





Shopping is an American pastime. Erma Bombeck said that shopping was a contact sport like football. Bo Derek said whoever said money can't buy happiness simply didn't know where to go shopping. Tammy Faye Bakker suggested that shopping is cheaper than a psychiatrist. Oscar Wilde said that anyone who lives within their means suffers from a lack of imagination.

In the past decade, the concept of shopping has changed dramatically. With household incomes barely growing, more and more Americans are shopping at "dollar" stores. These stores locate in towns too small to attract national retailers as well as large cities, offering convenience and savings to local shoppers and sales tax revenue to the community.

Dollar Store Concept

It is generally accepted that the F.W. Woolworth Company was the pioneer of the five-and-dime store, the precursor of the dollar store concept.

The first Woolworth store opened in February 1878 in Utica, New York, under the banner "Woolworth's Great Five Cent Store." The stores sold discounted general merchandise at fixed prices that undercut local competitors. In addition to lower prices, Woolworth became popular for allowing the public to hand-select their own merchandise without the help of a sales clerk, which was previously common practice. This innovative approach changed the retail scene forever.

In the past decade, America has seen the continued development of dollar stores across the country. The largest are Dollar General, Dollar Tree and Family Dollar. These companies were inspired by F.W. Woolworth's ability to deliver quality goods at deeply discounted prices.

These three retailers now have more than 20,000 stores nationally, with a huge presence in Texas (Table 1). Dollar General and Family Dollar have more stores in Texas than any other state.

The Real Estate Center used Google Maps to positively locate 968 stores for Dollar General, 855 for Family Dollar and 248 for Dollar Tree. In addition, 104 stores are doing business under names including Lucky Dollar, Dollar Savers, Dollar Depot, King Dollar, Just a Dollar, Dollar Plus, Senior Dollar, Super Dollar, Dollar and More, Dollar Supreme, Pearland Dollar Store Plus, Dolex Dollar Express and Mega \$1.09.

Others include Cowboy Dollar Store, Dollar Selection, USA Dollar, Everything Dollar Plus, Global Dollar, Texas Dollar and More, Dollar Express, Save a Dollar, Super Dollar, Gotta Dollar, Wise Dollar, Dollar and Dollar, Dollar Deals and Dollar and More.

Prevalence in Small Towns

The smallest communities in America seldom get national retailers to move in, but dollar stores are popping up in small towns across Texas. According to the Dollar General website, the company looks for a trade area population of at least 4,500.

THIS STORE IN DOWNTOWN HOUSTON illustrates the scope of the dollar store phenomenon. Small towns love them and metros do too.



However, that number is apparently not carved in stone. Ben Wheeler is a community 25 miles west of Tyler with a population of 504 and a Dollar General store to boot. This is not an isolated occurrence, as there are approximately 170 towns and cities in Texas with populations under 4,500 that have a nationally branded dollar store. According to the Center’s analysis, the average population for one-store towns was 3,863, excluding large suburbs of major MSAs like Cypress and Grapevine.

Mt. Enterprise, population 447, has a Family Dollar. Elm Mott, with a population of 300, is the smallest town in Texas with a dollar store. Table 2 lists the five smallest towns in Texas with dollar stores.

So, how big does a town need to be to support two dollar stores? Warren, with a population of 757, is the smallest town in the state with two dollar stores (Table 2). Several Texas communities with fewer than 1,000 people have two stores in town.

Three towns in Texas with a population less than 2,500 are supporting three dollar stores. Whitney has three stores and a population of 2,087. Crosby and Nocona also support three dollar stores. The smallest towns that have four stores in operation have a minimum population of over 5,000.

Table 2 can be a useful guide for other small communities as they consider their

own ability to support additional stores. Of course, median incomes also play a role in this decision. Dollar General states that median income must be less than \$75,000. Notice there is no lower threshold, only an upper one.

Relative Saturation of Dollar Stores

Another measurement when considering areas of opportunity and value creation is the relative saturation of dollar stores, meaning how much of the population one store serves. Saturation

Table 1. Dollar Stores in Texas

	Total Stores	Texas Stores	Texas’ Rank in Terms of Number of Stores	Number of States Where Present
Dollar General	9,937	1,109	1	39
Family Dollar	7,442	946	1	45
Dollar Tree	4,351	268	3	48

Sources: Dollar General, Family Dollar and Dollar Tree annual reports

Table 2. Population of Smallest Communities with One to Four Dollar Stores

One Store	Two Stores	Three Stores	Four Stores
Elm Mott – 300	Warren – 757	Whitney – 2,087	Port Isabel – 5,006
Windthorst – 409	Pineland – 850	Crosby – 2,299	Livingston – 5,335
Mt. Enterprise – 447	Cold Spring – 853	Nocona – 2,385	Palmview – 5,460
Ben Wheeler – 504	Rio Vista – 873	New Boston – 4,550	Gun Barrel – 5,672
Spurger – 590	Clint – 926	Zapata – 5,089	Granbury – 7,978

Source: Real Estate Center at Texas A&M University

Table 3. Relative Saturation — Texas

Number of Dollar Stores	1	2	3	4	5	6	7	8+	Cities*
Average Population per Store	3,856	3,789	6,324	5,436	5,551	5,072	5,051	8,483	8,256
Number of Communities	225	189	43	26	14	11	7	15	22

*Abilene, Amarillo, Austin, Beaumont, Corpus Christi, Dallas–Fort Worth, El Paso, Houston, Killeen, Laredo, Longview, Lubbock, McAllen–Harlingen–Brownsville, Midland, Odessa, San Angelo, San Antonio, Texarkana, Tyler, Victoria, Waco, Wichita Falls

is determined by dividing the population of the community by the number of stores in the community. A low number means there are a lot of stores in town to serve the population. A high number means there are few stores serving a larger population per store.

Stores in Texas’ smallest communities with one or two dollar stores operating serve an average of about 3,800 people per store (Table 3). In larger towns with three to seven stores, each store serves from 5,000 to 6,000 people. In cities with eight or more stores, each store serves around 8,500 people.

Median income does play a role when dollar stores decide whether or not to move in. Plano, for example, has a relative saturation of 43,307, well above average. It was also the wealthiest Texas city in 2008 and currently has a median income of \$110,800.

The number of stores currently operating in selected Texas cities, along with population served per store, are shown in Table 4. Cities with a lot of dollar stores have a smaller population-to-store ratio. Cities with the highest ratios may be candidates for further retail development. For example, Beaumont has 23 stores to serve a population of over 118,000 people. By comparison, Abilene has nearly the same population, but has only 13 stores.

Metro areas with the highest population per store include Austin, Houston, San Antonio, Laredo, Corpus Christi and Abilene. Those with the lowest ratio include Dallas–Fort Worth, McAllen–Brownsville–Harlingen, Tyler, Longview and Victoria.

Saturation information is useful when analyzing which towns are underserved or over “stored.” Bryan, for example, has seven stores: three Dollar General stores, three Family Dollar stores and a King Dollar. With a population of 76,000, the relative saturation is almost 10,900 persons per store, which is almost double the average for other Texas cities with seven dollar stores. This research suggests Bryan could support more dollar stores.

Table 4. Relative Saturation of Selected Texas Cities

City	Number of Stores	Population	Population per Store
Abilene	13	117,063	9,005
Amarillo	33	190,695	5,779
Austin	37	790,390	21,362
Beaumont	23	118,296	5,143
Corpus Christi	32	305,215	9,538
Dallas–Fort Worth	92	1,197,816	1,320
El Paso	83	649,121	7,821
Houston	173	2,099,451	12,136
Killeen	17	127,921	7,525
Laredo	20	236,091	11,805
Longview	18	80,455	4,470
Lubbock	27	229,573	8,503
McAllen–Brownsville–Harlingen	144	369,749	2,568
Midland	12	111,147	9,262
Odessa	19	99,940	5,260
San Angelo	12	93,200	7,767
San Antonio	118	1,327,407	11,249
Texarkana	21	143,486	6,833
Tyler	28	96,900	3,461
Victoria	13	62,592	4,815
Waco	17	124,805	7,341
Wichita Falls	15	104,553	6,970
			Average Population per Store: 8,256

Source: 2010 Census Population of Texas Cities, Texas State Library and Archives Commission

Although population is an important component for dollar store suitability, it shouldn’t be the only indicator considered when searching for investment opportunities. For example, some cities are near recreational areas such as lakes and state parks, which generate higher traffic even though the populations are small.

The dollar store concept has been around for a long time and has been a consistently viable business. The recent economic environment (increased pressure on consumers, increased volatility in markets and an unpredictable future) have led many investors to wait it out; however, it is precisely these events that support the predictable cash flows of these dollar stores. ♣

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THE TAKEAWAY

While most large national retail chains shun small towns, dollar stores have been successful in towns with populations as few as 300 people. Relative saturation (how many people one store serves) is one factor to consider in determining which communities can support more dollar stores.



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Go to
www.recenter.tamu.edu
In the DATA menu,
click Market Data Sources.

The screenshot shows the TAMU Real Estate Center website. The top navigation bar includes 'NEWS', 'OUR CATALOG', 'DATA', 'EDUCATION', and 'ABOUT US'. A search bar is located on the right. The 'DATA' menu is expanded, showing options: 'Building Permits', 'Employment & Unemployment', 'Housing Activity & Affordability', 'Market Data Sources', 'Population', and 'Rural Land'. The 'Market Data Sources' page is visible, featuring a large heading 'Market Data Sources' and a sub-heading 'MSA data updated year-round.' Below this, it lists 'It's Market Reports:' followed by 'TIERRA GRANDE' and 'CATALOG'. Red arrows from the text on the left point to the 'DATA' menu, the 'Market Data Sources' link, and the 'Market Data Sources' page content.