Dollar General's Discount Blueprint

Idea In Short

Dollar General runs more than 20,000 stores across 48 states, most of them smaller than a typical drugstore and stocked with roughly 10,000 to 12,000 items. The company built that scale by chasing towns other retailers skip: rural communities and low-income neighborhoods where a household earning $40,000 a year needs a nearby place to buy essentials without driving to a supercenter. Cheap leased real estate, a narrow product assortment and a lean store staff keep operating costs low enough to profit on razor-thin margins. Fiscal 2025 net sales reached $42.7 billion, up from $40.6 billion the year before, even as the company works through a leadership reset and renewed competition from Walmart and Dollar Tree. This article traces how that formula came together and breaks down the business model behind it.

From Wholesale House to Dollar Store

James Luther Turner spent his early career failing at retail twice before he and his son, Cal Turner Sr., pooled $5,000 each in 1939 to launch J.L. Turner and Son Wholesale in Scottsville, Kentucky. The wholesale business thrived and by the early 1950s it had grown into a chain of Turner's Department Stores worth more than $2 million. Cal Turner Sr. borrowed an idea from department store "dollar days" promotions and pitched his father on a store where nothing cost more than a dollar. On June 1, 1955, the family converted one of its department stores in Springfield, Kentucky, into the first Dollar General and the concept spread fast enough that the chain's 29 stores rang up $5 million in annual sales within two years.1 The company went public in 1968 and under third-generation leader Cal Turner Jr., who served as president from 1977 to 2002, it grew past 6,000 stores and $6 billion in annual sales.

Betting on Rural America

Dollar General's expansion strategy has always pointed away from cities and toward the towns bigger retailers pass over. The company's core customer lives in a household earning $40,000 or less a year, often in a community with no supermarket within a short drive and Dollar General fills that gap with stores roughly one-tenth the size of a typical Walmart. That small footprint keeps construction and lease costs down and the company now operates nearly 21,000 stores across 48 states, the widest store network of any discount retailer in the country.2 A typical shopping trip lasts about 10 minutes, which suits customers who want a quick stop for household basics rather than a full grocery run.

A Decade as a Private Company

Dollar General spent seven years off the public markets after Kohlberg Kravis Roberts (KKR), Goldman Sachs Capital Partners and Citi Private Equity bought the company in 2007 for roughly $7.3 billion in enterprise value. The buyout loaded the company with debt but also funded a period of store growth and operational tightening that positioned Dollar General for a return to public markets. That return came in November 2009, when the company priced an initial public offering (IPO) at $21 a share and relisted on the New York Stock Exchange.3 KKR and its co-investors sold down their stake over the following years and institutional shareholders now own nearly all of the company's outstanding stock.

Running Lean by Design

Every part of a Dollar General store reflects a decision to spend less. Shelves are metal, lighting is basic and signage is simple, which keeps build-out costs for a new store near $250,000, a fraction of what a big-box retailer spends on a new location. The company also limits each store to about 10,000 to 12,000 items rather than the 60,000 or more a supercenter carries, buying those items in bulk to gain leverage with suppliers. Private-label goods, sold under more than 40 in-house brands, carry wider margins than national brands because the company controls both production cost and shelf price.

The Cost of Growing Fast

Serving others

Dollar General has used that two-word phrase as its mission statement since the Turner family era and it captures a business built around communities other retailers avoid. That same expansion has drawn criticism from researchers and local officials who argue dollar stores accelerate the decline of small grocers, leaving some towns with less access to fresh food rather than more.4 Dollar General has responded by adding coolers and produce sections to several thousand stores and by supplying fresh vegetables at select locations, aiming to become a midweek stop rather than a last resort. The tension between low-cost growth and community impact remains one of the more scrutinized parts of the company's expansion.

A Return to Steady Hands

Dollar General's momentum slowed after Todd Vasos stepped down as chief executive officer (CEO) in 2022 and his successor, Jeff Owen, ran the company through a stretch of weakening consumer spending, rising theft losses and two profit warnings in a single year. The board brought Vasos back as CEO in October 2023, betting that the executive who had previously grown the chain by roughly 7,000 stores and lifted sales more than 80% could steady operations again.5 His return brought renewed attention to store in-stock levels, employee turnover and pricing discipline, the same fundamentals that built the chain in the first place.

Scale Without Slowing Down

The turnaround shows up in the numbers. Dollar General closed fiscal 2025 with 20,942 stores, net sales of $42.7 billion and diluted earnings per share of $6.85, supported by same-store sales growth of 3% and roughly 4,250 store remodels completed during the year.6 Competition remains intense, with Walmart, Dollar Tree, Family Dollar and Walgreens all chasing the same value-conscious shopper. Dollar General's answer has been to keep opening stores in underserved towns while trimming underperforming ones, a pattern that kept net store count growing even as the company closed roughly 290 locations during the year.

Key Partners

Dollar General relies on national brand manufacturers and private-label suppliers to stock its shelves, alongside third-party logistics carriers that supplement the company's own delivery fleet. Real estate developers and landlords supply the leased buildings that make up nearly all of its store base, since the company generally avoids owning property outright. Advertising and affiliate partners help generate incremental revenue inside stores and through the company's app. These relationships let Dollar General scale its store count quickly without carrying the capital burden of ownership.

Key Activities

The company's core activity is sourcing and merchandising a tight assortment of consumables, seasonal goods, home products and apparel at prices below grocery and drugstore competitors. It operates a distribution network that combines traditional warehouses with a growing self-distribution fleet for perishable and frozen goods. Opening new stores and remodeling older ones runs continuously, supporting both rural expansion and urban infill. Digital fulfillment, including delivery through third-party platforms, has become a smaller but growing activity alongside the in-store business.

Key Resources

Dollar General's largest resource is its store network, nearly 21,000 leased locations positioned close to customers with few nearby alternatives. A distribution and logistics system, including company-owned trucks, keeps merchandise flowing to stores at a lower cost than relying solely on third-party carriers. Its portfolio of more than 40 private-label brands generates higher margins than resold national brands. A lean, trained store workforce and inventory management systems round out the resources that keep the format efficient.

Value Propositions

Dollar General's core promise is proximity: a store within a short drive for customers who live far from a supermarket or big-box retailer. Everyday low prices on consumables and household items let budget-conscious shoppers buy what they need without waiting for a sale. A simple store layout and a 10-minute average shopping trip save time for customers who want efficiency over selection. Private-label alternatives give price-sensitive shoppers a cheaper option without sacrificing basic quality.

Customer Relationships

Most interactions happen through self-service in-store shopping, where customers pick items off simple metal shelves without much staff assistance. The company's mobile app and digital coupons build a lighter-touch loyalty relationship, encouraging repeat visits without a formal rewards program at Walmart's scale. Customer service lines and social media handle complaints and inquiries outside the store. Long, consistent operating hours reinforce reliability for customers who shop on tight schedules.

Channels

Physical stores remain the dominant channel, with locations placed close enough to customers that many trips take less than 10 minutes round trip. The Dollar General website and mobile app support online browsing, digital coupons and order pickup. Delivery partnerships with third-party platforms extend the company's reach to customers who cannot easily get to a store. In-app promotions and email marketing round out how the company reaches its base between visits.

Customer Segments

The primary segment is households earning $40,000 or less a year, many living in rural or suburban communities without a nearby supermarket. Budget-conscious senior citizens on fixed incomes make up another core group, valuing predictable low prices over selection. Younger, price-sensitive shoppers, including many in their twenties and thirties, use Dollar General for quick top-up trips between larger grocery runs. A smaller but growing segment includes shoppers in more affluent areas drawn in by convenience and price on everyday items.

Cost Structure

Merchandise acquisition, storage and inbound distribution make up the largest share of costs, reflecting the volume of goods moving through the company's supply chain. Store lease and occupancy costs stay low because locations are small and rarely custom-built. Labor costs remain modest thanks to lean staffing at each store, though the company has increased investment in retaining store managers to cut costly turnover. Distribution infrastructure, including the private trucking fleet and marketing spend round out the remaining cost base.

Revenue Streams

Sales of consumables, including food, health and personal care items, generate the largest share of revenue. Seasonal goods, home products and apparel contribute a smaller but steady portion of sales across the year. Private-label items carry a margin premium over comparable national brands, adding profitability without raising the sticker price much. Ancillary revenue, including in-store and in-app advertising placements and limited property leasing, supplements the core merchandise business.

- 1Dollar General company history
- 2Dollar General store count by state
- 3Dollar General private equity buyout and IPO
- 4Research on dollar stores and food deserts
- 5Dollar General CEO change
- 6Dollar General fiscal 2025 results

Summary

Dollar General's story shows what happens when a retailer commits fully to one customer and one format instead of chasing every shopper. Small stores, thin assortments and rural real estate are unglamorous choices, but they compound into a cost structure competitors struggle to match at the same scale. That discipline carries risk. A customer base concentrated among lower-income households makes the business sensitive to inflation, wage pressure and cuts to public assistance programs and recent years of uneven execution show how quickly comparable-store sales can wobble. Todd Vasos's return as chief executive officer and the fiscal 2025 rebound in same-store sales suggest the core model still works when management sticks to the fundamentals: keep the box small, keep the assortment tight and keep stores close to customers who have few other options nearby.