

Dollar Tree Case Study: Price Leadership and Strategic Planning for Market Success - When Dollar Store Items Sell for More than a Dollar

Art Weinstein

Nova Southeastern University, USA

Jasmine Pottinger

Nova Southeastern University, USA

Ann Mantle

Nova Southeastern University, USA

Abstract

Dollar Tree, Inc. is the second largest dollar retailer comprised of Dollar Tree stores and the Family Dollar chain. The company is aiming for market leadership in an inflationary economy. Americans want to stretch their budget given escalating costs in all areas. Dollar Tree recently raised their prices 25% from the eponymous \$1.00 to \$1.25. They are now also targeting higher-income consumers looking to save money. While low price is essential, product selection matters most. Shoppers enjoy the thrill of the hunt to find great deals. This case analyzes the Dollar Tree division and reviews the company, market environment, growth strategies, and future decisions.

Introduction

From an inauspicious start as a five-and-dime retailer, Dollar Tree has committed to selling almost everything for a single price point (one dollar) for nearly 40 years. The strategy was most effective. Today, the company has more than 200,000 associates, revenues exceeding \$28 billion, and more than 15,000 Dollar Tree and Family Dollar stores throughout North America. Dollar Tree's market situation, competitive landscape, and current marketing strategies are explored. While the growth to date and business performance

are most impressive, the Dollar Tree strategic business unit must carefully prepare for its future. A set of proposed marketing recommendations are offered to become the market leader and drive business success. The insights presented about Dollar Tree's marketing strategy are relevant for value-based companies and entrepreneurs seeking to scale business operations in today's highly competitive and changing retail marketplace.

About the Company¹

In 1953, the original store was opened by K.R. Perry as a Ben Franklin variety store in downtown Norfolk, Virginia. The store name was later changed to K & K 5&10. In 1986, Macon Brock, Doug Perry (K.R. Perry's grandson), and Ray Compton started Only \$1.00 with single stores in Georgia and Tennessee, and three stores in Virginia. In 1994, Only \$1.00, was changed to Dollar Tree Stores. A year later, Dollar Tree went public on the NASDAQ exchange with shares selling at \$15 and a market cap of \$225 million.

Acquisitions and Innovations

In 1996, Dollar Bills, Inc., a chain of 136 Chicago-based stores, was acquired. By 2000, the company grew by buying the Californian 98-Cent Clearance Centers and Dollar Express of Philadelphia. In 2006, Dollar Tree celebrated 20 years of retailing at the dollar price point. That same year it opened its 3,000th store and bought 138 Deals stores from Supervalu Inc.

Dollar Tree became a *Fortune* 500 company in 2008. In 2010, Dollar Tree entered the Canadian market by purchasing 86 Dollar Giant Stores based in Vancouver. By 2012, Dollar Tree achieved sales of \$9.1 billion. The company celebrated the opening of its 5,000th store in 2014. The following year was quite significant as Dollar Tree acquired Family Dollar, a leading national discount retailer headquartered in Charlotte, North Carolina. Dollar Tree, Inc. now operated more than 15,000 retail stores.

The Dollar Tree Plus concept, which features merchandise at \$3 and \$5, was launched in 2019. Corporate revenues exceeded \$25 billion in 2020. A combo store format (Dollar Tree and Family Dollar) was rolled out in 2021 as well as a same-day delivery service. A timeline of Dollar Tree's meteoric growth is shown in Table 1. The Family Dollar merger accelerated a dual strategy of stocking national brands and private label merchandise. The Dollar Tree/Family Dollar retail powerhouse offers a broad assortment of quality, low cost consumer goods.

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Table 1. Dollar Tree Timeline

1953	The first store opened as a Ben Franklin variety store
1994	Rebranded as Dollar Tree Stores
1995	Listed on the Nasdaq exchange
2008	Earned a place on the <i>Fortune</i> 500 list
2009	Opened its 3,000 th location
2015	Purchased the Family Dollar chain
2019	Introduced Dollar Tree Plus sections in more than 1,000 stores
2022	The combo format (Dollar Tree and Family Dollar) now has 810 stores
2023	Operates over 15,000 retail stores in the US and 244 stores in Canada

Inflation Challenges Pricing

Rampant inflation made the dollar price point a major challenge to maintain. In 2022, given market realities, Dollar Tree was forced to reset its long-established consumer pricing policy in order to maintain margins and profitability to continue to drive growth. Dollar items would no longer sell for a dollar. The revised strategy raised prices by 25% to \$1.25, for most products. In addition, the new pricing plan included introducing higher-priced goods, largely at Dollar Tree Plus stores. In addition to promoting products to lower and middle-income shoppers, many upper-middle class consumers have recently turned to the Dollar Tree, Inc. value proposition to combat rising inflation and reduced purchasing power.

Market Analysis

Macro Environment

External forces greatly affect business performance. Macro factors include but are not limited to demographics, sociocultural, economic (inflation, fiscal monetary policies, consumer spending, employment rates), technology, legal, political, and natural/physical sub-environments.² The key uncontrollables that directly impact Dollar Tree are reviewed.

Demographics: The average dollar store shopper has an annual income of \$46,000; the typical Walmart shopper earns about \$53,000. While core shoppers tend to be female, lower-income, older, and not college educated, the target market profile has been changing. For example, female millennials are 12% of dollar store shoppers but account for nearly 25% of overall sales. In addition, they are frequent buyers and visit dollar stores about three times a month. Twenty-nine percent of these millennials earned over \$100,000 a year. As inflation increases, higher income shoppers (\$60,000 to \$75,000) are

now an important target market for Dollar Tree with many loyal consumers exceeding \$100,000 in annual earnings.^{3,4}

Sociocultural: Shoppers enjoy the in-store buying experience, one-stop shopping, convenience, low price, and finding the unexpected (impulse goods). As stated in the Corporate Sustainability Report, Dollar Tree advocates for strategies that promote and embrace diversity, and ensure fair treatment of everyone. The company has expanded its social disclosures, providing transparency about the racial, ethnic, and gender makeup of its workforce and customer base.⁵

Economic: Factors such as inflation, savings, interest rates, employment levels, hourly wages, and the economic cycle greatly affect operating profits. Dollar Tree's net profit fell due to rising costs of products, transportation/fuel, running brick-and-mortar stores, and labor. Dollar Tree Inc.'s sub-par business performance and U.S. inflationary pressures led to the chain's launch of the increased price point (\$1.25) across much of its assortment.

Technological: Over the last three years, technology has disrupted every industry. Dollar Tree was not excluded from the challenges faced by companies relying on goods and raw materials for its daily operations. The variety giant was slow to develop proprietary technology which negatively impacted business operations, the product mix, and the value chain. To enhance its supply chain operations, significant technological changes were made by partnering with outside companies to utilize data, analytics, and automation to drive accuracy, efficiency, and effectiveness. This led to better on-shelf availability and an improved customer shopping experience.

Natural/Physical: Environmental standards and norms impact the profitability of organizations competing in given markets. Environmental factors to consider include weather and climate change and how these forces affect employee work, day-to-day operations, insurance, and travel. Regulations about air quality, pollution, and waste management vary by state and country. Attitudes toward green or ecologically-friendly products and endangered species need to be considered. Dollar Tree has set goals to reduce greenhouse gas emissions. Corporate social responsibility and sustainability issues starts with its Board of Directors which has strengthened the organization's oversight of sustainability issues.

Legal Issues: Dollar Tree has invested heavily to protect its corporate digital assets, data collection procedures, and information technology systems. The company evaluates antitrust, discrimination, copyright, patents, and intellectual property laws related to discount variety stores. Consumer protection, e-commerce, employment, health, and safety laws are also vital considerations.

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Political: Operating in the U.S. and Canada, Dollar Tree, Inc. is exposed to different political environments. The company conducts a risk assessment for existing and proposed market opportunities. This includes potential corruption, regulatory standards, market conditions, and governmental bureaucracy and interference. Politics can enormously impact business success. Trade policies, regional laws, and regulations determine how the company operates. Each country has its own tax rates and incentives which pose challenges, especially regarding employees' wages/benefits and product costs.

Table 2. SWOT Analysis for Dollar Tree, Inc.

<p>Strengths</p> <ul style="list-style-type: none"> ✓ High levels of customer satisfaction and loyalty for the brands due to value-oriented propositions. ✓ A powerful and reliable distribution network. ✓ Success at developing new products and creating revenue streams. ✓ Robust cash flow which expedites the opening of new locations at a faster pace than other retailers. ✓ Dollar Tree has invested heavily in the training and development of its employees. 	<p>Weaknesses</p> <ul style="list-style-type: none"> ✓ To abide by the \$1 price restriction, the discount chain had to stop selling many products. ✓ Product positioning and unique selling propositions are not clearly defined. ✓ The company is not good at product demand forecasting, which has led to a higher rate of missed opportunities compared to its competitors. ✓ Dollar Tree stores have a high daily inventory. ✓ High attrition rate in the workforce.
<p>Opportunities</p> <ul style="list-style-type: none"> ✓ New technologies allow Dollar Tree to employ differentiated pricing models. ✓ Dollar Tree has expanded its footprint to include e-commerce. ✓ They are able to introduce products they could not previously sell because of their \$1 price constraint. ✓ An economic uptick and increase in customer spending, after years of recessionary pressures and slow growth rates. ✓ Attract new market segments of higher-income customers. 	<p>Threats</p> <ul style="list-style-type: none"> ✓ Major brick-and-mortar competitors such as Walmart and Target. ✓ Competition from discounters, flea markets, and off-price retailers. ✓ Online competition from online options such as Amazon, Alibaba, and eBay. ✓ Counterfeit and low-quality imitators. ✓ Increased costs for doing business – employees, leases, insurance, distribution, inventory, etc.

Situational Review (SWOT)

A SWOT analysis is a vital tool utilized for strategic planning.⁶ It highlights the organization's Strengths, Weaknesses, Opportunities, and Threats. It also serves as a guide to help management gain better insight into its internal and external business environments. This improves strategic

planning, decision-making, and resource allocation. Dollar Tree is the market challenger in the dollar/low price industry sector. A SWOT analysis assesses how Dollar Tree fares (Table 2).

Market Structure

The value-oriented retail market is highly competitive. The dollar/variety store industrial sector (NAICS code: 452112) consists of more than 37,000 stores which generated \$101.3 billion in 2022. Market share is dominated by Dollar General (34%) and Dollar Tree (28%). Four other companies – Big Lots, Five Below, 99 Cents Only, and Ollie’s Bargain Outlet – account for 14% of the market. Many small, localized merchants represent the remaining 24% of the market.⁷ Firmographic information about Dollar Tree’s major direct competitors is detailed in Table 3. It should also be noted that Dollar Tree competes indirectly with numerous general merchandise retailers such as Walmart, Costco, and Amazon.

Table 3. Dollar Stores - Direct Competitors

Company	Stores	Employees	Revenues (\$ billions)	Year Founded	Headquarters	Locations
Dollar General	14,500	163,000	34.2	1939	Goodlettsville, TN	National
Dollar Tree	15,288	193,100	28.3	1986	Chesapeake, VA	U.S., Canada
99 Cents Only	400	17,000	2.9	1982	Commerce, CA	CA, TX, AZ, NV
Big Lots	1,400	36,200	6.1	1967	Columbus, OH	National
Five Below	1,100	90,000	2.8	2002	Philadelphia, PA	40 states
Ollie’s Bargain Outlet	270	8,300	1.8	1982	Harrisburg, PA	20 states, east of the Mississippi

Source: Adapted from Gale Business Insights, 2023

Competitive Positioning

The major dollar retailers stress operational excellence via cost leadership strategies. As the market leader and Dollar Tree’s main rival, Dollar General has the benefits of economies of scale as it is America’s oldest and the top small-store format discounter based on annual revenues. This affords the company ready access to its customer base as most of the U.S. population is within five miles of a Dollar General store. In addition, Dollar General has

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extensive buying resulting in large product selection and capital for investment in store development, expansion, and new projects. Given continuing inflationary pressures, Dollar General is attracting bargain-seeking middle-class consumers familiar with the name brand as a complement to their core lower-income shoppers.

An overview of the value propositions for the market followers is described next. Big Lot's positioning strategy is built on a 4-S formula – Serving, Saving, Solutions, and Seasonal. These components coalesce into Big Lots' current value proposition which is “Serve Big, Save Lots” on furniture, food, décor, and more. Big Lots' typical customer is based on a buyer persona called Jennifer which has a unique geodemographic, psychographic, and user profile which guides marketing decision-making.⁸

Five Below's market appeal is to a much younger set than their competitors which includes teens, tweens, and their parents. Customers are highly loyal and typically visit stores on a monthly basis to purchase clothing, accessories, games, technology items, trendy products, and home décor goods which are mostly less than five dollars each.

99 Cents Only offers closeout branded goods, general merchandise, and fresh food as well as packaged grocery items. While known for its 99-cent namesake, this deep-discount extreme value retailer now offers a wider selection of low-priced products to its customers in the western United States.

Ollie's Bargain Outlet is growing rapidly due to its “good cheap stuff” value proposition. Ollies Army is a successful loyalty program which accounts for nearly 80% of their sales. The other 20% of their customers are deal chasers that have no loyalty to particular dollar store concepts.⁹

Corporate Strategy

The Dollar Tree corporation has two main business units – Dollar Tree and Family Dollar. Stores range from 6,000 to 10,000 square feet and carry about 7,700 items. The merchandise mix is 60% domestic and 40% imports.¹⁰ Dollar Tree's private label brand has created products with lower production costs which have contributed to the store's increased profit margins.

The Dollar Tree discount variety chain sells products primarily at \$1.25. Store signage promotes *Extreme Value*, *Every Day* and *Grab It Before It's Gone*. Three main types of merchandise are offered:

1. Everyday consumables - e.g., household, paper, food, candy, health, personal care, and closeout and promotional items.
2. Party goods, gifts, toys, durable housewares, stationery, and arts and crafts supplies.

3. Seasonal holiday items for Christmas, Easter, Halloween, Valentine's Day, and other annual occasions.

Family Dollar retails general merchandise (e.g., food, health and beauty aids, clothing, pet supplies, greeting cards, etc.) at discounted prices, typically ranging from \$1 to \$10. The well-stocked aisles provide household essentials which offer convenience, quality (competitive-priced national brands), selection, and value.¹¹ Family Dollar has reduced some prices to encourage new and existing customers to shop in its stores. *Everyday Low Prices* and *\$1 Wow* signs are prominently displayed in storefront windows. The small electronics section had more expensive merchandise such as speakers and a \$35 HD soundbar.

Mission

Dollar Tree, Inc. is a customer-oriented, value-driven variety store concept. "The company will operate profitably; empower associates to share in its opportunities, rewards and successes; and deal with others in an honest and considerate way. The company's mission will be consistent with measured and profitable growth."¹²

Customer Value Proposition

Dollar Tree provides superior value for millions of households. The *thrill of the hunt* is a major part of their unique selling proposition. Consumers rely on useful products at great prices at all Dollar Tree/Dollar Tree Plus stores. The retailer delivers a consistent, one-of-a-kind shopping experience for its customers. The variety of products delivered weekly depends on the season and availability from suppliers. Regular customers know that if they see an item today it may not be available tomorrow, so they must seize the moment. Dollar Tree stores have grown significantly over the past 37 years while maintaining one dollar products. The \$1.25 price point gave the company more flexibility to offer a varied product mix with acceptable levels of customer service. The better quality products (\$3 and \$5) are generally available at the newer Dollar Tree Plus sites.

Segmentation and Positioning

Inflationary pressure has caused middle and upper middle-class customers to stretch their dollars. Often, they are turning to Dollar Tree and Family Dollar for much needed financial relief. Higher income consumers have emerged as an important new marketing opportunity for the company. Segmentation approaches used by Dollar Tree are discussed next.

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Geodemographics:

While typically found in lower-income areas, new stores are opening in densely populated suburban neighborhoods.¹³ With over 15,000 stores spread throughout the United States and five Canadian territories, consumption patterns vary among the geographic markets. Dollar Tree stocks products based on the region, population growth rates, and climate. A Family Dollar in New York will not stock the same items as a location in Florida during the winter. For example, cool weather calls for additional layering to stay warm with coats, gloves, hats, and so forth, while warm weather means sales of sunscreen and beach toys .

The current segmentation strategy departs from the demographic stereotypes of customers who shop at Dollar Tree and Family Dollar stores. Based on a Harris Poll survey, value stores are attracting higher-income shoppers. The survey shows that people with an income greater than \$80,000 are switching to a higher saving approach and the survey also found that the value-retail stores have increased sales which are up by about 14% versus a year ago.¹⁴ The health of the economy influences the spending habits and overall buying behaviors of its consumers. Readily measurable descriptive factors like age, generational group, gender, family, race and ethnicity, income, occupation, education, social class must be considered in geodemographic analysis.

Psychographics:

Dollar Tree relies on customer variables such as personality, lifestyles, opinions, and preferences to segment the market and get into the mind of the customer. As an example, the retailer carry hundreds of Arts and Crafts items. A consumer who knits can find needles, yarn, and accessories readily available. With low prices, customers can stock up by visiting the store or shop online. Consumers can start or support hobbies and interests without spending much money. Dollar Tree is viewed as a place where samples may be purchased prior to committing to larger product investments for solo or group activities.

Behavioral:

Dollar Tree consumers are highly loyal and frequently return for a pleasant shopping experience. Many customers enjoy the thrill of the hunt which leads to active impulse buying. As each shipment arrives, there are new and interesting items available for purchase. Brands and product inventory are uncertain and constantly changing. Benefits sought by customers are a consistent store layout, fixed pricing, and quality customer service. Another side of the behavioral dimension is seasonal usage patterns. Holidays provide

a strong reason to buy and consumers know that they will receive excellent value and can stretch their budgets. Store displays change in anticipation of upcoming occasions and events. The inventory for party supplies is always rotating as there is a constant need to celebrate for most customers.

Positioning Strategy:

Strong positioning requires a strategic marketing process that creates a unique identity and image of the brand/product within the target customers' minds.¹⁵ Dollar Tree provides desirable and reliable products at low prices. They are found in convenient locations with similar layouts which allows budget-conscious shoppers to easily find affordable, quality merchandise. Loyal consumers have a high level of familiarity with the Dollar Tree pricing approach, product emphasis, and customer service offered. Buyers appreciate a single low price-point for most goods and have largely accepted the price increase to \$1.25. In addition, the dual brand strategy, Dollar Tree/Dollar Tree Plus and Family Dollar, gives consumers additional shopping options for finding household necessities as well as unexpected and desirable products – something that their competitors can not match. In sum, The Dollar Tree customer experience blends convenience, value, and quality.

The Marketing Mix

Product:

Three aspects of merchandising are vital for Dollar Tree: finding the best products, delivering good quality, and getting the price right. They have a large network of U.S.-based and foreign distributors which minimizes supply chain challenges. Dollar Tree, Inc., also sources products via liquidation sales. Whether shoppers visit Dollar Tree or Family Dollar stores, customers know that they will find a large mix of bargain merchandise that relates to their lifestyles and needs. Not knowing what they may capture that day (a successful hunt) adds another level of excitement to the shopping experience.

Price:

Effective price leadership drives sales and profitability. Dollar Tree must carefully consider cost, competition, and customer perceived value when setting price. One of the goals for Dollar Tree is to beat the competition. Offering a majority of their products at one dollar for many years was vital to its business strategy within the value store retail market. The recent price increase to \$1.25 and the transition of many sites to the Dollar Tree Plus format has marginally affected its competitive position while it increased

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revenues. As its head-to-head rival, Dollar General did not choose to match Dollar Tree's price increase. It should be noted, however, that Dollar General is not a true dollar store as only 20% of their merchandise sells for a \$1 or less (more than 2,000 items a day may be found in this expected price range). Given that Dollar General's customers are on fixed incomes and live in low-income rural areas, the company heavily pushes dollar items as well as grocery and household products in their advertising.¹⁶

Promotion:

A retail media network called Chesapeake Media Group was introduced by Dollar Tree, Inc in 2021. The data and insights generated allow the company to utilize their own platform to connect with customers and influence purchase decisions in real time. Digital marketing and print ads are widely utilized to promote the Dollar Tree brands. An increase in their social media marketing presence will help the organization reach influencers and individuals purchasing a high volume of goods via online shopping,

Place:

Existing and proposed stores are in small retail spaces compared to competitors such as Walmart and Target. Dollar Tree stores are designed to reduce inventory and overhead and provide convenient shopping for buyers. Consumers can get in and out quickly to obtain essential household items or seasonal merchandise offered by Dollar Tree or Family Dollar. A strong logistics team ensures that the right merchandise is in the right stores at the right price. There are currently 24 Dollar Tree distribution centers nationwide. Franchising opportunities are not available and daily operations are managed from their headquarters in Chesapeake, Virginia.

People:

From customers to coworkers, retail associates are trained to treat everyone with whom they interact with dignity and respect. Dollar Tree management established guiding principles for every business decision they make based on what is best for the organization, associates, and customers. A positive attitude, integrity, and responsible actions are key company values. Dollar Tree Inc. has established a Diversity, Equity, and Inclusion (DEI) Council. It is comprised of a diverse group of senior leaders across multiple departments. The company has worked toward having a culturally diverse group of employees, amongst the over 207,000 associates that are employed. Females account for two-thirds of the workforce (68%) and males the other third (32%). A majority (55%) of Dollar Tree associates are minorities: 29% African-American, 20% Hispanic, and 6% other. Forty-five

percent of their employees are white. Note, nearly 70% of Dollar Tree, Inc. associates work part-time which is less than 30 hours.¹⁷ A further breakdown of employees by retail and business operations is shown in Table 4.

Table 4. Store and Distribution Associates

	Dollar Tree	Family Dollar	Distribution Center	Total Associates
Full-time	29,669	32,602	2,754	65,025
Part-time	95,473	47,043	7	142,523
Total	125,142	79,645	2,761	207,548

Source: Dollar Tree, Inc., Form10-K, 2023, p.10.

Strategic Plan

Under the leadership of Dollar Tree’s new Executive Chairman and CEO, Richard Dreiling (the former Dollar General CEO), the company has announced a \$2 billion, multi-prong capital expenditure program to enhance growth, overall business operations, and business performance over the next year. This includes an aggressive store expansion and remodeling program, raising average hourly wages by two dollars, improving its distribution centers, and making technology investments to improve efficiency.¹⁸ Dollar Tree’s goal is to continue driving revenue growth and maintaining profitability while remaining committed to its core value of providing exceptional customer value. Three ambitious short to medium term marketing objectives (one to three years) are as follows:

Objective 1 - Increase Revenues by 10%. Dollar Tree’s comparable-store sales grew 8.7% for the quarter ending January, 2023. Their sister division, Family Dollar well-exceeded Wall Street projections for the quarter with a 5.8% growth rate. The company is laser focused on increasing unit sales and revenues and expanding its customer base. A double-digit growth rate is a stretch goal, but not unreasonable. Given inflation, many higher-income consumers have turned to Dollar Tree to get maximum value for their purchases. The company must track sales from in-store and e-commerce operations to meet its monthly targets. If growth predictions show weaknesses, current marketing strategies must be adjusted -- i.e., reevaluate the store growth/renovation plan, fine-tune the product mix, and/or rethink pricing and promotional strategies.

Objective 2 – An Aggressive Store Expansion and Redesign Program for Dollar Tree Stores. The large capital investment includes building 650 new Dollar Tree stores and renovating an additional 1,000 Dollar Tree/Dollar

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Tree Plus locations. Current store expansion and redesigns are continuing at a frantic pace. Growth metrics will be monitored to ensure it coincides with projected sales increases.

Objective 3 - Renovate 300 Family Dollar Locations. Family Dollar recently incurred an operating loss. To address this issue, Family Dollar stores should be renovated, and policies must be adjusted to bring positive revenue flow comparable to the Dollar Tree/Dollar Tree Plus division. Assuming a modest remodeling budget of \$200,000 per store, this would require a \$60 million investment which can be allocated over a two-year period.

Five-Point Action Plan:

- ✓ Increase Product Sales
 - Use analytics to identify high-performing product categories and prioritize its stocking and promotion in stores.
 - Introduce new product lines that complement existing offerings and appeal to a broader customer base.
 - Implement strategic pricing and sales strategies such as price bundling and volume discounts to incentivize customer purchases. Encourage cross-selling and up-selling.
 - Increase promotional support to soften the impact of the price change to \$1.25. Target advertising to multiple market segments including more upscale consumers.
- ✓ Store Expansion
 - Identify potential markets and locations for new store openings based on geodemographic analysis.
 - Conduct market research to identify customer needs and preferences by location.
 - Develop store design and layout plans that maximize product visibility to improve the customer experience.
 - Establish partnerships with local real estate developers and contractors to facilitate the construction and development of new locations.
- ✓ Fine-tune Business Strategies
 - Focus on cost reduction to improve gross margins – establish baseline standards.
 - Eliminate products/product lines not meeting margin requirements.
 - Renegotiate with suppliers to increase profit margins.
 - Close stores that are unprofitable or dealing with high amounts of shrinkage.

- ✓ Accelerate Private Labeling
 - Conduct market research to identify potential product categories for store brands based on customer demand.
 - Develop a comprehensive private-labeling strategy that includes product design, packaging, and branding.
 - Establish partnerships with suppliers and manufacturers to produce high-quality products at competitive prices.
 - Implement an integrated marketing communications campaign to promote private-label products and differentiate them from national brands.
- ✓ Strategic Acquisitions and Partnerships
 - To match Dollar General's market share leadership position, Dollar Tree should explore a merger with Five Below, Big Lots, and/or other discount retailers. Antitrust considerations due to market concentration must be evaluated.
 - Online commerce represents a large untapped market opportunity. As Dollar Tree lacks expertise in this area, a strategic alliance with a technology company is advisable. Assuming this relationship is successful, a buyout of the tech firm can be considered.
 - Licensing is a low risk strategy that can provide positive cash flow. Some labels like E-circuit, Final Faction, and Jot already exist. Additional licensing deals for 100 or more brands should strongly be pursued by management over the next three years.
 - Technology solutions such as automated warehousing, transportation management systems, direct importing, self-checkout, and robotics can reduce costs, improve efficiency, and increase profitability.

Marketing Decision Making – Business Tradeoffs and Overcoming Market Uncertainty

As a leading discount retailer, Dollar Tree requires a robust planning process including a contingency plan to mitigate potential risks and to ensure financial stability in the face of unexpected events. If the proposed five-point strategic marketing plan fails to achieve corporate objectives, then Dollar Tree must explore further options. One opportunity is to diversify Dollar Tree's product range. While most of its stores currently price inventory at \$1.25, Family Dollar and new Dollar Plus locations can sell items beyond its traditional low-price points (\$3 to \$10). This can attract a wider variety of customers, including those who are willing to pay higher prices for quality and uniqueness and may be Walmart shoppers. Another possibility is to

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explore new formats, such as smaller stores in urban locations or larger stores with additional services such as pharmacies or fresh groceries. This can help the company tap new markets.

Dreiling and the executive team must implement the strategic plan while setting the company on a course to fast growth while reconciling differences in corporate views and priorities. For example, consider the response to the strategic plan with respect to capital improvements. Marketing may say there is no urgent need to remodel stores since we are getting upscale customers; let's put more money into promotional events. Operations wants more warehouses, distribution centers, and automated technology to better manage inventory and reduce escalating shipping costs. Finance says this will likely impact profitability but they need to see the return on investment for each initiative.

Acquisitions is another area open to internal debate. Strategic planning members may argue that the company has been successful in closing deals which lead to corporate growth and increased capabilities. Finance responds that acquisitions may have helped sales and profits in the short run but the payback period has been much longer than anticipated and the ability to integrate operations and cut costs have been difficult. The lawyers note that potential mergers may raise antitrust concerns and legal bills fighting the Federal Trade Commission would cost millions of dollars with a limited chance of success. Marketing states that Wall Street focuses on same store sales and that is where the emphasis must be. Information Technology adds that the current systems are already at maximum capacity so any acquisition would require major investments in new technology, upgrades, and resources.

Closing Remarks

Dollar Tree, Inc. has done a masterful job appealing to its target markets and providing a solid value proposition to its consumer base. The challenging economic conditions in the U.S. and worldwide work in their favor as consumers have flocked toward lower price, good quality merchandise.

Dollar Tree may stick to its roots and focus on reducing costs while maximizing supply chain efficiency. They can implement strategies such as optimizing their inventory management system to ensure products are ordered and processed in a timely and cost-effective manner. The company should prioritize negotiating favorable terms with distributors to reduce costs and improve the reliability of in-store deliveries. Dollar Tree can also implement state-of-the-art technology solutions such as automated warehousing and transportation management systems to improve efficiency and reduce labor costs. Finally, the company can explore alternative sourcing

options such as direct importing and strategic partnerships. By implementing such strategies, Dollar Tree can lower its expenses, enhance the satisfaction level of its customers, and ultimately increase its revenues, profitability, and market share. While Dollar Tree's success to date is admirable, there are still a number of unanswered questions which will determine the company's future. Consider the following.

Discussion Questions

1. *What are the benefits and risks faced based on the proposed three strategic marketing objectives and the five-point action plan?*
2. *How should Dollar Tree, Inc. allocate resources toward Dollar Tree, Dollar Tree Plus, Family Dollar, or combo stores going forward? Explain.*
3. *How should Dollar Tree and Family Dollar compete in the marketplace (online arena)? Critique their website and use of social media marketing. What digital changes are called for?*
4. *How can the company improve their promotional strategy to reach younger (millennials and Generation Z) and middle-class consumers given the challenging economic environment?*
5. *Would you advise management to acquire Five Below or another discount retail chain? Why or why not?*

Authors

*Art Weinstein, Ph.D., is a Professor of Marketing in the H. Wayne Huizenga College of Business & Entrepreneurship at Nova Southeastern University (NSU), Fort Lauderdale, Florida, USA. He is the Founder and Project Leader of the Center for Case Study Excellence (CCSE). A recognized expert in B2B segmentation and customer value, Art has published more than 90 scholarly articles and 8 books. His latest book is Superior Customer Value – Finding and Keeping Customers in the Now Economy (Routledge). His MBA and undergraduate courses emphasize case analyses and in-depth marketing plans. Dr. Weinstein has published dozens of cases in conferences, journals, and textbooks. Cases include Baptist Health, Bank of America, Chewy, Citrix Systems, CVS, Royal Caribbean, TheraNOS, Trader Joe's, and Walmart. Recently, his work on case analysis was featured by Harvard Business Publishing Education (2020, 2022). Art has consulted for many leading technology and service companies.
email: art@nova.edu*

*Jasmine Pottinger was a research associate at NSU in this project. Mrs. Pottinger is an accountant for a distinguished property management firm in South Florida. She is pursuing her MBA in Finance.
email: jasminepottinger@gmail.com*

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*Ann Marie Mantle was a research associate at NSU in this project. Ms. Mantle's work experience is in healthcare administration.
email: annmariemantle@comcast.net*

Acknowledgements:

The authors thank Herbert Brotspies for providing an in-depth review, strategic marketing insights, and ideas which strengthened the decision-making perspective of this case study.

This case study uses public information and field research woven into a major strategic marketing challenge. The scenario presents current and potential alternatives, risks, and opportunities that management at Dollar Tree, Inc. must evaluate. The authors do not intend to illustrate effective or ineffective handling of the business situation. The reader can decide based on the case facts and end-of-case questions.

Endnotes

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