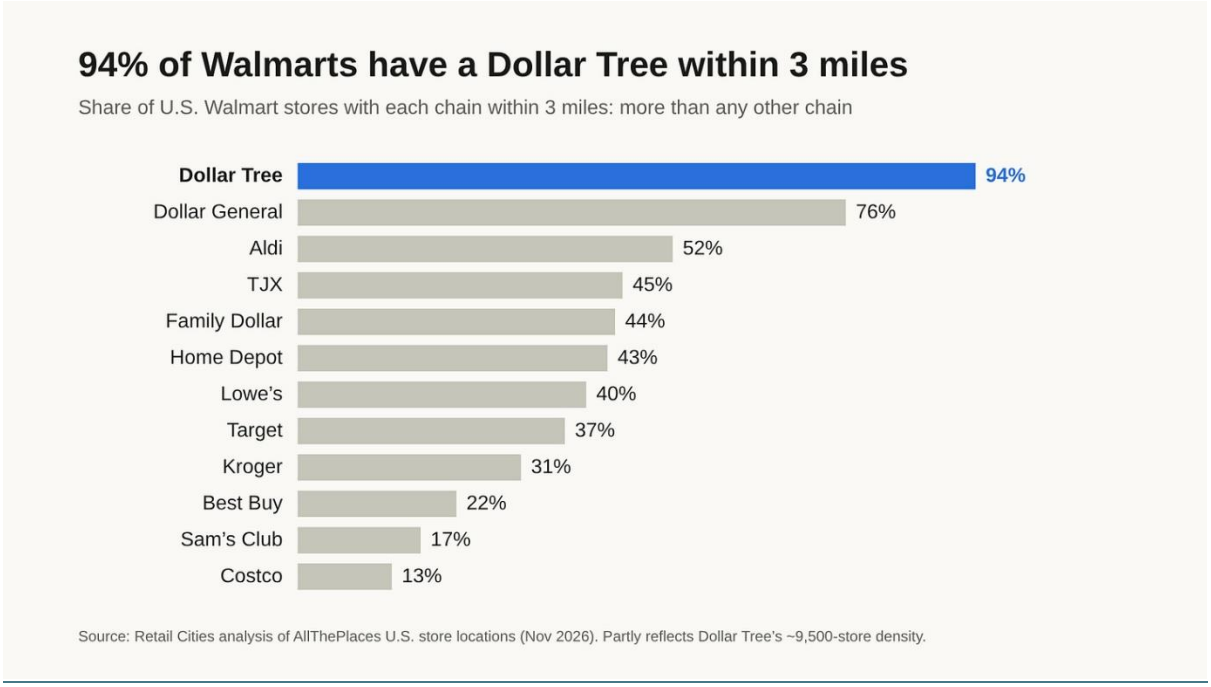
A Tough Neighborhood

Why Dollar Tree isn't just Walmart's most common neighbor, but an increasingly challenging one

What matters to Walmart vendors in Dollar Tree's Q3 call (Nov 24) isn't that it beat. It's who it beat with: better-off households adding trips, buying the consumables you sell.

As most Walmart vendors know, Dollar Tree has long been the stop after Walmart: a $1.25 add-on for party goods, seasonal and the odd household item. That picture is going out of date fast. Here are five things to carry into your 2027 Walmart plan.



1. It's courting Walmart's better-off shopper

Dollar Tree says growth is coming from middle- and higher-income households, and more than half of it from "trade-in" customers who used to visit four to six times a year and now come more often.

"You get one more trip, it's like a billion dollars."Mike Creedon, CEO, Dollar Tree

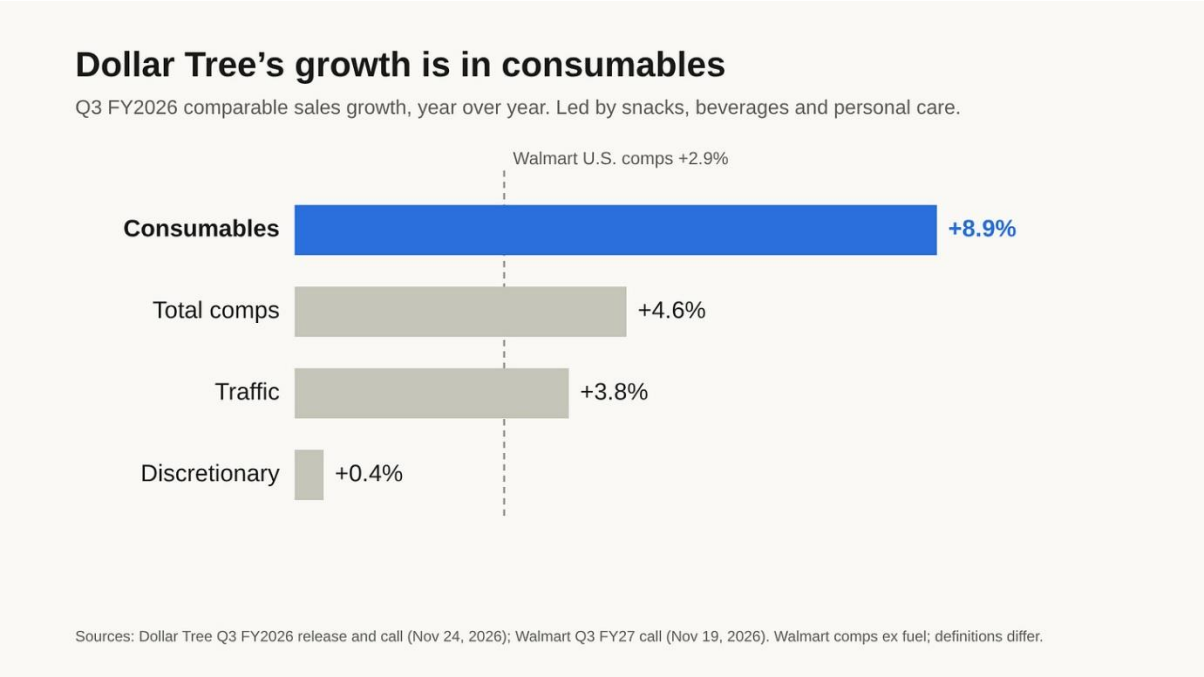
Walmart has been winning that household since COVID, with Q3 share gains across income cohorts. Now a smaller, more convenient store is coming after that trip with a broader range of SKUs than ever before.

Retail Cities groups shoppers by the financial statement that most reflects their behavior: Cash Flow (living from pay event to pay event), Income Statement (budgeting a paycheck) and Balance Sheet (a wealth cushion). The trade-in customer reads like an Income Statement shopper with a reason to add one cheap, close trip a week.



2. It’s winning in CPG aisles

Consumables comps rose 8.9%, led by snacks, beverages and personal care. Discretionary rose 0.4%. The small-box value channel is growing fastest in exactly the aisles your Walmart buyer reviews the performance of every Monday.



3. Pack-size re-engineering is on Dollar Tree’s list

CFO Stewart Glendinning named five cost levers: supplier renegotiation, re-engineering products and pack sizes to fit price points, country-of-origin moves, item cuts, and price as the last step. Expect price-point pack requests in 2027.

The risk for a Walmart vendor isn't the Dollar Tree pack itself. It's price point. Dollar Tree usually isn't cheaper per ounce; it offers a smaller pack at a lower price on the tag. Plenty of shoppers, especially those living from pay event to pay event, buy on the item price, not the price per ounce. When a $1.25 or $3 Dollar Tree pack does the same job as your cheapest Walmart pack, it can take that trip, and that invites a tough conversation at Walmart about the entry tier. Give each pack its own job

4. It's already next door, and its baskets are getting bigger

94% of Walmart stores have a Dollar Tree within 3 miles, Walmart's closest neighbor of the 12 chains in our overlap work (the first chart above). Dollar Tree sits near almost every chain, so that's partly density, not rivalry.

What's new is the basket. **Items above the $1.25 base were 18% of sales, up 300bp**. **Baskets that mix them with $1.25 items were about a quarter of transactions but nearly half of sales, roughly 2.5 times an opening-price-point basket**. That starts to look like a Walmart fill-in trip.

5. The value fight stays hot into 2027, and costs come with it

Dollar Tree reinvested $103M of tariff-refund money in Q3, plans about $0.25 a share more in Q4, and says competitors change pricing all the time. Its 2027 headwinds (fuel, freight and product cost inflation; each $1 move in diesel is about $40M) mirror Walmart's, which flagged more than $2B of extra diesel and transport cost this year. Expect cost conversations at both accounts.

What it means for Walmart

Walmart's answer to proximity is speed: it can reach 96% of U.S. households within three hours. Dollar Tree's answer to speed is proximity. Neither is going away. Walmart's next share gains with better-off shoppers have to be earned against a smaller, closer box, not just against Target and Kroger.

What to do in your 2027 Walmart plan

1. Map your Walmart entry-tier items against Dollar Tree's assortment in your category (the prompt below does the first pass).
2. Give every pack a job across both accounts: trial, fill-in or stock-up. Walmart sets its retail; your levers are pack, count and list-price tiers.
3. Ask your Walmart team how it plans to win fill-in trips in stores near dense Dollar Tree clusters (pickup, delivery, entry-tier space), framed as a joint business plan trade-off.
4. Bring EDLC ideas (pack, freight, logistics) to the table before the buyer asks.

Try it on your category

Paste this into Claude or Microsoft Copilot with your Walmart item list attached (Excel; Copilot works best opened inside Excel). It checks Dollar Tree's assortment online first, and asks for shelf photos if it can't find enough.

You are helping a CPG supplier find which of its Walmart items are most exposed to Dollar Tree's expanding assortment in our category: [CATEGORY].

Context (public, Nov 2026): 94% of Walmart stores have a Dollar Tree within 3 miles (Retail Cities store-overlap analysis). In Q3, Dollar Tree's consumables comps rose 8.9%, led by snacks, beverages and personal care, and items above its $1.25 base reached 18% of sales, with more items at $3-$5 (Dollar Tree Q3 call and release, Nov 24, 2026). Dollar Tree names re-engineering products and pack sizes to fit its price points as one of its cost levers.

Framework (Retail Cities): every pack has a job: trial, fill-in or stock-up. Many shoppers, especially those living from pay event to pay event, buy on the item price (the price on the tag), not the price per ounce. Risk rises when Dollar Tree offers a pack doing the same job at a lower item price, even if it is smaller and costs more per ounce.

Attached: our items in the current Walmart planogram for this category, with item name, brand, pack size or count, unit of measure, list price to Walmart, observed Walmart shelf price, and unit sales.

Step 0 - Dollar Tree assortment. If you can search the web, look for Dollar Tree items in [CATEGORY] (dollartree.com, product pages, recent news). List item, brand, pack size, price point and source link. If pages won't open or you find fewer than 10 relevant items, say so plainly and ask me for Dollar Tree shelf photos or a list before going on. Never invent Dollar Tree items or prices. Flag items that appear online only or are sold by the case.

Step 1 - Overlap. Match each of our Walmart items to the closest Dollar Tree item doing the same job (same use). Mark: same brand, same need, or no match.

Step 2 - Price points. For each matched pair, show both item prices and pack sizes, and the item-price gap. Show unit price as a secondary column only.

Step 3 - Risk. Rate each item High, Medium or Low: High = a Dollar Tree item doing the same job at a lower item price than our lowest-priced Walmart item for that need, whatever its unit price; Medium = same need but a different job (for example our stock-up pack vs their fill-in pack), or Dollar Tree's item price is at or above ours; Low = no match.

Output: one table (Walmart item and price, closest Dollar Tree item and price, item-price gap, unit prices, overlap type, risk, why). Then three actions and three questions for our Walmart team.

Guardrails: Walmart and Dollar Tree each set their own retail prices; do not recommend retail prices or suggest coordinating prices with either. Our levers are pack, count, formulation, list-price tiers and cost. Frame Walmart asks as joint business plan trade-offs. Flag every assumption. Don't invent retailer data.

Sources: Dollar Tree Q3 FY2026 earnings call and release (Nov 24, 2026); Walmart Q3 FY27 earnings call (Nov 19, 2026); our store-overlap analysis of AllThePlaces U.S. store locations (Nov 2026). Quotes are from call transcripts.