Case Study: Family Dollar: Reinventing the Discount Store

When 21- year-old Leon Levine founded Family Dollar Stores ([WWW.familydollar.com](http://WWW.familydollar.com)) in 1959, his first store was located in Charlotte, North Carolina, and it focused on selling fabrics and apparel. Over time, the growing chains selection of goods expanded to include holiday decorations, home-cleaning products, pet-related goods, and health and beauty aids. Currently, there are more than 6,800 Family Dollar stores in 44 states.

Central to Family Dollars overall retail strategy are these factors:

* An emphasis on merchandise priced at less than $2
* All stores being laid out in exactly the same way ( to enable customers to easily find merchandise).
* A high-value orientation.
* Good customer service

The recent recessionary economic climate forced Family Dollar to re-examine its product selection and store layout. As a result of the poor economy, many of Family Dollars lower-income core customers reduced their apparel and footwear expenditures. Instead, they concentrated their purchases on more basic needs. On the other hand, middle-income consumers increasingly shopped at Family Dollar for such basic commodity items as home-cleaning supplies and refrigerated foods.

Due to the increased popularity of refrigerated and frozen foods, each renovated Family Dollar store now has 5 to 10 refrigerator/freezer units. Family Dollar has also reduced the number of brands it carries to increase its bargaining power with suppliers and to simplify its ordering and stocking processes. However, Family Dollar has increased the number of products stocked within a brand.

Family Dollars new layout, which has been applied to several hundred stores, “is more intuitive, with clean lines of sight,” according to Family Dollars manager of public relations. It also incorporates lifestyle-oriented displays. In the past, sweatpants and matching tops were placed on separate racks. As a result, many customers were unaware that these items could be combined to form a matching outfit. Since Family Dollars new layout makes it easier for customers to walk around a store, it encourages impulse purchases. The new layout also provides more selling space for the stores best-selling items. Family Dollar is completing its renovation program over a four-year period.

Based on the market research, Family Dollar found that many of its customers were concerned with sizing inconsistencies and had some quality issues regarding apparel items (such as poor stitching on seams). Family Dollar discovered that many of its customers were unwilling to reduce purchases for children’s clothing despite the recession’s effect on their disposable income. As a result, Family Dollars sales of children’s clothing have been strong. Family Dollar plans to expand into other areas of children’s clothing such as bibs, diapers, and footwear.

Recently, sales of apparel and accessories have been increasing. As a result. Family Dollar plans to focus more attention on men’s and women’s apparel. The chain is now using market research data to position stores into clusters based on consumer expenditures. Some stores have been more successful in the sale of fashion apparel, while others are better sellers of basic items like socks.

**Questions**

1. Evaluate Family Dollars retail strategy. Will it work in both good and bad economic times?
2. Discuss the pros and cons of Family Dollars reducing the number of brands but increasing the selection within a brand.
3. Describe Family Dollars competitive advantages and dis-advantages with respect to competition from conventional supermarkets and box stores.
4. How can a full-line discount store do better in competing against a variety store like Family Dollar?