

DURESPO - COLOMBIA

The Durespo presentation left no doubt in my mind that this company is very well positioned to develop the Briggs expansion into the construction sector. While they are at present mostly involved in the agricultural market (40%), the industrial market with pressure washers (40%) and residential sales thru the big houses (20%), their existing sales force, 60 strong, is well positioned to begin calling on the construction sector almost immediately. Growth following some rather severe line losses has been most impressive, and they expressed a desire to align themselves with high quality products going forward.

HONDA OWNS THE MARKET

While this is not what we want to see, it represents a big opportunity for Durespo and Briggs. With all most all distributors and rental companies offering a Honda engine, and many going to the lower priced Honda copies, the ability to sell value added is gone, as everybody sells the same engine. The driving force to sales has therefor become price, and the end-user has suffered as a result. I strongly believe that the industry is ready for an alternative that offers them the opportunity to sell quality and the total cost approach of ownership in order to drive up their margins.

RENTAL MARKET

I wanted to bring to the attention of this meeting my thoughts on the best and fastest way to gain market share in the construction sector, and by-and-large I believe we reached a consensus of thought, that this initial target must be the integral first step.

Why?

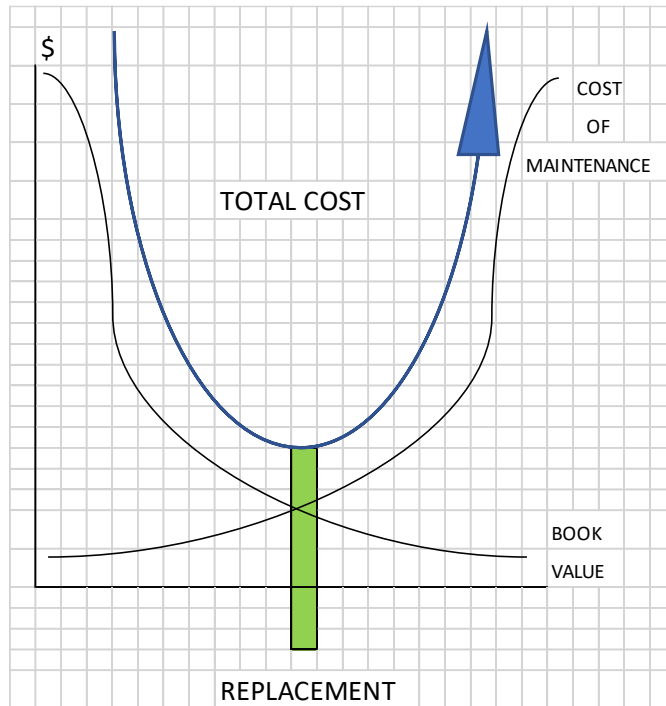
- The rental company is profit driven, and less importance is given to an engine's acquisition cost, with more emphasis given to the cost of ownership.

- An engine's performance on the job is extremely important to the financial health of the rental company; engine failure on the job adds cost, as the unit must be picked up and replaced, reducing profits. Work stops and customer satisfaction not only with the equipment suffers, but the rental company's reputation suffers as well. This results in many cases in a lost customer, something very hard to regain. Repeat this problem and the entire customer base will be affected.

- We therefore have an opportunity to sell value and a get a higher margin on sales as a result. While an equipment distributor or a pump customer also can appreciate the importance of quality, it has become evident that price often drives the sale. (It is noted that we should also stress quality to the equipment distributor as well, so that he will be able to talk total cost of his equipment with his customer and drive up margins as a result. I will address this program later.

- With our engine on a piece of rental equipment, visibility will be gained not only by the rental company, but also by his customer, normally the contractor. Satisfaction is most often shared among contractors and if we perform well, increased sales will result.

- Further, when the rental company sells or replaces the unit in his rental fleet, the new owner of the used equipment, usually a contractor, will have a Briggs experience as well.



The sophisticated rental company understands that the time to replace equipment within the rental fleet is when the total cost of ownership is at its lowest. From this point on, maintenance cost goes up with each rental, there is more down time on the job with the added administration cost that this involves, and more units are needed in the fleet to meet demand. The return on investment begins to spiral downward.

If the rental company has maintained the equipment and can refurbish or replace the engine, he can get a good price on the used equipment sale, driving up the total return on investment.

It is felt that the Vanguard engine will in fact postpone the time when the equipment needs to be replaced due to its lower maintenance cost. This is a very strong sales argument.

- As rental companies begin to utilize our engines, distributors will need to supply them with the Briggs option on their equipment. This pull on the distributor is expected to be more effective and faster than having the distributor push the engine on the rental company.

TOTAL COST

It was suggested that presenting the total cost of ownership should be our primary focus when presenting our engine to the rental company. The following cost categories were discussed and should be woven into our presentation.

- Acquisition cost
- Maintenance cost
- Recovery and replacement cost on equipment failures
- Engine repair cost
- Lost rental revenue
- Loss of customer satisfaction and confidence.

RENTAL COMPANY CLASSIFICATION - DISCOUNT STRUCTURE

There are all types of rental companies, but primarily they can be divided into those companies that "rent to rent" and those that "rent to sell". The latter tends to be a more sophisticated company more aware of its bottom line, and therefore more inclined to buy a quality engine.

Our discount structure from list price should be set to incentivize a company to become more involved with the use and promotion of our engines. The following scale of discounts was presented:

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| - Non-stocking dealer who only buys as needed. | 15% |
| - Stocking dealer who stocks fast moving parts only. | 20% |
| - Dealer who displays engines and stocks parts. | 25% |
| - Dealer who has trained service personnel. | 30% |
| - Dealer designated as a service center. | 35% |
| - Warrant Center with Volume. | 40% |

Durespo is to study this discount structure and advise as to their decision.

We should endeavor during our initial visits to ascertain the Honda discount structure and to structure a more aggressive program, thereby giving the rental company an increased incentive to change.

VISITATION PROGRAM

Initially, Durespo salesmen are to expand their activities to include visitations to rental companies and light equipment distributors where our engines can be utilized effectively: Vibratory Plates, Rollers, walk- behind concrete cutters, trowels, vibratory screeds, scarifiers, pumps, generators, small light towers, pressure washers, concrete mixers, etc. **As we see initial results, consideration should be given to designating a salesman for exclusive sales to the rental industry**

- Mike Wiley is to provide a hit list of rental companies which need to be visited by Durespo. These rental companies will be categorized as rent-to-rent or rent-to-sell.

- B/S to provide a list of OEMs currently offering B/S engines and as possible their distributor(s) in Colombia. B/S is to assist Durespo in the development of an OEM program for its distributors in the sale and support of our engines. Durespo is to identify Colombia OEM's currently manufacturing equipment which utilizes gasoline engines.

- Smaller OEM's that can be handled directly by Durespo are to be designated as DOEMs. Those that will be handled directly by Briggs will be designated as OEM's.

POINT OF SALE PRESENTATIONS

It is strongly suggested that B/S provide point of sale capabilities to the Durespo sales force through the use of on-site tablets, power point presentations and literature designed to sell the total cost of ownership of our engines. The over-riding theme being the comparison of the new Vanguard series vs Honda

- Automatic fuel shutdown preventing piston contamination
- Easier Starting
- Larger more convenient oil fill
- Less Noise
- 200-hour oil change interval vs 100 hours with Honda
- 800-hour air filter change vs 300 hours with Honda
- Less muffler housing over-hang
- Longer Engine Life
- Less Maintenance
- Fewer breakdowns
- Higher resale value

Is an added impact on the effectiveness of our sales presentations, the salesman calling on the rental company and distributors should have for his use a Vanguard and Honda engine, to present a hands-on review of the Vanguard engine advantage.

LIGHT EQUIPMENT DISTRIBUTOR PROGRAM

- Light equipment distributors of our OEMs should be given dealer status as an automatic course of business, this to provide them with an incentive to request our engines on equipment ordered from the OEM. (Larger discount tied to their providing Vanguard as an engine option on their equipment to their customers, and in having this equipment in stock).
- In addition, efforts should be made to provide its salesforce with the materials needed to present the Vanguard engine to their customers as an important part in the presentation of their equipment, to assist them in adding value.
- Point of sale promotional material should also be provided for their showrooms, and parts counters.
- **Strong consideration should be given to providing distributors offering Vanguard engines on their equipment with a consignment engine and tablet for exhibit in their showrooms. As an incentive to display and promote our engine, an appropriate discount level can be assigned. This can also be offered to the more sophisticate rental companies. This is a fast track way to get the program started**
- Sales and technical training of distributor personnel will also be important.

INVOICING OPTIONS

Recognizing that the more sophisticated rental companies and distributors may prefer to do their own importation, either from a control or cost saving activity (consolidating equipment, parts and engines in Miami or elsewhere), it is suggested that Durespo offer the following invoice options to its customers

- Durespo will invoice and sell from its own inventory FOB Colombia
- Durespo to Invoice FOB Miami. In this case Durespo will place its order on Briggs with specific drop ship instructions
- Briggs will take order from customer and invoice directly, providing a commission or service fee to Durespo. (Primarily only offered to the larger OEM distributor or rental company.

SERVICE TRAINING

- Provide service training from the 15 Durespo / Briggs service centers
- Provide as required in-house training at the customer's facilities

DURESPO SALES FORCE TRAINING

Salesmen need to be trained as soon as possible in construction equipment applications and the "total cost of ownership" sales presentation. **Durespo needs to assign an exclusive sales product manager to oversee the salesforce to insure a focused aggressive program. This individual needs to be trained to provide the sales force with training and sales support assistance.**

CONCERNS

- Sales Coverage. Can existing salesman be directed to begin calling on the rental market and light equipment distributors without diluting their efforts.