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December 6, 2018

The Mighty Dollar

One day this summer my wife, Sarah, and I took a road trip to Greenville Kentucky on the scenic route. Leaving Hopkinsville, we passed a Dollar General Store. A bit up the road we passed another Dollar General Store. This brought on a discussion of why there are two such stores in such close succession.

Now Sarah was born and reared in Allen County, and grew up shopping with her family in the original Dollar General Store and knowing the Turner family. She owned stock in Dollar General for several years and read the stock reports. Her remark was , "Amazing what success has resulted from humble beginnings. The man who started it had a third-grade education." I was incredulous and probably expressed such opinion. A few days later I was presented with Cal Turner's book, *My Father's Business.* I read it and found it to be quite interesting; you now get to hear a paper about this remarkable story.

In order to trace the evolution of the Dollar General Stores' development, we must drop back to the early 1900's to discover a quite small eleven-year-old boy named James Luther Turner, a poor dirt farmer's son living in Macon County, TN. Luther had dropped out of school a few years before this to run the family farm after his father's premature death. Luther never returned to school. One year he was able to sell his tobacco crop for $190. He put some of this aside and made two unsuccessful attempts at retailing. After this Luther spent ten years as a traveling dry goods salesman for a Nashville wholesale grocer. He married at seventeen and had three children with wife Josiephine. Only one son survived. They named him Hurley Calister after a prominent man in the area. Thinking his family needed to live in a town, Luther moved them to the nearest one, Scottsville, Kentucky, a town of 1500 and the county seat of Allen County. Luther began developing a small general store there. Now common sense would tell you that starting a discount store in the midst of the depression was not a sound business decision when thousands upon thousands of retailers were going belly up.

Luther's business model was to provide discounted basic essentials to families with limited income who needed to get the most purchasing power for each dollar. This strategy proved to be perfect for the depression era.

Luther started taking his son Calister, or Cal as he was to be known, to attend liquidation auctions of failed stores when Cal was eight years old. The young man had a gift for math, and quickly learned how to evaluate the potential of a store's inventory. Luther had always had a head for figures, but his third-grade education showed when it came to English grimmer. Cal began to be a spokesman for the business while he was still in elementary school.

Luther and Cal spent a lot of time on the road attending bankruptcy sales and buying up entire inventories at pennies on the dollar. Sometimes they would stock their own stores with their newly acquired merchandise; sometimes they would pass the merchandise on to other retailers for a sizable profit, and sometimes they would buy the failed store in its entirety if the price was right.

Luther was constantly taking out short-term loans to cover his ongoing purchases. He always paid off these loans promptly, and bankers soon considered him a worthy risk. From the beginning, Luther showed a knack for marketing. The major money crop for farmers in the area at the time was tobacco. Each fall the tobacco crops were auctioned at the sales warehouses. Luther had right-hand work gloves given out at these auction floors with a note attached. The note said, "Get the mate to me at Turner's Bargain Store, and we will gladly cash your tobacco check." The farmers would go to Luther's store to get the mate to a good pair of work gloves, cash their checks, and there they would be inside a store loaded with useful merchandise with a year's worth of crop money in their pockets. Now that was effective marketing.

In 1933 Luther sent young Cal off to Vanderbilt University to study engineering. The only admission requirement then was his Dad's ability to pay tuition. Cal played basketball for the freshmen team and completed his first year of college . He then dropped out and opened his own retail store just north of Nashville. This venture proved to be a mistake and after this misstep, Cal returned home. He and his dad went back to the business of buying and liquidating the inventories of troubled stores.

In 1936 Cal married his hometown sweetheart Laura Goad. Laura's father, Frank Goad, was a prominent Scottsville lawyer. Cal and Laura had a loving and long- lasting marriage that produced four offspring: Laura Josephine, Calister Jr., Betty, and Stephen.

In October 1939 Luther and Cal formed a partnership and opened J. L Turner and Son with an initial investment of $5,000 each. By the early 1950's they had 35 department stores in Kentucky and Tennessee with annual sales of five million dollars.

The Turner operation was far from high tech and organized. Each week store managers would drive their personal cars to the Scottsville warehouse to pick up needed merchandise. The backseat of their cars had been removed to make room for their inventory items. The warehouse was an open barn-like structure with large boxes and crates scattered around on the open floor in no particular order.

In 1955 Cal Turner, now the CEO of Turner and Son, had to decide what to do with a failed store in Springfield, Kentucky. Cal had noticed the success of "Dollar Days" sales in big department stores in Nashville and Louisville. Once a month they would run full-page newspaper ads and sell non-moving merchandise with one dollar as the single price point. Well Cal knew what these ads cost, and he understood that if these stores were willing to lay out that much money, customers obviously loved that $1.00 price point.

In what he called a flash of insight, he decided one night to simplify all operations and sell everything in his stores for a dollar. He saw all kinds of benefits-- checkouts would be simplified and customers could keep track of what they were spending. He was convinced he had something.

He walked into work the next day and asked his management team to join him in his office. He told them his plan to sell everything in every store for $1.00. In some cases it would be multiples like 2 pairs of socks or 3 cups for a dollar.

To a man, management were against it, telling him it would never work. He followed his gut as always and decided to do it.

That left choosing a name. It had to have the word DOLLAR. He had always liked the general store term with a nod to his country roots, and General let his customers know that they might find about anything inside the store.

So the Dollar General Store was born in June of 1955. He chose black and yellow to stand out. When Springfield customers walked into that first store, there were big red $1.00 signs everywhere. The layout was clean and simple. It was advertised as, "Every Day is Dollar Day."

On opening day so many people turned out that a manager had to let them in until the store was good and crowded, close the doors and wait for customers to leave to let in more. Cal had a hit and repeated this scenario of huge crowds and grand openings over and over as more Dollar General Stores opened across the South.

Cal senior was very old school in terms of his management style. He believed in face-to- face supervision of his store managers and staff. Accordingly, as he had many managers and stores, he spent an extraordinary amount of time on the road and away from home. Consequently, the lion's share of the parenting responsibilities fell to Laura Turner. Laura shouldered these responsibilities with her four children with a loving but firm hand. Laura, who came from a family of lawyers and judges, believed in fair play and had a few rules to live by. She once lectured her oldest son, Cal, Jr., "Son, let me teach you how to fight. There are three rules. Rule number one, don't ever get into a fight. You are smart enough to talk your way out of any situation that's leading in that direction, so there is no reason to get into a fight in the first place. Now rule number two is if you get into a fight, don't lose. When you decide to hit someone, hit him hard. If that doesn't work, pick up a stick and hit him, and if that doesn't work, pick up a rock. Don't lose. And rule number three – remember, don't ever get into a fight!" This came from the very cultured, genteel lady of the house. To this day Cal Jr. gives his mother a lot of credit for his success.

By 1965 the Turners had grown their discount chain to 150 stores and their auditors announced that they were having a significant problem with shrinkage. Shrinkage is merchandise or cash being stolen, lost, or otherwise unaccounted for. Cal set up a separate unit in his headquarters whose only job was to deal with the shrinkage problem. Two years later the shrinkage unit announced that the problem had actually gotten worse and that they needed additional staff to better address the problem. Cal's response to this report was to abolish the unit. At Christmas each year the managers and staff would each receive a Christmas bonus. Cal announced that in future the amount of these bonuses would be reduced by the percentage of shrinkage of that particular store. Within six months, shrinkage was no longer a major problem.

Cal Jr. graduated from Scottsville High School in 1958 as Valedictorian. Cal Sr. sent his son off to Vanderbilt to obtain a degree in business administration. Steve Turner would follow in his brother's footsteps some years later. Cal Jr. was the first in his family to have a college degree. After college Cal Jr. joined the Navy and was sent to Officer Candidate School. He finished his stint in the Navy in 1965, and came home to work full time with his father at Dollar General. His first job assignment was opening new stores. A typical store would open in less than a week and would turn a profit in less then two months.

Steve graduated from Vanderbilt in 1969; took a short tour in the Army and came home to work in merchandising at Dollar General.

Now William Turner will tell you that most all good stories have a connection to Hopkinsville, and the Turner saga is no exception to his hypothesis. Steve Turner, while at Vanderbilt roomed with our own judge and former Athenaeum Society member, Peter MacDonald. Pete and Steve have remained good friends since their graduation. Additionally, our daughter Mary is assistant director of admissions at Belmont University in Nashville where she proudly administers the distribution of Turner scholarship money each year. The Turners are very generous in their gifts to education causes.

In 1968 the Turners decided to take Dollar General public and join the New York Stock Exchange. The company was doing well with 150 stores and 31 million dollars in earnings. The family sold 27% of the company and held on to 73 %. The stock was offered at $16.50 per share. The SEC in Washington required tons of documents before they would allow the public offering, and the very last requirement was that Dollar General turn over a certified check for the registration fee. This check was to be issued by the Turners' local bank, Farmers National Bank in Scottsville, Kentucky. The SEC clerk called Cal and told him, "We cannot accept this check." "Why not?" said Cal. You must have a certified check and this is not a certified check; it has just been stamped with the word GOOD. Well, the person who had stamped GOOD on the check was Farmers' National Vice President Margarite McClellan, a tiny, but outspoken lady who as it turned out did not like the term "certified". "What the hell does that mean anyway?" she said. "We use the word GOOD, as in the check is good. So what if the rest of the world doesn't do it that way? We're right; they are wrong." Ms. McClellan stopped the entire process and the Turners could not get her to change her mind. Another bank in Washington finally provided the Turners the needed certified check. There would be two more stock offerings and one buy back of Dollar General stock in the company's history.

By 1977 Steve Turner had been promoted to Executive Vice President of merchandising and Cal Junior was now the President of Dollar General. Cal Senior took the position of chairman of the board. Cal Senior spoke to his son regarding Cal Junior's becoming President. "Son," he said, "I have decided it is time for you to become president so I can be chairman for a long time." This conversation occurred through a closed door of a bathroom cubicle while Cal Senior sat on the john.

Cal Senior had been grooming Cal Junior for the Presidency for the preceding 15 years, so in many respects their management philosophy was very similar, but with one exception. Cal Senior believed strongly in one-on-one personal relationships with each of his store managers and was very much opposed to any kind of modern computer technology. Technology such as scanners, digital cash registers, inventory control, fiscal management – any kind of computer systems were forbidden in his stores. When Dollar General had over 1200 employees, they were still paying the staff out of the cash registers. As the corporation grew, Cal Senior's old style became all together inadequate and ineffective. It was Cal Senior's habit to call each of his store managers each Saturday night to go over their sales figures from the previous week. This ritual was doable when there were only several dozen stores, but as the numbers grew, this was unsustainable. Cal Junior spent a great part of his career wrestling with his father in his efforts to bring Dollar General's technology into the 20th Century.

The 1970's and 80's were decades of tremendous growth for dollar General, but hardly ever could this growth be attributed to any massive buyouts of competing retail chains.

An exception to this philosophy would come in 1984 when Dollar General was offered a retail chain buyout that was just too good to pass up. Well, actually there would be two buyout opportunities that Cal Junior just couldn't walk away from. Dollar General bought out the Eagle Chain in Florida and paid some 35 million dollars for their 200 stores. Later Dollar General acquired 280 stores from P. N. Hirsch, a northern discount chain. Steve Turner was given the job of converting these 480 stores to Dollar General Stores, and he was tasked with making the transition within a year and a half window.

This quick expansion decision would prove to be a high risk venture and highly problematic.

In 1986 The chief financial officer suggested the possibility of bankruptcy for Dollar General. Sales had dropped for the first time in the company's history. Net income was down from 19 million to just 4 million. Shrinkage alone amounted to 22 million for that year. The old Eagle stores in Florida accounted for 30% of the shrinkage. Cal Junior stepped up internal security and hired investigators to study the newly acquired stores. They found under trained, under motivated, sometimes resentful employees. This picture did not improve as you went up the chain of command. Theft was uncovered at every level of the organization, from store clerks to area managers and even buyers.

Dollar General fired 400 people and 150 of them were arrested. Turnover among managers hit 200 percent, meaning on average every position was turning over twice a year. A great lesson was learned – if you allow yourself to grow too rapidly, things can quickly spiral out of your control.

Cal Junior's working relationship with his younger brother Steve was never harmonious. As siblings growing up in the Turner family, Cal Junior and Steve tended to argue about almost everything. When Cal Junior became Steve's boss at Dollar General, their conflicts regarding business matters intensified. These strained relationships continued for ten years. Cal Junior would turn to his father and mother to seek advice as to how to better get along with his brother at work. Laura told him that she needed to give them both a good whipping.

After ten years, Cal Junior had had enough. In January of 1988, 49 -year- old Cal Junior fired his brother Steve much to the chagrin and dismay of their parents. Steve retained his position on the Dollar General board, but would no longer work for the company.

Six months later their mother Laura Goad Turner died at the age of 72. In November of the same year Cal Senior found himself in conflict with his Dollar General Board.

They wanted to implement a new computerized management information system. Cal

Senior shared with his son that if the computer proposal was presented to the board for a vote, he would most likely step down as chairman. The proposal was put up for a vote and passed. Cal Junior voted for the proposal, and his father stepped down as chairman. The traditional Christmas gathering of the Turner Clan at the family home in Scottsville did not occur that year due to the rift within the family.

In 2001 Dollar General ran afoul of the Securities and Exchange Commission in Washington DC. The SEC found that they were liable for making false statements or failing to disclose adverse facts about the company's financial results for the year 2000. Dollar General's settlement fine came to 162 million dollars.

Cal Junior no longer had his father and mother to go to for advice. Over ten years after he had fired Steve from the company, he sought his little brother's advice. Together they decided Cal Junior would go before the SEC, answer their questions and extricate himself from the company. Cal Junior retired in 2002 having served the company for 37 years. Under his leadership the company grew from 150 stores to more than 6,000 stores. Dollar General's sales increased from 40 million to 6 billion. Two years before Cal Junior stepped down from his leadership position, Dollar General's corporate headquarters was moved from Scottsville to Goodlettsville, TN.

So how has Dollar General been faring since the last of the Turner men retired from leadership positions within the company? Well, today Dollar General is a fortune 300 company with some 15 thousand stores located in 45 states with 130,000 employees. The stores are served by 15 distribution centers across the country. This makes them the largest discount chain in the nation.

Dollar General's growth plan for this year included the construction of two more distribution centers, and 900 additional Dollar General Stores. Not bad for a company whose founder only had a third-grade education.

Thomas Edison once said, "Vision without execution is hallucination." Dollar General is all about execution.