

Distribution Program

This document briefly describes the concepts of distributing (AVL) Fleet Management solutions, produced by GPS4NET. The information presented herein is purely informative and it describes the ideal profile of a potential distribution partner. After reading this document, companies or individuals who are interested in establishing a partnership are invited to contact us.

Contents:

1. Introduction
2. Our mission
3. Distributor's profile and terms of acceptance
4. Distributor's mission
5. Distribution rules and restrictions
6. Terms of purchase and payment

France

219 Rue Clement Ader Tél : +33-9-72-12-58-60
34170 Castelnau le Lez Fax: +33-9-72-11-52-89

Romania (EU)

Calea Turzii nr. 199, Cam. 1 Tel : +40-364-88-41-40
400495 CLUJ-NAPOCA Fax: +40-364-81-97-97

1. Introduction

Fleet Management solutions have finally reached a stage where they can be adopted by everyone. For many years, these solutions have only been integrated by corporations owning fleets of hundreds of motor vehicles, and technology costs were adjusted accordingly. Nowadays, this technology is accessible to everyone, and it registers the highest financial growth on the IT market worldwide. Transport and distribution companies are largely adopting this technology to reduce costs and increase efficiency.

The AVL market has registered an accelerated growth since 2001 – the starting point of the 37% increase in fuel price – and afterwards, since 2003 – the year when the GSM-GPRS technology was launched and integrated on the European level, allowing for low-cost data communications.

The long-term growth of the potential for fleet management solutions is essential for the European development. According to the latest statistical data, the European market owns 32.5 million utility vehicles registered in the 25 member countries. Over 2.5 million utility vehicles have been registered from 2005 to present.

The road transport is extremely important for the European economy. The transport and services industry carries over 50 million tons of goods every day, being supported by 15 million companies of transport, courier and mail. About 18 million employees use cars and light utility vehicles, driving an average of 67 km a day. Other several hundred million people benefit from transport services daily.

2. Our mission

GPS4NET wishes to remain an active producer of GPS devices and Fleet Management solutions. Our mission is to research, develop and permanently improve the technologies developed so far.

Since 2003, research has created distinct products that are unique from the point of view of features and applicability, each of them going through several stages of technological development that have made GPS4NET one of the best European manufacturers.

All the products developed so far have benefited from the features and advantages offered by the G4NISM proprietary protocol as well as by the G4NRTOS proprietary operating system.

The protocol has made all GPS4NET products successful because of their low-cost flexibility degree when integrated with different technical specifications required by customers. The same protocol facilitated the maintenance of the vehicle fleets equipped with GPS4NET products and also allowed for the subsequent interfacing of new GPS devices with GPS equipment that had been in use for several years.

Due to the proprietary operating system, GPS4NET will continue to provide a high compatibility degree between products developed in the past, on the one hand, and products and peripherals to be developed in the future, on the other hand. This goal makes us unique and offers us a certain degree of technological superiority over our competitors.

Equal importance has been granted to the development of the fleet management application that integrates features and advanced performance reports of vehicle fleet, as well as analysis reports of vehicle wear and operating costs.

The G4NAVL application provides excellent functionality and performance due to the implemented technological concepts that ensure the proper functioning on a small infrastructure.

A second goal is an excellent price/quality ratio. Although superior quality technology is integrated and the manufacturing and testing processes comply with the quality standards, the products optimally integrate efficient solutions for complex problems. In order to ensure these quality standards, GPS4NET pays special attention to customer support, providing both consultancy services with a view to marketing the solution, as well as immediate technical support during operation.

To create an optimal framework of competitiveness between distributors and competitors, GPS4NET is directly involved in establishing partnerships with mobile telephony operators, with digital maps manufacturers, as well as with vehicle and equipment manufacturers, so that the level of know-how transmitted to distributors and the operating costs of the solutions offered could be kept at a minimum.

GPS4NET currently distributes its products through a network of partners whose business is dedicated to the AVL area. GPS4NET aims to broaden its distribution network on an international level by accepting new partners who are willing to build a profitable business with regard to the technologies promoted.

3. Distributor's profile and terms of acceptance

GPS4NET seeks partners that are successful companies whose activity reflects development potential and high professional skills. AVL products fall under the category of enterprise solutions and this is why the sales success directly depends on the expertise of the consultant, of the service team, as well as of the customer support personnel. Therefore only professionals are successful and can become partners on this market.

To become a distributor, the potential partner must meet some basic requirements which are necessary in order to generate a profitable business:

1. To work in cooperation with companies of transport, logistics, distribution, protection and security, taxi, and sanitation; also, to manage the employees' working time, to authenticate and track packages or freight containers. GPS4NET products and solutions were developed for these areas of activity.
2. To have a portfolio of customers large enough so that they could start a business immediately after signing the distribution agreement.
3. To have the ability to objectively estimate their sales potential, so that they could generate a turnover as previously agreed.
4. To have a specialized technical department for installing equipment and to provide permanent technical support to their customers.
5. Since GPS4NET does not financially support the development of its distributors, they must have sufficient funds to start up their own business.

6. The preferred distribution partners are those companies that do not sell GPS products of other brands or companies that aim to integrate other products in the GPS4NET solution. This will require to sign a confidentiality agreement (NDA) that contractually limits the technological transfer of know-how in favor of selling other brands.

GPS4NET offers three partnership options, designed according to the partners' profile, which offers them the necessary flexibility to develop a profitable and sustainable business:

a. Start-up model: Purchase of equipment and monthly operating license

This program is aimed at start-up partners or at partners who want an activity that is related to their current core business. According to this program, the partner purchases the equipment at a price that varies with the volume required and pays a monthly license per GPS device, whose value depends directly on the level of required features.

This model of partnership does not involve signing a distribution agreement. The minimum order accepted is 50 devices.

b. Standard model: Dedicated server and equipment provided at a special price

This program is targeted at small and medium businesses that want to perform a dedicated activity in the AVL area. Within this program, the partner benefits from a dedicated and customized server that hosts its customers and provides full support for managing accounts and equipment. The infrastructure maintenance costs are incurred by the respective partner.

This partnership model requires signing a distribution contract that stipulates the obligation to purchase a minimum of 150 devices per semester, and a total of minimum 900 GPS devices over three years. The server operating license is paid annually for each machine. The orders are delivered by installments, according to the delivery calendar established by the partner.

c. Enterprise Model: Purchase of server license & equipment at a special price

This program is designed for large companies, with an established customer portfolio. Within this program, the partner purchases a server license that does not depend on the number of hosted devices. The price of the devices is determined independently of the server operating license and it is considerably lower.

This partnership model involves signing a distribution agreement, without an obligation to purchase a minimum number of GPS devices. It is profitable when purchasing more than one thousand devices.

4. Distributor's mission

The profits generated from selling equipment, installation, monitoring and maintenance services are high due to an increased market demand for GPS solutions.

This is why distributors can set their prices tendered for both equipment and monitoring subscriptions.

In its relationship with GPS4NET, the distributor shall ensure a permanent turnover of hardware products, so that the technical support and the advantages granted be profitable. The benefits generated from all the related services belong exclusively to the distributor.

In order to have a successful business, the distributor can apply the following tender methods, tested by the existing partners:

a. Monthly subscription for GPS equipment sold

After the sale of the products, the distributor will immediately benefit from the gain generated from the trade markup applied, from the labor performed for installation and from the monthly subscription charged for online monitoring services. Although this system involves the lowest risks, the distributor will have to convince the customer with regard to the performance of the solution offered, in order to determine him to make an immediate investment. This system is applied by most players on the AVL solutions market.

b. Monthly subscription that includes the value of the GPS equipment

This selling method involves distributing the payment for the equipment over a 24-36 month period, during which the customer will contractually commit to pay the monthly subscription. Although the subscription is more expensive, the product will be easily accepted by most customers. The commercial risk is much higher for the distributor and he will have to make sure the subscription is paid constantly. This system is most profitable in the long run, and it is applied by corporations and large companies that are able to protect their investment.

c. Turnkey solution consisting of AVL server and/or GIS server, plus equipment

Although the total value of the initial investment is high, most customers owning a fleet of over 500 vehicles require a turnkey solution that should enable them to manage their fleet independently, by accessing an AVL server from their own infrastructure. Another advantage supporting this acquisition is the confidentiality of the data stored over time. For this type of customers, the distributors can offer a complete AVL solution, which ensures immediate and great value financial benefits. The after-sale value of such services is lower, and consists of a regular maintenance contract.

5. Distribution rules and restrictions

a. The rules applied within the distribution network aim to establish a good relationship between partners, to build collaboration relationships and also to increase the business efficiency in competing with other potential competitors.

b. Since the distribution network is increasingly extended geographically, a good relationship between distributors favors solving the AVL-specific technical problems.

c. To prevent direct competition between distributors, the end-user selling prices of the products must have a 10% margin on the European level; in case of a dispute between distributors, they must withdraw offers to the same customer. Thus, customers will choose their distributors depending on the geographical area and the distributors' expertise.

d. When presenting the GPS4NET solutions, one must clearly mention the origin of the solution (hardware & software) and also specify the fact that geolocation subscriptions represent the product of the distributor, and therefore the good functioning and the quality of the solution is his responsibility.

e. The technical specifications must be correctly presented to customers, without exaggerating the quality or the features of the products. Documents tagged as “Confidential” will be considered for the distributor’s internal use and they will not be transferred to a third party without the previous written consent of GPS4NET.

f. The relationship between the distributor and the customer must be a cordial one. The distributor will provide adequate technical support by its own means and personnel. GPS4NET will provide technical support only for its own distributors.

g. The commercial relationships between the distributor and the customer will be direct. Thus, GPS4NET will not interfere in the relationship existing between the two parties, will directly support the distributor and will permanently direct the customer towards the distributor, regardless of the former’s intentions.

h. Advertising or promotional materials will not contain any reference to GPS4NET without a written consent. The marketing programs will be agreed upon with the distributor and they will be consistent with the development interests of the group.

i. Distributors are forbidden to purchase other products similar to those manufactured by GPS4NET.

6. Terms of purchase and payment

a. For any order, the distributor must make sure that the customer is able to make the payment, as he bears full commercial responsibility for the transaction. GPS4NET will not give financial credit to any distributor for the commercial transactions conducted.

b. The term of payment given to distributors is established by direct negotiation. GPS4NET can modify this term depending on stock availability and the way the distributor pays his debts.

c. For the first orders, the distributor will pay between 30% and 100% of the value of the ordered products, upon placing the order, and he will undertake to pay any difference within the time agreed upon.

d. The distributor will receive regularly, by e-mail or fax, the established price quotations. These quotations are deemed confidential. The distributors will receive exclusive quotes only for orders exceeding the minimum annual volume of 300 pcs.

e. The volume of goods contracted over a period longer than 3 months can be delivered gradually, depending on distributor’s requirements. The contracted volume will be assumed entirely by the distributor, and the deadline for payment will be negotiated depending on the order sent.

f. The standard delivery deadline granted to distributors is of maximum 45 days for orders of over 200 pcs. For orders exceeding this volume, the delivery deadline may vary according to stock reserves. This is why distributors will have to predict their sales target early.