

Why dollar stores are bad business for the neighborhoods they open in

They're affordable, but often lack fresh and healthy food—and gut local and independently owned businesses.

BY EILLIE ANZILOTTI

Up until 2015, Haven, Kansas, a town of just over 1,200 people, had one grocery store: the Foodliner, a mom-and-pop store owned by a local, Dough Nech. Around 225 locals a day would cycle through the store, picking up basics like bagged lettuce and chicken.



That changed when a Dollar General opened in Haven in February 2015. Almost immediately, Nech saw a drop in the flow of customers through Foodliner. By last year, they rang up only around 125 people; sales dropped by **40%**, he told *The Guardian*. **This August, the Foodliner permanently closed.**

Dollar General is the fastest-growing retailer in the U.S. and it, along with its competitors Dollar Tree and Family Dollar (which is owned by Dollar Tree), have made a killing in recent years by expanding into some of the county's most vulnerable communities: small, rural towns, and urban, predominantly black neighborhoods. When that happens, dollar stores essentially take over the market, making it impossible for independent local retailers, like Foodliner, to thrive. **And in doing so, dollar stores essentially ensure that people living in the areas they target will struggle to access healthy food. While affordable, dollar stores rarely offer any food beyond highly processed options, and in areas where it's already difficult to find produce and fresh options (often called [food deserts](#)), they don't do much to change the status quo.**



[New research](#) from the [Institute for Local Self-Reliance](#), a nonprofit that supports local alternatives to entrenched economic systems, finds that since 2011, the number of dollar stores has grown from 20,000 to nearly 30,000. They outnumber Walmarts and Starbucks, combined. They feed far more people than Whole Foods, the poster-child for healthy grocery stores. ILSR reports that Dollar General and Dollar Tree expect to expand to 50,000 stores in the next several years.



“Although dollar stores sometimes fill a need in places that lack basic retail services, there’s growing evidence that these stores are not merely a byproduct of economic distress. They’re a cause of it,” write ILSR co-authors Marie Donahue and Stacey Mitchell. **“In small towns and urban neighborhoods alike, dollar stores are leading full-service grocery stores to close. And their strategy of saturating communities with multiple outlets is making it impossible for new grocers and other local businesses to take root and grow.”**

Mitchell and Donahue point particularly to Tulsa, Oklahoma, where more than 50 dollar stores are concentrated in the city’s black neighborhoods to the north, and largely skirt the whiter areas of the city. The north side of the city lacks a full-service grocery store, and dollar stores have sprung up to fill in gaps left by long-standing disinvestment in black neighborhoods, where larger supermarket chains are still hard to find. **But ILSR found that the proliferation of dollar stores are not helping the quality of life for residents—people in north Tulsa have a 14-year lower life expectancy than people in the rest of the city, and it’s in part due to access to healthy options.**

In both urban neighborhoods and rural areas, when dollar stores start opening, they spell economic trouble. Dollar General and Dollar Tree stores only employ around eight people, and small independent groceries employ an average of 14, according to federal data. **David Procter, an expert on community development and director of the [Rural Grocery Initiative](#) at Kansas State University, told ILSR that the effects of local stores disappearing are even broader. “The problem is that if the grocery store closes, this impacts the town in a big way. Our research shows grocers are barometers for other businesses in town: as goes the grocery store, so goes other independent businesses in that community.”**

Additionally, locally owned groceries have a better sense of community needs than large national chains, and would often offer delivery of fresh food to seniors or people with mobility needs who couldn't easily access stores. Dollar General and Dollar Tree do not.



ILSR spoke with Vanessa Harper-Hall, a lifelong resident of Tulsa's north side, who ran for a City Council seat in 2016 on a platform of boosting access to healthy food and full-service groceries in the neighborhood. Once she took office, she began to push for [a policy](#) that would limit the expansion of dollar stores in north Tulsa, and instead grant priority for local, independent, and full-service groceries. Both the city's planning commission and the daily newspaper opposed it on the grounds that granting a permit to a rapidly expanding chain is a surer bet than offering space to a new business.

But Harper-Hall stood by the idea, and helped residents launch a protest campaign against a new Dollar General in the neighborhood while continuing to detail the need for healthy food. In April 2018, Harper-Hall's ordinance passed, and became the first policy of its kind in the U.S.

North Tulsa will soon welcome a new healthy store operated by Honor Capital, a business with an aim to bring fresh, healthy food to underserved areas. The small company operates around 10 stores in a handful of states, and has funding from [a community development financial institution](#), which are specifically geared at supporting beneficial projects in low-income areas. [Mesquite, Texas](#), a town also

struggling with food-access issues, reached out to Harper-Hall for advice and ultimately passed a similar ordinance to slow the dollar-store takeover.

Hall also points to initiatives like mobile produce trucks, which can deliver fresh food without the need for brick-and-mortar investment, as another tool to push back against dollar stores' dominance. And places like [Mendocino County, California](#), have implemented stricter review processes that chain stores must go through in order to be granted a permit.

Ultimately, though, one of the biggest barriers to local stores springing up to challenge dollar chains is funding, ILSR writes. If cities and towns want to ensure that all residents have access to fresh, healthy, food, they need to develop financing structures and partnerships with CDFIs and other nonprofit lenders and foundations to make it economically viable for healthy stores and new local groceries to take root and provide for residents at costs that are competitive with dollar stores. Harper-Hall, having broken down the barrier for getting support for local groceries inked into city codes, says that politicians and leaders in other places shouldn't hesitate to use Tulsa's policy as a model. "Having examples [of policies passed by other cities] keeps you as an elected official encouraged that this work is possible, even when you're up against opposition from the powers that be," she told ILSR.

AND ANOTHER STORY>>> from the Washington Post..... it goes on to say:

"Yet a report released this month by the Institute for Local Self-Reliance argues that while these low-cost businesses claim to help their customers, they are doing the opposite. By opening up — for the most part — in low-income neighborhoods, they drive locally owned options out of business, including grocery stores. Dollar stores rarely carry anything in the way of fresh fruit and vegetables, opting instead for canned, frozen or processed foods. Their lean business model means they employ fewer people than more conventional retailers. (That's why many dollar stores are such a mess — there are fewer employees tidying up after the customers.) Finally, dollar store customers are shopping there for the perceived bargain price, but the merchandise might not be as cheap as it initially appears. Often the low prices are maintained by shrinking the package size, resulting in less bang for the buck. At the Dollar Tree where I met Pearson, the tin foil is \$1 for a 15 square feet package. Walmart sells 75 square feet for \$4.06 — more than 18 square feet per dollar."