

# **Gmarket Italian Pavilion Project**

## **MADFLEX Service Guide**

### **1. INTRODUCTION OF SERVICE**

- A. MADFLEX provides agency services of e-commerce sales and operations, logistics, and related others to Italian companies, which participate in Gmarket Italian Pavilion Project after receiving an approval from ITA.
- B. The purpose of this service is to simplify complex procedures for Italian companies striving to enter Korean market.
- C. Before the approval of the project, ITA and MADFLEX review and verify whether the products from Italian companies, which desire to participate, are suitable for the Korean market and culture.
- D. Gmarket Italian Pavilion Project is valid for 12 months. Any Italian companies that are willing to extend the service may consult with MADFLEX directly.
- E. A company that desires to participate in this project must meet the following conditions:
  - 1) A company must have experience in export to foreign countries
  - 2) A company must be able communicate in English.
  - 3) A company must have products, which fall under the categories that are allowed in this project.
  - 4) A company must have experience in e-commerce.
  - 5) A company must provide brand and product information and product images in English in a form provided by MADFLEX.
  - 6) A company must guarantee the minimum expiration date of a year or more for foods. However, depending on the products such as fresh food, chocolate or dairy products, the minimum expiration date can be discussed.
  - 7) A company must suggest a range of wholesale prices.

### **2. BENEFITS OF PARTICIPATION IN THE PROJECT**

- A. Consultation by the e-commerce sales specialists of the Korean market.
- B. Assistance on launching in Gmarket, the Korean No. 1 online shopping mall.

- C. Special Gmarket sales fee: 6% for the participating Italian companies (13% for normal companies)
- D. Support fund of € 3,000 for Basic Operation Fee from ITA.
- E. Benefit of Additional Operation Fee.
- F. Provision of 30 product pages.
- G. Logistics solutions, which are specially designed for the project, from the warehouse in Frankfurt, Germany to end-customers.
- H. Localized customer service.
- I. Provision of monthly Sales and Settlement reports and settlement in Euros.

### **3. SCOPE OF SERVICE AND FEES**

#### **A. Scope of Service**

MADFLEX provides below operation services in the condition that the participating Italian companies pays 12-months-operation fee in advance.

- 1) Product sales on Gmarket using MADFLEX's account, simplifying formality.
- 2) Exposure of brand by creating brand banner on product pages, creating brand category in MADFLEX's mini-shop, and occasionally creating brand promotion page.
- 3) Translation of brand and product information to Korean.
- 4) Production of product pages in Korean, product upload and management on Gmarket.
  - Provision of 30 product pages
  - 30 product pages may be published in different batches as requested. For example, if the participating company requests 12 product pages in the first batch, the remaining 18 product pages may be requested at any time as the participating company adds up the number of products.
  - A product page must be produced one by one according to the product's sizes and colors. For example, if the same design has 4 different colors, 4 product pages must be published. If the same design has 4 different colors with 3 sizes for each, 12 product pages must be published.
  - Any production of set-product pages and/or special offer pages, using the product pages which have been produced as above, will be uploaded on Gmarket for marketing and promotions, and no additional cost will occur.
  - If the participating company wants to replace an existing product page with

another product, the replacement may not be made. It should be counted as a new product page.

- 5) Product pricing is based on wholesale prices provided by the participating Italian company and the overall actual costs, which must be deducted from sales prices on the settlement. MADFLEX suggests a sale price for each product and the final sale price is set by mutual consent.
- 6) Communication with Gmarket for sales and promotions.
  - Planning and operation of main promotions.
  - Planning and operation of promotions per season, category, and others.
- 7) Marketing suitable for the Korean market.
  - Dealing with search engines issues
  - Dealing with market trends in Korea
  - Search result advertisement
  - Product exposure advertisement
- 8) General Marketing to promote Italian Pavilion
  - Related marketing with external channel (overseas shopping information communities)
  - Celebrity & SNS Marketing
  - Sample experiential marketing
  - Live commerce shows
  - Display
- 9) Purchase order management
  - The sale of products may start when the products are stocked in FRA warehouse. As a customer makes an order, the order must be ready to be shipped immediately.
  - Out-of-stock products cannot be sold. The sale of such products must be suspended until they are re-stocked.
- 10) Warehouse and Logistics

The participating company transports ordered products to FRA warehouse. The participating company must choose the carrier and bear the cost of transportation.

  - Inventory and warehouse management in Frankfurt, Germany

Products requiring temperature control and/or perishable products needs

to be discussed.

Products with expiration dates, if not sold in a certain period, need to be returned to the participating company at cost.

- Picking and packing
- Air transportation, customs clearance, and last mile delivery

11) Sales report and Settlement report

12) Customer service including phone calls, bulletin boards, QnA, and other related claims.

- CS business hours: Mon-Fri / 10.00 am - 05.00 pm (Korean Standard Time GMT+9)

## B. Service Fees

1) Basic Operation Fee

Basic Operation Fee consists of:

- Monthly operation fee € 529.20 x 12 months = € 6,350.40
- Production of 30 product pages = € 249.60

Basic Operation Fee € 6,600 (KRW 8,400,000) is paid by:

- ITA's contribution € 3,000
- Participating Italian Company € 3,600

2) Additional Operation Fee (Monthly)

Additional Operation Fee is an expense incurred due to the growth in sales and is calculated based on the total monthly revenue (in KRW) provided in Sales report.

- Less than or equal to KRW 7,000,000 (≈ € 5,188): No Additional Operation Fee
- More than KRW 7,000,000 (≈ € 5,188) and less than KRW 20,000,000 (≈ € 14,824): 10%
- Equal to or more than KRW 20,000,000 (≈ € 14,824): 7%

For the participating Italian companies, only the difference between the additional operation fee and the monthly basic operation fee KRW 700,000 (€ 519), which is paid in advance, is to be charged as shown in the table below.

Monthly Sales		Additional Operation Fee Rate	Additional Operation Fee for Participants	
EUR	KRW		EUR	KRW
~ € 5,188	~ ₩ 7,000,000	10%	€0	₩ 0
~ € 5,262	~ ₩ 7,100,000	10%	€7	₩ 10,000
~ € 5,930	~ ₩ 8,000,000	10%	€74	₩ 100,000
~ € 6,671	~ ₩ 9,000,000	10%	€148	₩ 200,000
~ € 7,412	~ ₩ 10,000,000	10%	€222	₩ 300,000
~ € 11,118	~ ₩ 15,000,000	10%	€593	₩ 800,000
~ € 14,824	~ ₩ 20,000,000	7%	€519	₩ 700,000
~ € 18,530	~ ₩ 25,000,000	7%	€778	₩ 1,050,000

\* Euros in the table are the rough estimate based on KRW and may change in accordance with the exchange rate.

\* Average annual exchange rate per Hana bank Foreign Exchange

1euro = 1,349.18 KRW (20.09.01~21.08.31)

#### 4. OTHER SERVICES

- A. Additional product pages exceeding the basic provision of 30 product pages. Additional cost incurs in the unit of 5 additional product pages: € 52
- B. Warehouse Fee  
€ 34 per CBM each time the products are stocked in the warehouse in Frankfurt, Germany. (In-storage cost, storage and inspection cost). The actual monthly CBM shall be informed to the company and then it is deducted from the monthly settlement amount before the balance is wire transferred.
- C. Product shoot, if requested, at cost.
  - 1) Product photos, taken by MADFLEX, are solely for sales on Gmarket.
  - 2) A company must provide samples of products.

#### 5. REPORTS AND SETTLEMENT

- A. MADFLEX sends Sales report to the participating company on every 10th of following month. Sales report contains the number of sales and the sales revenue of the month, that are based on data provided by Gmarket.
- B. MADFLEX sends Settlement report to the participating company on every 20th of following month. Settlement report contains the total amount of products sold, Additional

Operation Fee, other fees, if any.

- 1) Settlement report is based on the sales data, which is settled by Gmarket.
  - 2) Additional Operation Fee and other fees, if any, are deducted from the total amount of products sold.
  - 3) For any fees occurred in KRW, the exchange rate on the last day of the month is used.
- C. The participating company issues Monthly Invoice based on Settlement report on between 20th and the last day of following month.
- D. MADFLEX remits the balance issued in Monthly Invoice until the last day of the following month.
- 1) The remittance and receipt fees are burdened by the participating company.
  - 2) If the balance issued in Monthly Invoice is less than € 760.00 (≈ KRW 1,000,000), the remittance is not made to minimize the remittance and receipt fees, and the balance is to be cumulated to the next month's balance.

## **6. OTHERS**

- A. Any unauthorized use of all image and contents for sale that are produced by MADFLEX shall be prohibited.
- B. Any legal, commercial, engineering and process-consulting services in the Korea market are not provided.
- C. Any costs occurred by customer claims due to inaccurate information and/or product defects should be covered by the Italian company.
- D. Any damages or losses during in transit from Frankfurt, Germany to Korea should be compensated by MADFLEX.