

Strategic Management Case Series

Dollar General: Executing Cost Leadership in Discount Retail

Manjot Bhussar
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Executive Summary

This case examines Dollar General's execution of a cost leadership strategy in the discount retail sector. As of 2024, Dollar General had grown to over 20,000 stores across 47 states, generating annual revenue exceeding \$38 billion¹. The company's success was built on a relentless focus on keeping costs low and prices affordable for its core lower-income customer base.

Key elements of Dollar General's cost leadership approach included:

- A low-cost small-box store model
- Limited SKU assortment focused on fast-moving items
- Emphasis on private label products
- Efficient distribution network
- Lean operations and corporate overhead

Dollar General increasingly found itself competing against larger retailers like Walmart for value-conscious consumers. The retail giant Walmart has been aggressively expanding its small-format Neighborhood Market stores, encroaching on Dollar General's rural and suburban territories². At the same time, Dollar General is facing increased threats from Dollar Tree's Plus store concept, which introduced items priced above \$1, aimed to directly compete with Dollar General's broader price point strategy³. Further, Dollar General has to navigate through economic headwinds impacting Dollar General's core customer base, including inflation and reduced discretionary spending⁴.

This two-pronged competitive pressure from both a larger, more resource-rich competitor (Walmart) and a traditionally lower-priced rival expanding its offerings (Dollar Tree) is effectively "sandwiching" Dollar General, forcing it to defend its market share and unique value proposition from both directions simultaneously. The market has responded to these competitive challenges, with Dollar General's stock price underperforming compared to both Walmart and Dollar Tree in 2024, reflecting investor concerns about its ability to maintain growth and profitability in this increasingly challenging retail environment⁵.

In late 2023, Dollar General launched a "Back to Basics" initiative to reinforce its core competencies, focusing on enhancing store operations, optimizing the supply chain, refining merchandising, and leveraging technology. While early results showed promise, the plan required substantial investment at a time when the company faced margin pressures.

The case highlights challenges faced by Dollar General and examines the strategic choices facing CEO Todd Vasos and his team as they worked to reinforce Dollar General's cost leadership position while navigating a challenging retail environment.

Key issues addressed include:

- Maintaining cost leadership while investing in operations and technology
- Adapting to changing consumer behavior in an inflationary environment
- Responding to intensifying competition from larger retailers
- Balancing growth initiatives with operational efficiency
- Evolving the business model to sustain competitive advantage

The case provides a basis for discussing the execution and sustainability of cost leadership strategies in retail, as well as how companies can adapt such strategies to changing market conditions.

Introduction

On a humid August morning in 2024, Todd Vasos settled into his chair in the executive conference room at Dollar General's headquarters in Goodlettsville, Tennessee. As CEO, Vasos had just finished reporting the company's second quarter earnings and was reflecting on the challenges facing the discount retailer. While Dollar General had built a formidable business pursuing a cost leadership strategy, recent headwinds and increased competition were testing the company's ability to maintain its competitive edge.

Founded in 1939, Dollar General had grown to over 20,000 stores across 47 states by 2024, generating over \$38 billion in annual revenue. The company's success was built on a laser focus on keeping costs low and prices affordable for its core lower-income customer base. As Vasos explained to investors, "Dollar General has a long history of serving customers in a variety of macroeconomic environments, and we believe the actions we are taking will allow us to further strengthen our position and build on our Back to Basics initiative, as we seek to deliver sustainable growth and long-term shareholder value."¹

However, Dollar General was facing an increasingly difficult operating environment. Inflation was squeezing its cost-conscious customers, the labor market remained tight, and larger rivals like Walmart & Dollar Tree were stepping up their value offerings. As Vasos and his team worked to navigate these challenges, they grappled with how to reinforce Dollar General's cost leadership position while continuing to drive growth and profitability.

The Evolution of Dollar General: From Small-Town Roots to National Discount Retailer

Dollar General's journey from a single small-town store to a national retail powerhouse span over 80 years, marked by strategic growth and an unwavering focus on value.

1939-1955: Humble Beginnings

J.L. Turner and his son Cal Turner Sr. founded J.L. Turner and Son, Wholesale in Scottsville, Kentucky, in 1939. The company initially operated as a wholesaler, but by 1955, the Turners had opened their first retail store named "Dollar General" in Springfield, Kentucky. The store's concept was simple – no item in the store would cost more than one dollar.

1968-1977: Rapid Expansion and Going Public

In 1968, the company officially changed its name to Dollar General Corporation. By 1977, Dollar General had grown to 280 stores with \$40 million in annual sales. This rapid growth led to the company going public, listing on the New York Stock Exchange.

1980s-1990s: Continued Growth and Modernization

Under the leadership of Cal Turner Jr., who became CEO in 1977, Dollar General expanded its product offerings beyond the strict one-dollar price point while maintaining its focus on value. The company invested in modernizing its distribution and inventory systems, enabling more efficient operations as it continued to open new stores at a rapid pace.

2000-2015: Overcoming Challenges and Private Equity Ownership

The early 2000s brought challenges, including an accounting scandal that led to a financial restatement. However, Dollar General rebounded and continued its expansion. In 2007, the company was taken private by the private equity firm Kohlberg Kravis Roberts & Co. (KKR) in a leveraged buyout. This period saw significant investment in improving store operations and expanding the store base. Dollar General returned back to the public markets in 2009 with a successful IPO.

2015-Present: Accelerated Growth and Adapting to Change⁶

Since 2015, Dollar General has accelerated its growth strategy, consistently opening 900-1,000 new stores annually. The company has also focused on evolving its business model to meet changing consumer needs:

1. DG Fresh: Launched in 2019 to self-distribute fresh and frozen products, improving product quality and margins.
2. Non-consumables Initiative (NCI): Expanded offering of home, seasonal, and discretionary products to drive higher basket sizes.
3. pOpshelf: A new concept launched in 2020, targeting middle-income suburban customers with a treasure-hunt shopping experience.
4. DG Market: Larger format stores with an expanded grocery section to capture more of customers' food spend.
5. Digital Initiatives: Expanded e-commerce offerings, including partnerships with DoorDash for delivery and the launch of the DG App for digital coupons and convenient shopping.

Throughout its history, Dollar General has maintained its core focus on providing value to customers in convenient locations. By 2024, the company had grown to over 20,000 stores across 47 states, cementing its position as a leader in the small-box discount retail sector.

The company's ability to adapt its business model while staying true to its value-oriented roots has been key to its long-term success. As Dollar General faces new challenges in the 2020s, including increased competition and changing consumer behaviors, it continues to lean on this heritage of resilience and adaptability.

Cost Leadership as Core Strategy

Since its founding, Dollar General had relentlessly pursued a cost leadership strategy, aiming to be the low-cost provider in the discount retail segment. This approach aligned with the company's mission of "Serving Others" by providing affordable products to customers in convenient neighborhood locations⁷.

Dollar General's cost leadership strategy was built on several key pillars:

1. **Low-cost store model:** Dollar General utilized a small-box format of approximately 7,400 square feet for its stores. This allowed the company to locate in smaller communities that could not support larger retailers, while keeping real estate and operating costs low. Stores were simply designed with minimal fixtures and staffing.
2. **Limited SKU assortment:** Dollar General carried only about 10,000-12,000 SKUs (Stock Keeping Units), compared to 100,000+ at a typical supercenter. By focusing on fast-moving consumables and other essential items, the company was able to maximize inventory turnover and minimize carrying costs⁸.
3. **Private label products:** Dollar General's private brands accounted for nearly 25% of sales, providing higher margins than national brands while still offering value pricing to customers.
4. **Efficient distribution:** The company operated a network of distribution centers strategically located to minimize transportation costs to stores. Advanced logistics systems helped optimize inventory and reduce out-of-stocks.
5. **Lean operations:** Dollar General maintained a culture of frugality throughout the organization. Store labor was tightly managed, with most locations employing only 6-10 people. Corporate overhead was kept minimal.

This focus on cost leadership enabled Dollar General to offer everyday low prices to customers while still generating solid profit margins. In fiscal year 2023, the company achieved an operating margin of 9.3% - higher than larger rivals like Walmart (5%), Dollar Tree (7.2%) and Target (5.3%)⁹.

Executing the Back to Basics Plan

In late 2023, Dollar General launched a "Back to Basics" initiative aimed at reinforcing its core competencies and improving execution. As Vasos explained, "2024 is about executing on our foundational Back to Basics plan, and we are pleased to be on schedule and making great progress against the goals we have previously outlined."

Key elements of the Back to Basics plan included:

1. **Enhancing store operations:** Dollar General increased labor hours dedicated to customer service and in-stock positions. The company also simplified planograms (Models to indicate product placement on shelves to increase sales) and reduced the number of in-store displays to improve efficiency.

2. **Optimizing the supply chain:** The company focused on improving on-time and in-full deliveries to stores. Dollar General also closed underperforming temporary distribution facilities while opening new, more efficient permanent distribution centers.
3. **Refining merchandising:** Company's purchasers worked to streamline SKU counts and optimize product assortments. The company also reinforced its value message through targeted promotions and emphasis on opening price points.
4. **Leveraging technology:** Dollar General invested in new systems to improve inventory management, labor scheduling, and other key operational areas.

Early results from these efforts were encouraging. In-stock levels improved year-over-year, while employee turnover declined across store operations roles. On-time deliveries from distribution centers also showed significant gains.

However, the Back to Basics plan required substantial investment at a time when the company was facing margin pressure. Some analysts questioned whether Dollar General could maintain its cost leadership position while increasing spending on labor, technology, and other areas.

Competitive Landscape and Strategic Sandwiching

Dollar General has found itself strategically sandwiched between two formidable competitors, facing a dual threat to its market position. This pincer movement forced Dollar General to defend its market share against both the nimble dollar store rival and the retail giant, creating a challenging competitive landscape that threatened to squeeze its traditional customer base from both ends of the value spectrum.

While Dollar Tree had traditionally focused on urban and suburban areas, differing from Dollar General's rural and small-town emphasis, its future expansion plans signaled a potential encroachment into Dollar General's core markets. This shift could cause significant trouble for Dollar General, eroding its dominance in areas where it previously faced little competition.

Dollar Tree's strategic shift and expansion plans posed a growing threat to Dollar General's market position. With annual revenue exceeding \$28 billion in fiscal year 2022, Dollar Tree demonstrated robust growth potential. The company's Multi-Price Plus offering, introduced in over 1600 stores, allowed for a broader product range and higher price points, directly competing with Dollar General's model¹⁰.

In 2023, Dollar Tree showed signs of successfully capturing market share. As Mike Witynski, Dollar Tree's then-CEO, stated in the Q4 2022 earnings call: "Our \$3 and \$5 Plus assortment is resonating with customers, driving both traffic and ticket. We are seeing a trade-in customer coming to Dollar Tree for great value, and we're seeing our core customers adding these items to their baskets." This success prompted aggressive expansion plans, with Rick Dreiling, the new CEO, announcing in Q1 2023: "We are planning to add 1,000 to 2,000 net new stores to our fleet annually for the next several years." This expansion strategy, coupled with the company's

improved merchandising mix, signaled a direct challenge to Dollar General's traditional strongholds, potentially disrupting its long-held market dominance in rural and suburban areas¹¹.

Simultaneously, from above, Walmart represented a formidable rival. With over \$600 billion in annual revenue, Walmart possessed massive scale advantages in purchasing, distribution, and technology investments. The retail giant was also aggressively expanding its small-format Neighborhood Market stores, encroaching on Dollar General's rural and suburban territories.

In 2024, Walmart appeared to be gaining ground with lower-income shoppers. As Kelly Dilts, Dollar General's CFO, noted on the Q2 earnings call: "What we saw is the guys down in Bentonville are doing a pretty nice job in garnering the available traffic that's out there from other retailers. We haven't seen a deterioration on our side. But what we saw in Q1 was a greater pickup from the available share maybe from other classes of trade, grocery and drug. While we got some of it, we didn't get our fair share, at least what I would consider to be our fair share."¹²

This dynamic was evident in the companies' recent financial results. While Dollar General reported Q2 same-store sales growth of just 0.5%, Walmart U.S. achieved 6.4% comparable sales growth in its most recent quarter. On the other hand, its closest competitor, Dollar Tree, reported a same-store sales growth of 6.3%.

The divergence was also apparent in the stock market, where Walmart shares hit all-time highs in 2024 while Dollar General stock plummeted to multi-year lows. Investors appeared to be betting on Walmart's ability to gain market share in an uncertain economic environment¹³.

Economic Headwinds and Consumer Pressures

Dollar General's core lower-income customer base was facing mounting economic pressures in 2024. While unemployment remained low, inflation was eroding purchasing power for many households. Rising costs for essentials like food, housing, and healthcare were squeezing discretionary spending.

These trends were evident in Dollar General's recent results and consumer insights. As Vasos explained: "The majority of them state that they feel worse off financially than they were six months ago as higher prices, softer employment levels and increased borrowing costs have negatively impacted low-income consumer sentiment. As a result, our core customer who contributes approximately 60% of our overall sales comes predominantly from households earning less than \$35,000 annually."¹¹

The company's data showed that over 60% of core customers reported having to sacrifice on purchasing basic necessities due to higher costs. Approximately 30% had maxed out at least one credit card, while 25% anticipated missing a bill payment in the next six months.

These pressures were impacting shopping behavior, with customers becoming even more price sensitive and deal-seeking. Dollar General saw strength in its private label offerings and "\$1 or less" items but struggled with other discretionary categories. The last week of each month - when customers were most likely to be stretching budgets - showed particular softness in sales.

Strategic Choices and Future Outlook

As Vasos and his team looked to the future, they faced critical strategic choices in how to reinforce Dollar General's cost leadership position while navigating a challenging environment:

1. Pricing and promotions: How aggressively should Dollar General invest in lower prices and increased promotions to drive traffic, potentially at the expense of margins?
2. Store expansion: Should the company continue its rapid pace of new store openings, or focus more on improving productivity of existing locations?
3. Format evolution: Was there an opportunity to test larger store formats or new concepts to broaden Dollar General's appeal?
4. Digital capabilities: How much should the company invest in e-commerce, mobile apps, and other digital tools to enhance the customer experience?
5. Assortment: Should Dollar General expand into new product categories or services to drive growth?
6. M&A: Were there potential acquisition targets that could strengthen the company's competitive position?

The decisions made would be critical in determining whether Dollar General could maintain its position as a leader in discount retail. As Vasos concluded in his remarks to investors: "This team is energized and laser-focused on our strategy to restore operational excellence while delivering value for our customers and shareholders alike. I want to close by thanking our more than 193,000 employees for their commitment to fulfilling our mission of serving others. It is a privilege to serve alongside them each and every day, and we are looking forward to all we can accomplish together in the back half of the year."

Conclusion

Dollar General's pursuit of cost leadership had driven its growth into one of the largest retailers in the United States. However, the company now faced significant challenges in maintaining this strategy amidst changing economic conditions, evolving consumer behavior, and intensifying competition. CEO Todd Vasos and his team needed to carefully balance reinforcing core competencies with adapting to new market realities. Their decisions would be critical in determining whether Dollar General could sustain its competitive advantage and continue delivering value to both customers and shareholders in the years ahead.

The company's ability to execute its Back to Basics plan while responding to immediate market pressures would be a key test of its operational capabilities. Furthermore, Dollar General's response to the growing threat from larger rivals like Dollar Tree & Walmart would reveal much about its strategic agility and long-term viability as a leading discount retailer.

As Dollar General navigated these challenges, it would need to stay true to its mission of serving others while potentially evolving its business model to meet the changing needs of its core

customer base. The coming months and years would likely define the next chapter in the company's long history of serving value-conscious consumers across America.

Discussion Questions

1. How sustainable is Dollar General's cost leadership strategy in the current retail environment? What are the key risks to this approach?
2. Evaluate the effectiveness of Dollar General's Back to Basics plan. Is the company making the right investments to reinforce its competitive position?
3. How should Dollar General respond to the growing competitive threat from Walmart and other large retailers? What strategic options are available?
4. Given the economic pressures facing its core customers, should Dollar General consider adjusting its product mix or pricing strategies? If so, how?
5. To what extent should Dollar General invest in e-commerce and digital capabilities? How might this impact its cost structure and value proposition?
6. Assess Dollar General's store expansion strategy. Should the company continue its rapid pace of new store openings, or focus more on improving existing store productivity?
7. How might Dollar General evolve its business model to create new sources of competitive advantage beyond cost leadership?
8. What recommendations would you make to CEO Todd Vasos to address the challenges facing Dollar General while positioning the company for long-term success?
9. Compare and contrast Dollar General's execution of cost leadership with that of Walmart. What lessons can be drawn from this comparison?
10. Compare and contrast Dollar General's execution of cost leadership with that of Dollar Tree. What lessons can be drawn from this comparison?
11. Which of the two retail giants is likely to pose a stronger threat to Dollar General. Walmart or Dollar Tree?
12. How effectively has Dollar General balanced the needs of its various stakeholders (customers, employees, shareholders) in pursuing its strategy? Are there areas where this balance should be adjusted?

References.

¹ Dollar General, 2024. Dollar General Corporation Reports Second Quarter 2024 Results. Retrieved from <https://investor.dollargeneral.com/websites/dollargeneral/English/2120/us-press-release.html?airportNewsID=128188f7-fa7b-421c-b81d-b8c0d724597c>

² Meyersohn, N. 2024. Dollar stores are struggling. Blame Walmart.

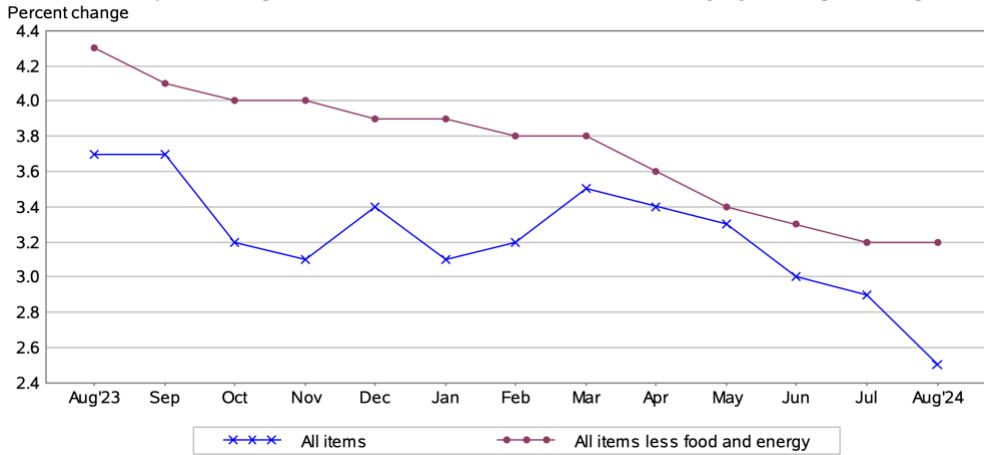
<https://www.cnn.com/2024/09/04/business/dollar-stores-walmart-low-income-consumers/index.html>

³ Dollar Tree, 2021. Building on the Success of its “Combo” Store and Dollar Tree Plus Initiatives, Dollar Tree Poised to Take Next Steps in its Multi-Price Evolution. Retrieved from <https://corporate.dollartree.com/news-media/press-releases/detail/12/building-on-the-success-of-its-combo-store-and-dollar>

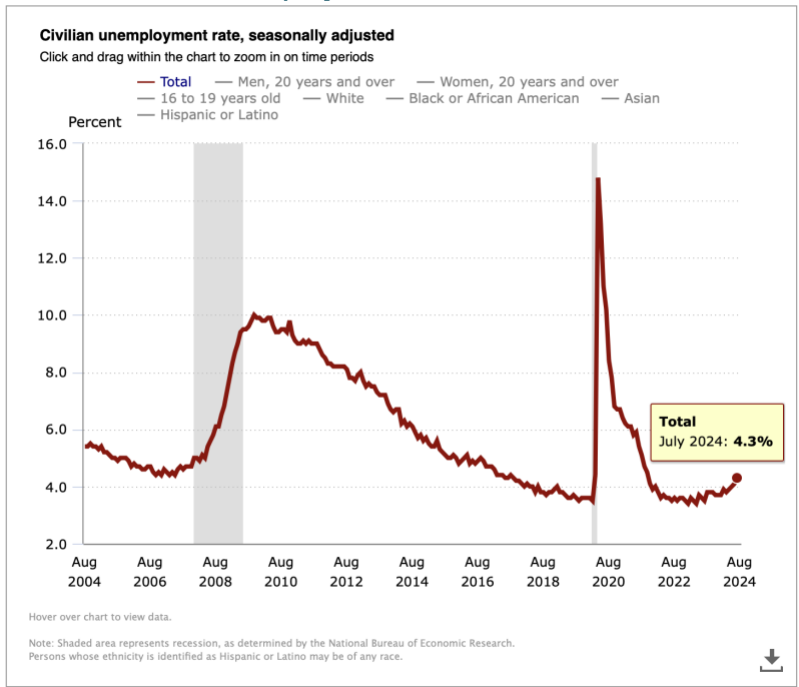
⁴ U.S. economic indicators (inflation, unemployment, consumer confidence)

Inflation data: Retrieved from <https://www.bls.gov/news.release/pdf/cpi.pdf>

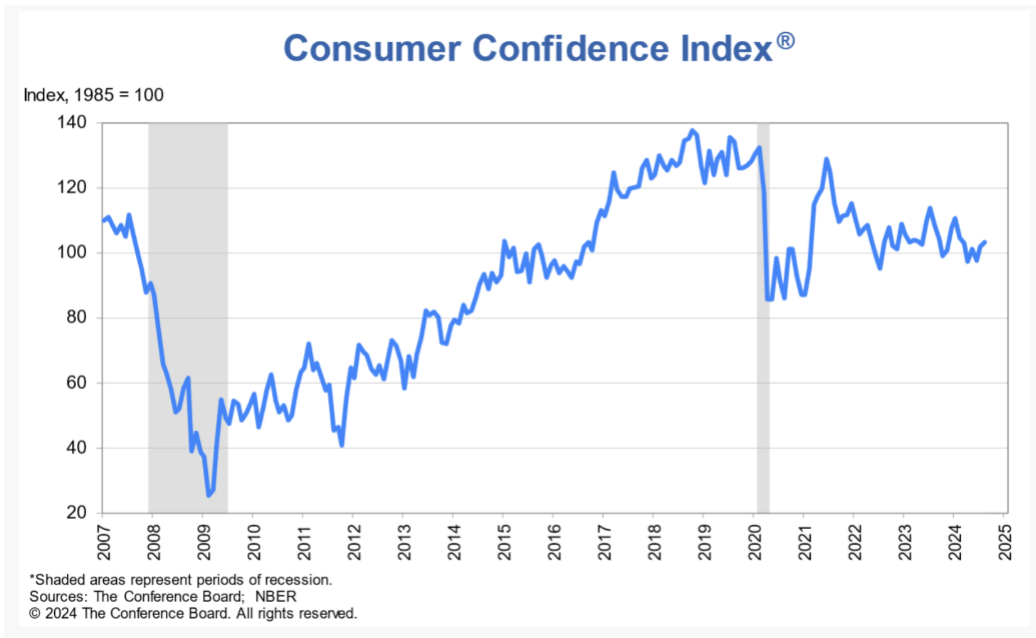
Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Aug. 2023 - Aug. 2024



Unemployment data: Retrieved from <https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm>



Consumer Confidence data: Retrieved from <https://www.conference-board.org/topics/consumer-confidence>



⁵ Stock price chart (Dollar General vs. peers)



Shares of discount stores vs big box retailers

⁶ Dollar General Store Formats. Retrieved from <https://newscenter.dollargeneral.com/company-facts/dollar-general-store-formats/>

⁷ Parnell, J.A., 2006. Generic strategies after two decades: a reconceptualization of competitive strategy. *Management decision*, 44(8), pp.1139-1154.

⁸ Business Insider, 2023. Dollar General has close to 20,000 stores across the US. Here's how it keeps prices so low. Retrieved from <https://www.businessinsider.com/dollar-general-low-price-strategy-2018-8>

⁹ Comparison of Dollar General's key metrics vs. Dollar Tree & Walmart: Data compiled from Dollar General, Dollar Tree, and Walmart's 10-K reports. For more information, please visit <https://www.sec.gov>

Metric	Dollar General	Dollar Tree	Walmart
Annual Revenue (FY 2022)	\$37.84 billion	\$28.33 billion	\$611.3 billion
Number of Stores (as of FY 2022)	18,818	16,340	10,586
Same-store Sales Growth (FY 2022)	4.3%	8.7%	6.6% (U.S.)
Operating Margin (FY 2022)	8.8%	5.4%	3.9%
Net Income (FY 2022)	\$2.40 billion	\$1.62 billion	\$13.67 billion
Revenue per Share (FY 2022)	\$166.09	\$125.51	\$219.30
Employee Count (approx.)	170,000	207,000	2.3 million
E-commerce Sales % of Total (FY 2022)	Not disclosed	Not disclosed	13% (U.S.)

¹⁰ Dollar Tree, 2023. Form 10-K for the fiscal year ended January 28, 2023. Retrieved

from <https://investors.dollartree.com/static-files/b6e0c2a0-dd86-4f89-b0c4-34c5d0199438>

¹¹ Motley Fool Transcribing, 2022. Q4 2022 Earnings Call Transcript, March 1, 2023. Retrieved from <https://www.fool.com/earnings/call-transcripts/2023/03/01/dollar-tree-dltr-q4-2022-earnings-call-transcript/>

¹² Motley Fool Transcribing, 2024. Dollar General (DG) Q2 2024 Earnings Call Transcript. Retrieved from <https://www.fool.com/earnings/call-transcripts/2024/08/29/dollar-general-dg-q2-2024-earnings-call-transcript/>

¹³ Foelber, D, 2024. How Is Walmart Stock Hitting an All-Time High While Dollar General and Dollar Tree Just Plummeted to 5-Year Lows? Retrieved from <https://www.msn.com/en-us/money/other/how-is-walmart-stock-hitting-an-all-time-high-while-dollar-general-and-dollar-tree-just-plummeted-to-5-year-lows/ar-AA1qfMNa>

Additional Exhibits:

1. Dollar General financial summary. Retrieved from <https://investor.dollargeneral.com/websites/dollargeneral/English/2120/us-press-release.html?airportNewsID=128188f7-fa7b-421c-b81d-b8c0d724597c>

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**Condensed Consolidated Balance Sheets**

(In thousands)

	(Unaudited)		
	August 2, 2024	August 4, 2023	February 2, 2024
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,222,691	\$ 353,018	\$ 537,283
Merchandise inventories	7,000,569	7,531,459	6,994,266
Income taxes receivable	61,495	151,730	112,262
Prepaid expenses and other current assets	439,487	377,772	366,913
Total current assets	8,724,242	8,413,979	8,010,724
Net property and equipment	6,269,480	5,624,129	6,087,722
Operating lease assets	11,220,287	10,755,172	11,098,228
Goodwill	4,338,589	4,338,589	4,338,589
Other intangible assets, net	1,199,700	1,199,700	1,199,700
Other assets, net	61,467	63,988	60,628
Total assets	\$ 31,813,765	\$ 30,395,557	\$ 30,795,591
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term obligations	\$ 769,194	\$ -	\$ 768,645
Current portion of operating lease liabilities	1,425,680	1,331,433	1,387,083
Accounts payable	3,869,267	3,681,634	3,587,374
Accrued expenses and other	1,064,845	1,013,594	971,890
Income taxes payable	12,201	7,261	10,709
Total current liabilities	7,141,187	6,033,922	6,725,701
Long-term obligations	6,235,166	7,295,215	6,231,539
Long-term operating lease liabilities	9,783,954	9,409,193	9,703,499
Deferred income taxes	1,138,829	1,119,114	1,133,784
Other liabilities	254,391	240,408	251,949
Total liabilities	24,553,527	24,097,852	24,046,472
Commitments and contingencies			
Shareholders' equity:			
Preferred stock	-	-	-
Common stock	192,423	192,039	192,206
Additional paid-in capital	3,788,091	3,724,200	3,757,005
Retained earnings	3,277,439	2,380,451	2,799,415
Accumulated other comprehensive income (loss)	2,285	1,015	493
Total shareholders' equity	7,260,238	6,297,705	6,749,119
Total liabilities and shareholders' equity	\$ 31,813,765	\$ 30,395,557	\$ 30,795,591

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(In thousands, except per share amounts)

(Unaudited)

	For the Quarter Ended			
	August 2, 2024	% of Net Sales	August 4, 2023	% of Net Sales
Net sales	\$ 10,210,361	100.00%	\$ 9,796,181	100.00%
Cost of goods sold	7,150,882	70.04	6,751,495	68.92
Gross profit	3,059,479	29.96	3,044,686	31.08
Selling, general and administrative expenses	2,509,517	24.58	2,352,372	24.01
Operating profit	549,962	5.39	692,314	7.07
Interest expense, net	68,130	0.67	84,337	0.86
Income before income taxes	481,832	4.72	607,977	6.21
Income tax expense	107,642	1.05	139,142	1.42
Net income	\$ 374,190	3.66%	\$ 468,835	4.79%

Earnings per share:

Basic	\$ 1.70	\$ 2.14
Diluted	\$ 1.70	\$ 2.13

Weighted average shares outstanding:

Basic	219,904	219,403
Diluted	220,065	219,952

For the 26 Weeks Ended

	August 2, 2024	% of Net Sales	August 4, 2023	% of Net Sales
	Net sales	\$ 20,124,382	100.00%	\$ 19,139,013
Cost of goods sold	14,072,754	69.93	13,138,853	68.65
Gross profit	6,051,628	30.07	6,000,160	31.35
Selling, general and administrative expenses	4,955,562	24.62	4,566,988	23.86
Operating profit	1,096,066	5.45	1,433,172	7.49
Interest expense, net	140,563	0.70	167,375	0.87
Income before income taxes	955,503	4.75	1,265,797	6.61
Income tax expense	217,996	1.08	282,582	1.48
Net income	\$ 737,507	3.66%	\$ 983,215	5.14%

Earnings per share:

Basic	\$ 3.35	\$ 4.48
Diluted	\$ 3.35	\$ 4.47

Weighted average shares outstanding:

Basic	219,826	219,298
Diluted	220,059	220,029

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	For the 26 Weeks Ended	
	August 2, 2024	August 4, 2023
Cash flows from operating activities:		
Net income	\$ 737,507	\$ 983,215
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	471,079	410,287
Deferred income taxes	5,045	58,147
Noncash share-based compensation	34,641	33,893
Other noncash (gains) and losses	39,876	57,367
Change in operating assets and liabilities:		
Merchandise inventories	(23,369)	(817,001)
Prepaid expenses and other current assets	(75,427)	(78,358)
Accounts payable	306,290	107,810
Accrued expenses and other liabilities	109,762	(12,438)
Income taxes	52,259	(17,613)
Other	(4,934)	1,412
Net cash provided by (used in) operating activities	1,652,729	726,721
Cash flows from investing activities:		
Purchases of property and equipment	(695,683)	(767,935)
Proceeds from sales of property and equipment	1,525	3,234
Net cash provided by (used in) investing activities	(694,158)	(764,701)
Cash flows from financing activities:		
Issuance of long-term obligations	-	1,498,260
Repayments of long-term obligations	(10,341)	(8,843)
Net increase (decrease) in commercial paper outstanding	-	(1,205,400)
Borrowings under revolving credit facilities	-	500,000
Repayments of borrowings under revolving credit facilities	-	(500,000)
Costs associated with issuance of debt	-	(12,448)
Payments of cash dividends	(259,482)	(258,885)
Other equity and related transactions	(3,340)	(3,262)
Net cash provided by (used in) financing activities	(273,163)	9,422
Net increase (decrease) in cash and cash equivalents	685,408	(28,558)
Cash and cash equivalents, beginning of period	537,283	381,576
Cash and cash equivalents, end of period	\$ 1,222,691	\$ 353,018
Supplemental cash flow information:		
Cash paid for:		
Interest	\$ 167,463	\$ 177,063
Income taxes	\$ 159,145	\$ 242,052
Supplemental schedule of non-cash investing and financing activities:		
Right of use assets obtained in exchange for new operating lease liabilities	\$ 842,846	\$ 745,786
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 123,740	\$ 171,527

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Selected Additional Information
(Unaudited)
Sales by Category (in thousands)

	For the Quarter Ended		
	August 2,	August 4,	% Change
	2024	2023	
Consumables	\$ 8,397,217	\$ 7,921,622	6.0%
Seasonal	1,054,762	1,076,161	-2.0%
Home products	480,223	516,645	-7.0%
Apparel	278,159	281,753	-1.3%
Net sales	<u>\$ 10,210,361</u>	<u>\$ 9,796,181</u>	<u>4.2%</u>

	For the 26 Weeks Ended		
	August 2,	August 4,	% Change
	2024	2023	
Consumables	\$ 16,608,067	\$ 15,504,504	7.1%
Seasonal	2,018,276	2,038,842	-1.0%
Home products	959,014	1,047,834	-8.5%
Apparel	539,025	547,833	-1.6%
Net sales	<u>\$ 20,124,382</u>	<u>\$ 19,139,013</u>	<u>5.1%</u>

Store Activity

	For the 26 Weeks Ended	
	August 2,	August 4,
	2024	2023
Beginning store count	19,986	19,104
New store openings	410	427
Store closings	(51)	(43)
Net new stores	<u>359</u>	<u>384</u>
Ending store count	20,345	19,488
Total selling square footage (000's)	<u>154,478</u>	<u>146,422</u>
Growth rate (square footage)	<u>5.5%</u>	<u>5.9%</u>

- 2.
2. Dollar General's store count growth over time

Year	Store Count
2014	11,789
2015	12,483
2016	13,320
2017	14,534
2018	15,370
2019	16,278
2020	17,177
2021	17,915
2022	18,818
2023	19,726
2024	20,345 (as of Q2 2024)

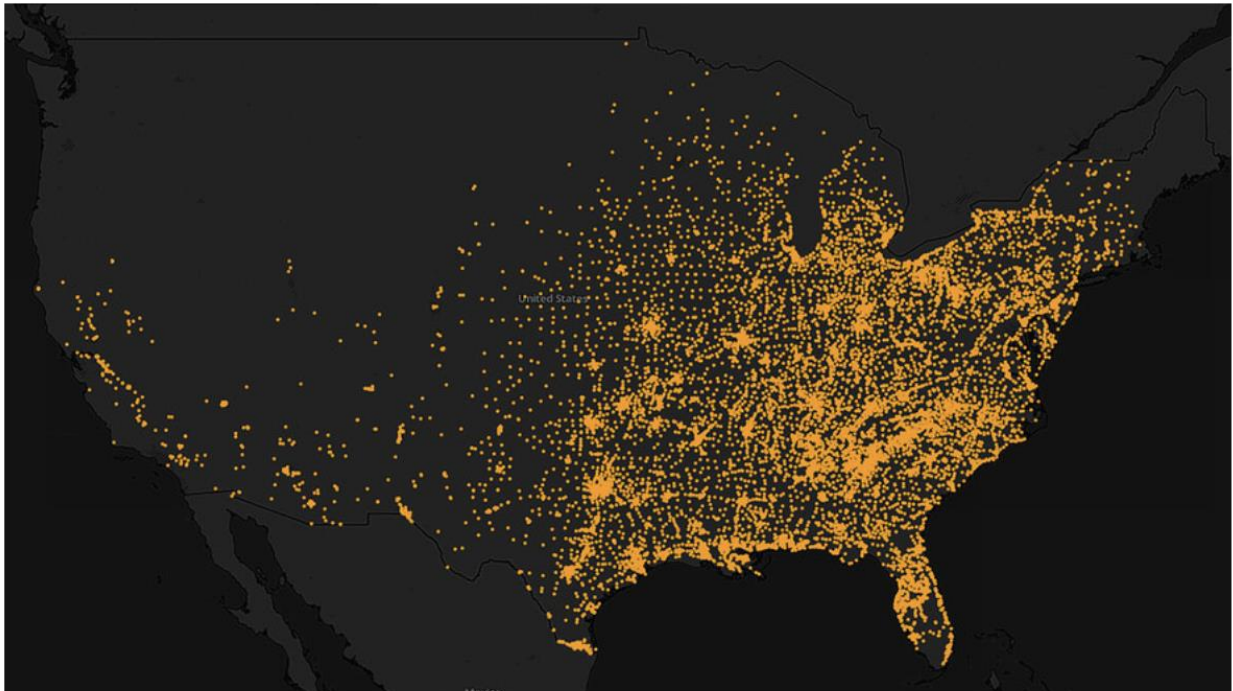
This data shows Dollar General's consistent store growth over the past decade. Some key points to note:

- a) The company has added over 8,500 stores since 2014, nearly doubling its store count.
 - b) Dollar General has maintained a steady pace of expansion, typically adding 700-1,000 new stores each year.
 - c) The growth rate has been relatively consistent, even throughout challenging periods like the COVID-19 pandemic.
- As of Q2 2024, Dollar General had 20,345 stores, representing continued growth from the previous year.

3. Dollar General's breakdown of sales mix by category

Category	FY 2023 Sales %	Q2 2024 Sales %
Consumables	79.8%	82.2%
Seasonal	10.7%	10.3%
Home Products	5.4%	4.7%
Apparel	4.1%	2.8%

4. Dollar General's map of store locations



Locations of Dollar General stores in the U.S.

Retrieved from: <https://www.marketwatch.com/story/america-is-home-to-more-dollar-stores-than-mcdonalds-2014-09-05>