

On a Friday in April, Bob Tharp, the mayor of Decatur, Ark., takes me to see what used to be the commercial heart of his town. There isn't much to look at beyond the husk of a Walmart Express: 12,000 square feet of cinder block painted in different shades of brown. The glass doors are locked, as they've been for 14 months. "For so many people in this town, to have to see this empty building every day, they couldn't drive by without getting tears in their eyes," Tharp recalls. The store had opened on a frigid morning in January 2015, just days into his mayorship. "Pinch yourself and it is true," he'd posted on Facebook the night before. For the first time in a decade, the 1,788 residents could buy groceries in town. But the reprieve was short. The following January, word came from Wal-Mart Stores Inc.'s corporate headquarters, 18 miles to the east in Bentonville, that within the month the store would be closed.

"You rascals!" Tharp remembers telling the executive who called to deliver the news. "You come to these small towns, and you build these stores, and you cause all the mom and pops to close down, and now you're the only ones left standing, and you want to go home? Why would you do that to our community?"

The Walmart Express had been a pilot store, the smallest ever for the world's largest retailer, designed to test whether a national brand with major supply-chain advantages could wrest a profit from towns long considered too sparsely populated. The answer, it seemed, was no: The company closed more than 100 stores across Arkansas and other southeastern states that day.

Tharp did what he could to turn things around, putting out calls to urge a grocer, or any retailer, to move into the vacant

building. He found no takers for a year, until at last, Dollar General Corp., which had operated a smaller store on the outskirts of Decatur's downtown since 2001, agreed to relocate to Main Street—and start offering fresh meat, fruit, and vegetables.

The Decatur store is one of 1,000 Dollar Generals opening this year as part of the \$22 billion chain's plan to expand rapidly in poor, rural communities where it has come to represent not decline but economic resurgence, or at least survival. The company's aggressively plain yellow-and-black logo is becoming the small-town corollary to Starbucks Corp.'s two-tailed green mermaid. (Although you can spot her on canned iced coffee at Dollar General, too.) Already, there are 14,000 one-story cinder block Dollar Generals in the U.S.—outnumbering by a few hundred the coffee chain's domestic footprint. Fold in the second-biggest dollar chain, Dollar Tree, and the number of stores, 27,465, exceeds the 22,375 outlets of CVS, Rite Aid, and Walgreens combined. And the little-box player is fully expecting to turn profits where even narrow-margin colossus Walmart failed.

Later in the morning, after I meet with Tharp, I join Linda Martin, a Decatur alderwoman, to do a little shopping at the existing Dollar General. First we swing by the slaughterhouse on Main Street, owned by Simmons Foods Inc., the main local employer, where rows of chickens sit in five reeking semi-trailers outside. Then we head to the crest of a big hill a half-mile south and park under the massive Dollar General sign.

We're greeted inside the 7,300-square-foot store by a foot-tall chocolate bunny, one of a number of items sitting on a clearance table marked 25 percent off. Easter was last Sunday, so the bunny can be ours for \$3.75. Pastel-colored single-stem roses are available for \$1.50, and 12-pack cartons of Mountain Dew are stacked, without price tags, under the table. Deeper in, stuffed shelves reach almost to the ceiling, resembling a Walmart in the days when Sam Walton's "Stack 'em high, watch 'em fly" edict reigned.

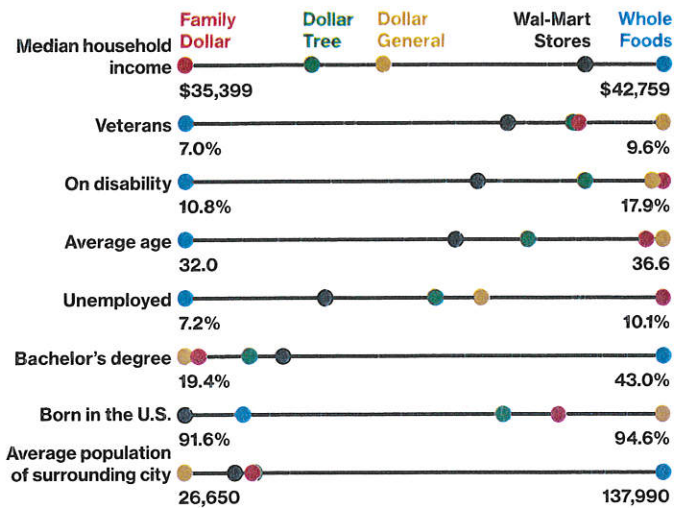
Next to an endcap arrayed with no-contract cell phones, the assistant store manager, Debbie Schmidt, is tidying an unruly rack of knit stretch pants and tank tops, some actually priced at \$1. (Dollar General hasn't technically been a dollar store for decades, and only a quarter of its products sell for that amount today.) Schmidt is a cheerful presence, and though she's preparing to pack up the store for the big move to the former Walmart site in two days, she isn't too busy to greet each customer by name. "These people are not in here one time a day; they are in here three and four times a day," she says. Formerly, she managed wire transfers at the Walmart Express, and she says she found out she was losing her job, along with 29 others, from the news teams who showed up in the parking lot. "Everyone was crying," she recalls. "Employees and customers, they were heartbroken. We were family." She worked for a while at a Walmart in Bentonville, but "it was nothing like it was here," she says. "We're just closer here. We all know each other."

Martin and I peer inside the refrigerated coolers at the entrance, which have triangular yellow stickers on each corner reading "Putting Healthy Food Within Reach, SNAP & EBT accepted here." (The newest iterations of what were once called food stamps.) Inside are packets of Eckrich Deli Bologna (\$2), Ore-Ida Tater Tots (\$2), and 12-ounce bottles of



Mayor Tharp

Who shops where in Arkansas



a form of charitable largesse as an attempt to make money. The store did sell some food, but most people still bought groceries from the local mom and pop, which cycled through three owners. Walmart's growing portfolio of Supercenters and Sam's Clubs in Bentonville was hard for local stores to compete with. "We couldn't get a supplier to give us a good deal on anything," recalls Michael Wilkins, whose family was the last to run a locally owned grocer in Decatur. "In Northwest Arkansas, Walmart dominated everything."

In 2001, observing its population of 1,314, a national retailer finally started paying attention to Decatur, but it wasn't Walmart. Instead, Dollar General's yellow sign went up atop the hill. The new chain in town had similar roots to Walmart—established in 1955 in Springfield, Ky. (population 2,000)—but relied even more on low-income shoppers and recessions.

That made it a good fit for Decatur, where chicken hasn't delivered much prosperity. The town's median household income is just under \$35,000, and the poverty rate is 32 percent, more than twice the national average; one out of every five people needs federal help to buy food. Workers at the Simmons plant, many of whom are Latino immigrants, say they earn as little as \$8.50 an hour slaughtering and cleaning carcasses in grueling eight-hour shifts. (Simmons says wages start at \$11.50 an hour.)

For them, and for longtime residents such as Martin and Tharp, the Dollar General has meant a place to buy laundry detergent, shaving cream, and other basics much cheaper than the local operations could manage. It wasn't selling milk or eggs at first, but within a few years it was—and accepting food assistance cards. Wilkins gave up his business in 2006. Twelve people lost their jobs, and Decatur was now in line with two of the U.S. Department of Agriculture's criteria for food deserts: It's both a low-income community with limited food access and a rural area 10 miles from the nearest supermarket. In 2010, Peterson's heirs closed the pharmacy inside Decatur General (the renamed Decatur Discount), the only one in town; two years later they shut down the rest of the store, too.

About a year ago, as stores were going under across the nation, Garrick Brown, director for retail research at the commercial real estate company Cushman & Wakefield, was searching for bright spots in the industry. For five years running, he realized, a dollar store had opened once every four and a half hours, an average of more than five a day. "They see a need and are aggressively racing to meet that need for low-cost goods in places that are food deserts," he says.

Dollar General's sales per square foot have risen steadily in recent years, to \$229, but they're still far below the industry average of \$325 and less than half of Walmart's. Their gross profit margins were 30.9 percent over the last five years, though, compared with 25.1 percent at Walmart. The dollar chain doesn't carry the big-ticket purchases—bikes, appliances—that Walmart does. It thrives mostly on selling low-ticket items and basics, such as toilet paper, that help shoppers on tight budgets get through the week. At Dollar General, a package of eight Pop-Tarts is \$2, or 25¢ a tart. At Walmart, shoppers can buy the same eight-pack, but more often they save by spending \$9.98 for a bulk package of 48—only 20¢ a tart. Dollar General doesn't offer much bulk. A Dollar General store also has lower startup costs; ▶

Red Diamond sweet tea (\$1). In another cooler, Martin finds the green Michelina's-brand frozen meals she heats up for lunch at her weekly quilting group. She glances in dismay at the price tag of the Mediterranean Chicken Pasta—\$1.50—then marches to the register, explaining to the cashier that she recently bought one for \$1 at a Dollar General in Coal Hill, two hours away. That's also the price, she says, at the Bentonville Walmart. "They're so good," the cashier sympathizes, blaming the store's supplier for the extra 50¢. "I'm not going to pay \$1.50 when I can go to Walmart and get it for \$1," Martin tells me later.

Like many rural towns, Decatur once fed itself and shared its bounty with the rest of America. At the turn of the 20th century, it had a tomato cannery and exported peaches, apples, strawberries, and beans by the boxcar from a downtown train depot. A population of 245 in 1915 supported two grocery stores and four general stores. But in the 1930s, blight outbreaks and insect invasions largely wiped out local orchards. The depot is now a museum where antique bushel baskets and poplar harvest crates hang from the ceiling.

By 1962 there was one grocery store left, serving a population of 400. Small-scale chicken farms had replaced the orchards, and poultry was the town's economic engine, thanks largely to Lloyd Peterson, who employed almost half the working population at his chicken farm, research facility, and plant (the one Simmons Foods now owns). Meanwhile, 22 miles away, in Rogers, Ark., Sam Walton opened his first Walmart, and the era of big-box retail began. Walton later wrote in his autobiography that his strategy was to "put good-sized discount stores into little one-horse towns which everybody else was ignoring." He apparently didn't think Decatur reached even one-horse status. Peterson, a hunting buddy of Walton's, asked his friend many times to open a Walmart there, but Walton's response was always the same: "Lloyd, that dog just doesn't hunt."

So Peterson finally opened his own version, in 1983, called Decatur Discount, just where the Walmart Express, and now Dollar General, would later appear—the past 40 years of global economic trends playing out in retail form on a single concrete lot. Peterson's 17,000-square-foot Walmart clone was as much



Heading to the annual Decatur barbecue

◀ it spends as little as \$250,000 for a new store, vs. the more than \$15 million Walmart puts into a new Supercenter.

The company declined to comment for this story, but in March 2016, Chief Executive Officer Todd Vasos outlined the chain's "2020 Vision" for 125 investors gathered at a hotel in Nashville, south of the headquarters in suburban Goodlettsville, Tenn. (Shareholders include T. Rowe Price Associates, the Singapore sovereign wealth fund GIC, BlackRock, and Vanguard Group.) The presentation detailed a site-selection strategy focused on small towns, dubbed "Anytown, USA." Then Jim Thorpe, Dollar General's chief merchandising officer at the time, defined the core customer for the investors: "Our Best Friends Forever"—an extremely cash-strapped demographic, with a household income less than \$35,000, and reliant on government assistance, that shops at Dollar General to "stretch budgets." Thorpe said these BFFs represented 21 percent of the chain's shoppers and 43 percent of its sales. His final slide touted a goal of increasing sales 50 percent, to \$30 billion, by 2020.

There are really only two ways brick-and-mortar retailers can meet such a grand goal: open hundreds of stores or, much harder, radically increase same-store sales. Vasos's presentation

included a map that looks similar to an epidemiological forecast, with yellow and green dots spreading like a pox. The yellow dots represented the chain's 12,483 existing stores. The 13,000 green dots were the "remaining opportunities"—some in low-income urban neighborhoods, but most in small and very small towns. There's almost no white space east of the Mississippi, except for the tip of Maine and southernmost end of Florida. The Rust Belt is overflowing with green dots piled upon yellow, and the Eastern Seaboard is almost exclusively green.

Dollar General's chief rival, Dollar Tree Inc., which also owns Family Dollar, has a plan that's almost as ambitious. In a recent Securities and Exchange Commission filing, Dollar Tree indicated that it believes the U.S. market can support 10,000 Dollar Trees and 15,000 Family Dollars. That's almost 11,000 more stores than its current 14,500, though it isn't putting a timeline on the expansion. In August, Randy Guiler, vice president for investor relations at Dollar Tree, told me it would "determine each year what our pace of growth will be."

"It reminds me of a craps table," Brown, the commercial real estate analyst, says. "Essentially what the dollar stores are betting on in a large way is that we are going to have a permanent underclass in America. It's based on the concept that the

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jobs went away, and the jobs are never coming back, and that things aren't going to get better in any of these places."

The dollar chains do provide jobs of their own, of course. Dollar General employs about 121,000 people nationwide and has said it will hire 10,000 more employees this year. But those jobs will be or are mostly low-wage. Salaried managers can earn about \$40,000, but they often work long hours without overtime pay. These few positions won't make much of a dent in the fortunes of communities such as Decatur. The only new employment opportunities in the foreseeable future, other than at the larger Dollar General, are on the grim, hazardous industrial meat lines at Simmons. The company recently announced plans to build an expanded factory 2 miles outside town by 2019 and close part of the existing one. Tharp doesn't know if the city will lose its water and sewer contract with Simmons and is worried about the potential loss of tax revenue for the schools.

Inside the city building, an old schoolhouse, Mayor Tharp, wearing a shirt with his name embroidered on one side and a paw print of the town's bulldog mascot on the other, takes a seat at a wide wooden table with Jaeger Bauer, an 11-year-old from Cub Scout Pack 3410. Bauer is earning his merit badge in citizenship. He opens the discussion by expressing concern about how much energy the town's digital library sign uses. "The city should buy a solar panel," he suggests. After Tharp promises to check into it, Bauer asks what being mayor involves. Tharp explains that he had a rough start to his tenure. "I was purely aggravated and angry with Walmart," he says. "But we have to forgive and forget and move on."

It's a touchy subject. Like many townspeople, the Bauers survive on a paycheck from Walmart. They moved to the area from Texas 12 years ago, when Jaeger's dad was hired for an IT position at the Bentonville headquarters. His mother, Brandi, who home-schools her two children, still talks nostalgically about the year she was able to "shop locally at our company."


Tharp explains to Jaeger that he'd called Walmart every two weeks after the store closed. At first the company suggested he put a flea market in the space. "I told them I don't need another flea market. The town's outcry was, 'Find us something like Walmart, but with a pharmacy.'" When he tried soliciting other retailers, Walmart's asking price, \$1.2 million, was too high. Over the summer of 2016, Dollar General had made a deal to buy 41 shuttered Expresses, but the Decatur store was excluded from it. Tharp kept asking Walmart to lower the price, and by February Dollar General closed on the Decatur property for \$425,000. Even so, Tharp still can't bring himself to shop at Walmart regularly. His wife canceled their Sam's Club membership. (A spokesperson wrote via email that "There are 10 Walmarts within 15 miles of Decatur," and "we remain committed to serving rural customers as we always have.")

Later that day, I meet with Deborah Foresee, the school nurse at Decatur Northside Elementary, who explains that even before the Walmart Express closed, many families were struggling to stretch their food budget; the cost of gas to make the drive to Bentonville or another town with a supermarket is significant. The school relies on grants and donations to help feed students—districtwide, 79.3 percent qualify for a free or

reduced-price lunch. After Walmart closed, Foresee heard about students eating processed meals almost exclusively and sometimes nothing at all. "So many of these families were doing ramen noodles or anything that they can buy in big packages and store for long periods," she says. In response, Foresee introduced a rash of initiatives: providing dinner during after-school activities, handing out fresh fruit three days a week, a snack-pack program on Fridays. "We make sure every kid who needs it gets food," she says.

Elizabeth Racine, a professor of public health at the University of North Carolina at Charlotte, is among the few academics who closely study dollar-store chains. In 2010 she was asked by the county health department to study Charlotte food deserts, and she soon noticed how many dollar stores were in these areas. "It's not the kind of store a dietitian would love," Racine says. She describes feeling bombarded when she first walked into a Family Dollar—chips, rows of candy, coolers of soda—and wondering how places so filled with unhealthful food could possibly be authorized to take food assistance cards. "I've come around," she says. "I appreciate that they are willing to operate in low-income places because so many other stores aren't willing to go there." They may not be selling fresh fruit and vegetables, but they do offer some healthier staples, such as frozen meats, brown rice, 10-percent-whole-wheat bread, and dried beans. She calls them the Whole Foods of Charlotte's food deserts.

Soon enough the Whole Foods of American food deserts could be Whole Foods itself. This summer, the USDA rolled out a pilot program to let food assistance card recipients order their groceries online. Ten companies signed on, including Walmart and Amazon.com Inc., which recently spent \$13.7 billion to acquire Whole Foods Market Inc.—but no dollar-store chains. The program could open the door for the big players to go back into very small towns in a way that lets them avoid the traditional overhead problems. But it could take a while. Dollar General's rural geography has an insulating effect, writes Brandon Fletcher, an analyst at Sanford C. Bernstein, in his May report, "DG: The revolution of rural America has not been televised," arguing it will be decades before Walmart and Amazon develop "a truly rural solution to disrupt the important role Dollar General plays in rural American life." That might be why the dollar chains haven't developed e-commerce strategies. Dollar General didn't start selling online until 2011, and Family Dollar still doesn't.

On June 3, a little before 7 a.m., Tharp puts a red ribbon and a pair of giant golden scissors with blue handles and "City of Decatur" engraved on the top blade in the back seat of his car. Then he drives down to Main Street—along with half the town, it seems—to celebrate the new Dollar General. The line started forming at 6 a.m., and when the doors open shortly after Tharp arrives, it stretches almost across the street to the farmers co-op. The first 100 adults in line receive \$10 gift bags; the first 200 get goody bags with plastic Dollar General cups and samples of Tide. There are hot dogs, and Tony the Tiger shows up for photos with the kids. After the ribbon cutting and some introductions by the local management team at Dollar General, Tharp takes a deep breath and addresses the crowd. "We have a store," he says, "that's here to stay." 

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