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Executive Summary

The purpose of this report is to assess the demand for - and the feasibility of developing a distribution or fulfillment center and/or a call center to support the marketing and distribution needs of Pride of Dakota/shopnd members and related North Dakota manufacturers and small businesses.

- Fulfillment or distribution centers (potentially) provide warehousing, packing, shipping, and trace and track management for their clients.
- Call centers serve as the point of human interaction in order-taking, telephone solicitation, and post-sale service (complaints and returns). Service could include both inbound and outbound services such as order taking and call processing, catalog orders and telemarketing surveys.

Pride of Dakota is a North Dakota Department of Agriculture program created in 1985 to develop, improve and expand domestic and foreign markets for North Dakota products funded by state revenues and membership fees. The program began with just 18 original members - it currently has 320 members.

Ninety percent are active members - roughly 290 members - representing large and small manufacturers or food processors with plants or businesses located completely or partially in North Dakota. The bulk of these are small, home-based businesses focusing on crafts, collectibles and value-added food stuffs. The remaining ten percent are associate members and include commodity groups, government agencies, educational institutions, retailers and/or wholesalers which support the program.

A critical component of online sales/fulfillment is ensuring that customer orders are processed and delivered in a timely and efficient manner. To address this component, and review the needs of manufacturers and businesses, elements of the fulfillment services center assessment include a review (and demand for) of:

- Inventory management
- Order fulfillment (pick, pack and ship)
- Inbound/outbound transportation
- On-line track and trace
- Returns management
- Supplier coordination

Studies have shown that as many as 50% of the people buying on the Internet, are reluctant and/or refuse to leave their credit card information on the net. Whatever their perception, using a call center, and live operators gives the buyer much more confidence and peace of mind. Call centers are the human interface point in areas like catalog sales and order-taking, telephone solicitation, and post-sale service (complaints and returns). With an "e-commerce" call center, these services are more important since they play a role in an organization that may have no other physical presence or means for human contact.

As such, a call centers serve as the human-point of interaction for many functions of e-commerce fulfillment including:

- Order taking
- Help desk (complaints and returns)
- Sales/lead capture
- Brochure requests
- Credit card transaction processing
- Market research
- Surveys
- Polling
- Customer service

In assessing the feasibility of the development of a fulfillment or distribution center, and/or a third party shared call center to service the needs of Pride of Dakota, shopnd.com and other North Dakota manufacturers a review of existing sales, demand and mix and size of manufacturers provides insight into the potential "return on investment" or feasibility of this type of venture. Sales figures for the shopnd.com site suggest that current (total) sales of under \$25,000 per year are not enough to warrant the investment required to develop or deploy either a distribution center or a call center. Demand for these services have been shown to be limited, limiting growth and potential for success.

While a traditional approach to developing these services lack the necessary ingredients to a successful launch (revenue generating clients, critical mass, volume manufacturers) an opportunity to develop an investment opportunity or joint venture with a private side partner could be realized.

The capital requirements would point to an existing building owner who would be willing to cost share capital improvements, marketing costs and associated overhead. Patient capital, hard work and an expanded market could provide the upside that is required to attract such a partner. While return on investment could be 3 or more years out, opportunities to grow a business with a public entity as a partner could be a model for future endeavors and provide additional marketing and sales for North Dakota manufacturers and ag producers and opportunity for return on investment.

This report assesses the feasibility of developing a fulfillment center and/or call center to support the marketing and distribution needs of North Dakota manufacturers and small businesses.

Forrester Research suggests that all companies, except for the very large and very small, consider outsourcing Internet order fulfillment functions.

INTRODUCTION

The purpose of this report is to assess the demand for - and the feasibility of - developing a distribution or fulfillment center and/or a call center to support the marketing and distribution needs of Pride of Dakota/shopnd members and related North Dakota manufacturers and small businesses.

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According to a recent report by Forrester Research (June 1999), "Not many companies are prepared for the exponential growth in parcel deliveries that online sales will generate. Firms that fail to attack order fulfillment with the same vigor as online selling will experience customer defection, funding attrition, and distribution nightmares."

The Forrester Research report suggests that all companies, except for the very large and very small, consider outsourcing Internet order fulfillment functions. Rather than investing capital resources in the development and implementation of a system specifically designed to handle internet orders, it makes more sense to outsource this function to an entity that has the resources and expertise to process the unique needs of these types of orders.

A warehouse/order fulfillment and distribution center would/could allow for:

- Improved cost efficiency
- Streamlined transit time
- Reduced risk of damage
- Seamless U.S./Canadian/Mexican shipping
- Direct routing and freight consolidation
- Reduction of overall transportation costs

Distribution & Call Center Service Feasibility Assessment

Research has shown that roughly half of the people buying on the Internet are reluctant and/or refuse to leave their credit card information on the net.

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Call centers serve as the point of human interaction in order-taking, telephone solicitation, and post-sale service (complaints and returns). With an "e-commerce" call center, these services are more important than ever in that they play a role in an organization that may have no other physical presence or means for human contact.

As such, a call centers serve as the human-point of interaction for many functions of e-commerce fulfillment including:

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- Polling
- Customer service

PRIDE OF DAKOTA & SHOPND.COM

Pride of Dakota is a North Dakota Department of Agriculture program created in 1985 to develop, improve and expand domestic and foreign markets for North Dakota products funded by state revenues and membership fees. The program began with just 18 original members - it currently has 320 members.

North Dakota Department of Agriculture is reviewing services that could provide higher satisfaction to buyers, help to expedite orders/deliveries, and potentially work to increase sales, and the bottom line, of North Dakota manufacturers, retailers and businesses.

Ninety percent are active members - roughly 290 members - representing large and small manufacturers or food processors with plants or businesses located completely or partially in North Dakota. The bulk of these are small, homebased businesses focusing on crafts, collectibles and valueadded food stuffs. The remaining ten percent are associate members and include commodity groups, government agencies, educational institutions, retailers and/or wholesalers which support the program.

Pride of Dakota members receive marketing assistance from specialists with the North Dakota Department of Agriculture through the sharing of booth space at trade shows and fairs, listing in the North Dakota Products Guide and brochures, networking with other North Dakota companies, participating in Pride of Dakota Day promotions and cooperative advertising and magazine advertisements .

Members have access to a marketing staff who can assist in gaining consumer exposure for their products; help make sales and develop distribution contacts in local, regional, national and international markets; assist in design of brochures, packaging and labels; and development of marketing strategies and promotional planning.

Shopnd.com is designed to showcase, market, and sell Pride of Dakota products via the Internet to a national and international audience.

Through a grant from the U.S. Department of Agriculture, the North Dakota Department of Agriculture created www.shopnd.com - an internet mall exclusively for marketing and promoting Pride of Dakota members and their products. The purpose of shopnd.com is to provide cost effective marketing of products and services via the Internet and to create a single internet location where consumers can find the products and services sold by Pride of Dakota members.

The shopnd.com site is designed to coordinate important elements of internet marketing for Pride of Dakota members. The intent of the site is to showcase, market, and sell Pride of Dakota products via the Internet to a national and

Distribution & Call Center Service Feasibility Assessment

international audience. For members with existing internet web sites, links to these sites have been created to allow customers to "click" directly from the shopnd.com site to their individual site.

The shopnd.com site is broken into six distinct departments (many with overlapping products) and subsets representing unique manufacturers, or tenants, with over 300 products. The departments and related subsets include:

The shopnd.com site is broken into six distinct departments (many with overlapping products) and subsets including Artisans, Food, Gifts, Manufacturers, Publications and Services.

Departments

Artisans

Food →

Gifts →

Manufacturers

Publications

Services

Subsets

Assortments

Candy

Jellies

Lefse and Kuchen

Meat and Cheese

Misc. Food

Books and Music

Clothing

Decorative

Flowers

Misc. Gifts

Note Cards

Review of shopnd.com site.

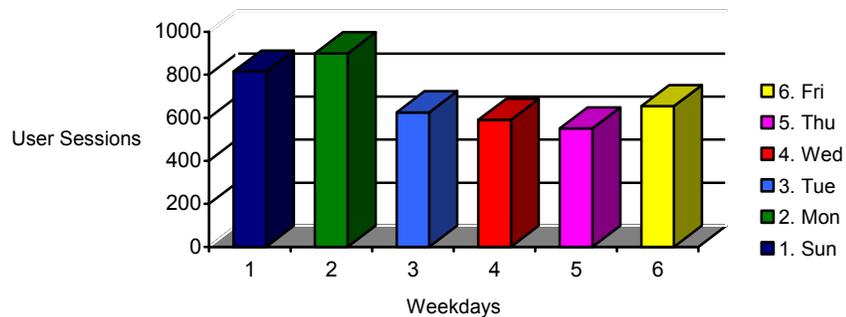
While offering a large cross section of goods, the site is predominantly populated by smaller "mom and pop" manufacturers that focus on small lot craft goods and perishable value-added agricultural products.

SHOPND TRAFFIC & SALES

Overall traffic on the shopnd.com site suggests growth and higher visibility for the site and the products that are promoted on the shopnd.com site.

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Activity Level By Day of the Week



Active members who effectively utilize the site as both a marketing and sales tool realize a significant amount of the total traffic on the site. Seven of the most visited companies, or products, on the site create almost one-third (31.98 percent) of the total traffic. These include:

Azure Sky Quilt	13.47%
RBJ's Spreadable Fruits	5.71%
Wonderful Watercolors	3.67%
Pat Schermerhorn (Artist)	3.09%
North Dakota Horizons	2.15%
Hoff's Footrests	1.96%
M & W Beef Packers	1.93%

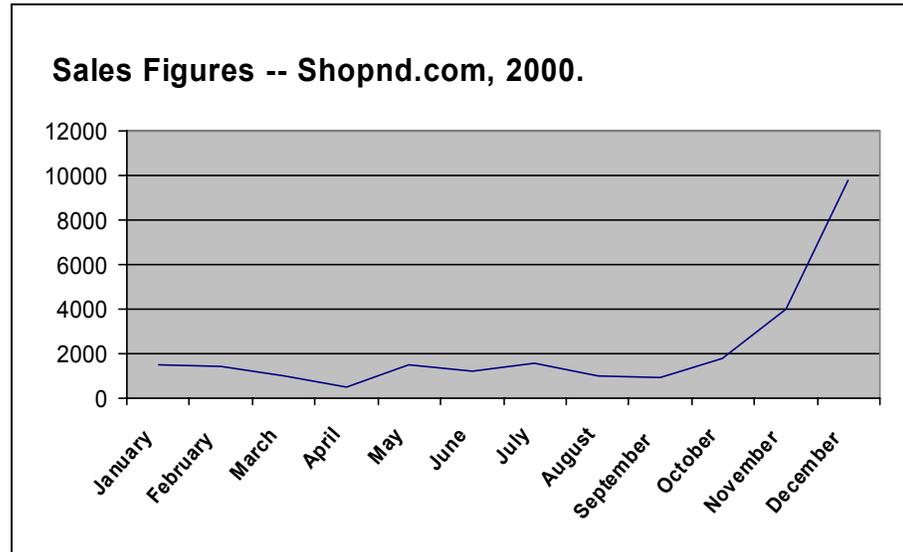
By effectively co-branding their products and services vendors/manufacturers are able to gain valuable exposure for their products and services.

By effectively co-branding their products and services with the shopnd site, these vendors/manufacturers are able to continue to gain valuable exposure for their products and services and increase sales.

Distribution & Call Center Service Feasibility Assessment

Sales data for the shopnd.com site (2000) shows fairly steady sales through the bulk of the year, rising steadily and significantly from the middle of October through December (traditional/seasonal Christmas buying period).

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While these numbers have shown growth in recent years, they do not meet the threshold of FedEx third party logistics which has expressed a minimum of \$1,000,000 in sales to participate in a shared distribution of fulfillment center.

A critical component of online sales/fulfillment is ensuring that customer orders are processed and delivered in a timely and efficient manner.

In the drop-ship model, an entity sells a product, charges the customer, generates a purchase order, and sends the PO to the manufacturer or supplier, who then fulfills the order by shipping the product directly to the customer.

DISTRIBUTION OR FULFILLMENT CENTERS

A critical component of online sales/fulfillment is ensuring that customer orders are processed and delivered in a timely and efficient manner. To address this component, and review the needs of manufacturers and businesses, elements of the fulfillment services center assessment will include a review (and demand for) of:

- Inventory management
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- Inbound/outbound transportation
- On-line track and trace
- Returns management
- Supplier coordination

When distribution is not a core competency for a business, or they do not have resources to make it one, outsourcing the function can help the company grow by allowing them to focus on their mission-critical activities, such as production. There are essentially three types of outsourcing that are common among small businesses – such as those in the Pride of Dakota/shopnd.com membership – drop-shipping, inventory and or fulfillment house.

Drop-shipping

With the drop-ship fulfillment model, an entity such as shopnd.com sells a product, charges the customer, generates a purchase order, and sends the PO to the manufacturer or supplier, who then fulfills the order by shipping the product directly to the customer. Since Pride of Dakota or shopnd.com never possessed the product, the company does not incur any of the costs associated with storing or purchase of the product. Drop-shipping has some very strong advantages and few disadvantages.

No inventory costs. Purchasing product inventory ready to ship to your purchasers is expensive. In addition to out-of-pocket costs, you need a place to store the inventory. Finally you have to pick, pull, pack and ship the products once the order is placed. Having the distributor or manufacturer take all these costs and responsibilities lifts a real burden off of the drop-shipper's shoulders.

Drop-shipping is transparent. With most drop-shippers, a business can send them labels and forms so their package looks like it is from the drop-shipper.

Distribution & Call Center Service Feasibility Assessment

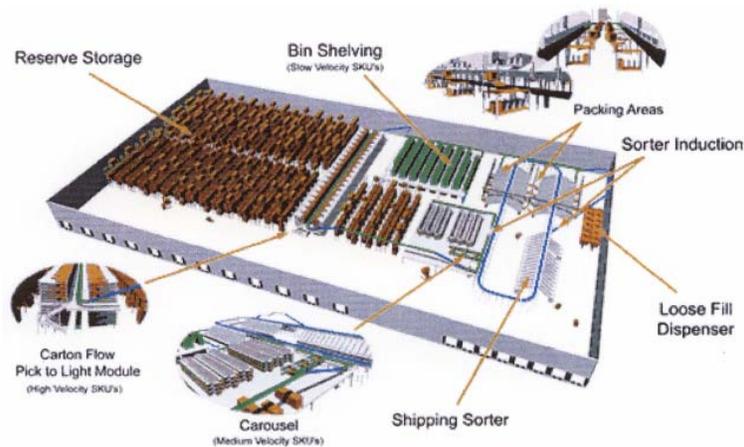
The Inventory model orders an item from the manufacturer or distributor and keeps it in stock until the distribution center receives an order.

Inventory

The Inventory model orders an item from the manufacturer or distributor and keeps it in stock until the distribution center receives an order. This has some advantages including the ability to ship immediately and opportunity to provide excellent customer service. In case of a problem, you will have all the records available to trace the order and make a correction.

The Inventory model has some major disadvantages including paid inventory sitting on shelves, tying up capital. When the distribution center owns the inventory they also own the risk. If a product doesn't sell they are stuck with disposing it, often at a loss.

To maintain a profitable center such as this, you need an efficient fulfillment system. This type of business model is essentially mail order, with shipments going out in parcel sizes to end users. A typical inventory model distribution center (large scale) is depicted below.



The fulfillment house handles all aspects of getting the product to the customer.

Any type of model is feasible, but would not be profitable (or realize a return on investment) for several years – if then.

Fulfillment House

The third internet distribution model is the fulfillment house (a subset of the inventory model). A fulfillment house, the “offspring” of the direct marketing industry, handles some or all of the aspects of getting the product to the customer. This includes maintaining inventory, order new products, assembling, pick, pull, pack and shipping – all according to the specifications set by the manufacturer.

This distribution model also handles the order taking, the internet shopping cart and provides and ordering and customer service call center (as needed).

With these models in mind, the decision on what type of business model to develop and the ultimate feasibility is based on both sales and cost of running a center. Mr. Richard Whipple, formerly of UPS, suggests that any type of model is feasible, but would not be profitable (or realize a return on investment) for several years – if then.

The cost of furnishing a facility with rack bins, computer hardware, weighing equipment is significant (\$100,000 plus for a barebones system). Discounted shipping fees are available upon meeting a sliding threshold of between 10,000 and 15,000 packages per week to get a 50% reduction in fees.

Call centers are the human interface point in areas like catalog sales and order-taking, telephone solicitation, and post-sale service (complaints and returns).

The definition of call center is changing but the core fundamentals of a customer making a call to a center will remain constant.

CALL CENTERS

Studies have shown that as many as 50% of the people buying on the Internet, are reluctant and/or refuse to leave their credit card information on the net. Whatever their perception, using a call center, and live operators gives the buyer much more confidence and peace of mind. Call centers are the human interface point in areas like catalog sales and order-taking, telephone solicitation, and post-sale service (complaints and returns). With an “e-commerce” call center, these services are more important since they play a role in an organization that may have no other physical presence or means for human contact.

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- Surveys
- Polling
- Customer service

The definition of a call center is changing in our e-business world but the core fundamentals of a customer making a call (via a phone, email, web site, IVR or fax) to a center (point, area, person or thing (e.g. IVR)) will remain constant because the customer views the call as an important or pivotal activity to themselves. Call center, contact center or customer interaction center – by whatever name you give it – operates on near identical principles of meeting customer needs in real-time or near real-time.

Questions regarding the expected number of calls; their duration; the hours and days of operations; whether outbound follow-up is planned; and what technology is being considered are integral in the development of a call center.

Other considerations include location of a proposed call center. A potential call center site will need a broad enough pool of people for up to 5 years – the typical time frame for a fully developed and integrated call center with a 35% turnover rate per year (the industry standard).

Distribution & Call Center Service Feasibility Assessment

Training and technology costs vary depending on both the services offered and alternative access channels required.

Training call center staff is both expensive and time consuming. Cross training staff in different elements of a potential call center's services adds costs depending on whether services include post-sales service and support and inbound and outbound calls. These training costs are compounded by the high turnover rates that typical in the industry.

Technology costs associated with the deployment of a call center vary considerably depending on the level of service and alternative access channels the center would potentially be equipped for. If the center is used to compliment both and Internet and e-commerce site and or distribution center the different channels may include email, web, live-text and/or fax.

DISTRIBUTION/CALL CENTER SURVEY

Introduction

In June of 2001, the North Dakota Department of Agriculture sent out a request for proposals to conduct a feasibility study to evaluate the level of demand for order fulfillment and call center support services and determine the economic feasibility of establishing an order fulfillment center can call center. This survey supplies information that will prove useful to the North Dakota Department of Agriculture in determining the feasibility and demand for a distribution center and a third party call center.

Survey Methodology

Survey Design. CEO Praxis, Inc. in cooperation with Shannon Bornsen, from the North Dakota Department of Agriculture, developed the survey instrument. The staff of CEO Praxis followed the procedures recommended for telephone surveys as recommended in "Mail and Telephone Surveys: Total Design Method" by Don Dillman.

Target Population. The target population is defined as existing members of Pride of Dakota (including shopnd.com) members that were represented in the North Dakota Department of Agriculture's Pride of Dakota master list (n=290). This survey is a representative sample and generalizations can be made to most of North Dakota small businesses/manufacturers.

Sample Size. A total of 129 interviews were conducted with Pride of Dakota members. These data were collected from August 20 to September 14, 2001. A sample size of 129 of a total of approximately 290 potential respondents yields a margin of error of +/- 6.5% with a confidence interval of 95%. In other words, margin of error is the amount by which the results are likely to be wrong. If the number of positive responses is 72% (margin of error +/- 6.5) then the real number of responses is 72% (which you are likely to get if you ask every Pride of Dakota member) ranges from 65.5% to 78.5%.

Interviewing Procedure. Telephone interviews were conducted from CEO Praxis' office located in Grand Forks. Data validation at the data management step consists of accounting for all cases in the study, and

Distribution & Call Center Service Feasibility Assessment

ensuring that data records exist for every completed interview in the sample. A supervisor monitored all interviews during production interviewing. Telephone interviews were monitored at random intervals with the supervisor present as the interview was being conducted. The monitoring process focused on the interviewer's use of probing and feedback phrases, accuracy in reading questions and recording responses, rapport with respondents, and ability to persuade respondents to complete the interview.

Data Collection Period. Interviewing was conducted from August 20 to September 14, 2001.

Report Design. The descriptive summary of this report provides an overview of the significant data findings.

NDDA Fulfillment Call Center Survey Results

Do you have a retail outlet, or storefront, that you conduct sales for your product or service? N=129

32 report having a retail outlet or storefront
96 do not have a retail outlet or storefront *
1 reported that they are going out of business

* 31 (24.0%) report that they sell strictly to wholesale or distributors.

- A majority of those surveyed (66.6 percent or two-thirds) do not have a retail outlet that they conduct sales through.
- Almost one-third (32.3%) of those without a retail outlet or storefront report using wholesalers or distributors.



Comments:

"As a (very) small business I cannot afford the overhead."

"I am a home-based business and sell exclusively at craft shows."

"We have a "crafter's coop" and work and sell cooperatively through a retail outlet."

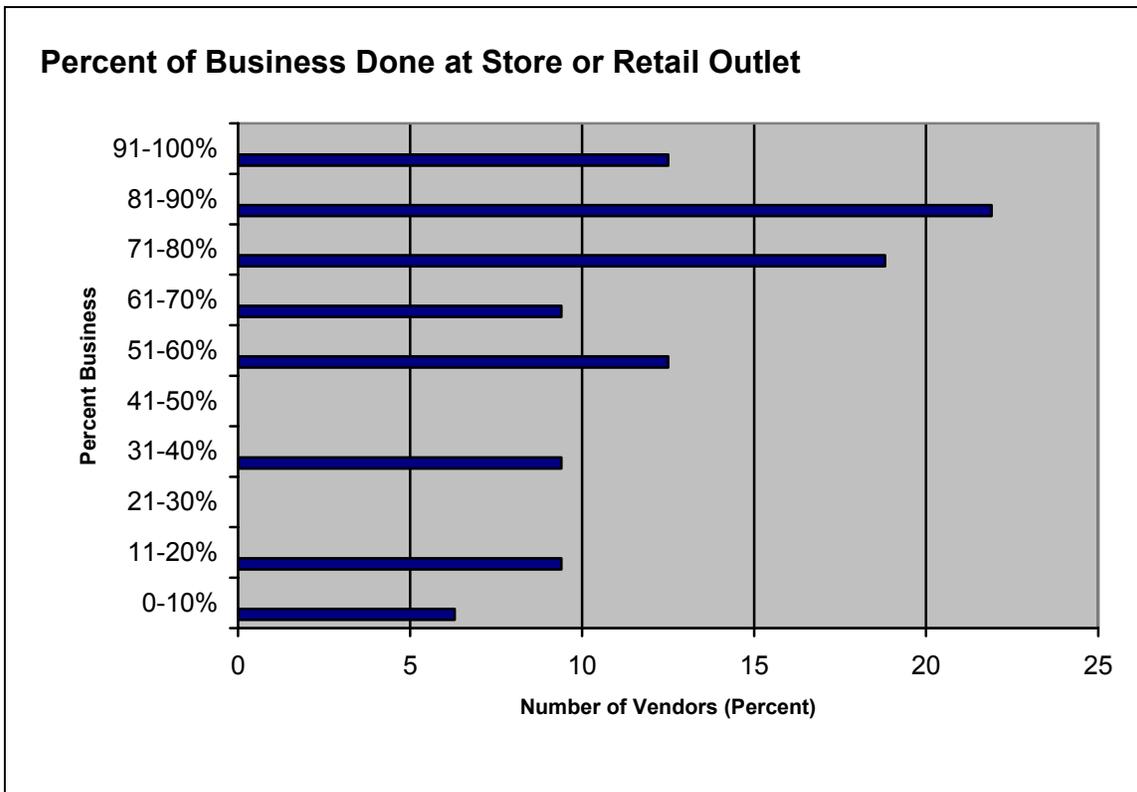
Do you rent/lease or own? n=32

19 (59.4%) report renting a retail outlet or storefront
13 (40.6%) own their own retail outlet or storefront

Approximately, what percent of your business is done at this location (store or retail outlet)? n=32

6.3 percent report conducting 0-10 percent of their business is done at this location.
9.4 percent report conducting 11-20 percent of their business is done at this location.
9.4 percent report conducting 31-40 percent of their business is done at this location.
12.5 percent report conducting 51-60 percent of their business is done at this location.
9.4 percent report conducting 61-70 percent of their business is done at this location.
18.8 percent report conducting 71-80 percent of their business is done at this location.
21.9 percent report conducting 81-90 percent of their business is done at this location.
12.5 percent report conducting 91-100 percent of their business is done at this location.

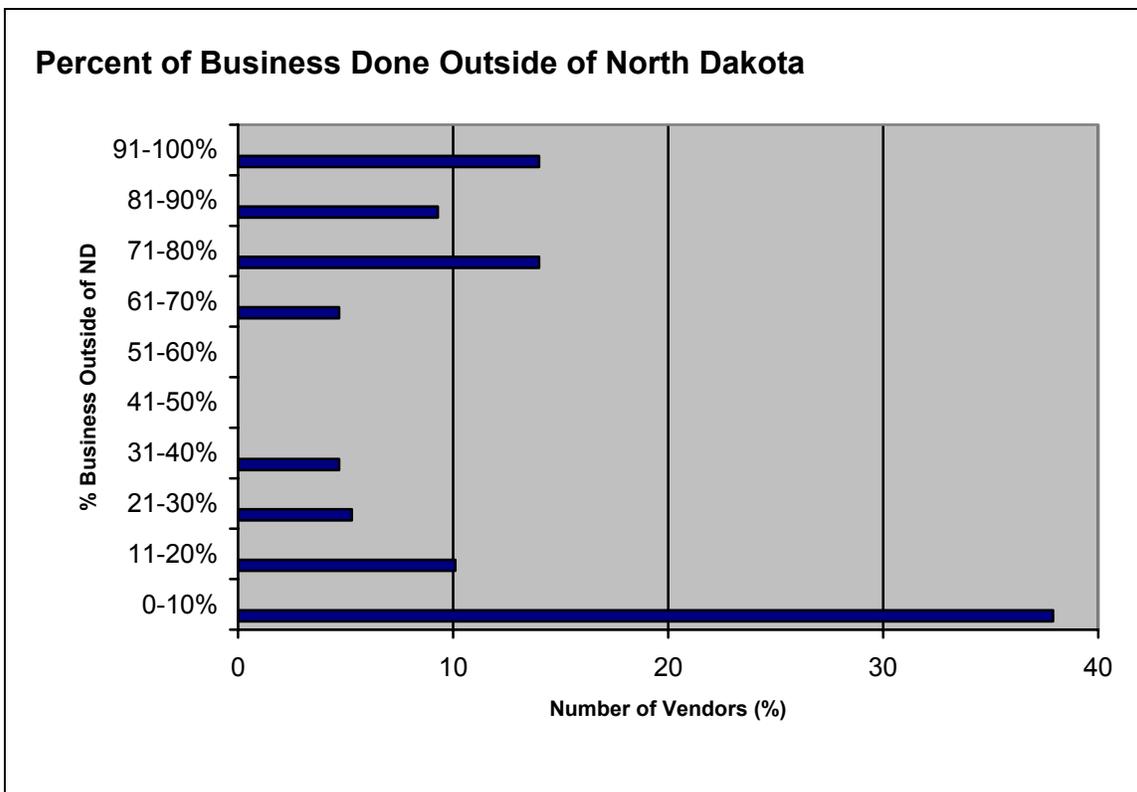
- Over half (53.1%) conduct more than 70 percent of their business through their retail or storefront location.
- Seventy-five percent conduct more than half of their business through their retail or storefront location.



Approximately, what percent of your business is done outside of the State of North Dakota? n=129

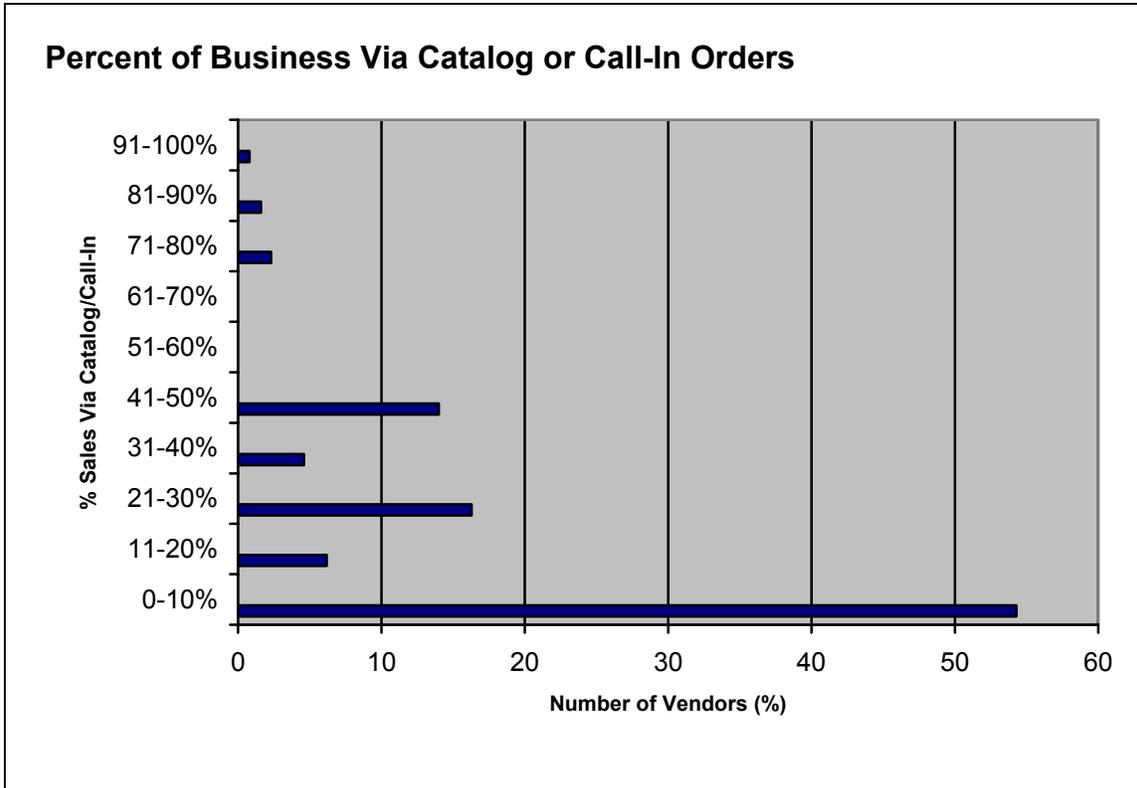
37.9 percent report conducting 0-10 percent of their business is done outside of ND.
10.1 percent report conducting 11-20 percent of their business is done outside of ND.
5.3 percent report conducting 21-30 percent of their business is done outside of ND.
4.7 percent report conducting 31-40 percent of their business is done outside of ND.
4.7 percent report conducting 61-70 percent of their business is done outside of ND.
14.0 percent report conducting 71-80 percent of their business is done outside of ND.
9.3 percent report conducting 81-90 percent of their business is done outside of ND.
14.0 percent report conducting 91-100 percent of their business is done outside of ND.

- Almost half (48.0 percent) report doing less than 20 percent of their business outside of North Dakota.
- Over one-third (37.3 percent) report doing more than 71 percent of their business outside of North Dakota



Approximately, what percent of your total business is conducted via catalog or call in orders? n=129

*54.3 percent report 0-10 percent of their business is conducted via catalog/call in orders.
6.2 percent report 11-20 percent of their business is conducted via catalog/call in orders.
16.3 percent report 21-30 percent of their business is conducted via catalog/call in orders.
4.6 percent report 31-40 percent of their business is conducted via catalog/call in orders.
14.0 percent report 41-50 percent of their business is conducted via catalog/call in orders.
2.3 percent report 71-80 percent of their business is conducted via catalog/call in orders.
1.6 percent report 81-90 percent of their business is conducted via catalog/call in orders.
0.8 percent report 91-100 percent of their business is conducted via catalog/call in orders.*



If you have a web page, or use an e-commerce/internet component for sales, what percentage, approximately, is conducted via the web? n=39

56.4 percent report no sales via their e-commerce/internet component.

43.6 percent report less than 10 percent of their sales are via e-commerce/internet.

For reporting purposes we would like to know if you are currently using the internet to market or provide online brochures? n=129

69 (53.5 percent) report using the internet to market or provide online brochures.

60 (46.5 percent) do not use the internet to market or provide online brochures.

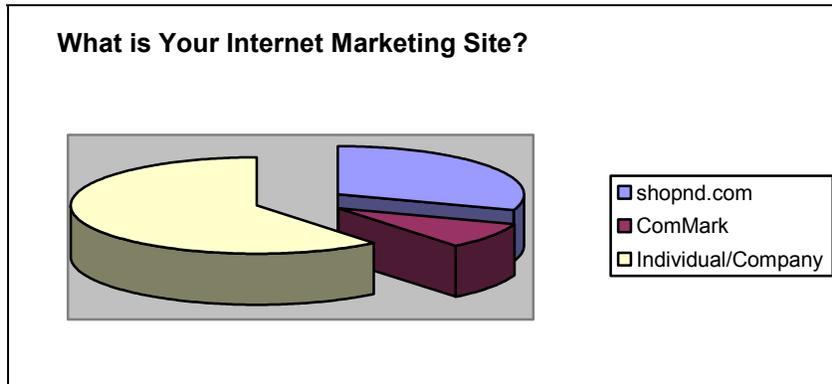
If yes, could you tell us what you are using?

30.4 percent report using Shopnd.com as their Internet marketing site.

8.7 percent report using ComMark as their Internet marketing site.

*60.9 percent report using Company web pages as their Internet marketing site. **

** 19.0 percent reporting using company web pages are also represented on the shopnd.com site.*



For orders that shipped from your location, do you use (average per week): n=56

U.S. Mail 35.5 percent report using the U.S. Mail exclusively.

13 report sending on average 1 package per week (seasonally adjusted), averaging 1 pound or less.

3 report sending 2-4 packages per week averaging 1 to 2 pounds per week.

2 report sending 5 or more packages averaging 1 to 5 pounds per week.

1 reports sending 15 or more packages averaging 1 to 5 pounds per week.

UPS 57.1 percent report using UPS almost exclusively.

14 report sending 1 to 2 packages per week (seasonally adjusted) averaging 1 to 5 pounds.

13 report sending 5 to 10 packages per week averaging 1 to 10 pounds.

3 report sending 10 to 15 packages per week averaging 1 to 20 pounds.

2 report sending 20 or more packages between 5 and 25 pounds.

FedEx 7.1 percent using FedEx

4 report sending 1 package every 2 weeks weighing less than 3 pounds (seasonally adjusted).

Are you using an existing call center or distribution/fulfillment center currently? n=129

126 respondents reported that they are not using a call center or distribution center currently.

3 report using a call center only (1 is associated with the business.)

If yes, why do you use these services?

The three reporting using a call center as a marketing tool and to increase sales.

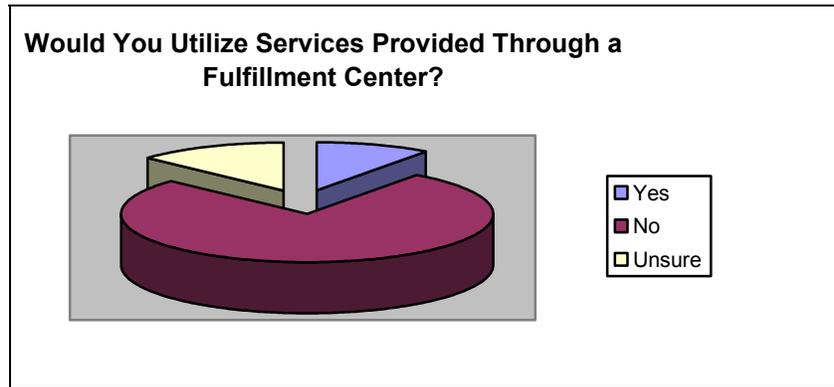
Fulfillment Center

Would you utilize potential services provided through a fulfillment center to meet your order fulfillment needs (order taking, returns, stocking, shipping)? n=129

10.1 percent say they would utilize fulfillment services through a third party.

76.7 percent report they would not utilize fulfillment services through a third party.

13.1 percent are unsure if they would utilize fulfillment services through a third party.



Comments:

"If it would increase sales."

"I am too small to use these types of services."

"The majority of my sales are face-to-face so this wouldn't work for me."

"I sell exclusively at craft shows so I wouldn't use this."

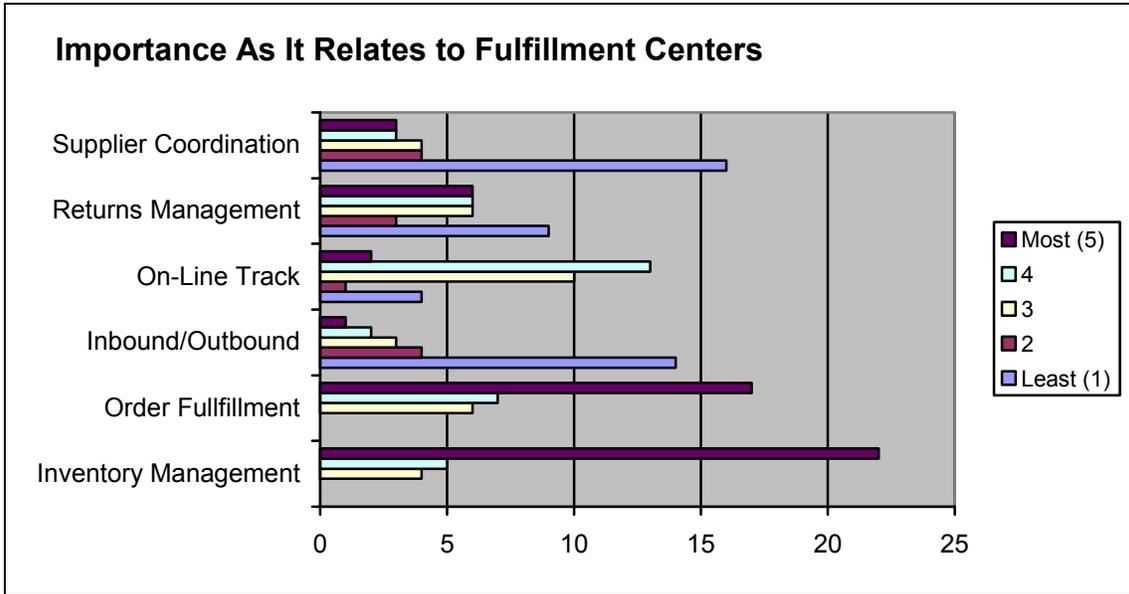
"My art is one of a kind, and I don't see how this would help me."

"No. We view this as a growing part of our business."

Of the following list of services, rate the important to your company as it relates to fulfillment or distribution centers. n=30

A majority viewed inventory management and order fulfillment as the most important elements or services to their company.

Supplier coordination and inbound and outbound logistics were viewed as the least important.



Would you consider these services an important aspect of growing your business? n=30

100 percent report that these services are important to growing their business.

What would be your preferred way of paying for services such as these? n=30

6.7 percent (2 respondents) would prefer to pay a flat rate.

93.3 percent (28 respondents) would prefer to pay a percentage of revenue (generated).

If you would participate in this type of venture, would you be willing to inventory or warehouse a percentage of your inventory at this facility? n=30

43.3 percent would be willing to warehouse a percentage of inventory.

56.7 percent would not be willing to warehouse a percentage of inventory.

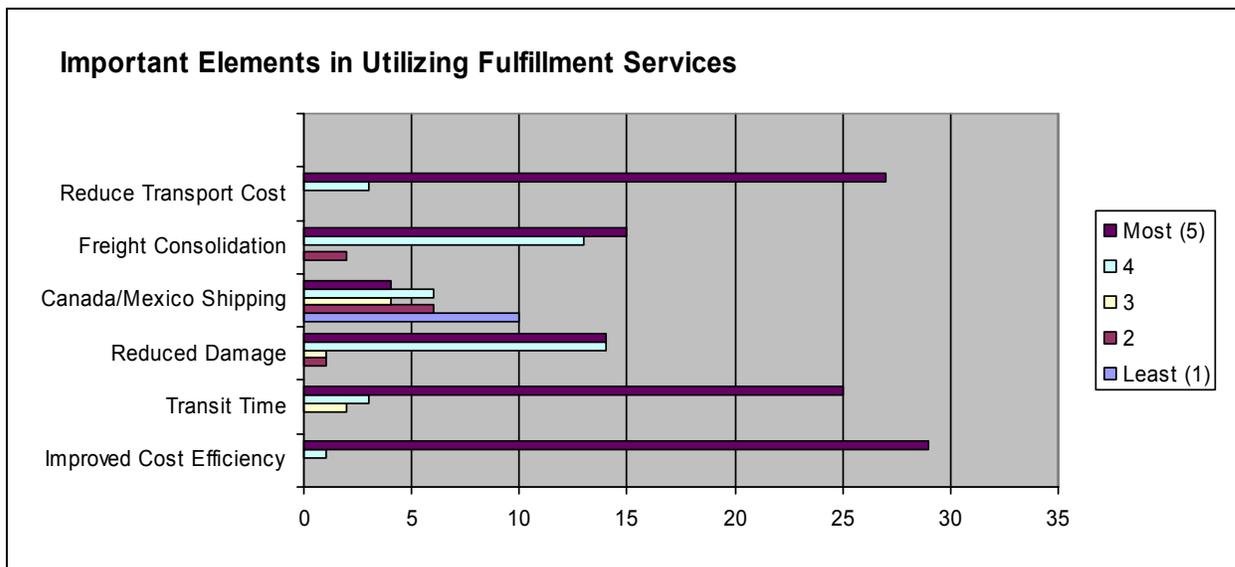
What is important to you and your company in using these services? Could you rate the following elements as to their level or importance to your utilizing these services? n=30

Improved Cost Efficiency was listed by a majority as the most important to utilizing these services.

Reducing Overall Transportation Costs was the second most important element to utilizing these services.

Streamlined Transit Time was the third most important element to utilizing these services.

Seamless Canadian/Mexico shipping was the least important to their business in using these services.

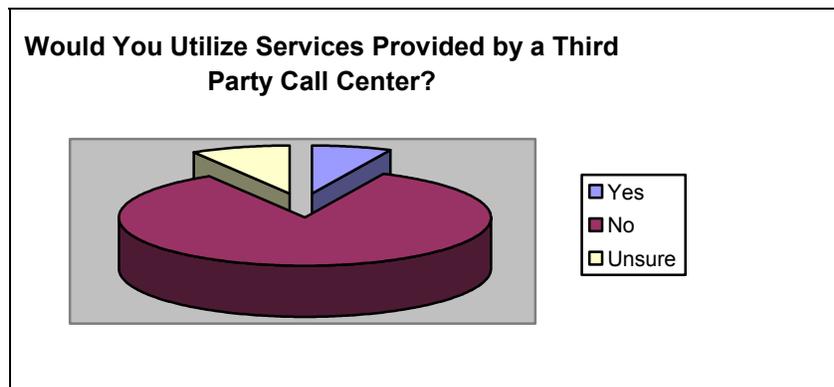


**Would you utilize potential services provided by a third party or “shared” call center?
n=129**

7.0 percent report that they would utilize call services provided by a third party. *
84.5 percent report that they would not utilize services provided by a third party.
8.5 percent are unsure if they would utilize call services provided by a third party. **

* 4 of the respondents who said they would use distribution centers also suggest that they would utilize the services of a third party call center.

** 8 of the respondents who said they were unsure if they would utilize a distribution center suggest they are unsure if they would utilize a third party call center.



Comments:

“Again, if it would increase sales.”

“No. Personal sales are an important part of my business.”

“I tried a call center before, and was not happy with the results.”

“People need to see my product, so no.”

“Creating relationships with my customers is important and I need to do that.”

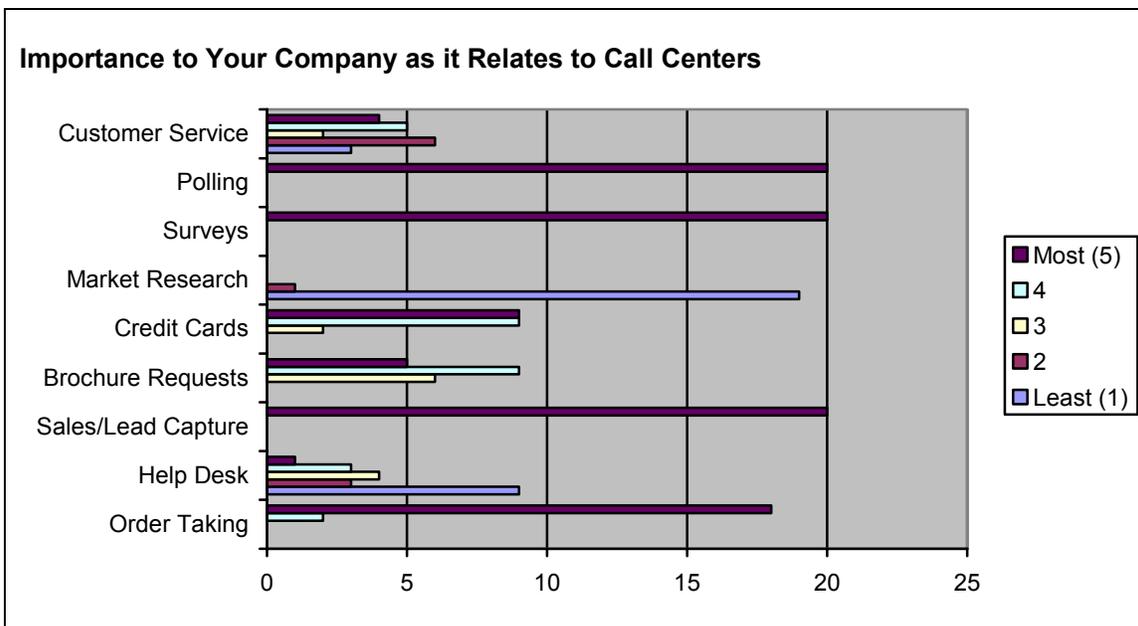
Of the following list of services, could you please rate the importance to your company as it relates to call centers. n=20

Sales and lead capture was the most important service potentially provided by a call center.

Order taking was the second most important service provided by a call center.

Credit card transactions was the third most important service provided by a call center.

Market research, surveys and polling ranked low in importance as it relates to services provided by a third party call center.



Would you consider these services an important aspect to growing or conducting your business?

100 percent of the respondents considered these services important to growing or conducting their business.

What would be your preferred method of paying for services such as these?

20 percent (4 respondents) would prefer to pay a flat rate for call center services.

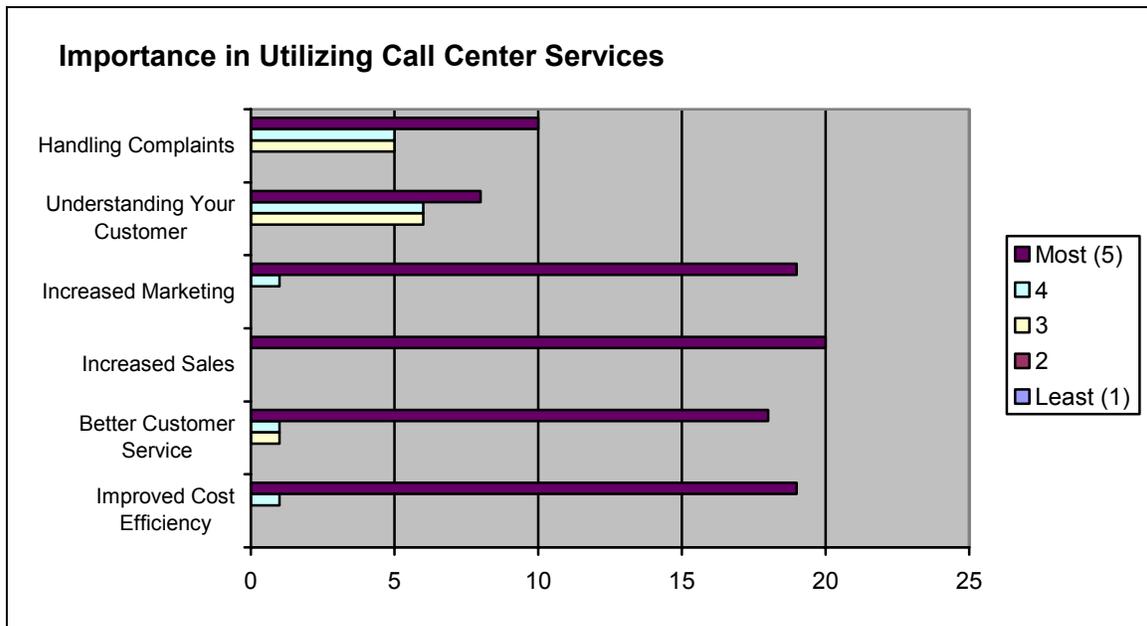
80 percent (16 respondents) would prefer to pay a percentage of sales/revenue generated.

What is important to you and your company in using these services? Could you please rate the following elements as to their level of importance to your utilizing these services?

Increased sales was the most important element in utilizing these services.

Increased marketing and improved cost efficiency were the second most important elements in utilizing call center services.

Understanding your customer needs was the least important element as it related to using call center services.



ASSESSING FEASIBILITY

In assessing the feasibility of the development of a fulfillment or distribution center, and/or a third party shared call center to service the needs of Pride of Dakota, shopnd.com and other North Dakota manufacturers a review of existing sales, demand and mix and size of manufacturers provides insight into the potential “return on investment” or feasibility of this type of venture.

Sales figures for the shopnd.com site suggest that current (total) sales of under \$25,000 per year are not enough to warrant the investment required to develop or deploy either a distribution center or a call center.

Sales figures for the shopnd.com site suggest that current (total) sales of under \$25,000 per year are not enough to warrant the investment required to develop or deploy either a distribution center or a call center. Overhead on rented warehouse space – needed for a distribution center – would not be covered and retrofitting the facility with rack bins, computer hardware, weighing equipment is a significant cost. Then you have to determine wages, shipping and inventory costs.

Similar cost constraints would limit the development of a call center. Training and technology costs alone would be daunting. Refurbishing a facility to house a call center would require additional capital even before the first phone is turned on. In that the majority of those polled would prefer to pay a flat rate, based on percent of revenues generated, down time in training, construction and implementation would not generate any revenue.

Demand for these services has been shown to be limited, limiting growth and potential for success.

Demand for these services, according to the survey completed for the North Dakota Department of Agriculture, is low – 10.1% say they would use a distribution center (13.1% are unsure) and 7 percent say they would use a call center (8.5% are unsure) – suggest moving forward without expanding the potential market for these types of services would tax working capital and limit both the chance for success and ultimately return on investment.

Total packages sent as part of these small businesses would not meet thresholds set by larger third party logistics companies (UPS and FedEx). Without these economies of scale met by lower shipping costs, total expenditures for ramping up either a distribution center or a third party shared call center.

Distribution & Call Center Service Feasibility Assessment

An opportunity to develop an investment opportunity or joint venture with a private side partner exists.

While a traditional approach to developing these services lack the necessary ingredients to a successful launch (revenue generating clients, critical mass, volume manufacturers) an opportunity to develop an investment opportunity or joint venture with a private side partner could be realized.

A private side partner, with access to either land, buildings or capital could partner with the North Dakota Department of Agriculture to develop (ideally) a distribution center – first. The Department of Agriculture could provide access to a ready made client base, albeit small or fragmented, marketing muscle to penetrate and expand the existing market place and assist in the development of a larger client base. The expansion of market place would be a critical component of this effort.

A private side partner (land or building owner), with patient working capital could partner with the Department of Agriculture to offset initial costs and share the risk of developing a distribution center.

A private side partner (land or building owner), with patient working capital could partner with the Department of Agriculture to offset initial costs and share the risk of developing a business such as this. This public-private partnership could focus on existing clients and view agricultural commodities and value-added agricultural products (through introductions from the Department of Agriculture) as a potential new market segment.

The capital requirements would point to an existing building owner who would be willing to cost share capital improvements, marketing costs and associated overhead. Patient capital, hard work and an expanded market could provide the upside that is required to attract such a partner. While return on investment could be 3 or more years out, opportunities to grow a business with a public entity as a partner could be a model for future endeavors and provide additional marketing and sales for North Dakota manufacturers and ag producers and opportunity for return on investment.

Company Name _____
Contact Person _____

North Dakota Department of Agriculture Fulfillment & Call Center Feasibility Assessment

Working with the North Dakota Department of Agriculture, we are evaluating the demand for distribution and call center services. To help us determine demand we have a short survey that takes no longer than 10 minutes. Do you have 10 minutes to help us out?

Yes (Continue) _____ No (Thank You – Terminate Call) _____

For your information, the results of this survey will be kept “confidential” – no individual results or answers will be shared with any other party – all results will be reported in the aggregate, and your individual anonymity will be guaranteed.

1) *Do you have a retail outlet, or storefront, that you conduct sales for your product of service?*

Yes _____ No _____

2) *Do you rent/lease or own?* _____

3) *Approximately, what percent of your business is done at this location (store or retail outlet)? WITHIN 10 PERCENT*

0 – 10	_____	51 – 60	_____
11 – 20	_____	61 – 70	_____
21 – 30	_____	71 – 80	_____
31 – 40	_____	81 – 90	_____
41 – 50	_____	91 – 100	_____

4) *Approximately, what percent of your business is done outside of the State of North Dakota? WITHIN 10 PERCENT*

0 – 10	_____	51 – 60	_____
11 – 20	_____	61 – 70	_____
21 – 30	_____	71 – 80	_____
31 – 40	_____	81 – 90	_____
41 – 50	_____	91 – 100	_____

5) *Approximately, what percent of your total business (at this location) is conducted via catalog or call in orders? WITHIN 10 PERCENT*

0 – 10	_____	51 – 60	_____
11 – 20	_____	61 – 70	_____
21 – 30	_____	71 – 80	_____
31 – 40	_____	81 – 90	_____
41 – 50	_____	91 – 100	_____

6) *If you have a web page, or use an e-commerce/internet component for sales, what percentage, approximately, is conducted via the web? WITHIN 10 PERCENT*

0 – 10	_____	51 – 60	_____
11 – 20	_____	61 – 70	_____
21 – 30	_____	71 – 80	_____
31 – 40	_____	81 – 90	_____
41 – 50	_____	91 – 100	_____

7) *For reporting purposes we would like to know if you are currently using the internet to market or provide online brochures?*

Yes _____ No _____

Yes (if so, could you tell us what you are using? _____
Do not prompt –

Shopnd.com _____

ComMark _____

BTI Gate _____

Individual/Company web pages _____

MarketGateway _____

Other (please identify) _____

8) For orders that shipped from your location, do you use (average per week):

U.S Mail

Approximately how many packages? _____

Approximately how many pounds? _____

UPS

Approximately how many packages? _____

Approximately how many pounds? _____

FedEx

Approximately how many packages? _____

Approximately how many pounds? _____

Other (please define)

Approximately how many packages? _____

Approximately how many pounds? _____

9) Are you using an existing call center or distribution/fulfillment center currently?

Yes _____ No _____

If yes, why do you use these services?

Cost _____

Convenience _____

Enhanced service _____

Other (please list) _____

Before we start the questions that relate directly to possible services, I'd like to briefly outline the potential services provided by both Call Centers and Fulfillment or Distribution Centers – if at any point during the survey you have a question or are not clear about the question please don't hesitate to interrupt and ask for clarification.

As the name implies, Call Centers serve as the point of human interaction in order-taking, telephone solicitation, and post-sale service (complaints and returns). Services could involve both inbound and outbound services such as order-taking and call processing, catalog orders and telemarketing surveys.

Fulfillment or Distribution Centers would provide order-taking, packing, shipping and potential returns management for their clients. They would potentially warehouse a level of inventory to insure prompt delivery of goods to customers.

Fulfillment Center

10) *Would you utilize potential services provided through a fulfillment center to meet your order fulfillment needs (order-taking, returns, stocking, shipping?)*

Yes _____ No _____ Unsure _____

(if no move to call center questions)

(if yes or unsure, continue through call center questions)

11) *Of the following list of services, could you please rate the importance to your company as it relates to fulfillment or distribution centers with 1 being least important and 5 being most important.*

	Least				Most
a) Inventory Management	1	2	3	4	5
b) Order fulfillment	1	2	3	4	5
c) Inbound/Outbound transportation	1	2	3	4	5
d) On-line track and trace	1	2	3	4	5
e) Returns management	1	2	3	4	5
f) Supplier Coordination	1	2	3	4	5

12) *Would you consider these services an important aspect of growing your business?*

Yes _____ No _____

13) *What would be your preferred way of paying for services such as these?*

Flat rate _____
Percentage of revenue (generated) _____
Other _____

14) *If you would participate in this type of venture, would you be willing to inventory or warehouse a percentage of your inventory at this facility?*

Yes _____ No _____

15) *What is important to you and your company in using these services? Could you please rate the following elements as to their level of importance to your utilizing these services (please rang 1 to 5 – 1 being least important, 5 being most important)*

	Least				Most
a) Improved cost efficiency	1	2	3	4	5
b) Streamlined transit time	1	2	3	4	5
c) Reduced risk of damage	1	2	3	4	5
d) Seamless US/Canadian/Mexican shipping	1	2	3	4	5
e) Direct routing and freight consolidation	1	2	3	4	5
f) Reduction of overall transportation costs	1	2	3	4	5

Call Center

16) *Would you utilize potential services provided by a third party or “shared” Call Center?*

Yes _____ No _____ Unsure _____

(if no complete survey)

(if yes or unsure, continue through call center questions)

17) Of the following list of services, could you please rate the importance to your company as it relates to call centers with 1 being least important and 5 being most important?

	Least				Most
	1	2	3	4	5
a) Order taking	1	2	3	4	5
b) Help desk (complaints and returns)	1	2	3	4	5
c) Sales/lead capture	1	2	3	4	5
d) Brochure requests	1	2	3	4	5
e) Credit card transaction processing	1	2	3	4	5
f) Market research	1	2	3	4	5
g) Surveys	1	2	3	4	5
h) Polling	1	2	3	4	5
i) Customer service	1	2	3	4	5

18) Would you consider these services an important aspect to growing or conducting your business?

Yes _____ No _____

19) What would be your preferred method of paying for services such as these?

Flat Rate _____
 Percentage of Sales/Revenue _____
 Other _____

20) *What is important to you and your company in using these services? Could you please rate the following elements as to their level of importance to your utilizing these services (please rank 1 to 5, with 1 being the least important and 5 being the most important).*

	Least				Most
	1	2	3	4	5
a) Improved cost efficiency	1	2	3	4	5
b) Better customer service	1	2	3	4	5
c) Increased sales	1	2	3	4	5
d) Increased marketing	1	2	3	4	5
e) Understanding your customers needs	1	2	3	4	5
f) Handling complaints and returns	1	2	3	4	5

Unless you have questions, that's the end of the survey. We want to thank you for participating...
