENEWAL OPTIONS		1 <sup>st</sup> Option: 10/01/34 to 09/30/39	10%	\$109,836	
		2 <sup>nd</sup> Option: 10/01/39 to 09/30/44	10%	\$120,816	
		3 <sup>rd</sup> Option: 10/01/44 to 09/30/49	10%	\$132,900	
		4 <sup>th</sup> Option: 10/01/49 to 09/30/54	10%	\$146,184	

DOLLAR GENERAL | KENMARE, NORTH DAKOTA



# TENANT OVERVIEW

DOLLAR GENERAL  
KENMARE, NORTH DAKOTA

**DOLLAR  
GENERAL**

TYPE	PUBLIC
TRADED AS	NASDAQ: DG
S&P CREDIT RATING	BBB (15-OCT-2015)
MOODY'S RATING	Baa2 (03-AUG-2016)

INDUSTRY	RETAIL: DISCOUNT RETAILER
MARKET CAP	31.57B
# OF LOCATIONS	15,427 STORES ACROSS 44 STATES (01-MAR-2019)

<https://www.dollargeneral.com/>

Dollar General Corporation, a discount retailer, provides various merchandise products in the southern, southwestern, Midwestern, and eastern United States. The company offers consumable products, including paper and cleaning products, such as paper towels, bath tissues, paper dinnerware, trash and storage bags, and laundry and other home cleaning supplies; packaged food comprising cereals, canned soups and vegetables, condiments, spices, sugar, and flour; and perishables that include milk, eggs, bread, refrigerated and frozen food, beer, and wine. Its consumable products also comprise snacks, which include candies, cookies, crackers, salty snacks, and carbonated beverages; health and beauty products, including over-the-counter medicines and personal care products, such as soaps, body washes, shampoos, cosmetics, and dental hygiene and foot care products; pet supplies and pet food; and tobacco products. In addition, the company offers seasonal products comprising decorations, toys, batteries, small electronics, greeting cards, stationery, prepaid phones and accessories, gardening supplies, hardware, and automotive and home office supplies; and home products that include kitchen supplies, cookware, small appliances, light bulbs, storage containers, frames, candles, craft supplies and kitchen, and bed and bath soft goods. Further, it provides apparel, which comprises casual everyday apparel for infants, toddlers, girls, boys, women, and men, as well as socks, underwear, disposable diapers, shoes, and accessories. **As of March 1, 2019, Dollar General Corporation operated 15,472 stores in 44 states.** The company was formerly known as J.L. Turner & Son, Inc. and changed its name to Dollar General Corporation in 1968. Dollar General Corporation was founded in 1939 and is based in Goodlettsville, Tennessee.

## Market Summary > Dollar General Corp.

NYSE: DG

**121.80** USD **+1.16 (0.96%)** ↑

May 24, 1:31 PM EDT · Disclaimer

1 day 5 days 1 month 6 months YTD 1 year **5 years** Max



Open	121.17	Div yield	1.05%
High	122.06	Prev close	120.64
Low	120.74	52-wk high	126.84
Mkt cap	31.57B	52-wk low	86.87
P/E ratio	20.55		



# AERIAL



U.S./CANADA BORDER  
23 MILES



**DOLLAR  
GENERAL**



**KENMARE  
ELEMENTARY**  
246 STUDENTS



6TH ST NE 1,900 CPD



**GARTNER'S JACK  
& JILL FOODS**

**KENMARE  
HIGH SCHOOL**  
82 STUDENTS



**FREEMAN OIL &  
BODY SHOP**

**KENMARE  
DRUG**

**BEER  
BOB'S**



**NORE'S AUTO &  
TRAILER SALES**



**KENMARE  
MUNICIPAL  
AIRPORT**

**MIDDLE DES LACS  
LAKE**

DES LACS NWR ENCOMPASSES MORE THAN 19,500 ACRES ALONG THE DES LACS RIVER FROM THE CANADIAN BORDER TO A POINT EIGHT MILES SOUTH OF KENMARE. A MIX OF NATURAL LAKES & MANAGED WETLANDS IN THE VALLEY PROVIDE A HAVEN OF MIGRATING & NESTING WATERFOWL & MARSH BIRDS.



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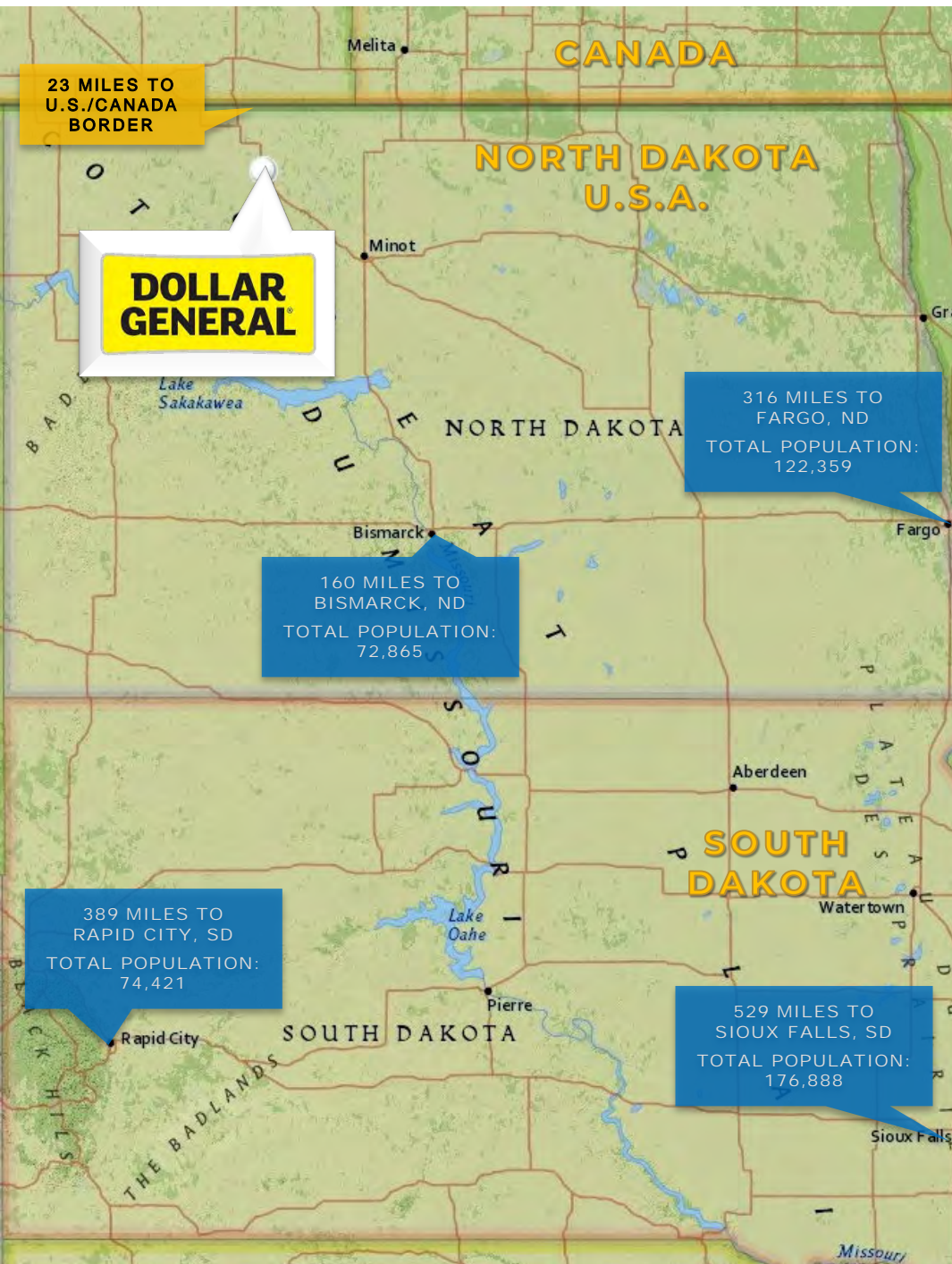
**MINOT, ND**  
52 MILES

DOLLAR GENERAL | KENMARE, NORTH DAKOTA



# LOCATION OVERVIEW

**DOLLAR GENERAL**  
KENMARE, NORTH DAKOTA




**Kenmare** is a city in Ward County, North Dakota. Kenmare is part of the Minot Micropolitan Statistical Area. The downtown park square, center of the city's business district, contains an authentic Danish windmill, built in 1902 by a Danish immigrant farmer.

The 19,544 acre Des Lacs National Wildlife Refuge has its headquarters in Kenmare. Des Lacs draws bird watchers from around the world to see the Baird Sparrow, Marbled Godwit, Canvasback Duck, White Pelican, Western Grebe and nearly 250 other species of birds. Des Lacs is also an attraction for goose hunters, when, in the fall, the refuge is host to 400,000 snow geese at the peak of migration.

Trinity Health, a comprehensive healthcare system based in Minot, ND, proudly serves the North Dakota, Eastern Montana and Saskatchewan region. With three hospitals, two nursing homes, an extensive network of community clinics and a regional eye care network, Trinity Health provides comprehensive, leading-edge care to the communities. Trinity Kenmare Community Hospital is a 25-bed, non-profit hospital offering 24-hour emergency, pharmacy, physical therapy, lab & radiology services. They employ 100 medical and administrative professionals.

Children in Kenmare get a great education at Kenmare Public Schools. Students in Kenmare thrive in the small town environment, with over 300 students enrolled in the 2018-19 school year. Kenmare High School offers many courses, including some that can be used as college credit. Kenmare is also known for its extracurricular programs, such as volleyball, music, FFA and basketball. Kenmare Elementary School teaches grades K-2, with grades 3-6 at the high school.

	2019 DEMOGRAPHICS		
	1-MI	3-MI	5-MI
TOTAL POPULATION	1,022	1,090	1,155
DAYTIME POPULATION	908	969	1,028
AVG HOUSEHOLD INCOME	\$71,402	\$71,423	\$71,902

Nearly 90 percent of the land in North Dakota is devoted to farming. One-fifth of the state's population is employed in agriculture – with North Dakota ranking as the nation's No. 1 producer of dry navy and pinto beans. The state provides more than 90 percent of the nation's canola and flaxseed.

Other major industries in North Dakota: petroleum, food processing & technology.

By Phil Wahba | May 22, 2019

## Making Billions at the Dollar Store

Dollar General has relied on a crafty mix of 7-Eleven-like convenience and Walmart-like low prices to become a retail giant. How much bigger can it get?

The boxy, brick-fronted shop in the town square of Scottsville, Ky. (population: 4,500), is one of the oldest stores in the Dollar General chain—and it looks its age. The aisles are cluttered; the ceilings are low; the lights are dim. There are rows of plastic storage containers, towers of paper towels, and fridges full of frozen pizzas—the kind of seemingly random, dirt-cheap bric-a-brac that fits the drab dollar-store stereotype.

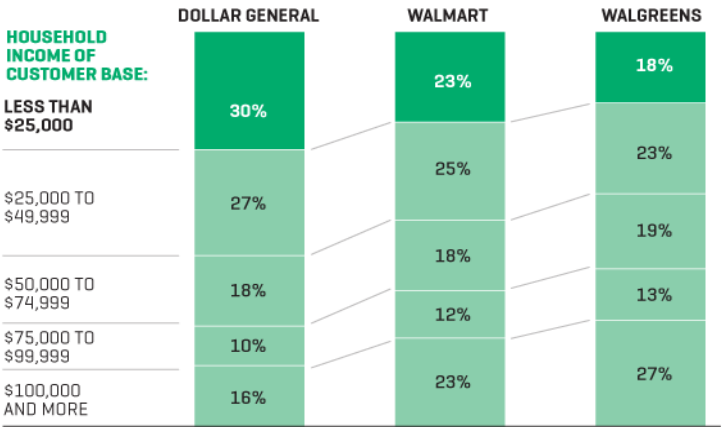
But not far past the entrance, shoppers can spot something incongruous: a sleek cooler full of Starbucks drinks, topped by the coffee chain's smiley mermaid logo. There, a shopper can grab a Doubleshot espresso for \$2 or get two cans of frappuccino for \$5. They're the sort of modest extravagances associated more with bougie city thoroughfares than with rural town squares—and, with the nearest actual Starbucks a 30-minute drive away, in Bowling Green, they're a magnet for caffeine cravers. And frappuccinos aren't the only semi-upscale impulse purchase on the shelves. This Dollar General also offers Keurig K-Cups and Dannon yogurts; not long before Christmas, it started selling Lego kits priced from \$8 to \$20.

"Just because I don't have a lot of money, that doesn't mean I don't feel like having some of the finer things," says Todd Vasos, CEO of Dollar General, paraphrasing his prototypical shopper. "We can offer her both value and an indulgence she may want."

Vasos is on target about his customers' income. Some 57% of Dollar General's clientele live in households with income of less than \$49,900, according to research firm Kantar, and 30% get by on less than \$25,000. (The average U.S. household income is just under \$61,000.) Of the 25 stores visited in reporting this article, each had a sizable poster in its window saying the location accepts food stamps.

But by serving the bottom of the nation's economic pyramid, Dollar General has generated one of the top performance records in retail. In 2018, the company reported its 29th straight year of same-store sales growth—despite minimal e-commerce. That's a streak no other major U.S. retailer can match: Even mighty Walmart endured nearly two years of comparable-sales declines earlier this decade.

**HIGH RETURNS ON LOWER INCOMES**  
Dollar General gets a much larger share of its business from low- and lower-middle-income households than its rivals do.



SOURCE: KANTAR

What's more, tapping the aspirational strain that Vasos (rhymes with "Bezos") describes has helped the company sidestep the recent retail meltdown that has vaporized many other national chains' stores in recent years. Dollar General racked up \$25.6 billion in revenue in 2018 and eclipsed Macy's in retail sales for the first time. Its stock is near an all-time high, giving it a market cap of \$33 billion, five times higher than Macy's.

The chain opened its first retail store in 1955 in Springfield, Ky., and for most of the ensuing six-plus decades, it has thrived with a simple playbook: Open small, no-frills stores in towns that bigger retailers shun; offer a narrow product range; and limit staffing, the better to keep prices cheap, cheap, cheap. "Dollar General was like a child whose parents were 7-Eleven and Walmart," says David Perdue, the company's CEO from 2003 to 2007 and now a U.S. senator from Georgia. "It offered 7-Eleven convenience at Walmart prices."

That metaphorical union has created a fast-growing family. Dollar General is now the largest U.S. retail chain by store count, with 15,472 stores, up from 8,400 a decade ago. Remarkably, some 75% of Americans now live within five miles of a Dollar General.

But another factor has been just as important to the recent surge: a profound, seemingly permanent change in how American consumers shop. Just as middle-class shoppers now buy more apparel at bargain retailer T.J. Maxx than at department stores, they also frequent deep-discount dollar stores more often. "The dollar stores have become a lot more acceptable to all income demographics," says Telsey Advisory Group analyst Joe Feldman. The privations of the Great Recession scrubbed these unglamorous bargain basements of their stigma; the economy came back, but the stigma didn't.

The industry has plenty of room to grow. According to Nielsen data, dollar stores were the only category of retail whose total number of U.S. locations increased last year. But by some estimates, they account for only 4% of total retail sales. Dollar General hopes to keep capitalizing. On an earnings call last year, Vasos told analysts that he thought the country had room for another 12,000 or 13,000 dollar-store locations; this year alone, Dollar General will open 975. As Vasos notes, "Saving now is more chic than ever."

Over the past decade, Dollar General has played the expansion game to perfection. Those Starbucks treats in Scottsville aren't just splurges for lower-income shoppers; they're signals to help middle-income ones feel at home. Today the company sees that middle-class market as a crucial source of new growth, and it's willing to stretch outside its comfort zone to capture them. The challenge is to make sure stretching doesn't blow up a perfectly good business model. Having built its empire with the help of frozen pizzas and potato chips, Dollar General is making a bigger push into fresh produce, meats, and healthier fare—arenas where costs are higher and margins slimmer. It also aims to widen its footprint in larger cities and on the West Coast, where other dollar stores are better established and where it has less brand recognition.

To counter these risks, Dollar General plans to change slowly and deliberately, tweaking only a small percentage of its stores at once. But not changing is not an option, says Vasos: "Retail is moving faster than ever, and you have to be flexible to ensure you're moving where the customer wants you to move." If Vasos needs a reminder of that, he can check out the view from his headquarters in a Nashville suburb—a vista that includes a mall anchored by a vacant Sears.

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# FORTUNE PRESS RELEASE

DOLLAR GENERAL  
KENMARE, NORTH DAKOTA

By Phil Wahba | May 22, 2019

At one point in the 1950s, a surprisingly large contingent of the men in Springfield, Ky., were wearing bright pink corduroy pants. For that sartorial adventurism, they could thank Cal Turner. A family friend had been swimming in an oversupply of the fabric. Turner persuaded the friend to turn it into men's pants, which he bought for a pittance and sold in enormous quantities at his own store—at the low price of \$1 a pair.

Cal and his father, J.L. Turner, had started the business that became Dollar General in Scottsville, Ky., in 1939. The company was originally a wholesaler serving department stores, but when business faltered, the Turners went down-market to serve lower-income rural shoppers. Under J.L.'s leadership, the company gradually expanded into more stores, riding the success of the one-dollar-an-item gimmick while selling a broad enough assortment to justify its original name: Dollar General Stores.

The company went public in 1968, and it grew explosively in the next decades—often at the expense of the kinds of mom-and-pop stores that the Turners had once operated. It never strayed from what made it successful. “Most retailers at one point or another fall prey to the temptation to upgrade,” Cal Turner Jr., Cal's son and the company's CEO from 1977 to 2002, wrote in his 2018 autobiography. Not Dollar General: “They know the wants and needs of the lower-income shopper like the back of their hands,” says Craig Johnson, president of retail consulting firm Customer Growth Partners.



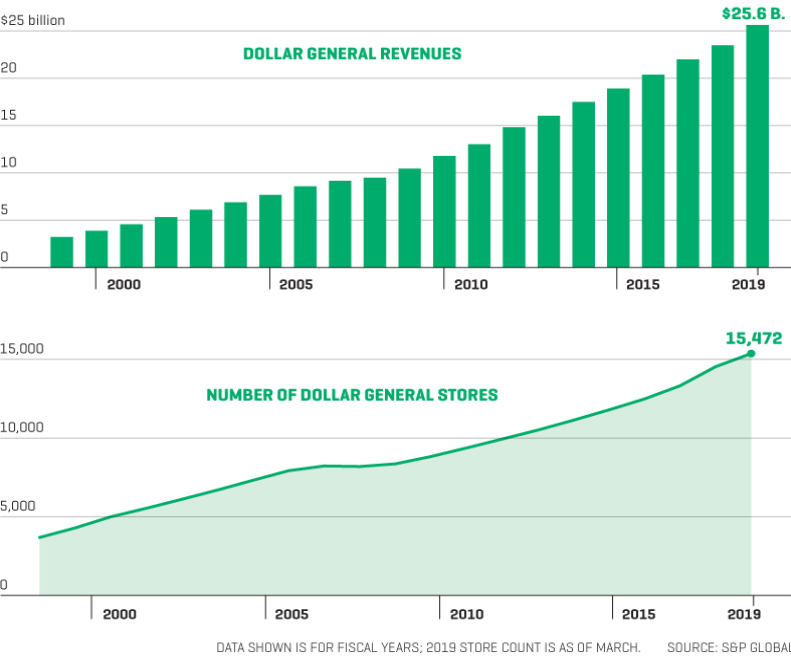
Over time, the company translated that knowledge into a reliable formula. It has typically focused on towns of no more than 20,000 people—markets too minor for Walmart and big grocers to bother with. Its stores average around 7,500 square feet, tiny compared to a Walmart super-center. It sells no more than 10,000 items (a big Walmart might sell 10 times as many). At that scale, a Dollar General store needs only two or three employees on any shift. And with real estate and labor costs low, Dollar General can keep the vast majority of its items under \$10 and still turn a tidy profit.

The formula means a Dollar General shopper might find only one or two brands of peanut butter or three sizes of Tide laundry detergent, rather than the endless assortment at big-box rivals. The chain also emphasizes smaller formats of products like bleach and dish soap. A more affluent shopper might think of these as “travel size”; for dollar-store customers, it's often a matter of buying only as much as they can afford at that moment.

Dollar General's approach sparked remarkable growth, but over time, efficiency suffered. By 2007, its sales growth was lagging its two rivals, Family Dollar and Dollar Tree. Lax inventory management meant favored items were often out of stock, and many stores were shabby. Private equity juggernaut KKR saw Dollar General as a company that could rally with a management shake-up, and it bought the company for \$7 billion in 2007. It took Dollar General public again just two years later—in what turned into one of its most successful deals ever. By the time KKR sold off the last of its shares, around the end of 2013, Dollar General's shares had nearly tripled from their 2009 IPO price. By this May, they'd risen almost sixfold.

## STEADY CLIMB

Over the past two decades, Dollar General's store count has more than quadrupled, while revenue grew almost eightfold. The chain is now the nation's largest retailer by number of stores.



Key to the turnaround was KKR's decision to bring in a crack team of executives with experience in the drugstore and supermarket world (including Vasos, an Eckerd and Longs Drugs veteran). That team, in turn, made strategic choices that helped Dollar General woo customers away from such retailers. The company continually remodeled stores, improving lighting and making shopping areas more spacious; new stores were better organized and sleeker.

Dollar General also vastly improved its inventory management. It removed redundant products, as managers realized they sold too many versions of the same items. It ramped up its private label brands, which sold at higher margins and gave the store freedom to offer nonstandard, smaller sizes. Today the company knows its shoppers at a surprisingly granular level. Dollar General does panel interviews each quarter with hundreds of thousands of shoppers, along with an annual “go deep” survey, all designed to make sure that its 10,000-product lineup matches what its customers want.

That lineup isn't limited to no-name brands. Its enormous growth and reach have given Dollar General even more clout with national brands like Coca-Cola and Hershey. They're more likely to give the chain the sizes and packaging it wants, along with better-looking point-of-sale displays once reserved for fancier retailers. “There was a time the big consumer packaged-goods companies just hoped it would go away,” says Joel Rampoldt, a managing director in AlixPartners' retail practice. “Now they need the dollar-store channel.”

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By Phil Wahba | May 22, 2019

As savvy as its management has been, Dollar General might never have reached its current heights without the dramatic disruption of the Great Recession. In 2009 and 2010, the company was broadening its assortment and improving its stores even as the ranks of cash-strapped shoppers surged. Middle-class consumers defected to Dollar General and its rivals from Walmart, Target, drugstores, and supermarkets. As the economy improved and unemployment fell, many analysts assumed the dollar stores would give up some of their gains. But wages didn't recover, and the working and middle classes remained cost-conscious. Kurt Jetta, executive chairman of consumer-goods research firm TABS Analytics, says income inequality is a key reason the dollar-store juggernaut has continued to roll. In the enduring battle for shoppers, Dollar General also got an assist from some rivals. CVS, for example, stopped selling tobacco in 2014, driving smokers to dollar stores. (See our feature on CVS in this issue.) Walmart, meanwhile, tweaked its clothing and beauty-product assortment to make them more upscale, ceding some of the lower end to the \$1 crowd.

Five Myths About Dollar Stores

The nation now has nearly 32,000 dollar stores, and they're increasingly unlikely to match their popular stereotypes.

Myth No. 1: Everything Costs \$1	Myth No. 2: Only poor people shop there	Myth No. 3: They sell only junk food	Myth No. 4: Their merchandise is closeout junk	Myth No. 5: They're only in remote areas
That was largely true for decades, and it still is at the 15,300-store Dollar Tree chain. But the bulk of items for sale at Family Dollar and Dollar General cost between \$1 and \$10.	Dollar stores made inroads into the middle class during the Great Recession. In a 2018 Inmar survey of dollar-store patrons, 21% reported annual household income of \$100,000 or more.	Yes, frozen - pizzas and packaged snacks abound at dollar stores. But major chains are now adding healthier fare, including fresh produce at some locations.	Dollar stores once sold a mishmash of clearance and overstock items. But such is their clout now that consumer giants like P&G and Coca-Cola make products just for them.	While the chains do skew toward rural America and smaller towns, Dollar Tree has a strong presence in cities and suburbs, and Dollar General is expanding there.

Perhaps the biggest windfall came disguised as a setback, when archrival Dollar Tree beat Dollar General in a bidding war for the weaker-performing Family Dollar. That 2015 acquisition has seriously hampered Dollar Tree. The combined company has 15,300 stores, almost as many as Dollar General, but its growth has slowed as it overhauls hundreds of Family Dollar locations. Dollar Tree recently took a \$2.7 billion write-down related to the merger. All these factors put Dollar General in the pole position in the race to serve households earning between \$50,000 and \$75,000 a year. Those are the fastest-growing part of its clientele, J.P. Morgan recently estimated. Dollar General refers to its most frequent shoppers, those with the lowest annual incomes, as "BFFs," or best friends forever, while mid-tier shoppers are "friends." The next tier up, the one J.P. Morgan identified as the fastest growers, are "acquaintances," and Dollar General would like to know them much better.

As a business proposition, selling ground beef and tomatoes is inherently riskier than selling corn chips and frozen burritos. Produce and fresh meat spoil; employees need to keep a close eye on them and toss them if they go bad. "You're talking about a level of supervision that is much higher," says Craig Johnson, the retail consultant. That can mean higher labor costs that eat into the notoriously thin fresh-food margins.

Despite that hassle, fresh food could be the key to Dollar General's next growth phase—especially if it makes both "BFFs" and "acquaintances" visit more often. "The key is to have [customers] pick up an extra item that they would not have in the past," says Moody's analyst Mickey Chadha. Shoppers spend \$13 on the average dollar-store visit, according to Nielsen, compared with \$40 at a big-box store like Walmart. Dollar General doesn't have the product selection to replace supermarkets for regular food runs, but capturing just one more purchase per visit has a big impact on revenue.

The company already has evidence that food pays. It says that at traditional Dollar General stores that add a bunch of refrigerators—a sign that they're expanding their food options—sales typically increase 10% to 15% in the first year. Dollar General sells produce at 450 of its stores, including a few dozen in a mini-supermarket format that it launched in 2003. It'll add such items at an additional 200 stores this year, a tiny fraction of its fleet but a big enough laboratory to test whether food spurs greater loyalty.

Behind the scenes, the company is taking steps to make sure its food inventory is as tightly managed as the rest of its lineup. Among other major initiatives, it is testing a cold-storage facility in Pennsylvania that's just for perishable food in its own stores. The idea is to take costs out of the system, avoid being out of stock of popular products, and have "control over our destiny," says chief merchant Jason Reiser. Dollar General could potentially double its profit margin on milk, for example, by getting it to coolers earlier, reducing spoilage.

Dollar General will never be Whole Foods. At a store in Hendersonville, Tenn., the most expensive wine is a Barefoot Moscato, at \$13.10 a bottle. But its new food offerings include many of the aspirational trappings that more affluent shoppers prefer. The chain is introducing "better for you" products at more stores, including foods marketed under its own "Good & Smart" label, alongside name brands like Annie's, Nature Valley, and Kashi. The stores that sell fruits, meanwhile, present them in surprisingly inviting displays, in crates that look like they're made of wood—and reveal themselves as plastic only when you get close enough to touch them.

Shoppers wandering through downtown Raleigh, Nashville, or Philadelphia recently may have stumbled upon a small, modern-looking storefront under a "DGX" sign. These stores are another Dollar General experiment: They're placed in city centers, and they emphasize products like energy drinks and grab-and-go sandwiches in a strategy aimed at younger shoppers. Ten more DGX stores will open this year; they'll be a new front in Dollar General's competition with Dollar Tree, which is better established in the urban areas Dollar General covets.

But even at these stores, Dollar General is not fundamentally changing its recipe for success. There may be sushi, sparkling California wine, and Lego sets, but much of the selection at DGX is still priced at \$1 or less. These are basic, almost essential items: four rolls of toilet paper for \$1, for example, or a \$1 chicken pot pie that, for all its potential nutritional drawbacks, still adds up to a meal. They're also reminders that Dollar General's core business still depends on the patronage of shoppers without much room for luxury. "One dollar isn't an impulse price point; it is a 'get-through-the-month' price point," says Reiser, the chief merchant.

Even Dollar General's tech reflects this reality. A growing number of stores have price-checking scanners sprinkled through the aisles. The idea is to help shoppers keep track of their totals, lest they get to the cash register and realize they don't have enough money. "They don't always have that extra dollar in their budget," says one executive; the last thing the company wants to do is embarrass them at checkout.

~ E N D



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