

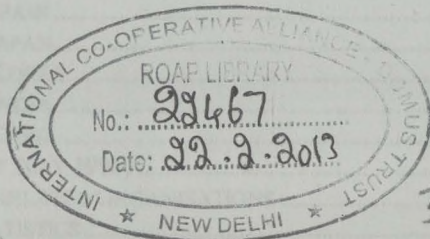
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# Digitally Energising the Cooperative Sector

## A Market Assessment of *.coop*

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336.45



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## Executive Summary

### SCOPE OF OUR ANALYSIS<sup>1</sup>

We have been requested by Poptel to research the market for the .coop top-level domain (TLD)<sup>2</sup> name. Poptel, in conjunction with the National Cooperative Business Association (NCBA) and the International Cooperative Alliance (ICA) applied to the Internet Corporation of Assigned Names and Addresses (ICANN) for the rights to sell access to the .coop TLD. This was awarded on November 16, 2000. Throughout this report we generally refer to the partnership as DC LLC (standing for .coop LLC) since this is the cooperative business which we understand is intended to be created as a subsidiary of NCBA with equity participation by Poptel and the ICA. DC LLC is intended to manage the policy with respect to .coop registration, ICANN and the digital divide fund.<sup>3</sup> We also understand it is intended that a further company be set up to specifically create and exploit value added services. This company is referred to herein as .coop International (DCI). We understand this report is to be created primarily for Poptel as its role as a partner in DC LLC/DCI but will be provided for general use by the DC LLC/DCI partners.

Our work has been focused in three areas critical to the successful worldwide launch of the .coop TLD and relevant value added services. These areas have been:

1. Designing, conducting and evaluating the results of a survey to potential customers of the .coop TLD. This survey was conducted to help determine the initial demand for the .coop TLD as well as to determine pricing of the domain and to assist in determining relevant advertising messages to be used in the launch of .coop.
2. General research into a number of value added services as well as the cooperative situation worldwide.

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<sup>1</sup> See Appendix 1 for a list of the assumptions made herein and Appendix 2 for a copy of the seven cooperative principles on which the cooperative movement is based.

<sup>2</sup> On the Internet, a top-level domain (TLD) identifies the most general part of the domain name in an Internet address. A TLD is either a generic top-level domain (gTLD), such as "com" for "commercial", "edu" for "educational", and so forth, or a country code top-level domain (ccTLD), such as "fr" for France or "is" for Iceland. Definition from [whatis.techtarget.com](http://whatis.techtarget.com).

<sup>3</sup> The digital divide fund is intended to be created from the profits of selling the .coop TLDs. It will be used to help cooperatives which are not already online.

3. Detailed research into four important regions of the world to understand the market size for the .coop TLD as well as other value added services, and to understand market subtleties which need to be addressed in a worldwide launch.

## **METHODOLOGY USED**

The specific methodology utilised throughout the entirety of this project included:

- Designing, conducting and evaluating (using multiple methods) a customer survey targeted at federations and cooperatives.<sup>4</sup>
- Interviewing key Poptel employees, cooperative businesses worldwide, industry and academic experts and employees from partner organisations.<sup>5</sup>
- Brainstorming sessions on all topics discussed herein.<sup>6</sup>
- Reviewing up to five cooperative web sites in each country examined.<sup>7</sup>
- Extensive primary and secondary research into all areas of this report.

Using this methodology, we are able to put forth the following recommendations to Poptel and DC LLC/DCI in respect of the launch of .coop and relevant value added services.

## **RECOMMENDATIONS AS A RESULT OF THE SURVEY<sup>8</sup>**

During February and March we conducted a survey of potential customers (federations<sup>9</sup> and cooperatives) for the .coop domain names. Our conclusions from the analysis of the survey results are below. Please be aware that the responses contained in this report are from known members of the cooperative movement community, are primarily English speakers, and have expressed interest in the .coop top-level domain, making the sample biased. Furthermore, the survey was only conducted on the Internet and therefore is biased towards cooperatives that are already online.

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<sup>4</sup> See Appendix 3.

<sup>5</sup> See Appendix 4 for relevant interview notes and documents. Notes of all interviews conducted are not included in this report.

<sup>6</sup> See Appendix 5 for the list of preliminary value added services developed during one of the brainstorming sessions.

<sup>7</sup> See Appendix 6 for the detailed results of the web site analysis.

<sup>8</sup> For a full copy of the report related to this survey please see Appendix 3.

<sup>9</sup> For the purposes of this report the term “federation” will be used to denote any umbrella organisation in the cooperative movement (i.e., this term will be used to include apex, associations, organisations and federations). The term “cooperative” will be used to denote all cooperative businesses.



### **Pricing Conclusions**

From the results of the survey and our clustering analysis we suggest that DC LLC price the .coop domain names as follows. Actual discount points vary by segment, but on average pricing should be per annum per domain:

- US\$200/domain for 1 domain
- US\$100/domain for 2-5 domains
- US\$50/domain for 6 or more domains

### **Marketing to the Clusters**

We found that clustering by size in terms of turnover yielded better results for target services and pricing than clustering by region. In general terms, our suggestions are to consider tailoring the .coop marketing messages (both for the domain names and the value added services) to specific cooperative groups based on turnover size. For example:

- The <US\$ 250K segment must be sold on the benefits of technology or new ways of doing business.
- The US\$ 10 – 100 million segment is tech savvy and interested in .coop. This is a key early segment.
- The larger segment (US\$ 100 million – 10 billion) is tech savvy but may be less willing to find new vendors for value added services.

Unfortunately, the survey respondents were fairly homogenous and therefore, unique regional targeting messages were difficult to determine. The survey responses did suggest the following:

- Marketing strategies in Scandinavia must address the issue that Scandinavians were least positive on the .coop messages suggested in the survey. Specific messages may need to be tailored to this market.

### **RECOMMENDATIONS AND CHALLENGES FOR LAUNCH OF .COOP IN FOUR MAIN REGIONS**

To determine which value added services would be best for DC LLC to consider offering as part of the .coop organisation, we first considered the market for the .coop TLD. Before the

DC LLC/DCI will be a trusted provider of value added services, it needs to establish its brand. The most logical way for this to occur is through the successful launch of the .coop TLD.

Our methodology included using a new product screening model to evaluate the potential for the .coop TLD in specific regions of the world. The regions selected were the largest regions for either cooperative members or cooperatives (or both) based on the data provided by the ICA. Using this methodology, our analysis suggests the following recommendations and challenges for DC LLC in the worldwide rollout of the .coop TLD.

### **North America**

- The US market for .coop is well taken care of by the NCBA and DC LLC should rely on the NCBA to concentrate on selling .coop here. Utilise programmes like the Founders programme (described herein) to ensure sales.
- DC LLC should remember that the US only makes up 6% of the cooperative movement worldwide. Although efforts do need to be concentrated here due to the high Internet penetration and strong cooperative movement, DC LLC should not over commit investments in this market.
- Make sure to focus on Canada early as there will be some potentially easy wins. In particular the Credit Union Central of Canada (CUCC) and the Cooperative Housing Federation Canada (CHF Canada) should be very interested.
- Target the top 18 Canadian agriculture/food cooperatives as they are cooperative market leaders (and may be interested in the Founders programme).
- Quebec has a significant cooperative heritage. It will be important to have a strong French Canadian ally to tap this market.

### **UK and Europe**

- Although the UK is the home country of Poptel, significant effort should not be expended on selling the .coop TLD because the market size is small.

- France should not be a key country of focus for DC LLC in the short-term because of the low Internet penetration rates and the lack of perceived need for the .coop TLD here.
- The German cooperatives are not inclined towards advertising their cooperative status and therefore may not be as interested in the .coop TLD.
- Any value added services considered for the French or German market need to be geared in the cooperative to cooperative sector (B2B type).
- With respect to Scandinavia, before DC LLC really attempts to tap this market they need to be clear on the verification process they will use for unfederated cooperatives. It would be useful to speak with some unfederated cooperatives to understand if they do meet the types of criteria that DC LLC will be setting for release of a .coop TLD.
- Appropriate staffing requirements need to be considered if the verification process is likely to be labour intensive. It will be important that DC LLC be able to meet the demand needs quickly (and not have significant verification delays) to build a strong .coop brand in this very sophisticated market.
- Marketing messages to the Scandinavian cooperative movement will need to be specifically targeted to address the high number of unfederated cooperatives.
- Given the large use of mobile phones throughout Europe DC LLC should consider the impact of this platform in the value added services they launch. However, this form of commerce has not yet taken off and therefore we suggest that DC LLC not waste any money until it is a proven medium.
- Spain and Italy have substantial potential, but should not be the focus of an early rollout. Instead, time should be taken to understand these markets more fully so that the marketing style and messages can be appropriately tailored.

### **East Asia**

- The customer for DC LLC is the cooperative, and in Japan there are not a large number of cooperatives. It may not be an appropriate area for initial focus since the costs may outweigh revenues.
- In Japan, cooperatives are ready to get on the Internet but are just starting to be online. There is potential for .coop domains (since it is likely that many .com names have not yet been purchased by cooperatives) and for value added services that are needed to help these cooperatives get online.
- It is necessary in East Asia to have global federation approval to help sell the .coop domains as well as to determine which value added services are best to sell here.
- It was clear in our research that in order for the .coop TLD to be adopted in large numbers within Korea, DC LLC needs a champion in the Korean cooperative market to assist in marketing the domain name. The National Agricultural Cooperative Federation (NACF) may be a good candidate – though they did indicate to the ICA that they were concerned about having to redirect their name for the second time (they just switched site locations earlier this year). DC LLC needs a champion who will adopt the .coop TLD quickly to help with onward sales.
- Sales efforts in the Korean market should focus specifically on how the .coop TLD will help Korean cooperatives improve their business. General messages worldwide do not appear to be accepted as easily, as Koreans prefer customized messages.
- Mobile phone penetration in Korea is significant (77% of households use mobile phones) and this may be a platform through which DC LLC could consider offering services to cooperatives.

### **South and Central Asia**

- The digital divide in India will inhibit sales of .coop on an extensive basis (outside of the larger, more powerful cooperatives) in the short and medium term. When introducing .coop to India, DC LLC should ensure that they understand the political



nature of the cooperative movement in India and pursue early partners in the .coop launch that are perceived well amongst the wider cooperative market.

- As we have discussed, .coop has future potential in China, but none of it is immediate. Because the technology infrastructure is very important, DC LLC should consider other ways of offering the .coop TLD to the Chinese – using mobile phone technology for example.
- The Chinese cooperatives are very interested in international trade and this is a huge potential market for DC LLC. However, in order to tap this market DC LLC will need to ensure they launch .coop well as the underlying platform (and brand) on which to build.
- Areas like South East Asia have significant potential in the long run.

#### **General Recommendations on Launch**

- The validation process is key, particularly if the survey numbers are correct and there are twice as many cooperatives in existence as there are registered. Ensure the method decided on for the validation is clear, has specific steps, and is appropriately managed for efficiency.
- Barriers to Adoption – get early champions of the .coop name to build up the “value” attributed to being a cooperative and utilising .coop.
- Use the digital divide fund to help get cooperatives online who cannot afford to be on the Internet.
- Ensure the management team that is dedicated to this project is sufficient for the quick ramp up of sales, and has worldwide representation.
- Consider forming alliances with global organisations outside of the partnership structure (i.e., with the Cooperative Branch of the International Labour Organisation). Outside of the contacts held by the NCBA and the ICA there is a potentially significant market which none of the partners have data on.

- Be aware that the pricing of the .coop domain names is higher than all other domain names we looked into: .com is US\$ 35 and .edu is US\$40 per annum.
- The recent downturn in the Internet economy has caused many individuals and businesses to become sceptical of the long-term viability of Internet businesses, which may affect the .coop launch. Marketing efforts could be tailored to address this.

Overall, the project is “worth it” from many perspectives as we have already outlined. The most important concern for DC LLC will now be to get it right. Because .coop is the base of all future services that will be offered by DC LLC/DCI it is very important that the launch of .coop establish a positive presence and brand in the cooperative marketplace.

#### **RECOMMENDATIONS ON VALUE ADDED SERVICES**

Before investing in any of the value added services suggested herein, further detailed market research will be necessary. Our preliminary investigations suggest that for some products, the market may not be sufficiently profitable to warrant significant investment.<sup>10</sup>

Based on our research there are three primary areas of value added services that DC LLC/DCI could consider. These three areas include: technology enabling services, trading exchanges and membership services. Our recommendations in respect of these areas are as follows.

#### **Technology Enabling Services**

- The market for cooperative digital certificates is small because they are only useful for cooperatives that are planning e-commerce ventures. Because of this small scale, and the significant competition DC LLC/DCI will face from the well established market leader, VeriSign, Inc., we suggest that DC LLC/DCI attempt to secure a partnership with VeriSign for digital certificates and secure socket layer (SSL) certificates as soon as possible in order that DC LLC/DCI has an opportunity to earn referral fees from the relationship.
- Like .coop, offering web site hosting is a critical link in helping cooperatives get online and develop relationships with DC LLC/DCI. However, it is not a very

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<sup>10</sup> See Appendix 13.

lucrative business because the service is becoming commoditised. This is putting significant pressure on prices and profit margins. Therefore, we suggest that DC LLC/DCI offer web site hosting directly where it can (i.e., through Poptel), develop referral alliances with providers in other areas of the world (preferably cooperatives) and consider developing facilities in markets with significant potential (in the longer term since these will be in developing nations like China and India).

### **Trading Exchanges**

- Use a test market to get a better sense of the issues and costs surrounding a trading exchange or work with the ICA to leverage their efforts in building an exchange in Singapore, and use any data they have gathered to better understand the market success potential.
- Make sure the team building the trading exchange includes representatives from the region in which the exchange is targeted. It is essential that DC LLC/DCI have first hand knowledge of the cooperative market in the particular region.
- Consider launching the trading exchange in two phases: Phase 1: Cooperatives pay to belong as members and simply provide information about their cooperatives. This will help cooperatives find other cooperatives but will not facilitate the trading as such. Phase 2: If there is sufficient demand for the Phase 1 Information Exchange, build a trading platform to assist cooperatives with their trades. Once again, gauge demand for this service before building it out worldwide.
- Consider the profit model for any exchange being built. All profit models have inherent strengths and weaknesses. Because the trading exchange that DC LLC/DCI would build would be more based on the premise of cooperatives helping cooperatives (rather than cooperatives finding the lowest price) it is important to ensure the profit model reflects this. Accordingly, we do not believe a model based on the savings found online would be appropriate. Some mix of membership fee to belong to the exchange and a percentage of the transaction value is likely most appropriate.

- Consider developing a partnership with a software enabling company like Ariba or Commerce One to help provide exchange software to cooperative businesses. This would also help DC LLC/DCI create a list of interested parties in a trading exchange. Be careful however, because if the intended revenue model for the trading exchange is based on a percentage of the transaction value, it may be less desirable for cooperatives to already have exchange related software. The issue is the requirement for recurring transactions through the exchange, which may not occur if the cooperatives can, once they have found each other, conduct the transaction around the exchange.

### **Membership Services**

- DC LLC/DCI should develop appropriate partnership relationships to help cooperatives to get on the Internet, improve their exposure, and run their business more efficiently.
- DC LLC/DCI could consider a programme to enable group buying by federations or cooperatives such that they offer free or lower cost computers to their member cooperatives or to cooperative members. This would be done to grow the .coop potential more than to make a profit from the venture specifically.

### **General Value Added Services Conclusions**

- Given the extensive recommendations for use of partners, it will be important for DC LLC/DCI to consider brand effects of potential partners. In particular, as the number and diversity of partnerships increase, it will become harder for DC LLC/DCI to retain a consistent brand image.
- Consider the economies of scale necessary to achieve profitability for each value added service. Also, consider the fragmentation of the cooperative market and the difficulties in reaching the necessary customer numbers.
- Finally, remember that a majority of cooperatives worldwide are currently non-users of technology and it will take time to bring them up the Internet adoption continuum



before they are savvy enough to want the products and services intended to be offered  
by DC LLC/DCI.

## **Background Analysis**

### **BACKGROUND ON COOPERATIVES**

Cooperatives are like any other business although they tend to be defined around three general segments: producer cooperatives, worker cooperatives and consumer cooperatives.<sup>11</sup>

Producer cooperatives are generally owned by farmers or producers who use their cooperative to process and market their goods.

Worker cooperatives are businesses that are owned and operated by its employees. Typically, producer and worker cooperatives have fewer members and as such each member has a large stake in the overall success or failure of the cooperative.

Consumer cooperatives are end-customer facing cooperatives, providing such goods and services as retail, utilities or housing. Large consumer cooperatives are common, they have large member bases but each individual member stake is small. It is typical for these cooperatives to have very minimal involvement from their members; for example it has been estimated that at annual meetings of consumer cooperatives in North America 0.5% of the member base actually attends.<sup>12</sup>

### **BACKGROUND ON THE AWARD OF THE .COOP TLD**

The application for the .coop TLD was submitted by the NCBA to ICANN. This application was a joint effort between the NCBA and Poptel. Although not directly a contributor to the application, the ICA supported the efforts by both Poptel and the NCBA in applying for and being awarded this TLD.

At the time of this report, it is our understanding that there was no firm agreement between these three potential partners of the .coop TLD. It is anticipated that the three organisations will be involved as “partners”<sup>13</sup> in the .coop project with, roughly:

- Poptel being the registry operator; who will enter into agreements with registrars to sell the .coop domain names.

<sup>11</sup> Descriptions on types of cooperatives are from the NCBA web site. [www.ncba.org](http://www.ncba.org).

<sup>12</sup> Per Tom Webb, meeting February 28, 2001.

<sup>13</sup> Legal or otherwise.

- NCBA's main focus will be North America, promoting .coop, and in charge of verifying the cooperative status of potential end-user cooperatives.
- ICA's focus will be the rest of the world, providing connections to worldwide cooperative organisations and helping to develop further registrars worldwide.

It is expected that the NCBA and the ICA will conjunctively determine the qualifications that will be required to be met in order to qualify for a .coop domain.

It may be important for DC LLC to look beyond the ICA for assistance as it moves the sales of .coop out into developing countries. In particular, it is our understanding in South East Asia the International Labour Organisation (ILO) is quite involved with cooperatives. Because the ILO is first and foremost concerned with job creation it may have different contacts within the cooperative sector in developing nations than the ICA. It is our understanding that the ICA deals at the most senior levels of cooperatives (i.e., with the apex organisations and the federations) where the ILO may deal with levels below. Finally, nothing replaces establishing a local presence to ensure a strong market understanding.

#### **SIZE OF THE COOPERATIVE MARKET**

Based on the 1996 statistics of the ICA there are 749,100 cooperatives worldwide with 725 million members.<sup>14</sup> These numbers are collected by the federations under the ICA worldwide<sup>15</sup> and comprise cooperatives that are registered with these country federations.

It is our understanding that these numbers are likely to be low in respect of the number of cooperatives worldwide. This is because there are a number of unfederated cooperatives worldwide and the numbers are growing. ICA estimates that 500+ new cooperatives are created each year in Scandinavia alone. Furthermore, many cooperatives are members of a cooperative federation that is not a member of the ICA. For example, 57% of respondents to the survey try to track non-member cooperatives and find that they number nearly as many as member cooperatives. It is less likely that the number of members is overestimated because many individuals are members of more than one cooperative and therefore an increase to the number of cooperatives does not mean there will be a corresponding increase to the number of members of cooperatives.

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<sup>14</sup> See Appendix 7.

<sup>15</sup> See Appendix 8 for an organisational chart for the Japanese federations as an example.

## **COOPERATIVES AND THE INTERNET**

The picture of cooperatives on the Internet is similar to that of businesses on the Internet worldwide. Generally speaking, the Internet still caters to the developed world because of the need for technology infrastructure to support the Internet connections. Furthermore, businesses or individuals on the Internet need to be able to fund their access, which can be an expensive venture for developing countries. The Internet is still predominantly in English, which eliminates businesses, or individuals that only speak another language. Furthermore, the Internet by its nature requires literacy, which can be low in areas of the developing world. All of these factors will affect the offering of .coop to cooperatives worldwide.

The Internet as a communications platform offers a significant opportunity to cooperatives as will be discussed in more detail in this report. The Internet allows cooperatives to increase their communication, both with other cooperatives and with their members, offering cooperatives ways to improve and increase their business both locally and globally.



## .coop Survey Summary

### **FEDERATION SURVEY SUMMARY**

The federation results provide some interesting insight and a great place to start more research into global .coop offerings. There is great support for .coop worldwide and especially in Latin America – making it a great rally cry for the cooperative movement. However, it is important to remember that there are end customers that must be addressed, not just the federations. Promoting and advancing the cooperative movement is fantastic, but does not necessarily equate to enhanced sales for individual cooperative businesses or the uptake of .coop registrations and services. The data suggests that the federations believe there will be a weak link between sales by cooperatives and having a .coop TLD (i.e., they believe a .coop TLD will only be marginally helpful in increasing sales for those cooperatives that use it).

### **COOPERATIVE SURVEY SUMMARY**

There were 203 total respondents to the cooperative survey, although one represents 30 electric cooperatives – making it more like a federation. Depending on the clustering analysis done, responses from between 175 and 198 respondents were used, as not all responses were complete for every question.

Respondents to the cooperative survey represented many areas of the world, although they were predominantly North America and UK based. 78% of respondents were members of a relevant national federation, association or sector body. Dominant respondent sectors included Credit Union/Financial Services/Insurance and Utilities (Energy, Communications). Respondents tended to work in the IT area (19%), Operations (9%), Communications (9%), Marketing (15%) and Executive Management (23%).

Although some respondents did not give any information, turnovers on average are in the US\$1-10 million range with highest responses in the US\$1-10 and US\$10-100 million range. We expect the average number of members is around 2,000 as the majority of responses were for 100 - 1,000 and 1,000 – 10,000 member categories (there are a few which had 4.5 million and 13.7 million members).

### Details of Each Turnover Cluster

The < **US\$250K segment** represents a classic SME.<sup>16</sup> These cooperatives represent various industries, have few members, and are the least online enabled. They will be the toughest cooperatives to reach because of their wide diversity. Furthermore, they are not willing to spend as much as other sectors. Interestingly, this segment had the most positive responses on secondary domain names. Perhaps they perceive this to be a way to differentiate their businesses. The survey results also indicate that they are the toughest in terms of convincing to adopt new services –and must be sold on the benefits of the technology or new ways of doing business.

In terms of spending power and reach, mid to large turnover cooperatives are better target. The cooperatives with turnover in the range of **US\$1 – 10 million** are interested in .coop and are not any more price sensitive than segments with larger turnover. The downside is this cluster does not have high expectations for using their web sites for e-commerce. It is possible that this is due to the sectors represented in the survey.

The **US\$10 - 100 million** cluster appears less price sensitive than the US\$1 – 10 million group. They are tech savvy, already have web sites, are still interested in .coop and would take advantage of a multiple year contact. Winning their confidence and loyalty would likely lead to future revenue stream and fairly good word of mouth marketing.

The **US\$100 million – 1 billion** segment is interested in .coop and multiple domains. Furthermore, they seem practical and not going for frills – i.e. they are not showing significant interest in secondary domain names or e-commerce applications. There are a large number of financial services cooperatives. As credit unions and financial services cooperatives bring member services online (using online banking), these high turnover companies will be in need of secure servers and digital certificates to go in hand with their new .coop domain, making them a potential customer for value added services. Accordingly, this may still be a good segment to target, but as they are already online they may have relationships already established.

The final cluster, the **US\$1 - 10 billion** group are tech savvy. They are already established online with multiple domain names. As a result, they are willing to use their sites for general

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<sup>16</sup> Small and Medium Sized Enterprises.

and member information and e-commerce. In addition, it is likely that they will buy .coop to protect their online presence and re-route .coop traffic to their main domain(s).

Because these cooperatives are already well established online it is likely that they would already have preferred suppliers. Therefore, value added services may be harder to sell to this segment.

Finally, because they have a lot of members in general – they are good to target for distributing a message to a wide audience. Their size would provide clout for onward selling of .coop and they may be good targets for the Founders programme (although they are not price insensitive and may not be willing to spend the money to do so).

### **Summary of Clustering Results using Regions**

Throughout our clustering analysis we found the following trends in regions. These may be helpful in developing products and creating marketing messages.

- Scandinavia, the US, Western Europe and Australasian respondents have the highest online presence while the US, UK and Latin America are most interested in .coop.
- The Scandinavian and Australasian regions have a slightly higher upper limit in price. The US's upper limit starts high, but falls off quickly as more domains are added. The US is positive on most marketing messages suggested within the survey, but too much may be overkill.
- The US is least interested in country codes, which is not surprising because they are not as common in the US and therefore the US is not accustomed to them.
- Canada and the UK both do not show particular unique characteristics for marketing purposes. Both countries were more interested in country codes than the average.
- Western Europe reflects a wide range of cooperative characteristics and one generic offering would not be appropriate for this region.
- Scandinavia is not very positive on the .coop project and will require specific research into what may help convert them to the idea.

- The Swiss cooperative was negative for all secondary cooperative names.
- Latin America was positive for secondary cooperative names.
- China does not associate cooperatives with freedom, unlike many other regions.

The strongest responses to what .coop indicates are largely homogenous. This makes the development of a brand/marketing message easier. It also provides a focus for DC LLC/DCI to address weak points in their message, for example to combat the perception that cooperatives are not considered to be modern nor high tech businesses.

### **Cooperative Section Conclusion**

In general, there was homogeneity between the federation and cooperative survey responses. One concern among the respondents was with regard to the launch of .coop and the way the registering is done. Respondents feel this will determine how .coop is received and how its image is unveiled.

Although regional clustering can help in developing an advertising message or overall cooperative perception, clustering by turnover provides an advantage in developing and targeting value added services and domain usage. Cooperatives of similar size in terms of revenue or turnover tend to be facing similar problems or situations in their business lives. As a result, .coop services can be adjusted to offer a 'customised' package to each sector.



### **Evaluation of the .coop TLD**

To determine which value added services would be best for DC LLC to consider offering as part of the .coop organisation, it is first important to consider the market for the .coop TLD. Accordingly, this next section uses a new product screening model to evaluate the potential for the .coop TLD in specific regions of the world. The regions selected were the largest regions for either cooperative members or cooperatives (or both) based on the data provided by the ICA. The regions chosen for examination were:

1. North America
2. United Kingdom and Continental Europe
3. East Asia, using Japan and Korea as a focus
4. South and Central Asia, using India and China as a focus

We have also included more general information on South East Asia and Oceania.

Overall the new product screening method used below attempts to answer the following questions:

- Is it real? (i.e., is the product real and is there a real market for the product)
- Can DC LLC win? (i.e., does the organisation have the required skills to win with its product)
- Is it worth doing? (is it both profitable and strategic)

#### **1. ARE THE MARKETS REAL?**

##### **North America**

This region is clearly going to be an area of concentration for DC LLC for several reasons: One of the major partners is located here (the NCBA) and this is the area of the world with a large number of cooperatives and one of the highest Internet penetrations worldwide.

## US

### *Market Size and Potential*

According to the NCBA there are 47,000 cooperatives in the US with 120 million members.<sup>17</sup> Of the approximately 750,000 cooperatives worldwide however, the US makes up only 6%. Cooperatives play a strong part in the US economy and cooperative esteem in the market is growing (i.e., cooperatives are starting to use their cooperative nature as a selling point). For example, the cooperative Citrus World in Florida has been marketing its premium-brand orange juice with a television campaign using the emotional side of its cooperative. The advertisement states: “They own the land, they own the trees, they own the company.”<sup>18</sup>

Agricultural cooperatives are significant in the US. Four of the five largest cooperatives in the US in 1999 were agricultural cooperatives and there are approximately 3,800 agricultural cooperatives in total.<sup>19</sup> Consumer and purchasing cooperatives are also big – according to Johnston Birchall<sup>20</sup> in 1997 there were over 300 retail cooperatives and 3,000 buying clubs in the US.

The Credit Union National Association states there were 11,016 credit unions (both State and Federal Credit Unions) in the US in 1999. The number of credit unions has decreased each year since 1969, however in the same period member numbers have increased 259%. It is anticipated that the decline in credit union cooperatives is due to consolidation in the industry.

Furthermore, the US cooperative electric utilities serve 34 million people in 46 states covering 11% of the US population. They also own and maintain 44% of the US’s electric distribution lines.<sup>21</sup> In fact, credit unions and utilities were the two dominant sectors represented in the survey.

Therefore, because of the active cooperative sector in the US, it would appear that there is a good market for .coop.

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<sup>17</sup> We used the NCBA data for the US because of their proximity to the market.

<sup>18</sup> “A Star is Born”, Rural Cooperatives, [www.rurdev.usda.gov/rbs/pub/jul98/Star.htm](http://www.rurdev.usda.gov/rbs/pub/jul98/Star.htm)

<sup>19</sup> [www.ncb.com](http://www.ncb.com)

<sup>20</sup> “International Cooperative Movement”, 1997.

<sup>21</sup> National Rural Electric Cooperative Association.

### ***Market Dynamics***

The market in the US for Internet focused businesses is on a decline currently due to the recent downturn in the technology markets. However, the US is still a very wired country with PC penetration at 57.8% and Internet penetration at 58.6%.<sup>22</sup> Therefore, although it is not as “trendy” to become a dotcom (or .coop) business today, the US is still a significant market to serve with new domain names.

Cooperatives in the US until recently have not generally explicitly advertised themselves as cooperatives. This has continued with the web presence of some cooperatives today – for example Land O’ Lakes does not mention it is a cooperative on its customer facing site (it does mention it on its corporate site). In fact, some survey respondents mentioned that customers thought of them as a business, not as a cooperative. Despite this, cooperatives are a large force and there is a move to highlight their unique business model, making .coop attractive.

### ***Market Need for .coop***

It is clear that the US market for .coop is significant. The survey on the .coop TLD received 72.9% of its responses from the US, and 91% of the US responses indicated a desire to buy .coop. The Founders programme initiated by DC LLC appears to have pre-sold 30,000 .coop domain names in the US already.

### ***Recommendations for DC LLC in Respect of the US***

- The US market for .coop is well taken care of by the NCBA and they should concentrate on selling .coop here. It is recommended to use the Founders programme to ensure sales.
- The bigger concern for DC LLC is to remember that the US only makes up 6% of the cooperative movement worldwide. Although efforts do need to be concentrated here due to the high Internet penetration and strong cooperative movement DC LLC should consider the level of effort they put into this market.

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<sup>22</sup> Connectis Magazine, May 2001. Their sources were Netfigures, Nielsen/NetRatings, NetValue. Please see Appendix 9 for details of selected countries.

## **Canada**

### ***Market Size and Potential***

According to the ICA statistics Canada has 7,880 cooperatives with 14.5 million members. However, it is unclear how many cooperatives exist that are not part of the ICA network. The Co-operative Housing Federation of Canada (CHF Canada), a member of the ICA, has only 36% of the 2,130 housing cooperatives they state exist in Canada. Therefore, we expect the market is much bigger than the ICA predictions.

Canada has a very active cooperative economy. 18 agriculture/food cooperatives are ranked in the top 500 Canadian businesses, and in each Canadian web site we reviewed the cooperative business proudly mentioned that it was a cooperative. Furthermore, Canada has the highest number of credit union cooperatives in the world<sup>23</sup> and are considered world leaders by other credit unions (e.g., Tim Dyce<sup>24</sup> stated that the adoption of .coop by Canadian credit unions would be a positive sign for the Australian movement). The Credit Union Central of Canada (CUCC) has 740 members currently and serve almost 4.4 million members.

The cooperative economy is particularly strong in Quebec. Of Canada's 300 worker cooperatives, 60% are in Quebec. This strength also extends to credit unions (called Caisses Populaire in Quebec).

The only negative found about the Canadian cooperative movement was the data that Canadian worker cooperatives are weakening. In particular, the members of worker cooperatives are aging and new cooperatives do not include or are not being created by younger workers.<sup>25</sup>

### ***Market Dynamics***

Generally, the Canadian economy is strong at the moment. It is predicted that while the US may be headed for a soft landing or mild recession, Canada is poised to grow. This growth

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<sup>23</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>24</sup> Tim Dyce, Asia Pacific Cooperative Training, Sydney, Australia (from our discussion on April 26, 2001)

<sup>25</sup> Research on Worker Cooperatives done by John Cline, 1997.

will likely help the Canadian cooperatives as well. Internet penetration in Canada is high with 53% of Canadians over the age of 15 online in 2000.<sup>26</sup>

For the cooperative sector in particular, CHF Canada has been active in helping members get online. It has devised Internet connection deals for its members, offers workshops on “Co-ops and the Internet” and the Toronto chapter provides complimentary prototype web sites to its members. All of this has led to an increasing cooperative presence online in Canada.

However, the web sites we reviewed did not exploit the potential of the Internet fully. Canadian web sites reviewed did not use e-commerce or even use the site to help members in a significant way. In fact, web site presence among the ten Canadian survey respondents was the second lowest at 67%. This indicates an opportunity for both the .coop TLD and value added services in relation to these weaknesses.

### ***Market Need for .coop***

According to our research there will be a significant need/want for the .coop TLD in Canada. Most of the cooperatives in Canada are proud to advertise their cooperative heritage and many are getting online currently. The survey on the .coop TLD indicated that 75% of Canadian cooperatives were in favour of the .coop TLD.

Furthermore, the cooperative sector in Canada is concerned about the following:<sup>27</sup>

- Fragmentation among cooperatives, which is aided by unifying cooperatives using .coop.
- How to enrich the value of membership, particularly when private sector businesses are using “membership” schemes to attract and retain customers. This will not be addressed directly by the .coop TLD, though getting online is one way for cooperatives to communicate more with their members.
- The cost of technology, particularly for small businesses that are not achieving economies of scale.

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<sup>26</sup> Statistics Canada Study dated March 26, 2001. “Internet Use Skyrockets in Canada”, Heather Sokoloff, National Post Online, March 27, 2001.

<sup>27</sup> “Mapping the Road Ahead”, Lynne Toupin, CEO Canadian Cooperative Association, 1999-2000.

One of the obstacles that DC LLC will face in Canada is the already high number of users on the Internet and the fact that web sites and web addresses are already established. This will be a barrier to adoption for the .coop TLD (aside from a link between pages) because of the inherent switching costs. Before the .coop TLD will be able to meaningfully offer value added services it will need the registrants to be using .coop as the main address.

### ***Recommendations for DC LLC in Respect of Canada***

- Make sure to focus on Canada early as there will be some potentially easy wins. In particular the CUCC and the CHF Canada should be very interested.
- Target the top 18 agricultural/food cooperatives as they are leaders in Canada (and may be interested in the Founders programme).
- Quebec has a significant cooperative heritage. It will be important to have a strong French Canadian ally to tap this market.

### **United Kingdom (UK) and Continental Europe**

This region was chosen as a focus for a number of reasons. First and foremost it, like the US, is a region in which two of the DC LLC partners are based. Furthermore, the area includes several countries that have strong cooperative movements. In general, the European consumer cooperatives are strong – in the mid 1990's they accounted for 4% of the retail trade with turnover of nearly £8 billion.<sup>28</sup> So are credit cooperatives, which are growing strongly in Europe with 11,000 local and regional banks and 33 million members across Europe.<sup>29</sup>

For the purposes of this report we focused only on a few countries within Europe to give a general feel of the region. Specifically we chose the United Kingdom, France, Germany and Scandinavia as the countries of our major focus for Europe. Where we had information we have also discussed Italy and Spain, however although these regions have strong cooperative sectors we were unable to obtain significant useful information for purposes of our report.

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<sup>28</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>29</sup> Ibid.

## **United Kingdom**

### ***Market Size and Potential***

The ICA figures show the size of the UK market as 42 cooperatives with 9 million members. Unfortunately these numbers do not present an accurate picture of the UK market because they only include the ICA numbers. Our research reveals the UK cooperative market to have approximately 2,078 cooperatives with approximately 10 million members. The breakdown is as follows:

Retail Cooperatives: 46 cooperatives with 9.5 million members<sup>30</sup>

Worker Cooperatives: 1,500 cooperatives<sup>31</sup>

Agricultural Cooperatives: 532 cooperatives with 256,000 members<sup>32</sup>

Growth in the cooperative sector in the UK (in terms of cooperatives created) has come from worker cooperatives because of government initiatives to further their growth. Johnston Birchall mentioned in his study referenced herein that in the late 1990's there were approximately 170 new worker cooperatives created annually in the UK.

This contrasts with the agricultural cooperative movement, which has been shrinking significantly over the years. Figures show that there were 636 agricultural cooperatives in 1984<sup>33</sup> with 317,000 members and by 1997 the numbers had shrunk to 532 cooperatives with only 259,000 members. In fact, the largest agricultural cooperative in the UK and 5<sup>th</sup> largest in Europe at the time of the Netherlands Institute report was Milk Marquee (which stopped trading on March 31, 2000). In addition, the housing cooperative market has dried up in the UK – the approximately 250 cooperatives that existed in the 1980's were mostly gone by the 1990s.<sup>34</sup>

Confirming the above statistics, our UK survey respondents were mostly consumer and worker cooperatives. No agricultural cooperatives in the UK responded to the survey.

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<sup>30</sup> [www.co-operatives.net](http://www.co-operatives.net), Facts and Figures section.

<sup>31</sup> Ibid.

<sup>32</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>33</sup> Netherlands Institute for Cooperative Entrepreneurship: Statistics on Agricultural Co-operatives in the European Union, 1997.

<sup>34</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

### ***Market Dynamics***

The UK take up of the Internet is sizable and growing. According to Connectis magazine, Internet penetration in the UK as of January 2001 was 35.6%. In fact, among the UK survey respondents, 74% had a website (though the survey was on the Internet and therefore was biased toward online cooperatives). Internet usage in the UK is lower than the US for several reasons, most important of which is telephone billing differences; UK users must generally pay for their connections to the Internet by the minute vs. a flat fee option which is typical in the US.

Similar to the US is the lack of explicit advertising about an organisation's cooperative status until recently. This, and the relatively lower numbers of cooperatives in the UK, has kept the cooperative movement fairly silent. Recently however, cooperatives are beginning to use their cooperative status as a marketing tool to attract and retain customers (e.g., Oxford, Swindon and Gloucester). Furthermore, of the five cooperative web sites we reviewed in the UK, all five cooperatives clearly displayed their cooperative status.

### ***Market Need for .coop***

As cooperatives in the UK begin to use their cooperative status as a marketing tactic, the .coop TLD will become a helpful tool. At the same time, it is not clear that UK cooperative businesses will be lining up to get cooperative addresses. It has been suggested that the UK cooperatives may adopt a "wait and see" approach, looking to determine the value created by utilizing a .coop address before adopting one. Survey results indicate the UK interest in .coop is at 85% (which was average).

### ***Recommendations for DC LLC in Respect of the UK***

- Although this is the home country of Poptel, significant effort should not be expended on selling the .coop TLD in the UK because the market size is small.



## **France**

### ***Market Size and Potential***

The ICA data indicates that France has a sizable cooperative sector with 24,000 cooperatives and 17 million members.

Worker and agricultural cooperatives are the strongest types in France. Worker cooperatives (called “scop”) have been expanding at 50% a year for a period of years.<sup>35</sup> We were unable to find recent numbers but there were 1,200 worker cooperatives in France in 1983.

The agricultural cooperative sector is even stronger. In 1994 there were 3,800 marketing and processing cooperatives and 13,000 service cooperatives and approximately 90% of farmers in France are represented by cooperatives. A significant portion of the cooperatives is in the French wine sector (nearing 50%).<sup>36</sup> The two largest agricultural cooperatives in France are Sodiaal (dairy) and Socopa (meat), and these cooperatives are 4<sup>th</sup> and 8<sup>th</sup> largest in Europe respectively.

Other areas where the cooperative sector is prevalent in France is the crafts cooperatives – which represent 9% of the total crafts sector and 75,000 businesses.<sup>37</sup>

One cooperative sector that is not strong in France is the consumer sector. According to Johnston Birchall, 40% of the consumer cooperative movement had closed up by 1985. That said, the world’s largest credit cooperative is Credit Agricole. However, this cooperative does not mention its cooperative status on its web site and is not a member of the ICA.

### ***Market Dynamics***

The market for Internet technology and businesses in France has been traditionally weak. France was one of the slowest countries for adoption in Europe of the Internet. As a result only 18.4% of the country is on the Internet and only 25.3% have computers. In fact, France is considered one of the least wired countries in the world.<sup>38</sup> A telling statement of France’s potential on the Internet was recently made by the Editor of Connectis Magazine:

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<sup>35</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>36</sup> Netherlands Institute for Cooperative Entrepreneurship: Statistics on Agricultural Co-operatives in the European Union, 1997.

<sup>37</sup> Statistics taken from Groupe National de la Cooperation site – [www.cooperatives.org/Frame/index5.html](http://www.cooperatives.org/Frame/index5.html)

<sup>38</sup> “How Big is the Internet?”, [www.waller.co.uk/web.htm](http://www.waller.co.uk/web.htm)

..only 15 to 30 percent of French Internet users are expected to have access to broadband by 2003, according to ART, the national telecoms regulator. The result will be less teleworking, electronic procurement and e-commerce, with potentially damaging effects on growth, employment and general economic development. Remote rural areas and SMEs, which stood to gain most, will no doubt end up being the biggest losers.<sup>39</sup>

Our review of French cooperative web sites was less than encouraging. Most of the web sites we saw were very simplistic and did not adopt any “advanced” technologies such as e-commerce, security, or search facilities. Furthermore, very few of the French cooperatives mentioned that they were cooperatives on their web site. Therefore, although there is significant potential for .coop in helping the French cooperatives use the Internet to their advantage, there is no clear indication that the French have any desire for this.

### ***Market Need for .coop***

As discussed above it is unclear that there is a market need for .coop in France. The Internet is not strong there at the moment, although it is growing, and the cooperative movement appears less happy to advertise its cooperative status. These sentiments were further confirmed by the ICA, which had a conversation with a French cooperative who was a potential .coop subscriber. In that conversation the French cooperative indicated that they felt it would be unlikely for .coop to sell more than 200 names in the short-term in France. Reasons cited for the low anticipated adoption were:

- Only 1/3 of worker cooperatives have Internet connections.
- The French will need to be convinced that this is useful for their business.
- The French believe their present method of using meetings to accomplish communications works and does not need to be changed – especially in small, regional cooperative groups.
- The bad press about the technology bust in the US has served to reinforce the argument that Internet technology is not truly useful.

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<sup>39</sup> Connectis, Europe’s e-business magazine, May 2001.

Finally, we understand that Credit Mutual was approached for participation in the Founders programme and they were not interested because they did not believe they could guarantee the use of 500 domain names (a prerequisite of the Founders programme).

### ***Recommendations for DC LLC in respect of France***

- France should not be a key country of focus for DC LLC in the short-term because of the low Internet penetration rates and the lack of perceived need for the .coop TLD here.
- Any value added services considered for this market need to be geared in the cooperative to cooperative sector (B2B type) because the consumer sector is not significant.

## **Germany**

### ***Market Size and Potential***

The German market is smaller in terms of cooperatives, according to the ICA statistics, with only 9,000 cooperatives. But the market is large in terms of members, with each German cooperative having 2,300 members on average (for a total market of 22 million members). This is significantly larger than the average European cooperative that has only 464 members. These numbers are reinforced by a more recent study, which showed there to be 10,000 cooperatives in Germany with over 20 million members.<sup>40</sup>

A substantial number of German cooperatives come from the agricultural sector (circa 40% of the total) or are credit cooperatives (circa 25% of the total). Like France, consumer and housing cooperatives are not large in Germany.

According to one source, the agricultural cooperatives of Germany have a membership base of 3.8 million.<sup>41</sup> It is unclear which records of the German agricultural cooperatives are more recent however NICE<sup>42</sup> estimated that in 1996 there were 3,950 German agricultural cooperatives with a membership of 3.3 million. This was a decline from the 4,909 figure in

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<sup>40</sup> "Members Unhappy About Further Cuts: German Mutual Banks", FT.com Survey, 4 May 2001.

<sup>41</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>42</sup> Netherlands Institute for Cooperative Entrepreneurship: Statistics on Agricultural Co-operatives in the European Union, 1997.

1995 and 5,558 in 1993. The largest agricultural cooperative in Germany is the 9<sup>th</sup> largest in Europe; called BayWa.

Credit cooperatives in number have been decreasing (from 12,000<sup>43</sup> cooperatives to 1,800<sup>44</sup>) but membership has been increasing (to 14 million members) over the last several years. In total the credit cooperatives have 30% of the savings market in Germany.<sup>45</sup>

### ***Market Dynamics***

The German Internet sector is stronger than France, though it is still behind the UK with only 29.2% of the population online (and 33.1% having a computer). One interesting fact that is hindering the German adoption of e-commerce is their concern for security. Germans are very wary of using credit cards for online purchases so alternative payment methods are required (e.g., invoicing, bank withdrawal, cash on delivery).<sup>46</sup> Service guarantees are also very important in this market.

According to both Poptel and the ICA the German cooperative sector is not significant. Our review of German cooperative web sites suggested that there is some reluctance to advertise a business's cooperative status (2 of the 4 web sites did not mention that they were cooperative). Furthermore, like France we did not see significant employment of Internet related technology for the cooperative businesses online.

### ***Market Need for .coop***

Overall, we do not estimate there to be a significant perceived need by German cooperatives for the .coop TLD. The survey results were not helpful in clarifying this need since there was only one German respondent. On the other hand, the .coop TLD if positioned properly could be used to help unify and strengthen the cooperative sector in Germany. Similar to France, the .coop TLD would be best used to promote the "B2B" aspects of the cooperative businesses in Germany. Therefore, for DC LLC to win in this market they will need to be able to offer cooperative businesses a competitive advantage that can be gained through the use of .coop.

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<sup>43</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>44</sup> "Members Unhappy About Further Cuts: German Mutual Banks", FT.com Survey, 4 May 2001.

<sup>45</sup> "Co-operative Spirit", The Economist, 15 February 2001.

<sup>46</sup> "Trends and Outlook: European Internet Strategies", Jupiter Communications, 1999.

### ***Recommendations for DC LLC in respect of Germany***

- Our recommendations are similar to those for France; do not use this as a primary market for sales of .coop, and concentrate on the cooperative to cooperative advantages that .coop brings.

## **Scandinavia**

### ***Market Size and Potential***

The Scandinavian market includes Denmark, Norway, Sweden and Finland. According to the ICA, in total these four countries have 21,000 cooperatives and 8.8 million members.

*Denmark:* The Danish cooperative market is strong but not significant in terms of numbers. The ICA statistics include 1,446 cooperatives in Denmark in 1996. Johnston Birchall's research indicates that the strongest cooperative sectors are housing (representing 20% of the housing market) and agricultural. However, his data indicates that in 1995 there were only 127 agricultural cooperatives, down from 214 in 1991.

*Norway:* The Norwegian cooperative movement is also small (though in numbers of cooperatives terms it may be bigger than the UK). The ICA statistics count 4,200 cooperatives in 1996. The largest sectors are housing and consumer cooperatives. The strength of the housing cooperatives is similar to Denmark, with 19% market share,<sup>47</sup> and in 1986 (the most recent data we could find) there were 3,500 housing cooperatives. In consumer cooperatives the largest is Co-op Norway (NKL) but there are also 400 independent societies. Although smaller, the agricultural cooperative movement in Norway is also sizable with over 70% of the dairy, meat, honey and forestry markets served by cooperatives. The agricultural cooperative movement consists of 15 national organisations, which are owned by 60,000 farmers.<sup>48</sup>

*Sweden:* Sweden is the largest cooperative market of the four countries with 72% of the total number of cooperatives (ICA data). However, a COPAC<sup>49</sup> report indicated that there are estimates of 20,000 local societies with cumulative (but overlapping) membership of 25–30

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<sup>47</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>48</sup> The Agricultural Cooperatives in Norway, The Federation of Norwegian Agricultural Cooperatives, July 1999.

<sup>49</sup> Committee for the Promotion and Advancement of Cooperatives.

million people (population of Sweden is only circa 9 million).<sup>50</sup> This new cooperative movement is strong, although many of the new cooperatives are unfederated and may pose verification problems for DC LLC if they attempt to apply for .coop TLDs.

*Finland:* The ICA numbers indicate a very small cooperative movement in Finland of only 46 cooperatives. Our research indicates the numbers are likely much larger than this – there were 403 agricultural cooperatives in 1995<sup>51</sup> and a number of consumer cooperatives. The largest is Co-op Finland.

Overall, the potential size of this Scandinavian market could be significant (approximating the size of the US market), especially if the new, unfederated cooperatives meet the criteria that will be set by DC LLC.

### ***Market Dynamics***

The most interesting market dynamic in Scandinavia is the large numbers of new cooperatives that are being created that are unfederated. ICA estimates there may be 500 created annually. Furthermore, Scandinavia is considered by most to be Europe's most sophisticated Internet market. Latest statistics show Sweden's Internet penetration to be just off the US's – with 56.4% penetration. Finland is cited as the “most advanced communications environment”<sup>52</sup> with 700 mobile phones and 120 Internet hosts per 1,000 people. It is estimated that 50% of households are connected to the Internet and that almost 20% of retail banking occurs online. Finland is the largest user of mobile phones in the world and the number of mobile phones has exceeded the number of fixed phone lines. Finland has achieved the most Internet connections per capita in the world. Furthermore, all five of the Scandinavian responses to the survey had a website.

### ***Market Need for .coop***

According to our research it is still unclear whether there is a market need for .coop in Scandinavia. Certainly the cooperative movement is strong, especially the unfederated movement. The potential however is significant. Preliminary conversations between the ICA and cooperatives in Scandinavia have not shed any light to date. On a recent presentation about .coop the Swedes did not indicate whether they were interested or disinterested, but

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<sup>50</sup> COPAC Open Forum, “Social Economy and New Cooperatives Create Jobs?”, June 28, 2000.

<sup>51</sup> “The International Co-operative Movement”, Johnston Birchall, 1997.

<sup>52</sup> “Finland Leads World With Use of Internet and Mobile Phones”, Korea Herald, 6 February 2001.

instead will take some time to think about it. Furthermore, the Scandinavian responses to the survey were the least positive regarding interest in .coop, although the sample size was only five responses and therefore may not be statistically significant. However, this region expressed interest in multiple domains and was willing to pay more for domains. In addition, a Danish ISP cooperative specifically mentioned that they wanted to offer .dk.coop as a potential registrar.

Of the five Scandinavian web sites we reviewed we did not see substantial use of the cooperative status as a marketing tool, which may indicate that cooperatives do not want to affiliate themselves with the cooperative movement. However, we are not able to substantiate this possibility.

***Recommendations for DC LLC in respect of Scandinavia***

- Before DC LLC really attempts to tap this market they need to be clear on the verification process they will use for unfederated cooperatives. It would be useful to speak with some unfederated cooperatives to understand if they do meet the types of criteria that DC LLC will be setting for release of a .coop TLD.
- Furthermore, appropriate staffing requirements need to be considered if the verification process is likely to be labour intensive. It will be important that DC LLC be able to meet the demand needs quickly (and not have significant verification delays) to build a strong .coop brand in this very sophisticated market.
- Marketing messages to the Scandinavian cooperative movement may need to be specifically targeted to address the high number of unfederated cooperatives.
- Marketing messages to the Scandinavian cooperative movement will need to be specifically targeted to address the high number of unfederated cooperatives.
- Given the large use of mobile phones DC LLC will want to consider the impact of this platform in the value added services they launch in Scandinavia.

### **General Comments: Spain and Italy**

Spain and Italy appear to have significant cooperative markets according to the ICA data (23,000 cooperatives and 40,000 cooperatives respectively). Unfortunately, we were unable to obtain sufficient data on either country to complete a thorough analysis. Our brief comments about these countries are below.

*Spain:* The most significant cooperative in Spain is Mondragon, which started the Spanish cooperative movement. It is a federation of worker cooperatives representing 166 cooperatives in various sectors of the community. Agriculture cooperatives represent 4,300 of the cooperatives in Spain. Internet usage in Spain is lower than many countries in Europe – but it is growing. In February/March 2001 there were 19.8% users up from 10.5% a year previous.<sup>53</sup> Our research into Spanish web sites was limited because Spanish cooperatives were not typically included on the cooperative directories we found. Furthermore, the web sites were not substantial, although three of them offered some depth of information; none of them offered e-commerce or search facilities. Based on this limited research we are able to conclude that Spain represents significant future potential for .coop but will not likely be an easy market to penetrate in the short-term.

*Italy:* In recent ICA interviews, they indicated that according to their Italian sources the cooperative market in Italy is much bigger than the numbers suggested by the ICA data and may include 80,000 to 100,000 cooperatives. Our research revealed that Italian cooperatives are in many sectors: consumer, worker, agricultural, and health and social.<sup>54</sup> Unfortunately, detailed Italian cooperative data was difficult to find and was not evident in many of our searches. Notwithstanding this limitation, it is clear that although Italy appears to be a significant market in Europe for the .coop TLD it will be a difficult market to tap. Of the five Italian cooperative web sites we reviewed only one of them mentioned they were a cooperative and none of them presented a sophisticated site. From this we can imply that the Internet is not an important channel of communication for the Italian cooperatives to date.

The Italian federations have commented to the ICA that even with a strong promotional campaign they would not expect more than 5,000 registration over three years, even assuming all four federations were involved. This is partially due to the lower Internet

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<sup>53</sup> www.aimc.es

<sup>54</sup> "The International Co-operative Movement", Johnston Birchall, 1997.



adoption rates in Italy. It will also be necessary for DC LLC to prove itself to be a legitimate venture, and be able to propose a competitive reason for adopting the .coop TLD in order to ensure sales. Therefore, although the potential of this market is significant it will take time before .coop is worth marketing significantly in Italy.

### **East Asia Region**

This region was chosen because of its high number of cooperative members. The ICA defines East Asia to include Japan, the Republic of Korea and Mongolia. We have focused on the first two countries for our research in this area.

According to the latest data collected by the ICA, East Asia has approximately 12,000 societies and 60 million members. On average, each society has 5,000 members, and accordingly the average East Asian cooperative is quite large.

### **Japan**

#### ***Market Size & Potential***

According to the records of the ICA, Japan has 3,860 cooperatives with 43 million members. Cooperatives in Japan appear to be quite large, based on this data, with each cooperative having approximately 11,000 members.

The Japanese Consumer's Co-operative Union (JCCU) has 627 cooperatives as members of their federation, with total members of these cooperatives being approximately 21 million.<sup>55</sup> As discussed above, it is common to see large cooperative membership base with consumer cooperatives. It is interesting to note that the overall number of consumer cooperatives has been shrinking; from 646 cooperatives in 1996 to 627 in 1999 (a 3% decline). However, the number of members is not shrinking. One hypothesis is that some of the cooperatives are merging over time. In any event, it does imply that, at least in the consumer sector, the cooperative market is not growing in Japan. Furthermore, according to the JCCU, consumer cooperatives account for 2.6% of the market for foods.

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<sup>55</sup> Japanese Consumer's Cooperative Union, March 2000 figures. Of the 627 cooperatives, 469 are retail, 119 are medical and 13 are insurance or housing cooperatives.

JA-ZENCHU, the Central Union of Japanese Agricultural Cooperatives has approximately 9 million members (each cooperative is 4,100 members) and includes almost all the farmers in Japan.<sup>56</sup> JA-ZENCHU is the overall federation for agricultural cooperatives in Japan. The agricultural cooperatives of Japan are considered a huge success story because the system that has been developed is extremely integrated and provides all necessary assistance to farmers and their families.<sup>57</sup>

### ***Market Dynamics***

Cooperatives in Japan are very reliant on the federation organisations they belong to, to provide them with assurances that ventures they seek to get involved in are legitimate. This was evidenced by the feedback to the ICA regarding the survey sent out about the .coop launch. Cooperatives in Japan did not want to get involved with this survey until they had assurances from their federations (who in turn wanted assurances from the ICA) that the venture was ethical and legitimate.

Overall, the Japanese economy has been in a recession for a number of months. The Japan Chain Store Association reported for September 2000 that retail sales were down again, a 22-month downward trend.<sup>58</sup> According to the JCCU this has led to stagnating growth in Japan for cooperative sales. JCCU conducted a survey in 1999 to understand national cooperative opinions.<sup>59</sup> The summary results of the survey are as follows:

- 46% of cooperative members are over 50 years of age.
- Members interest in cooperative activities continues to decline, in fact 49% of members indicated that they do not want to be consumption oriented.
- The number of new members is decreasing, particularly in the younger age groups.

It is clear that the cooperatives in Japan are trying to build a name for cooperatives as a way of distinguishing themselves. In particular, JCCU and member cooperatives are developing Co-op Brand merchandise as a distinguishable brand for consumers. In addition, JA-

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<sup>56</sup> As of March 1997, JA-ZENCHU web site.

<sup>57</sup> "The International Co-operative Movement", Johnston Birchall, 1997.

<sup>58</sup> Co-op Japan Information (CJI), No. 43, December 2000.

<sup>59</sup> Co-op Japan Information (CJI), No. 43, December 2000.

ZENCHU has adopted the acronym “JA” to popularise the organisation’s name amongst all Japanese.<sup>60</sup>

### ***Japanese Cooperatives and the Internet***

Although the Japanese as a society are very technologically advanced, their Internet penetration is not as high as other westernised societies. Depending on the statistics reported, Japanese Internet penetration ranges from 9.6%<sup>61</sup> to 19%.<sup>62</sup> Arguably, lower Internet penetration can be attributed to language differences (a large proportion of the Internet is in English) as well as the high mobile phone penetration in Japan.

A survey conducted by the JCCU in 2000 indicated that 40% of all cooperative member households are on the Internet. This high Internet usage has been the impetus for two Japanese consumer cooperatives to launch Internet ventures in the fall of 2000.<sup>63</sup>

JA-ZENCHU has reported that 130 of its 1,800 primary agricultural cooperatives (7.2%) have their own web sites for public relation activities, recruiting staff, and marketing.<sup>64</sup>

### ***Market Need for .coop***

From the research done on Japan it does appear that there would be a need/want for the .coop TLD. Japanese cooperatives are moving on to the Internet currently and this would be one way for them to establish a name for themselves. Furthermore, it ties in nicely with the branding exercise that the consumer cooperatives are undergoing. The Internet launch of cooperatives should appeal to the youth market, an area where the consumer cooperatives are faced with a declining market. However, Internet based services in Japan may be difficult to sell on to the end cooperative members since a significant proportion of them are over 50 and this age group is less interested in being connected via the Internet.

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<sup>60</sup> Paper Entitled, “Sowing the Seeds of the Future”, JA-ZENCHU.

<sup>61</sup> Global Reach Internet Statistics, [www.greach.com/globstats](http://www.greach.com/globstats)

<sup>62</sup> Co-op Japan Information (CJI), No. 43, December 2000.

<sup>63</sup> Miyagi Co-op and Co-op Kobe.

<sup>64</sup> From information provided by JA-ZENCHU, September 1998 for, “Cooperatives and Communications Technology”, COPAC Open Forum, December 1998.

### ***Recommendations for DC LLC in Respect of Japan***

- The customer for DC LLC is the cooperative, and in Japan there are not a large number of cooperatives. It may not be an appropriate area for initial focus since the costs may outweigh revenues.
- Cooperatives are ready to get on the Internet but are just starting to be online. There is significant potential for .coop domains (since it is likely that many .com names have not yet been purchased by cooperatives) and for value added services that are needed to help these cooperatives get online.
- It is necessary to have their global federation approval to help sell the .coop domains as well as to determine which value added services are best to sell here.
- “Trust” is not a phrase common to be used for cooperatives and will not be helpful if stressed.<sup>65</sup> However, we received contradictory evidence to this statement from one of our Japanese survey respondents who was very positive for all .coop attributes, including “trustworthy business”.
- A possible e-commerce partner maybe: CX Infonet, which is a JCCU subsidiary that helped build a basic e-commerce system for two Japanese cooperatives.
- Value added services in this region could be mobile phone oriented since this is an important channel for reaching customers.

## **Korea**

### ***Market Size & Potential***

Korea has a significant cooperative sector within Asia, with approximately 7,700 cooperatives and 17 million members.<sup>66</sup> One of the large sectors of cooperatives in Korea is the agricultural cooperative sector. The National Agricultural Cooperative Federation (NACF or NongHyup in Korean) is the overall federation that has 1,200 regional member cooperatives and 46 special cooperatives. Over 95% of Korean farmers are enlisted with an

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<sup>65</sup> This recommendation is pursuant to discussions with the ICA.

<sup>66</sup> ICA statistics.

agricultural cooperative.<sup>67</sup> Agricultural cooperatives in Korea provide member farmers with diversified services and are the exclusive banking institution for the agricultural cooperatives.

### ***Market Dynamics***

Data we have found indicates a strong cooperative movement within Korea. For example, the Seoul Dairy Cooperative is regularly mentioned in the Korea Herald and in 2000 grew by 8.9% from 1999 with US\$646 million in sales.<sup>68</sup>

Korean cooperatives are concerned about similar issues to cooperatives around the world, such as how to ensure they are customer/member oriented. The Seoul Dairy Cooperative is currently working on expanding its customer monitoring system and a database of its customers as ways of improvement.<sup>69</sup>

Furthermore, Koreans have adopted the Internet quite quickly compared to other Asian nations. Approximately 35% of Koreans have Internet access according to the National Statistics Office<sup>70</sup> and Koreans have been named the heaviest users of the Internet in the world by Nielsen/NetRatings, surfing the web 16 hours and 17 minutes per month.<sup>71</sup>

Unfortunately, these statistics do not carry over well to Korea's active agricultural cooperative sector. For example, the Korea Herald reported that 90% of Koreans working in the agro-fishing sectors do not know how to use a computer or Internet technology.<sup>72</sup>

### ***Market Need for .coop***

As we have already discussed, Koreans are very wired and their cooperative sector is relatively strong for Asia. Discussions between the ICA and the NACF gave preliminary indications that one of the subsidiaries of the NACF is interested in 3,000 .coop web addresses. The potential for the .coop domain names appears significant as a result. At the same time, further discussions with the ICA indicated that although the potential for the .coop TLD is big, Korean cooperatives are very concerned about the necessity of adding .coop to their name and will need to be convinced that .coop offers something to make their cooperative businesses better. Furthermore, although federations may be interested in the

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<sup>67</sup> "Adding Value to Membership: The Co-operative Challenge for the New Millennium", ICA Congress and General Assembly 1999 and the NACF web site.

<sup>68</sup> "Seoul Dairy Cooperative sets the pace in the domestic market with record sales", Korea Herald, March 19, 2001.

<sup>69</sup> "Cooperatives to reform corporate culture till the cows come home", Korea Herald, May 10, 2000.

<sup>70</sup> "Half of Korean Households have PCs", Korea Herald, April 25, 2001.

<sup>71</sup> "Koreans world's heaviest users of Internet sites, U.S. firm says", Korea Herald, March 12, 2001.

<sup>72</sup> "Half of Korean Households have PCs", Korea Herald, April 25, 2001.

.coop TLDs, the member cooperatives may not know how to use the technology (particularly in the agricultural sector).

### ***Recommendations for DC LLC in Respect of Korea***

- It was clear in our research that in order for .coop TLD to be adopted in large numbers within Korea, DC LLC needs a champion in the Korean cooperative market to assist in marketing the domain name. The NACF may be a good candidate – though they did indicate to the ICA that they were concerned about having to redirect their name for the second time (they just switched site locations earlier this year). DC LLC needs a champion who will adopt the .coop TLD quickly to help with onward sales.
- Sales efforts should concentrate on the Korean market and specifically how the .coop TLD will help Korean cooperatives improve their business. General messages worldwide do not appear to be accepted as easily, Koreans prefer customized messages.
- Mobile phone penetration in Korea is significant (77% of households use mobile phones)<sup>73</sup> and this may be a platform through which DC LLC could consider offering services to cooperatives.

### **South and Central Asia**

India and China were a focus of our research because of the sheer size of the cooperative sectors in these countries. Each country represents significant future potential for the .coop TLD project and therefore it is necessary to understand these markets and the status of the cooperative movements so that DC LLC can appropriately time and create a strategy for introducing the .coop TLD and other value added services into these markets.

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<sup>73</sup> “Half of Korean Households have PCs”, Korea Herald, April 25, 2001.

## **India**

### ***Market Size and Potential***

India is the largest cooperative market in the world in terms of known numbers of cooperatives (447,000 according to the 1996 ICA data) and numbers of members (183 million).

Most of the cooperatives in India are organized around agriculture and agriculture related services (such as credit, supplies, processing and marketing). For example, 50% of total sugar production is done by sugar cooperatives and 60% of fertilizer distribution is done by cooperatives.<sup>74</sup> States of Maharashtra and Gujarat are the most developed within India. Maharashtra has 146,641 cooperatives as of 1999, increasing from the 1997 figure of 136,785.

Dairy cooperatives work with over 10 million farmers in over 80,000 villages.<sup>75</sup> They focus on production, procurement, processing and marketing. India does not import milk as they have 75,000 cooperatives and are the 2<sup>nd</sup> largest milk-producing country in the world.<sup>76</sup> An example of a very established dairy cooperative federation is the Gujarat Cooperative Milk Marketing Federation, Ltd, which has a membership of 10,364 villages and has been increasing continuously. Sales have grown as well as membership and their products include: milk and milk based products, cheese, butter and ice cream. This is one of the most sustainable economic activities in the Indian cooperative sector.

Overall, the cooperative sector is strong and sizable in India, which gives DC LLC a huge potential market for cooperative related products, such as .coop. However, the bigger issue in India is the low level of technology infrastructure to support such projects.

### ***Market Dynamics***

The Indian economy is currently growing at a healthy rate of 6% a year<sup>77</sup> and technology is a strong sector in India. Unfortunately however, the telephone network in India is considered on of the least adequate which is one of the factors hindering Internet growth. Another factor, which affects Internet adoption in India, is the literacy rate, which is only at 52% of

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<sup>74</sup> "The Cooperative Movement in India", [www.mah.nic.in/sahakaar](http://www.mah.nic.in/sahakaar), 1998.

<sup>75</sup> [www.indiadairy.com](http://www.indiadairy.com)

<sup>76</sup> 1998 information from Ahmedabad site ([home.att.net/~tison/ahmedabad.htm](http://home.att.net/~tison/ahmedabad.htm)).

<sup>77</sup> Data generally relates to 1996-1999, Publication of the FAO and the World Bank.

the total population.<sup>78</sup> As of January 2001, there were 1.8 million (0.1% of the population) Internet subscribers and 5.5 million users (0.5%).<sup>79</sup> Internet penetration is expected to grow to over 15 million by 2003,<sup>80</sup> only 1.5% of the population. Clearly India is a huge potential market for Internet products like .coop, however the potential is not in the short or medium term, but is rather a much longer term prospect.

The most important dynamic in the Indian cooperative market is the relationship between the cooperatives and government. In many cases cooperatives are seen and treated as no more than instruments of state planning due to the significant role that the government has. On the other hand, cooperatives are on the rise and have increased their coverage as well, despite being recognised as “no more than mere appendages of the vast state administrative apparatus”.<sup>81</sup>

#### ***Market Need for .coop***

It is unclear if there is a real market need for the .coop TLD in India currently because of the low technological infrastructure to support it. The sheer size of the cooperative movement in India means there is significant potential once the technological infrastructure is more established. Cooperatives like Amul coordinate activities across many villages and with many farmers, an activity that the Internet would lend itself well to help support.

#### ***Recommendations for DC LLC in respect of India***

- The digital divide in India will inhibit sales of .coop on an extensive basis (outside of the larger, more powerful cooperatives) in the short and medium term. When introducing .coop to India, DC LLC should ensure that they understand the political nature of the cooperative movement in India to ensure that early partners in the .coop launch are perceived well amongst the wider cooperative market.

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<sup>78</sup> Ibid.

<sup>79</sup> “India has 5.5 Million Net Users: Nasscom” – based on survey data conducted by the National Association of Software and Service Companies, January 2001.

<sup>80</sup> [asia.internet.com](http://asia.internet.com)

<sup>81</sup> “Cooperatives in the New Environments: Role of the Registrar of Cooperative Societies in South Asia”, SD Dimensions, February 1998.



## **China**

### ***Market Size and Potential***

The ICA data does not indicate how many cooperatives there are in China but estimates there are 160 million members of cooperatives.

Our research indicates that agricultural cooperatives dominate 70-80% of the supply and marketing of agriculture in China, with \$9 billion in turnover.<sup>82</sup> However, an unofficial estimate was that in 1996, 40% of agricultural supply and marketing cooperatives were going bankrupt.<sup>83</sup> Therefore, it can be inferred that many of the agricultural cooperatives are not stable.

All service cooperatives are coordinated through the All-China Federation of Supply and Marketing Co-operatives (ACFSMC) and it is estimated that there are 28,000 grassroots supply and marketing cooperatives with 180 million farm families as members and 5.8 million employees.

Finance and trading cooperatives are growing in China and by 1999 there were 39,333 mutual finance associations and 2,450 credit cooperatives.<sup>84</sup>

### ***Market Dynamics***

China is an important country because of its sheer size. However, its economy and political situation have made it a difficult country to do business with. China has a population of 1.26 billion (end 1999), which is roughly 21% of the world population. However, despite the fact that most Chinese people now live a relatively comfortable life, it has a “weak economic foundation”.<sup>85</sup> One strength of the Chinese economy, compared to other developing nations is its high literacy rate: 78% of the total population<sup>86</sup> are literate.

Internet use is growing in China but it is still insignificant in respect of the total population. According to the China National Network Information Centre (CNNIC),<sup>87</sup> total Internet users has increased to 22.5 million (approximately 2% of the population) with about 15.2 million

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<sup>82</sup> “The International Co-operative Movement”, Johnston Birchall, 1997.

<sup>83</sup> “Cooperatives in the Context of Globalization and Liberalization”, SD Dimensions, March 1996.

<sup>84</sup> Institute of Rural Development, Chinese Academy of Social Sciences, 2000.

<sup>85</sup> [www.china.org.cn](http://www.china.org.cn), “China’s Population and Development”.

<sup>86</sup> China Demographics – 1995 CIA World Fact Book.

<sup>87</sup> [www.china.org.cn](http://www.china.org.cn), “How Many Internet Users Are There In China?” and “Survey Tells Something About Chinese Internet Users”.

being located in Beijing, Guangdong and Shanghai (representing 18.7%, 12.8% and 10.8% of the total respectively). Internet growth is inhibited in China by the lack of sufficient technology infrastructure, especially in rural areas. Internet use has also been hampered by the following: low level of informationisation in China, low speed, bandwidth issues, high charges and insufficient publicity.<sup>88</sup> To address some of these concerns, China is rapidly developing Internet and broadband access and DSL and other platforms are becoming common. The concern of speed of Internet access is expected to be addressed through cable based Internet access as there are over 300 million TVs in China versus 15 million PCs.<sup>89</sup>

### ***Market Need for .coop***

China was a very difficult country to get a good feel for, especially in respect of the cooperative movement. Much of this is to do with the sheer size of China, but language difficulties were also an issue. We were only able to find two cooperative web sites in China for review (though we may have missed others due to language problems), and it was very uncertain how much depth and detail these sites contained.

Because of the size of the country and the cooperative movement it would seem likely that .coop could be very helpful in serving, at the very least, as a form of unifying the cooperatives in the country. However, we do not expect take-up rates of .coop to be very high in the short or medium term until two major issues are resolved:

1. There is an Internet infrastructure where the cooperatives exist. A substantial portion of the Chinese cooperatives are agricultural and are therefore necessarily rural – which is where the Internet does not exist currently.
2. The cooperatives themselves become more stable (with lower levels of bankruptcy for example).

### ***Recommendations for DC LLC in respect of China***

- As we have discussed, .coop has future potential in China, but none of it is immediate. Further discussions with the Chinese respondent to the survey<sup>90</sup> may be warranted to get a better feel for the technology infrastructure available in China. Because

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<sup>88</sup> [www.china.org.cn](http://www.china.org.cn), "Four Factors Hamper China's Internet Growth".

<sup>89</sup> Seals, Tara, "The Red Curtain Parts For Internet Equipment Vendors", [www.phoneplusinternational.com/articles/141feat2.html](http://www.phoneplusinternational.com/articles/141feat2.html), April 2001.

<sup>90</sup> Edward Lee, Beijing Xinhai Technology Development Company, [liwei@chinadns.com](mailto:liwei@chinadns.com)

technology infrastructure is very important, DC LLC should consider other ways of offering the .coop TLD to the Chinese – using mobile phone technology for example.

- The Chinese cooperatives are very interested in international trade and this is a huge potential market for DC LLC. However, in order to tap this market DC LLC will need to ensure they launch .coop well as the underlying platform (and brand) on which to build.

### **South East Asia**<sup>91</sup>

#### ***Market Need for .coop***

The majority of cooperative businesses in South East Asia (considered here are Thailand, Indonesia and Vietnam) do not need the .coop TLD presently because they do not have infrastructures to support the technology required by the .coop TLD. Contact names for future sales of the .coop TLD to this region have been provided in Appendix 10. As quick summary of each country is listed below:

*Thailand:* Cooperatives here are state controlled and are fundamentally producer cooperatives. There is a low level of infrastructure to support the required technology and therefore the .coop TLD will be limited to the largest and wealthiest cooperatives. In order for DC LLC to sell .coop here at all it will need the top Thai federation involved to lend credibility for further sales. Sales will be slow however due to the significant bureaucracy in the Cooperative League of Thailand.

*Indonesia:* Cooperatives in Indonesia are currently imposed on people and associated with corruption. The country's political situation makes this a very hard market to sell .coop.

*Vietnam:* The Vietnamese cooperative market is quite strong, with over 40 million citizens being members of cooperatives. However, most cooperatives are quite small and are state owned, though in the last few years 1/3 of cooperatives have collapsed leaving much stronger ones behind. These remaining cooperatives are currently undergoing a rapid privatisation from being state owned, so in the future there is significant potential for .coop activities. Currently however it is not a market for DC LLC because the technology infrastructure is not available to support the take up of the .coop TLD.

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<sup>91</sup> Research in this area was limited to discussions with Tim Dyce of Asia Pacific Cooperative Planning.

*Singapore:* Singapore is the leader for cooperatives in South East Asia. There are a number of large consumer cooperatives in Singapore representing a wide range of goods and services.

Clearly the market for .coop TLD or other value added services is not significant in South East Asia at this time. However, countries such as Thailand and Vietnam have future potential and may be areas for the digital divide fund to help develop. Furthermore, although not significant, there is a market in Singapore where the cooperative movement is quite strong and stable.

### **Oceania**

*Australia:* It is claimed that Australia has 3,000 cooperatives. These cooperatives are strong in both producer and consumer cooperatives, however privatisation of cooperatives is quite prevalent in Australia with many cooperatives not advertising the fact that they are cooperatives. Accordingly, from two perspectives the market for .coop is quite small – from sheer numbers and from the perceived risk by cooperatives which do not want to identify themselves as such.

*New Zealand:* Here the market is even smaller, however cooperatives are quite strong. For example, Tom Webb is travelling to New Zealand in May to provide his “Marketing your Cooperative Advantage” seminars. The key contact for the New Zealand cooperatives is attached in Appendix 10.

Overall, significant effort should not be spent in Australia or New Zealand for the .coop TLD or value added services because the market size is quite small. In these countries it will be more important to make a key federation alliance and allow them to market and sell the .coop TLD.

### **Conclusion on Regional Markets**

Overall, the rollout plan we suggest would focus on the US, UK and Europe initially. It will be important before the .coop TLD is marketed heavily in Europe (especially in Scandinavia) that clear verification procedures are developed, and the market demand from unfederated cooperatives is estimated. We do suggest that France not be a specific target area in the short term.

The East Asia market is good, especially Korea in the short to medium term. However, DC LLC should not enter this market before developing strong relationships with key cooperative players in each country. As mentioned, India and China have significant long-term potential for .coop, but the low Internet current adoption rates make these regions less attractive in the short-term. Australasia is too small to spend a significant amount of effort on, though their cooperatives do have many links into Asia so from that perspective they should not be ignored. No effort should be made in South East Asia at this time, except what occurs via word of mouth. DC LLC will need to focus their marketing effort on countries where the wins will be substantial, otherwise the marketing effort will be sizable and expensive.

## **2. IS THE PRODUCT REAL?**

### ***Product Concept***

The product concept of the .coop TLD is straightforward. It is a new TLD recently granted by ICANN, and one of the few TLD's worldwide which has restricted status for potential registrants. Because of the ICANN permission to use the TLD it is accepted as a legitimate and legal product to the world.<sup>92</sup>

The concept of the .coop TLD has two aspects:

1. It is a TLD like .com, .org, .co.uk.
2. More importantly it has restricted status for potential registrants.

In order to qualify for a .coop TLD it is intended that the cooperative be able to prove its identity as a cooperative.

### ***Feasibility of Concept***

The feasibility of the concept revolves around the ability for Poptel to provide the registration capabilities and ongoing support for organisations that register for a .coop address, as well as for the restricted status to be clearly codified and implemented for all registrants.

In discussions with Poptel, it is our understanding that the technical build for registering and hosting the .coop members is fairly well ahead and robust. It is expected to easily be able to

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<sup>92</sup> We understand there are legal issues still to be clarified between ICANN and the US Congress. These factors have not been considered here.

cover the expected take up of .coop names, and in fact is being built to possibly host other TLDs that may be released in the future.

The more complicated aspect has been the determination of what validation methods will be used to determine if a cooperative business qualifies for a .coop name. Clearly, cooperatives that are registered with the NCBA or the ICA will have easily met this threshold. However, there are numerous cooperatives worldwide (including Poptel) that are not members of the ICA or the NCBA in the United States. The standards, which the cooperatives will have to meet, are presently being determined by the NCBA and ICA.<sup>93</sup>

The detailed process by which some cooperatives will need to register (i.e., submit papers and the like) could very well “clog” the system for registrations. It will be very important that the NCBA and ICA develop clear, actionable steps for validation of these cooperatives worldwide. It will be key to have enough staff to assist in this validation process early in the registration release.

Finally, it is evident through the recent launch of the .coop Founders Programme (explained below) that there is a need for the .coop TLD. 13 million domain names had been registered worldwide as of 2000<sup>94</sup> with the following TLDs:

6.6 million .com	600,000 .uk	65,000 .jp
399,000 .de	131,000 .au	43,000 .se
106,000 .nl	93,000 .dk	
88,000 .kr	66,000 .it	

Among other things the Founders Programme will allow certain cooperatives to pre-register 500 or more names in June 2001 before the official pre-registration of .coop addresses is released. In this way, Founders will be able to pre-select specific .coop addresses. Founders are anticipated to be larger organisations that have a number of member cooperatives, and the Founders through this programme will be able to effectively reserve names for their cooperative members. Founders will pay US\$200,000 for these rights and will become part of the marketing effort for the .coop TLD. Current talks with initial Founders indicates that

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<sup>93</sup> According to the Founders Programme documentation: presently this validation will be through organisations which are members of the NCBA or ICA who will warrant that a specific applicant meets the .coop criteria. Random spot checks are proposed to check the cooperative businesses which register in this manner. Cooperatives which are not members of listed cooperative organisations will likely need to submit selected documents to prove its status as a cooperative.

<sup>94</sup> “How Big is the Internet?”, [www.waller.co.uk/web.htm](http://www.waller.co.uk/web.htm)

the initial first year projections to sell 30,000 .coop addresses will be met by these Founders alone.

### ***Anticipated Market Satisfaction with .coop***

The .coop TLD offers a significant advantage to cooperatives that register for a name because it allows these cooperatives to signal to the market that they are a cooperative (and legitimately registered). In this way the .coop TLD offers a relative advantage over the existing TLDs available (such as .com). Furthermore, because this is a new TLD there is a better likelihood that the cooperative businesses will be able to get the specific TLD address they want.

However, there may be a perceived risk associated with the .coop TLD, because many cooperative businesses do not want to identify themselves as cooperatives. This barrier to adoption must be considered by DC LLC in its marketing efforts as well as with regard to the value added services that DC LLC/DCI considers offering.

### ***Recommendations for DC LLC***

- Ensure that the criteria set by the NCBA and ICA for validating cooperatives is easily applied and has considered applications from all areas of the world (where anticipated marketing effort will be).
- Ensure the NCBA/ICA have enough staff dedicated to validating cooperative applications where the cooperative is not a member of the NCBA or ICA to avoid bottlenecks.
- Barriers to Adoption – get early champions of the .coop name to hype the “value” attributed in being a cooperative. Consider offering the “Marketing your Cooperative Advantage” services by Tom Webb to sell to cooperatives and to help further the name of cooperatives in general.
- Use the digital divide fund to help get cooperatives online who cannot afford to be on the Internet.

### 3. CAN THE .COOP TLD PRODUCT COMPETE?

#### *Competitive Advantage of .coop*

Clearly the largest competitive advantage that .coop has is its ability to service a niche market by offering a specific and restricted TLD. However, this competitive advantage can be eroded by companies such as New.net (backed by IdeaLab) that are creating TLDs that are not issued by ICANN. In other words, this company (or others like it) could sell the TLD .co-op or .cooperative to compete with the .coop address. We do not expect that this will be likely, but must be considered and monitored by DC LLC to maintain the legitimacy of .coop.

The alliance between Poptel, NCBA and ICA is a significant advantage to the launch of .coop. These three partners will be able to offer complimentary skills and assets in the launch. In particular, the ability to tap the members of the NCBA and the ICA significantly reduces the initial customer acquisition costs other companies would face. A further competitive advantage that .coop will have is the robust infrastructure that is currently being created.

The price of .coop is expected to be higher than others on the market. For example (all prices per annum):

- .coop – expected to be US\$80
- .edu (another restricted use site) – US\$40 (\$80 per 2 years)
- .com – US\$35
- <sup>Switzerland</sup>.ch (China) – US\$35  
ca China
- .tv – US\$50

Because the prices are relatively small it is not expected to be a significant deterrent.

#### *Timing of the .coop Launch*

The launch of the .coop TLD in the spring/summer of 2001 has its pluses and minuses. On the positive side, many .com or other TLD addresses are gone and .coop along with the other new TLDs are arriving in time to fill the void of names. However, the recent stock market



decline and general poor performance of many dotcom businesses has removed the lustre of the Internet industry. Because of this, many cooperatives that are not already online may not be as willing to fund an Internet launch. This may affect the short-term prospects of the .coop name sales, but is more likely to affect some of the value added services to be discussed in more detail herein. Another anticipated effect is the need for more marketing effort to combat the current scepticism in the marketplace about the long-term viability of online ventures.

### ***Effect of the Poptel/NCBA/ICA Brands***

The three partners involved in DC LLC/DCI each have their own brands and brand equity, which, by association, will affect the .coop launch.

*Poptel:* Because Poptel is a relatively small company, based in the UK, it is not likely to have significant impact on the brand equity of the new venture. From our interviews of individuals and businesses that have association with Poptel, it is clear that Poptel is recognised as a strong performer in its field. Based on our research, Poptel has been able to differentiate itself on three lines: that they are a worker cooperative, they are perceived as being in tune with the Internet and specifically benefits to cooperatives, and they are considered a strong cooperative.

The only downside is that because of Poptel's local (but not global) presence, it will not automatically have credibility worldwide.

*NCBA:* From our limited research, the NCBA is a well recognized and well respected cooperative organisation. Their mandate to serve all types of cooperatives lends their brand towards .coop, which is also intended to serve all cooperatives. Furthermore, work that the NCBA has done outside of the US to help cooperatives in developing nations has been looked upon favourably. These characteristics should help the DC LLC brand as it develops internationally over the life of the .coop project.

*ICA:* The ICA is the most respected cooperative organisation internationally. For many of the developed countries the ICA is considered the leading worldwide organisation. However, as has already been discussed herein, in many developing countries the ICA is recognised as synonymous with the political cooperative organisations. Furthermore, many cooperatives today are deciding to not join the ICA organisation for undetermined reasons. Accordingly,

the ICA brand will be helpful in many countries to open doors and help promote the .coop TLD and other value added services that may be offered. On the other hand it will be important to consider that .coop may be seen as a political necessity in some countries if the ICA brand is promoted heavily.

#### **4. CAN THE BUSINESS BE COMPETITIVE?**

##### ***Superior Resources for the .coop TLD***

The .coop TLD has competitive resources for its launch. It has Poptel's strength in building the technical specifications to support the .coop platform, it has the cooperative contacts in the NCBA and ICA to access the market easily, and it has venture capital funding to help it get started.

The potential weaknesses that DC LLC faces are:

- The politics of organizing the three organisations to cooperate in the best interests of the business will be important to clarify early.
- Currently, to our knowledge, DC LLC does not have the necessary, relevant worldwide partnerships to offer value added services.
- The management team that is dedicated to this project may not be sufficient for the quick ramp up of sales, and is heavily weighted towards the US and the UK.
- The cooperative market worldwide is extremely fragmented and difficult to reach cohesively. Outside of the contacts held by the NCBA and the ICA there is a potentially significant market which none of the partners have data on.

##### ***Management Team of DC LLC***

According to Poptel and the NCBA the management team for DC LLC is as follows:

Organisation	Person	Title
NCBA	Paul Hazen	CEO of NCBA
NCBA	Judy Ziewacz	Vice President, Domestic Services
NCBA	Byron Henderson	Vice President, .coop Operations
Poptel	Shaun Fensom	Chairman, Poptel
Poptel	Stuart Marsden	Managing Director, Poptel
Poptel	Malcolm Corbett	Director of Marketing
ICA	Karl Folgelstrom	Director General
ICA	MariaElena Chavez	Director, UN/NGO Relations
ICA	Mats Ahnlund	Director, Member Services

Overall, it appears that DC LLC has a good team developed from the partner organisations. Furthermore, the concept has a number of committed champions in the individuals listed above. The dedication of this team is strong and will be important to the initial and ongoing success of the venture.

The only concerns that should be addressed by the team are:

- Do they have the ability to cover the world for marketing .coop? Currently the team seems focused on English speaking countries and continental Europe. The ICA does bring a global perspective and it will be necessary to be able to tap all of the regional knowledge and networks of the ICA.
- Is the team well organized to manage? There are significant geographic distances between these team members, as well as political differences that will need to be addressed and managed.
- Finally, do they have enough full-time dedication to this project? Many of the team members have jobs outside of the .coop project. It is necessary to evaluate the ability to balance between this sizable project (especially once it is up and running) and other commitments that these team members have. In particular, it is our understanding that there is no intention of having full-time commitment by the ICA members. This is an issue because the ICA is the best link for DC LLC to market outside of the US and the UK, and is a necessary link for many countries.

### ***Market Knowledge***

As has been mentioned many times herein, the core team of the DC LLC has significant knowledge about the world market of cooperatives. At the same time, it is also a very

fragmented market which is further complicated with considerations of technology and the Internet. Because of this, it will be a significant undertaking for DC LLC to keep abreast of the differing cooperative markets worldwide. Fortunately, the team assembled should be among the best to do this.

## **5. WILL .COOP BE PROFITABLE?**

### ***Breakeven Expected Quickly***

Given the data available today on the expected first year sales of .coop TLD just to the Founders programme it appears the venture will be profitable. According to Poptel the expected cost of the infrastructure and initial marketing is approximately £1.5 million. Given the anticipated launch price of a .coop domain name at US\$80 (or £55),<sup>95</sup> DC LLC needs to sell approximately 27,000 domain names. To date the Founders programme expects to cover at least this in the first year, so it appears that within months, the project will be at breakeven or even profitable.

### ***Acceptable Level of Risk***

Furthermore, there are minimal risks with this project. There is a low investment relative to the expected returns as outlined above and there is an implied monopoly, so the competitive situation is manageable. The risks of going ahead with .coop, assuming that the investment figures above are correct, are completely acceptable. The larger risks of the .coop project come in the anticipated sales of value added services, which will be discussed in more detail below.

## **6. STRATEGIC CONSIDERATIONS**

Finally, in considering the impact of the .coop project it is necessary to consider the fit of the project with the partners involved in the project. The .coop project is helpful in fulfilling the missions of the NCBA and the ICA in regard to furthering and developing the cooperative movement worldwide, and goes back to the seven cooperative principles that all cooperatives are meant to adhere to. The project is also a good fit for Poptel because the technology and infrastructure required by the project fits with the core business of Poptel.

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<sup>95</sup> Based on exchange rates on May 13<sup>th</sup>, 2001 the price in pounds sterling is actually £56.40. We have used £55 to be conservative.

Overall, the project is “worth it” from many perspectives as we have already outlined. The most important concern for DC LLC will now be to get it right. Because .coop is the base of all future services that will be offered by DC LLC/DCI it is very important that the launch of .coop establish a positive presence and brand in the cooperative marketplace.

### Value Added Services

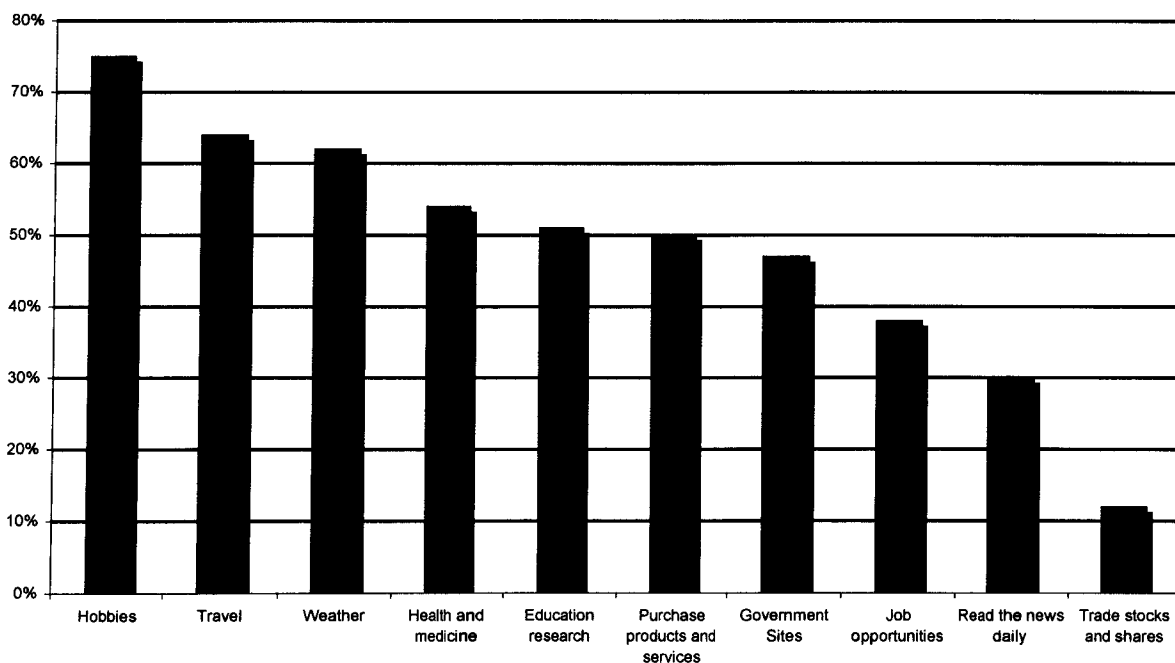
In the discussion below we are always assuming that the launch of .coop is successful in each region necessary for the launch of a value added service and that there is an established “.coop” base. Clearly if the .coop TLD is not perceived as a strong brand in a particular region or by a particular set of customers, the sales of value added services will be impaired.

#### **GENERAL ONLINE POPULATION**

Before we look at the particular value added services that DC LLC/DCI could consider offering we will examine the general dynamics of the online population. The statistics we are using are general world statistics and therefore likely have a bias towards developed nations.

For example, according to a study conducted by Zatsos and Pew Research in May 2000, the most popular Internet activity is email and connectivity with friends and family. As the figure below shows, there are many Internet activities that are pursued.

**Figure 1: Internet Activities<sup>96</sup>**



This information leads to a segmentation of Internet users into active and passive. A study done in Europe<sup>97</sup> further highlights the active/passive differences in Europe: active users tend to be less than 25% of the Internet population. In fact, only 3% spend more than 25

<sup>96</sup> Zatsos and Pew Research, May 2000.

<sup>97</sup> Survey done on European data (France, Germany, and the UK). MediaMetrix, 2000.

hours per month online whereas 35% spend less than one hour. Most people spend less than ten minutes per session online, and use the time for reviewing top news and email. Finally, 98.8% of visitors are not converted into repeat customers.

Furthermore, high-income regions account for 15% of the worldwide population but more than 50% of the telephone lines and 70% of the mobile phones. On the other hand, low-income regions, with 60% of the worldwide population, account for only 5% of the worldwide Internet use.<sup>98</sup>

Obviously, this data cannot be directly translated onto the cooperative population. But it is likely to be somewhat reflective of the dynamics of cooperatives on the Internet and is useful in determining the real market potential for value added services. Certainly, types of cooperatives will be more predisposed to conducting transactions on the Internet. For example, a city based consumer cooperative that has a large membership base (and significant revenues) will be more likely to get onto the Internet to communicate with their members, than a small farmer cooperative. In conclusion, the value added services discussed below will not apply 100% to all cooperatives in existence in the regions to which they are marketed.

## **TECHNOLOGY ENABLING PRODUCTS**

### **Digital Certificates & Secure Socket Layer (SSL)**<sup>99</sup>

#### ***Background on Digital Certificates and SSLs***

Digital certificates are “electronic files that uniquely identify individuals and web sites on the Internet and enable secure, confidential communications”.<sup>100</sup> They are utilised by a variety of individuals and organisations to ensure security across the web. These certificates are allocated by a third-party certificate authority (CA) that performs the due diligence before granting the certificate to verify that the person or organisation applying for the certificate is who they say they are. The most well-known CA is VeriSign.<sup>101</sup> Once certificates are granted, public and private matching keys are allocated and secure communications can occur. The CA is also responsible for establishing relationships with the various Internet

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<sup>98</sup> “Digital Opportunities for All: Meeting the Challenge”, Draft Report of the DOT Force, Version 3.0, April 23-24, 2001.

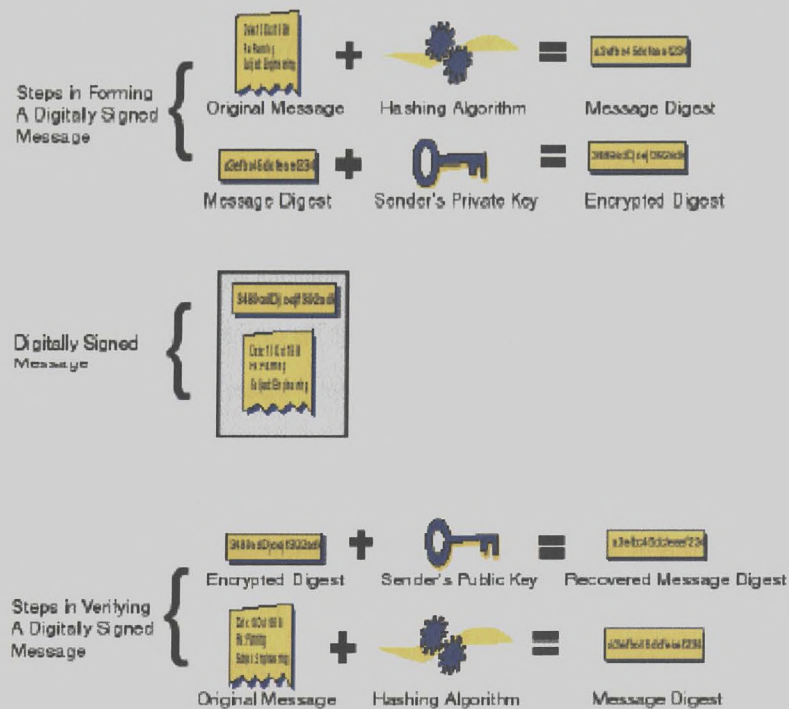
<sup>99</sup> Secure Socket Layer (SSL) can also be referred to as SSL Certificates.

<sup>100</sup> “Building an E-Commerce Trust Infrastructure”, VeriSign Technical Document.

<sup>101</sup> [www.verisign.com](http://www.verisign.com) - they have secured over 300,000 web sites which makes them the market leader.

browsers so that their public keys are recognized and can work on the browsers utilised by the individuals and/or organisations that have digital certificates.

**Figure 2 Steps in Forming and Verifying a Digitally Signed Message<sup>102</sup>**



Secure Socket Layer (SSL) certificates enable web sites to offer safe and secure information and transactional exchanges. These certificates are also issued by CAs. They are essential for e-commerce security. It is essential that any organisation or individual have a digital certificate before an SSL certificate as the digital certificate identifies the person/organisation and has verified that that person/organisation is who they say they are. Once the digital and SSL certificate is authenticated through the browser, an SSL connection can occur. There are a number of communication layers that occur before an SSL connection has been established and they take just a few seconds to occur, but in that time a unique algorithm is sent between the SSL server and the customer. To ensure that a connection is secure, there are some clues for the user:

1. The URL browser window displays “https” rather than “http”.
2. In Netscape, the padlock in the lower left corner is closed rather than open.
3. In IE,<sup>103</sup> a padlock icon appears in the bar at the bottom.

<sup>102</sup> “Building an E-Commerce Trust Infrastructure”, VeriSign Technical Brief.

<sup>103</sup> Microsoft Internet Explorer.



It is debatable as to how many certificates are needed to ensure security. Sharing does occur whereby one certificate can secure multiple servers. However, most organisations recommend individual SSL certificates for each server to ensure the highest level of security.

### ***Regions to Consider for Digital Certificates and SSLs***

Digital certificates and SSLs are necessarily linked to regions where technology infrastructure is prevalent and where businesses and cooperatives are likely to use the Internet to conduct transactions. For example, we do not see a current market for digital certificates and SSLs in places like India where security and conducting business over the Internet are not significant issues. On examination of the web site of Amul in India ([www.amul.com](http://www.amul.com)) it was clear that security was not an issue – we would have been able to place an order from India for milk without the use of a secure server. However, Amul’s American site did immediately go to a secure site when we attempted purchases through them. Furthermore, in more developed nations we also discovered that web site security is not necessarily a major issue. On review of Credit Agricole in France, the largest cooperative in the world according to the ILO,<sup>104</sup> we found no use of e-commerce or security in any area of their site.

It is for these reasons that we have limited our discussion on the current market potential of digital certificates and secure servers to include North America and possibly the UK and Scandinavia. The market for digital certificates and SSLs does exist in other markets, but it will not exist on a large scale for a number of years.

### ***Market Dynamics***

One player in most areas of the world dominates the market for digital certificates and SSLs. VeriSign, Inc. (VeriSign) owns the market through its various companies. In the UK, VeriSign has partnered with BT to offer their services<sup>105</sup> and VeriSign has affiliates in at least 35 countries.<sup>106</sup> Our research into VeriSign did not uncover any noticeable competitors in the market. It appears that for digital certificates and SSLs most companies use VeriSign or an affiliate.

Part of this market dominance can be related to the requirement that a provider of these products have relationships with all the browser manufacturers worldwide in order to ensure

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<sup>104</sup> Based on turnover, US\$32.3 billion turnover in 2000.

<sup>105</sup> See Appendix 11 for a copy of the BT Trustwise White Paper.

<sup>106</sup> Including Canada, UK, France, Germany, Italy, Spain, India, Japan and Korea.

recognition of public access keys for encryption. Furthermore, the price of digital certificates are low relative to the investment required so the business is not very lucrative for more than a few big players (economies of scale are important in the industry). Finally, because this is a product about security, there are barriers to entry for new entrants due to the required trust necessary to build an economically efficient business.

### ***Market Implications for DC LLC/DCI***

The current market for cooperative digital certificates and SSLs is small. Cooperatives need to be using their Internet site for e-commerce, or be concerned about privacy and security for other reasons, to need one. Our web site review of 10 cooperative sites in North America revealed only two (20%) web sites that are using the technology currently. Many types of cooperatives are not predisposed to needing this technology because e-commerce still does not play a significant factor in their business.

Although a new domain name may require a new digital certificate, it is still a “commodity” type item. There is no real competitive advantage that DC LLC/DCI can offer over a VeriSign branded product. Certainly it could be offered as part of a “one stop shop” – if a cooperative was buying a domain name and digital certificate at the same time. However, cooperatives that already have digital certificates and SSLs for their other domain names already use VeriSign, and may be quite happy to continue doing so.

Taking on VeriSign is risky, since we have not seen evidence of success by other players. Furthermore, VeriSign is already expecting the .coop business; in a March 2001, Lehman Brothers report the seven new TLDs (including .coop) are discussed as future revenue streams for VeriSign. We expect that VeriSign, if they are smart, could also use the DC LLC verification process to lighten their verification requirements (i.e., if they understand that the cooperatives must be verified in order to get a .coop name they may not have to do their level of verification). Therefore, instead of attempting to compete with VeriSign, we suggest that DC LLC/DCI attempt to secure a partnership with VeriSign as soon as possible in order that DC LLC/DCI has an opportunity to earn referral fees from the relationship.

### ***Recommendations for DC LLC/DCI***

- Look to VeriSign for a partnership deal for digital certificates and SSLs.

- Watch the market for changes and increase in worldwide needs and adjust offerings accordingly.

## **Web site Hosting**

### ***Background on Web site Hosting***

Web site hosting is the business of housing, serving and maintaining files for one or more web sites.<sup>107</sup> A good web site hosting provider provides much more than just server space. They would provide: servers, back up facilities, disaster protection (bomb proof buildings), assurances on the stability of their facilities, and security of the hosting site among other things. All of these criteria are essential when a business decides to hire a web site host. In addition, many businesses will look for the provider to be conveniently located (i.e., be nearby). Part of this is emotional (people like to know where their servers are located) and part of it is related to Internet traffic. For example, a business situated in the UK may not want its web site host located in Japan if all of its customers are in the UK. If it had a server located in another region its customers may be subject to Internet traffic bottlenecks that occur enroute. On the other hand, a UK business with Japanese clientele may want its web site hosted in Japan to provide speed of access to its Japanese customers.

### ***Regions to Consider for Web site Hosting***

All of the regions that will have significant .coop take up are potential markets for web site hosting. However, it will be necessary for DC LLC/DCI to consider the requirement to have facilities around the world to satisfy markets outside of the UK (where Poptel is handling the .coop domain space).

### ***Market Dynamics***

There are two key decisions that must be made by an organisation in regards to web site hosting: where the physical servers are located (on the organisation's premises or at the hosting company's premises), and who manages the servers (the organisation itself or the hosting company). The cost of hosting under the different alternatives varies. According to a March 2001 Fahnestock report, the grand total expenditure is cheapest for managed hosting (which means the servers are located with the hosting company and the hosting company is in charge of managing them). Digex, Incorporated is considered to be the leader in managed

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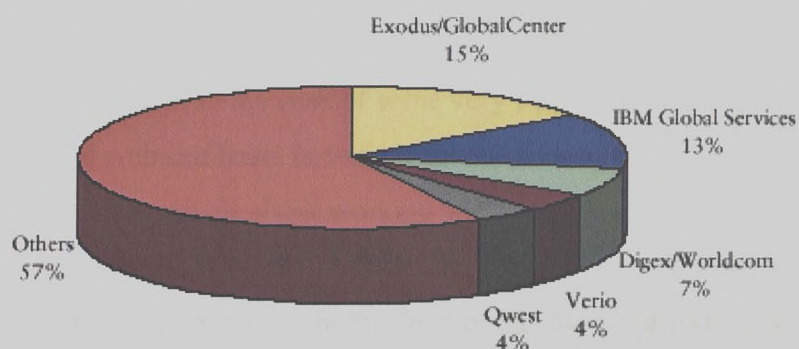
<sup>107</sup> Definition from [whatis.techtarget.com](http://whatis.techtarget.com)

hosting, however in recent reports it has become clear that Exodus Communications is attempting to compete in this area as well. Industry experts believe the managed hosting segment has the most potential for growth in the future.

The best service provider of web site hosting in the world is called Host Pro<sup>108</sup>, a division of Micron Technology, Inc..<sup>109</sup> According to our research, this company is consistently rated the #1 company based on monthly customer feedback surveys. Host Pro has facilities in 70 countries. The costs for its services start at US\$19.95 per month, though prices vary depending on the package required.

However, this company is only one of many in a massively fragmented market (please see Figures 3 and 4 below for details on market share and competitive landscape). Outside of the top five hosting companies, 57% of the market is represented by numerous small companies. Companies distinguish themselves by targeting specific business types (such as small and medium size enterprises or global companies), focusing on their server reliability, or a variety of other criteria. Because web hosting services are becoming more standardised, the service is becoming commoditised. This in turn is putting pressure on prices and corresponding profits being generated from web hosting.

**Figure 3 Web-Hosting Market Share, January Through June 2000<sup>110</sup>**



Source: IDC

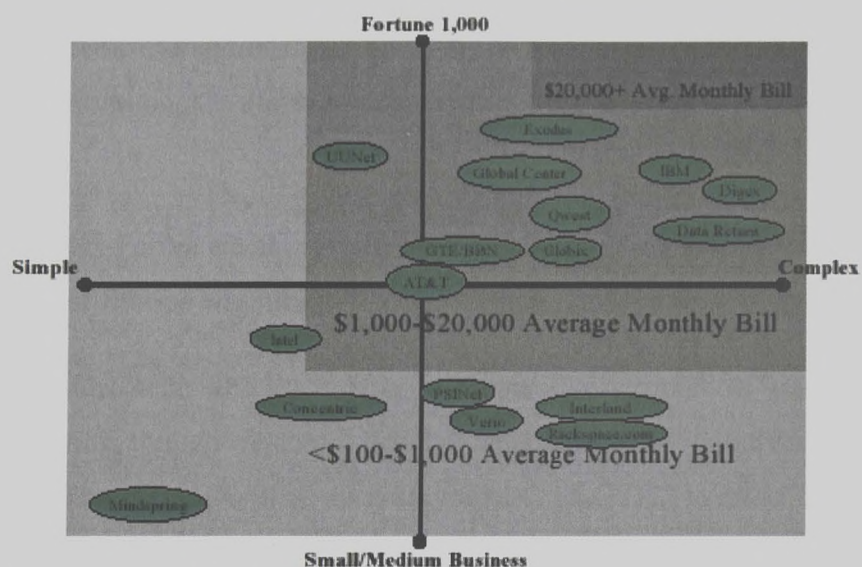
<sup>108</sup> [www.hostpro.com](http://www.hostpro.com)

<sup>109</sup> According to May 2001 surveys by, [www.tophosts.com](http://www.tophosts.com) and [www.hostindex.com](http://www.hostindex.com)

<sup>110</sup> Exodus investor report, WR Hambrecht & Company, March 29, 2001.



Figure 4 The Competitive Hosting Landscape<sup>111</sup>



Source: Thomas Weisel Partners LLC estimates

At the same time the fragmented market is showing signs of consolidation. For example, Host Pro is a division of Micron and NTT recently purchased Verio Inc.

#### ***Market Implications for DC LLC/DCI***

Many of the cooperative businesses that exist worldwide aim to serve their immediate community. They may use the Internet to expand that community somewhat, but it is more likely that the Internet will be used to help the cooperative better serve its existing member base. Therefore, it is unlikely, except in the case of some very large cooperatives, that a single cooperative would need web site hosts in various locations around the world.

Furthermore, because cooperatives are all about working within the community in which they exist, we expect that many cooperatives would prefer to deal with a web site host that is local to the cooperative. Finally, many cooperatives in the developed nations already have web sites and therefore have established relationships with hosting providers. Because there is little differentiation between hosting providers it will be difficult for DC LLC/DCI to break up existing relationships. Therefore, the most desirable market in hosting for DC LLC/DCI is in markets where there is lower online penetration by cooperatives on the web.

DC LLC/DCI has a competitive advantage that it can leverage in the web site hosting market – being trust. If DC LLC/DCI is already considered a trusted provider, from the provision of

<sup>111</sup> Interland investor report, Thomas Weisel Partners LLC, August 24, 2000.

the .coop TLD and being a representative of the cooperative movement, it has a differentiating factor on which to compete. However, there are still two main issues we feel DC LLC/DCI must consider in looking at the web site hosting market: 1. the need for international operations; and 2. the issue of providing what is more or less a commodity service.

DC LLC/DCI through Poptel are able to offer web site hosting immediately to cooperatives in the UK or areas of Europe who would like the service. But the issue is global scalability.

Certainly, they can also offer web site hosting to cooperatives around the world, using the UK site for the hosting, though we do not feel that a majority of cooperatives are likely to adopt this option. Therefore, it will be necessary for DC LLC/DCI to either develop their own sites in regions of the world where the take up may be significant, or to partner with organisations that already exist in the specific regions.

The decision of whether or not to provide hosting services is strategic because it is not anticipated to be significantly profitable. Of all the value added services that DC LLC/DCI should consider, this is the most fundamental. All cooperatives that purchase a .coop domain name will need web space. Some cooperatives will already have this space because they already have web sites. As we have determined previously, many cooperatives are not currently online, particularly in the developing nations. By either providing hosting services directly, or by offering partner services worldwide, DC LLC/DCI could become a one-stop shop for the cooperative that is not currently online. If DC LLC/DCI is serious about offering other value added services, this is essential.

### ***Recommendations for DC LLC/DCI***

- Like .coop, offering web site hosting is a critical link in helping cooperatives get online and develop relationships with DC LLC/DCI. However, it is not a very lucrative business. Therefore, we suggest that DC LLC/DCI offer web site hosting directly where it can (i.e., through Poptel), develop referral alliances with providers in other areas of the world (preferably cooperatives) and consider developing facilities in markets with significant potential (in the longer term since these will be in developing nations like China and India).

## TRADING EXCHANGES

### *Background on Trading Exchanges*

First, it is important to clarify how we are defining trading exchanges. We have separated the market into two: 1. Trading exchanges like VerticalNet and FreeMarkets that create a market for companies to do business, and 2. Software providers like Ariba and Commerce One that sell the software which enables trading or procurement between two companies.

### **Trading Exchanges**

In 2000, trading exchanges were considered one of the hottest Internet related businesses and attracted significant investment. Estimates for trading exchange revenues were in the trillions.<sup>112</sup> Today, trading exchanges are not as popular and a telling sign was Gartner Group's discontinuation of tracking the growth of online marketplaces.<sup>113</sup>

The premise of a trading exchange is to bring buyers and sellers together in order to create a more efficient market for products or services. Companies like VerticalNet create exchanges for industry sectors that are very fragmented. The idea is that by making it easier for businesses to find each other, suppliers could increase their markets and buyers could achieve lower prices. Unfortunately, in the public marketplace these exchanges have suffered. Some of the issues that have impeded success have been:

- Changing the culture of the buying organisation. In many cases price is not the ultimate criterion for purchase. Many businesses care more about relationships and the related quality and service that can be delivered in a longer-term relationship.
- The inclination to a one-time use. Many buyers have used exchanges to find out about prices and make one purchase. Thereafter, they have either developed new relationships with a supplier, which is then taken outside the exchange, or they have used the pricing information to negotiate new deals with their current suppliers.
- The difficulty in attracting suppliers. In order for the exchanges to be of value to buyers, there must necessarily be a number of suppliers from which to receive bids on

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<sup>112</sup> [www.reims.net](http://www.reims.net), "What is a Trading Exchange".

<sup>113</sup> "Leap of Faith: Why B2B went Bust", Erich Luening and Margaret Kane, CNET news.com, May 7, 2001.

a particular product. Unfortunately, the cost and difficulty of convincing suppliers to use the exchanges has been a hurdle for many of the exchanges.

Recent studies have shown the trading exchanges that have been successful, have been very targeted to specific industries, such that these exchanges create real value for the companies within the industry they serve. The top trading exchanges are:<sup>114</sup>

- Exostar (Aerospace and Defence)
- Covisint (Automotive and Heavy Equipment)
- CheMatch (Chemical and Plastics)
- Transora (Consumer Products)
- Converge (High-Tech and Electronics)
- e-Steel (Metals)
- FuelQuest (Oil and Gas)
- PaperExchange (Paper)
- GlobalNetExchange (Retail)
- Altra Energy Technologies (Utilities)

Other exchanges that have been relatively successful have been the member's only private exchanges. These restricted membership exchanges are similar to the electronic data interchange technology. These private exchanges simply link a company to its key partners and suppliers using the web as a connection.<sup>115</sup>

Trading exchanges have been utilised for many applications though some are more dominant than others as shown in Figure 5 below.

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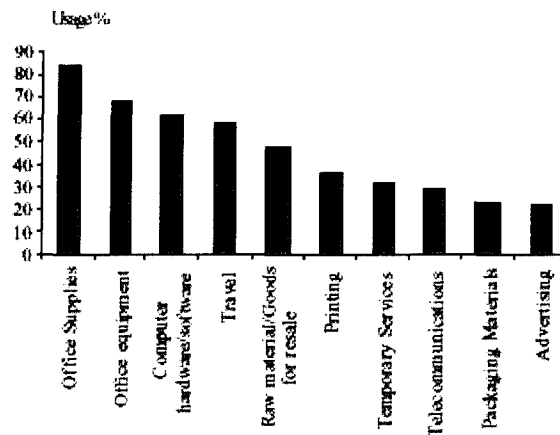
<sup>114</sup> "Top Trading Exchange Services for Industry Verticals", Joan Harbin and John Fontanella, AMR Research, April 17, 2001.

<sup>115</sup> Ibid.



Figure 5 E-Procurement Application Areas<sup>116</sup>

Rankings	Products/Services	Usage %
1	Office Supplies	83.50
2	Office equipment	68.70
3	Computer hardware/software	61.50
4	Travel	58.76
5	Raw material/Goods for resale	47.79
6	Printing	35.85
7	Temporary Services	31.23
8	Telecommunications	29.39
9	Packaging Materials	22.80
10	Advertising	21.90



### Enabling Software

We have not focused extensively on this area of trading exchanges because we do not, on a preliminary basis, believe that DC LLC is suited to become a software designer. That said, the software that Ariba and Commerce One provide may be useful for cooperative businesses.<sup>117</sup> The enabling software will not help cooperatives find other cooperatives to do business with, however if a majority of cooperatives were using the same procurement software, it would help facilitate interactions between cooperatives. Therefore, it is our suggestion that DC LLC/DCI **consider** developing an alliance with Ariba or Commerce One to enable the cooperatives that become members of .coop to have equivalent software. This would help lower costs for cooperatives because of the bulk purchase scheme and would facilitate trading between cooperatives.<sup>118</sup> Before, a decision is made, however, DC LLC/DCI will want to understand the impact of referring cooperatives to a company like Ariba on a potential trading exchange they may create (i.e., would they be limited to using Ariba software in its development? Would they want to be limited in this way? Would it

<sup>116</sup> Commerce One investor report, Global Industry Analysts Inc., February 1<sup>st</sup>, 2001.

<sup>117</sup> See Appendix 12 for a description of Ariba's products.

<sup>118</sup> The Ariba Partner Marketing Programme is designed to generate market awareness, sales opportunities, and revenue for the programme participants. [www.ariba.com/partners/partner\\_marketing.cfm](http://www.ariba.com/partners/partner_marketing.cfm)

affect the potential of the trading exchange if cooperatives have enabling software and could thereby usurp the exchange?)

### ***Regions to Consider for Trading Exchanges***

Several issues affect which regions to target with a trading exchange. In North America, trading exchanges have gone out of favour and could require significant marketing (and thereby create significant costs) to attract sufficient cooperatives for a trading exchange to be profitable. In developing nations like South East Asia, trading exchanges would be welcomed, but the technology infrastructure is not advanced enough to support them.

Therefore, it is very difficult to determine how DC LLC/DCI should select regions to roll the exchange out. It is clear that it will need to be in a market that is technologically advanced enough to handle it, and in a market that they understand the economic dynamics of in order to establish it properly. We suggest that DC LLC/DCI consider test marketing the trading exchange in one region to gauge demand for the exchange, and to better determine the cost and complexities that need to be addressed before a worldwide rollout is attempted.

### ***Market Dynamics***

Trading exchanges have various revenue models. Some, like FreeMarkets, charge a consulting fee to buyers who work with FreeMarkets to develop and auction and charge the suppliers a commission if they win. Most take at least some percentage of the savings that are generated through the exchange or a percentage of the transaction value. Throughout our research we were unable to determine the full costs to build a trading exchange. However, it is clear that it is a very expensive venture because it can require a global presence and significant marketing costs to attract businesses to the exchange or auction. Furthermore, the financial results of trading exchanges that have been created in the past few years are not promising. Expenses have been significant and most are not yet profitable.

As evidenced Figure 6, the risks of trading exchanges are dependent upon the number of transactions and the pertinent infrastructure. For example, in the developing regions, there is an expected high level of transactions coupled with a lack of standardisation, placing exchanges in this region in the high-risk category.

**Figure 6 Trading Exchange Risk<sup>119</sup>**



The basic premise of a trading exchange created by DC LLC/DCI would appeal more to the emotional side of cooperatives – in that they would only deal with other cooperatives. However, this needs to be important to the cooperatives for an exchange to work. In the developed world, cooperatives are doing business in a fiercely competitive market. In many cases, it may not be the most profitable or make the best business sense for a cooperative to deal with another cooperative. Perhaps, if cooperatives could sell a product or service as 100% cooperative made (like organic) this would be an easier task. On a positive note, according to Professor Arie Van der Zwan,<sup>120</sup> a new style of cooperative is expected to evolve based on a type of barter trading which could be facilitated by the type of trading exchange discussed herein. However, these exchanges will face the same difficulties that the current trading exchanges face.

Finally, it is our understanding that the ICA is attempting to build some type of trading exchange in Asia out of its Singapore office. It will be important for DC LLC/DCI to work with the ICA to leverage their efforts in building an exchange, and to use any data gathered by the ICA to understand the market success potential.

### ***Market Implications for DC LLC/DCI***

DC LLC/DCI will need to consider carefully the revenue model they propose for a trading exchange. It is our expectation that DC LLC/DCI will not be using cost savings as the main motivating factor for enticing cooperatives to use the exchange but rather that cooperatives

<sup>119</sup> [www.reims.net](http://www.reims.net)

<sup>120</sup> "Seizing Control: The International Market Power of Cooperatives", Lone Oak Press, 1996.

would use the exchange to expand their supplier base and to develop relationships with cooperatives for all their supply needs. Also, it is anticipated that the exchange would be a restricted “members only” exchange for cooperatives only. These exchanges have been more successful and give hope for a potential venture by DC LLC/DCI.

An easy way of creating a trading exchange would be for DC LLC/DCI to partner with a company like VerticalNet. However, we expect that this would remove significant power over the exchange from DC LLC/DCI, and would therefore be an unsatisfactory solution.

### ***Recommendations for DC LLC/DCI***

- Use a test market to get a better sense of the issues and costs surrounding a trading exchange. Use a technologically advanced region (possibly Scandinavia).
- Make sure the team building the trading exchange includes representatives from the region in which the exchange is targeted. It is essential that DC LLC/DCI have first hand knowledge of the cooperative market of the particular region.
- Consider launching the trading exchange in two phases: Phase 1: Cooperatives pay to belong as members and simply provide information about their cooperatives. This will help cooperatives find other cooperatives but will not facilitate the trading as such. Phase 2: If there is sufficient demand for the Phase 1 Information Exchange, build a trading platform to assist cooperatives with their trades. Once again, gauge demand for this service before building it out worldwide.
- Consider the revenue model for any exchange being built. All revenue models have inherent strengths and weaknesses. Because the trading exchange that DC LLC/DCI would build would be more based on the premise of cooperatives helping cooperatives (rather than cooperatives finding the lowest price) it is important to ensure the revenue model reflects this. Accordingly, we do not believe a model based on the savings found online would be appropriate. Some mix of membership fee to belong to the exchange and a percentage of the transaction value is likely most appropriate.
- Consider developing a partnership with a software enabling company like Ariba to help provide exchange software to cooperative businesses. This would also help DC

LLC/DCI create a list of interested parties in a trading exchange. Be careful however, because if the intended revenue model for the trading exchange is based on a percentage of the transaction value, it may be less desirable for cooperatives to already have exchange related software. The issue is the requirement for recurring transactions through the exchange, which may not occur if the cooperatives can, once they have found each other, conduct the transaction around the exchange.

## **MEMBERSHIP SERVICES**

### *Definition of Membership Services*

In our web site analysis, we discovered that many cooperatives are not using the Internet to build their member community and increase loyalty. According to Reichheld and Scheffer, “the Internet is a powerful tool for strengthening relationships but the basic laws and rewards of building loyalty have not changed...it [loyalty] is essential for survival.”<sup>121</sup> As a result, we believe helping create loyalty using .coop to be a necessary mission for DC LLC/DCI.

In defining membership services we are considering: programmes that DC LLC/DCI could use to help cooperatives grow and improve, services that DC LLC/DCI could offer to federations and cooperatives to help save costs and build community, or services that DC LLC/DCI could organize on a global level which may be offered by federations to cooperatives or by cooperatives to their members. In short, we considered any type of service that would help the cooperative movement improve itself, or to help cooperatives develop better relationships with its members.

In particular, we have chosen to focus on three possible services that DC LLC/DCI could offer:

- Educational products (including e-learning).
- Group buying services (here we have specifically focused on the potential to offer computers to federations, cooperatives and their members).
- Other referral services.

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<sup>121</sup> “E-Loyalty: Your Secret Weapon on the Web”, Frederick F. Reichheld and Phil Scheffer, Harvard Business Review, July-August 2000.

There are potentially many more member services that DC LLC/DCI could offer, however we have chosen services that fit with the overall theme that DC LLC/DCI is “digitally energizing the cooperative sector”.

Through our analysis we have determined that membership services are dissimilar from the previous two types of value added services. In particular, the membership services that we have considered are contingent upon extensive relationships and/or partnerships, rather than options that DC LLC/DCI could provide on their own or through simple partnerships. All of the membership services we have looked at would be referral based and we do not suggest that DC LLC/DCI consider developing them because they each individually require significant investment and achievable economies of scale. We do not see that the referral services described herein are individually and globally scalable if DC LLC/DCI was to offer them on their own.

All regions of the world would benefit in different ways from the membership services we have considered. There are some obvious restrictions on the expansion of the ideas beyond some westernised nations: for example seminars by Tom Webb on “Using .coop to Market Your Cooperative Advantage” would more or less be restricted to English speaking countries. As each area of member services is discussed below we have addressed which areas have the best potential for rollout.

### **Educational Products**

According to US industry experts, there are four areas of e-learning: corporate learning, higher education, Kindergarten - Grade 12 and textbooks/other ventures. The only relevant area for our analysis is corporate learning. The objective of corporate learning is to provide cost efficient training and education to employees and members. According to the survey data, cooperatives are keen on education, especially for their members. Companies spent more than US\$ 1 billion last year on e-learning systems and this is only expected to increase.<sup>122</sup>

It must be clarified whether DC LLC/DCI would offer educational products which relate primarily to the online segment (i.e., “how to build an online business”); which can be provided by many different players; or if they are looking at simply cooperative specific

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<sup>122</sup> “Business Plan”, Danielle Sessa, Wall Street Journal Europe, March 12, 2001.

products. Where the products are cooperative specific, it is unclear whether DC LLC/DCI is the appropriate body to be offering these services. The NCBA and ICA, among others, already offer their members educational products around cooperative topics.

Where the products are related to the online sector, there are significant barriers to entry, such as:

- Substantial competition from a variety of players already established in the industry.
- The need for understanding both cultural and language differences.
- Significant investment to develop the products and technology platform for delivery.

Therefore, it is our position, that DC LLC/DCI would be best to develop relationships in different markets to provide “pre-packaged” services of other providers to interested cooperatives. They would be able to earn referral fees, but more importantly they would continue to build relationships with their cooperative customers and build a stronger bond between them.

### **Group Buying**

The concept here is that similar to other programmes done in the corporate world, DC LLC/DCI would develop an alliance with a preferred computer manufacturer (such as Dell) to get a preferential worldwide cooperative group price for computers. DC LLC/DCI could also work with an organisation like PeoplePC who manages the whole process.<sup>123</sup> Computers would then be able to be purchased by the federations or cooperatives (either for themselves or in bulk for their members) to assist getting cooperatives on the Internet. These computers could be shipped with pre-loaded .coop related material; such as access to other referral schemes that relate to the area where the computer is being shipped or the .coop trading exchange platform (if applicable). This concept would be primarily done to meet the goals of DC LLC/DCI in “digitally energising the cooperative sector” and accordingly to expand the market for .coop and the .coop value added services. Some descriptions of these programmes in the corporate world are below.

In February 2000, Ford announced its intention to give every employee a computer with Internet access. This began a series of companies installing similar programmes within their

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<sup>123</sup> [www.peoplepc.com](http://www.peoplepc.com)

organisations throughout that year. As detailed below, there were a number of different size corporations with differing ideas as to how best to implement this employee benefit.

<b>Name of Company</b>	<b>No. of employees targeted by the programme</b>	<b>Details of the programme</b>
Ford	300,000+	Charge \$5 per month for an HP computer with Internet access provided by UUNET managed by PeoplePC – 4 packages to choose from
Delta Air Lines	75,000	Employee purchase plan, maximum charge of \$12 per month – HP desktops or IBM portables managed through PeoplePC If employees already have a computer, they can get free Internet and intranet access
American Airlines	100,000	Investment of \$45 million over 3 years to enable computers, printers, Internet and intranet access
First Union	70,000	Discounts of \$500 per computer from Dell managed by the company
Pratt & Whitney Canada	4,000	Charge \$30 per month for a home computer and Internet access
Enron	15,000	Free PC and subsidized Internet connections
DaimlerChrysler/GM	300,000	Subsidisation of AOL service
Intel	70,000+	No charge, on-going programme – high-end computers and internet access with additional services

The real question is the viability of this programme in the long-term. Since late 2000, there have been no mentions of any similar programmes being announced nor have there been any discussions or comments on the success of these programmes.

DC LLC/DCI could consider a programme to enable group buying by federations or cooperatives such that they could then offer free or low-cost computers to their member cooperatives or members. Although not directly a significant profit making venture for DC LLC/DCI, if the programme took off it would expand the market for the .coop TLDs and other value added services.



In the developing world, this programme may be lucrative and discussions with organisations like Dell or PeoplePC to better understand their cost structure and international capabilities, may warrant further consideration. Furthermore, DC LLC/DCI could speak with Marc Winterburn,<sup>124</sup> a survey respondent from Australia about group buying, because his cooperative is currently working on creating a market place to aggregate cooperative buying demand.

### **Referral Services**

Referral services are something that DC LLC/DCI should consider as an add-on to their business. Referral services can include (but are not limited to):

- Offering financial products such as insurance.
- Offering professional services, such as consulting, accounting or legal services.
- Offering general business packages such as telecom deals, travel deals etc.

Many of the services that DC LLC/DCI could offer on a referral basis are local in nature and would require specific local knowledge and relationships. However, as the fees they will earn will only be a small percentage of the referral business, it will not be significant revenue stream.

As part of DC LLC/DCI's role in "digitally energising the cooperative sector", they can assist federations and cooperatives by understanding what services the cooperative movement requires such that they can optimise their online presence. It would then be advised that DC LLC/DCI research and negotiate corresponding partnerships to add the most value. We do not expect that any of the services that are part of this "referral services" category, would be developed or provided in-house by DC LLC/DCI.

## **CONCLUSIONS ON VALUE ADDED SERVICES**

### **Profitability and Potential of Value Added Services**

As discussed herein, there are many value added services that DC LLC/DCI could pursue. If DC LLC/DCI decides to pursue a number of these options, they will become a "portfolio

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<sup>124</sup> Sales and Products Coordinator, Greenstar Co-op Ltd., marc.winterburn@buyplus.com.au.

manager” of .coop related products. They would then become the trusted source for all a cooperatives needs on the Internet.

In examining the cooperative movement as a whole, we have found it to be very fragmented: across types, size, and culture among others. Because of this, we are not convinced that any one market for a value added service product is sizable enough to justify the likely investments.<sup>125</sup> Although a market of 750,000 sounds significant, these cooperatives are spread across numerous countries, each with different levels of Internet adoption. Therefore, we recommend that before proceeding to establish any value added services product, DC LLC/DCI understand the economies of scale necessary to achieve a desired level of profitability.

### **Brand Effects of Partnerships**

Given the extensive recommendations for use of partners, it will be important for DC LLC/DCI to consider brand effects of potential partners. In particular, as the number and diversity of partnerships increase, it will become harder for DC LLC/DCI to retain a consistent brand image.

### **Value Added Services Rollout**

In conclusion, all of these value added services can be targeted at different Internet user segments. It is important to remember that a non-user has different needs and wants than the fully integrated B2B business user. Furthermore, it is unlikely that the non-user will become a business user overnight, rather they will go through a continuum. To pass through this continuum requires:<sup>126</sup>

- Breaking down barriers to connection, use and e-commerce.
- Building consumer confidence.
- Fostering the best environment for e-business.
- Encouraging entrepreneurship.

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<sup>125</sup> See Appendix 13 for some rough calculations on market size for some of the value added services. We did not estimate the investments for these services in our calculations.

<sup>126</sup> “Internet Access for All”, B. Berg, M. Page, M. Melford, Strategy and Business, Booz Allen and Hamilton, Second Quarter 2000.

Accordingly, DC LLC/DCI needs to incorporate their rollout plans of value added services with the steps of the continuum. In particular we suggest the following steps, among others:

- Fostering relationships with federations and other connected organisations to train and encourage non-users to get connected (particularly in developing countries).
- Ensuring that the marketing efforts behind .coop and the related value added services are well communicated and supported, and to realize the interrelatedness and reputational effects between all of these offerings. In other words – get it right the first time or risk destroying consumer confidence.
- Building a comprehensive network over time such that the e-business needs of cooperatives are serviced by DC LLC/DCI and their partner network.
- Continuously measure, monitor and research the e-business needs of the cooperative movement and revise the DC LLC/DCI offerings accordingly.

## Appendices

### **APPENDIX 1: ASSUMPTIONS MADE**

Because it is difficult to find data to estimate the size of the cooperative market worldwide we have had to rely on ICA data as our best estimate. We understand there are inherent problems with the data because it includes only cooperatives that are members of the ICA federations and may include cooperatives that are no longer active or members who are deceased. It has been indicated that there are a significant number of cooperatives that are not federated through the ICA (for example Poptel). In addition, the ICA estimates that there are many new cooperatives being created annually in regions such as Scandinavia (500+ per annum), which are not federated.

Notwithstanding the above, we have used the ICA data as a rough measure of the cooperative market size in many countries and to help guide our research concentrations. We believe this was appropriate given the lack of data available and the belief from other sources that the ICA data is considered the best available data on cooperatives.<sup>127</sup>

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<sup>127</sup> "The Enterprises and Organisations of the Third System – A Strategic Challenge for Employment", CIRIEC, 1999.

## APPENDIX 2: SEVEN COOPERATIVE PRINCIPLES<sup>128</sup>

1. **Voluntary and Open Membership** — Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. **Democratic Member Control** — Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.
3. **Member Economic Participation** — Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
4. **Autonomy and Independence** — Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
5. **Education, Training and Information** — Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of cooperation.
6. **Cooperation among Cooperatives** — Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
7. **Concern for Community** — While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

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<sup>128</sup> From the NCBA web site, [www.ncba.org](http://www.ncba.org).

**APPENDIX 3: SUMMARY OF SURVEY DATA**

# *.coop* Survey and Clustering Analysis

## Federations and Cooperatives

15 May 2001



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## **Introduction**

We have been requested by Poptel to research the market for the .coop top-level domain name. Poptel, in conjunction with the National Cooperative Business Association (NCBA) and the International Cooperative Alliance (ICA) applied to the Internet Corporation of Assigned Names and Addresses (ICANN) for the rights to sell access to the .coop top-level domain (TLD). This was awarded on November 16, 2000. Throughout this report we generally refer to the partnership as DC LLC (standing for .coop LLC) since this is the cooperative business which we understand is intended to be created as a subsidiary of NCBA with equity participation by Poptel and the ICA. DC LLC is intended to manage the policy with respect to .coop registration, ICANN and the digital divide fund. We also understand it is intended that a further company be created to specifically create and exploit value added services. This company is referred to herein as .coop International (DCI). We understand this report is to be created primarily for Poptel as its role as a partner in DC LLC/DCI but will be provided for general use by the DC LLC/DCI partners.

Our work has been focused in three areas critical to the successful worldwide launch of the .coop TLD and relevant value added services. These areas have been:

1. Designing, conducting and evaluating the results of a survey to potential customers of the .coop TLD. This survey was conducted to help determine the initial demand for the .coop TLD as well as to determine pricing of the domain and to assist in determining relevant advertising messages to be used in the launch of .coop.
2. General research into a number of value added services as well as the cooperative situation worldwide.
3. Detailed research into four important regions of the world to understand the market size for the .coop TLD as well as other value added services, and to understand market subtleties which need to be addressed in a worldwide launch.

This report summarizes our findings in respect of the survey of potential customers of the .coop TLD.

The data summarised in the following is from the opening date of the English, French, Spanish, and German surveys on 26 February 2001 until close 16 March 2001. This is based

on summary reports and raw data.<sup>1</sup> Raw data was primarily used for clustering analysis by geographical region and cooperative size in terms of turnover. Three data points have been removed from the raw data analysis as they did not have sufficient information.

The Federation Data Survey is first discussed, followed by the Cooperative Survey Data and a summary of our clustering analysis. In-depth discussion of the clustering and survey Category Answer Key are in Appendices 3 to 5 respectively.

Please keep in mind, the responses contained in this report are from known members of the cooperative movement community, are primarily English speakers, and have expressed interest in the .coop top-level domain, making the sample biased. In addition, the survey was only available on the Internet and was, therefore, biased toward online respondents.

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<sup>1</sup> See Appendices 1 and 2.

### Analysis of the Federation Survey

There were 44 respondents to the Federation<sup>2</sup> Survey. One respondent was an educational institution that serves as a development and resource centre for cooperatives, but does not consider itself as having members. Over half the respondents were from North America or the United Kingdom, but France, Denmark, Latvia, Bulgaria, Colombia, Czech Republic, Japan, and Uruguay were also represented. Most of these have regional relationships that cover Argentina, Brazil, Paraguay, Russia, Estonia, Lithuania and Belarus. However, half the respondents are **not** members of the ICA. Almost half the respondents are planning on attending the ICA congress in Seoul.

#### **COOPERATIVE NUMBERS AND COMMUNICATION METHODS**

Federation cooperative members on average number between 10 and 1,000, with the majority (36%) in the 10 -100 member category. Federations predominantly use email, direct mail (mostly newsletters), fax, web sites, face to face interaction and (monthly/quarterly) newsletter/journals or reviews to communicate with their members. Annual meetings are frequently in the federation's region. They tend to be held the end of April, May, June, July, September, October and November. Some federations have not fixed a date. One federation had an Internet conference planned for 24 March 2001.

57% of respondents try to track the cooperatives in their region that are not members of their organisation. The majority of these non-member cooperatives number in the 100 –1,000 category. Therefore, there are likely on average 200+ cooperatives in each federation's region on a combined federated and non-federated basis.

#### **SECTOR BREAKDOWNS**

Largest sectors represented include:

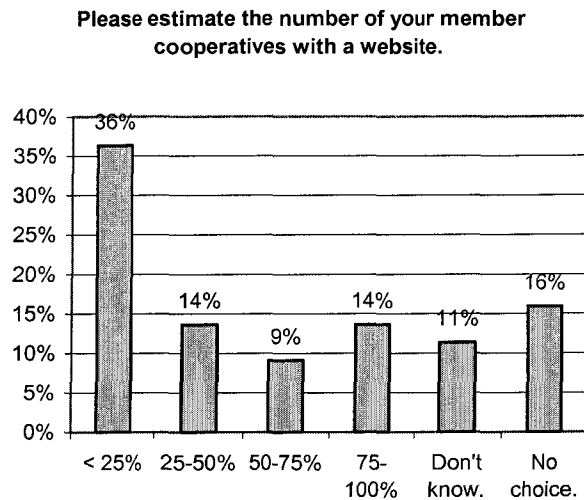
- Agriculture
- Financial Services (Credit Unions)
- Consumer
- Housing
- Workers, artisan, industrial

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<sup>2</sup> The term federation will be used to denote any umbrella organisation, such as apex, associations, organisations, federation, etc.

## COOPERATIVES WITH WEB SITES

From the federation data we suspect that roughly half of the member cooperatives do not have a web site (see the figure below).



## PROMOTING .COOP

The majority (84%) of federations will promote .coop to their members and roughly 63% would feature .coop in their publications (although one respondent hasn't considered it yet and another mentioned the TLD **must** be available as **.co-op**). Nearly all are interested in receiving regular updates from Poptel on .coop. Federations also promote .coop by urging participation, mentioning it in their newsletter, translating important news, via posters and face to face interaction and conferences. In Colombia, Orbitacoop has already begun promoting .coop around the country. Other federations have begun promoting .coop as well.

## .COOP BENEFITS

The benefits that the federations believe it will bring to themselves and member cooperatives include:

- The .coop identity will make it easier for consumers to locate the member businesses on the Internet. (Note: federations tend to believe this more strongly than the cooperative businesses themselves.)
- .coop will help members identify more closely with their organisation.<sup>3</sup>
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.

- Members tend to prefer to do business with other cooperatives and .coop will make it easier for member cooperatives to find each other.
- .com names are scarce and .coop will enable cooperatives to get the name they really want. (Note: this response is weaker than most and leans toward neutral.)
- The .coop Internet identity will help promote and improve the image of cooperative businesses.

The trust aspect of .coop seems to be neutral in providing a commercial benefit to member federations.

*One respondent noted that all of the above depends highly on the roll-out.*

#### **.COOP IMAGE**

On average federations are **neutral** regarding whether .coop indicates:

- Modern business
- High Tech
- Individuality

However, federations tend to believe .coop indicates:

- Trustworthy business.
- Socially responsible business.
- Accountability to members.
- More education (only slightly).
- Freedom.
- People working together for a common goal.
- Businesses concerned about their communities.

Additional suggestions state that .coop indicates: non-profit making businesses, members engaged in business activities or that .coop does not mean anything yet. In addition, it was suggested that the roll-out and the registration/validation process would determine what .coop means.

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<sup>3</sup> Throughout the survey federations were referred to as organizations.

## **FEDERATION CONCLUSION**

The federation results provide some interesting insight and a great place to start more research into global .coop offerings. There is great support for .coop worldwide and especially in *Latin America* – making it a *great rally cry for the cooperative movement*. However, it is important to remember that there are end customers that must be addressed, not just the federations. Promoting and advancing the cooperative movement is fantastic, but does not necessarily equate to enhanced sales for individual cooperative businesses or the uptake of .coop registrations and services. The data suggests that the federations believe there will be a weak link between sales by cooperatives and having a .coop TLD (i.e., they believe a .coop TLD will only be marginally helpful in increasing sales for those cooperatives that use it).

### Analysis of the Cooperatives Survey

There were 203 total respondents to the cooperative survey, although one represents 30 electric cooperatives – making it more like a federation. Depending on the clustering analysis done, responses from between 175 and 198 respondents were used, as not all responses were complete for every question.

Respondents to the cooperative survey represented many areas of the world, although they were predominantly North America and UK based. 78% of respondents were members of a relevant national federation, association or sector body. Dominant respondent sectors included Credit Union/Financial Services/Insurance and Utilities (Energy, Communications). Respondents tended to work in the IT area (19%), Operations (9%), Communications (9%), Marketing (15%) and Executive Management (23%).

Although some respondents did not give any information, turnovers on average are in the US\$1-10 million range with highest responses in the US\$1-10 and US\$10-100 million range. We expect the average number of members is around 2,000 as the majority of responses were for 100 - 1,000 and 1,000 – 10,000 member categories (there are a few which had 4.5 million and 13.7 million members).

#### **WEB SITE PRESENCE AND .COOP**

Respondents tended to have at least one web site, although on average we suspect they have 1 –3 web sites as 1 and 2 - 5 domain categories score highest (34% and 33% respectively). 84% do have web sites, which is higher than indicated by the federation data.

Despite already having a domain name, respondents are interested in registering the .coop domain (87%) and would register for three or more years if discounts were offered for multiple year registrations (68%). Cooperatives tend to be **neutral** in feeling that country codes and secondary names, common brands at the second level or business sector names would be useful.

Cooperatives would most likely use their web site and the .coop domain to:

- Provide general information and promotion to customers and members.
- E-commerce, online ordering.
- Other : E-banking, online bill payment, loan applications, account/member applications.

Additional uses listed include:

- Networking member interests (Intranet-like).
- Online learning/R&D with clients.
- Virtual building management.
- Applications used by companies via the Internet (i.e. ASP applications).
- Video conferencing.

#### **.COOP BENEFITS**

Based on the results of the survey, the benefits that the federations believe the .coop TLD will bring to themselves and member cooperatives include:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- The .coop identity will make it easier for consumers to locate businesses on the Internet.
- .coop will help members identify more closely with their cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.
- Members tend to prefer to do business with other cooperatives, therefore .coop should help increase sales.
- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore, .coop should help to increase sales. (Less likely.)
- .com names are scarce and .coop will enable cooperatives to get the name they really want. (Less likely.)

#### **.COOP IMAGE**

On average cooperatives tend to be neutral in believing that .coop indicates 'High Tech'. Results on 'Freedom', 'Modern Business', and 'Individuality' are mostly neutral as well.

However, cooperatives tend to believe .coop indicates:

- Trustworthy business.
- Socially responsible business.
- Accountability to members.
- Education.
- People working together for a common goal.
- Businesses concerned about their communities.



Cooperative respondents also suggested that .coop indicates:

- People having a say in their business.
- Sense of belonging.
- Cooperatives will and have stood the test of time.
- Borderless business.
- Ethical guidelines for business.
- People responsible for globalisation.
- Real way of sustainable development.

#### **CLUSTER SUMMARY**

As the responses were very diverse and lacked complete survey responses, the clustering analysis was done primarily using pivot tables in Excel and by manual scanning. Results and potential approaches were discussed with London Business School experts in market data analysis. Attempts were made to determine what groups wanted a cheap domain (price sensitive), wanted a domain regardless (price insensitive), wanted multiple domains (multiple domain, price sensitive) and wanted multiple domains and would pay regardless (multiple domain, price insensitive.) Unfortunately, due to the interdependent nature of pricing questions and incomplete responses, this level of detail is not available. Despite this, we obtained very useful information for pricing, .coop interest, web site presence and impression of .coop through clustering.

Interesting data highlights are listed in Tables 3 through 6. Discussion and key points are also included in this section.

#### **Summary of Clustering Results using Turnover**

We found that clustering by size in terms of turnover yielded better results for target services and pricing than clustering by region.

**Table 1: Web Site Presence and .coop Interest- Turnover Clusters**

Business Size (US\$)	Survey Ave.	< 250k	250k- 1m	1-10m	10-100m	100m-1b	1-10b*
Max. Sample Size	175	34	32	39	43	18	3
Have web site	84%	71%	82%	86%	87%	100%	100%
Interest in .coop	87%	86%	88%	93%	91%	95%	60%
Interested in multiple years	68%	50%	66%	67%	80%	84%	40%

\*Sample size too small to be statistically significant.

As Table 1 indicates, as turnover increases, online presence increases and interest in .coop increases, with the exception of the highest turnover group. Multiple year discounts for the .coop domain names peak with the moderately high turnover companies (84% of the cooperatives with turnover between US\$100 million – US\$ 1 billion are interested in multiple year discounts).

The cluster data also suggests that the group most likely to use their website for e-commerce is the US\$10-100m turnover group (75% said they would use their web site for e-commerce – not depicted here).

**Table 2: Pricing - Turnover Clusters**

Business Size (US\$)	Survey Ave.	< 250k	250k- 1m	1-10m	10-100m	100m-1b	1-10b*
1	\$200	\$100	\$100	\$200	\$200	\$200	
2-5	\$100	\$50	\$100	\$100	\$100	\$100	\$100
6-10	\$50	\$50	\$100	\$50	\$50	\$50	
11-20	\$50	\$50		\$50	\$50	\$50	\$50
>20 (used 50)	\$50	\$50		\$50		\$50	

\*Sample size too small to be statistically significant.

Logically, the .coop domain name upper price limit for lower income cooperatives is the lowest, but all the cooperative respondents seem to have a price in mind that is fairly consistent. Only one group seems to be dominated by price insensitive cooperatives – the US\$250K to 1 million segment.

**Table 3: Interest in Secondary Domain Names  
 (Summed Likely and Very Likely Responses) - Turnover Clusters**

Business Size (US\$)	Survey Ave.	< 250k	250k- 1m	1-10m	10-100m	100m-1b	1-10b*
Country Codes	37%	56%	47%	37%	26%	37%	20%
Brands	29%	39%	24%	31%	26%	33%	20%
Sectors	41%	63%	41%	40%	34%	22%	0%

\*Sample size too small to be statistically significant

Table 3 shows a trend towards secondary domain names at the low end of turnover and away from these names at the high end. These results may imply that lower turnover cooperative businesses feel that secondary domain names are necessary to compete (possibly by differentiation).

#### **Details of Each Turnover Cluster**

The **< US\$250K segment** is the classic SME.<sup>4</sup> These cooperatives represent various industries, have few members, and are the least online enabled. They will be the toughest cooperatives to reach because of their wide diversity. Furthermore, they are not willing to spend as much as other sectors. Interestingly, this segment had the most positive responds on secondary domain names. Perhaps they perceive this to be a way to differentiate their businesses. The survey results also indicate that they are the toughest in terms of convincing to adopt new services – and must be sold on the benefits of the technology or new ways of doing business.

In terms of spending power and reach, mid to large turnover cooperatives are better targets. The cooperatives with turnover in the range of **US\$1 – 10 million** are interested in .coop and are not any more price sensitive than segments with larger turnover. The downside is this cluster does not have high expectations for using their web sites for e-commerce. It is possible that this is due to the sectors represented in the survey.

The **US\$10 - 100 million** cluster appears less price sensitive than the US\$1 – 10 million group. They are tech savvy, already have web sites, are still interested in .coop and would take advantage of a multiple year contract. Winning their confidence and loyalty would likely lead to future revenue streams and fairly good word of mouth marketing.

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<sup>4</sup> Small and Medium Sized Enterprise.

The **US\$100 million – 1 billion** segment is interested in .coop and multiple domains. Furthermore, they seem practical and not going for frills – i.e. they are not showing significant interest in secondary domain names or e-commerce applications. There are a large number of financial services cooperatives. As credit unions and financial services cooperatives bring member services online (using online banking), these high turnover companies will be in need of secure servers and digital certificates to go in hand with their new .coop domain, making them a potential customer for value added services. Accordingly, this may still be a good segment to target, but as they are already online they may have relationships already established.

The final cluster, the **US\$1 – 10 billion** group, are tech savvy (at least aware of what technology can do in terms of revenues). They are already established online with multiple domain names. As a result, they are willing to use their sites for general and member information and e-commerce. In addition, it is likely that they will buy .coop to protect their online presence and re-route .coop traffic to their main domain(s).

Because these cooperatives are already well established online they will likely be a difficult target for value added services, since they would already have preferred suppliers.

Finally, because they have a lot of members in general – they are good to target for distributing a message to a wide audience. Their size would provide clout for onward selling of .coop and they may be good targets for the Founders programme (although they are not price insensitive and may not be willing to spend the money to do so).

### **Summary of Clustering Results using Regions**

It was more difficult to find useful pricing information based on regions. Respondents were highest for the UK and the US, leaving other regions under represented.

**Table 4: Web Site Presence and .coop Interest –Regional Clusters**

Region	Survey Ave.	Australasia *	Latin America *	Scandinavia*	W. Europe *	Canada *	US	UK
Max. Sample Size	198	3	4	3	6	10	137	23
Have web site	84%	100%	60%	100%	88%	67%	89%	74%
Interest in .coop	87%	67%	80%	40%	75%	75%	91%	85%
Interested in multiple years	68%	33%	50%	40%	50%	45%	76%	48%

\*Sample size quite small. Statistical significance is in doubt.

As Table 4 indicates, Scandinavia, the US, Western Europe and Australasian respondents have highest online presence while the US, UK and Latin America are most interested in .coop.

**Table 5: Pricing–Regional Clusters**

Region	Survey Ave.	Australasia *	Latin America *	Scandinavia*	W. Europe *	Canada *	US	UK
1	\$200				\$100	\$100	\$200	\$100
2-5	\$100	\$200	\$100	\$100		\$100	\$100	\$100
6-10	\$50	\$200	\$50				\$50	\$100
11-20	\$50	\$100		\$100			\$50	\$50
>20 (used 50)	\$50	\$50		\$50			\$50	\$50

\*Sample size quite small. Statistical significance is in doubt.

As some samples were quite small, the significance of the responses is likely low, making broad speculation on the applicability of the conclusion to the entire region. Despite this, it seems the Scandinavian and Australasian regions have a slightly higher upper limit in price. The US’s upper limit starts high, but falls off quickly as more domains are added. Due to overwhelming US representation, US\$200 for one domain is appropriate to maximise revenue. The price of US\$100/domain is optimal for 2-5 domains, but for 6 or more this should be dropped to US\$50. When this should be dropped depends on the region. Often,

the point where a discount is offered depends on the nature of the market. (i.e. developing or advanced).

**Table 6: Interest in Secondary Domain Names  
 (Summed Likely and Very Likely Responses) –Regional Clusters**

Region	Survey Ave.	Australasia *	Latin America *	Scandinavia*	W. Europe *	Canada *	US	UK
Country Codes	37%	67%	80%	50%	57%	67%	25%	63%
Brands	29%	67%	80%	25%	57%	45%	23%	27%
Sectors	41%	67%	80%	25%	63%	45%	33%	54%

\*Sample size quite small. Statistical significance is in doubt.

Finally, throughout our clustering analysis we found the following trends in regions. These may be helpful in developing products and creating marketing messages.

- The US is positive on most marketing messages suggested within the survey, but too much may be overkill.
- The US is least interested in country codes, which is not surprising because they are not as common in the US and therefore the US is not accustomed to them.
- Canada and the UK both do not show particular unique characteristics for marketing purposes. Both countries were more interested in country codes than the average.
- Western Europe reflects a wide range of cooperative characteristics and one generic offering would not be appropriate for this region.
- Scandinavia is not very positive on the .coop project and will require specific research into what may help convert them to the idea.
- The Swiss cooperative was negative for all secondary cooperative names.
- Latin America was positive for secondary cooperative names.
- China does not associate cooperatives with freedom, unlike many other regions.

The strongest responses to what .coop indicates are largely homogenous. This makes the development of a brand/marketing message easier. It also provides a focus for DC LLC/DCI to address weak points in their message, for example to combat the perception that cooperatives are not considered to be modern nor high tech businesses.

### COOPERATIVE SECTION CONCLUSION

In general, there was homogeneity between the federation and cooperative sections. One concern that has been reiterated is that the launch and the way the registering is done will determine how .coop is received and how its image is unveiled. (Please see the specific validation comments in Appendix 7). The results give a good idea what messages will be well received, how to target them, and how to price the offering.

Although regional clustering can help in developing an advertising message or overall cooperative perception, clustering by turnover provides an advantage in developing and targeting value added services and domain usage. Cooperatives of similar size in terms of revenue or turnover tend to be facing similar problems or situations in their business lives. As a result, .coop services can be adjusted to offer a 'customised' package to each sector.

### PRICING AND DOMAIN NAME SPEND

After much analysis<sup>5</sup>, we determined a more appropriate method for pricing to maximise revenue. Our previous analysis required us to make assumptions about why respondents answered the way they did and the sample size used. This made the results more confusing and less rigorous. The following section on pricing uses only the responses of those who indicated interest, without any normalisation.

**Table 7: Price vs. Number of Domain Responses  
(based on 175 who expressed interest in .coop)**

Would buy X domains if price?	<US\$ 50	US\$50- 100	US\$100- 200
0	5	9	41
1	33	48	40
2-5	60	49	12
6-10	33	8	4
11-20	12	5	1
>20	11	1	1

After determining the number of positive responses for each price and domain number combination, we calculated the revenues that would result from that combination. The revenue results are in the following table.

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<sup>5</sup> For the detailed original pricing analysis please see Appendix 6.

Using the revenue responses, the appropriate price for .coop was determined using the highest revenue generating possibility given the number of domains (i.e., for one domain the highest revenues are earned if a US\$ 200 price is set). These points are indicated in bold.

**Table 8: Maximum Revenues Based on Price vs. Domain Responses**

X domains if price?	US\$50	US\$100	US\$200
1	1,650	4,800	<b>8,000</b>
5	15,000	<b>24,500</b>	12,000
10	<b>16,500</b>	8,000	8,000
20	<b>12,000</b>	10,000	4,000
>20 (used 50)	<b>27,500</b>	5,000	10,000

Based on the responses, pricing and multiple site discounting are: US\$200 for 1, US\$100 for 2-5, and US\$50 for 6+. Furthermore, the remainder of our clustering analysis supported this result. Actual discount points vary by segment, but on average we suggest pricing should be as follows:

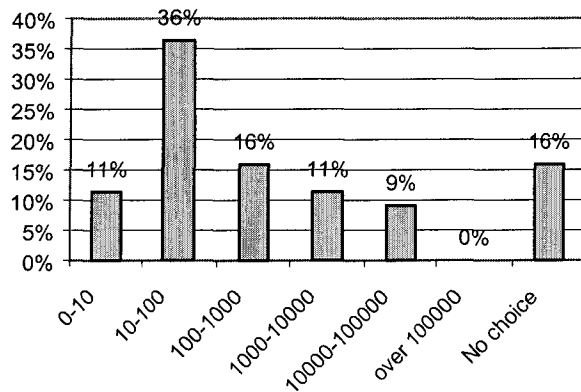
- US\$200/domain for 1 domain
- US\$100/domain for 2-5 domains
- US\$50/domain for 6 or more domains



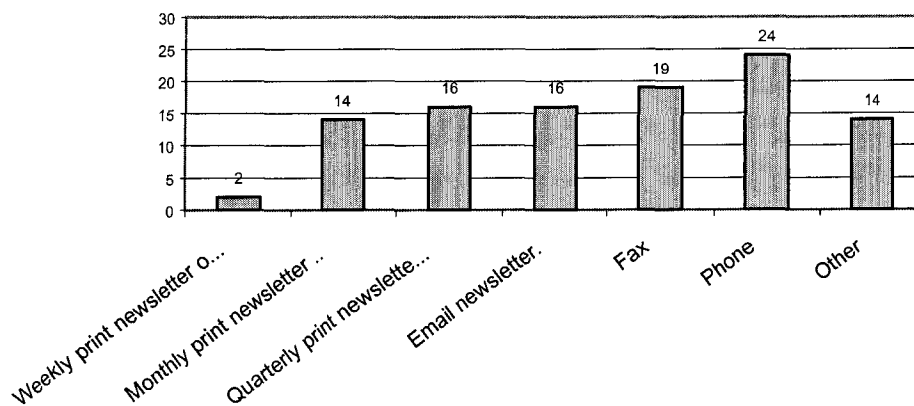
**Appendices – Survey Graphs, Validation Comments, and Analysis Details**

**APPENDIX 1: FEDERATION DATA**

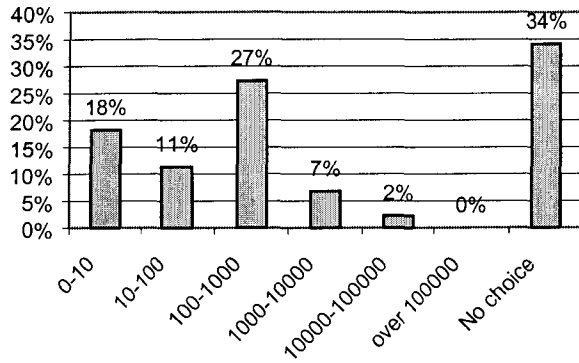
**How many cooperatives are members of your organisation?**



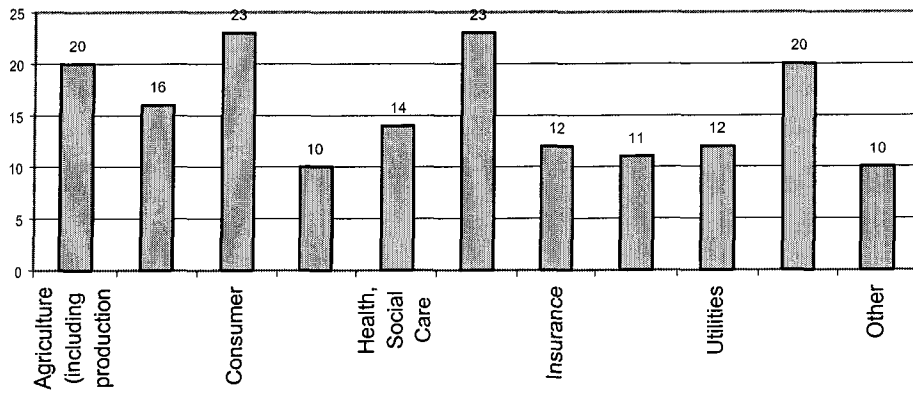
**How do you communicate with your members?  
(multiple selections allowed)**



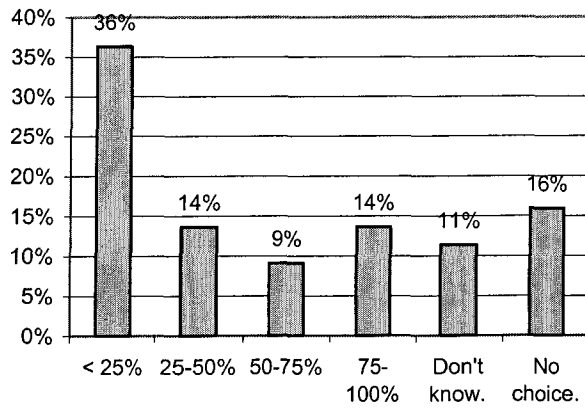
**How many cooperatives are you aware of (or suspect) that are NOT members of your organisation?**



**What sectors are covered by your organisation? (multiple selections allowed)**

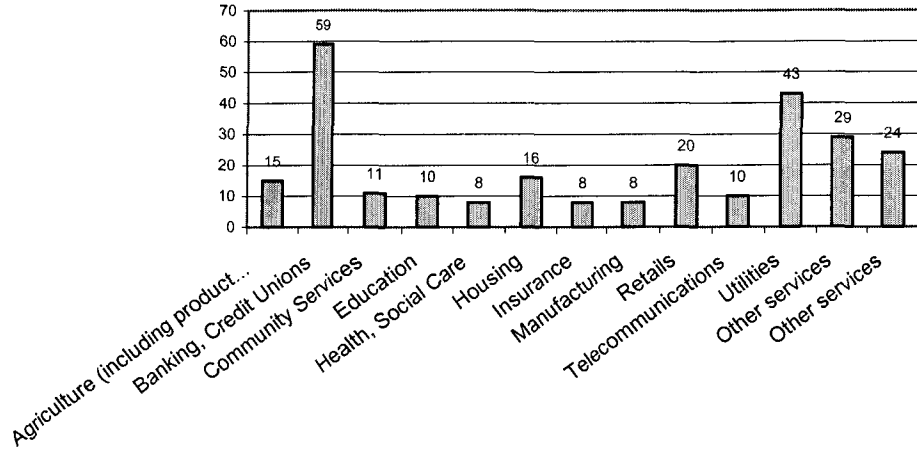


**Please estimate the number of your member cooperatives with a website.**

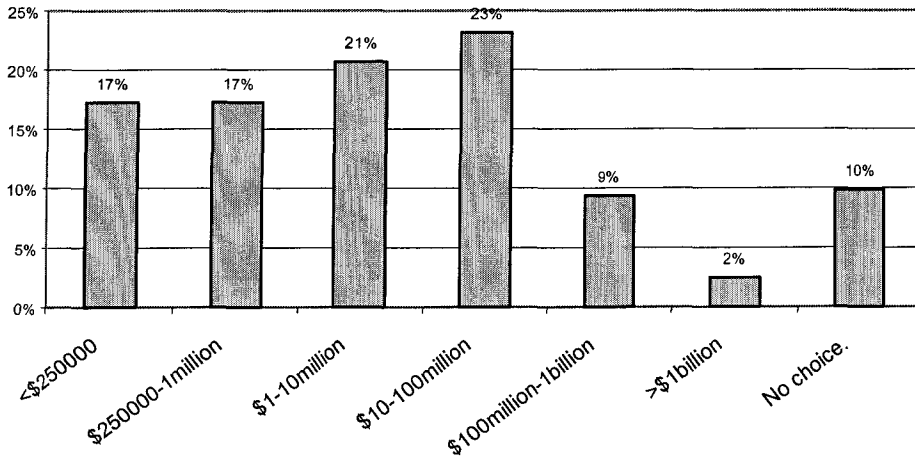


**APPENDIX 2: COOPERATIVE DATA**

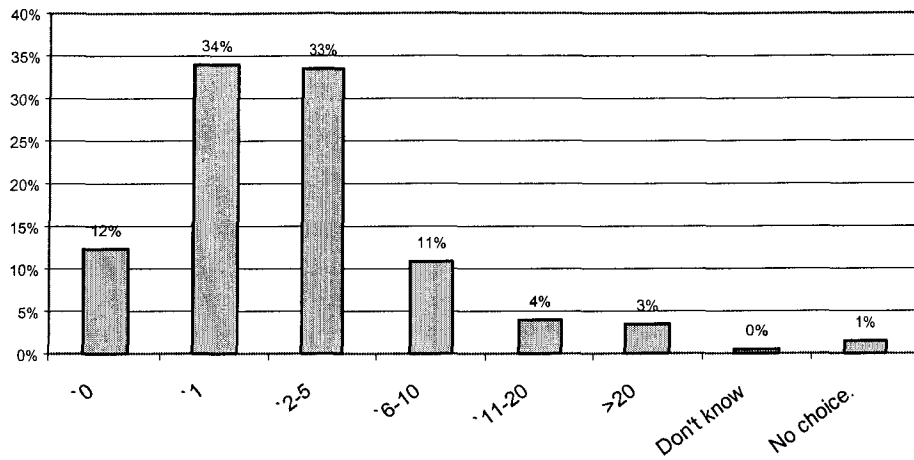
**What business sectors are you in? (multiple selections allowed)**



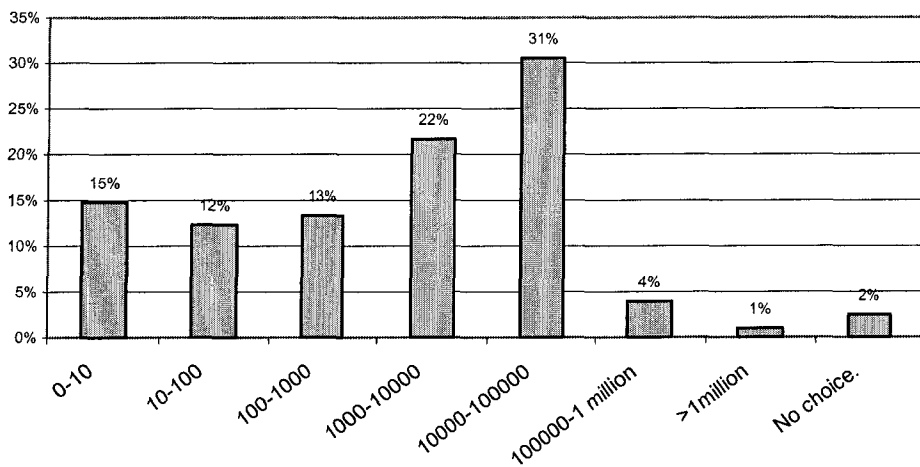
**What is your business in terms of turnover?**



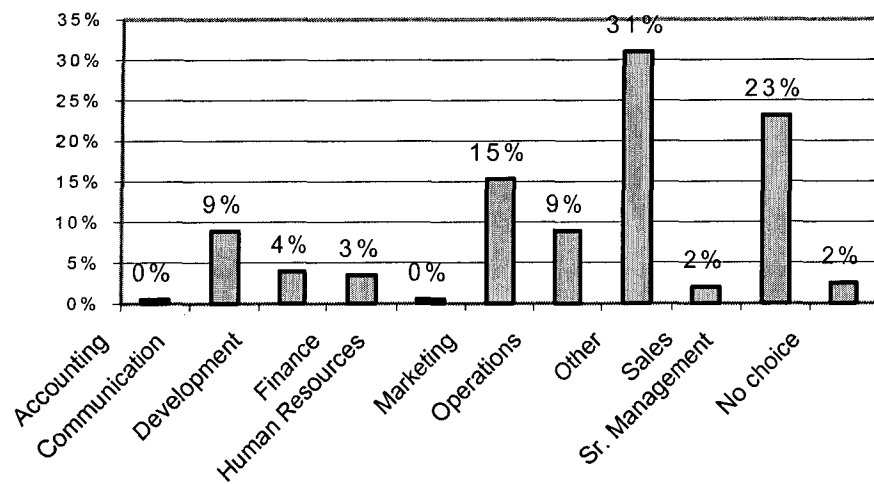
How many domain names do you currently own?



How many members do you have?



What is your primary functional role?



**APPENDIX 3: TURNOVER CLUSTERING DATA**

Please note the different categories described by the following data are given in the Category Answer Key in Appendix 5.

**<US\$ 250K (Maximum sample size 34, although not for all questions)**

- Diverse globally with bulk from US, UK (13 US, 10 UK, 4 Canada, 2 Colombia, Switzerland, Spain, France, Denmark).
- Diverse Industries and Cooperative types. Credit Unions and Housing are the most represented. There are a large range of services such as Energy Appraisal, Transportation (taxi service), Cooperative Advice and Support, Child Care, Communication, Internet Consulting (2), and Fishery.
- They tend to have few members. 80% has 1-100 members. These are the classic SMEs.
- Fewer online than any other category (71%): Mostly own 0 (35%), 1 (29%) or 2-5 domains (26%).
- 86% says yes to .coop
- 50% interested in 3 yr. if given a discount

Price vs. Domain Responses

	<\$50	\$50-100	\$100-200
0	1	2	11
1	15	12	4
2-5	15	4	1
6-10	4	2	
11-20	2		
>20	2		

Revenues based on Price and Domain Responses

	\$50	\$100	\$200
1	550	1200	600
2-5	3500	2000	1000
6-10	2000	2000	
11-20	1000		
>20 (used 50)	2500		

Based on the responses, pricing and multiple site discounting:

- US\$100 for 1
- US\$50 for 2+

This group has the lowest upper price limit for multiple domain registration.

Would use their web site for primarily general information and member service with 66% using it for e-commerce.

Country codes	Brands	Sector
56% Yes	39% Yes	63% Yes

This group is much more enthusiastic about secondary domain names. Possibly they are working to differentiate themselves and they feel that secondary domain names is one way to accomplish that.

#### Benefits of .coop

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.
- The .coop identity will make it easier for consumers to locate our business on the Internet.
- .coop will help members identify more closely with their federation/cooperative.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.
- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.

.coop indicates...

The most positive responses were for:

- People working together for a common goal.
- Socially responsible business.
- Accountability to members.
- Businesses concerned about their communities.
- Trustworthy business.
- Education for members.
- Freedom.

To a lesser degree:

- Individuality
- Modern business
- High Tech

#### Conclusions:

The < US\$250k segment is the classic SME – various industries, few members, least online enabled. These will be the toughest cooperatives to reach. However, this segment is the most positive respondent for secondary domain names. It may be possible to find these cooperatives by looking closer at those who register secondary domains.

The survey results indicate the toughest in terms of convincing to adopt new services – they must be sold on the benefits of the technology or new ways of doing business.

**US\$250K - \$1 million (Maximum sample size 32, although not for all questions)**

- Bulk is US, UK and Canada (16 US, 7 UK, 6 Canada, Netherlands, Italy, and Latin America)
- Diverse industries and cooperative types. Quite a few worker cooperatives (10), some Financial Service (5) and Housing (5), some Utilities (4), and Advertising/Law/Training Services (3), 2 ISP/IT, 1 Consumer, 1 Health, 1 Forestry.
- Tend to have a large range of membership numbers, although on the lower side.
- Most online (82%) – just under average: Mostly own 1 (47%) or 2-5 domains (24%)
- 88% say yes to .coop
- 66% interested in 3 yr. if gave a discount

Price vs. Domain Responses

	<US\$50	US\$50-100	US\$100-200
0	0	1	4
1	2	13	3
2-5	11	7	2
6-10	2	2	
11-20	1		
>20	1		

Revenues based on Price and Domain Responses

	US\$50	US\$100	US\$200
1	100	1300	600
2-5	2750	3500	2000
6-10	1000	2000	
11-20			
>20 (used 50)			

Based on the responses, pricing and multiple site discounting:

- US\$100 for 1, 2-5, and 6-10

Would use their web site for primarily general information and member service with 65% using it for e-commerce.

Country codes	Brands	Sector
47% Yes	24% Yes	41% Yes

This group tends to be neutral when it comes to secondary domain names with sector and country code being the most likely.

Benefits of .coop

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.

- .coop will help members identify more closely with their federation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.
- The .coop identity will make it easier for consumers to locate our business on the Internet.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.

To a lesser degree:

- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.

.coop indicates...

The most positive responses were for:

- Trustworthy business.
- Socially responsible business.
- Accountability to members.
- Education for members.
- People working together for a common goal.
- Businesses concerned about their communities.

To a lesser degree

- Modern business
- Individuality
- Freedom

Neutral for:

- High Tech

Some additional suggestions were: growth of the cooperative union to a worldwide level, strengthening the profile of the international cooperative movement.

### **Conclusions:**

The only unique characteristic of this cluster that we identified as important was the fact that these organizations are willing to pay US\$ 100 for a domain no matter how many they purchase.



**US\$1 - \$10 million (Maximum sample size 42, although not for all questions)**

- Bulk is US (33 US, 4 UK, 2 Brazil, Canada, Denmark, and Australia)
- Primarily Utilities (14), Financial Services (8), Consumer (7), Advertising/Law/Education Services (3) Housing(2), Agriculture (2), Health, Insurance and ISP/IT.
- Tend to have moderate to large number of members.
- Most online (86%) - on par with average: Mostly own 1 (41%) or 2-5 domains (35%)
- 93% say yes to .coop
- 67% interested in 3 yr. if gave a discount

Price vs. Domain Responses

	<US\$50	US\$50-100	US\$100-200
0	2	2	7
1	5	9	13
2-5	11	12	3
6-10	13	1	2
11-20	2	2	
>20	3		

Revenues based on Price and Domain Responses

	US\$50	US\$100	US\$200
1	250	900	<b>2600</b>
2-5	2750	<b>6000</b>	3000
6-10	<b>6500</b>	1000	4000
11-20	<b>2000</b>	2000	
>20 (used 50)	<b>7500</b>		

Based on the responses, pricing and multiple site discounting:

- US\$200 for 1
- US\$100 for 2-5, and
- US\$50 for 6+

Would use their web site for primarily general information and member services with 60% using it for e-commerce.

Country codes	Brands	Sector
27% No	17% No	25% No
36% Neutral	52% Neutral	35% Neutral
37% Yes	31% Yes	40% Yes

This group tends to be neutral when it comes to secondary domain names with sector being the most likely choice followed by country code then brand.

Benefits of .coop

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.

- .coop will help members identify more closely with their federation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.

To a lesser degree:

- The .coop identity will make it easier for consumers to locate our business on the Internet.
- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.

.coop indicates...

The most positive responses were for:

- Trustworthy business.
- Socially responsible business.
- Accountability to members.
- Education for members.
- People working together for a common goal.
- Businesses concerned about their communities.

To a lesser degree:

- High Tech
- Freedom
- Individuality

Neutral for:

- Modern business

This group tends to be more positive especially regarding the high tech business perception.

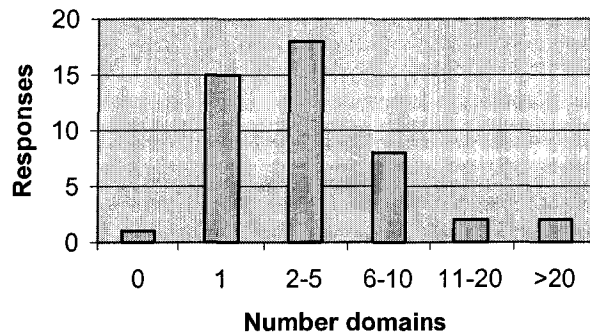
**Conclusions:**

They are interested in .coop and are average in having a web site. They are not any more price sensitive than segments with larger turnover, but expect to use the web site less for e-commerce. It is possible that this is due to the sectors represented.

**US\$ 10 - \$100 million (Maximum sample size 47, although not for all questions)**

- Bulk is US (44 US, 1 UK, 1 Canada, 1 China)
- Primarily Financial Services, Agriculture, Utilities
- Tend to have moderate to large number of members.
- Most online 41/47 (87%) roughly on par with average: Mostly 1 or 2-5 domains (67% for >2)
- 43/47 (91%) say yes to .coop
- 38/47 (80%) interested in 3 yr. if gave a discount

**Number of Domains for \$US 10-100m Segment**



Price vs. Domain Responses

	<US\$50	US\$50-100	US\$100-200
0	1	1	7
1	7	5	14
2-5	11	17	3
6-10	9	0	1
11-20	5	1	1
>20	1	1	1

(Financial Services and Utilities willing to pay more)

Revenues based on Price and Domain Responses

	US\$50	US\$100	US\$200
1	350	500	<b>2800</b>
2-5	2750	<b>8500</b>	3000
6-10	<b>4500</b>	0	2000
11-20	<b>5000</b>	2000	4000
>20 (used 50)	2500	5000	10000

Based on the responses, pricing and multiple site discounting:

- US\$200 for 1
- US\$100 for 2-5
- US\$50 for 6+

Would use .coop for all uses. Also 75% would use it for e-commerce.

Country codes	Brands	Sector
15/47 (32%) No	18/47 (38%) No	12/47 (26%) No
75% <b>Neutral to No</b>	75% <b>Neutral to No</b>	67% <b>Neutral to No</b>
12/47 (26%) Yes	12/47 (26%) Yes	16/47 (34%) Yes

#### Benefits of .coop

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- .coop will help members identify more closely with their federation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.

To a lesser degree:

- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.

Tend to be **neutral** regarding preferring to do business with other cooperatives and .coop will make it easier to find them.

This group does not strongly believe that the .com names they want are scarce.

.coop indicates...

The most positive responses were for:

- Trustworthy business.
- Socially responsible business.
- Accountability to members.
- Education for members.
- People working together for a common goal.
- Businesses concerned about their communities.

Neutral to Negative on:

- Freedom
- Individuality

Did not indicate:

- Modern business
- High Tech

This group is representative of the average feelings on what .coop indicates.

#### Conclusions:

This group seems less price sensitive than the US\$1 – 10B group – this leads us to believe they are willing to pay to get at least one .coop domain. They are tech savvy, already have web sites, are still interested in .coop and would take advantage of a multiple year contact. Winning their confidence and loyalty would likely lead to future revenue streams and fairly good word-of-mouth marketing.

**US\$ 100 million – \$1 billion (Maximum sample size 19, although not for all questions)**

- Bulk is US (16 US, Germany, France)
- Primarily 10 Financial Services, 5 Utilities, 2 Agricultural, 1 Manufacturing
- Tend to have moderately large number members.
- All are online. Mostly 1 (26%) or 2-5 (47%) domains. 3 Financial Services and 1 Agriculture cooperative have 6-10 web sites, and 1 Financial Services cooperative in France has 10-20.
- 18/19 (95%) say yes to .coop
- 16/19 (84%) interested in 3 yr. if gave a discount

Price vs. Domain Responses

	<US\$50	US\$50-100	US\$100-200
0	1	2	4
1	3	4	4
2-5	6	4	2
6-10	5	2	1
11-20	2	1	
>20	2		

(Financial Services and Utilities willing to pay more)

Revenues based on Price and Domain Responses

	US\$50	US\$100	US\$200
1	150	400	<b>800</b>
2-5	1500	<b>2000</b>	<b>2000</b>
6-10	<b>2500</b>	2000	2000
11-20	<b>2000</b>	2000	
>20 (used 50)	<b>5000</b>		

Based on the responses, pricing and multiple site discounting:

- US\$200 for 1
- US\$100 for 2-5, and
- US\$50 for 6+

Would use .coop for primarily member and general information. 53% would use it for e-commerce. 21% say it is unlikely they will use the web site for e-commerce. Additional uses include applications access via the Internet by the company (US Utility).

Country codes	Brands	Sector
56% <b>No</b>	39% <b>No</b>	39% <b>No</b>
17% Neutral	28% Neutral	39% <b>Neutral</b>
37% Yes	33% Yes	22% Yes

Response to secondary domain names is mixed. More than half are not interested in country codes, while 39% are not interested in Brand or Sector names (33% and 22% are interested respectively.)

### Benefits of .coop

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- .coop will help members identify more closely with their organisation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.

To a lesser degree:

- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.

These cooperatives tend to be **neutral** regarding “.coop will make it easier for customers to locate their business” and the impact on sales due to trust.

They tend **NOT** to believe that the .com name they want is scarce, and the ease of locating other cooperatives as they prefer to do business with them.

.coop indicates...

The most positive responses were for:

- Trustworthy business.
- Socially responsible business.
- Accountability to members.
- Education for members.
- People working together for a common goal.
- Businesses concerned about their communities.

Neutral to No for:

- Freedom
- Individuality
- Modern business
- High Tech

### Conclusions:

Although this segment is interested in .coop and multiple domains, it seems rather practical and not going for frills – i.e. secondary domain names or e-commerce applications. As there are a large number of Financial Services cooperatives, it is likely they will be in need of secure servers and digital certificates if they bring member services online. As a result, this may still be a good segment to target, but as they are already online they may have relationships already established.

**US\$1 – 10 billion (Maximum sample size 5, although not for all questions)**

- 2 UK, US, Japan, Sweden
- 2 Consumer, Agriculture, 2 Insurance
- Tend to have more members
- All online: multiple domain names
- 3/5 (60%) say yes to .coop
- 3/5 (60%) **not** interested in 3 yr. if gave a discount

Price vs. Domain Responses (Not statistically significant)

	<US\$50	US\$50-100	US\$100-200
0			
1			
2-5	1	1	
6-10			
11-20	1		
>20			

Revenues based on Price and Domain Responses (Not statistically significant)

	US\$50	US\$100	US\$200
1			
2-5	250	500	
6-10			
11-20	2500		
>20 (used 50)			

As the sample size is not large enough it is tough to determine the proper discounting.

Would use .coop for all uses. (note: perhaps 1 or 2 Japan and Sweden would just re-route as they scored unlikely).

Country codes	Brands	Sector
2/5 <b>No</b>	1/5 No	1/5 No
2/5 <b>Neutral</b>	3/5 <b>Neutral</b>	4/5 <b>Neutral</b>
1/5 Yes	1/5 Yes	

Benefits of .coop

- Mostly neutral on impact.
- Most negative on get name we want (they probably already have the name they want).
- Most positive is validate cooperative model.

.coop indicates...

The most positive responses were for:

- Trustworthy business.
- Socially responsible business.
- People working together for a common goal.
- Businesses concerned about their communities.
- Freedom.

Split:

- Accountability to members
- Individuality

No to neutral:

- Modern business
- High Tech
- Education for members

The Japanese insurance response is most positive overall on what .coop indicates.

**Conclusions:**

These are the people who are tech savvy (at least aware of what technology can do in terms of revenues). They are already established online with multiple domain names. As a result, they are willing to use their sites for general and member information and e-commerce. In addition, it is likely that they will buy .coop to protect their online presence and re-route .coop traffic to their main domain(s).

It is will not be easy to get them to change their hosting, etc. but they may be good to target for digital certificates – unless they just re-route the traffic.

As they have a lot of members in general – they are good to target for distributing a message to a wider audience. Also would provide clout – good for founders (although they are not price insensitive so it would be a hard sell.)



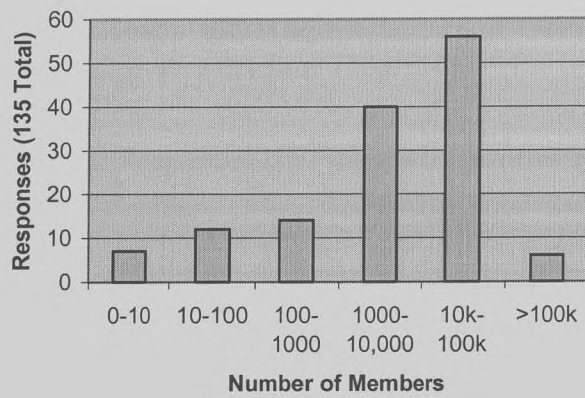
#### APPENDIX 4: REGIONAL CLUSTERING DATA

Please note the different categories described by the following data are given in the Category Answer Key Appendix 5.

##### US (Maximum sample size 137, max. although not for all questions)

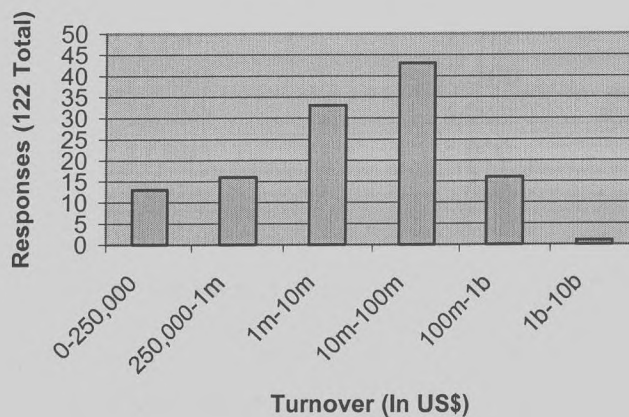
- Credit Unions or Financial Services and Utilities dominate the responses. They make up roughly 68% of respondents.
- Tend to have a wide distribution of membership numbers, but primarily on the moderate to high range with 71% in the 1,000 to 100,000 member range.

##### USA Membership



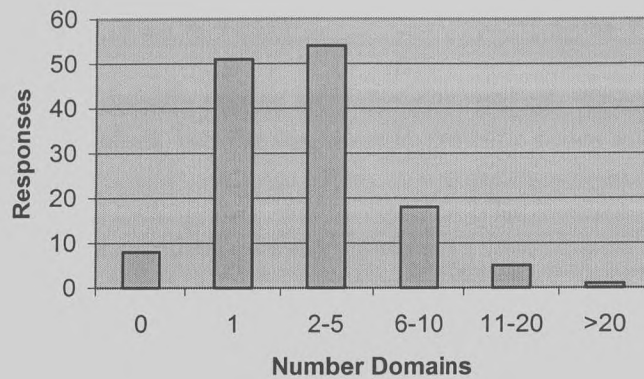
- Turnover tends to be moderate with 76/122 (62%) in the mid ranges (US\$1-100m).

##### USA Turnover



- 122/137 (89%) with web site. This is slightly higher than overall average: Most 105/137 (77%) have 1 or 2-5.

### USA Domain Ownership



- 125/136 (91%) says yes to .coop – this is above the overall average
- 76% are interested in 3 yr. if given a discount (102/134).

#### Price vs. Domain Responses (137 max. with positive response))

	<US\$50	US\$50-100	US\$100-200
0	5	7	27
1	25	29	34
2-5	45	37	8
6-10	27	4	2
11-20	11	2	1
>20	7	1	1

#### Revenues based on Price and Domain Responses

	US\$50	US\$100	US\$200
1	1,250	2,900	<b>6,800</b>
2-5	11,250	<b>18,500</b>	8,000
6-10	<b>13,500</b>	4,000	4,000
11-20	<b>11,000</b>	4,000	4,000
>20 (used 50)	<b>17,500</b>	5,000	10,000

Based on the responses, pricing to maximise revenue dictates a price of

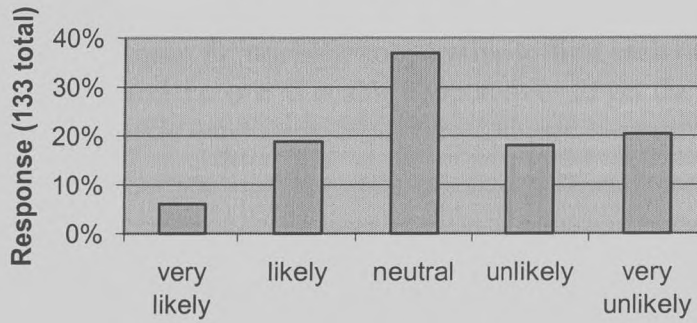
- US\$200/domain for 1
- US\$100 for 2-5 domains
- US\$50/domain for those greater than 5.

Would use .coop for all uses with 70% likely for e-commerce, with 26% neutral and 4% stating unlikely.

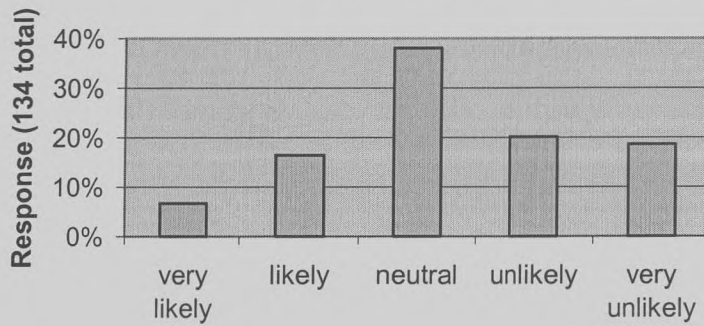
Country codes	Brands	Sector
38 % <b>No</b>	39% <b>No</b>	29 % No
37 % <b>Neutral</b>	38 % <b>Neutral</b>	39 % <b>Neutral</b>
25 % Yes	23 % Yes	33 % Yes

The responses for secondary domain names are primarily neutral. There is a more positive response for sector domain names, but the response to country codes and brands tends toward the negative.

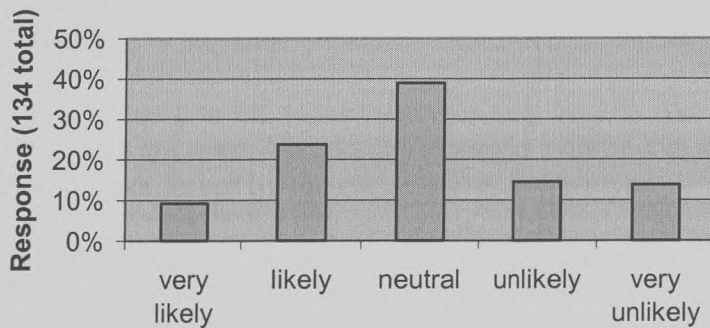
**USA - Country codes**



**USA - Brands, Secondary Co-op Names**



**USA - Sectors**



As a result, the success of secondary domain names may be larger in other regions.

Benefits of .coop in order of most likely:

- The .coop Internet identity will help promote and improve the image of cooperative businesses. (91%)
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future. (87%)
- .coop will help members identify more closely with their organisation/cooperative. (85%)
- The .coop identity will make it easier for consumers to locate our business on the Internet. (71%)
- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales. (67%)
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other. (63%)
- .com names are scarce and .coop will enable cooperatives to get the name they really want. (61%)

.coop indicates...

- People working together for a common goal. (96%)
- Accountability to members. (96%)
- Trustworthy business. (90%)
- Socially responsible business. (89%)
- Education for members. (86%)
- Businesses concerned about their communities. (85%)
- Individuality. (63%)
- Freedom. (56%)
- Modern business. (52%)
- High Tech. (38%)

### **Conclusions:**

This region is one of the biggest markets for .coop. The cooperatives have a fairly high reach as membership is in the moderate to high range. Turnover is in the mid-range, so these cooperatives do not have the deepest pockets, but likely represent the average. As these cooperatives are fairly tech-savvy, valued added services may not be easily sold as these cooperatives may have preferred vendors already.

Offerings such as secondary cooperative names are likely to have less of an uptake here in terms of portion of region.

On a whole, this region is positive and some messages may be a bit like 'preaching to the choir.' However, that does not mean advertising messages will be lost as they are likely to impact members and be re-enforced by the cooperatives themselves.

As credit unions and utilities dominate this region, services that help these cooperatives will go over well in the region.

**Canada (Maximum sample size 12, although not for all questions)**

- 2 Consumer, 6 Workers, 1 Financial Services, 1 Fishery, 2 Utilities -> more diverse in these terms compared to the UK and especially the US.
- Mostly in Other or Other Services (training and counselling for cooperatives and democratic organisation, social research, editing and communication, graphic design and web site development, forestry sales and siliculture services, construction, job training), 1 Financial Services and Education, 2 Utilities, and 3 Retail (some are multiple)
- Tend to have much fewer members (7x1, 2x2, 1x3, 2x4)
- Tend to have low turnover (10/12 earn less than US\$1m, 2 retail cooperatives have the larger amount of members and turnover US\$10m and US\$100m.)
- 8/12 (67%) with web site this is slightly lower than overall average: 7 responded that they do not have a domain name, only 2/12 (17%) have 2-5 (this was fishery and web site developer), and 3 have 1.
- 9/12 (75%) says yes to .coop – this is slightly lower than average – but are only interested in 1 or 2 domains. None expressed interest in more than 5 (either it is too expensive or they don't need it – likely the second.)
- Just under half are interested in 3 yr. if given a discount (5/11 or 45%)

Price vs. Domain Responses (not statistically significant – 10 max. with positive response)

	<US\$50	US\$50-100	US\$100-200
0			2
1	5	4	
2-5	1	1	
6-10			
11-20			
>20			

(half seem to be price sensitive)

Revenues based on Price and Domain Responses (not statistically significant)

	US\$50	US\$100	US\$200
1	25	400	
2-5	50	100	
6-10			
11-20			
>20 (used 50)			

Based on the responses, pricing to maximise revenue dictates a price of US\$100/domain for 1-5, although larger sample size is needed.

100% would use for general information. 67% would use for member information and e-commerce.

Additional uses mentioned – information for others who are starting in the energy sector (education) and information for other worker's cooperatives and on emerging health brokering services.

Country codes	Brands	Sector
(33%) Neutral (67%) <b>Yes</b>	1/11 (9%) No 5/11 (45%) <b>Neutral</b> 5/11 (45%) <b>Yes</b>	1/11 (9%) No 4/11 (36%) <b>Neutral</b> 5/11 (45%) <b>Yes</b>

#### Benefits of .coop

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- The .coop identity will make it easier for consumers to locate our business on the Internet.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.

#### Neutral to Negative:

- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.

#### .coop indicates...

The most positive responses were for:

- Trustworthy business.
- Socially responsible business.
- People working together for a common goal.
- Businesses concerned about their communities.

#### To a lesser degree:

- Accountability to members.
- Education for members.

#### Neutral (Mostly) to Negative:

- Modern business
- High Tech
- Freedom
- Individuality

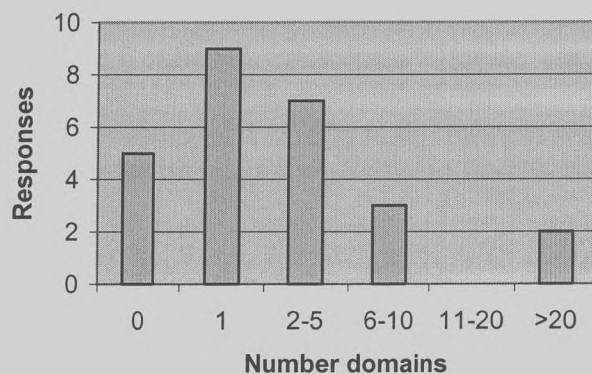
#### Conclusions:

This group is very similar to the UK in their impressions on what .coop indicates. A similar marketing message would likely work here.

**UK (Maximum sample size 27, although not for all questions)**

- 4 Consumer, 6 Workers, 6 Housing, 5 Services
- 3 Financial Services, 3 Telecommunications, 5 housing, 2 education, services (funeral, travel), R&D, graphic design and advertising
- Tend to have fewer members
- Turnover tends to be on the low side, but has a wide range. (19 <US\$1m, 3 US\$1-10m, 1 US\$10-100m, 1 US\$100m-1b, 2 >US\$1b)
- 20/27 (74%) with web site this is slightly lower than overall average: consumer cooperatives have more domains but most have 1 or 2-5.

**UK domain ownership**



- 23/27 (85%) says yes to .coop – this is the same as overall average
- More than half are **not** interested in 3 yr. if given a discount (14/27 or 52%)

Price vs. Domain Responses (not statistically significant) (23 max. positive responses)

	<US\$50	US\$50-100	US\$100-200
0	0	0	9
1	1	12	4
2-5	10	6	2
6-10	5	3	
11-20	2		
>20	1		

(this group appears price sensitive)

Revenues based on Price and Domain Responses (not statistically significant)

	US\$50	US\$100	US\$200
1	50	1200	800
2-5	2500	3000	2000
6-10	2500	3000	
11-20	2000		
>20 (used 50)	2500		

Based on the responses, pricing to maximise revenue dictates a price of US\$100/domain for 1-10 domains and US\$50/domain for those greater than 10.

Would use .coop for all uses. All except one use for general information, 18/23 (78%) for member information and slightly more than half (62.5%) for e-commerce

Country codes	Brands	Sector
3/27 (11%) No	2/26 (8%) No	2/26 (8%) No
7/27 (33%) Neutral	17/26 (65%) <b>Neutral</b>	10/26 (38%) <b>Neutral</b>
17/27 (63%) <b>Yes</b>	7/26 (27%) Yes	14/26 (54%) <b>Yes</b>

#### Benefits of .coop

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- The .coop identity will make it easier for consumers to locate our business on the Internet.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.

#### Neutral:

- .coop will help members identify more closely with their organisation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.
- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.

#### Negative:

- .com names are scarce and .coop will enable cooperatives to get the name they really want.

#### .coop indicates...

The most positive responses were for:

- Trustworthy business
- Socially responsible business
- People working together for a common goal
- Businesses concerned about their communities

#### Neutral:

- Accountability to members
- Education for members

#### No

- Modern business
- High Tech
- Freedom
- Individuality



**Conclusions:**

Using this region for a targeting a particular message or service to increase .coop take-up is tough as it reflects the average interest in .coop. This region is one of the most interested in country codes.

**Western Europe (Maximum sample size 8, although not for all questions)**

- Cyprus, 2 France, Germany, Italy, Netherlands, Spain, Switzerland
- 3 Financial Services, 1 Telecommunications, 2 Marketplaces (1 in Italy), 2 Professional Services like Law and Advertising.
- Broad range of sizes
- Wide range of turnover (5 <US\$1m 3 of which are <US\$250k, and 2 of the Financial Services in the US\$100m to US\$1b range)
- Nearly all 7/8 (88%) with a web site. Roughly overall average: 2 claim to have no domains and the rest have a wide range. An ISP has the most domains, followed by financial services.
- 6/8 (75%) says yes to .coop – this is less than the overall average
- Only half are interested in 3 yr. if given a discount

**Price vs. Domain Responses (not statistically significant) (6 max. with positive response)**

	<US\$50	US\$50-100	US\$100-200
0			1
1	2	2	
2-5	2	1	1
6-10			
11-20			
>20			

(this group seems price sensitive)

**Revenues based on Price and Domain Responses (not statistically significant)**

	US\$50	US\$100	US\$200
1	100	<b>200</b>	
2-5	500	500	1000
6-10			
11-20			
>20 (used 50)			

(the 2 who wanted multiple domains dominate price response)

Would use .coop for all uses but general information and member services dominate. E-commerce is mixed – 1 would not, 3 are neutral and 3 would use for e-commerce. The one that would not is in Financial Services. The ones that would are the Telco., ISP and 1 worker cooperative in services in Spain.

Country codes	Brands	Sector
1/7 (14%) No	2/7 (29%) No	1/8 (13%) No
2/7 (28%) Neutral	1/7 (14%) Neutral	2/8 (25%) Neutral
4/7 (57%) Yes	4/7 (57%) Yes	5/8 (63%) Yes

(the Swiss cooperative was negative for all secondary cooperative names)

**Benefits of .coop**

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- .coop will help members identify more closely with their organisation/cooperative.

- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.

Mixed:

- The .coop identity will make it easier for consumers to locate our business on the Internet.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.
- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.

Neutral:

- .com names are scarce and .coop will enable cooperatives to get the name they really want.

.coop indicates...

The most positive responses were for:

- Socially responsible business.
- People working together for a common goal.
- Businesses concerned about their communities.
- Accountability to members.
- Freedom.
- Common Self-Help.

Neutral:

- Trustworthy business
- Modern business
- Education for members

No:

- High Tech

**Conclusions:**

This region tends to have a wide range in cooperative characteristics. One generic offering would not be appropriate for this region.

**Scandinavia (Maximum sample size 5, although not for all questions)**

- 3 countries represented - 2 Denmark, 1 Finland, 2 Sweden
- Areas of business include: ISP, Community Services and Health, Housing, and Insurance.
- Broad range of sizes (2 x 1, 2, and 7)
- Wide range of turnover (US\$250k, US\$250k-1m, US\$1-10m, and US\$1b-10b)
- All have a web site. All have multiple domains (2 with 2-5, 1 with 10-20, 2 with >20 this is one ISP and Insurance cooperative)
- The interest in .coop is mixed and much lower than other regions – 2/5 (40%) yes, 2/5 no and the rest don't know.
- 3/5 (60%) are **not** interested in 3 yr. if given a discount

Price vs. Domain Responses (not statistically significant) (3 max. with positive response)

	<US\$50	US\$50-100	US\$100-200
0			
1			
2-5		1	
6-10			1
11-20		1	
>20	1		

(price insensitive)

Revenues based on Price and Domain Responses (not statistically significant)

	US\$50	US\$100	US\$200
1			
2-5		500	
6-10			2000
11-20		2000	
>20 (used 50)	2500		

Would use .coop for primarily general information and member services. E-commerce is mostly neutral but with one no. (4 responses)

Country codes	Brands	Sector
1/4 (25%) No	2/4 (50%) No	2/4 (50%) No
1/4 (25%) Neutral	1/4 (25%) Neutral	1/4 (25%) Neutral
2/4 (50%) Yes	1/4 (25%) Yes	1/4 (25%) Yes

(a Danish ISP mentioned wanting to offer .dk.coop)

Overall Scandinavia is not positive for secondary domain name offerings.

**Benefits of .coop**

The most positive responses were for:

- The .coop Internet identity will help promote and improve the image of cooperative businesses.
- .coop will help members identify more closely with their organisation/cooperative.

- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.

Mixed:

- The .coop identity will make it easier for consumers to locate our business on the Internet.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.

Neutral:

- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.

.coop indicates...

The most positive responses were for:

- Trustworthy business.
- Socially responsible business.
- People working together for a common goal.
- Businesses concerned about their communities.
- Accountability to members.

Neutral:

- Modern business
- Freedom
- Education for members

No:

- Individuality
- High Tech

**Conclusions:**

This region is online and tech savvy. However it is not particularly optimistic on the .coop offering. This may prove to be a good test market for new offerings (especially tech offerings), but may run into established vendors.

**Australasia - Australia, China, Japan (Maximum sample size 3, although not for all questions)**

- 3 countries represented – Australia, China, Japan
- Areas of business include: Insurance (Japan), Telco./ISP (China) and Marketplace for Agriculture, Community Service, Manufacturing, Retail, Environmental Waste Management, and other Services.
- Large range in size (3, 5, 7 – 13.7m members)
- Moderate to large turnover (US\$1-10m, US\$10-100m China, US\$10b Japan)
- All have a web site. Number of domains range (1 Japanese Insurance, 6-10 Marketplace, >20 Chinese Telco/ISP).
- 2/3 (67%) is interested in .coop. This is Australia and China. China expressed interest in the 3-yr. discount.

Price vs. Domain Responses (not statistically significant) (2 max. with positive response))

	<US\$50	US\$50-100	US\$100-200
0			
1			
2-5			2
6-10			1
11-20		1	
>20	1		

Revenues based on Price and Domain Responses (not statistically significant)

	US\$50	US\$100	US\$200
1			
2-5			2000
6-10			2000
11-20		2000	
>20 (used 50)	2500		

(Australia dominates the responses although it seems the Chinese cooperative has a fairly high upper limit)

Would use .coop for member information, general information and e-commerce (2 positive). Japan is neutral on uses.

Country codes	Brands	Sector
1/3 (33%) Neutral	1/3 (33%) Neutral	1/3 (33%) Neutral
2/3 (67%) Yes	2/3 (67%) Yes	2/3 (67%) Yes

(Japan was neutral on all secondary domain names)

Benefits of .coop

The most positive responses were for:

- The .coop identity will make it easier for consumers to locate our business on the Internet.
- .coop will help members identify more closely with their organisation/cooperative.
- The .coop Internet identity will help promote and improve the image of cooperative businesses.

- .coop will help members identify more closely with their organisation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.
- The .coop Internet identity will help promote and improve the image of cooperative businesses.

To a lesser degree:

- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.

Overall responses were quite positive.

.coop indicates...

- Trustworthy business.
- Socially responsible business.
- Accountability to members.
- Education for members.
- Modern business.
- High Tech.
- *Freedom \* China felt this was unlikely.*
- Individuality.
- People working together for a common goal.
- Businesses concerned about their communities.

China was neutral on all except freedom, which it felt was very unlikely.

Japan was very positive on all and Australia was positive to very positive.

### **Conclusions:**

Clearly this region should be split into sub-groups for analysis when more responses can be gathered. Overall, this group seems to be not particularly price sensitive, although the Japanese cooperative has indicated it is not interested. This may be a good person to approach to find out why.

Although the Australian market in general is small, the Australian respondent would be interesting to talk to as they are trying to create a marketplace to aggregate cooperative buying demand.

Without knowing more about their business reputation the Chinese ISP may be a potential partner as it should know the IT market in China.

**Latin America (Maximum sample size 5, although not for all questions)**

- 2-3 countries represented – 2 Brazil, 2 Colombia and one unknown
- Areas of business include: Utilities, Health Care (2), Transportation and one cooperative with nearly everything (Financial Services, Community Service, Education, Health and Social Care, Insurance, Manufacturing, Telecommunications, and Other Services).
- Small to mid sized
- Low to medium turnover (2 x US\$250k, US\$250k-1m, 2x US\$1-10m)
- 3/5 (60%) have a web site. Most have 1 domain although 1 has 11-20 (Utility). 2 have none.
- The interest in .coop is slightly lower than the average – 4/5 (80%) yes, with one utility not interested. This is likely because they have one already.
- 2/4 (50%) are interested in 3 yr. if given a discount

Price vs. Domain Responses (not statistically significant) (4 max. with positive response)

	<US\$50	US\$50-100	US\$100-200
0		1	1
1			
2-5	1	1	
6-10	1		
11-20			
>20			

Revenues based on Price and Domain Responses (not statistically significant)

	US\$50	US\$100	US\$200
1			
2-5	250	500	
6-10	500		
11-20			
>20 (used 50)			

Would use .coop for member information, general information and e-commerce (3 positive).

Country codes	Brands	Sector
1/5 (20%) No	1/5 (20%) No	1/5 (20%) No
4/5 (80%) Yes	4/5 (80%) Yes	4/5 (80%) Yes

(one Brazilian cooperative was not in favour of any secondary offerings. Otherwise the response was positive overall)

**Benefits of .coop**

The most positive responses were for:

- The .coop identity will make it easier for consumers to locate our business on the Internet.
- .coop will help members identify more closely with their organisation/cooperative.
- The .coop Internet identity will help promote and improve the image of cooperative businesses.



- .coop will help members identify more closely with their organisation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.
- The .coop Internet identity will help promote and improve the image of cooperative businesses.

To a lesser degree:

- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.

Overall responses were quite positive.

.coop indicates...

The most positive responses were for:

- Socially responsible business.
- People working together for a common goal.
- Education for members.
- Accountability to members.

Neutral:

- Modern business
- Freedom

Mixed:

- Trustworthy business.
- Businesses concerned about their communities.

No

- Individuality
- High Tech

### **Conclusions:**

In general this region is optimistic. It is not particularly wealthy nor does it have a large reach. It is probably open to assistance and a good candidate area for the digital divide fund, World Bank or IMF funding, but may not be particularly profitable.

## **APPENDIX 5: CATEGORY ANSWER KEY**

### **Web Site Uses**

- Provide general information and promotion to customers
- Information for Members
- E-commerce, online ordering and sales
- *Other*

### **Possibilities for reserved names at the secondary level**

- Country Codes
- Secondary cooperative names or common brands
- Business sector names

### **Ratings**

1. Very Likely
2. Likely
3. Neutral
4. Unlikely
5. Very Unlikely

### **Image**

- Trustworthy business
- Socially responsible business
- Accountability to members
- Education for members
- Modern business
- High Tech
- Freedom
- Individuality
- People working together for a common goal
- Businesses concerned about their communities

### **Number Members**

1. 0-10
2. 10-100
3. 100-1,000
4. 1,000-10,000
5. 10,000-100,000
6. 100,000-1 million
7. greater than 1 million

### **Turnover (in US\$)**

1. Less than \$250,000
2. \$250k-\$1 million
3. \$1-10 million
4. \$10-100 million
5. \$100 million - \$1 billion
6. greater than \$1 billion

### **Business Sectors**

1. Agriculture
2. Credit Union
3. Community Service
4. Education
5. Health, Social Care
6. Housing
7. Insurance
8. Manufacturing
9. Retail
10. Telecommunications
11. Utilities
12. Other Services
13. Other

### **Benefits**

- The .coop identity will make it easier for consumers to locate our business on the Internet.
- .coop will help members identify more closely with their organisation/cooperative.
- The .coop identity helps to validate the cooperative business model and demonstrates its relevance for the future.
- Consumers tend to trust cooperatives more than their purely commercial rivals do, therefore .coop should help us to increase sales.
- Cooperatives/cooperative members tend to refer to do business with other cooperatives and .coop will make it easier for member cooperative to find each other.
- .com names are scarce and .coop will enable cooperatives to get the name they really want.
- The .coop Internet identity will help promote and improve the image of cooperative businesses

## APPENDIX 6: ORIGINAL PRICE ANALYSIS FOR COOPERATIVES

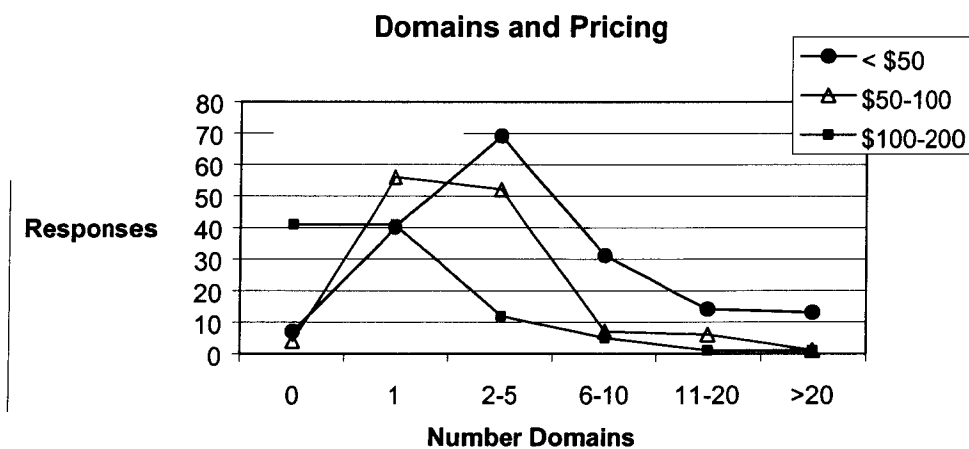
### Changes to and Discussion on the Original Analysis

In the original analysis on pricing we started with overall responses and then normalised them by dividing the response by the total responses to the survey, giving us a percentage. **The problem with using this method is** that we make the assumption that the overall response to each question is 203. This was chosen, as there is no way to uncouple the responses in the pricing question. It is impossible to determine why someone did not answer a particular question – i.e., did the respondent have one price in mind or one set number of domains in mind so neglected to answer the question or answered it partially? We will never know.

As a result, we cannot determine marginal demand. However, we can determine the non-zero response for each price, a bundling strategy and price elasticity. These results are in the clustering section. Luckily, the recommendations based on each method were the same.

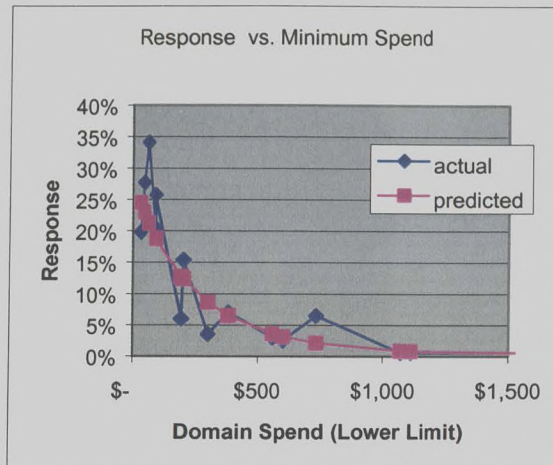
### Original Analysis (February-March)

The response to pricing is binomial. The less expensive the registration is, the more likely cooperatives are to register more domain names within a limit. Cooperatives seem to have a number of domains (between 1 and 5) they wish to register and would pay a range of prices for them, indicating little price sensitivity for that desired number of domains. This was indicated by the data and by comments on the survey.



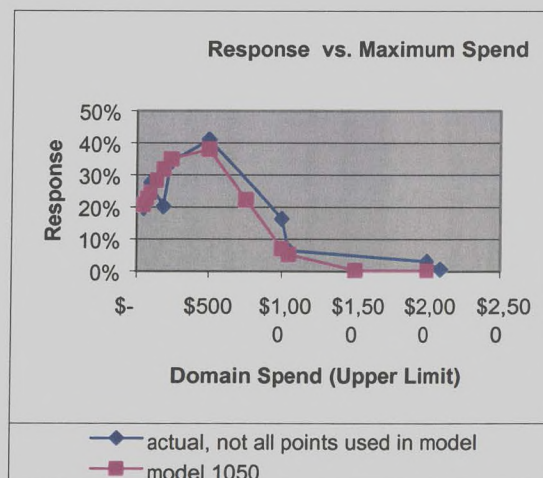
Looking closer at the total minimum spend on domain registration we find the response is a logarithmic parabola, commonly seen in marketing data, and can be modelled as:

$$\text{Response (Minimum Total Spend)} = 0.281056 e^{(-0.0041 \text{ Price} + 7e-7 \text{ Price}^2)}$$



The maximum spend proved tougher to model. A number of points were removed in order to get a good fit. The maximum spend curve was modelled as:

$$\text{Response (Maximum Total Spend)} = 0.1706 e^{(0.0041 \text{ Price} - 5e-6 \text{ Price}^2)}$$



## APPENDIX 7: VALIDATION COMMENTS

### Where?

#### Australia

### Details/Comments

Registered with West Australian Fair Trading Dept. Incorporated under provision of the Companies (cooperative) act 1943-1982Ref No C1005585

Have incorporation papers

Use of this means to define a cooperative may give more problems than its worth ... some other way may be easier in the long run

We are acting as a conduit for universities and research institutes, so our members are in fact members of these associations.

Worried about the association/federation thing. We're going via company house coz.... we're poor :)We would not go through the hassle of re-registering just to get a .coop domain. It would seem rather divisive to exclude cooperatives who didn't go the federation/association route --- but I understand there would be a whole lot of admin hassle if you had to go over everybody's AofAs.... hey ho...

Well done for getting the domain for the Cooperative Movement. Note: Use of membership of a federal national body for validation is imperfect because (a) some federations are more rigorous than others, and (b) there are political and other reasons why some valid cooperatives may not be members. This approach may be a good starting point but will need to be built upon.

In Wisconsin, a cooperative must be incorporated under the State Law (Chapter 185) to be a cooperative. Proof of our incorporation may be an acceptable alternative to membership in an association."

#### UK

#### UK

#### US

## APPENDIX 8: LIST OF ORGANIZATIONS- FROM FEDERATIONS SURVEY

### Q18 – Other organisations with whom have a relationship

Agci  
Belorussian cooperative union  
CAF (Uruguay)  
Canadian Cooperative Association, Conseil canadien de la cooperation  
CCA  
CECOP  
CFC  
CHF (cooperative housing federation) BC  
CHF (cooperative housing federation) Canada  
CIS  
CNFR (Uruguay)  
CoBank  
COFAC (Uruguay)  
Confagi  
Confecoop  
Confederation of Cooperative Housing  
CONINAGRO (Argentina)  
CONPACCOOP (Paraguay)  
Coop Union  
Cooperative Union / Cooperative Union  
COOPERAR (Argentina)  
Cooperativa ACAC (Uruguay)  
Cooperative Housing Federation, Ontario  
CWS  
Estonian cooperative union  
FDB (danish?)  
FECOAC (Uruguay)  
Federated Rural Electric Insurance Exchange  
Fenacam  
Fenacerci  
Fenache  
Fenacoop  
Fenadegas  
Fenafrutas  
Fenalac  
FUCAC (Uruguay)  
ICOM  
Japan Joint Committee of Cooperatives(JJC)  
Legacoop  
Lithuanian cooperative union  
LOAC  
London Federation of Housing Cooperatives  
NCBA  
union of Czech and Moravian Producer Cooperatives  
NRECA  
NRTC  
OCB (Brasil)  
Ontario Worker Cooperative Federation  
Organisation for Parent Participation in Childcare and Education in Ontario  
Plunket Foundation  
Russian cooperative union  
Scottish Community Owned Housing Federation  
South East Regional Cooperative Council  
South West Region Cooperative Council  
The Cooperative Union of Denmark  
UKCC  
Unci  
Union of agricultural cooperatives and societies  
Union of Czech and Moravian Housing Cooperatives  
Uruguay: FCPU (Uruguay)  
Uruguay: FECOVI (Uruguay)  
Uruguay: FUCVAM (Uruguay)  
Uruguay:FEMI (Uruguay)  
Uruguay:FUCC (Uruguay)

## APPENDIX 9: LIST OF FEDERATIONS TO WHOM COOPERATIVES BELONG

### Member of what Fed, Assoc?

Affinity Plus Federal Credit Union  
AgFirst Farm Credit Bank  
Alaska Credit Union League  
american dairy farmers  
Arctic Cooperatives Ltd  
Ascoop  
Association of Cooperative Support Organisations  
Association of Missouri Electric Cooperatives  
Badischer Genossenschaftsverband , Karlsruhe ----> Badischer Germany  
Coop, Karlsruhe (town name).  
California Association of Cooperatives  
California Credit Union League  
California Credit Union League  
California Credit Union League  
Canada CHF  
Canadian Cooperative Association  
Canadian Worker Cooperative Federation (CWCF)  
CCDC  
Cenex  
CHF  
CHF BC  
Confederation of Cooperative Housing  
Coop Atlantique  
Cooperative Union  
Cooperative Union  
Cooperative Federation of W.A. Inc.  
Cooperative grocers association  
Cooperative Group  
cooperative union  
Credit Union National Association  
Credit Union National Association (CUNA)  
Credit Union National Association (CUNA)  
Cyprus Cooperative Confederation  
DKF (www.dkf.dk)  
Farm Credit Administration  
Farmland  
Federació de Cooperatives de Treball de Catalunya  
Fédération québécoise des coopératives de travail which is member of the Canadian workers cooperative fédration  
and of the Conseil de la coopération du Québec  
Groupement National de la Coopération  
ICA  
ICAUK  
ICMIF  
ICOM  
ICPC  
IPS typo? For ISP  
Land O Lakes  
Lega Nazionale delle Cooperative  
Minnesota League of Credit Unions

.coop Survey Summary  
Appendix

Sandra Fraleigh McDermid  
Julie Greene  
Shari Schuchmann

Missouri Credit Union Association  
Montana Association of Cooperatives  
Montana Credit Union Network  
Mortgage Company Cooperative  
NAFCU  
National Association of Federal Credit Unions  
National Cooperative Business Assn. (NCBA)  
National Cooperative Bank  
National Council of Farmer Cooperatives  
National Council of Farmers Cooperative  
National Credit Union Administration  
National Credit Union Administration (NCUA)  
National Credit Union Assoc. (NCUA )  
National Housing Federation  
National Rural Electric Cooperative  
National Rural Electric Cooperative Administration  
National Rural Electric Cooperative Association  
National Rural Electric Cooperative Association (NRECA)  
National Rural Telecommunications Cooperative  
National Rural Telecommunications Cooperative  
National Telephone Cooperative Association  
Network of Bay Area Worker Collectives (NOBABC)  
New York League of Credit Unions  
New York State Credit Union League (NYSCUL)  
North American Students of Cooperation (NASCO)  
North Carolina Coop council  
Northwest Cooperative Grocers Association  
NRTC  
NTCA  
Organização das Cooperativas do Estado de Minas Gerais -  
OCEMG  
Osuustoiminnan kehittäjät --Coop Finland & Finnish new  
cooperatives Association  
OTA  
PCPI  
Radical Routes  
RUS  
Swedish Cooperative Institute  
Texas Credit Union League - TCUL  
Texas Electric Cooperative  
Touchstone Energy  
Unimed Cooperativa  
Virginia Council of Farmer Cooperatives  
Virginia League of Credit Unions  
Wisconsin Credit Union League  
Wisconsin Federation of Cooperatives



#### APPENDIX 4: SELECTED INTERVIEW NOTES

##### Interview with Stuart Marsden (Poptel) – February 2001

Four value added services considered:

###### 1. **SSL certificates (http to https)**

- Must have for anyone doing e-commerce
- Secure interface between the browser and the computer
- Dependent upon the URL and not the organisation – therefore, .coop makes it necessary to have a new SSL certificate
- To secure capability for 128 bit SSL, cost would be approximately \$200,000 and pricing could be \$1,000 or more
- VeriSign and BT grant them currently
- .coop provides a new validation method and therefore Poptel/NCBA/ICA could be in a win-win situation
- Questions to be answered: what is the market? X% register then Y% use then Z% do e-commerce and therefore A% need a SSL

###### 2. **Client Digital certificates (individual validation)**

- “Baltimore Deal”
- Cooperative certificate
- Individual standard for certification
- Could be used for: B2B transactions, message transfer
- Invisible or pops up
- Is it viable? Will people deal with the hassle?

###### 3. **Cooperative Database (validation)**

- Build as cooperatives notify Poptel/NCBA/ICA
- Could be the yellow pages of cooperatives
- B2B enabler?
- Need a business model to pay for people to add it in, options: charge to check-up on whether or not you are a cooperative (\$100) which implies a trust hierarchy; web-based application option (apex organisations add in their members or other apex organisations and individuals change their details as necessary and then Poptel uses the database)
- Uses for the database: search engine, directory, ethical cooperatives, ticker symbol (unique index)

###### 4. **Aggregation – shopping/exchanges**

- Byron has the cooperative view
- Stuart Haining has the business view

### **Interview with Shaun Fensom (Poptel) – March 2001**

Value added services are divided between the “obvious” ones, the potential “others” and the “other angle”.

#### **Obvious:**

1. Web space purchasing and holding
2. Email addresses – core Poptel business so easy to implement but what is the size?
  - Pick-up rate estimated at greater than 10%
  - Reality?

#### **Other Services:**

1. Digital certification (Stuart’s area)
2. More in UK/Europe
  - Cooperatives will buy additional professional services to enable their sites to work better
  - Poptel as the one-stop shop to get online (website, templates, etc...)
3. Secure servers/e-commerce sites
  - Beyond simple interaction

#### **Other Angle:**

1. Portal options
  - [www.coop](http://www.coop) as the most obvious choice
  - Joint Venture between NCBA and Poptel
  - Uses: .coop name in general, all the above services, international yellow pages but more sophisticated over time, directory of services and worldwide database of cooperatives
  - Sponsorship advertising as revenue sources?
  - Position as a better organised namespace relative to .com which is more chaotic
2. Subportals
  - [www.uk.coop](http://www.uk.coop)
  - [www.food.coop](http://www.food.coop)
  - [www.bank.coop](http://www.bank.coop)
  - worldwide options that link back to [www.coop](http://www.coop)
3. Global exchange (B2B)
  - Between cooperatives
  - Beyond ordinary directories
  - Match buyers and sellers
  - Cooperative = loyalty and many like to buy from each other = fair-trade way

### **Information from Stuart Haining (something 4) – March 2001**

#### **Global co-operative 'Yellow Pages' (listing online & offline)**

##### **Membership Database**

- ASP membership service (Enables Co-ops to manage databases of their members/supporters/shoppers)
  - Billing services
- Digital Signatures
  - Smart Card e.g., Endorse (Tentative enquiries suggest that .coop could be a valuable addition to the smart card trial as they desire to find a global application that will 'fuel the pump' into critical mass.)
- Event History Engine (Provide co-ops with centralised (& low cost) event management data/MIS on member behaviour )
  - eCRM services (e.g., e-mailing)

##### **Question Server**

- Member research services (Automates co-op's ability to enter into a regular dialogue with members)
- SLA/Quality monitoring (Automatically monitor adherence to SLA's/Co-op ethos by gathering data from site users...used commercially to rate sites and to enforce RA standards)

##### **Procurement Services (Enable registered dot coops to trade between themselves)**

- Payment engine
  - Order archiving services
  - Authorisation Services
  - Fraud Prevention modules
- Aggregated buying Engine (Enables dot coops to group together regionally to negotiate the best deals - either with other co-ops or commercial companies where no co-operative is operating.)

##### **Mall/e-comm platform**

- Click & Build storefront
- Catalogue 'product' tools
- Vertical market B2B portals
- Participation in B2C Mall
  - Regional Malls
  - Niche Malls

##### **Advert Server (Similar to LinkExchange - enables co-ops to offer banner adverts on non-competing sites)**

- Banner Sharing

##### **Online Portal (for co-op usage) (Portal lists all Co-operatives who have registered url's...it is mainly available for co-op to co-op use.)**

- Rating Engine (Enables co-ops to classify their strengths to aid other co-ops/consumers making buying decisions (trade-off of points/weighting))

- Profile Matching Engine (Matches consumers buying decisions with other co-op members services....possibility of licensing e-select from Cambridge Consulting)
- Voting Engine (Enables customers to rank performance/adherence to agreed quality standards)
- B2C Portal (for Consumer Usage) (For use by the general public to locate a trusted alternative to dot com businesses)
  - Search Engine
    - Premium Placement (Similar to ToGo sites, premium pricing charged for higher rankings on search engines....but crucially, the payments are not kept secret)
  - Guarantees (Consistent service standards applied across participating sites - similar to Which web trader (will vary by country))
  - Registration process (Uniform registration works across sites (similar to Microsoft Passport))

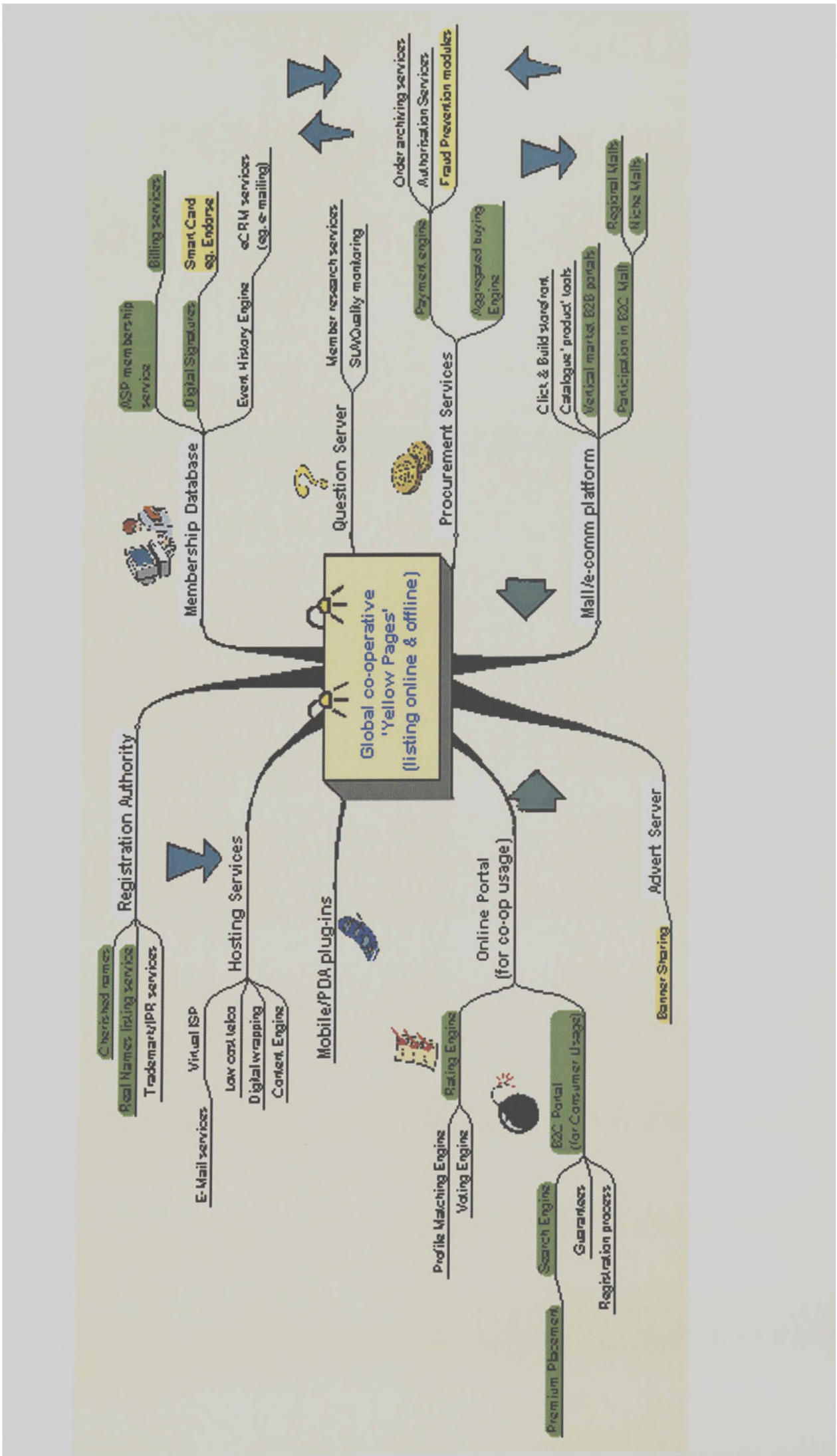
#### **Mobile/PDA plug-ins (Transfer data to new channels)**

##### **Hosting Services**

- Virtual ISP
  - E-Mail services
- Low cost telco
- Digital wrapping (Provide a service to enable co-operatives to wrap information...either for security purposes or to encourage 'viral' transmission of the co-op ethos)
- Content Engine ('Bulk' deal possibly available via scraping service such as MoreOver.com)

##### **Registration Authority**

- Cherished names
- Real Names listing service
- Trademark/IPR services (Link to relevant professional suppliers on revenue share basis)



## **APPENDIX 5: VALUE-ADDED SERVICES PRELIMINARY SEGMENTATION**

### **Short-term, Global**

Digital certification (individual and business)  
Secure servers/e-commerce enabled sites  
UK professional services (web site consulting, online strategies...)  
Communication building  
Member Services: Classified Ads, Community Building, Chat/Discuss  
Web Hosting  
Domain Name Hosting  
Email

### **Long-term, Global, May Require Partners**

Internet currency (e.g., beenz, e-gold)  
Bartering/Trading systems

### **Require Partners, Long-term, Global but requires Local Adaptation**

Services (Insurance, Credit Cards, Health Care, Legal, Travel)  
Marketing/Advertising (print shop)  
Professional services offered locally (web site consulting, online strategies...)  
Procurement  
Bill Payment/Tracking  
Education & Conferences  
MOCA – Marketing Our Cooperative Advantage  
Shopping malls  
Auctions

### **Requires partners, long-term, global**

Telecommunication Services  
ASPs  
Mobile/PDA plug-ins  
Smartcards

### **Possible Revenues from Cooperative Database**

E-Lancers (Freelancers using the Internet)  
Catalogue  
Search engine  
Directories (On-line and paper yellow pages)  
Ratings of Products, Sites etc.

### **Other**

Direct mail  
Frequent user points/awards

**APPENDIX 6: REVIEW OF REGIONAL WEB SITES – UNITED STATES**

	Southwest Minnesota Farmers Coop <a href="http://www.swmn.com">www.swmn.com</a>	Land O' Lakes <a href="http://www.landolakes.com">www.landolakes.com</a>	Energy Cooperatives Network <a href="http://www.energy-co-op.net">www.energy-co-op.net</a>	1st Rochdale Cooperative <a href="http://www.1strochdalenyc.org">www.1strochdalenyc.org</a>	Yellow Cab Cooperative <a href="http://www.yellowcabsf.com">www.yellowcabsf.com</a>	Davis Food Cooperative <a href="http://www.daviscoop.com">www.daviscoop.com</a>
<b>general information</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	No	No	No	No	No	No
<b>languages</b>	English	English	English	English, Spanish, Russian	English	English
<b>depth (Low, Medium, High)</b>	Low	Medium	Medium	Medium	Low	Low
<b>community/membership</b>	No	security access for members	No	Yes	No	No
<b>security</b>	No	No	No	No	No	No
<b>portal (Yes/No)<sup>129</sup></b>	No	No	Yes - for energy	Yes	No	No
<b>search</b>	No	recipes only	No	No	No	No
<b>last updated</b>	n/a	04/01/2001	07/06/2000	n/a	n/a	n/a
<b>mentions "cooperative"</b>	Yes	only in company info	Yes	Yes	Yes	Yes
<b>type of cooperative</b>	producers coop corn & beans	Food and agricultural cooperative	Energy Cooperatives Information	Energy and Telecomms	Consumer Coop Taxi	Consumer Coop Food

<sup>129</sup> For purposes of this exercise we have defined portal to mean a gateway to other sites. Therefore any site that included a number of links to other websites was defined as having a portal.

**REVIEW OF REGIONAL WEB SITES – CANADA**

	Alberta Honey Producers <a href="http://www.beemaid.com">www.beemaid.com</a>	Mountain Equipment Co-op <a href="http://www.mec.ca">www.mec.ca</a>	CS Coop <a href="http://www.cscoop.ca">www.cscoop.ca</a>	Gay Lea <a href="http://www.gaylea.com">www.gaylea.com</a>	Saskatchewan Wheat Pool <a href="http://www.swp.com">www.swp.com</a>
<b>general information</b>	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	No - contact via e-mail	Yes	online banking	No	No - but printable auction sheet
<b>languages</b>	English	English/French	English/French	English	English
<b>depth (Low, Medium, High)</b>	Low	High	High	Medium	Medium
<b>community/membership</b>	No	Yes	Minimal	No	Minimal
<b>security</b>	No	Yes	Yes	No	No
<b>portal (Yes/No)</b>	No	No	No	No	No
<b>search</b>	No	Yes	No	No	No
<b>last updated</b>	Not available	2001	April 28, 2001	Jan 24, 2001	March 30, 2001
<b>mentions "cooperative"</b>	Yes	Yes	Yes	Yes	Yes
<b>type of cooperative</b>	Producer	Consumer (clothing/gear)	Bank	Dairy Producers	Wheat Producers



**REVIEW OF REGIONAL WEB SITES – UK**

<b>general information</b>	Oxford, Swindon & Gloucester <a href="http://www.osg-co-op.co.uk">www.osg-co-op.co.uk</a>	The Co-op Bank <a href="http://www.co-operativebank.co.uk">www.co-operativebank.co.uk</a>	Essential Trading <a href="http://www.essential-trading.co.uk">www.essential-trading.co.uk</a>	Milk Marque <a href="http://www.milkmarque.com">www.milkmarque.com</a>	Mushroom Housing (No longer in existence)
	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	Under construction	Take applications	No	No	Yes
<b>languages</b>	English	English	English	English	English
<b>depth (Low, Medium, High)</b>	Medium/High	High	Medium	Low/Medium	High
<b>community/membership</b>	Yes	Not Extensive	No	Info Only	No
<b>security</b>	No	Yes	No	No	Yes - but doesn't work
<b>portal (Yes/No)</b>	Yes	Yes	Yes	No	No
<b>search</b>	Not site	Not extensive	No	No	Uncertain
<b>last updated</b>	2000	2000	January 1, 2001	March 31, 2000	N/A
<b>mentions "cooperative"</b>	Yes	Yes	Yes	No	Yes
<b>type of cooperative</b>	Consumer	Bank/Finance	Worker	Dairy - Now out of business	Housing

**REVIEW OF REGIONAL WEB SITES – FRANCE**

	Groupe Socopa <a href="http://www.socopa.fr">www.socopa.fr</a>	Sodiaal <a href="http://www.sodiaal.fr">www.sodiaal.fr</a>	GNC <a href="http://www.cooperatives.org">www.cooperatives.org</a>	Credit Agricole <a href="http://www.credi-agricole.fr">www.credi-agricole.fr</a>	ARTT-SCOP <a href="http://www.resoscope.org/artt/">www.resoscope.org/artt/</a>
<b>general information</b>	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	No	No	No	No	No
<b>languages</b>	English/French	English/French	English/French	English/French	French
<b>depth (Low, Medium, High)</b>	Low/Medium	Low/Medium	Medium	Medium	Low/Medium
<b>community/membership</b>	No	No	Info Level	No	Uncertain
<b>security</b>	No	No	No	No	No
<b>portal (Yes/No)</b>	No	No	No	Yes	No
<b>search</b>	No	No	No	No	No
<b>last updated</b>	Uncertain	October 10, 2000	Uncertain	copyright 1997-1999	Uncertain
<b>mentions "cooperative"</b>	No	Minimal	Yes	No	No
<b>type of cooperative</b>	Agricultural (meat)	Agricultural (dairy)	Federation	Bank	Worker

**REVIEW OF REGIONAL WEB SITES – GERMANY**

	Baywa <a href="http://www.baywa.de">www.baywa.de</a>	Humana Milchunion <a href="http://www.humana.de">www.humana.de</a>	DG Bank <a href="http://www.dgbank.de">www.dgbank.de</a>	Textiles Cooperative Society <a href="http://www.texcoop.de">www.texcoop.de</a>
<b>general information</b>	Yes	Yes	Yes	Very little
<b>e-commerce</b>	No	No	No	No
<b>languages</b>	German/English	German/English	German/English	German/English
<b>depth (Low, Medium, High)</b>	Low/Medium	Low	Medium	Low
<b>community/membership</b>	Info Only	No	No	No
<b>security</b>	No	No	No	No
<b>portal (Yes/No)</b>	No	No	No	No
<b>search</b>	No	No	Yes	No
<b>last updated</b>	N/A	N/A	N/A	2000
<b>mentions "cooperative"</b>	No	No	Yes	Yes
<b>type of cooperative</b>	Multi Purpose	Dairy	Bank	Consumer

**REVIEW OF REGIONAL WEB SITES - SCANDINAVIA**

	Arla Foods	Danish Crown <a href="http://www.danishcrown.dk">www.danishcrown.dk</a>	Metsalitto <a href="http://www.metsalitto.com">www.metsalitto.com</a>	Tine <a href="http://org.tine.no">org.tine.no</a>	Riksbuggen <a href="http://www.riksbyggyen.se">www.riksbyggyen.se</a>
<b>general information</b>	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	No	No	No	No	No
<b>languages</b>	English	Danish/English/ German	Finnish/English	Norwegian	Swedish/ English
<b>depth (Low, Medium, High)</b>	Medium/High	Medium/High	Medium	Low/Medium	Medium/High
<b>community/membership</b>	No	No	Uncertain	Uncertain	Uncertain
<b>security</b>	No	No	No	No	No
<b>portal (Yes/No)</b>	Yes	Yes	No	Yes	Yes
<b>search</b>	No	Yes	Yes	Yes	Yes
<b>last updated</b>	N/A	N/A	N/A	N/A	N/A
<b>mentions "cooperative"</b>	Yes (minor)	Yes (minor)	Uncertain	Uncertain	Yes
<b>type of cooperative</b>	Agricultural	Meat	Wood	Dairy	Housing

**REVIEW OF REGIONAL WEB SITES - ITALY**

	Latterie Friulane <a href="http://www.infotech.it/latterie-friulane/index_e.htm">www.infotech.it/latterie-friulane/index_e.htm</a>	Granarolo <a href="http://www.granarolo.it">www.granarolo.it</a>	Banca Di Imola <a href="http://www.bcoopimola.it">www.bcoopimola.it</a>	CUI <a href="http://www.cui.it">www.cui.it</a>	Ceramica <a href="http://www.imolaceramica.it">www.imolaceramica.it</a>
<b>general information</b>	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	No	Uncertain	Uncertain	No	No
<b>languages</b>	Italian/English	Italian	Italian/English	Italian/English	Italian/English
<b>depth (Low, Medium, High)</b>	Low	Medium	Medium	Medium	Medium/High
<b>community/membership</b>	No	No	No	No	No
<b>security</b>	No	No	No	No	No
<b>portal (Yes/No)</b>	No	No	Yes	Yes	Yes
<b>search</b>	No	No	No	No	No
<b>last updated</b>	N/A	N/A	1999	N/A	N/A
<b>mentions "cooperative"</b>	Yes	No	No	No	No
<b>type of cooperative</b>	Dairy	Dairy	Bank	Social	Worker

**REVIEW OF REGIONAL WEBSITES - SPAIN**

	CECA <a href="http://www.ceca.es">www.ceca.es</a>	HISPA Coop <a href="http://www.hispacoop.es">www.hispacoop.es</a>	Mondragon <a href="http://www.mondragon.mcc.es">www.mondragon.mcc.es</a>	Cooperativa Agricola <a href="http://personal.resestb.es/plbrox/coop/index.html">personal.resestb.es/ plbrox/coop/index.html</a>
<b>general information</b>	Yes	Yes	Yes	Yes
<b>e-commerce</b>	No	No	No	No
<b>languages</b>	Spanish	Spanish	Spanish/Castellano English/Euskara	Spanish
<b>depth (Low, Medium, High)</b>	Medium/High	Medium/High	Medium/High	Low
<b>community/membership</b>	Uncertain	No	No	No
<b>security</b>	Uncertain	No	No	No
<b>portal (Yes/No)</b>	Yes	Yes	Yes	No
<b>search</b>	No	No	No	No
<b>last updated</b>	1999	N/A	N/A	1999
<b>mentions "cooperative"</b>	No	Yes	Yes	Yes (minor)
<b>type of cooperative</b>	Bank	Consumer	Worker	Agricultural

**REVIEW OF REGIONAL WEB SITES - JAPAN**

	JCCU <a href="http://www.co-op.or.jp">www.co-op.or.jp</a>	Seikatsu <a href="http://www.seikatsueclub.org">www.seikatsueclub.org</a>	Kagoshima <a href="http://www.synapse.se.jp">www.synapse.se.jp</a>	Health Co-ops <a href="http://www.health-co-op.dion.ne.jp">www.health-co-op.dion.ne.jp</a>
<b>general information</b>	Yes	Yes	Yes	Yes
<b>e-commerce</b>	No	Uncertain	Uncertain	Uncertain
<b>languages</b>	Japanese/English	Japanese/English	Japanese/English	Japanese/English
<b>depth (Low, Medium, High)</b>	Medium	Medium/High	Medium	Medium
<b>community/membership</b>	No	Uncertain	Uncertain	Uncertain
<b>security</b>	No	No	Uncertain	Uncertain
<b>portal (Yes/No)</b>	Yes	No	Yes	Yes
<b>search</b>	No	Uncertain	Uncertain	Uncertain
<b>last updated</b>	April 26, 2001	N/A	N/A	N/A
<b>mentions "cooperative"</b>	Yes	Yes	Yes	Yes
<b>type of cooperative</b>	Apex of Consumer Coops	Federation(?) Consumer	Consumer Coop	Consumer Coop

**REVIEW OF REGIONAL WEB SITES – KOREA**

	NACF Agricultural Cooperatives in Korea <a href="http://www.kofood.com">www.kofood.com</a>	NACF (NongHyup) <a href="http://www.Nonghyup.com">www.Nonghyup.com</a>	Korea Tools Ind. Coop. <a href="http://www.tool.or.kr">www.tool.or.kr</a>	Korea Toy Ind. Coop <a href="http://www.kotoy.or.kr">www.kotoy.or.kr</a>	Korea Furn Fed <a href="http://www.kofurn.or.kr">www.kofurn.or.kr</a>
<b>general information</b>	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	uncertain	No	No	No	No
<b>languages</b>	English/Korean	English/Korean Japanese	English/Korean	English/Korean	English/Korean
<b>depth (Low, Medium, High)</b>	Medium	Low	Medium	Medium	Low
<b>community/membership</b>	Minimal	No	No	No	No
<b>security</b>	No	No	No	No	No
<b>portal (Yes/No)</b>	No	No	Yes	Yes	Yes
<b>search</b>	No	No	Yes	Yes	No
<b>last updated</b>	Jan-99	N/A	N/A	N/A	N/A
<b>mentions "cooperative"</b>	Yes	Yes	Yes	Yes	Yes (minimal)
<b>type of cooperative</b>	Agricultural (consumer oriented)	Agricultural (cooperative oriented)	Consumer (uncertain)	Toy/Consumer Federation	Possibly a Federation



**REVIEW OF REGIONAL WEB SITES – INDIA**

	Gujarat Coop Milk <a href="http://www.amul.com/gcmmf.html">www.amul.com/gcmmf.html</a>	Mondvi Coop Bank <a href="http://www.mandvibank.co.in">www.mandvibank.co.in</a>	Haryana Dairy Dev. <a href="http://www.vitaindia.com">www.vitaindia.com</a>	Nafed <a href="http://www.nic.in/nafed">www.nic.in/nafed</a>	Press Trust of India <a href="http://www.ptinews.com">www.ptinews.com</a>
<b>general information</b>	Yes	Yes	Yes	Yes	Yes
<b>e-commerce</b>	Yes	No	Enquiry Only	No	Applications
<b>languages</b>	English	English	English/Hindi(?)	English	English
<b>depth (Low, Medium, High)</b>	Medium/High	Medium	Medium/Low	Low/Medium	Medium
<b>community/membership</b>	Info Only	No	No	No	No
<b>security</b>	Yes (only US access site)	No	No	No	No
<b>portal (Yes/No)</b>	Yes	No	No	No	No
<b>search</b>	No	No	No	No	No
<b>last updated</b>	N/A	N/A	N/A	N/A	May 1, 2001
<b>mentions "cooperative"</b>	Yes	Yes	Yes	Yes	Yes (minor)
<b>type of cooperative</b>	Agricultural	Bank	Agriculture	Farmer	News

**REVIEW OF REGIONAL WEB SITES – CHINA**

<b>general information</b>	All China Federation of Supply and Marketing <a href="http://www.chinacoop.gov.cn">www.chinacoop.gov.cn</a> Uncertain	Beijing Xinhai Tech. Development Co. <a href="http://www.chinadns.com">www.chinadns.com</a> Uncertain
<b>e-commerce</b>	Uncertain	Uncertain
<b>languages</b>	Chinese	Chinese, Some English
<b>depth (Low, Medium, High)</b>	Medium	Medium/High
<b>community/membership</b>	Uncertain	Uncertain
<b>security</b>	Uncertain	Uncertain
<b>portal (Yes/No)</b>	Uncertain	Links - Yes
<b>search</b>	Uncertain	Yes
<b>last updated</b>	Uncertain	Copyright 2000
<b>mentions "cooperative"</b>	Uncertain	Uncertain
<b>type of cooperative</b>	Federation	ISP



**APPENDIX 7: ICA STATISTICS (AS OF JULY 1996)**

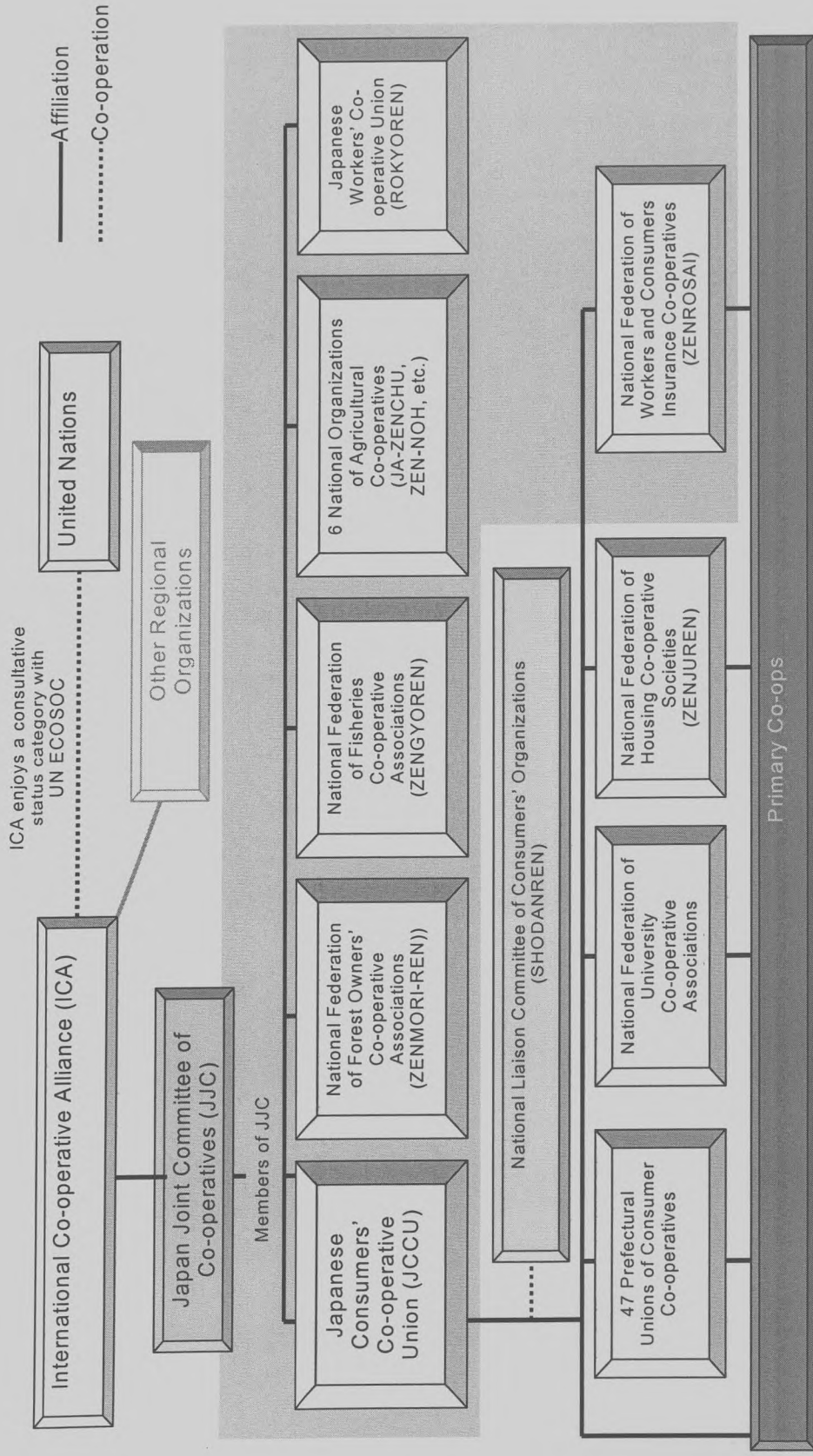
<u>Country</u>	<b>Societies</b>	<b>Members</b>	<b>Coops as % of World</b>	<b>Members as % of World</b>	<b>Ave. Members Per Co-op</b>
Egypt	6,992	4,275,000	0.9%	0.6%	611.4
Morocco	9,635	675,589	1.3%	0.1%	70.1
Botswana	120	46,668	0.0%	0.0%	388.9
Zambia	2,174	567,342	0.3%	0.1%	261.0
Benin	122	14,450	0.0%	0.0%	118.4
Cap Verde	50	18,000	0.0%	0.0%	360.0
Cote D' Ivore	1,163	127,379	0.2%	0.0%	109.5
Senegal	394	500,000	0.1%	0.1%	1269.0
Kenya	3,433	2,700,000	0.4%	0.4%	786.5
Uganda	3,131	637,015	0.4%	0.1%	203.5
<b>AFRICA</b>	<b>27,214</b>	<b>9,561,443</b>	<b>3.5%</b>	<b>1.4%</b>	<b>351.3</b>
Curacao	26	15,200	0.0%	0.0%	584.6
Dom. Rep.	1	40,500	0.0%	0.0%	40500.0
Puerto Rico	502	1,685	0.1%	0.0%	3.4
<b>CARIBBEAN</b>	<b>529</b>	<b>57,385</b>	<b>0.1%</b>	<b>0.0%</b>	<b>108.5</b>
Costa Rica	567	259,890	0.1%	0.0%	458.4
El Salvador	98	48,618	0.0%	0.0%	496.1
Honduras	92	225,000	0.0%	0.0%	2445.7
<b>CENTRAL AMERICA</b>	<b>757</b>	<b>533,508</b>	<b>0.1%</b>	<b>0.1%</b>	<b>704.8</b>
Canada	7,880	14,518,682	1.0%	2.1%	1842.5
Mexico	-	629,255	0.0%	0.1%	
USA (NCBA data)	47,000	120,000,000	6.1%	17.4%	2553.2
<b>NORTH AMERICA</b>	<b>54,880</b>	<b>135,147,937</b>	<b>7.1%</b>	<b>19.6%</b>	<b>2462.6</b>
Argentina	-	866,000	0.0%	0.1%	
Bolivia	-	227,920	0.0%	0.0%	
Brazil	4,744	3,741,667	0.6%	0.5%	788.7
Chile	-	183,300	0.0%	0.0%	
Colombia	1,936	4,818,250	0.3%	0.7%	2488.8
Paraguay	76	418,928	0.0%	0.1%	5512.2
Peru	21	15,000	0.0%	0.0%	714.3
Uruguay	700	600,000	0.1%	0.1%	857.1
<b>SOUTH AMERICA</b>	<b>7,477</b>	<b>10,871,065</b>	<b>1.0%</b>	<b>1.6%</b>	<b>1453.9</b>
Japan	3,860	42,842,643	0.5%	6.2%	11099.1
Korea	7,669	17,067,994	1.0%	2.5%	2225.6
Mongolia	302	25,057	0.0%	0.0%	83.0
<b>EAST ASIA</b>	<b>11,831</b>	<b>219,935,694</b>	<b>1.5%</b>	<b>31.9%</b>	<b>18589.8</b>
Israel	256	32,300	0.0%	0.0%	126.2
Jordan	518	53,419	0.1%	0.0%	103.1
Kuwait	43	207,630	0.0%	0.0%	4828.6
Palestine	137	15,300	0.0%	0.0%	111.7

<u>Country</u>	<b>Societies</b>	<b>Members</b>	<b>Coops as % of World</b>	<b>Members as % of World</b>	<b>Ave. Members Per Co-op</b>
<b>MIDDLE EAST</b>	<b>954</b>	<b>308,649</b>	0.1%	0.0%	<b>323.5</b>
Australia	29	508,197	0.0%	0.1%	17524.0
Tonga	110		0.0%	0.0%	0.0
Fiji	532	28,961	0.1%	0.0%	54.4
<b>OCEANIA</b>	<b>671</b>	<b>537,158</b>	0.1%	0.1%	<b>800.5</b>
Kazakhstan	-	3,700,000	0.0%	0.5%	
Kyrgyzstan	43	207,630	0.0%	0.0%	4828.6
Uzbekistan	672	90,942	0.1%	0.0%	135.3
China	-	160,000,000	0.0%	23.2%	
India	446,784	182,921,000	58.1%	26.6%	409.4
Nepal	2,252	1,006,369	0.3%	0.1%	446.9
Sri Lanka	8,557	768,061	1.1%	0.1%	89.8
<b>SOUTH &amp; CENTRAL ASIA</b>	<b>458,308</b>	<b>348,694,002</b>	59.5%	26.8%	760.8
Malaysia	3,159	822,773	0.4%	0.1%	260.5
Myanmar	3,389	88,875	0.4%	0.0%	26.2
Singapore	35	65,596	0.0%	0.0%	1874.2
Thailand	3,016	3,390,332	0.4%	0.5%	1124.1
<b>SOUTH EAST ASIA</b>	<b>9,599</b>	<b>4,367,576</b>	1.2%	0.6%	<b>455.0</b>
Armenia	2,874	558,230	0.4%	0.1%	194.2
Azerbaijan	79	660,000	0.0%	0.1%	8354.4
Belarus	147	1,927,100	0.0%	0.3%	13109.5
Bosnia - Herzeg	70		0.0%	0.0%	0.0
Bulgaria	1,547	470,000	0.2%	0.1%	303.8
Czech Rep.	2,185	1,381,583	0.3%	0.2%	632.3
Estonia	30	53,528	0.0%	0.0%	1784.3
Georgia	105	200,000	0.0%	0.0%	1904.8
Hungary	1,922	859,000	0.2%	0.1%	446.9
Latvia	98	305,400	0.0%	0.0%	3116.3
Lithuania	99	246,300	0.0%	0.0%	2487.9
Moldova	149	595,320	0.0%	0.1%	3995.4
Romania	3,457	5,140,000	0.4%	0.7%	1486.8
Russia	3,874	16,578,000	0.5%	2.4%	4279.3
Slovak Rep.	1,108	782,966	0.1%	0.1%	706.6
Slovenia	174	220,354	0.0%	0.0%	1266.4
Ukraine	1,956	6,172,135	0.3%	0.9%	3155.5
<b>EAST &amp; CENT EUROPE</b>	<b>19,874</b>	<b>36,149,916</b>	2.6%	5.3%	<b>1819.0</b>

<u>Country</u>	<b>Societies</b>	<b>Members</b>	<b>Coops as % of World</b>	<b>Members as % of World</b>	<b>Ave. Members Per Co-op</b>
Austria	108	332,842	0.0%	0.0%	3081.9
Cyprus	690	515,352	0.1%	0.1%	746.9
Denmark	1,446	1,392,244	0.2%	0.2%	962.8
Finland	46	1,066,774	0.0%	0.2%	23190.7
France	23,573	17,485,573	3.1%	2.5%	741.8
Germany	9,112	21,640,000	1.2%	3.1%	2374.9
Greece	6,800	782,000	0.9%	0.1%	115.0
Italy	39,624	7,624,430	5.1%	1.1%	192.4
Malta	20	3,906	0.0%	0.0%	195.3
Norway	4,259	1,597,668	0.6%	0.2%	375.1
Portugal	2,966	2,134,670	0.4%	0.3%	719.7
Spain	23,481	4,336,502	3.1%	0.6%	184.7
Sweden	15,106	4,779,540	2.0%	0.7%	316.4
Switzerland	16	1,513,327	0.0%	0.2%	94582.9
Turkey	50,150	8,081,100	6.5%	1.2%	161.1
United Kingdom	42	9,038,018	0.0%	1.3%	215190.9
<b>EUROPE</b>	<b>177,439</b>	<b>82,323,946</b>	<b>23.1%</b>	<b>12.0%</b>	<b>464.0</b>
<b>WORLD TOTAL</b>	<b>769,533</b>	<b>688,488,279</b>			

\* Note the US was adjusted to the NCBA Data

**APPENDIX 8: JCCU MEMBERS AND RELATED ORGANISATIONS**



**APPENDIX 9: SELECTED ONLINE STATISTICS**

Most recent statistics<sup>130</sup>:

	<b>UK</b>	<b>France</b>	<b>Spain</b>	<b>Germany</b>	<b>Sweden</b>	<b>US</b>
<b>PC penetration (% pop'n)</b>	34.3	25.3	14.2	33.1	51.5	57.8
<b>Internet penetration (% pop'n)</b>	35.6	18.4	17.3	29.2	56.4	58.6
<b>From home (% of Internet users)</b>	39.1	32.4	23.3	40	41.5	46.1
<b>From work/elsewhere (% of Internet users)</b>	26.5	38.5	58.5	27	42.4	17.1
<b>Mobile phone penetration (% of pop'n)</b>	69.6	50.2	63.1	60.7	74.5	40
<b>Internet access by mobile phone (% of Internet users)</b>	2.7	.1	.6	2.8	1.5	8
<b>Online shoppers (% of Internet users)</b>	27.2	23.4	9.4	28.4	39.1	39.1
<b>e-banking users (% of pop'n)</b>	6.1	2.4	3.7	6.8	28.9	18.3

<sup>130</sup> Connectis Magazine, May 2001. Their sources were Netfigures, Nielsen/NetRatings, NetValue. Please see Appendix 9 for details of selected countries.



**APPENDIX 10: CONTACTS FOR SELLING .COOP IN SOUTH EAST ASIA**

**Thailand**

Dr. Asanee  
Director of Cooperative League of Thailand  
4 Pichai Road  
Dusit, Bangkok  
Thailand 10300  
Fax: +66 2 241 1013

**Vietnam**

Dr. Nguynen Tien Quan  
Vice Standing President  
Vietnam Cooperative Association  
77 Nguyen Thai Hoc Street  
Hanoi, Vietnam  
Fax: +84 4 823 6382

**Indonesia**

Dr. Soeharto Prawiro Kusumo  
Director General of Research and Development  
Ministry of Cooperatives and Small Business  
JL H R Rasuna Said Kav.  
3-4-5 Kuningan  
Jakarta, Indonesia  
12940  
Fax: +62 21 520 1569

**Singapore**

Mr. Leow Peng Kui  
Chief Executive  
Singapore National Cooperative Federation Limited  
50010 Thompson Road  
Apt 12-02  
SLF Building  
Singapore 298135  
E-mail: [pengkui@income.com.sg](mailto:pengkui@income.com.sg)

**New Zealand**

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Market Assessment of .coop  
Appendix

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**APPENDIX 11: BT TRUSTWISE WHITE PAPER**



*Trustwise*

# **Securing Your Web Site For Business**

*A step by step guide for secure online  
commerce*

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## 1. Introduction

Businesses that accept transactions via the Web can gain competitive edge by reaching a worldwide audience, at very low cost. Like any other distribution channel, the Web poses a unique set of security issues, which businesses must address at the outset to minimise risk. Customers will submit information via the Web only if they are confident that their personal information, such as credit card number, financial data, or medical history, is secure.

Trustwise offers a low-cost, proven solution for securely conducting business over the web. By installing a Trustwise Secure Server ID on your server, you can securely collect sensitive information online, and increase business by giving your customers confidence that their transactions are safe.

Highlighting the issue of security, a recent report on Electronic Commerce in the UK, pointed out that ‘The security of the Internet is the main issue that has held back electronic commerce development, particularly in the business-to-consumer market. The concern has to do with the transmission of credit card details over the Internet and the potential for data to fall in the wrong hands’ (IDC, Electronic Commerce in the UK)

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*‘The security of the Internet is the main issue that has held back electronic commerce development, particularly in the business-to-consumer market. The concern has to do with the transmission of credit card details over the Internet and the potential for data to fall in the wrong hands’  
(IDC, Electronic Commerce in the UK)*

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Immediately after installing your Trustwise Secure Server ID, you can establish secure communications with any customer using a browser from Netscape or Microsoft. This proven technology is in use now by 65,000 other leading e-commerce sites.

This guide explains key issues related to Web security, describes the technologies Trustwise uses to address the issues, and provides step-by-step instructions for obtaining and installing a Trustwise Secure Server ID. After you read this paper, we invite you to:

- test drive a Secure Server ID with Secure Server ID – Trial **free** for 14 days *and/or*
- obtain a full one year Secure Server ID from <http://www.trustwise.com/>

## 2. Increase your competitive edge with a secure Web site

A secure Web site can provide your business with powerful competitive advantages, including online sales and streamlined application processes for products such as insurance, mortgages, or credit cards. Credit card sales can be especially lucrative. According to independent analysis there will be around 300 million Internet users worldwide by the year 2000. These Internet users will be transacting business worth around £184 billion annually. No merchant can afford to ignore a market this large.

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*'According to independent analysis there will be around 300 million Internet users worldwide by the year 2000. These Internet users will be transacting business worth around £184 billion annually. No merchant can afford to ignore a market this large'*

---

To win this market, however, you must become fully aware of Internet security threats, take advantage of the technology that overcomes them, and win your customers' confidence. This section of the guide describes the benefits of e-commerce, and the specific risk areas you must address to realise the benefits.

### **Extend your reach to more customers**

By offering your product on the Web, your business can gain unique benefits:

**Worldwide presence:** A major attraction of the Web is that it represents a new source of customers. Anyone with an Internet connection is a potential customer: More than 50 million people around the world are already using the Internet for business transactions. Your Web storefront is open all the time, and requires no investments in brick and mortar.

**Market share:** Many potential customers are uncomfortable about sending credit card numbers over the Internet. The merchants who can win these customers' confidence will gain their loyalty and an enormous opportunity for expanding market share.

---

*'Many potential customers are uncomfortable about sending credit card numbers over the Internet. The merchants who can win these customers' confidence will gain their loyalty and an enormous opportunity for expanding market share'*

---

**Cost-effective delivery channel:** Many products and services, such as software or information, can be distributed directly to customers from the Web. This saves time for your customers, which increases your competitive appeal. It also increases your profitability by eliminating the shipping and overhead costs associated with order fulfilment.

**Streamlined enrolment:** Paper-based enrolment workflows are fraught with delays. Applications for insurance, mortgage, or credit card, for example, are held up in the mail and your mailroom. Once received, the application must be entered

into your computer system, a labour-intensive process that can introduce errors. By accepting applications via a secure Web site, you can speed application processing, reduce processing costs, and improve customer service.

---

*'By accepting applications via a secure Web site, you can speed application processing, reduce processing costs, and improve customer service'*

---

### **Better marketing through better customer knowledge**

Establishing a storefront on the Web positions you for one-to-one marketing-or tailoring your products and services to individual customers rather than large market segments. The Web captures information about demographics, personal buying habits, and preferences. By analysing this information, you can target your merchandise and promotions for maximum impact, tailor your Web page to appeal to the specific consumer who is visiting, and conduct effective, tightly-focused marketing campaigns.

### **Ensure the security of your electronic transactions**

In person-to-person transactions, security is based on physical cues. Consumers don't worry about using their credit card in places like department stores because they can see and touch the merchandise, they can make judgements about the store and they feel comfortable that a third party is not using their credit card number. In the absence of physical cues on the Internet, serious security threats have emerged. By becoming aware of the risks of Internet-based transactions, businesses can acquire technology solutions that overcome those risks:

**Spoofing:** The low cost of Web site creation and ease of copying existing pages makes it all too easy to create illegitimate sites that appear to be published by established organisations.

**Unauthorised disclosure:** When transaction information is transmitted in the clear, hackers can intercept the transmissions to obtain your customers' sensitive information.

**Unauthorised action:** A competitor or disgruntled customer can alter your Web site so that it refuses service to potential clients, or malfunctions.

**Data alteration:** The content of a transaction can be altered en route, either maliciously or accidentally. Important information such as user names and credit card numbers are all vulnerable to such alteration.

### **3. Secure your Web site with a Trustwise Secure Server ID**

The good news: Trustwise Secure Server IDs - a proven, low-cost solution to secure online transactions is available today.

#### **Present your credentials via a Trustwise Secure Server ID**

A Secure Server ID, also known as a digital certificate, is the electronic equivalent of a business licence. Server IDs are issued by a trusted third party, called a Certification Authority (CA). Trustwise is a Certification Authority in the UK. Trustwise services are provided in association with VeriSign, which is the worlds leading CA, having issued more than 65,000 Secure Server IDs. The CA that issues a Server ID is vouching for your right to use your company name and Web address. CAs can also issue digital certificates to individuals.

Before issuing a Secure Server ID, Trustwise reviews the applicant's credentials through third party databases such as Dun & Bradstreet, and takes several other steps to ensure the organisation is what it claims to be, and is not claiming a false identity. Then Trustwise issues the organisation a Server ID, which is an electronic credential that your business can present to prove its identity or right to access information.

A Secure Server ID from Trustwise provides the ultimate in credibility for your online business. Trustwise performs rigorous authentication procedures in issuing Secure Server IDs.



#### **4. How Digital Certificates work**

In physical transactions, the challenges of identification, authentication, and privacy are solved with physical marks, such as seals or signatures. In electronic transactions, the equivalent of a seal must be coded into the information itself. By checking that the electronic 'seal' is present and has not been broken, the recipient can confirm the identity of the message sender and ensure that the message content was not altered in transit. To create an electronic equivalent of physical security, Trustwise employs a Public Key cryptosystem, sometimes called an asymmetric system.

##### **Single Key Cryptography**

Throughout history, most private messages were kept secret with single key cryptography, sometimes called symmetric cryptography. Single key cryptography is the way that most secret messages have been sent over the centuries. In single key cryptography, there is a unique code (or key) for both encrypting and decrypting messages. Single key cryptography works as follows: Suppose Bob has one secret key. If Alice wants to send Bob a secret message:

1. Bob sends Alice a copy of his secret key
2. Alice encrypts a message with Bob's secret key
3. Bob decrypts the message with his secret key

Unfortunately, this method has several problems. First, Bob must find a secure method of getting his secret key to Alice. If the secret key is intercepted, all of Bob's communications are compromised. Second, Bob needs to trust Alice. Alice may give Bob's secret key to his rivals. Or, she may read Bob's other private messages or even imitate Bob. Finally, if you have an organisation with people who need to exchange secret messages, you will either need to have thousands (if not millions) of secret keys, or you will need to rely on a smaller number of keys, which opens the door to compromise.

##### **Public Key Cryptography**

Trustwise Secure Server IDs employ the more advanced public key cryptography, which does not involve the sharing of secret keys. Rather than using the same key to both encrypt and decrypt data, a Secure Server ID uses a matched pair of keys that complement each another. When a message is encrypted by one key, only the other key can decrypt it.

When a key-pair is generated for your business, your 'private key' is installed on your server; nobody else has access to it. Your matching 'public key,' in contrast, is freely distributed as part of your Secure Server ID. You can share it with anyone, and even publish it in directories. Customers or correspondents who want to communicate with you privately can use the public key in your Secure Server ID to encrypt information before sending it to you. Only you can decrypt the information, because only you have your private key.

Your Secure Server ID contains your name and identifying information, your public key, and the digital signature of the issuing Certification Authority. It tells customers and correspondents that your public key belongs to you.

## **Secure your online transactions without hardware investment**

Trustwise Secure Server IDs work in conjunction with Secure Sockets Layer (SSL) technology, which has become the standard protocol for secure, Web-based communications. Your Web server is ready now to work with Trustwise Secure Server IDs if it's from, Apache Stronghold, Lotus, Microsoft, Netscape, Nanoteq or Tandem. SSL becomes functional only after you install a digital certificate, such as your Trustwise Secure Server ID.

After you install your ID, your server is able to establish a secure communications channel between your server and your customer's browser using https which employs SSL. You can communicate securely with any customer using Netscape Navigator, Microsoft Internet Explorer. Once activated by your Secure Server ID, SSL immediately begins providing you with the following components of secure online commerce:

**Authentication:** By checking your Trustwise Secure Server ID, your customers can verify that the Web site belongs to you, and not an impostor. This bolsters their confidence in submitting confidential information.

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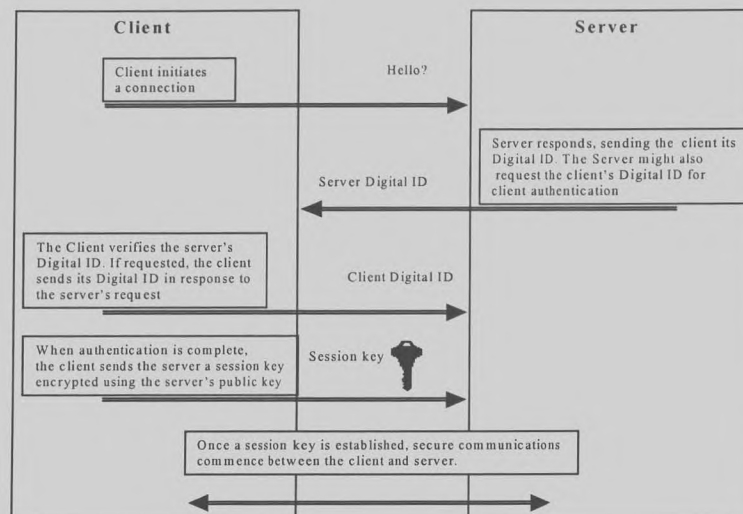
*'By checking your Server ID, your customers can verify that the Web site belongs to you, and not an impostor. This bolsters their confidence in submitting confidential information'*

---

**Message privacy:** SSL encrypts all traffic between your Web server and customers, using a unique session key. To securely transmit the session key to the consumer, your server encrypts it with your public key. Each session key is used only once, during a single session with a single customer. These layers of privacy protection ensure that information cannot be viewed if unauthorised parties intercept it.

**Message integrity:** When a message is sent, the sending and receiving computers each generate a code based on the message content. If even a single character in the message content is altered, the receiving computer will generate a different code, and then alert the recipient that the message is not legitimate. With message integrity, both parties involved in the transaction know that they are seeing is exactly what the other party sent.

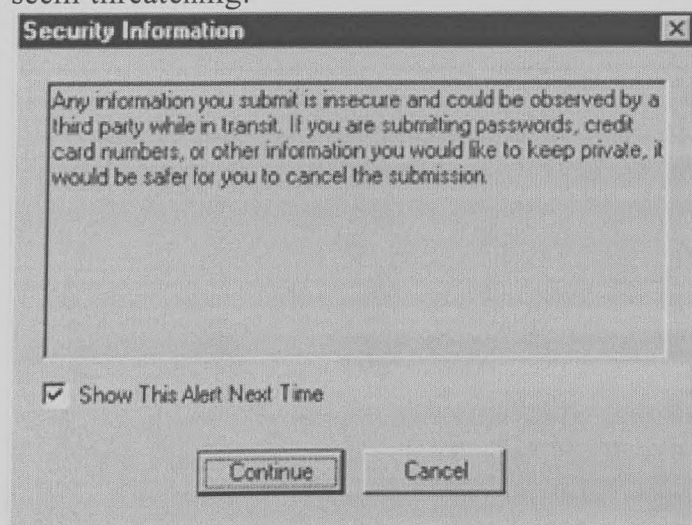
The diagram below illustrates the process that guarantees protected communications between a Web server and a client. All exchanges of Server IDs occur within seconds, and require no action by the consumer.



The ultimate result of a Trustwise Secure Server ID: online transactions that protect customers and your business. Customers gain confidence that they are sending their personal information to a legitimate business and not an impostor.

### Make online commerce easy for your customers

Installing Trustwise Secure Server IDs not only makes e-commerce safer for your customers, it actually makes it easier to submit information, such as a credit card number over the Internet. Netscape Navigator and Microsoft Internet Explorer browsers have built-in security mechanisms to prevent users from unwittingly submitting their personal information over insecure channels. If a user tries to submit information to an unsecured site (a site without a Secure Server ID), the browsers will, by default, show a warning, which can make the purchase process seem threatening.



In contrast, if a user submits credit card or other information to a site with a valid Secure Server ID and an SSL connection, the warning does not appear. The secure connection is seamless, making the online shopping experience more pleasant. In addition, when you install a Trustwise Secure Server ID, the 100 million

prospective customers with Microsoft and Netscape browsers are reassured that they are shopping on a secure site. In Netscape Navigator 3.0 and earlier, the key icon in the lower left corner of the browser, which is normally broken, is made whole. In Netscape Navigator 4.0 and later and in Microsoft Internet Explorer, the normally open padlock icon becomes shut, as shown below.



## **5. Convenience and Security with OnSite Server**

When you have established your secure Web site, you can take advantage of OnSite Server to further enhance your e-commerce operation.

### **Simplify management of multiple Secure Server IDs**

If you host your secure Web site on ten or more servers, within 4 Domains or less, Trustwise offers a special program to simplify additions, renewals, and cancellations of each server's Secure Server ID. Through the OnSite Server ID, you apply just once for all servers in your domain. This service is available in bundles of 10, 25, 50, 100 or more. For more information about OnSite Server visit <http://www.trustwise.com/>.

## **6. Conclusion**

With its worldwide reach, the Web promises to be a lucrative distribution channel with unprecedented potential. By setting up an online storefront, businesses can reach millions of people around the people already using the Internet for transactions. And by ensuring the security of online payments, businesses can minimise risk and reach a far larger market: A large proportion of Internet users who still hesitate to shop online because of security concerns.

A Trustwise Secure Server ID enables you to immediately begin conducting online business securely, with authentication, message privacy, and message integrity. As a result, you can minimise risk, win customer confidence, and, ultimately, gain competitive edge.

## 7. Step by Step Instructions

You can purchase a one-year full-service Secure Server ID from <http://www.trustwise.com/>. The application process takes about 15 minutes. In a few days, after Trustwise, has verified your credentials, you will receive your Secure Server ID. Simply install the Secure Server ID on your server, and then immediately begin conducting transactions online with the confidence that you and your customers are protected.

### Before you begin

Before beginning the Trustwise online enrolment, check to make sure you are ready to proceed:

**Install server software:** Have your web server software installed before you begin enrolment. Trustwise supports the following web server software: Apache Stronghold, Lotus, Microsoft, Netscape, Nanoteq and Tandem.

**Register your domain name:** If you haven't already, registered your URL at <http://rs.internic.net> or a local equivalent.

**Confirm firewall configuration:** Trustwise Secure Server ID enrolment is Web based, and uses SSL to protect the information that you submit. Please make sure that your firewall/proxy settings permit you to make secure connections outside your firewall.

**Determine payment method:** To purchase a one-year, full service Server ID, you can pay via a purchase order or by American Express, Visa, Visa Delta or MasterCard.

**Review legal agreement:** You will need to agree to the Trustwise Secure Server Customer Contract. To review it in advance, see the Repository at <http://www.trustwise.com>.

**Gather proof of right documents:** Before issuing your Secure Server ID, Trustwise must confirm that your organisation has the legal right to conduct business under the name you specify in your enrolment request. Trustwise will check with third parties in order to confirm your right to use the name specified in the request. The fastest way to do this is if you provide your Dun & Bradstreet D-U-N-S number. If you do not have a D-U-N-S number, you can find it out by calling Dun and Bradstreet, in the UK, on (0161) 2287744.

### Obtain your Secure Server ID

To complete your Secure Server ID enrolment, please visit the Server ID Centre at <http://www.trustwise.com/>. There you will be instructed to complete the following steps:

#### Confirm Domain

Trustwise can only issue Secure Server IDs to the registered owner of a domain name. This information will be included in the Secure Server ID as part of its distinguished name.

#### Proof of Right Confirmation

Your Secure Server ID will be issued sooner if you supply a D-U-N-S number (see above, 'Gather proof of right documents').

#### Generate Certificate Signing Request

You must submit a Certificate Signing Request (CSR) with your request for a Secure Server Digital ID. A CSR is an encrypted file that contains your organisation's public key, name, locality and URL. To generate a CSR, you use

your web server software. When generating a CSR, a Web server creates two files: a private key, and a CSR.

Note: Back up your private key and CSR on a floppy disk and store the disk in a secure location. Trustwise never receives a copy of your private key. If it is lost or damaged, you will be unable to use your Secure Server ID.

#### **Submit the Certificate Signing Request (CSR) to Trustwise**

Open the CSR file with an ASCII text editor, such as WordPad. Do not use a word processing application such as Microsoft Word that inserts formatting or control characters.

Select the text in the CSR, beginning with and including:

- BEGIN NEW CERTIFICATE REQUEST—

and ending with

- END NEW CERTIFICATE REQUEST—

Copy and paste the CSR into the Trustwise online enrolment form and click the Continue button to submit the CSR and proceed with the Secure Server ID enrolment.

#### **Complete application**

Fill out the online application form with information about your company and contact people.

The technical contact must be authorised to run and maintain your secure Web server.

The organisational contact will be someone who is responsible for the Secure Server ID and for providing information on request. The organisational contact must be a member of your organisation and not a representative of an ISP.

The billing contact will be the person responsible for payment.

#### **Check your order Status**

Within a few hours of receiving your application, Trustwise will send a confirming e-mail to your technical and organisational contacts. The e-mail will include details of how you can check the status of your application.

If the information you submitted is complete, your Secure Server ID will be issued in 5-8 business days.

#### **Install your Secure Server ID**

When you receive your Secure Server ID, make a backup copy of it and store it on a labelled floppy disk, noting the date you received it. Store the floppy disk in a secure place.

To install your Secure Server ID, follow the instructions in your server software documentation for digital certificates.

#### **Enable SSL on your server**

Consult your server software manual to enable SSL. The process should take approximately five minutes.

Congratulations! You can now offer secure transactions to your online customers.



## **8. Secure Server Test Drive.**

Trustwise offers free, limited assurance, Test Secure Server IDs, allowing you the opportunity to try a Secure Server ID FREE for 14 days.

You will be able to:

- Establish how to assure customers that it is safe to submit personal information such as credit card details
- Understand how the SSL combined with a Secure Server ID can deliver the critical element of security
- Demonstrate SSL capabilities within your organisation
- Try a Trustwise Secure Server ID before buying

For security purposes the validity period of these certificates is limited to two weeks. However, you may order as many certificates as you wish .

Test Secure Server IDs work with all of the major Web Servers. They are compatible with 98% of the installed base of browsers.

Unlike our normal Secure Server IDs, Trustwise does not carry out extensive authentication procedures before issuing Test Certificates. Therefore these IDs are issued minutes after they have been applied for.

To take advantage of Secure Server Test Drive we invite you to go to:

<http://www.trustwise.com/campaigns/tstdrive.html>

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## Internet Adoption Continuum

Continuously measure, monitor and revise your offerings!

Role of DC LLC

- Foster relationship with federations.
- Train and encourage non-user to connect.

- Ensure marketing efforts behind .coop are well communicated and supported.

- Build a comprehensive network of services to help serve e-business needs of cooperatives.

Sandra Fraleigh McDermid, Julie Greene, Shari Schuchmann

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## Summary

- Cooperative structure
- Verification Process: Need to assess for
  - Federated vs. unfederated
  - Politics
  - Regional specifications
  - Sponsorship by members
- Every size, industry and geography represented – one solution does not fit all
- Cooperatives vs. Internet penetration

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## Summary

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- ▣ **.coop** reception expected to be positive - large US response initially, look toward China to increase demand as they move online. Responses largely based on Internet penetration, literacy and active cooperative movement.
- ▣ Trading portals - risky and hard work, larger potential pay-out.
- ▣ Digital Certificates and SSL - tough competition, consider alliance.
- ▣ Web Domain Hosting - natural for DC LLC locally, global presence remains a concern.
- ▣ Member services - small revenues, but helps build brand and potential customer base.



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## **APPENDIX 12: DESCRIPTION OF ARIBA TRADING ENABLING SOFTWARE**

**Ariba Buyer** is the rapidly-deployable eProcurement solution that enables companies to streamline buying and automate a wide variety of business processes.

**Ariba Marketplace** gives market makers powerful tools for developing advanced trading models, capturing the procurement of diverse industries, and offering hosted procurement solutions to other companies.

**Ariba Dynamic Trade** is a fully Web-integrated application that enables a wide array of dynamic trading mechanisms so buyers and sellers can quickly initiate and manage trade of any commodity.

**APPENDIX 13: POSSIBLE SCENARIO OF VALUE ADDED SERVICES REVENUES**

		<u>United States</u>	<u>India</u>	<u>Europe</u>
Recent Cooperative Population	1	47,000	446,784	177,439
Multiple on Population	2	150%	150%	150%
Literacy	3	100%	75%	100%
Online Penetration (Adjusted)	4	58%	2%	25%
Active Status	5	35%	10%	25%
<b>Adjusted Cooperative Population</b>		<b>14,312</b>	<b>1,005</b>	<b>16,635</b>
<b>Revenue Potential</b>	<b>6</b>			
Potential Market Share		75%	75%	75%
Number of names registered		2	2	2
.coop Registration (US\$ 80 p.a. & 2 names)	7	<b>\$1,717,380</b>	<b>\$120,632</b>	<b>\$1,996,189</b>
Potential Market Share		5%	10%	10%
Digital Certificates (US\$ 20 p.a.)		<b>\$14,312</b>	<b>\$2,011</b>	<b>\$33,270</b>
SSLs (US\$ 1500 p.a.)		<b>\$1,073,363</b>	<b>\$150,790</b>	<b>\$2,495,236</b>
Potential Market Share		5%	10%	10%
Web Hosting (US\$ 200 p.a.)		<b>\$143,115</b>	<b>\$20,105</b>	<b>\$332,698</b>

**The numbers herein were created for illustrative purposes only. These numbers are provided only to give a general sense of the possible market for value added services in some of the cooperative markets.**

**Notes:**

1. From the ICA and NCBA statistics.
2. According to our customer survey data there is up to twice as many cooperatives in existence from the ICA statistics. We have adjusted our numbers by 150% because some of the ICA data includes some double counting and defunct cooperatives.
3. Although India only has 52% literacy, we are assuming that the cooperatives are more likely to have a rate higher than the general population.
4. We have assumed that the US and European cooperatives online is similar to the general population (which fits with our research). However, we have increased India's cooperatives online based on our current sense of the market.
5. The active status percentages are based on a 2000 European study cited within the report. We have adjusted the US upward and India downward to reflect our estimates of the differences in these markets.
6. Please note that these are not achievable in year 1, but rather will be realized as the products are rolled out over time.
7. These numbers correlate with our research finding. It is important to understand that these numbers are likely high for India.

Market Assessment of .coop  
Appendix

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Shari Schuchmann

## **APPENDIX 14: POWERPOINT PRESENTATION**

## Digitally Energising the Cooperative Sector

### A Market Assessment of **.coop**

Prepared on behalf of Poptel Ltd.  
in Conjunction  
with NCBA and ICA



*Sandra Fraleigh McDermid, Julie Greene, Shari Schuchmann*



## Introduction

2

### Key Sections

- Project Scope
- Background
- Survey Data Analysis
- Evaluation of **.coop**
- Analysis of Value Added Services
- Summary Conclusions and Recommendations



*Sandra Fraleigh McDermid, Julie Greene, Shari Schuchmann*





## Project Scope 3

Market research in 3 areas critical to the .coop launch.

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## Project Timeline 4

**.coop TLD awarded**      **LBS, Survey start**

Nov 2000      Feb 2001      March

**Mrkt & VAS research**      **Mrkt research**      **Mrkt & VAS research**

Survey analysis      Clustering      Write up

March      April      May      June

**Planned Founders launch**

June      July

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## Background - Offering .coop TLD

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November 16, 2000 - ICANN awarded the .coop TLD to DC LLC (a partnership in progress between Poptel, NCBA, and ICA).



- Poptel to act as registry operator - will enter into agreements with registrars to sell .coop.
- NCBA focus North America - cooperative validation, promoting .coop.
- ICA focus rest of world - link to worldwide cooperative organisations and developing registrars.

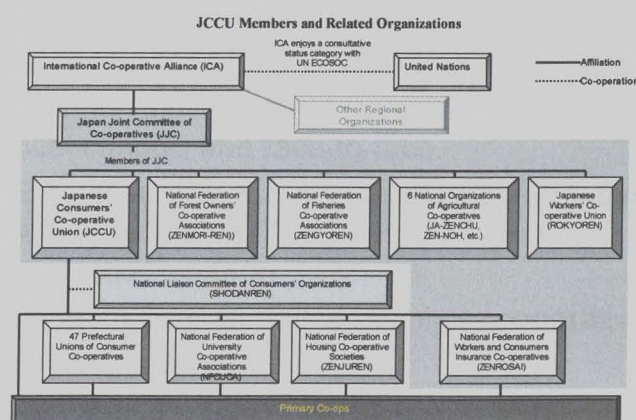
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## Background - Organisation in Cooperative Movement

6

Multiple umbrella organisations (federations, associations, apex, etc.)



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## Survey

7

- Designed to gauge demand, pricing, perception of .coop and provide respondent profile (geographic, size, type of cooperative).
- Online federation and cooperative surveys in English, German, French, and Spanish hosted on Poptel's website.
- Open from mid February to mid March 2001.
- Incorporated input from Poptel, ICA, and NCBA.



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## Survey Highlights - Federations

8

Total of 44 federation respondents - worldwide but North America and UK dominate.

- Majority (84%) willing to help promote .coop.
- Primary communication - email, direct mail publications, and face-to-face.
- Expect an average of 200+ (combined federated and unfederated) cooperatives in each federation's region.
- Expect less than half of member cooperatives have web sites.



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## Survey Highlights - Cooperatives

9

203 worldwide respondents but USA dominated.

84% have a web site and own 1 (34%) and 2-5 domains (33%).

87% expressed interest in .coop with 68% interested in multiple years.

Highest response for 1 and 2-5 domains

Web site uses primarily general and member info.

- E-commerce use varied by turnover and region.
- Other uses include: video conferencing, online learning, applications via Internet, networking member interest, bill payment, loan/account/member applications



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## Survey Highlights - Perceptions

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<p><b>.coop will :</b></p>	<p><b>Federations</b></p> <ul style="list-style-type: none"> <li>■ Promote and improve cooperative image</li> <li>■ Make it easier to locate on the Internet</li> </ul>	<p><b>Cooperatives</b></p> <ul style="list-style-type: none"> <li>■ Promote and improve cooperative image</li> <li>■ Validate cooperative business model</li> </ul>
	<p><b>.coop indicates:</b></p> <p>Working for a common goal. Accountability to members. Socially responsible business. Businesses concerned about their communities. (same top 4, different order)</p>	



*Sandra Fraleigh McDermid, Julie Greene, Shari Schuchmann*



## Pricing Decision

11

Pricing based on revenue maximizing.

X domains if price is →	\$US 50	\$US 100	\$US 200
1	1,650	4,800	<b>8,000</b>
5	15,000	<b>24,500</b>	12,000
10	<b>16,500</b>	8,000	8,000
20	<b>12,000</b>	10,000	4,000
50	<b>27,500</b>	5,000	10,000

Optimal

- \$200 for 1 domain
- \$100/domain for 2-5 domains
- \$50/domain for 6+



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## Clustering Highlights

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Marketing conclusions by turnover

- <US\$ 250k segment must be sold on the benefits of technology.
- US\$ 10-100 segment is a key early segment because they are tech savvy and interested in .coop.
- Larger segments (US\$ 100m-10b) may be less willing to find new vendors for value added services.

Survey respondents were fairly homogeneous (and limited in number).




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## Survey and Cluster Summary 13

- ▣ **.coop** launch will affect reception.
- ▣ Validation process is key.
- ▣ Federations willing to promote. Getting consumer cooperatives on-board will help spread word on .coop.
- ▣ Print and email newsletters dominate as communication channel.

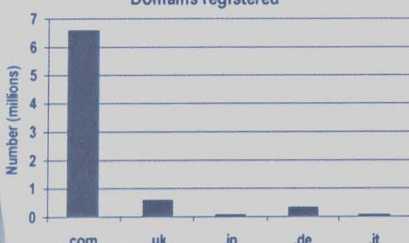


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## Product 14

**Domains registered**

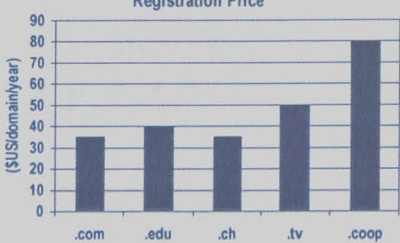


Domain	Number (millions)
.com	~6.5
.uk	~0.5
.jp	~0.1
.de	~0.2
.it	~0.1


- ▣ **.com** is most registered domain

- ▣ **.coop** will be one of most expensive


**Registration Price**



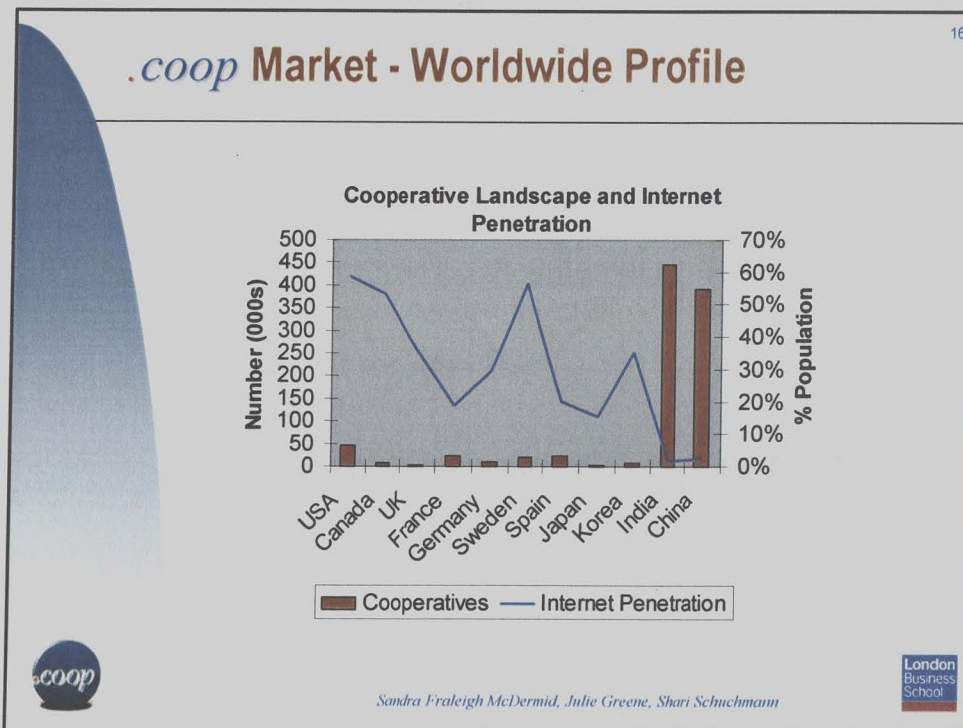
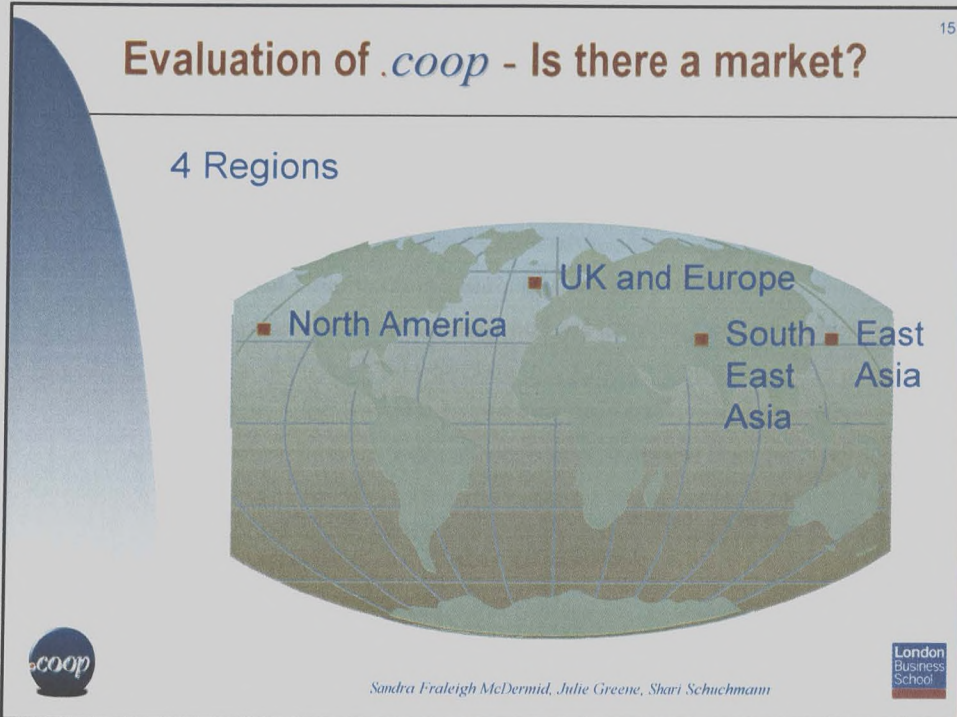
Domain	Price (\$/USdomain/year)
.com	~35
.edu	~40
.ch	~35
.tv	~50
.coop	~80



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## .coop Market - Other Comments

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- USA and Canada cooperative movement strong.
- India and China's cooperatives and politics linked.
- Germans have security concerns.
- Credit Unions consolidating, membership growing.
- Agriculture a large force, but not the most advanced.
- Many regions see decline in youth participation.
- Most cooperatives do not leverage their web sites fully.
- Strong links to federation tie in assurance of legitimacy in some regions.
- Cooperative status being used as a marketing tool in many countries.



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## Internet Economy and Cooperatives

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- Cooperatives on the Internet similar to businesses on the Internet worldwide.
- Internet requires literacy and is predominantly English.
- Large opportunity as communication platform.



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## *.coop* Recommendations

North America

- NCBA should concentrate on selling in US - leverage Founders' programme.
- High take-up expected in US, but small in terms of worldwide market.
- Easy wins in Canada - target Quebec, top 18 agri-food cooperatives, CHF and CUCC.

UK and Europe

- UK - *.coop* as a marketing tool, but as market is small this should not be a main focus.
- France / Germany - not a key focus area for *.coop*. Any VAS should be geared for the cooperative to cooperative sector (B2B type).



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## *.coop* Recommendations - cont.

UK and Europe - cont.

- Scandinavia - Nearly as large and sophisticated as USA. Unfederated market size expected to be substantial. Must be clear on verification process to tap this market. Consider impact of the use of mobile devices on platform of VAS.
- Spain and Italy - May be large but will take time and resources to develop. Not first priority.



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## *.coop* Recommendations - cont.

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### East Asia

- DC LLC must have federation endorsement. Even then, the number of cooperatives is small, making a small *.coop* market.
- Partnerships and Alliances will be key in overcoming cultural differences and championing VAS.
- Requires customised message.
- Mobile devices a potential platform for services.
- Korea - Subsidiary of NACF indicated interest in 3,000 *.coop* web addresses.



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## *.coop* Recommendations - cont.

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### South East Asia

- India - large long term market. Digital divide and literacy are key challenges. Politics must be understood.
- China - large long term market. International trade is huge interest of China and could be the way in. Mobile devices may be a way to get around infrastructure issues.



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## **.coop Recommendations - Practicalities**

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DC LLC - Feasibility revolves around Poptel's ability to provide registration capabilities and ongoing support.

- Validation is complicated issue and not resolved.
- Team
  - Diverse background, fully committed, ensure communication channels are clear.
  - Look into links with other globals like ILO.



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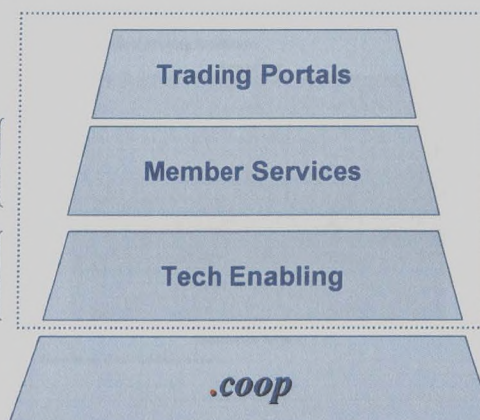


## **Hierarchy of Value Added Services**

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Education Products  
Group Buying  
Referral Services

Digital Certificates  
and SSLs  
Web Site Hosting



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## Technology Enabling Products - Digital Cert. & SSLs

### Challenges

- Certification authority must do due diligence to ensure identity of requester **and** establish relationships with Intent browsers so public keys are recognised.
- VeriSign dominates digital certificate and SSL market; has affiliates in 43 countries, including BT in the UK.

### Recommendations

- Secure a partnership with VeriSign as soon as possible (they are already projecting revenues for .coop) rather than attack them head-on.



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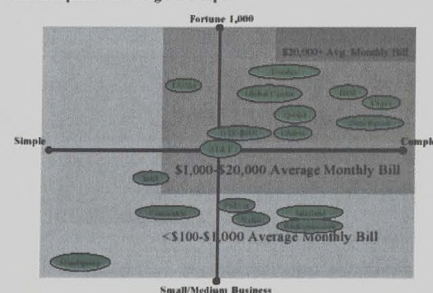
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## Technology Enabling Products - Web Site Hosting

### Challenges

- Fragmented market.
- Worldwide facilities to satisfy world markets.
- Offering full management requires more resources although is more profitable.

The Competitive Hosting Landscape



Source: Thomas Weisel Partners LLC estimates



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## Web Site Hosting - Recommendations

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### Recommendations

- Leverage trust aspect - UK and Europe is possible now.
- Review capability of global scalability. Alliances may be necessary.
- Regions of significant .coop uptake are possible target markets - hit areas of lower Internet penetration to build customer base.



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## Member Services

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Services that would facilitate the cooperative movement, or help cooperatives develop better relationships with members, balancing customer needs. All offered on a referral basis.



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## Member Services - Education Products

**Background**


- Companies spent \$US 1 b on e-learning systems.
- Significant barriers to entry.

**Challenges**


- Competition from variety of established players.  
Need for understanding local culture and language.  
Significant investment to develop products and technology platform.

**Recommendations**

- Partner and provide 'pre-packaged' services of interest to cooperatives.
- Referral fee based.



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## Member Services - Group Buying

**Background**

- Potential to offer computers to federation, cooperative and their members.
- Partner with a preferred computer manufacturer to get preferential worldwide price.
- Ship pre-loaded with cooperative related material.
- Range in cost and scope.

**Challenges**

- Cost, global nature, building relationships with people like Dell, PeoplePC.

**Recommendations**

- Research further to understand cost and international capabilities, as may be lucrative for developing countries.



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## Member Services - Referral Services

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### Background

- Financial products, professional services, business packages.

### Challenges

- Requires local knowledge, relationships.

### Recommendations

- Further research locally to determine partnerships and services that add the most value.
- Unlikely to be developed or provided in-house by DC LLC/DCI.



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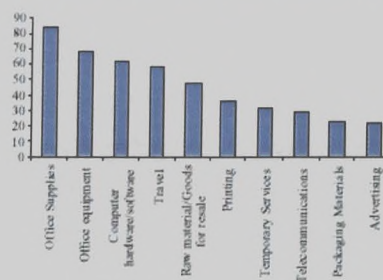
## Trading Exchanges - Background

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### Trading Exchanges

- Targeted exchanges (often non-profit focused centres).
- Member only private exchanges (similar to EDI).

E-Procurement Application Areas



Commerce One investor report, Global Industry Analysts Inc, February 1, 2001.



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## Trading Exchanges - Revenues and Costs

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### Revenue Model

- Consulting fee to buyers and commission based fee from suppliers. (FreeMarket's model.)
- Transaction fee based on percentage of savings or transaction value.

### Costs

- It requires global presence and significant marketing to attract businesses.
- Expenses significant and most exchanges are not yet profitable.



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## Trading Exchanges - Challenges

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- Tough to get revenue model right.
- Requires changing the culture of the buying organisation.
- Large inclination to a one-time use.
- Difficulty in attracting suppliers.
- Emotion of trading with other cooperatives vs. best cost savings available.



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## Trading Exchanges - Recommendations

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- Discuss learnings from ICA's in Asia (Singapore office).
- Test market in technologically advanced area, include local player.
- Consider 2 phase launch:
  - Information portal with membership fee;
  - Use demand for information portal to build a trading platform. Gauge local interest before worldwide roll-out.
- Develop an appropriate revenue model.
- Consider alliances with trade enabling software vendors.

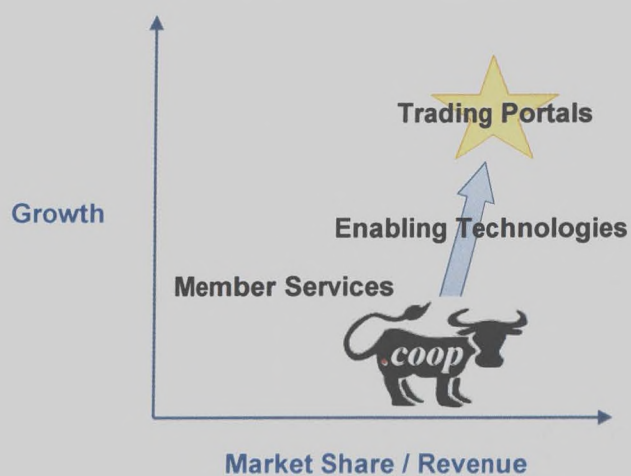


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## Portfolio of Offerings

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### Possible Scenario of Value Added Services Revenues

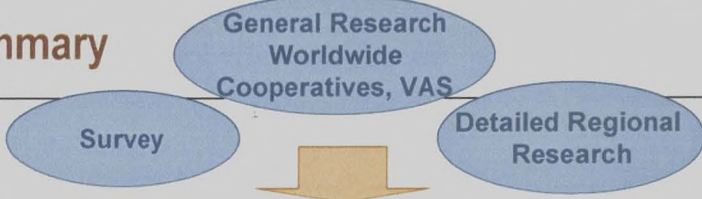
	United States	India	Europe
Recent Cooperative Population	47,000	446,784	177,439
Multiple on Population	150	150	150%
Literacy	100	75	100%
Online Penetration (Adjusted)	58	2%	25%
Active Status	35	10	25%
<b>Adjusted Cooperative Population</b>	<b>14,312</b>	<b>1,005</b>	<b>16,635</b>
<b>Revenue Potential</b>			
Digital Certificates (US\$ 20 p.a.)	<b>\$14,31</b>	<b>\$2,01</b>	<b>\$33,270</b>
SSLs (US\$ 1500 p.a.)	<b>\$1,073,36</b>	<b>\$150,790</b>	<b>\$2,495,236</b>

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## Summary



Trading portals - risky and hard work, larger potential pay-out.  
 Digital Certificates and SSL - tough competition, consider alliance.  
 Web Domain Hosting - natural for DC LLC locally, global presence remains a concern.  
 Member services - small revenues, but helps build brand and potential customer base.

*.coop* reception expected to be positive - large US response initially, look toward China to increase demand as they move online. Responses largely based on Internet penetration, literacy and active cooperative movement.

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