

TESTIMONY OF

Maria Effertz, Community Services Director, ND Department of Commerce

Mr. Chairman and members of the committee. My name is Maria Effertz, and I am the director of the Division of Community Services at Commerce. I stand today in front of you as neutral testimony on SB 2273, but Commerce supports the efforts to increase food accessibility and sustainability to our rural areas, and in some cases, central areas of our urban communities.

With the increasing costs of products, operations and labor, rural North Dakota has seen a massive decrease in the availability of grocery stores that supply perishable products. Adding to this issue is the increasing surcharges suppliers are adding to the cost of delivery or in some cases, stopping delivery of products altogether in rural areas. While we seem to see dollar stores pop up everywhere, if you look at their patterns they are on highly traveled roads and once you leave those roads, the ability to get any food products disappears quickly.

The proposal before you today is written as a pilot program as we do not know what will work in many communities and this allows us to explore options that work for each community. For example, the grocery stores in Velva have been asked to provide products in extremely rural areas. The numbers and amount of people do not work for a full-service store, but the grocery store owners are exploring the options of utilizing a key fob type facility where groceries are available, similar to Amazon stores, with payment via phone app and the products stocked are determined specifically by the need of the community. I've attached a white paper written by Strengthen ND which explores the self-service grocery store roots in Sweden and the success of a similar store in Minnesota.

Other models that would be explored are like the Strasburg Blue Room which operates as a café, bar, and grocery store. We would explore what it would take for existing businesses to diversify and meet the community's grocery/food needs with feasibility studies and the community's willingness to participate in different models.

Grocery stores have very slim margins and as you have heard, getting the products that are not shelf stable to areas of need requires creative thinking and good studies to create sustainable business models.

I am happy to stand for any questions on this bill.



StrengthenND[®]

SELF-SERVICE/UNATTENDED GROCERY STORES

(Unstaffed and Run Remotely)

Hummelsta, a town of 1 000 people in Sweden surrounded by a beautiful pine forest, has not had any local shops for a decade. Since December 2020, a red wooden container has offered a lifeline, serving as a mini grocery store that locals can access round-the-clock. The store stocks a wide assortment of groceries, from fresh fruit and vegetables to Swedish household staples like frozen meatballs, crisp breads, and wafer bars. Inhabitants no longer have to travel to the city to buy small convenience snacks and small grocery items.

The store is part of the LIFVS chain, a Stockholm-based start-up that launched in 2018 with the goal of returning stores to remote rural locations where shops had closed down because they struggled to stay profitable. The specificity of the LIFVS store is that there are no staff or checkouts. You open the doors using the company's app, which works in conjunction with Bank ID, after a quick identification, the customer has immediate access to all products. Bank ID may be the key to prevent shoplifting, a secure national identification app operated by Sweden's banks. Then, you can scan barcodes using your smartphone and the bill is automatically charged to a pre-registered bank card. Alongside skipping the need to pay cashiers, the firm also avoids pricey long-term rental leases. And if there's less footfall than expected in one location, the wooden containers can easily be picked up and tested elsewhere.

LIFVS co-founder Daniel Lundh saw the opportunity in rural locations, and the chain has opened 20 new shops in rural neighborhoods since March of 2020. LIFVS is planning to launch hundreds more container stores in Sweden, in the next few years. There is global interest in the idea, and the company's mulling whether to share its technology with supermarket chains in other countries or launch more of its own container stores across Europe. Since the company always knows the identity of who is in the store at any moment, this limits shoplifting. There are 24-hour surveillance cameras too, which alert the store's manager if there is a break-in or a stock spillage. The manager looks after four stores in the region, usually visiting once a week to clean, stack the shelves and put together click-and-collect orders made online. LIFVS uses artificial intelligence to work out what stock to order for each store, based on the data it collects about locals' shopping habits. Customers also receive digital coupons and special offers

based on their previous purchases. [Lifvs electronic self-service Grocery store – assignmentforum.com](#)

Cofounder and COO Daniel Lundh told Insider that he launched the company in 2018 because he wanted to solve food deserts (an area that has limited access to fresh food) in rural Sweden. He'd seen a gap in the market, more than half of Sweden's grocery stores closed in the 1990s as larger supermarket chains swooped in, and 90% of these stores were in rural locations. The industry went through a big shift, they were looking at the States, the Walmarts and the Targets of the world, which Sweden was building and closing local services. We wanted to go where we were needed most," Lundh said.

[PHOTOS: Sweden's Tiny, Unstaffed, High-Tech Rural Grocery Stores \(businessinsider.com\)](#)

Unstaffed, digital supermarkets transform rural Sweden. Eket, a small-town story. In 1985, there were 8,500 [supermarkets](#) in Sweden. By 2010 there were fewer than 3,500. Eket used to have a small supermarket, but as the population dwindled, it shut down.

According to Anita Eriksson, who is responsible for running, stocking, and cleaning the new shop together with two others in nearby villages, the economics of LIFVS is better. Customers at LIFVS shops scan and pay with their smartphones. "The difference is that they had people working there all the time, and I have three shops and we are open 24 hours a day."

LIFVS aims to have bigger clusters, with a single member of staff for four or five unmanned shops. The shops are installed in containers, so they can be dropped wherever the company sees a market, and then removed if it doesn't work out. "It's gone really, really fast. To be able to keep low prices for the customer, we have to be able to control our operation costs. So that means controlling the rent – that's why the stores are quite small – but also controlling the staffing cost," says Daniel Lundh, who co-founded the company with the social media entrepreneur Bea Garcia in 2018. The supermarket stocks more than 500 different goods, with most essentials covered – including meat, salad, vegetables and ice-cream, and the interior has a similar feel and branding to a normal supermarket. "It's a complete, full-assortment grocery store," said Lundh. "But because there's limited space, we don't sell five brands of ketchup.

He says he doesn't see unmanned stores such as [Amazon Go](#), in the US and UK, or Auchan Minute, in China, as competitors, as they are both urban convenience stores and so represent a "totally different way of approaching the food market". Rural municipalities in Sweden are so eager to get back a village shop that the LIFVS team does not have to scout for sites for its pipeline. "Eket's Future", a local citizens' group, teamed up with two other local villages to lobby the company, and the local municipality helped find and lease the sites.

Christian Larsson, the local mayor, is considering a similar unmanned solution for local libraries. "This kind of thing is happening all over Sweden right now. For small villages, if

you don't want everybody to leave, this is the future." [Unstaffed, digital supermarkets transform rural Sweden | Sweden | The Guardian](#)

Could unattended grocery stores thrive in small towns? Unattended retail has taken off in the form of high-tech urban stores and kiosks. Choice Market, which operates four stores in the Denver area, plans to eventually offer 24/7 access at its [flagship location](#), which sits on the ground floor of a residential building, founder Mike Fogarty recently said. [Valet Market](#), a self-service store concept developed by Accel Robotics, recently opened its first location inside a luxury high-rise building in San Diego. [Could unattended grocery stores thrive in small towns? | Grocery Dive](#)

With unattended retail's high-tech approach, it's easy to think that such a model could flourish in metropolitan areas only. But a couple of unattended, 24x7 grocery stores in small towns in Minnesota prove otherwise.

[Main Street Market](#) in Evansville is a members-only store, charging an annual fee of \$75. Accessible through a mobile app or key fob, the store asks customers to use its app for payments or make use of the in-store self-checkout machine. [The Future Of Grocery Stores Can Be Found In A Tiny Minnesota Town? \(msn.com\)](#)

To make the store less costly to operate, shoppers are required to scan the items themselves, while security cameras discourage theft. However, the business mostly relies on the honor system, taking a cue from New Prague's [Farmhouse Market](#), another 24-hour grocer.

Farmhouse's annual membership costs \$99 a year and gives more than 200 pre-approved shoppers access to a special key card that can be used to gather the products and pay for them via a self-checkout counter.

To bring down costs further, even suppliers get their own key cards and can independently restock products. This store also has just a camera in the name of security but hasn't come across any incident of shoplifting yet. [How Unattended Retail Will Impact Shopping in 2022 and Beyond \(nayax.com\)](#)

The model could also work in small towns with a more analog approach that emphasizes community connections. Independent grocers have [struggled to remain competitive](#) with large retailers on pricing, e-commerce and assortment, causing many to go out of business. But operators will have to address challenges like replenishing out-of-stock items, managing fresh products, and controlling shrink levels — all of which can be difficult to do without having workers on-site.

Small-town grocers also face the challenge of dollar stores' rapid growth and expansion into groceries. [Dollar General](#), for one, is building more than a thousand stores per year,

placing many in small towns and offering more perishable goods and frozen foods in its stores. [Could unattended grocery stores thrive in small towns? | Grocery Dive](#)

The future of unattended Grocery Stores - Main Street Market's unique model could truly pave the future of what grocery stores could look like in small towns in rural parts of the United States where there isn't typically a grocery store for miles. Their model works because it doesn't come with all of the typical overhead that a grocery store typically has. Because it is self-serve, they don't need to pay employees to check out customers. This also means that they don't have to adhere to traditional hours, which also helps to keep operating costs down. The self-serve model, for the Ostenson's and those in Evansville, removed the barriers typically standing in the way of the success of small-town grocery stores.

The Ostenson's are already looking ahead to see how they can expand their self-serve grocery model. They are first concentrating on how they can bring it to other small towns in their home state of Minnesota. To assist them on their mission the couple was granted a \$30,000 fellowship through the [West Central Initiative Foundation](#). "I'm really hopeful that we will learn something and can see if this is a model that could be replicated in other communities throughout the state," Kathy Draeger, who is the statewide director for the University of Minnesota Regional Sustainable Development Partnerships, said of the Ostenson's self-serve grocery model. [The Future Of Grocery Stores Can Be Found In A Tiny Minnesota Town? - Tell Me Best The-Future-Of-Unattended-Retail-Report_February-2020.pdf \(pymnts.com\)](#)

Unmanned, automated retail – is it the future? – Automated retail is now a broad area including everything from vending machines to unmanned kiosks to unattended grocery stores. In all cases though it sees the customer self-serving in a retail environment that is typically unmanned. That provides a lot of scope for innovation – and growth. Listed are some of the best examples of automated retail today. [Unmanned, automated retail – is it the future? - Insider Trends \(insider-trends.com\)](#)