

Case Study: Evansville, MN

Creating an 'unmanned,' 24/7 access grocery store:
Responding to the needs of Evansville community members

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Background

Alex and Caileen Ostenson grew up minutes away from Evansville, a cozy Minnesota town of 632 people. They moved to bustling St. Paul for jobs and education, residing there for four years. "Residing" being the operative word, because they did not feel at home: the gravity of their hometown and family repeatedly pulled them back to Evansville.

As Caileen shared, "We were ready to come back closer to family because we found most weekends we were driving back. We were like, 'Okay, God, if it's gonna work for us to move back, you gotta make this happen.'" As a test, they decided to put their home on the market. Their home sold within days.

It was a sign. The Ostensons prepared to move back to the community that raised them. They celebrated Christmas Eve 2017 by driving their first trailer load back to Evansville. At the time, they could not have predicted what the community had in store for them: a grocery store.



The Ostenson family.

The Problem

When the Ostensons arrived, Evansville had lost its only grocery store a few months prior. Caileen observed that "people really missed the grocery store. It [had been] so nice and convenient to have in town." Alex, trained as a diesel mechanic, was working full-time as a field technician "with a lot of drive time." By logging extensive cab hours, he had plenty of time to think to himself. On days where he would work late, Alex would drive home hungry, and find all the small-town stores on his way home

were closed: *"We have friends who farm, who work in healthcare, with different shifts ...If we're having this issue, other people are probably having this issue, too."* The whispers mounted into a steady buzz: we want our grocery store back.

One day, seemingly out of the blue, Alex approached Caileen and said, *"Grocery store in Evansville?"* She thought he was joking. For one, neither had a background in grocery or business. *"No, I'm serious,"* Alex assured. They did not need their backgrounds to match exactly. As self-proclaimed problem-solvers, they found a problem, latched onto it, and would not let it go. Without a grocery store, most community members were driving to Alexandria, a bigger town 20 miles away with several big box stores. But as Alex reasoned, *"if you just stay in town, you're saving money and time and can shop local."*

The idea stuck: Alex and Caileen were determined to bring a grocery store back to Evansville. Now they needed a plan. The store needed to be competitive, offer flexible availability, attract and retain labor, and invigorate in-town demand. As Alex noted, *"It's tough, because there's not a lot of businesses in this town, so a lot of people travel for work. There's not a lot keeping people in [Evansville] during the day. So, we were a little leery about how much volume we're gonna have. We assumed that there*

ABOUT THE COMMUNITY

Population ^{1*}632	% of population in poverty versus statewide average ^{2*}22.4% v. 9.3%
Next closest grocery store.....20 Miles	Poor mental health days in past 30 days ^{3**}3.2 days
Median household income ^{1*}\$39,091	Poor physical health days in past 30 days ^{3**}4.0 days
Median age ^{1*}43.8 years old	% of adults with obesity ^{3**}31%
Hispanic ethnicity as % of population ^{1*}1.9%	Food insecurity ^{4**}8%
% of population under 18, over 65 ^{2*}19.8%, 28.3%	Limited access to healthy food ^{5**}7%
Earned a bachelor's degree or higher (18 and over) ^{2**}25.34%	Quality of life ^{6**}28th of 87
Socioeconomic factors ^{6**}6th of 87	Health behaviors ^{6**}21st of 87

Sources:

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| 1. U.S. Decennial Census, 2020 | 6. County Health Rankings and Roadmaps by Wisconsin University's Population Health Institute, 2022 (measures and methodology, data) ¹ |
| 2. 5-year American Community Survey, 2020 | * Evansville |
| 3. Behavioral Risk Factor Surveillance System, 2019 | ** Douglas County |
| 4. Map the Meal Gap, 2019 | |
| 5. USDA Food Environmental Atlas, 2019 | |

probably was not going to be enough volume to be able to pay a laborer, part-time or full-time... How are we going to find somebody to work there seven days a week? Who wants to be there seven days a week?"

Indeed, in a [2019 University of Minnesota Extension survey](#) of 129 Minnesota rural grocers, 45% reported labor quality as a major challenge.² Therefore, due to the cost and (un)availability of labor, the Ostensons determined that a *"traditional, seven-day model would not work."* But what model would work? Well, determining that was *"a whole process."*

The Process

First, Alex and Caileen researched what kind of door entry system could work, and how affordable it would be. Which backend system would fit this model? How spacious did they need the store to be?

They identified a building that was four doors down from the one that used to house the grocery, Nelson's Store. They investigated its viability and affordability, and liking what they found, bought the building outright. Evansville Community Developers (EDC), the town's economic development group, granted them a loan to help toward the cost of plumbing upgrades and a new HVAC unit.

Next, the pair launched a GoFundMe page to fund a facelift for the storefront. Quoted at \$10,000, they asked for \$5,000 with the promise to match it. They made good on their promise. Then, it was time to plan and design the store. Caileen tasked herself with creating an inviting ambiance that would also psychologically enhance the appetites of customers:

"We wanted people to feel comfortable coming in and feel like it was an extension of their pantry, like they're walking into just another part of their home. We wanted warmer

Timeline

- Early 1900s**
Once a thriving railroad town, Evansville boasted three grocery stores.
- 2017**
Evansville's last grocery store closes after being open for seven decades.
- December 2017**
The Ostenson family moved back home to Evansville.
- March 2020**
Alex and Caileen bought the building from a private seller and remodeled the main street storefront.
- May 2021**
After being in a holding pattern for five months while working with the MN state government on regulatory challenges related to staffing (or lack thereof) during hours of operation, Alex and Caileen opened Main Street Market.
- August 2022**
A second store, The Hoffman Market, in Hoffman, MN, is purchased to transition from a traditional to unmanned model.
- March 2023**
Main Street Market continues to serve the community and grows in membership and sales. Alex and Caileen consult grocers trying out the unmanned model.

"If you just stay in town, you're saving money and time and can shop local." – Alex Ostenson, co-owner of Main Street Market

colors, [which] slightly help [boost] the appetite... We wanted it to be warm and inviting."

The meat of their plan was to create an "unmanned" grocery model. This is different than the "cashier-less" model that Amazon Go uses, since Amazon still employs workers during business hours – just not cashiers.

Here's how it works: The Ostensons work at the store 9-5 on Tuesdays, Thursdays, and Saturdays. Saturday is "Family Day," when the entire Ostenson family – including their toddler and elementary-aged child – spends the day at the store interacting with community members.



Soup and bread aisle at Main Street Market.

But when the Ostensons aren't there, members still enjoy 24/7 access – even with zero employees staffing the store.

It's a true win-win: the community can shop whenever they want, and the Ostensons save on labor, since they can accomplish everything they need to do at the store in just three days per week. In addition, these flexible hours help the Ostensons balance childcare needs and achieve an overall work-life balance. The benefits of increased flexibility became especially apparent during COVID:

"Our culture has become more aware of a good work-life balance and not over stressing yourself...[For] our age group, that's more on our radar, and when you're looking for people to take over within that [business] transition, you need to pay attention to that."

Like a gym membership, customers can purchase one of three membership options to gain 24/7 access to the store. The standard, annual model costs \$75, the six-month option is \$50, and the three-month option is \$30. According to Caileen: *"A majority of our three-month members have Lake cabins, and so they're usually from the cities or elsewhere...Our six-month members are usually the snowbirds. They go south for winter...[However], people within 10 miles make up the bulk of our membership."* Main Street Market currently boasts over 125 members.

Members, which comprise 45% of store revenue, can use a phone app to open the door, scan grocery items, and pay. There is also a key fob option and a self-checkout on a counter for those who cannot or do not wish to use their phone. To help educate community members on how to use this technology, the Ostensons started a [Facebook page](#)³ and uploaded a video that explained the idea. They also held a soft open with Evansville Community Development members, family, friends, and community members to test the model. Caileen said it was a good opportunity to "smooth out" the sign-up process.

One question the Ostensons receive frequently is, "What stops people from stealing?" The upfront fee is not solely meant to provide customers with access; rather, it is meant to provide Alex and Caileen with assurance. The fee disincentivizes theft. Alex mentioned to someone questioning theft, *"If you're gonna steal, you better steal a lot of stuff because you pay \$75 to be here. So yeah, you might as well*

just go crazy.” The format of the member access means the Ostensons can easily track who’s come in and out of the store. Plus, they have video surveillance. So far, they have not had any issues with theft. They also attempt to ward off theft by offering affordable prices:

“We try to keep our prices competitive – or as affordable as we can – because we want to break that stigma of, ‘it’s a small-town grocery store, so they must be crazy expensive.’ We’ve had people coming in for the first time [be] very surprised at our pricing, because they were expecting stuff to be much higher...I like that we have the flexibility to set our own price points and get to know what will work in the community.”

The Ostensons offer fresh produce, value-added products like jams and jellies, and diversified goods. For instance, once a month, a friend makes grab-and-go flower bouquets sourced from a nearby flower shop. Bouquets were a hit: *“we’ve had many people stop in to pick up flowers on their way to see mom and dad in the nursing home.”* The market sells locally-roasted coffee and locally-produced honey and butter from a nearby creamery. They also sell locally-grown, seasonal produce; they intend to expand this offering, given the price of produce has gotten out of hand and because they want to meet local demand.

After all, local supporting local is what builds community connections. Caileen said, *“we’re a small business [and] there are other small businesses, so let’s band together and help support each other. We’ve made some really good connections here along Main Street.”* Each morning, Alex and Caileen say hello to the hardware store owner and kids down the block. They promote the next-door art center’s events and have a little lending library.

Alex and Caileen see the interpersonal and social capital benefits of rural development: *“people are happy to see more faces on Main Street.”*

Challenges

Alex and Caileen planted the seeds of their unmanned grocery store idea, and with their nurturing, those seeds *“blossomed”* into a fruitful reality. However, they had to overcome three primary challenges: (1) picking a distributor; (2) identifying the right Point of Sale system to fit their unmanned model; and (3) navigating a state statute that required the presence of an employee during business hours.

First, Alex and Caileen needed to find a wholesale distributor to supply their store. They approached the [Mason Brothers](#),⁴ but the company had a policy against creating competitive environments out of courtesy to existing customers. Therefore, the pair went with [Henry’s Food Inc.](#)⁵ of Alexandria, MN, the largest convenience store supplier



Specialty honey and coffee.

in Minnesota (Note: as of December 21, 2022, convenience-store distributor Amcon Distributing Co. [acquired Henry's Foods Inc.](#)).⁶

Second, because of the unique model used by Main Street Market, Alex spent six months searching for a Point of Sale (POS) technology provider that worked for their model. *"At the time, Square, Clover, Lightspeed, Shopify did not offer a self-checkout, and either did not process EBT/SNAP benefits efficiently or not at all."* Self-checkouts at big box stores cost well over \$30,000-\$40,000 plus an expensive monthly fee, which meant that was not a viable option. Alex looked at five different providers, and in the end, decided to go with a California-based company that was willing to adapt their offerings to meet the store's needs. In his research, Alex found that there were not many POS systems already designed for a self-service grocery store where the POS could accommodate both traditional (non-member) and member checkouts, either at the iPad kiosk in the store or through self-pay on their phone. Moreover, the POS system in big box stores were very costly and didn't match the scale of the store in Evansville. Finally, he found a company that supplied him with a customized register, which granted Alex proof of concept and peace of mind.

Lastly, there was a sizeable gap between the time when Alex and Caileen were ready to open and when they were allowed to open. They spent 2020 remodeling, moved shelving in January 1, 2021, but it was not until May 2021 that they could open. This is because they had to negotiate with the Minnesota state government before they could have their license issued. Specifically, Minnesota statute [4626.0025](#) mandates that "a person in charge is present at the food establishment during all hours of operation."⁷ As an unmanned store, Caileen said they underwent *"a back and forth with the state getting them on board with...the vision we have for the place."* Working with the state for the unmanned concept added five months to the Ostenson's timeline for opening. They operate under a Food Handlers license, and a variance allows them to operate after-hours "unmanned." There is specific equipment and special processes they must follow to maintain variance requirements.

Conclusion

In 2021, Alex was awarded a fellowship through the Initiative Foundation, in partnership with the West Central Initiative Foundation, which provided a \$30,000 annual stipend, enabling him to quit his full-time job and focus on expanding the unmanned grocery model across rural Minnesota. The fellowship *"pairs me up with a mentor and a business coach. We do leadership trainings, business development and strategy sessions, and inclusive community building. We also receive support from a vast network of individuals and resources that align with our social enterprise. This has been huge for us."* Fellows work on their social enterprise of focus. *"The problem that we solve is for food deserts."* Alex and Caileen now consult for other stores, including interested parties around the globe, wanting to adopt this model, to help make grocery stores more convenient for members of rural communities.

Caileen and Alex will continue to serve their community and help others to better serve their own. Caileen shared advice for prospective grocers interested in establishing their own model that reflects the needs of their community:

"Don't be afraid to reach out to your community's development group; talk with them, pick their brain. Or talk with your city council members...local business owners...All that input really helped us feel more comfortable taking that leap, because we did get good, positive feedback. And we told people, 'Don't just say yes because you want to be nice and not hurt our feelings. We really want an honest opinion.'"

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This case study is part of a series exploring innovative approaches to maintaining and establishing rural grocery stores. The series is made possible through a Heartland Challenge Grant from the Ewing Marion Kauffman Foundation. To see more, visit www.ruralgrocery.org.

About RGI

The Rural Grocery Initiative, housed within K-State Research and Extension, aims to sustain locally-owned rural grocery stores to enhance community vitality and improve access to healthy foods by identifying, developing, and sharing resources that support grocers and rural communities.

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