DOLLAR GENERAL®

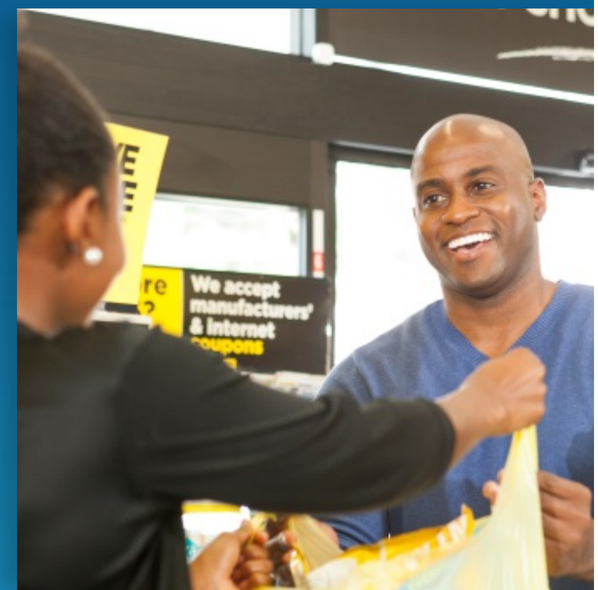
Invest FOR GROWTH

Customer-Centric Merchandising Delivering 2020 Vision

Jim Thorpe, EVP and CMO

Customer-Centric Merchandising Delivering 2020 Vision

- State of the DG Customer
- Integrated & Actionable Customer Segmentation
- Merchandising Initiatives Supporting Sustainable Growth
- Continued Commitment to Everyday Low Prices
- Marketing Strategies Targeted Toward Key Growth Initiatives



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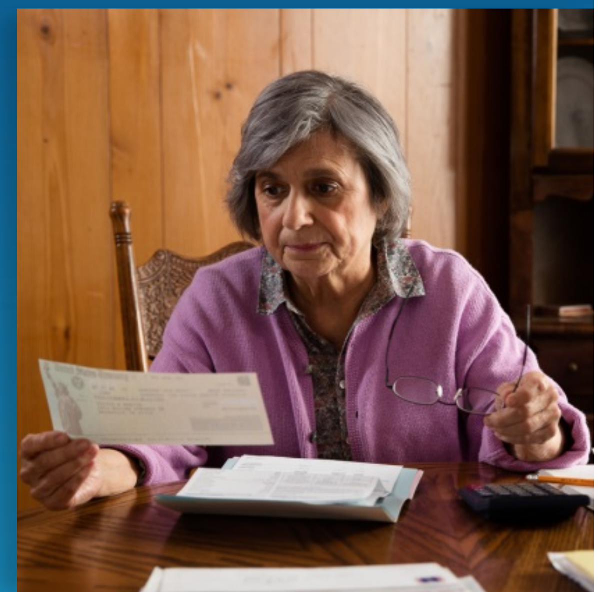

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State of the DG Customer

2016 Mixed Economic Outlook for DG Customers

Tailwinds

- Minimum Wage Increases (14 states)
- Lower Unemployment
- Lower Gas Prices
- Muted Inflation

Core DG Customers Have Not Received Benefit of Recovery

Source: Bankrate.com, January 2016

State of the DG Customer

2016 Mixed Economic Outlook for DG Customers

Tailwinds

- Minimum Wage Increases (14 states)
- Lower Unemployment
- Lower Gas Prices
- Muted Inflation

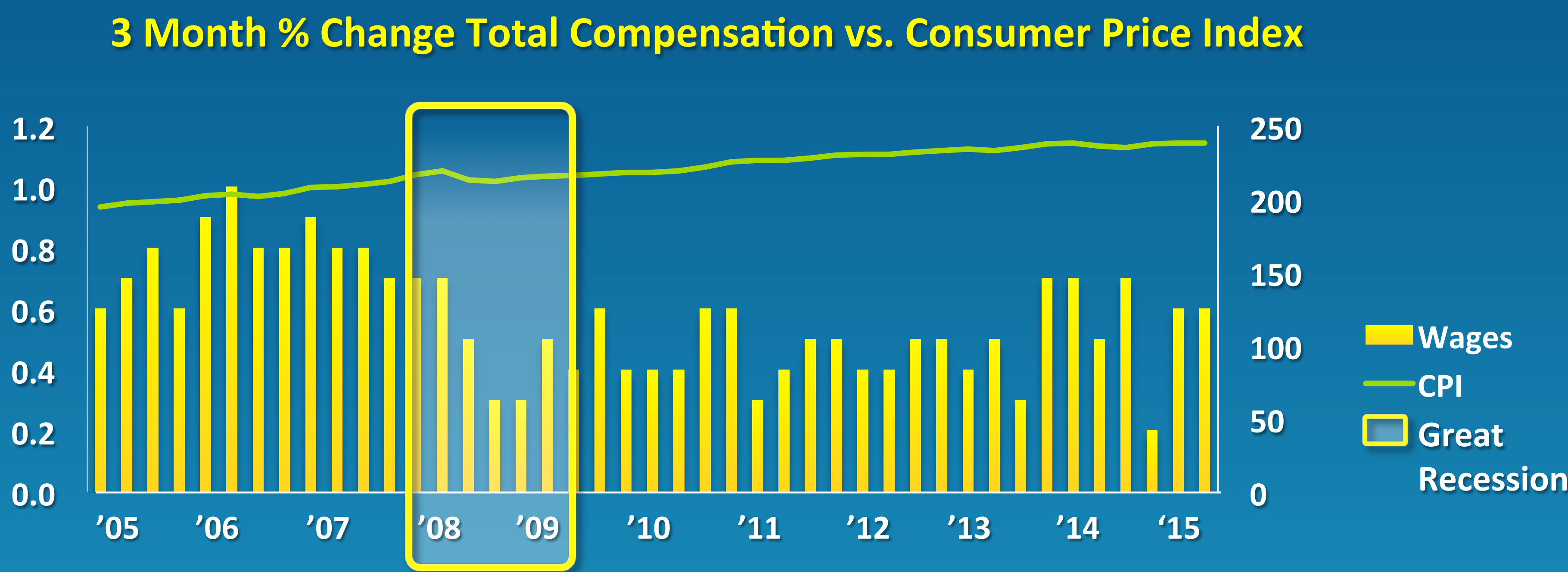
Headwinds

- Inflation Outpaces Total Wages
- No Cost of Living Adjustment
- Low Labor Force Participation
- Healthcare & Rent Inflation
- Over 60% of Americans Do Not Have Savings Safety Net of $1,000

Core DG Customers Have Not Received Benefit of Recovery

Source: Bankrate.com, January 2016

State of the DG Customer

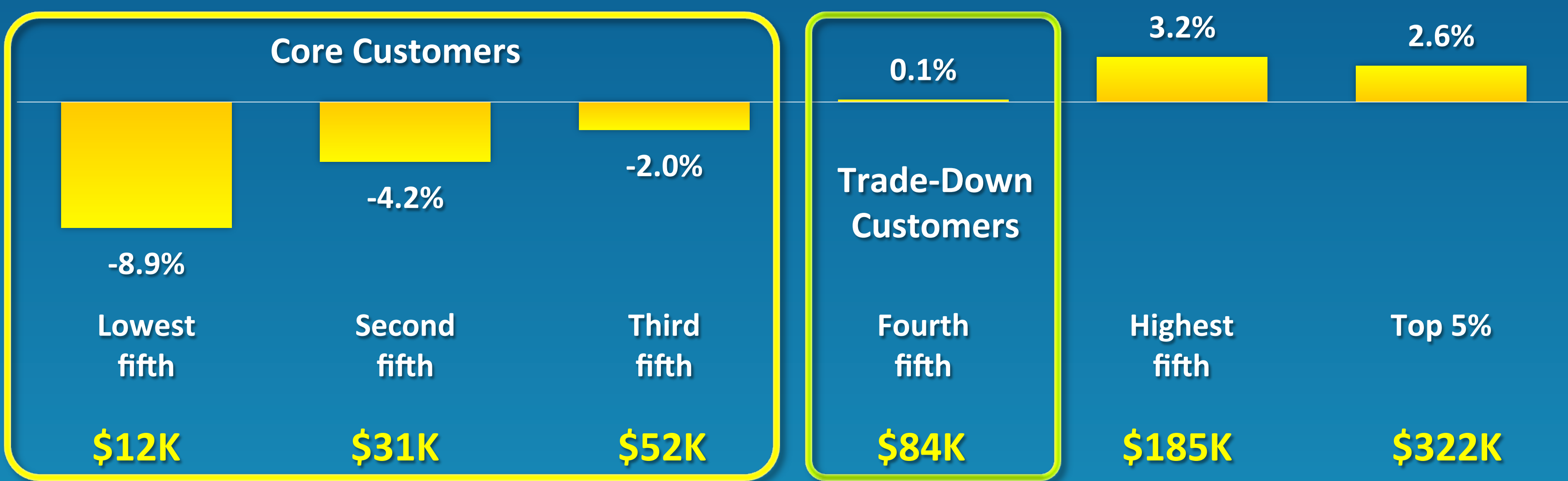


Wages Are Not Keeping Up With Inflation

Source: U.S. Bureau of Labor Statistics and Federal Reserve Economic Data: Q4 2015

State of the DG Customer

Mean Income Change by Income Quintile (2008 – 2014)

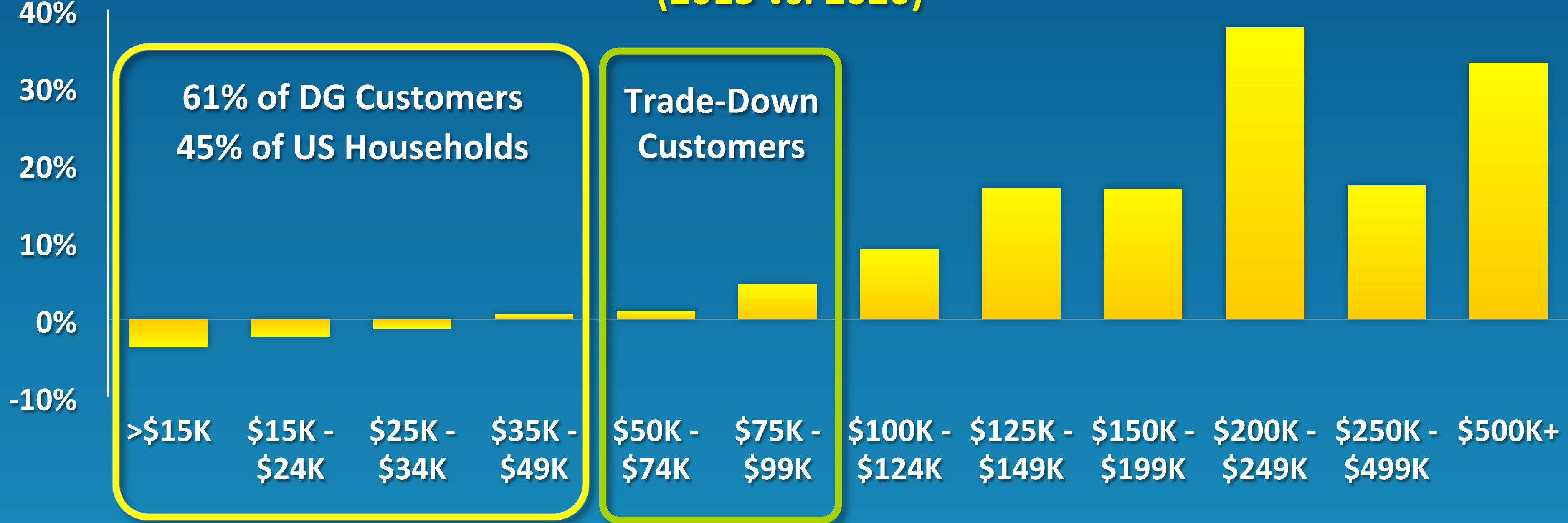


Dollar General's Core Shoppers Most Negatively Impacted

Source: US Census Bureau, Bureau of Labor Statistics – Expenditure Share: Quintile of Income Before Taxes Reports, 2008* - 2014; *Mean Incomes Adjusted for 2014 $

State of the DG Customer

Projected Mean Income Change (2015 vs. 2020)



Negative Income Growth Projected to Continue to 2020

Source: Nielsen Claritas, Pop Facts Demographic Trend, as of December 2015

Customer-Centric Merchandising Delivering 2020 Vision

State of the DG Customer

Integrated & Actionable Customer Segmentation

Merchandising Initiatives Supporting Sustainable Growth

Continued Commitment to Everyday Low Prices

Marketing Strategies Targeted Toward Key Growth Initiatives

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Integrated & Actionable Customer Segmentation

Merchandising & Pricing

Branding & Marketing

Real Estate & Construction

Store Operations

Segmentation Guides Decisions Across All Customer-Facing Departments

Integrated & Actionable Customer Segmentation

Our Best Friends Forever: Core Customers

2012

- 21% of Shoppers
- 43% of Sales
- 2 BFFs
- HH Income: $35K
- Extremely Cash-Strapped
- Relies Upon Government Assistance
- Skews Older
- Shops DG to Stretch Budgets

Integrated & Actionable Customer Segmentation

Our BFFs: Core Customers

2012

- 21% of Shoppers
- 43% of Sales
- 2 BFFs
- HH Income: $35K
- Extremely Cash-Strapped
- Relies Upon Government Assistance
- Skews Older
- Shops DG to Stretch Budget

2016

- 34% of Shoppers
- 66% of Sales
- 3 BFFs
- HH Income: $40K
- Living Paycheck to Paycheck
- Relies Upon Government Assistance
- New Millennial, African-American Segment

DG is Growing with our Most Productive Customers

Integrated & Actionable Customer Segmentation

Our Friends: Core Customers

2012

- 31% of Shoppers
- 37% of Sales
- HH Income: $45K
- Value Seekers
- Highly Price Sensitive
- Treasure Hunting & Lowest Price Drove DG Trips

Integrated & Actionable Customer Segmentation

Our Friends: Core Customers

2012

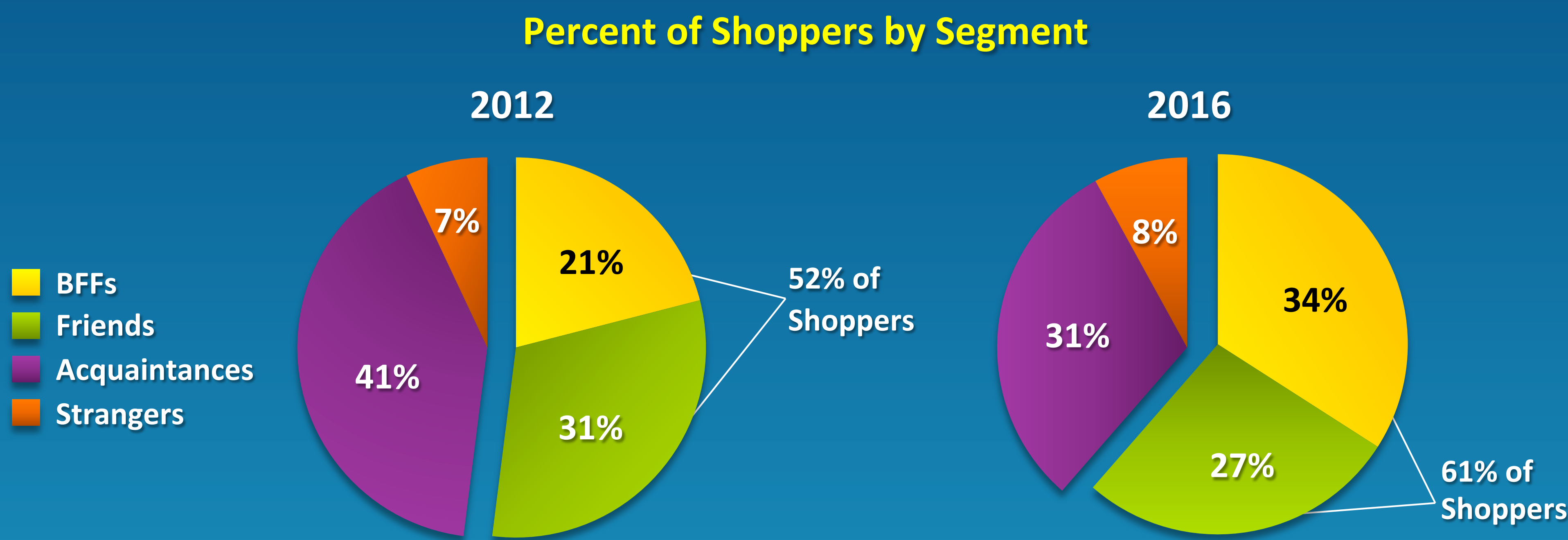
- 31% of Shoppers
- 37% of Sales
- HH Income: $45K
- Value Seekers
- Highly Price Sensitive
- Treasure Hunting & Lowest Price Drove DG Trips

2016

- 27% of Shoppers
- 27% of Sales
- HH Income: $57K
- Trade-down Segments
- New Male Segment
- Thriftiness – Not Necessity – Primarily Driving Trips to DG

DG is Retaining Trade-Down Segments

Integrated & Actionable Customer Segmentation



DG Has Grown Productive Shopper Segments

Integrated & Actionable Customer Segmentation

Key Findings

- Improving Core Shopper Productivity
- Attracting New, Key Segments:
  - BFFs: Younger, Millennial
  - Friends: Older Male Customer
- Retaining Higher Income Friends & Acquaintances Segments

New Customer Segments Unlock Category Management Opportunities

Customer-Centric Merchandising Delivering 2020 Vision

State of the DG Customer

Integrated & Actionable Customer Segmentation

Merchandising Initiatives Supporting Sustainable Growth

Continued Commitment to Everyday Low Prices

Marketing Strategies Targeted Toward Key Growth Initiatives

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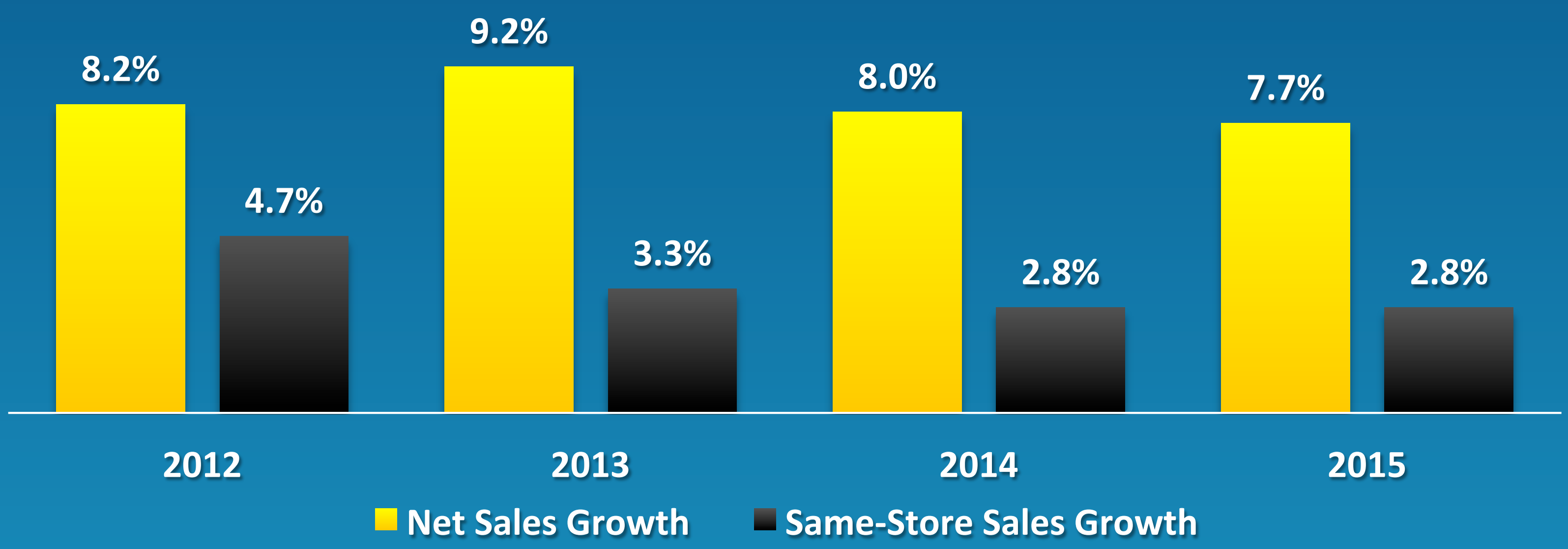
Merchandising Initiatives Supporting Sustainable Growth

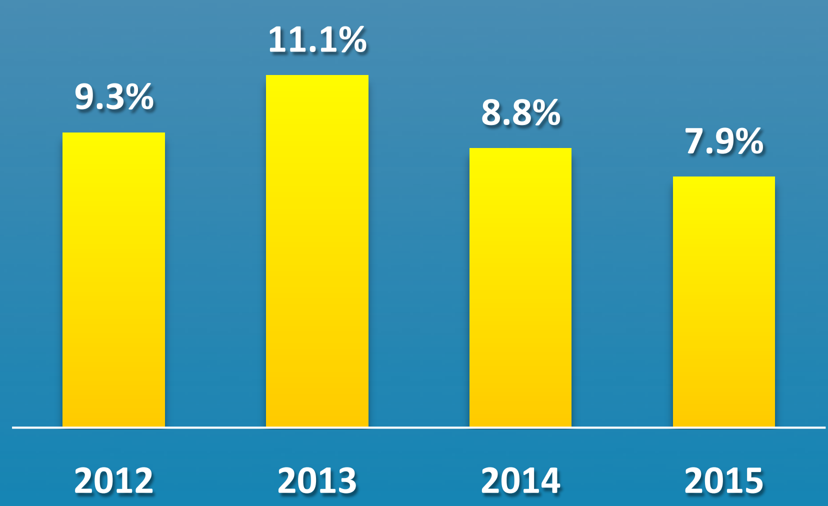
Consistent Net Sales and Same-Store Sales Growth



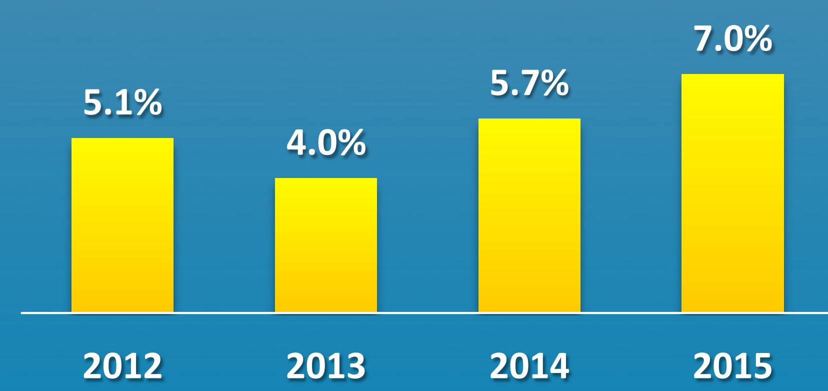
2012 – 2015 DG Net Sales CAGR: 8.3%

Merchandising Initiatives Supporting Sustainable Growth

Consumables Net Sales Growth



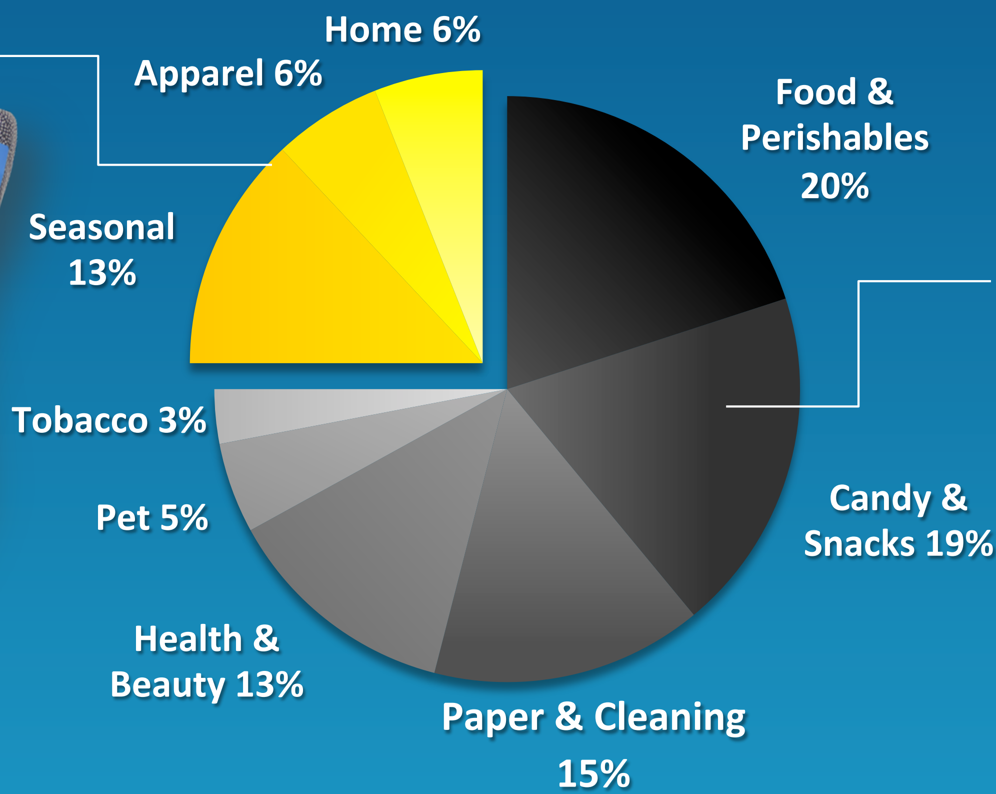
Non-Consumables Net Sales Growth



Balanced Growth Across Consumables & Non-Consumables

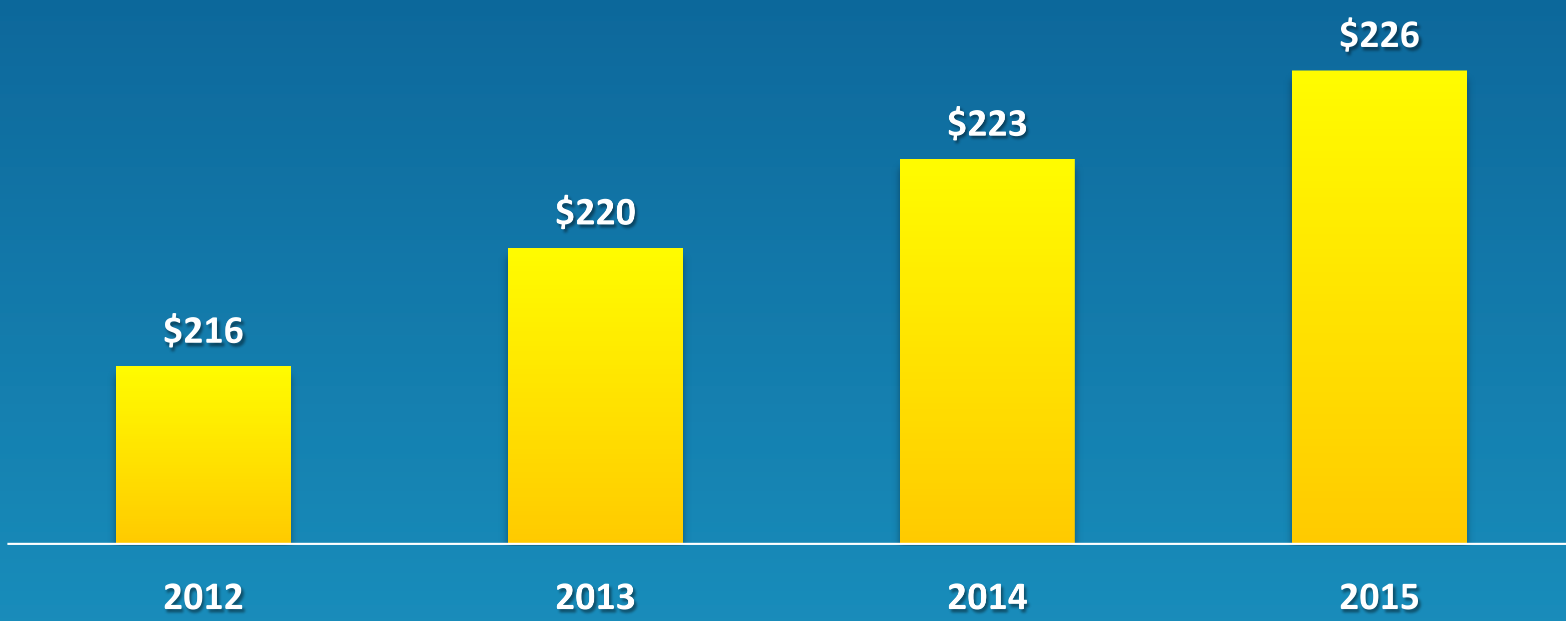
Merchandising Initiatives Supporting Sustainable Growth

FY2015 Sales by Category



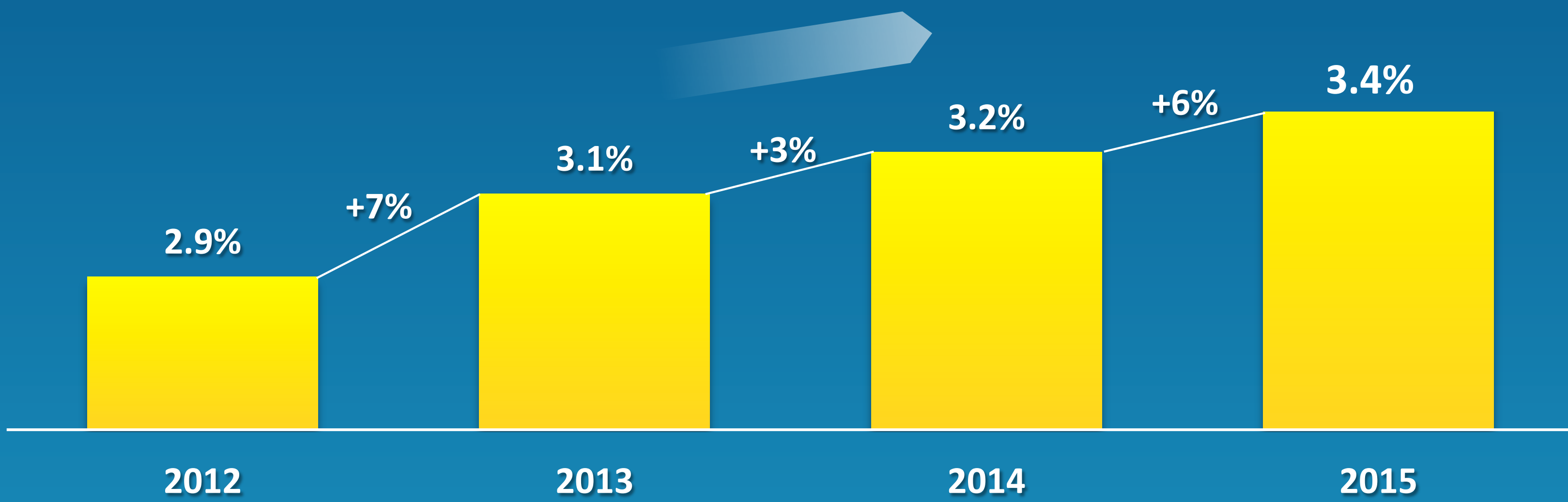
Merchandising Initiatives Supporting Sustainable Growth

Strong & Growing Sales per Square Foot



Merchandising Initiatives Supporting Sustainable Growth

Highly Consumables Market Share Performance



Driving Consistent Market Share Growth

Source: Nielsen RMS/POS Data and 1010data 52 weeks ended December 26, 2015; excludes CA & NV markets

Merchandising Initiatives Supporting Sustainable Growth

Dollar General's Category Management Process

1
- Space Productivity Analysis
- Review of Existing POGs & Heat Maps

2
- Customer Segmentation
- SKU Level Assessment
- Financial Mix Goals
- Pricing

3
- SKU Level Assortment Development
- Proforma Profitability
- POG Display Review

4
- Execute In-Store

5
- Review After 90 Days
- Assess Assortment Performance
- Course Correct if Needed

Merchandising Initiatives Supporting Sustainable Growth

2016 Customer-Centric Merchandising Strategy

1
Attract & Grow New Customers & Trips

2
Capture Share with Existing Customers

Enhance Margin Growth Opportunities
4

Optimize Formats to Unlock Real Estate Opportunities
3

Merchandising Initiatives Supporting Sustainable Growth

2016 Customer-Centric Merchandising Strategy

1 Attract & Grow New Customers & Trips

2 Capture Share with Existing Customers

3 Optimize Formats to Unlock Real Estate Opportunities

4 Enhance Margin Growth Opportunities

Attract & Grow New Customers & Trips

Targeting New Customer Segments

BFF: Tiffany

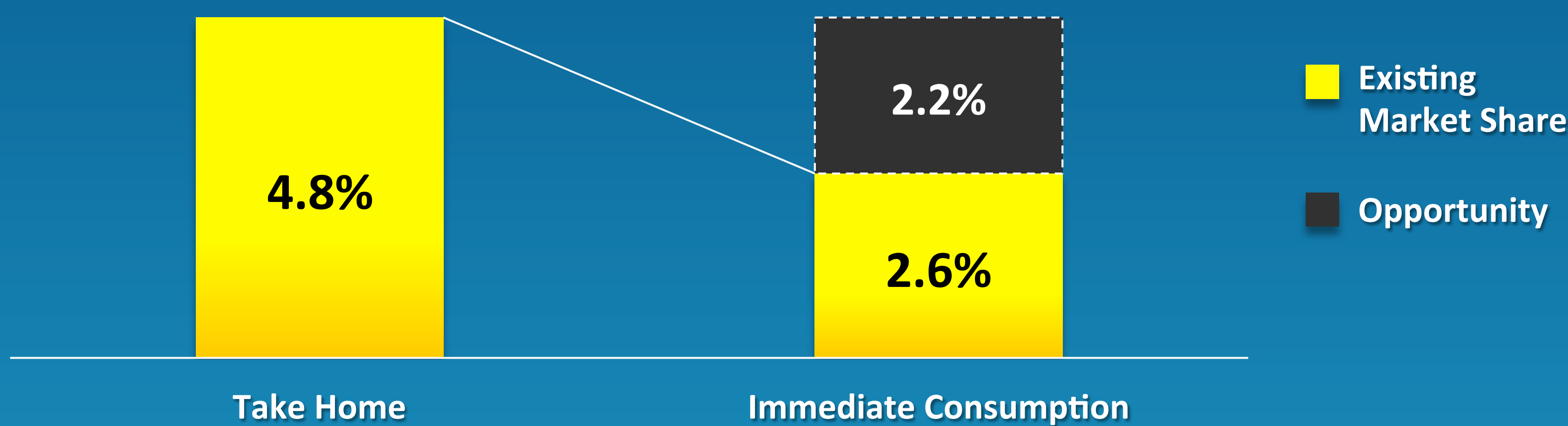
- Healthier Food Options
- Private Brands
- High Category Acceptance at DG:
  - Immediate Consumption
  - Non-Consumables
  - Beauty
  - Home & Apparel
  - Electronics

Friend: Stan

- Healthier Food Options
- Private Brands
- High Category Acceptance at DG:
  - Salty Snacks
  - Baked Snacks
  - Ready-to-Assemble & Lawn Furniture

Attract & Grow New Customers & Trips

Example: Immediate Consumption
DG Carbonated Soft Drinks Market Share



Significant Opportunity to Grow Category Sales and Margin Across New & Existing Store Base

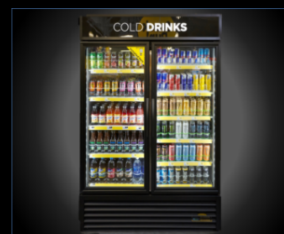
Source: Dollar General 1010 & IRI Scan DG Rest of Market, as of Fiscal 2015

Attract & Grow New Customers & Trips

Immediate Consumption Initiatives

Increasing Total Immediate Consumption Coolers

- Adding ~36K Coolers Over the Next Year



Expanding Offerings in Relevant Beverages

- CSD & Non-Carb
- Energy
- Specialty Drinks

Expanding Snack Selection

- Ready-to-Eat Snacks
- Better-for-You

Impacts Mature Stores, New Stores & Relocations / Remodels

Merchandising Initiatives Supporting Sustainable Growth

2016 Customer-Centric Merchandising Strategy

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Optimize Formats to Unlock Real Estate Opportunities

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Capture Share with Existing Customers

Retain and Grow Existing Customer Segments

BFF: Sylvia & Virginia

- High Category Acceptance at DG:
  - Food
  - Medicines / First Aid
  - Beauty Products
  - Party
  - Home Décor
  - Baby Items
  - Bed & Bath

Friend: Paula

- High Category Acceptance at DG:
  - Food
  - Beauty Products
  - Electronics
  - Clothing
  - Toys, Games
  - Cookware

Capture Share with Existing Customers

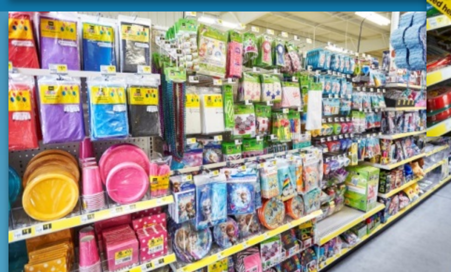
Targeted Growth Departments

Health

Beauty

Perishables

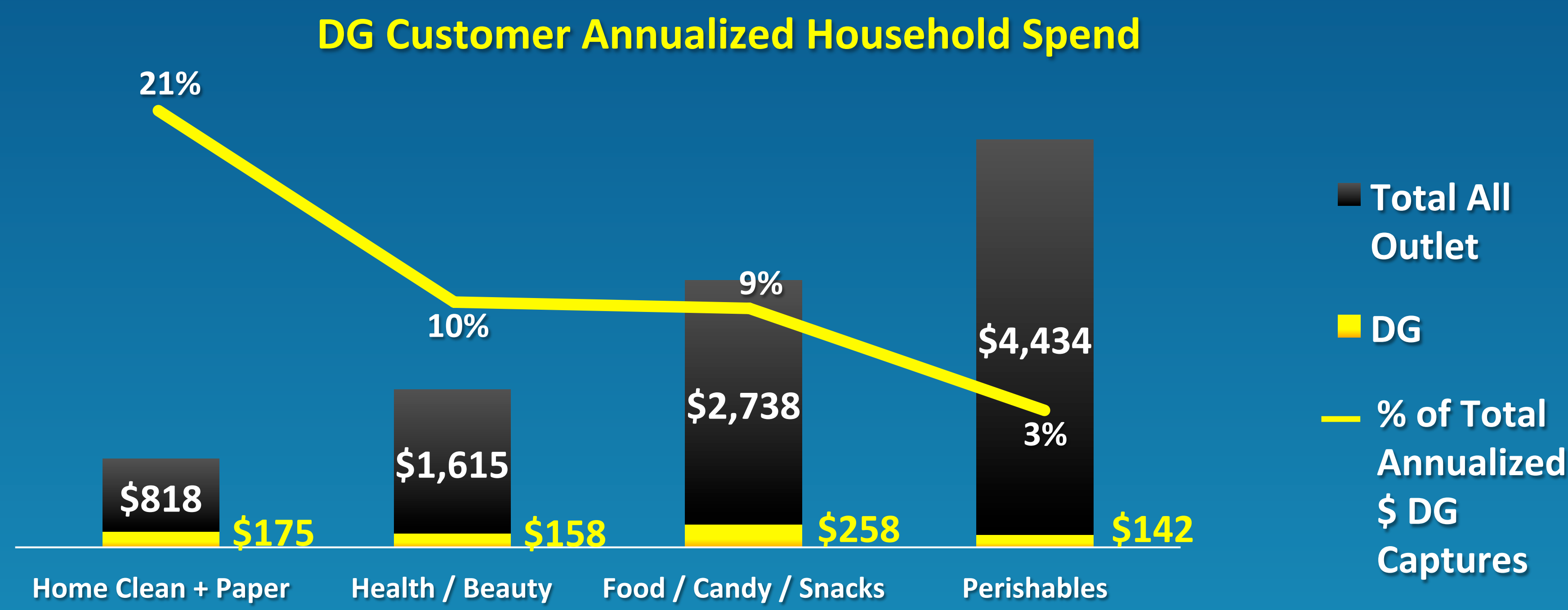
Party



Stationery

Impacts Mature Stores, New Stores & Relocations / Remodels

Capture Share with Existing Customers



Opportunity Exists to Grow Key Departments

Source: Nielsen Standard Syndicated Homescan Panel, DG RTA, DG Shoppers, 52 Weeks Ended 12/26/15

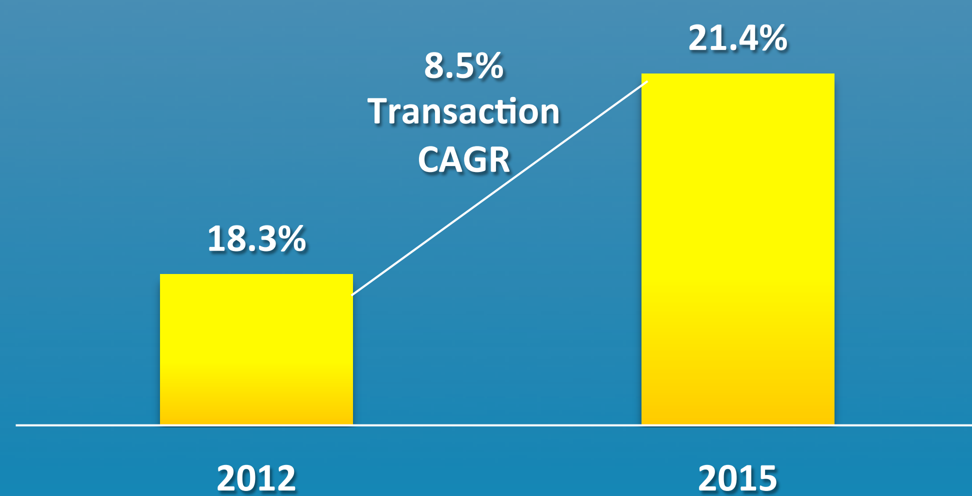
Capture Share with Existing Customers: Perishables

Perishables Baskets

74%

Greater than
the Value of
Non-Perishables Baskets

% of Baskets with Perishables



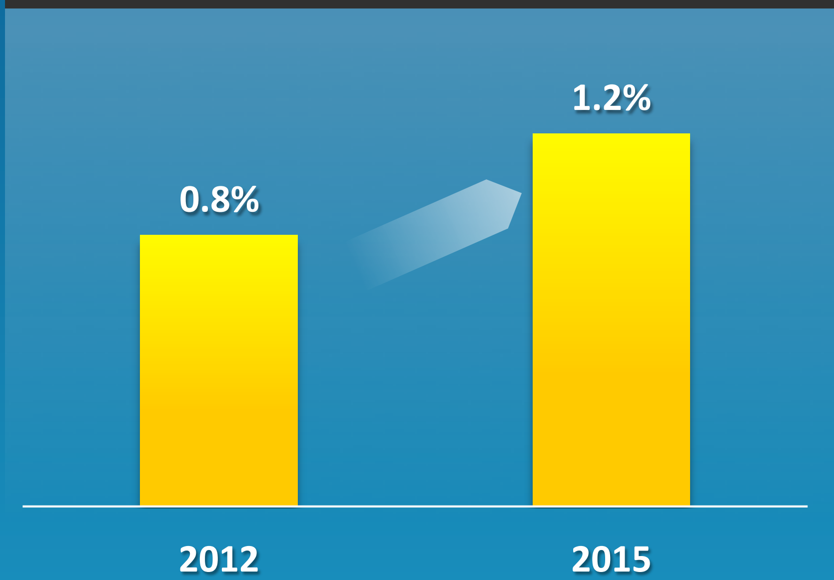
DG is Growing Highly-Productive Perishables Baskets

Source: Dollar General POS Data

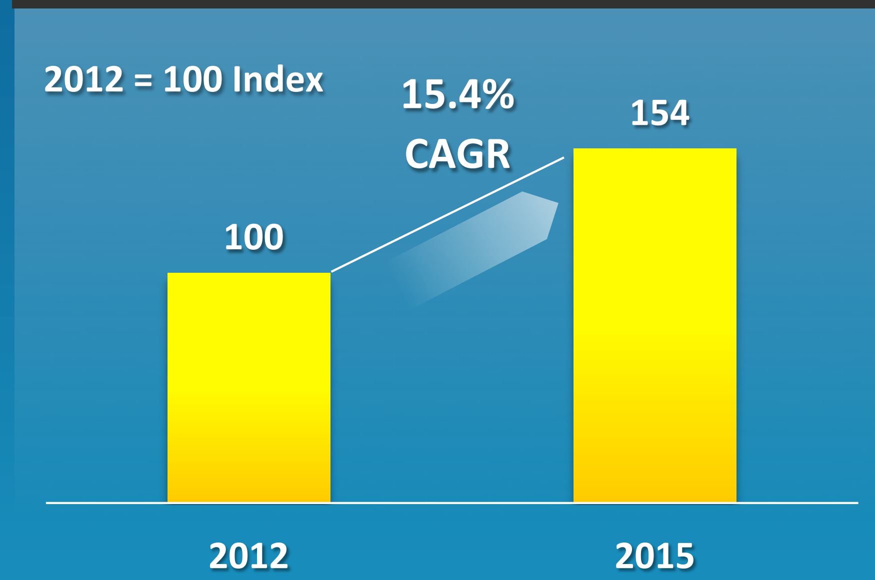
Capture Share with Existing Customers: Perishables

Example: Perishables Expand to Capture Grocery Trip Missions

Perishables Market Share



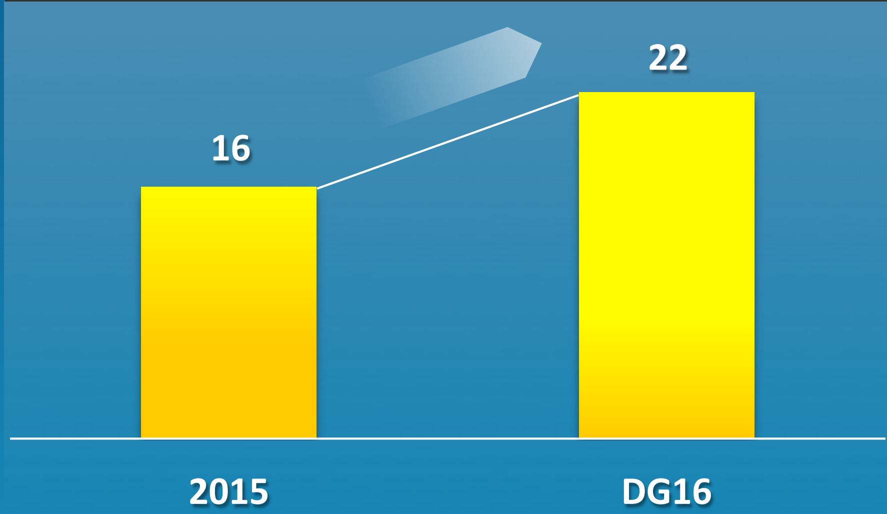
Perishable Sales (in billions)



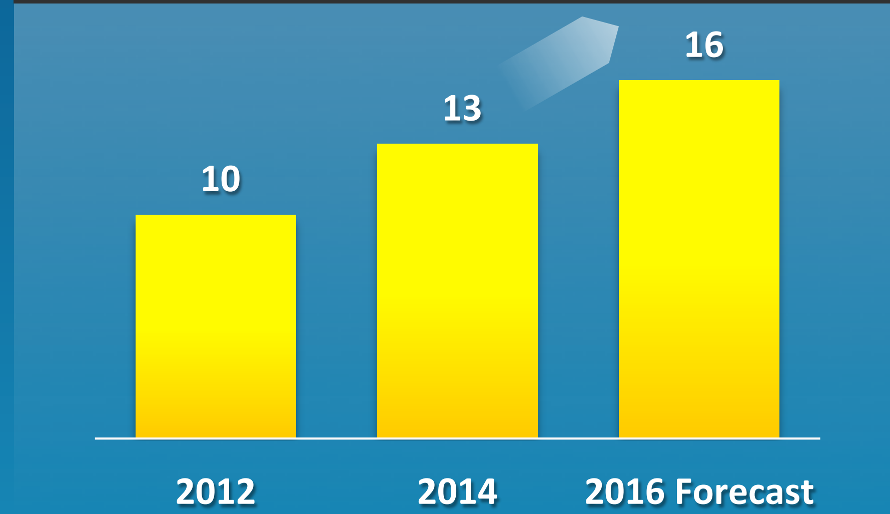
Source: Nielsen RMS/POS Data and 1010data 52 weeks ended December 26, 2015; Excludes CA & NV Markets; Perishable Sales Exclude Alcohol

Capture Share with Existing Customers: Perishables

Avg. Number of Coolers in New Stores



Avg. Cooler Doors



Increased Cooler Doors Drive Basket and Trips

Capture Share with Existing Customers: Perishables

Merchandising Initiatives Supporting Sustainable Growth

2016 Customer-Centric Merchandising Strategy

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Optimize Formats to Unlock Real Estate Opportunities

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Optimize Formats to Unlock Real Estate Opportunities

DOLLAR GENERAL	Sales Floor Sq. Ft.	Attributes
Traditional (DG16)	~ 7,500	• Base to Full Product Mix • 22 Cooler Doors • Primarily Rural & Small Towns
New! Small Format	< 6,000	• Adds Compact-Shaped Building to Portfolio • Allows for Site Selection Flexibility • Reduces Costs
Plus	~ 8,500	• Full Product Mix • 34 Cooler Doors • Relocation Strategy
Market	~ 16,000	• Expanded Product Mix • 50 Cooler Doors • Grocery Store Fill-In

Optimize Formats to Unlock Real Estate Opportunities

Formats Are Updated to Support Merchandising Initiatives & Customer Needs

CCS

- 12 Cooler Doors
- 300 Sections
- 78" Profile Optimization
- Affordability Expansion

DG13

- 16 Cooler Doors
- 315 Sections
- Key Assortment Expansions
- Improved Adjacencies

DG16

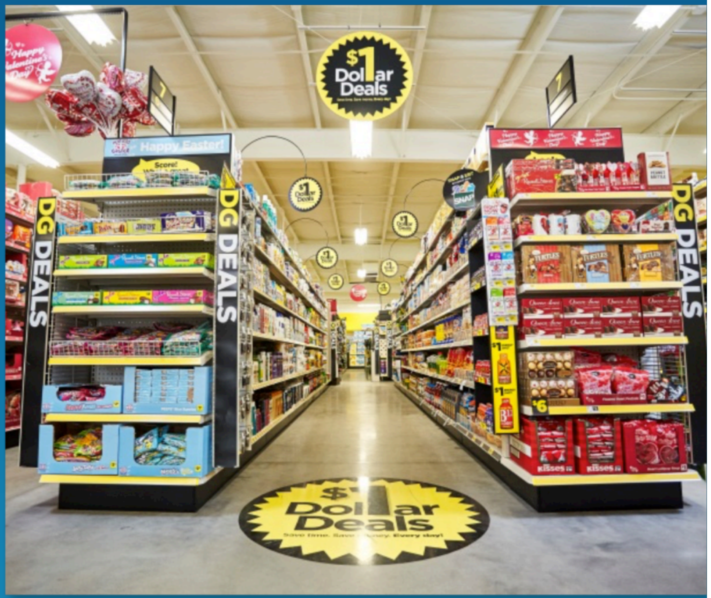
- 22 Cooler Doors
- 321 Sections
- Cooler Expansion
- Impulse / Checkout Redesign

2009 | 2013 | 2016

Optimize Formats to Unlock Real Estate Opportunities

DG16 Format Objectives

- Reinforce & Drive Trip Missions
- Feature Value, Affordability & Convenience
- Highlight Non-Consumables
- Improve Productivity
- Expand Key Categories to Capture New Customers



Early Results Performing Ahead of Expectations

Merchandising Initiatives Supporting Sustainable Growth

2016 Customer-Centric Merchandising Strategy

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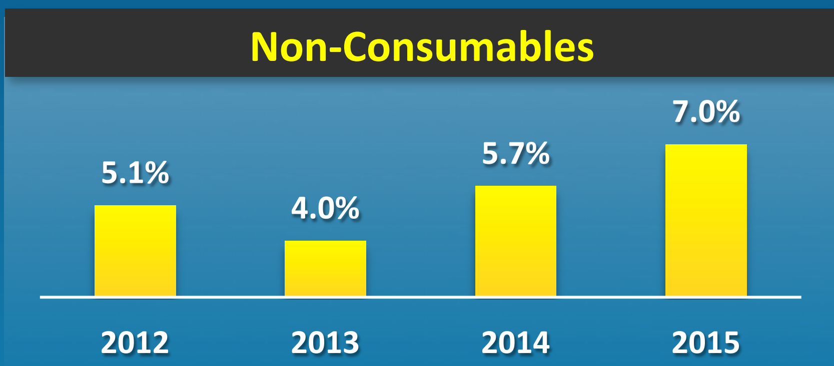
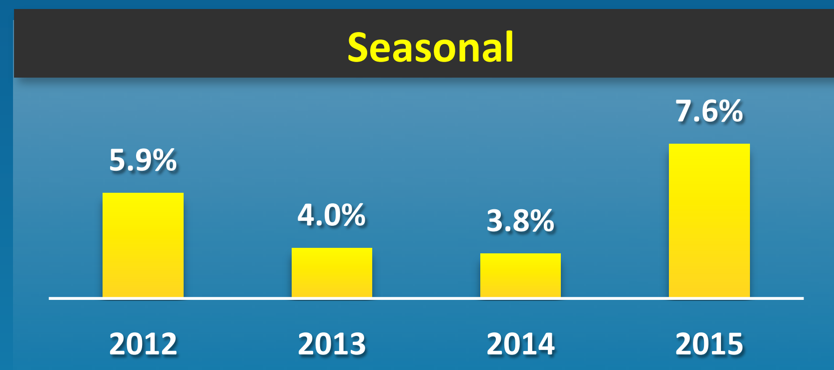
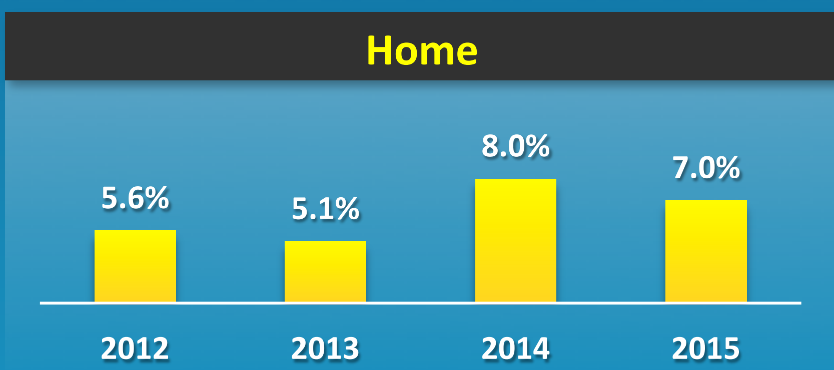
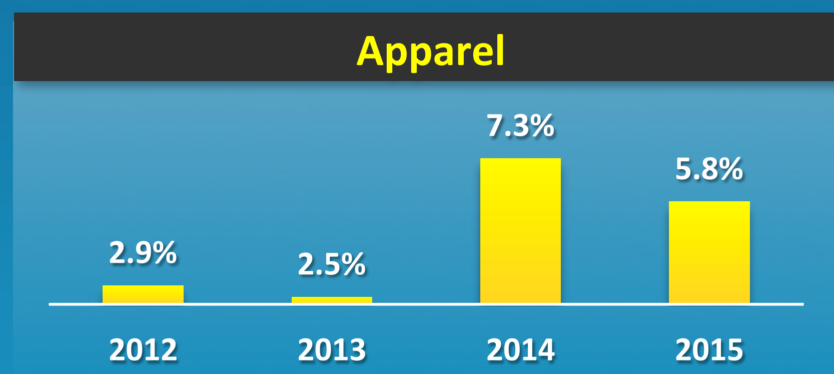
Enhance Margin Growth Opportunities: Non-Consumables

Non-Consumables Net Sales Increase





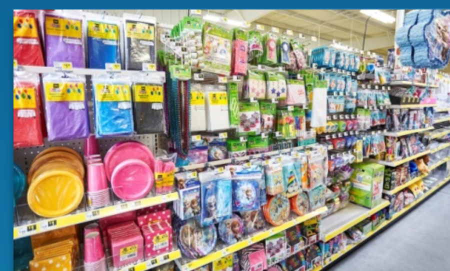




Enhance Margin Growth Opportunities: Non-Consumables

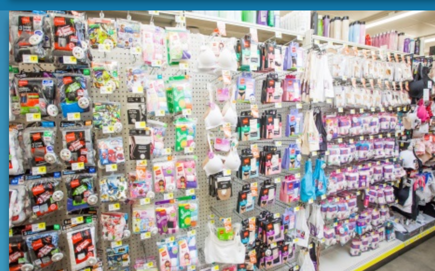
Targeted Growth Departments

Home



Seasonal: Party

Apparel



Seasonal: BTS

Impacts Mature Stores, New Stores & Relocations / Remodels

Enhance Margin Growth Opportunities

Role of Private Brands

- Enhance Margins
- Provide Opening Price Points
- Serve BFF Segments
  - Tiffany
  - Sylvia
  - Virginia

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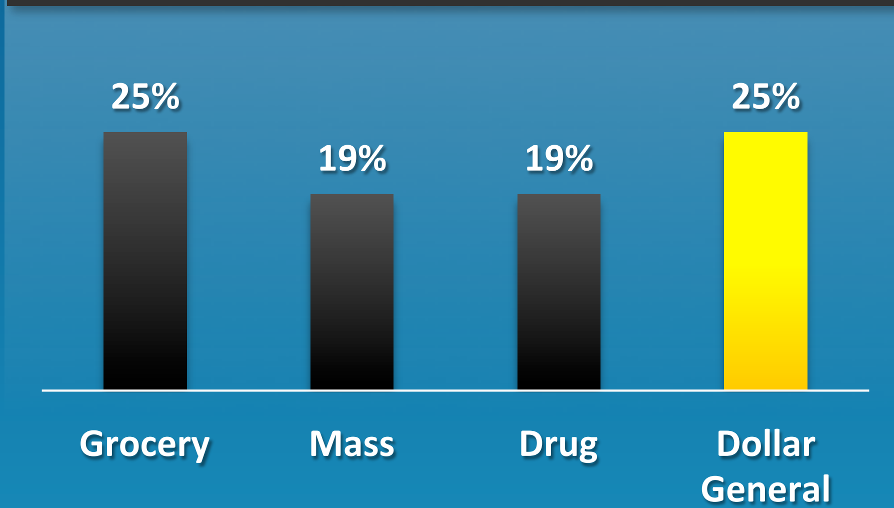
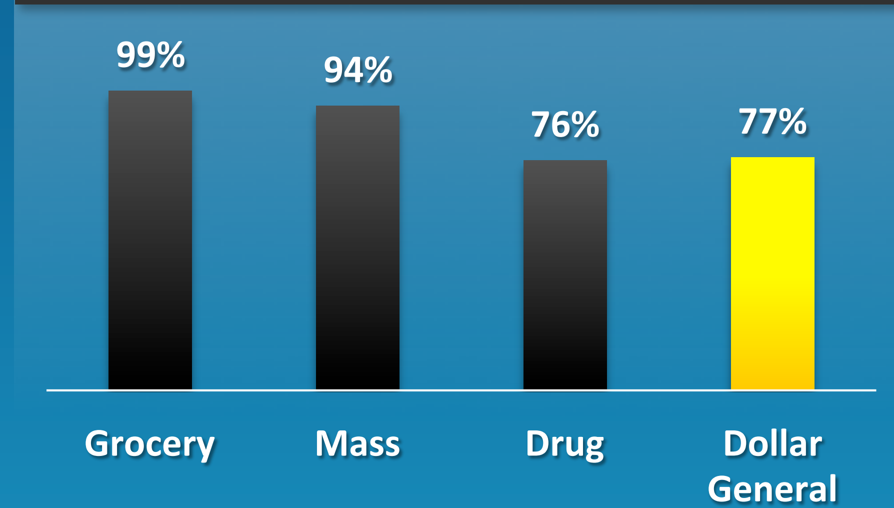
Enhance Margin Growth Opportunities

% of Highly Consumable Sales from Private Brands



Private Brand Customer Penetration



DG Private Brands Drive Sales with Opportunity for Continued Growth

Source: Nielsen Homescan; Highly Consumables in DG Trade Area, Private Brand Shoppers 52 weeks ended 12/26/2015

Enhance Margin Growth Opportunities

2016 Private Brand Strategy

- **Leverage New, Healthier Food Trends**
  - New better-for-you private brand
  - Healthier choices without price premium
- **Expand Health & Beauty Offerings**
  - DG Health, DG Beauty & Rexall

Increasing Relevance with All Customer Segments

Enhance Margin Growth Opportunities: Global Sourcing

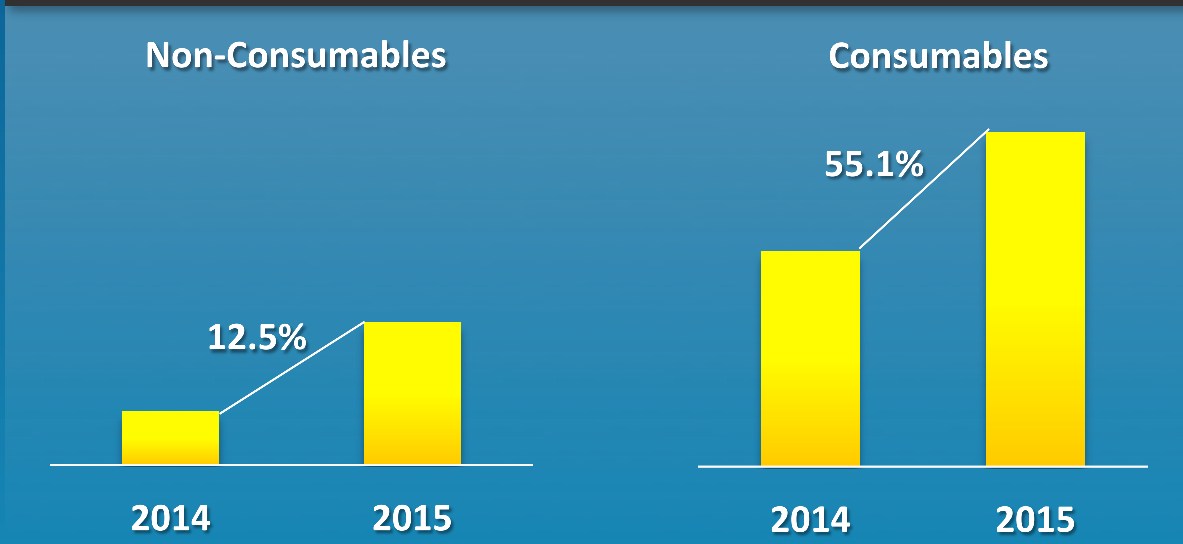
Drive Receipt Growth, Penetration, & Profitability

Utilize People, Analytics & Process Improvement to Maximize Opportunities

Align Global Import Office Capabilities with Growth Targets

Enhance Margin Growth Opportunities: Global Sourcing

Growth Rate of Import Receipts



Strategically Growing Import Receipts

Enhance Margin Growth Opportunities: Global Sourcing

Sourcing Presence Aligned to Support Growth in 3 Key Import Zones

Customer-Centric Merchandising Delivering 2020 Vision

State of the DG Customer

Integrated & Actionable Customer Segmentation

Merchandising Initiatives Supporting Sustainable Growth

Continued Commitment to Everyday Low Prices

Marketing Strategies Targeted Toward Key Growth Initiatives

DOLLAR GENERAL Invest FOR GROWTH

Continued Commitment to Everyday Low Prices

Dollar General: The Intersection of Value and Convenience

	Relative Price Index	Square Footage
DOLLAR GENERAL	100	7,500
Mass Merchant	100	~125,000
Grocery	120	~40,000
Drug	140	~12,000

Value & Convenience

Note: Relative Price Index based on January 2016 price audit of same basket of products conducted by Retail Data

Continued Commitment to Everyday Low Prices

- Best Opening Price Points
- Continuous Assessment of Competitive Landscape
- Driven by Shopper Insights
  - SKU-Level
  - Supported by syndicated & proprietary research
- New Lenses to Improve Focus

Continued Commitment to Everyday Low Prices

EDLP Pricing | Zone Pricing | Promotional Pricing

- Expanded Syndicated Data
- Competitive Shops
- Customer Insights
- Productivity Analysis
- Promotional Effectiveness Analysis

Revionics®

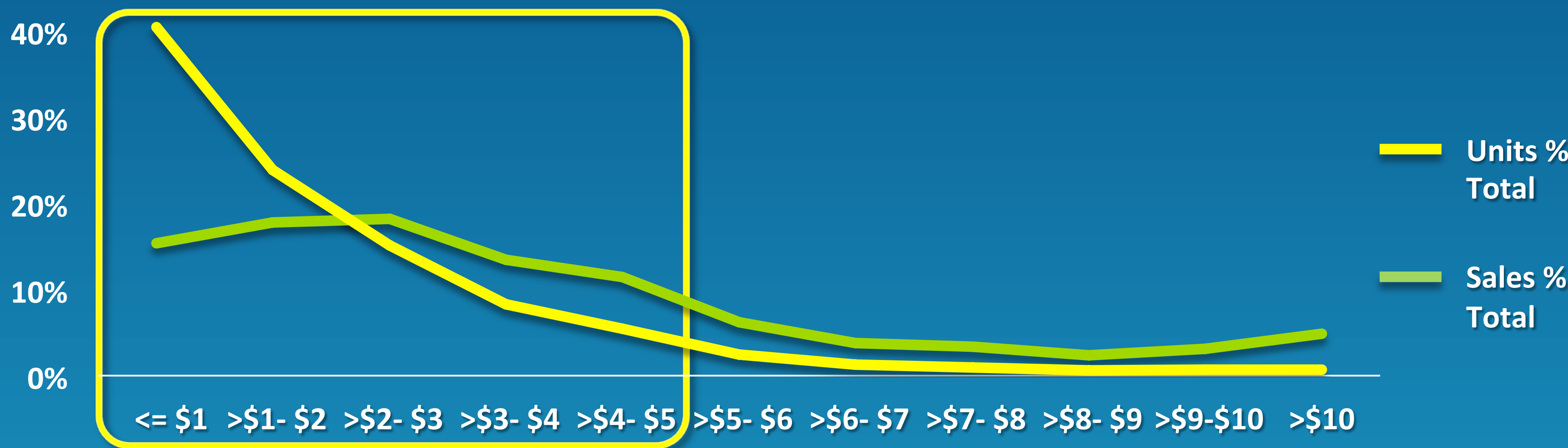
APT

DOLLAR GENERAL® Proprietary Pricing Strategy

New or Expanded Capabilities in 2016

Continued Commitment to Everyday Low Prices

Emphasis on Affordability



$5 < Price Points Generate 76% of Sales

Customer-Centric Merchandising Delivering 2020 Vision

- State of the DG Customer
- Integrated & Actionable Customer Segmentation
- Merchandising Initiatives Supporting Sustainable Growth
- Continued Commitment to Everyday Low Prices
- **Marketing Strategies Targeted Toward Key Growth Initiatives**

DOLLAR GENERAL Invest FOR GROWTH

Marketing Strategies Targeted Toward Key Growth Initiatives

TRADITIONAL

TARGET:
Older, Core Customers

- 60% of DG Customers Look at Circulars
- #1 Medium for Reaching Core

DIGITAL & SOCIAL

TARGET:
Millennials & Tech-Savvy Customers

- 92% of DG Customers Have Mobile Phones
- 66% Use Them to Access Internet

Shifting Investments to Support Changing Customer Preferences

Marketing Strategies Targeted Toward Key Growth Initiatives

DG is Growing Digital Engagement

Web & Email

- 30 Million Website Visits
- 9 Million Digital Circular Views
- 175+ Million Emails

Mobile

- 15 Million Mobile Site Visits
- 1 Million App Downloads
- 500K Text Message Subscribers

Social

- 21 Million Average Monthly Reach
- 3.2 Million Facebook® Fans
- Active Twitter®, Pinterest® & Instagram®

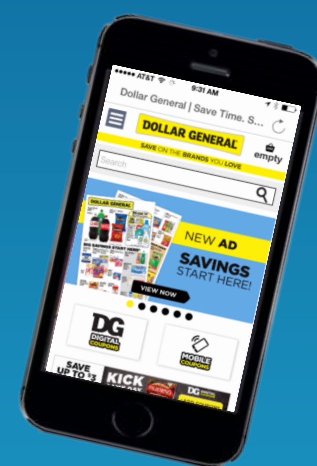
Numbers represented as approximates

Marketing Strategies Targeted Toward Key Growth Initiatives

Dollar General Is Growing Digital Couponing Investment

Avg. # of Available Offers (anytime)	175	Avg. Coupon Discount	$1.40

- Baskets are 137% Higher than Non-Digital Coupon Baskets
- Quick and Convenient Sign-Up
- Strong Vendor Support and Engagement



Key Takeaways

- Unlock New Customer Segment Insights to Grow Sales & Market Share
- Implement Strategic Merchandising Initiatives in New & Mature Stores
- Launch New DG16 Format Across Traditional & Small Format Stores
- Leverage New Pricing Optimization Tools to Capitalize on Price Leadership
- Build on Marketing Platforms to Engage Key Shopper Segments

Positioned for Sustainable Sales Growth

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