

Product Positioning & Competitive Advantage & Analysis

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History – Background

Electronic Access Control (EAC) has been an integral security tool for physical security professionals for 40 years that has provided customers the control to authorize access for employees, contractors, suppliers and visitors into their facilities. Historically, credentials for authorized access included a plastic access card and/or PIN (personal identification number) code, like an ATM, to gain authorized access to specific areas of a building with specific time zones. Unlike locks and keys, EAC provides an audit trail of which card or PIN accessed a specific door. This tool provided security professionals a process for verifying that a credential (access card) or PIN (unique code) accessed a specific access point in a facility for investigation purposes. But what are some of the inherent limits of traditional EAC systems?

For one, you don't know with certainty "who" actually was granted access. What if the access card (credential) was lost or a PIN was shared with unauthorized individuals? Would you be able to take disciplinary, criminal or civil action based on the audit trail of a card or PIN? Not likely. The record of a credential or PIN alone would not help a security department or business owner prove unauthorized access or theft. The audit trail may also not enable law enforcement or prosecutors to build a solid enough case to seek criminal prosecution, arrest or civil recovery in a criminal event. If there was quality video surveillance evidence to collaborate the access records, then you have better evidence to pursue a criminal investigation and possible prosecution by authorities. Is there a more efficient and effective solution available than card/PIN code access systems?

Yes, biometric technology. It is now a mainstream solution and recently introduced in the new Apple iPhone 5S. If Apple deploys a technology, it becomes "main stream" for the rest of us. Technology in the late 90's introduced the concept of biometric verification for authorized access. Biometric credentials are unique to each person. Biometric readers verify with great certainty that the individual requesting access is in fact that very same person based upon their unique physical characteristics. This is why biometrics was integrated with time and attendance manufacturers over the last 10 years. Tens of thousands of ZKAccess readers are sold each year to our 130+ time and attendance OEM software partners throughout the western hemisphere.

Today, biometrics as an EAC tool is rapidly gaining market share by improving validated access, while also lowering administrative costs associated with access control (i.e. accidental lock-outs, reprinting and replacement of access badges, etc.). So what other technologies help improve access control security processes and procedures?

The adoption and integration of IP video technology comes to mind. Using new IP video technology, integrated with biometric IP access control systems, provides a second source of data to compare an authorized credential entry with who actually gained access, and if anyone "tailgated" into the facility. A visual record synchronized with an access control event enables security to perform more effective investigations, faster. Integrating different manufacturers' products has always been challenging for system integrators and end users. In the past, single manufacturer fully integrated IP video and EAC systems were large, expensive and complicated. These complicated non-integrated EAC systems often required their respective dealers to be authorized by the various EAC manufacturers, and to invest the dealers' time and money in mandated training programs. Think about all the time and money invested just so a security dealer can become a "me too" supplier in a very crowded and price competitive market. Is there a better answer in a crowded market?

Creating Your Competitive Advantage

Change is challenging in the security dealer and integrator market. This market has always been relationship based...me and my suppliers...me and my customers. Are pricing pressures from customers squeezing your profit margins? Are customers requesting best of breed solutions and technologies? Have my customers and their requirements really changed that much?

Unfortunately the short answer is yes they have. Your suppliers certainly don't want you to change but your customers do. It's your choice as a business owner.

Consider ZKAccess as your alternative to big brand access control and IP video to improve your competitive advantage in **your** market. We respect and protect the investments you make in sales

opportunities **by not selling to end users**, ever! We allow you to add **more profit margins** to your bottom line while winning more business. You can bring a **differentiated** biometric product offering as an alternative to being a "me too" with your other competitors. We treat you like you want to be treated and not **like a small potato** in the security food chain. Try us, you'll see.

What are some challenges in maintaining your company's competitive advantage?

- Staying in your comfort zone and not offering new technology
- Not periodically examining your brand loyalty and industry relationships
- Ignoring industry, technology and customer buying trends
- Being overly concerned your technicians can't support a new system

Only the traditional suppliers benefit when YOU remain traditional in your solutions. While they probably make a fine product, is it the best product at the best price? Customers will find the best solutions at the best price with or without your company.

New ZKAccess solutions offer new opportunities for growth beyond conventional security products. These products will also create "new" old customers for your company, such as IT and inventory control managers that will strengthen your business relationships.

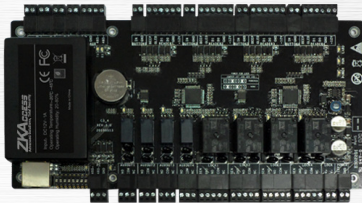
Product Line Profiles and Applications

The ZKAccess product line includes the most cost effective and widest lineup of conventional and biometric access control solutions in the global security industry. The ZKAccess **C3-series** product line addresses the card-fob-PIN or any combination to meet the application/budget needs of your customers. The ZKAccess **inBio-series** addresses the finger print-card-fob-PIN in any combination to meet higher security applications/budget needs of your customers. Each product line can be ordered individually or in convenient bundles, includes software, demo kits and complimentary product items to support your installation. The ZKAccess **Network Video Surveillance Systems** product lines deliver a full range of choices in IP video products to compliment your ZKAccess access control solution with one stop shopping and savings. The ZKAccess product lines cover all your bases with greater flexibility of choices, field proven reliability and cost savings you can take to the bank, your bank!

C3-Series conventional card credential access

control panels and readers: The C3 family of access control panels is a very cost-effective solution for expanding conventional access control using existing RFID, HID, Mifare and/or PIN credentials. The ability to expand an existing access control system or upgrade

existing access control systems with compatible C3 one, two or four-door panels, are applicable for both retrofit and new installations. Note that each panel also supports up to two readers per door (egress and ingress), as well as connections for peripheral locks and devices.



The ZKAccess **C3-Series** products include:

- **C3-100, 200, 300** discrete panel boards for 1, 2 or 4 door applications supporting 30,000 cards and 100,000 event buffers, RS-485 or TCP/IP communications and auxiliary inputs and outputs.
- **C3- 100, 200, 300** bundles including panels, steel cabinet and power supplies for faster and easy installations
- **C3- Demo Kits** are furnished in a convenient brief case to demonstrate software, readers, exit button and aux outputs; provides your sales team with the “closing tool” needed to gain customer commitments; *never underestimate the power of a demonstration!*
- Full range of 125 KHz RFID and 13.56 KHz Mifare readers, cards, accessories to cost effectively support your customers access control requirements

Product Line Profiles and Applications

Business Application that fit this product line:

- **Cost conscious customers** that have older access control systems that no longer work and can't be repaired. You have the flexibility of reusing serviceable system components such as readers, wiring and locking hardware with new IP compatible controls and software. This approach allows you to take over new customers cost effectively and build a future upgrade revenue stream.
- **Entry level access control customers** that have not used this technology in the past but need improved security and safety for their people, property and profits. The system is simple to implement, install, program and maintain. Conventional access control solutions may not pass the price vs. benefit equation. ZKAccess will help you convert this type of customer.

Business growth opportunities to apply the C3 product line:

- Prospect or customer has a broken access control system that needs fixed
- Prospect or customer has a limited budget or is very cost sensitive
- Prospect or customer wants to expand an older system
- Upgrade existing customers' system cost effectively with more features
- Introduce access control to your existing alarm, fire or video customers

C3 Application Notes

- C3- series discrete panels (1, 2 or 4 door) can be used when existing cabinets and appropriate power supplies are currently installed.
- C3- series bundled panels (1, 2 or 4 door) can be used when installing a new system or upgrading an older system that has poor wiring and multiple power supplies currently installed.
- C3-series is a very good solution to improve access control systems that still have some serviceability and customer wishes to upgrade over a several year period as funds are available.
- C3- series can also be interconnected up to a total of 254 panels on a network.
- C3-series software is installed on non-dedicated computers as an application to provide enrollment and system configuration.

Product Line Profiles and Applications



Education



Multi Office Buildings



Retail Stores



Utility/ Communication



Health care facilities



State & Local Government

Industry Verticals to Consider:

- **K-12 school** districts fit many of the business application qualifiers mentioned above, plus they have the additional public pressure to provide safer environments for students. Most schools have relatively small populations and feature set requirements. Often access points have already been reduced to monitor school access.
- **Multi-tenant commercial office** or mixed use facilities often need “customization” around tenant requirements that are adaptable, affordable and easy to implement. The C3 family delivers value, standardization and flexibility to meet these applications.
- **Retailers** represent a growing market for controlling access to cash, inventory and deliveries in an “unmanaged” fashion. Allowing retail customers to control access to key areas of their businesses at key times with audit trails, protects their profits and the business they have built.
- **Utilities and communication** have remote and unmanned infrastructure sites that benefit from managed electronic access control solutions, which provide greater control than locks and keys. Limiting access by function, time and authority level with non-volatile audit trail logs provides stronger security where it matters.
- **Remote health care facilities** are responsible for protecting patient information (HIPPA) while reducing their operational costs of doing business. High reliability and low cost access control may be the answer they are looking for from their suppliers.
- **State and local governments** represent very good opportunities to improve safety and security with reasonably priced access control solutions. The C3 family can deliver exceptional value, features and performance to effectively protect communities.

Product Line Profiles and Applications

The key questions to ask about their access control needs

Does my customer's application **only require** access with **cards or PIN credentials to control access?** Then the ZKAccess C3 Series is the right product family selection for your application. If NO the inBio series or the standalone reader is the right product line.

What kind/type of card readers will your customer want to use for this applications? RFID alone or RFID with PIN? Indoor or outdoor or both type of readers?

Next refer to reader types/formats available for your project.



General Access Control Application Notes

Talk with your customer about each door that will have an access control system installed. How does the customer currently use that door and what is their expectation for each door to operate? Write a short narrative to share with the customer that includes the who, what, where, when, why and how for each door. The following conditions for each door should be discussed:

1. Normal State of the door during and after business hours
2. Authorized/unauthorized access as well as authorized/unauthorized egress
3. How will the system monitoring and signaling of the above states be handled
4. How will power failure, fire alarm and mechanical override operation be handled
5. Identify all "groups" of people that will require access to the building and when
6. Discuss installation process, training and maintenance after the sale
7. Would they like to associate a camera to the door?
8. Determine where to place access control equipment to make tampering difficult. This could be where cable, telephone lines, IT closets, server rooms or administrators' offices exist. Make sure their staff will have access for installation, service and maintenance afterwards. Also make sure there is have enough space on the wall to mount access control panels, interface modules, and power supplies.

Product Line Profiles and Applications

inBio series biometric + conventional card credential access control panels and Standalone Reader Controllers:

There is verified access control for general security purposes that require high volume, card credentials and lower security risk from a traditional solution approach. Then there is validated security which is a much higher level of knowing specifically “who” is accessing a facility. ZKAccess inBio Series addresses biometric validation which is rapidly growing due to significant increases in reliability, and market demand for improved security at lower costs based on manufacturing economies of scale.

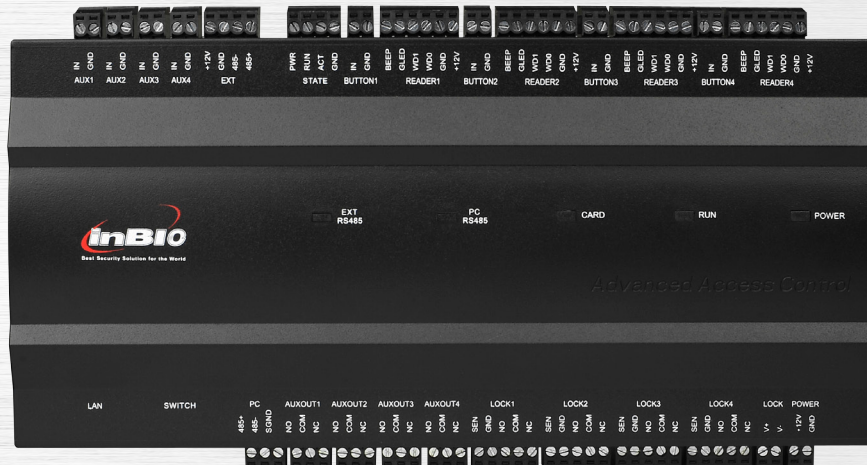
The BIG difference is that the ZKAccess inBio Series is the only access control panel in the industry which can actually store and match fingerprint templates. No data is stored on the individual readers. Why is this important?

Privacy concerns, security discipline and system management are the biggest reasons. Every other access control manufacturer can only store and match fingerprints and transaction logs on their readers,

NOT their panels. Note that storing fingerprints and transaction logs on readers (not panels) can be very time consuming and problematic because it often requires a 3rd party software to manually backup/distribute all the templates and transaction logs from all the individual readers. The more readers you have in your building, the more time consuming and problematic “managing” the templates and logs becomes. Conversely, with the inBio series you have an easily managed centralized system. All your data resides conveniently in one place.

Biometric readers can augment any traditional access control solution to allow an improved “layered” security solution for customers. Biometric access control can eliminate the use of expensive access cards, and lower customer’s operational headaches currently caused by managing, tracking and replacing access cards.

Product Line Profiles and Applications



The ZKAccess inBio Series products include:

- **inBio 160, 260, 460** discrete panel controllers for 1, 2 or 4 door applications supporting 3000 fingerprint templates, 30,000 cards and 100,000 event buffers, Weigand reader ports, RS-485 or TCP/IP communications, standard I/O expected
- **inBio 160, 260, 460** bundles including panels, steel cabinet and power supplies for fast installations with clean wire management
- **inBio Demo Kits** are self-contained in a briefcase to demonstrate software, finger print readers, exit button and aux outputs; provides your sales team with the “closing tool” needed to gain customer commitments; *never underestimate the power of a demonstration!*
- **Full range of biometric readers with 125KHz RFID and 13.56 MHz Mifare supported** readers, cards, accessories to cost effectively support your customer’s access control requirements

Product Line Profiles and Applications



The ZKAccess Biometric Stand Alone and RFID Reader Controllers line include:

Full range of biometric readers, 125KHz RFID and 13.56MHz Mifare readers, cards, accessories to cost effectively support your customer's access control requirements in a stand-alone or multi-reader configuration. Waterproof biometric readers have the ability to provide validated access control in challenging environments without additional reader housing considerations.

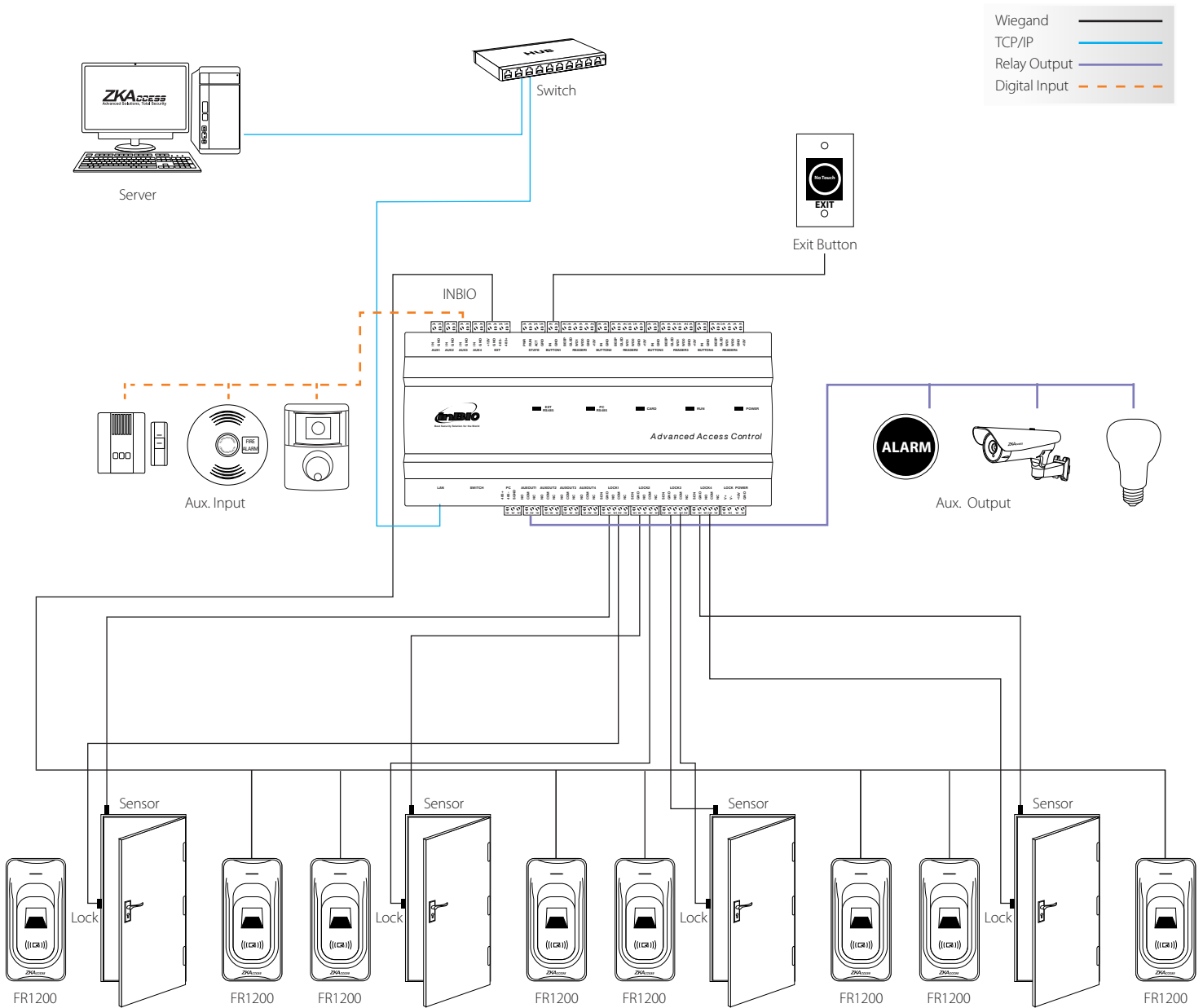
- **F6 Standalone Biometric & Card Reader Controller** can store up to 1000 fingerprints, and 30,000 event log, can also support 125KHz RFID or 13.56MHz Mifare cards. LED user interface with green go and red no/go audio and visual feedback. **Applications:** This low cost reader/controller augments a wide variety of current access control systems to deliver higher security level access to sensitive areas such as customer record retention, high value inventory, IT assets or cash handling areas of the business. This reader is also suitable for residential applications to secure wine cellars, gun rooms, antique storage areas etc.
- **F18 Standalone Biometric & RFID Reader Controller** has TCP/IP connectivity for device management and template management using our software; USB port to backup user information and logs onto a flash drive, Weigand input/output connectivity, can store up to 1500 fingerprints, PINS, 30,000 event logs. It also supports standard 125KHz RFID, 13.56MHz Mifare or HID cards. Color GUI user interface with green go and red no/go audio and visual feedback. **Applications:** This cost effective controller/reader delivers more capacity with more options for demanding or larger facilities and offers additional layers of security protocol and augments current access control systems to deliver higher level of security access to sensitive areas such as customer record retention, high value inventory, IT assets or cash handling areas of the business.

Product Line Profiles and Applications

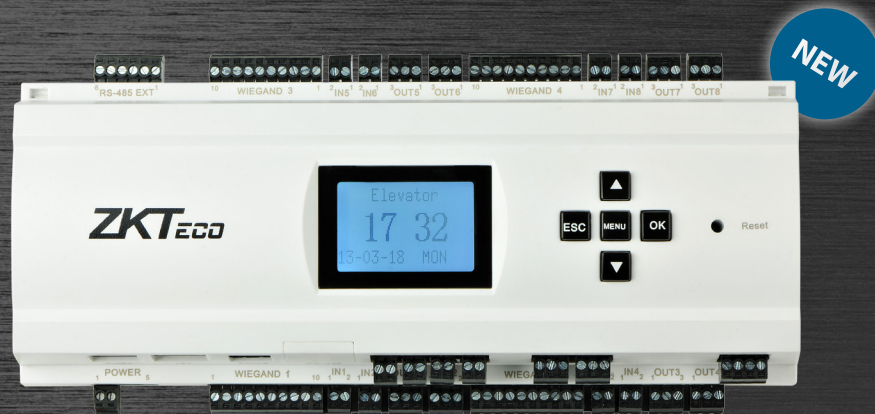
- **US700 Standalone Biometric & Card Reader Controller** has TCP/IP connectivity for device management and template management using our software; USB port to backup user information and logs onto a flash drive, Weigand input/output connectivity, can store upto 1500 fingerprints, PINS, 30,000 event logs. It also supports standard 125KHz RFID, 13.56MHz Mifare or HID cards. Large monochrome LCD display with rich user interface and green go and red no/go audio and visual feedback and PIN pad for dual factor authentication. **Applications:** Installations that use only network centric wiring configurations and/or managed by the IT department. This cost effective controller/reader offers additional layers of security protocol and augments current access control systems to deliver higher security level access to sensitive areas such as customer record retention, high value inventory, IT assets or cash handling areas of the business.
- **MB700 Standalone Multi-Biometric & Card Reader Controller** has TCP/IP connectivity for device management and template management using our software, capacity to store 1200 faces, 5000 fingerprints, 10,000 card holders and 100,000 event logs. It also supports standard 125KHz RFID, 13.56MHz Mifare or HID cards. Large touch screen display also acts as a PIN pad and provides rich user interface with green go and red no/go customer audio and visual feedback. It also displays the picture of the enrolled face once a user is verified. It can also augment the security for any door by adding this reader and connecting it to an existing panel using Wiegand output and USB port to backup user information and logs onto a flash drive. **Applications:** For large stand-alone applications that require multiple layers and options for security. Data centers, pharmaceutical logistics or R & D areas benefit from dual authentication to protect high value investments. This cost effective controller/reader offers additional layers of security protocol and augments current access control systems to deliver higher security level access to sensitive areas such as customer record retention, high value inventory, IT assets or cash handling areas of the business. This is an award winning product for both its technology innovation and price vs. performance options.
- **TF1600, TF 1700 IP65 rated Waterproof Standalone Biometric and card readers** has TCP/IP connectivity for device management and template management using our software. USB port to backup user information and logs onto a flash drive, Weigand input/output connectivity. It also supports standard 125KHz RFID, 13.56MHz Mifare cards. Capacity to store 2200 fingerprints, 10,000 cards , 30,000 event logs. Waterproof design enables lower installation and product costs for challenging environments. **Applications:** Food processing facilities, transportation facilities, challenging manufacturing sites and high moisture areas will benefit from using this reader technology.
- **SC403 Stand Alone Card Reader Controller** has TCP/IP connectivity for device management and user management using our software. USB port to backup user information and logs onto a flash drive, Weigand input/output connectivity. Capacity to store 50,000 cards and 30,000 event logs. It also supports standard 125KHz RFID, 13.56MHz Mifare cards and HID cards. You can also connect an external card reader using the Wiegand input port for a secured one door very affordable stand-alone card and PIN pad application. **Applications:** For single door stand-alone card reader only applications.

Product Line Profiles and Applications

Typical Installation



Product Line Profiles and Applications



NEW! ZKAccess EC-10 Elevator Control Module product line

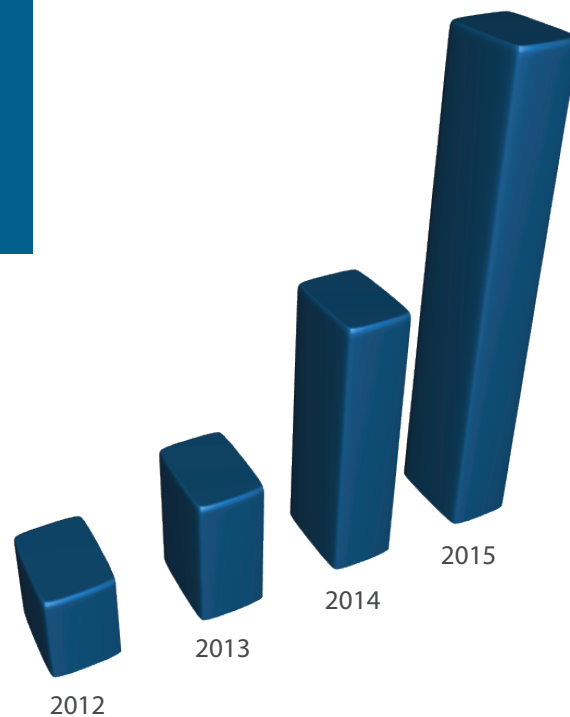
Controlling elevators efficiently and cost effectively has always been challenging for system integrators up to now for a wide variety of installation reasons and risks. The new ZKAccess EC-10 system provides an elegantly simple approach to this problem from a cost effective product and labor standpoint. The base EC-10 system provides control up to 10 floors and is scalable from 10-58 floors by adding up to three EX16 expansion modules for each EC-10 system. The EC-10 can integrate with existing access cards and RFID readers or can use biometrics to provide additional access control protection in this vulnerable building pathway. Hardwire or IP LAN network capabilities provide connectivity options for operational requirements.

Applications: Multi-story buildings with elevators for transporting people, service personnel and freight. Customers to target would include—multi-tenant office buildings that have general perimeter access control but no floor-by-floor control of elevators; hotels that must accommodate guests, housekeeping and service traffic together or separately; membership clubs that have permission levels and property management companies that must keep usage records for utility billing purposes.

Business Applications Strategies that fit the biometric access control product line:

- **Cost conscious customers** that have older access control systems that are no longer functional and can't be economically repaired. You may have the flexibility of reusing serviceable system components such as readers, wiring and locking hardware. With new IP compatible controls and software you can help extend system life while building trusted relationships. This approach allows you to cost effectively take over new customers and build a future upgrade revenue stream.
- **Customers who simply want simplicity** with managing their access control systems. Card credentials are challenging to effectively manage and can diminish employees' productivity. This includes those responsible for issuing new cards and those that must make a trip to get their new cards. Biometric enrollment makes access control management much simpler. When an employee forgets their access card, they must return and get it or be "unproductive" gaining access all day long!
- **Customers that want to lower their operating costs** because card credentials are not inexpensive and often cost \$2-5 per card to replace. The hidden costs of card access credentials are the hours of reissuing lost cards and remembering to delete lost cards from the system. Lost cards create liabilities and lost revenue streams. If your customers have membership based business models, turnover and lack of dues payments matter. Help them proactively manage those business issues with Biometric credentials that were "issued" when they were born, and members certainly won't forget or lose them...willingly!
- **Entry level access control customers** that have not used access control technology in the past but need improved security and safety for their people, property and profits. A biometric credentials system is simpler to implement, install, program and maintain. Key entrances for employees, visitors and deliveries can be economically installed and maintained with simple one time enrollment process and no wasted time or costs of lost access cards. ZKAccess will help you convert this type of customer.
- **Security conscious customers** that want a more sophisticated method of protecting their people, places and assets. When simple access control methods have not done the job, resulting in security or safety events, then biometric solutions may be the right answer.

Product Line Profiles and Applications



Business growth opportunities to apply the ZKAccess inBio product line:

- High value business asset protection situations such as IT infrastructure assets, data centers, customer data files, expensive inventory items with a high “shrinkage” history or access to network authentication, which are often the highest risk exposures for many types of companies. If your customer has critical or high value inventory areas which include electronics, precious metals, pharmaceuticals and many other products that can quickly be “fenced” on the street, biometrics can be the additional security your customers need to protect their business.
- No company is immune from workplace violence. Just as no company is immune to press coverage after a workplace violence event. Biometric convenience and ease of use promotes greater adherence to security policies, which results in safer work environments. Domestic violence and stalking can spill into the workplace if access credentials are stolen. Biometric access control helps to mitigate this security vulnerability. Acts of workplace violence represent catastrophic consequences that require awareness, security processes and strong validated access control tools that include biometric validation.
- Compliance with new healthcare standards, safe food standards and operational requirements for correctional facilities all can benefit from a more secure and convenient access control technology including “hands free” access control. Often compliance can be addressed with standalone and cost effective biometric access control solutions.

ZKAccess Support

The pre-sale engineering support ZKAccess provides ensures your project bid will be right the first time. We have manufacturer rep field support that is geared to support your selling efforts. They provide project design, product application support and product demos. At ZKAccess corporate we provide initial sales and engineering support, as well as application assessments. We are aggressive, priced right, and determined to quickly capture market share with your help.

Our Manufacturer Reps provide support with system design, demonstrations, customer meetings and training to build trust with you and your valued customers in the field. We will never sell directly to your customers, ever. You are helping us build our business so we respect you business.

Product demo kits: Demonstrate C3 and inBio-related products easily and quickly with the briefcase

demo kit. Our experience has shown that time and time again a “live” hands-on demonstration helps shorten a customer’s decision time. The kit greatly shortens your sales cycle and locks in the deal before your competitors get a chance to pitch their products. Allow about 1 hour to download software and set up your demo with ZKaccess directed support or your regional manufacturer rep firm.

Market Application Overview

Customers that have sensitive or compliance controlled critical areas of their business are good candidates for stand-alone biometric reader applications that both verify and validate the person requesting access to these areas. An example would be data and network rooms that house servers and hard drive storage. Data drives business, including financial and customer information. If your client stores customer

financial or medical records, they have a duty by various privacy legislations, including Sarbanes-Oxley ACT of 2002 and HIPPA, to ensure their clients’ records are protected. This often equates to allowing access to only specific authorized individuals.

Some specific prioritized market verticals for 2014 you may want to consider for access control and IP video include:

- K-12 education:
- College - University Education:
- Retail:
- Healthcare
- Government
- Industrial
- Financial service companies
- Residential
- Property Management
- Restaurant/Food Service
- Financial services
- Hospitality/food service
- Education

A sales support documents for these vertical market solutions are available at www.zkaccess.com