



Photo courtesy of Annie's Jellies & Jams

Annie Kime, founder and owner of Annie's Jellies and Jams, stands next to some of her wild fruit jams and jellies made from hand-picked berries native to the Sandhills of central Nebraska. The company uses the Internet to reach customers far from their isolated rural locale.

# ***Effective E-commerce: Annie's Jellies and Jams***

**A North Central Initiative for Small Farm  
Profitability case study**

**By Mark Hutchison  
Copyright 2001, UNL Food Processing Center**

# **Annie's Jellies and Jams**

<http://www.anniesjellies.com>

Annie's Jellies, Etc. LLC

HC 37 Box 36

Valentine, NE 69201

888.412.2889 (toll free)

Fax: 402.376.1201

Annie Kime, President, [annie@anniesjellies.com](mailto:annie@anniesjellies.com)

## ***About the North Central Initiative for Small Farm Profitability***

The North Central Initiative for Small Farm Profitability is a four-state, multi-institutional, farm-to-fork effort designed to improve the profitability and competitiveness of small and mid-size farms in Nebraska and the Midwest. This initiative brings together a unique and powerful blend of farmers, food and social scientists, marketers, extension educators, economists and others who are attempting to identify, adapt and apply practical, science-based, market-driven strategies that work.

Partners include the University of Nebraska's Center for Applied Rural Innovation (CARI) and Department of Food Science and Technology/Food Processing Center, Iowa State University, University of Missouri, University of Wisconsin, the Center for Rural Affairs in Nebraska, Practical Farmers of Iowa, and the Michael Fields Agricultural Institute in Wisconsin. The initiative is funded by a three-year grant from the U.S. Department of Agriculture.

For more information, contact Ken Wurdeman, Initiative Coordinator, University of Nebraska-Lincoln, 58 Filley Hall, Lincoln, NE, 68583-0947, telephone: 402.472.0807 or e-mail: [kwurdeman2@unl.edu](mailto:kwurdeman2@unl.edu).

## ***About the Case Studies***

More than 40 case studies will be developed in the four-state region, including 26 in Nebraska. The case studies will focus on new generation cooperatives, networks for marketing high value crops and livestock, production and cooperative arrangements that increase the farmer's share of food system profits, community support of small and mid-size operations, successful capital transfer strategies that benefit both beginning and senior farmers, on-farm diversification, and successful use of the Internet by farmers and small rural businesses to market products.

## ***About the Author***

Mark A. Hutchison is a native of Nebraska, raised in the Panhandle of Western Nebraska. He has been involved in agriculture and the food industry most of his professional life including experience with Fortune 500 companies in the consumer products and retail grocery industries. He currently lives in Lincoln, Nebraska and works full-time as a consultant at the University of Nebraska-Lincoln's Food Processing Center. Mark can be reached by telephone: 402.472.0381 or email: [mhutchison1@unl.edu](mailto:mhutchison1@unl.edu).

## ***Table of Contents***

Introduction	4
The Beginning	4
The Internet	7
Managing the Business	9
Challenges in a Rural Setting	13
Conclusions	15
The Future for Annie's Jellies and Jams	16
<b>Appendixes:</b>	
A) Annie's Jellies and Jams Linking Relationships	18
B) Resources for E-commerce and the Specialty Food Industry	20
C) How to Make Jelly	22
D) Glossary of Internet Terms	24

## Introduction

This case study is one of four designed to examine electronic commerce related strategies that have the potential to improve the efficiency, competitiveness, and profitability of small and mid-size farms.

Large numbers of companies in every industry have striven to increase their sales or improve their marketing efforts by using the Internet. Relatively few, however, have been successful in a meaningful way. This case study seeks to describe one small, rural company that has significantly grown its business as a direct result of its Web site.

Annie's Jellies and Jams is a shining example of small business success on the World Wide Web. Owner Annie Kime has not gotten rich overnight, been interviewed on CNBC, nor relocated to Silicon Valley. She has, however, used the Web to significantly increase the sales of her small jams and jellies business. Annie took advantage of some timely decision-making, old-fashioned determination, and sage business advice to successfully leverage the potential the Internet provides to small, isolated rural companies.

By achieving a listing on the leading search engine and directory, Yahoo!, Annie got off to a good start in generating traffic to her Web site. She followed that up by providing superior customer service and keeping good customer records.

Repeat business is a key success factor for any business, but especially for one that is Web based. It is too easy for an online customer to click away to another Web site if they are not pleased with the service they are getting. Annie has used the 'personal touch' to create a bond with her customers that has been rewarded with customer relationships that have lasted many years.

Annie does not accept orders via her Web site. Customers must either call a toll-free telephone number or e-mail their orders. This direct contact with Annie enhances the customer experience and her product's value. Annie recognizes this is probably not the most efficient means of doing business, but remains committed to maintaining the personal customer contact that has contributed to her success.

## The Beginning

Sometimes serendipity is an entrepreneur's best friend. Such is the case for Annie Kime, founder and owner of Annie's Jellies and Jams, a food processing company located in the spacious Sandhills of central Nebraska. Annie and her husband, Dave, have always loved the outdoors. Dave works for the U.S. Fish and

Photo courtesy of Annie's Jellies & Jams



Annie Kime, founder of Annie's Jellies and Jams, makes product in her approved kitchen at her ranch in rural Valentine, Nebraska.

Wildlife Service so it is only natural that Annie and Dave enjoy walking in nature, picking bucketfuls of wild berries for Annie to use in making her jellies. Like many rural families, Annie and her family have been making jelly for many years. It was in 1993 that Annie decided to try to commercialize her hobby by starting to actively produce and market her jams and jellies. She knew her wild fruit jellies, made from hand-picked native berries, would hold special appeal to not only a niche clientele consisting of people who could remember such products from years gone by but also contemporary families who enjoy quality products.

The United States fruit spread market, which includes jams and jellies, is substantial, but is dominated by a few manufacturers and flavors as the following data indicates:

*In the U.S., approximately 1 billion pounds of fruit spreads are produced annually. Per capita consumption is approximately 4.4 pounds per year. While jams and jellies come in dozens of flavors and varieties, nine flavors account for more than 80 percent of total U.S. production. The most popular are grape jelly and strawberry jam. They are followed by grape jam, red raspberry jam, orange marmalade, apple jelly, apricot jam, peach jam and blackberry jam, in that order. An additional 28 flavors are commonly produced that account for less than 20 percent of total production. Jams (or preserves) currently represent more than half of total consumption, jellies just over 40 percent. Dietetic products make up the remainder. Annual retail sales for jam, jelly and preserves are approximately \$790 million.<sup>1</sup>*

As the above data implies, the market for *specialty* jam and jelly products is highly fragmented with the primary flavors and manufacturers making up over 80 percent of the overall market. Many small producers of specialty jellies and jams sell their products in local stores, specialty shops, on the Internet, and at farmers' markets. In Nebraska, Iowa, Missouri, and Wisconsin alone, there are over 400 farmers' markets with each likely having multiple vendors of jam and jelly products. It is this second market in which Annie chose to participate.

One of the first and most important tasks for any new business enterprise is to find start-up capital. Annie turned to family to help her get started. Her uncle provided enough capital for her to purchase supplies and set up an approved production facility in her basement. She paid him back at the end of the first year. She needed additional funds during the second year and borrowed from her father-in-law. Again, she was able to pay that debt off by the end of the year.

Annie and Dave had operated Snake Falls Vacation Center in the resort town of Snake Falls, Nebraska, located 22 miles southwest of Valentine. Snake Falls is the largest waterfall in Nebraska and is located on David's parents ranch. The vacation center had a small restaurant, cabins, camping, and trout fishing.

This experience provided a good background for getting started in the food processing industry; however, they knew they needed some additional assistance if they wanted to avoid costly mistakes. In the Fall of 1993, they attended the University of Nebraska-Lincoln Food Processing Center's Food Entrepreneur seminar, "From Product to Profit" (now called "From Recipe to Reality"). The seminar discussed all the issues involved in starting a food manufacturing business. "That was probably the most important thing I did. I wouldn't have started (my business) without it," Annie said.

The seminar and subsequent support the Food Processing Center (FPC) has provided Annie have proven invaluable over the years. Jill Gifford, Entrepreneur Program Manager, has been a valuable ally according to Annie. "She is my moral support. She doesn't know it, but she has, more than anybody, helped me," said Annie.

## Jellies & Jams 101: Not All Spreads Are Created Equal

The Food and Drug Administration has *Standards of Identity* which have been in place since 1940 for what constitutes a jam or a jelly. Interestingly enough, the current standards are based on the housewife's formula that even pioneer women used when making their own jams and jellies—approximately half fruit and half sugar. Following are definitions of the terms.

A *jelly* is a clear, bright mixture made from fruit juice, sugar and often pectin or acid. No less than 45 pounds of fruit must be used for each 55 lb. of sugar.

High-fructose corn sweeteners are used interchangeably with sucrose due to the benefits each brings to different product formulations. Originally, cane sugar was used exclusively. Its use can be traced back to the 16th century when the Spanish came to the West Indies where they preserved fruit.

A *jam* is a thick mixture of fruit and sugar (and often pectin) that is cooked until the pieces of fruit are very soft and almost formless -- the texture of a thick purée. It is also made with 45 lb. of fruit solids combined with 55 lb. of sugar.

A *preserve* is almost identical to a jam but preserves can contain large chunks of fruit or whole fruit.

A *conserve* is much like a preserve but usually contains more than one kind of fruit and often nuts.

A *marmalade*, on the other hand, is also like a preserve but contains some amount of fruit rind, usually from a citrus fruit.

*Fruit spreads* such as those that have surfaced over the last 10 years, do not fall under the jelly or jam *Standards of Identity*, hence the generic name "fruit spreads." These products are usually made with fruit juice concentrates or low-calorie sweeteners replacing all or part of the sugar.

A *fruit butter* is a spread that is made by cooking fresh fruit with spices until it becomes thick and smooth.

There are separate *Standards of Identity* for jellies, jams and preserves that use non-nutritive or low-calorie sweetener. In 1989, aspartame was approved for use in imitation products along with saccharin.

In 1993, the FPC only offered the "From Product to Profit" seminar, which was designed to provide, in one day, most of the information start-up companies would need to establish a food manufacturing company. Today, the Center offers the seminar as a decision-making tool as well as individualized follow-up assistance for those entrepreneurs who want to go forward in establishing a value-added food company (see sidebar). Annie and Dave went home from the seminar in 1993 and continued working out

the details for getting the business started. In order to sell her products on a commercial basis, Annie needed to set up an approved production facility. All food manufacturing facilities must be inspected by the Bureau of Dairies and Foods division of the Nebraska Department of Agriculture. Dave did most of the work on the production facility, which helped to stretch Annie's start-up capital. Once the facility set-up was completed and approved, Annie's Jellies and Jams was officially in business.

## The Food Processing Center's *Food Entrepreneur Assistance Program (FEAP)*

FEAP is a nationally recognized program that assists entrepreneurs through all phases of developing a food business. The one day *From Recipe to Reality* seminar is the first phase of the program that provides entrepreneurs with an understanding of the issues involved in starting a food manufacturing business, including: market research and selection, packaging and labeling, pricing and cost analysis, product introduction, promotional materials, food safety, product development, and business structure. The seminar provides valuable information on the basics of starting a food business that it might take months for entrepreneurs to research on their own.

Since the program began in 1989, over 1,100 entrepreneurs representing a possible 730 potential companies have participated in the seminars. That has led to 100 new food processing enterprises. Following the seminar, services are available to those participants who decide to launch their own food business. During this phase, *From Product to Profit*, entrepreneurs receive confidential, step-by-step assistance from food scientists and business consultants tailored to their specific business venture.

The FPC also provides technical and business development services to existing food manufacturers as well as suppliers, distributors, associations, retailers, and food service providers.

Living in the Sandhills and having access to ample quantities of wild fruit bushes, Annie focused her efforts on making wild fruit jams and jellies. Her first products were rose hip jelly, chokecherry jelly, and a Honey Jel™. "Everybody loves chokecherry," said Annie.

Initially, Annie did not do much planning. "I never realized how everything I did just kind of worked out great," she said. She now had a production facility, but no real plan for selling product. One day in 1994 a friend told her about a craft show to be held over Labor Day weekend in Lexington, Nebraska and thought Annie might be able to sell some jelly there. The Antique and Craft Extravaganza drew 15,000 people in 3 days. Annie sold \$600.00 worth of jelly. She said, "I thought I had died and gone to heaven."

Annie began to see the potential of her fledgling business and started seeking additional avenues for selling her products. After the Lexington show, she contacted the Town Square in Valentine and rented space to sell her products. Eventually, word of Annie's Jellies and Jams spread. Shirley Blank, who owned a company called Nebraska Baskets, called and wanted to include Annie's products in her baskets. Up to that time, Annie had priced her products with the idea that she would be the primary retailer of her products without much thought of selling them wholesale.

After that initial wholesale transaction with Nebraska Baskets, she realized she needed to raise her prices to her retail customers so she wouldn't undercut her wholesale ones. Gross margins in the specialty/gourmet food category typically range from 30 to 40 percent at retail.<sup>2</sup> Ultimately, the space in the Town Square didn't work out, but in the meantime Annie had begun to gain distribution in some other specialty/gourmet stores around Nebraska and her business grew.

She also continued to attend craft shows and began offering samples, something she failed to do at that first Lexington show. "I didn't realize the importance of sampling," said Annie. For most companies in the food industry, getting the

## The Nebraska Sandhills\*

The Sandhills region is approximately 19,300 square miles of sand dunes stretching 265 miles across Nebraska. It is the largest sand dune area in the Western Hemisphere and is one of the largest grass-stabilized dune regions in the world.

Topography, among other things, distinguishes the region from the surrounding prairies. Dunes are as high as 400 feet, as long as 20 miles, and have slopes as steep as 25 percent.

The Sandhills are generally viewed as a semiarid region where sandy soils, low precipitation, and high evaporation rates support primarily dry grassland. Yet paradoxically, the Sandhills also are known as a land of lakes and wetlands. While many of the interdunal valleys are dry, others contain lakes, marshes, and/or wet meadows. The Sandhills lie over a groundwater reservoir that holds about half of the state's groundwater, an estimated 700-800 million acre-feet of water.

As far as is known, there are about 720 species of vascular plants growing without cultivation in the Sandhills. About 670 of them are native species, and about 50 are introduced from elsewhere, especially from Europe and Asia. The number of species in the Sandhills appears low when compared with other grassland areas. However, perhaps because of moderate rainfall and plentiful groundwater, it is high compared with other areas of similarly sandy, relatively infertile soils.

\*Source: Bleed, Ann and Charles Flowerday, Excerpts from *An Atlas of the Sand Hills*, Resource Atlas No. 5a, Conservation & Survey Division, Institute of Agriculture & Natural Resources, University of Nebraska-Lincoln, 1990.

consumer to sample their product is vital to growing sales. While many of the large food manufacturers such as Kraft, General Mills, and ConAgra use advertising, coupons, and discount pricing to induce consumer trial, most small companies cannot afford the expensive nature of these activities. These small companies must rely on reaching out to the consumer by holding product demonstrations at retail stores and industry trade shows. Over the course of that first year Annie's business continued to grow, then serendipity stepped in.

### ***The Internet***

Annie's son Brent and his wife, Leslie, were working with computers at the University of Nebraska and saw an opportunity when the Internet first started gaining popularity. They invited Annie down to Lincoln to "see what the Internet was." She had never seen the Internet before and had limited computer experience. Annie had purchased her first computer in 1993 when she started her business. She had purchased books on computers and taught herself how to use it.

After seeing the Internet, Annie agreed it was worth a try to put up a Web site. Brent and Leslie designed her first site and it went 'live' online in the spring of 1996. Although Annie didn't have much experience with Web sites, she knew what she liked. "My family knows me," she said. Annie wanted a site that was clean and sharp, with no bells or whistles.

She knew that how fast a site loaded was the most important thing in the early days of the Internet as a 14.4 baud modem bordered on state-of-the-art back then. While the speed of connections has increased with the standard 56k baud modem and broadband technologies like digital subscriber lines (DSL),

<b>Web Site Costs for Annie's Jellies &amp; Jams</b>	
<b>One Time Charges</b>	
Initial Design & Development	\$730.00
New Site for 2000	\$2,100.00
Totals	\$2,830.00
<b>Yearly Fees</b>	
Updates and Maintenance	\$480.00
Hosting Fee	\$298.00
Totals	\$778.00

cable modems, fixed wireless, and satellite, it is still important to consider the likely bandwidth of the target audience when deciding what elements to put on a Web site. For a more detailed explanation of broadband and these related technologies, see Appendix D.

Annie also recognized the importance of selecting the right partners when undertaking a new venture with unfamiliar technology. She decided to work with Internet Service Provider *Internet Nebraska* out of Lincoln, Nebraska for hosting her Web site. Her first site was hosted on their servers with the following domain name: [www.incolor.com/annies](http://www.incolor.com/annies). The site [www.incolor.com](http://www.incolor.com) is the domain where *Internet Nebraska* hosts their members' Web sites. Annie was very happy with their willingness to explain things to her and answer any questions she had as she developed her Internet business. Last year, Annie purchased a 'shopping cart' software product to further improve the functionality of her Web site. *Internet Nebraska* evaluated it for her and let her know it was not feasible due to a security issue. Annie, while disappointed in the purchasing mistake, appreciated their honest feedback. Even as her Internet business continued to grow, Annie worked with *Internet Nebraska* as long as possible. "I am loyal to

people who are good to me," said Annie.

When the first site was completed, it was submitted to popular search engines and directories like Yahoo, Excite, and Lycos. The fact that Annie was so early likely played an important role in leading to her current success with selling product on a Web site. In 1997, there were approximately 1.5 million Web sites; however, as of May 2001, that number had grown to almost 30 million Web sites.<sup>3</sup> Annie attributes much of her success on the Internet to being in the right place at the right time. Today, many companies that seek to get listed on Yahoo! find the going difficult as Yahoo! typically rejects three out of every four sites submitted to their directory.<sup>4</sup>

Another plus in Annie's favor is the fact that her company name, Annie's Jellies and Jams, begins with the letter 'A'. Her Web site is often listed near the top of each category since the listings are usually sorted alphabetically.

As the popularity of the Internet has grown and businesses of all types have begun to prospect for riches online, the ability of a small company to effectively market its Web site has become more challenging. Consistent with the growth in the overall number of Web sites, the number of companies competing online in a given category has grown as well. While it is certainly still possible to establish an online retail food business today, it takes more time and effort to acquire new online customers.

Interestingly, Annie's success online has come *without* her accepting orders entered directly on her Web site. Currently, Annie is weighing the advantages of setting up the infrastructure to accept orders and process credit cards online. Historically, if a customer wanted to order one of Annie's products, they

had to either call a toll-free number or print, complete, and mail or fax an order form. A customer could use a credit card to pay as she has had a merchant account that allowed her to process credit card payments by hand.

If she decides to E-commerce enable the site, orders and payments will be processed seamlessly online. Her initial merchant account was from EFS National through Union Bank in Lincoln, Nebraska with a discount rate of 2.4 percent, transaction fee of 30 cents, and monthly fee of \$5.00. The new account she is considering, which allows the payments to be processed seamlessly online, is through Northern Trust Bank out of Chicago. Northern Trust has partnered with AT&T to provide merchant account services to AT&T's data services customers. Northern Trust's merchant account costs \$99.00 to set-up and has a comparable discount rate of 2.4 percent, transaction fee of 30 cents, and monthly charge of \$15.00. To learn more about merchant accounts for online businesses, refer to the E-commerce resource list included in Appendix B.

Annie's main concern about accepting orders via the Web site is having someone order a very large amount of product and being unable to fulfill it or sales growing so fast she will not be able to keep up. "I can only make so much and ship so much jelly," she said. Annie's primary production constraints are her time and the finite amount of berries available for picking. While an insufficient supply of berries has not yet been an issue, Annie is conscious of the fact that someday she may need to purchase her wild berries from alternative sources if she continues to grow her business.

The more challenging constraint is the lack of time to produce sufficient quantities to meet any increase in demand. Annie makes all

Photo courtesy of Annie's Jellies & Jams



Annie Kime shows the hand-crafted crates used to display her jams and jellies. The crates are available in different sizes.

of the jelly and jams herself in her approved basement facility. Until a new, larger facility is built, her business will have this production constraint. Annie realizes she probably has missed an occasional sale, but believes managing her growth in this way has been a prudent business move.

Annie's concerns about receiving a large order beyond her capacity to fill it was reinforced by some recent experience. An advertising agency called her one August as she and her husband, Dave, were eating lunch. They had found her on the Internet and wanted to know about the gift crates she was promoting on her Web site. They wanted a quote for 2,000 of the six-pack crates. In addition to the jelly production requirements, 2,000 crates would have to be built. Since Dave makes them all by hand they had to include sufficient time in their quote for that part of the order to be completed. They ended up working out a deal with the company where they purchased 600 of the gift crates and 600 individual jars of jellies and jams. Rather than promise a volume and delivery date she knew would be very difficult to deliver, Annie negotiated the order to a size that would allow them to fulfill it without compromising service to her other customers.

Annie knows the value of excellent customer service. She believes there is an important by-product of not accepting orders online. Her experience has shown her that it can be good business to visit personally with customers. Annie believes this 'personal touch' keeps them coming back. While many large companies are using customer relationship management software to keep in touch with their customers, Annie has found that good, old-fashioned personal attention can be a very profitable niche.<sup>5</sup>

Additionally, she may be capturing customers that others may be losing. A Statistical Research, Inc. (SRI) study, "How People Use the Internet 2001," found that two-thirds of active Web users typically abandon a site that requests personal information—65 percent of experienced users and 72 percent of those who are relatively new to the Internet.<sup>6</sup> Some companies that sell online are not equipped and/or have no desire to literally "hear" from their customers. What some work to avoid, Annie has welcomed as an opportunity to grow her business. Annie stresses, though, that if a company isn't going to accept orders online, it is vitally important to have a toll-free telephone number. Besides the customer service aspect, Annie conducts some of her market research with customers who call by asking how they found the Web site, how they use the product, what products they like, and what new flavors they might be interested in.

Annie keeps a detailed record of all of her customer interactions. She uses Quickbooks Pro<sup>®</sup> software for her bookkeeping and also to track information on each customer. Among the things she tracks are when they first purchased, their purchase history, and any personal preferences they may have shared. Annie estimates there are 900-1,000

names in her database. Annie uses this information to do targeted direct mailings to her best customers. Annie sells a lot of product for Holiday gift giving, especially around Christmas when she does 75 percent of her business. Last Christmas, she prepared a Christmas-themed order form that she mailed with her brochure to 280 of her best customers. The response rate was very good. From these 280 best customers, Annie received over \$5,000 in orders. The mailing cost her \$125 to prepare and send. While Annie didn't share specific product cost and margin information, using a specialty jelly category average margin of 40 percent yields an estimated return on her investment of 35 percent.<sup>7</sup>

To date, Annie has not used her database of customers to do any marketing via e-mail. For many businesses, however, e-mail marketing is catching on as a viable marketing tool. Aberdeen Group predicts that e-mail marketing is going to experience significant growth over the next couple of years.

According to Aberdeen, e-mail marketing grew 270 percent in revenues from 1999 to 2000, growing from an estimated \$91.8 million to \$342.22 million—and rapid growth will continue through 2003, when the industry tops \$1 billion.<sup>8</sup> ActivMedia research indicates that approximately 50 percent of consumer products companies send marketing e-mails. E-mail marketing is attractive to companies because of the quick time-to-market and strong return on investment (ROI).<sup>9</sup>

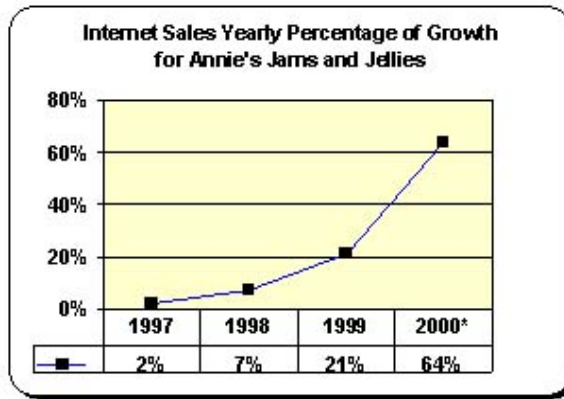
Annie estimates that 65-70 percent of her business is repeat business, but the majority of her *new customers* come to her via the Web site. She is currently selling approximately 15,000 jars of jelly and

jam each year and is quickly approaching her current manufacturing capacity of 18,000 jars annually. Annie estimates her current rate of growth at approximately 10 percent per year, which means she will be outgrowing her current facility in about two years.

The impact Annie's Web site has had on her business is obvious. The chart above highlights the increasing percentage of sales received via the Web site. From a low of 2 percent in 1997 to over 64 percent today, Annie's online sales have grown substantially. She admits, though, that one large order in 2000 skewed the above results. She expects Internet sales to represent about 30-35 percent of her business in 2001.

### ***Managing The Business***

Developing and launching a Web site to E-commerce enable a business is only the first step in operating a successful Internet business. Web site updates, marketing, and order fulfillment are required activities to keep customers happy and satisfied. Since Annie started on the Web in 1995, the Web site has gone through two major revisions. The first time, in addition to making the site easier to navigate, Annie felt it was time to give it a new look. The most recent revision



in 2000 was done to improve the product pictures. When a site visitor clicks on one of the products for more information, a pop-up window appears with a picture and description of the product.

Annie and her family have been actively involved in the site's improvements and updates over the years. Her mother-in-law is an artist and does the artwork for the site and offline promotional materials.

Annie designs everything, takes a picture of the layouts with her digital camera and then forwards them to her graphic designer via e-mail.

For her last brochure, Annie photographed all of the products and e-mailed them to the graphic designer who formalized the layouts and returned them to Annie for approval, after which they were sent to a Florida printer on a compact disc (the file was too large for e-mail). Besides being fast and efficient, it allowed Annie to use expert resources outside of her local area.

Similar to the development of the brochure, when Annie has changes she would like to make on the Web site, she e-mails them to her kids in Kansas City, who upload the changes to the site's server at *Internet Nebraska*.

Annie knows firsthand the value of using e-mail to communicate with her business partners. For example, the Nebraska Department of Agriculture was looking for candidates to ship products over to China for evaluation and contacted Annie. If any interest was indicated on the part of the Chinese, Annie would need to make a trip to China at a cost of approximately \$5,000. She needed to make a decision rather quickly if she wanted to take advantage of the opportunity, but wanted to do some preliminary research on the China market before

agreeing to send product over for evaluation. She contacted her daughter via e-mail in California, who had a friend in Colorado who had relatives in China. The friend e-mailed her relatives in China asking about the use of jellies in the Chinese culture and the potential market. It was determined that the opportunities at the time were minimal so Annie decided to withdraw from the program. It cost Annie nothing to do the exploratory research, but it potentially saved her thousands of dollars. Without access to e-mail, it would have been difficult to obtain the market information that quickly or inexpensively.

Another important risk that every online business has to consider is fraud. Anecdotal stories of companies losing thousands or millions of dollars by shipping product to someone, only to find that the submitted credit cards were stolen often make the headlines. This problem may not be as prevalent as is often stated though. According to a survey for its report, "*Real Num-*

*bers Behind the Online Retail Industry*," ActivMedia reports that 96 percent of the Web sites surveyed indicated that fraud is of little concern. Additionally, five in six Web merchants in the survey reported that online fraud is not a problem (chargebacks—credit card transactions that are charged back to the merchant—average 1 percent of sales across all Web sites).<sup>10</sup> In addition, according to eMarketer's "*ePrivacy & Security Report*," 87 percent of online fraud committed in 2000 was attributed to online auction sites.<sup>11</sup> Despite these findings, companies should still take precautions against potential fraud.

Annie has encountered several questionable situations in the operation of her Web site. She once received an inquiry from a person in Brazil who was interested in having her ship some jelly to South America. Annie was wary of the request and utilized e-mail to contact the Embassy in Brazil to check on the legitimacy of the company name that the person had given her. It turned out the company did not

exist and Annie would likely have never been paid for any shipment she would have made.

While communication via e-mail has been described as the 'killer application' of the Internet, Annie also has demonstrated its value when purchasing equipment and supplies for a business. Before Annie buys anything technology related she goes to the Web sites of CNet and ZDNet to do comparison shopping and read reviews. These two Web sites are valuable resources for advice on technology purchases as well as useful, free downloads. In addition to providing reviews of specific products, CNET also certifies certain online merchants, thereby providing a measure of confidence for those users who choose to purchase from their Web site. The certified companies are required to provide a predefined level of customer service in order to qualify. The CNET and ZDNet Web sites provide the following descriptions of the services they provide to their site visitors:

### **Electronic Commerce vs. Traditional Commerce**

What is electronic commerce, or E-commerce as it is commonly known? According to the Virtual Institute of Information, E-commerce is defined as the conducting of business communication and transactions over networks and through computers.

It includes buying and selling goods, payment transactions, distribution (i.e. software), and other related communication between a business and its customers. Whereas transactions and documentation used to occur in a paper-based system, they now are processed and stored electronically.

For example, in place of a company having a retail storefront on main street, it might have a Web site which allows customers to browse its products on large computers called servers rather than in a physical store. In place of the customer communicating a purchase decision to a person, he/she indicates his/her selections on an online order page. In place of paying a person with cash or a check, they submit a credit card or a form of digital cash online.

The customer's order and payment information is routed electronically to the appropriate locations for handling. The order may go to a fulfillment warehouse where the order is prepared and shipped. Additionally, the order will go to be recorded and stored in a database where it can be used for preparing financial statements by the accounting department, generating customer reports for the marketing department, and sales trends for management. The payment information is routed to a transaction processing clearinghouse who will validate the payment information (credit cards) and deduct bank fees and make net deposits in the company's bank account.

Essentially, E-commerce is using technology to improve the efficiency of business processes by handling them automatically and electronically.

- **CNET** (<http://www.cnet.com>) is a trusted source of information for millions of Web users, who consult our many Web sites daily to help them understand the many facets of technology. CNET offers technology news, consumer electronics, auctions, free downloads, and help, as well as information that enables businesses to be more efficient and work smarter. CNET offers unbiased content of high integrity, educating visitors on technology and tech products, where to buy them online at the best price, and how to use them.
- **ZDNet** (<http://www.zdnet.com>) is a "full service" destination for people looking to buy, use, and learn more about technology. By combining its enormous depth and breadth of trusted, authoritative content with the most relevant services and commerce opportunities, ZDNet enables all Web users, from IT professionals to consumers, to get the most out of their investments in and involvement with technology.

Annie recently bought two more computers and a printer online and found the information resources available at CNet and ZDNet to be very helpful in making those purchase decisions. In addition to helping her identify a trusted, low-cost vendor, the sites also included advice on what type of hardware would be the best fit for Annie's intended uses for the products she was purchasing.

Managing the mundane aspects of business is something that every company must do and the aforementioned resources have helped Annie to do that as efficiently as possible to provide time for those activities that have a more direct impact on the success of the company. For most companies, that means sales and marketing.

### Small Businesses in the Online World

Of the estimated 7.4 million U.S. small businesses in 1999, 4.2 million accessed the Internet while 600,000 sold their products and services via e-commerce sites according to a report by AMI Partners and *Inc. Magazine*. The top use of the Internet among small businesses is e-mail followed by business research, personal research, purchasing of goods/services for business use, and purchasing of goods/services for personal use. Selling and marketing products online ranked last.

Online purchases by small businesses are expected to reach \$118 million in 2001—clearly a growth area. Many small businesses are utilizing online auctions to bid for products and services. Others have expressed an interest in using the Internet to form collaborative buying groups to obtain price breaks on needed products and services.

Many small businesses remain unconvinced that the Internet can be used to foster their company's revenue growth. Concern over high costs, inadequate IT support service, fraud and security issues, and an overall perception that products and services are not well suited for Web-based sales are additional barriers. Many small businesses are establishing Web sites primarily to advertise and promote their business, rather than to sell product online. Others are using the Internet to provide service and support functions to their customers.

Small companies' use of e-commerce will likely continue to grow. With 80 percent of small businesses employing less than 10 employees and geographic disbursement equally split between metropolitan and outlying areas, e-commerce offers tremendous efficiencies and economies of scale.

Features to Increase Online Purchasing	
Feature	Percentage of Shoppers Indicating Feature May Increase Purchasing
"Close-up" product images	44 percent
Product availability	39 percent
Product comparison guides	34 percent
Search function	30 percent
Toll-free customer service number	25 percent
Catalog quick order	24 percent

Source: Pricewaterhouse Coopers, March 2001.

Annie admits that part of her success was due to getting an early start, but she is still a firm believer in the importance of sales and marketing activities. A Web site should be only one element of an overall marketing strategy for a company, as the success of Annie's Holiday brochure mailings demonstrate. However, if the Web site itself is

going to succeed, the overall marketing strategy must include a well-thought out plan for marketing it. One of the first and most important considerations when marketing a Web site is the content and design of the Web site itself. As the table above indicates, Web users are looking for some very specific elements in the sites from which they prefer

to make purchases.

Annie's Web site includes several of the elements cited as important to customers including close-up product images, unique product availability, and a toll-free telephone number. Annie has worked via each revision of her Web site to incorporate the feedback she has gotten from her customers to improve its appearance, make it easier for them to use and provide the product information they need to make a purchase decision.

Providing a quality and pleasant experience for visitors to a Web site is fundamental to a prospering Web-based business but helping potential customers find the site is an equally important, yet more difficult task. Approximately 70 percent of Web sites are found through the use of search engines.<sup>12</sup> Registering a Web site with the main search engines (see following table) is a vital first step to effective marketing. However, with the incredible growth in the number of Web sites, it has become increasingly difficult for someone to find a Web site via a search engine

using a generic search term like jelly. Interestingly, while search engines *are* prominently used, a recent study by Alexa Research indicated that millions of users still enter a company name in a search engine field rather than typing the URL in the browser's address bar.<sup>13</sup> This likely means that despite the fact 70 percent of Web sites are found via search engines, many of those searches are done using specific company names, not generic search terms.

One development that helps companies to attain high rankings despite the use of generic search terms by users is paid listings. Several top search engine sites (America Online, Lycos, Altavista, and GOTO.com) offer the option for companies to pay for their sites to be linked to a specific keyword. A company (i.e.—Annie's Jellies and Jams) bids what it would be willing to pay to be listed on the results page when a specific keyword, such as jelly, is entered by a user. The higher the bid amount, the higher the listing on the results page. The advertising company is only charged the bid amount if the user clicks on their link (called 'click through') and visits their Web site.

In the case of the search term jelly, the top bid was 19 cents per 'click through' as of May 2001. A bid of 1 cent per 'click through' would still achieve a listing in the top 20 results.<sup>14</sup> GOTO.com manages this service for the other search engine sites. According to GOTO.com, a company can reach 75 percent of Internet users via their paid listings.<sup>15</sup>

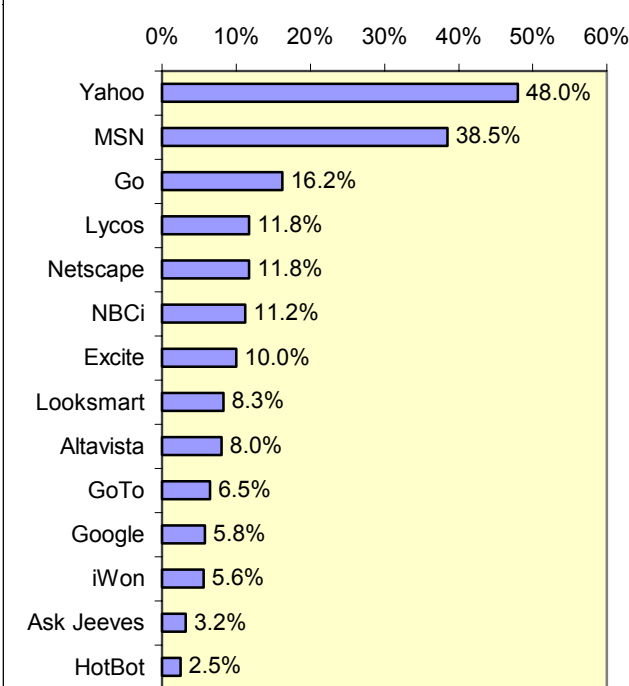
The advantage of this type of advertising is that the people who click on the advertising company's link on the results page are actively searching for something similar to what the company is offering. In other words, the user is most likely a qualified prospect. The corresponding disadvantage is that the user may simply be seeking information on a related topic but has no buying intention. This costs the advertising company the amount they bid if the user clicked through to their site. This type of advertising is another consideration for companies as they evaluate their marketing options.

Companies that have aspirations for a successful online venture must not only have a well-thought out marketing *plan* for the Web site, but also the *resources* to accomplish its purpose. Often, the commitment of time is as important as the commitment of money when it comes to marketing on the Web. Annie uses a deliberate, resourceful approach to marketing her Web site.

While Annie's Jellies and Jams has no formal marketing plan in place, that does not mean Annie doesn't market her Web site. One of the most common methods of getting consumers to notice a new product or brand is through the use of advertising. Advertisements on the Web initially were in the form of "banners," advertise-

### Current Audience Reach

Below is a look at NetRatings audience reach estimates for December 2000. They show the percentage of active home web surfers estimated to have visited each search engine during the month. Because a web surfer may visit more than one, the combined totals exceed 100 percent.



Source: Nielsen/NetRatings, Search Engine Ratings, Sullivan, Danny, Editor, SearchEngineWatch.com, February 19, 2001.

ments approximately 6 to 7 inches wide and 1 inch high. Web users could click on the banner ad to visit the Web page of the company sponsoring it. Recently, Web advertisements have become more dynamic in content and varied in size; however, the benefits of advertising on the Web are still highly debated. Advertisers claim click-through percentages for banner advertisements are too small and result in a poor return on investment. Advertising sites argue that online advertising provides important branding benefits.

Annie has relied upon empirical evidence in making her decision regarding online advertising. She shared that another small company spent \$10,000 on advertising and saw virtually no return on their investment (click-throughs and/or product purchases).<sup>16</sup> She has chosen a more measured approach to marketing her site. Annie takes advantage of most of the free "linking" opportunities that are available to her. For example, in addition to being registered with the search engines and directories, the Annie's Jellies and Jams' Web site is listed by the Nebraska Department of Economic Development, Lincoln Online, USA Online, Business.com and AIM Business Link. In addition, several of the organizations to which she belongs provide a link to her site from their sites. Grow Nebraska and the Nebraska Home Based Business Association both provide this service to their members. These and other linking relationships Annie's has established can be found in Appendix A.

The source of visitors to the Annie's Jellies and Jams' Web site most likely fall under the famed Pareto Principle, which, when applied to Annie's Jellies and Jams, would say that 80 percent of her Internet sales come from 20 percent of the sites with whom her site is



Chokecherry is a small wild cherry with an astringent puckering taste. The berries grow on shrubs or trees and are reddish-black fruit that is ripe in late August. Native Americans and early settlers made good use of the fruit. The pits were discarded by the settlers but the Native Americans used the whole fruit. They pounded it, pits and all and used the dried fruit to flavor soups and stews. Chokecherry twigs were used in making tea and the inner bark was called for in the "cherry tonic" recipe of the early settlers.

linked or registered. Annie doesn't currently track which sites in particular customers come from, so she can't readily identify the most productive source of traffic to her Web site; however, as Yahoo! reaches approximately 48 percent of Web users it is reasonable to assume a large percentage of her customers find her via Yahoo!'s search directory.<sup>17</sup> Annie Jellies is listed in the following Yahoo! directory: [Home](#) > [Business and Economy](#) > [Shopping and Services](#) > [Food and Drink](#) > [Condiments and Sauces](#) > [Brand Names](#) > [Jams and Jellies](#). Annie is listed both at the top of this category as one of the most popular sites in the category as well as being near the top in the alphabetical listings.

Today, getting a Web site listed in Yahoo!'s directory is more challenging, but certainly not impossible. In an oft cited article, "How to Get Listed in Yahoo!", Ken Evoy, MD describes the process companies should follow when submitting their sites to Yahoo! for consideration. The article emphasizes the importance of having a quality, well-designed Web site that offers real value to users, preparing all of the information needed for submission up-front, and following Yahoo!'s directions for submission precisely. Yahoo! and other potential linking partners, but especially Yahoo!, is looking for sites that will

enhance the value of their directory services. If a company wants to achieve a listing with them, ensuring their Web site addresses this issue is critical.

Despite not utilizing a formal marketing plan, Annie has achieved top placement at Yahoo! and other high traffic Web sites. Additionally, as stated previously, she has remained very focused on making sure the Annie's Jellies and Jams' Web site is easy to use and provides the information potential customers might want to know about her and her products. An example of the close-up photos (actual photo size) and descriptions of each individual product that were added on the latest version of the Web site are shown above.

### ***Challenges in a Rural Setting***

The sandhills of central Nebraska are one of the most scenic places in the state of Nebraska and are a source of pride for those that live there; however, it also often means they are isolated and far away from many of the services a growing small business needs. In 1997, Annie tried to borrow \$4,000 from several local banks to use for purchasing some equipment and commercially produced labels. Each, in turn, refused to give her a business loan.

Once again, Annie became resourceful. She took a cash advance on her credit card and started playing leap frog with the credit card companies so she would always have a low rate of interest. For example, one credit card company may offer a 4 percent introductory rate for a period of six months, at which time it would rise to a more traditional rate of around 20 percent. Before the six months were up, Annie would find another introductory offer and switch her account to that company. She never paid over 5 percent, but said this kind of financing required attentiveness and knowing when to transfer the balance.

The bank's reasons for turning Annie down were sound from a strict business perspective. The isolated location of her business and a lack of collateral were two important issues; however, another thing Annie lacked was a formal business plan. One night as she sat reflecting on her business, she decided to seek some professional advice on improving the business aspects of her company, including the development of a business plan. "I knew I had to learn," she said, "or my business eventually would stagnate."

She came across the Web site of the Service Corps of Retired Executives (SCORE). SCORE is a non-profit association dedicated to entrepreneur education and the formation, growth and success of small businesses nationwide.<sup>18</sup> The nearest SCORE office was 200 miles away so Annie sought help from a SCORE counselor online. Annie has since learned plenty about operating her business through a series of e-mail exchanges with Erv Simon, a Colorado Springs, Colorado-based SCORE consultant and retired executive from Time Warner. She went to Colorado Springs to meet Simon and discuss her busi-

ness. He has been an invaluable source of advice and industry contacts ever since. One of the things he continues to do for Annie is organize her financial data into meaningful financial statements. "I never knew what S, G and A (selling, general, and administrative) expenses were," said Annie. Time management is something that Simon has focused on with Annie. He has helped her identify ways to become more efficient in her operation. For example, at the beginning of every year, Annie completes a chart anticipating how much jelly she will need and a schedule for producing it.

Photo courtesy of Annie's Jellies & Jams



Annie Kime at work in her home office. Technology has helped Annie to not only improve and grow her business, but also her quality of life.

Simon isn't the only SCORE adviser to provide assistance to Annie. Within the SCORE network, he knew of an adviser in Florida who had started and grown a fruit spread company that was ultimately sold to a major jelly manufacturer. Daniel Issenberg critiqued Annie's products and told her the quality of her product called for her to remain focused on the specialty/gourmet market. The margins in specialty/gourmet stores are typically higher than in retail supermarkets.<sup>19</sup> One area in which Issenberg has been especially helpful to Annie is in

helping her to identify the types of equipment she will need when she is ready to expand. Needless to say, Annie has found the advisors at SCORE to be valuable resources. She said, "they'll give you advice, but they won't tell you what to do. They are a great sounding board, though." Interestingly, Annie received a bonus benefit from working with SCORE. The San Jose Mercury News, the primary newspaper for Silicon Valley with a circulation of 800,000, did a story on small companies that had worked with SCORE advisers.<sup>20</sup> Annie's Jellies and Jams was one of the companies included in the article.

One obstacle that likely won't ever change for Annie is the challenge she faced when trying to ship the very large orders for the advertising firm. In the first order Annie did for them she packed 1,200 individual boxes in her parent's garage and had to have UPS bring in a special truck. For the follow-up order she received, the advertising firm asked if she could drop ship them to the individual recipients rather than to fulfillment centers. Annie talked to the local post office which indicated they could possibly manage to send out 50 packages a day. It would have taken one month for the entire order to be shipped. Annie and Dave ultimately had to take the order to a bigger community farther away to be shipped. This is just one of the trade-offs for living in a rural community according to Annie.

Technology has helped Annie to not only improve and grow her business, but also her quality of life. Last Christmas, Annie and her daughter in California were "chatting" via America Online's free instant messaging service. As they discussed what Annie's grandchildren might like for Christmas that year, they decided to surf the Web together as they talked. They

went to several online stores together looking at various toys and clothes until they found something they thought the kids would like. The whole experience only cost Annie the price of her Internet connection, but was invaluable in the time shared with her daughter.

## ***Conclusions***

Annie's Jellies and Jams has achieved a level of success on the Internet that many small companies strive for—to achieve a degree of online recognition and sales growth that provides a supplemental revenue stream for the business. The goal of this case study is to not only detail the story of Annie's Jellies and Jams, but to explore why it has been successful where others have struggled. It would be easy to say that Annie's serendipitous timing was the major determinate in her success story, but that would be a mistake. If simply being early to the Internet was the secret for success there would be a lot more successful Web-based businesses around. The factors determining the online success of Annie's Jellies and Jams are much more diverse.

When Annie started Annie's Jellies and Jams she was determined to see it succeed. Some people questioned whether someone with Annie's background and isolated, rural location could start and operate a successful business. This determination played an important role as Annie faced, and overcame, many of the challenges that every small start-up company encounters. When Annie would come to a dead-end, whether it related to financing, technology issues, or marketing, she would remember her purpose and would press forward with a new determination to find a way to make it work. This commitment to success certainly made a difference in the prosperity of Annie's Jellies and

Jams.

While determined to have the business succeed, Annie recognized the value of working with good partners. True wisdom is knowing what you don't know. From the beginning, when Annie and Dave realized they needed additional assistance in getting started, Annie has been very willing to ask for help. Whether it was the University of Nebraska's Food Processing Center, the advisors from SCORE, the technicians at her Internet service provider, or her family, Annie has sought out any assistance that would help her to succeed. It is important to note that Annie viewed these entities as more than simply resources, they were valuable relationships that she continued to develop as her business progressed. Some partnerships have been more valuable to her than others, but Annie saw the value of on-going relationships as her business grew. The partners already knew the history of Annie's business and could thus provide more relevant support when needed.

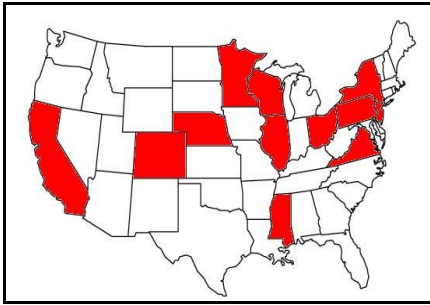
Annie did not have the expectation that her partners would determine whether or not her business prospered, she knew that was up to her. As she emphasized in her relationship with her SCORE advisor, "they'll give you advice, but they won't tell you what to do." This is how Annie approached all of her business resources. They were there to provide knowledge and insight, but it was up to Annie to consider it in the context of her business and make decisions on her own. Coupled with her determination to succeed, this made for a successful combination.

Working with valuable partners and a determination to succeed will not alone ensure eventual success. Starting with her jelly, Annie understood that the quality of her product was going to be what set her apart. She has high standards

for how each product should be prepared and subsequently taste. Annie also knew that the product she was going to be selling consisted of much more than her jellies. It included her story—quality jellies made on the stovetop from wild berries hand-picked along the Snake River in the beautiful Sandhills of central Nebraska. Annie has done a good job of communicating the story of the Sandhills, the Snake River, and the community of Valentine in all of her marketing materials. All of these elements helped to differentiate her jellies from the competition. She knew her jellies were good, but she also knew that wasn't enough to set her apart.

She extended her standards for quality to everything she did in the business, including the development of her Web site. At a time when many do-it-yourselfers were designing Web pages for their businesses, Annie enlisted the help of someone who knew how to do it professionally. They happened to be part of her family, but doesn't mean Annie compromised on the quality of her site. In fact, she and her son Brent disagreed once and she fired him, at least temporarily. The fact Annie's Web site had a professional look likely played a key role in her getting accepted so quickly into Yahoo!'s search directory.

From the first Web site, Annie integrated the story of Annie's Jellies and Jams. The artwork on the front page created by her mother-in-law depicted the "feel-good" nature of life in rural Nebraska. The story on the About Us page painted an eloquent picture of the beautiful Sandhills and reminisced about Annie and Dave's family history. The well-organized layout and sharp images immediately communicated to any visitor to the site that this business was serious about its mission and knew what they were doing.



U.S. distribution of Annie's Jellies and Jams.

Annie was aware that her Web site was only one part of her business. She continued to work hard marketing her jellies in other avenues. She worked to gain distribution in specialty gift shops, gourmet stores, and other appropriate outlets. Today, Annie has achieved distribution in over 50 stores in 12 states (see map above). She still attends several trade shows every year to promote her products and Web site. In the past couple of years she has attended an outdoor retail show in Chicago sponsored by the American Institute of Food and Wine, Gift Basket Review in Las Vegas, and the Wisconsin Cheese and Specialty Food Show in Milwaukee. While these shows don't directly generate a lot of new Web site business—they are targeted to the retail trade—they do expose Annie's Jellies and Jams to a large number of people thereby expanding her opportunity for word-of-mouth marketing, which has proven to be an effective marketing tool on the Internet.

One thing that Annie has long been uncomfortable doing is speaking in front of people. Encouraged by her success, Annie has taken advantage of opportunities to share her company's story with various organizations and business groups. She is a past president of the Nebraska Home-Based Business Association. These public relations opportunities once again are another avenue Annie has undertaken to get her company name noticed.

Finally, Annie has used her time efficiently in marketing her site on the Internet. As mentioned previously, Annie has gained top placement at several of the most prominent search engines and directories. This, coupled with the luck of having a company name that happens to start with the letter "A", has contributed significantly to new customers finding her Web site. Everything that Annie has done before this is in preparation for when customers finally find their way to her Web site. If they did not like what they experienced when they got there, the effort it took to attract them would be wasted. The attractive Web site, functional navigation, pleasant story and quality products communicate to every visitor that they have found what they have been looking for, in a jelly anyway.

For Annie, when a customer picks up the phone or sends an e-mail to inquire about a product or make a purchase, the process has only just begun. As Annie shared earlier, the fact she has communicated directly with each of her customers adds to the "message" she shares on her Web site. Annie's Jellies and Jams is a company that cares about you, wants to delight you with the goodness of its products, and is willing to do what it takes to make you feel at home. This personal service and order follow-through leave every new customer of Annie's Jellies and Jams wanting to come back for more, and they do.

### ***The Future for Annie's Jellies and Jams***

Annie Kime has a successful business with Annie's Jellies and Jams. It has experienced steady growth and achieved enviable success on the Internet. As Annie nears retirement age, it would be

natural to think she would be content to enjoy her current level of success and that she would take some time to relax. That assumption would, again, be wrong. Annie is as excited about her company today as when she started. She is currently exploring and undertaking some significant changes for both Annie's Jellies and Jams the company and Annie's Jellies and Jams the Web site.

On the Web site, her team is again planning revisions so that it will be easy to navigate if and when Annie decides to e-commerce enable it with online ordering and seamless credit card transactions. These new offerings would be a departure from her customary personal contact philosophy, but there is no doubt that every customer would continue to get a sense of Annie's friendliness and commitment to quality products and service each time they purchase something from Annie's Jellies and Jams.

In order to maximize the use of her time and to accommodate her growing business, Annie is exploring the possibility of building a processing facility near her home. Using large batch equipment and hiring employees, Annie would be able to produce much more jelly at a time and serve those occasional large orders easily. She continues to work with her partners at SCORE, bouncing ideas off of them for feedback. A design firm has provided drawings of the proposed plant and is working with Annie on revisions. The main remaining obstacle is finding someone to help finance its construction.

It seems as if Annie has been here before. While she is evaluating her plans for growth and options for financing, it would be safe to assume Annie will do whatever it takes to give the project every chance for success.

---

## ***Endnotes***

- <sup>1</sup> International Jelly and Preserve Association, 1999.
- <sup>2</sup> "A Guide to the New England Specialty Food Market," Agri-Food Trade Service, January 2000, <http://atn-riac.agr.ca/public/htmldocs/e2886.htm>.
- <sup>3</sup> Netcraft, <http://www.netcraft.com/survey/index-200007.html#active>, June, 2001.
- <sup>4</sup> "How to Get Listed in Yahoo!" by Ken Evoy, MD, Web Marketing Today, Issue 54, March 1, 1999.
- <sup>5</sup> The worldwide market for Internet-enabled services for customer relationship management (CRM) was estimated at \$19.9 billion in 2000, up 28 percent over 1999, according to a report issued by Dataquest, a unit of the Gartner Group. On average, companies were expected to budget more than \$2 million per year for CRM initiatives by the end of 2001, according to Dataquest. "Study: Market for CRM Services Booming," Nora Macaluso & Robert Conlin, <http://CRMDaily.com>, December 20, 2000.
- <sup>6</sup> "How People Use the Internet 2001," Statistical Research, Inc. (SRI), CyberAtlas, June 2001, [http://cyberatlas.internet.com/markets/advertising/article/0,,5941\\_781741,00.html](http://cyberatlas.internet.com/markets/advertising/article/0,,5941_781741,00.html).
- <sup>7</sup>  $\$5,000$  (sales) / 1.4 (40% margin) =  $\$3,571$  (product cost) +  $\$125$  (mailing cost) =  $\$3,696$  (total cost).  
 $\$5,000$  (sales) –  $\$3,696$  (total cost) =  $\$1,304$  (gross profit) /  $\$3,696$  (total cost) = 35%.
- <sup>8</sup> "E-mail Marketing to Take Off," Aberdeen Group, CyberAtlas, June 25, 2001, [http://cyberatlas.internet.com/markets/advertising/article/0,,5941\\_790521,00.html](http://cyberatlas.internet.com/markets/advertising/article/0,,5941_790521,00.html).
- <sup>9</sup> "E-mail Delivering the Message," Jupiter Communications, CyberAtlas, May 9, 2000, [http://cyberatlas.internet.com/markets/advertising/article/0,,5941\\_356791,00.html](http://cyberatlas.internet.com/markets/advertising/article/0,,5941_356791,00.html).
- <sup>10</sup> "Real Numbers Behind the Online Retail Industry," ActivMedia, CyberAtlas, June 2001, [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_171201,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_171201,00.html).
- <sup>11</sup> "ePrivacy & Security Report," eMarketer, CyberAtlas, January 9, 2001, [http://cyberatlas.internet.com/big\\_picture/hardware/article/0,,5921\\_555301,00.html](http://cyberatlas.internet.com/big_picture/hardware/article/0,,5921_555301,00.html).
- <sup>12</sup> Webnovice.com, <http://www.webnovice.com/stats.htm>, June 2001.
- <sup>13</sup> Alexa Research, [http://cyberatlas.internet.com/big\\_picture/traffic\\_patterns/article/0,,5931\\_588851,00.html#table](http://cyberatlas.internet.com/big_picture/traffic_patterns/article/0,,5931_588851,00.html#table), June 2001.
- <sup>14</sup> Search on keyword "Jelly," GOTO.com, July 2001, [http://www.goto.com/d/search/;\\$sessionid\\$TNTJ04QAE0YQTQFIEORAPUQ?type=home&tm=1&Keywords=jelly](http://www.goto.com/d/search/;$sessionid$TNTJ04QAE0YQTQFIEORAPUQ?type=home&tm=1&Keywords=jelly).
- <sup>15</sup> "GOTO Premium Listings", GOTO.com, July 2001, [http://www.goto.com/d/about/advertisers/pl.jhtml;\\$sessionid\\$TNTJ04QAE0YQTQFIEORAPUQ](http://www.goto.com/d/about/advertisers/pl.jhtml;$sessionid$TNTJ04QAE0YQTQFIEORAPUQ).
- <sup>16</sup> Source: Annie Kime.
- <sup>17</sup> Nielsen/NetRatings, June 2001.
- <sup>18</sup> About SCORE: <http://www.score.org/>.
- <sup>19</sup> "Specialty Foods Market Profile: Chicago, Illinois," Agri-Food Trade Service, Canada, January 11, 1999.
- <sup>20</sup> "With a little help... Mentor program links new entrepreneurs with retired executives," San Jose Mercury News, May 28, 1995.

## *Appendix A – Annie’s Jellies and Jams Linking Relationships*

The following list contains the linking relationships that Annie’s Jellies and Jams has with other Web sites.

**FoodHACCP.com**

<http://www.foodhaccp.com/foodindustries>

**Supermarket.org**

<http://www.supermarket.org/redesign/registration/whitepage.asp>

**Bizcardz.net**

<http://www.bidcardz.net>

**Lincoln Online**

<http://lincoln.inetnebr.com/>

**Nebraska Department of Economic Development**

<http://assist.neded.org/products.html#food>

**Nebraska Home Based Business Association**

<http://www.nhbba.org/food.htm>

**Grow Nebraska**

<http://www.growneb.com/catalog.htm>

**Cooperative Extension Burt County Information Technology**

<http://burt.unl.edu/infotech.htm>

**Savor the Moment**

<http://www.savorthemoment.com/jams.html>

**Fulltiming-America.com**

<http://www.fulltiming-america.com/Christmas/>

**Yuccadune Outdoor Adventure Gear**

<http://www.yuccadune.com/aisle88.html>

**Webcrawler**

[http://www.webcrawler.com/kids\\_and\\_family/food\\_and\\_drink/shopping\\_for\\_food/sauces\\_and\\_condiments/jams\\_and\\_jellies/](http://www.webcrawler.com/kids_and_family/food_and_drink/shopping_for_food/sauces_and_condiments/jams_and_jellies/)

**Internet Nebraska**

<http://lincoln.inetnebr.com/shopping/foods/>

**Nebraska.com**

<http://www.nebraska.com/shopping/food.asp>

**Schemmer Studios**

<http://incolor.inebraska.com/clayart/>

**Canlinks.net**

<http://www.canlinks.net/hotsites/1998.02.05.hotsites.html>

**Foodswitch.net**

<http://www.foodswitch.net/FoodSwitch/Food%20A-F.html>

**All-mart.com**

<http://www.all-mart.com/food.htm>

**DiningInMass.com**

<http://www.dininginmass.com/foodies/foodiesa.htm>

**FoodInfoNet**

<http://www.foodinfonet.com/Company/companyA.html>

**Business.com**

[http://www.business.com/directory/food\\_and\\_beverage/condiments\\_spreads\\_and\\_sauces/jam\\_and\\_jelly/](http://www.business.com/directory/food_and_beverage/condiments_spreads_and_sauces/jam_and_jelly/)

**JonLaw.com**

<http://www.jonlaw.com/clients.html>

## *Appendix B – Resources for E-commerce & the Specialty Food Industry*

### **AT & T Small Business Hosting Services**

AT&T Small Business Hosting Services offers a variety of plans and options that lets businesses choose the power and features that can get their businesses a Web site in as little as 30 minutes.

Primary Access Method: <http://www.ipsservices.att.com/products/>

### **AdResource**

The Internet advertising component of The E-Business and Internet Technology Network. Another source for articles and other resources.

Primary Access Method: <http://adres.internet.com/>

### **America Online (AOL) Instant Messenger**

AOL Instant Messenger is a little private chat room that sits in the corner of your desktop and, while you're online, lets you know when your friends log on and lets you invite them to an instant, private-individual or group-chat.

Primary Access Method: <http://www.aol.com/aim>

### **Inc. Magazine**

“Where to start and run your business.”

Primary Access Method: <http://www.inc.com/>

### **Internet Nebraska**

Internet Nebraska can host your company's pages at an excellent price. Commercial and Premium web hosting clients can choose to have their web sites hosted under UNIX or Windows NT servers.

Primary Access Method: <http://www.internetnebraska.com/>

### **Merchant Seek**

We have developed an online database of nothing but Merchant Account Providers, to aid you in the process of locating a merchant account provider that is right for your businesses needs and budget.

Primary Access Method: <http://www.merchantseek.com/index.shtml>

### **Merchant Warehouse**

MerchantWarehouse.com was founded on the principle that business owners should be able to buy credit card processing equipment and terminals at the best price. We believe no business owner should suffer exorbitant commissions, or be upsold to expensive products that do not meet specific needs.

Primary Access Method: <http://www.merchantwarehouse.com/>

### **Nebraska Electronic Main Street**

Provides opportunities for rural businesses to learn what technology opportunities there are for their business in increasing market potential, communicating with suppliers and providers.

Primary Access Method: <http://www.extension.umn.edu/mainstreet>

### **Network Solutions**

Check the availability of the domain name you want for your product and/or company and register it here.

Primary Access Method: <http://www.networksolutions.com>

### **QuickBooks 2001**

Accounting software from Intuit.

Primary Access Method: <http://www.quickbooks.com/>

**Smart Ship**

A site that will help you to find the most cost-effective carrier for shipping products.

Primary Access Method: <http://www.smartship.com>

**University of Nebraska-Lincoln Food Processing Center**

The Center provides a combination of technical and business assistance to the food industry on a confidential basis. Provides business assistance to entrepreneurs, start-up and small companies. It's internationally recognized "From Recipe to Reality" seminar is a key decision making tool for hundreds of entrepreneurs every year.

Primary Access Method: <http://fpc.unl.edu/Marketing/ent.htm>

**Valentine, Nebraska**

Nebraska's heart city.

Primary Access Method: <http://www.valentine-ne.com/>

**Web Marketing Today**

You'll find links to thousands of online articles about effective Web marketing and online resources for businesses wanting to promote their Internet sites. Also an excellent example of how to use an affiliate program for building value on your site.

Primary Access Method: <http://www.webmarketingtoday.com/webmarket/>

**Web Commerce Today**

Theme: Merchant Accounts and Payment Gateways

Issue 38, September 15, 2000

Primary Access Method: <http://www.wilsonweb.com/wct4/issue38.htm>

**Web Commerce Today**

"Unraveling the Mysteries of Merchant Credit Card Accounts for Web Commerce" by Dr. Ralph F. Wilson.

Web Commerce Today, Issue 1, August 15, 1997

Primary Access Method: <http://www.wilsonweb.com/articles/merch-cc.htm>

**Yahoo!**

Yahoo! Inc. is a leading global Internet communications, commerce and media company that offers a comprehensive branded network of services to more than 200 million individuals each month worldwide.

Primary Access Method: <http://www.yahoo.com>

## *Appendix C – How to Make Jelly*

### **Four Essential Ingredients**

#### *Fruit*

Fruit gives jams and jellies their characteristic flavor and furnishes at least part of the pectin and acid required for successful gels. Flavorful fruits are best for jellied products because the fruit flavor is diluted by large proportions of sugar.

#### *Sweeteners*

Sugar helps gel formation, serves as a preserving agent, contributes to the flavor of the jellied product, and has a firming effect on fruit. Beet and cane sugar can be used with equal success. Corn syrup and honey may be used to replace part of the sugar in recipes, but too much will mask the fruit flavor and alter the gel structure. Use tested recipes for replacing sugar with honey and corn syrup. Do not try to reduce the amount of sugar in traditional recipes. Too little sugar prevents gelling and may allow yeasts and molds to grow. Low-calorie and low-sugar recipes may call for non-nutritive sweeteners such as saccharin or aspartame. However, jellied products made with non-nutritive sweeteners must either be frozen or refrigerated and used within 2 or 3 weeks.

#### *Pectin*

Most jellies require added pectin although some fruits, such as apples, grapes, and some berries, have enough natural pectin to make high-quality products. All underripe fruits have more pectin than ripe fruits. Many people prefer the added-pectin method for making jams and jellies because fully ripe fruit and a shorter cooking time can be used. Commercial fruit pectins made from apples or citrus fruits are available in both liquid and powder forms. The two forms are not interchangeable. Commercial pectins may be used with any fruit. Fruit pectins should be stored in a cool, dry place to keep their gel strength. Liquid pectin should be refrigerated after opening. Use commercial pectins by the date stamped on the label.

#### *Acid*

Acid provides flavor and assists gel formation. Acid content varies among fruits and is higher in underripe fruits. Lemon juice and citric acid are commonly added to low-acid fruits. Some commercial fruit pectins contain acid.

### **General Canning Procedures**

Use regular and wide-mouth Mason jars with self-sealing lids held in place by screw-on metal bands. The bands hold the lids in place during the processing and cooling periods. Mason jars are made from tempered glass to resist high temperatures. Jars are available in 1/2 pint, pint, 1-1/2 pint, and quart sizes. Larger jars are not recommended for home canning. Inspect jars carefully for cracks or chips and discard faulty ones. Wash jars in hot, soapy water and rinse thoroughly or in the dishwasher. Keep jars hot in the dishwasher, a sink of hot water, or in a warm oven until they are filled. Check metal screw bands for signs of rust or dents. Discard badly corroded or dented bands. Use only new lids and follow manufacturer's directions for preparing lids for canning.

Prepare ingredients as described in the following pages. All mixtures should be boiling when ladled into clean half-pint or pint canning jars. Leave 1/4 inch headspace. Fill jars one at a time. Clean top of jar with a clean, damp cloth or paper towel. Cover with new two-piece canning lids. Tighten screw bands. Place each jar in canner immediately after filling.

***Follow These Steps For Successful Boiling-Water Canning:***

1. Fill the canner halfway with water.
2. Preheat water to 140°F for raw-packed foods and to 180°F for hot-packed foods.
3. Load filled jars, fitted with lids, into the canner rack and use the handles to lower the rack into the water; or fill the canner, one jar at a time, with a jar lifter.
4. If necessary, add more boiling water so the water level is at least 1 inch above jar tops.
5. Turn heat to its highest position until water boils vigorously.
6. Set a timer for the minutes required for processing the food.
7. Cover with the canner lid and lower the heat setting to maintain a gentle boil throughout the process schedule.
8. If necessary, add more boiling water to keep the water level above the jars.
9. When jars have been boiled for the recommended time, turn off the heat and remove the canner lid.
10. Using a jar lifter, remove the jars and place them on a towel, leaving at least 1-inch spaces between the jars during cooling.

**Table 1. Processing times**

Product	Pack	Jar Size	Processing time (in minutes) at:	
			1,000 – 6,000 ft. elevation	6,000 – 10,000 ft. elevation
All Jellies and Jams With/Without Added Pectin	Hot	Half-pints & Pints	10	15
Peach-Pineapple Spread	Hot	Half-pints	20	25
	Hot	Pints	30	35

***Test For Jar Seals***

Remove screw bands when jars have cooled and test for vacuum seals by these methods:

1. Press the lid center with finger. If the lid springs up when released, it is not sealed.
2. Tap the lid with a teaspoon. A sealed jar lid will make a ringing sound.
3. Hold the jar at eye level and look across the lid. A sealed jar lid curves down slightly in the center.

***Reprocessing Unsealed Jars***

Remove lids from unsealed jars and discard. Check sealing surface of jar for tiny nicks or cracks. If jar has defects, discard it and replace with another jar. If not, add new lid and process for the same amount of time within 24 hours. Unsealed jars can be kept in the refrigerator and the food used within 3 weeks.

***Storing Canned Foods***

Clean the outsides of sealed, cooled jars. Label with date and contents and store in a cool (50-70°F), dark, dry place away from sun, light, or dampness.

***Altitude Adjustments***

The boiling temperature of liquids is lower at higher elevations, therefore food must be processed longer at high altitudes. If you live at a higher elevation, select a longer processing time for canning your fruit.

Source: **Make Jelly, Jam, and Spreads at Home**  
Guide E-314  
Revised by Martha Archuleta, Extension Food and Nutrition Specialist  
College of Agriculture and Home Economics, New Mexico State University  
[http://www.cahe.nmsu.edu/pubs/\\_e/e-314.html](http://www.cahe.nmsu.edu/pubs/_e/e-314.html), July 2000.

## ***Appendix D – Glossary of Internet Terms***

*(Definitions provided by Netlingo.com and Webopedia.com)*

America Online - A popular online service. It is often abbreviated as *AOL*.

Cable modem - A modem attached to a coaxial cable television system. Cable modems can transmit data at 500 kilobytes a second, much faster than a typical computer modem that sends signals over telephone lines.

Chat – Real-time communication between two users via computer. Once a chat has been initiated, either user can enter text by typing on the keyboard and the entered text will appear on the other user's monitor. Most networks and online services offer a chat feature.

Digital Subscriber Line (DSL) - DSL is a technology that uses existing copper wiring found in almost every home and office to provide a fast connection to the Internet. Special hardware is attached to both ends of the line to allow data to transmit over the wires at a far greater speed than the standard phone wiring. It also provides a constant connection to the Internet 24 hours a day, 7 days a week, meaning there is no need to dial-in to your ISP each time you want to get online. A DSL line is most convenient in that you only need one line to carry both voice and data signals (meaning you don't have to get a second phone line).

Domain Name - A name that identifies one or more *IP addresses*. For example, the domain name *microsoft.com* represents about a dozen IP addresses. Domain names are used in URLs to identify particular Web pages. For example, in the URL *http://www.pcwebopedia.com/index.html*, the domain name is *pcwebopedia.com*.

Electronic Commerce - Conducting business online. This includes, for example, buying and selling products with digital cash and via Electronic Data Interchange (EDI).

E-mail (Electronic Mail) - E-mail is quite simply, electronically transmitted mail on your computer. It is the 'killer application' of the Internet because of the capability to send messages at anytime, to anyone for less money than it would cost to mail a letter or call someone on the telephone.

Fixed wireless - Refers to wireless devices or systems that are situated in fixed locations, such as an office or home, as opposed to devices that are mobile, such as cell phones and PDAs. Fixed wireless devices normally derive their electrical power from utility mains, as opposed to portable wireless devices that normally derive their power from batteries.

The point-to-point signal transmissions occur through the air over a terrestrial microwave platform rather than through copper or fiber cables; therefore, fixed wireless does not require satellite feeds or local phone service. The advantages of fixed wireless include the ability to connect with users in remote areas without the need for laying new cables and the capacity for broad bandwidth that is not impeded by fiber or cable capacities.

Hosting - A Web hosting service *hosts* your Web site on a Web server so the rest of the world can access it. An ISP, in turn, gives you access to the Internet so you can visit Web sites and have e-mail. Some businesses host their site with one company (a Web hosting service) and get their Internet access through another company (an ISP). Some companies are both an ISP and Web hosting service, hence the confusion.

Instant Messaging - A type of communications service that enables you to create a private chat room with another individual. Typically, the instant messaging system alerts you whenever somebody on your private list is online. You can then initiate a chat session with that particular individual.

Internet - A global network connecting millions of computers. Unlike online services, which are centrally controlled, the Internet is decentralized by design. Each Internet computer, called a host, is independent. Its operators can choose which Internet services to use and which local services to make available to the global Internet community. There are a variety of ways to access the Internet. Most online services, such as America Online, offer access to some Internet services. It is also possible to gain access through a commercial Internet Service Provider.

Internet Service Provider (ISP) - A company that provides access to the Internet. For a monthly fee, the service provider gives you a software package, username, password, and access phone number. Equipped with a modem, you can then log on to the Internet and browse the World Wide Web and USENET, and send and receive e-mail.

Merchant account - An account needed to process credit card transactions online. It is nothing more than an actual bank account which enables the credit card networks to route funds to you.

Online Storefront - A storefront is a Web site displaying a merchant's product catalog for end-users to view and select items to purchase.

Satellite based Internet access – A form of high speed, wireless Internet connectivity. Many people/businesses select Satellite service when DSL or T1 access is not available or viable, or as a backup solution for the primary connectivity.

Search Directory - Unlike a search engine which relies solely on some form of Internet technology to operate, a search directory includes a human touch at some point; meaning someone actually edits links and classifies them into a directory. A search engine, on the other hand, uses a bot (Short for *robot*, a computer program that runs automatically) to sort it out. The most famous search directory is Yahoo!

Search Engine - A program that searches documents for specified keywords and returns a list of the documents where the keywords were found.