

**CONFIDENTIAL TRADE SECRET**

# **REMINGTON ARMS COMPANY, INC.**

**FIREARMS DIVISION**



## **FIREARMS THREE YEAR STRATEGIC MARKETING PLAN**

**(2003-2005)**

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## **FIREARMS STRATEGIC MARKETING PLAN, 2003 – 2005**

### **CONTENTS:**

	<b><u>PAGE</u></b>
<b>Executive Summary.....</b>	<b>3</b>
<b>Shotgun Market Summary.....</b>	<b>8</b>
<b>Shotgun Category Summary and Product Strategy.....</b>	<b>10</b>
Autoloading Shotguns .....	12
Pump Action Shotguns .....	21
Break Action Shotguns .....	28
<b>Extra Shotgun Barrels Market Summary.....</b>	<b>41</b>
<b>Centerfire Rifle Market Summary.....</b>	<b>42</b>
<b>Centerfire Rifle Category Summary.....</b>	<b>48</b>
Centerfire Bolt Action Rifles .....	50
Centerfire Repeating Rifles .....	55
<b>Rimfire Rifle Market Summary.....</b>	<b>62</b>
<b>Rimfire Rifle Category Summary.....</b>	<b>67</b>
Autoloading Rimfire Rifles .....	76
Pump and Bolt Action Rimfire Rifles .....	84
<b>Muzzleloading Rifles.....</b>	<b>94</b>
<b>Custom Guns.....</b>	<b>99</b>
<b>Special Product Opportunities.....</b>	<b>101</b>
<b>Product Quality Considerations.....</b>	<b>104</b>
<b>Inventory and Production Planning.....</b>	<b>106</b>
<b>Product Service Considerations.....</b>	<b>112</b>
<b>Product Addition/Deletion Summary.....</b>	<b>116</b>
<b>Pricing and Sales Program Objectives.....</b>	<b>119</b>
<b>Market Research Opportunities.....</b>	<b>127</b>
<b>Three Year Budget Outlook.....</b>	<b>129</b>

## Shotgun Market Summary

*According to estimates the 2001 shotgun market represented approximately 1.15 million units in annual sales volume with a retail sales value of \$363,000,000<sup>1</sup>. In 2000, NSGA studies reported 1.22 million purchases valued at \$373,000,000.*

SAAMI reporting for 2001 factory shipments of shotguns showed an industry decline of 7% in units and 3% in dollars from the previous year. Remington's performance was worse, down 14% in units and 15.2% in dollars<sup>2</sup>. This downturn was most evident in Remington's autoloading shotgun category, and indicates a loss of share to the competition that has been an ongoing trend for many years.

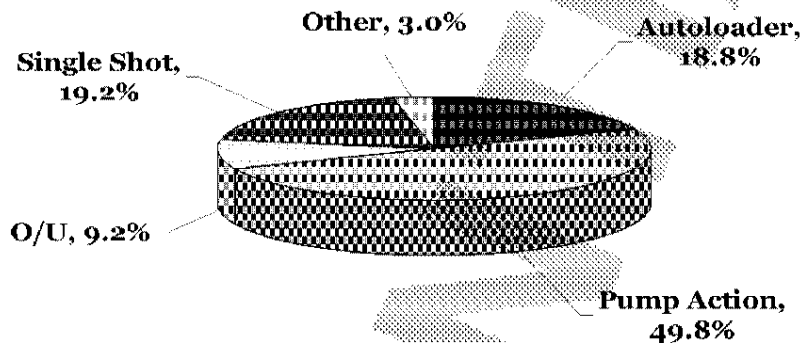
The domestic shotgun market is composed of four principal product categories: Autoloading, Pump Action, Break Action and other types such as Bolt Action that are typically low-volume specialty categories. Estimates of volumes averaged over the last three years by category are:

### 2001 Shotgun Sales Volume By Action Type in Units<sup>3</sup>

<u>Action Type</u>	<u>Units (M)</u>
Autoloading	216
Pump Action	573
Over and Under	106
Single Shot	221
Other	34
<b>TOTAL</b>	<b>1150</b>

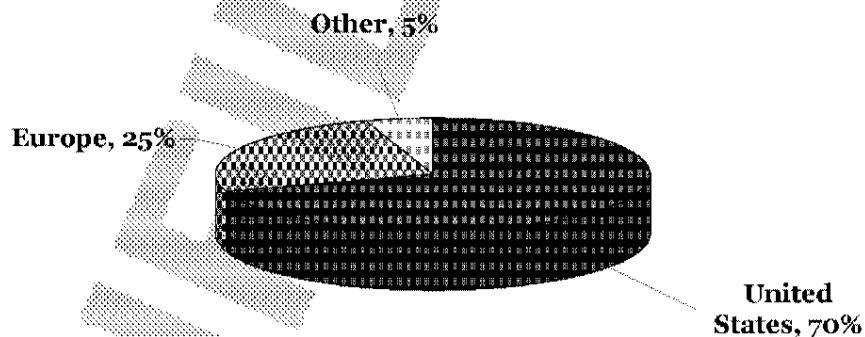
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1. Combined analysis of SAAMI Reporting Year End 2001, SMRG Marketrac Report, NSGA Retail Sales Study 2001
  2. Remington Sales Information System for 2001
  3. Combined analysis of SAAMI Reporting Year End 2001, SMRG Marketrac Report, NSGA Retail Sales Study 2001

**2001 Shotgun Market Share by Action Type  
(% of Units)**



The shotgun market in the U.S. dominates the world in units sold.

**World Shotgun Sales  
(% of World Sales, excluding Ex-USSR & China)**



Shotgun purchases worldwide are still focused heavily on hunting and other sporting uses, despite a growing personal defense segment in the U.S.

## **SHOTGUN INDUSTRY ANALYSIS**

The shotgun market in the U.S. is comprised of 6 major manufacturers, who together total over 90% of total domestic sales. They are: Remington®, Mossberg®, Browning®/US Repeating Arms Co® (USRAC), New England Firearms® (NEF)/Harrington & Richardson® (H&R), Beretta® and Benelli® (Benelli is actually owned by Beretta Group, but they are perceived as separate entities due to very different product offerings). These six differ significantly in terms of their pricing, customer profiles and brand perception. Additionally, the big six differentiate themselves from each other in the amount of print advertising they buy and the subsequent benefits they apparently get from it.

### **1. “Customer Profiles”**

- Traditionally, the typical shotgun customer has been conveniently categorized as male, around 40 years old, living in the Southeast or Midwest region of the U.S., with an annual income level of \$20K-\$50K and who purchases a shotgun primarily for hunting purposes. The problem with such broad definitions is that they can too easily ignore important segments of the buying public. This can hinder product innovation by not concentrating on what customers or potential customers want in terms of product *outcomes*. It is therefore more effective to group information together using outcome-based segmentation, where the focus is on the end result. With this method a proposed feature or product is rated for importance and how well it is currently satisfied in the market place. Simply put, the path forward in establishing future “customer profiles” will be to more effectively determine what product traits are the most important and at the same time the least satisfied. More on this in the section titled “Market Research Opportunities”, page 101.

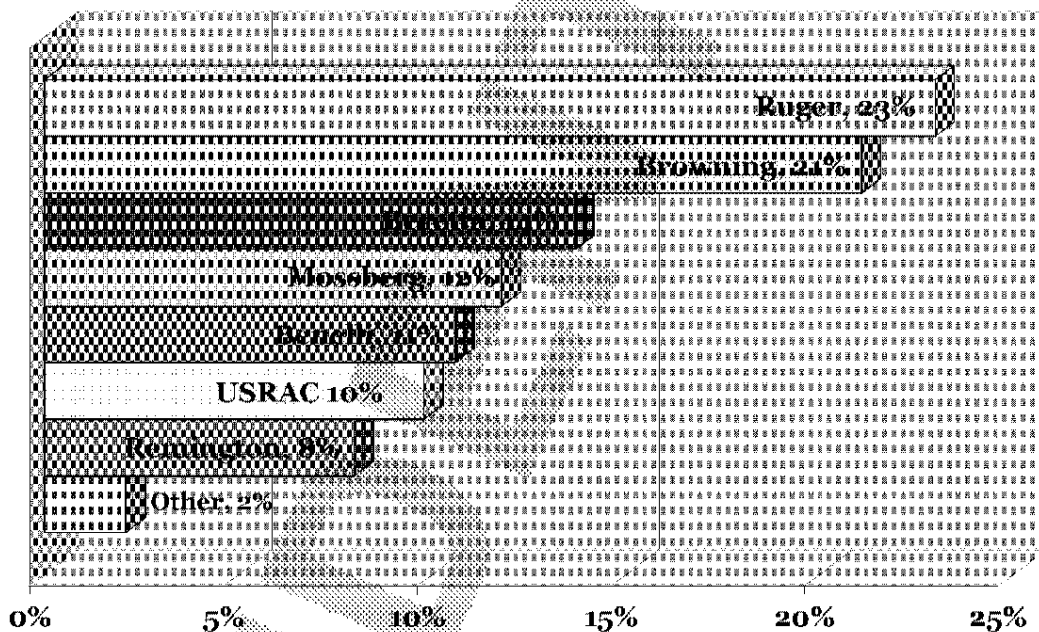
### **2. Brand Perception**

- The perception of shotgun product value among the big six is highly relative. The most telling indicator of value in today’s shotgun market is to examine the most recent average price points among the various product categories as compared to sales volume in units. Based on this, the following generalizations can be made about the big six:
  - **Remington** – Most Remington shotgun products are considered a good value for a relatively moderate price. The fact that all Remington shotguns are American made is still seen as favorable to domestic customers. The Model 870 is considered the standard for pump action shotguns but Remington autoloading shotguns are exhibiting symptoms of a life cycle in decline.

- **Mossberg** – After exiting the autoloading shotgun category by discontinuing the Model 9200, Mossberg has returned to its place as solely a low-cost pump action shotgun manufacturer. Mossberg products are the choice for the consumer who wants to spend as little as possible when buying a pump shotgun, regardless of quality.
- **Browning/USRAC** – The product line from Browning/Winchester is considered high quality and features familiar brand names. These shotguns are typically positioned above Remington but below Beretta/Benelli in price and are perceived as excellent values given the many useful features.
- **NEF/H&R** – Now owned by Marlin, New England Firearms/Harrington & Richardson manufactures inexpensive break action, single shot shotguns. As such, NEF/H&R virtually owns the domestic single shot market, despite recent loss of share to cheaper imports.
- **Beretta** – Beretta's perceived market position is the provider of high quality shotguns for sportsmen and competitors of discriminating taste. Higher priced than Remington and even Browning/Winchester, Beretta has made significant progress in gaining market share in the past 10 years. This is in direct contradiction to the "price is everything" school of thought.
- **Benelli** – Shotguns from Benelli are widely considered high performance at a higher than average price. In fact, most of Benelli's advertising now sports the slogan "Performance worth the price". Benelli is now a major competitor in the autoloading and pump action category. Benelli and Beretta together control a significant portion of the total domestic shotgun market.

### 3. Advertising Expenditures by Manufacturer

#### 2001 Shotgun Advertising Expenditures by Brand<sup>4</sup> (% of Total \$ Spent)

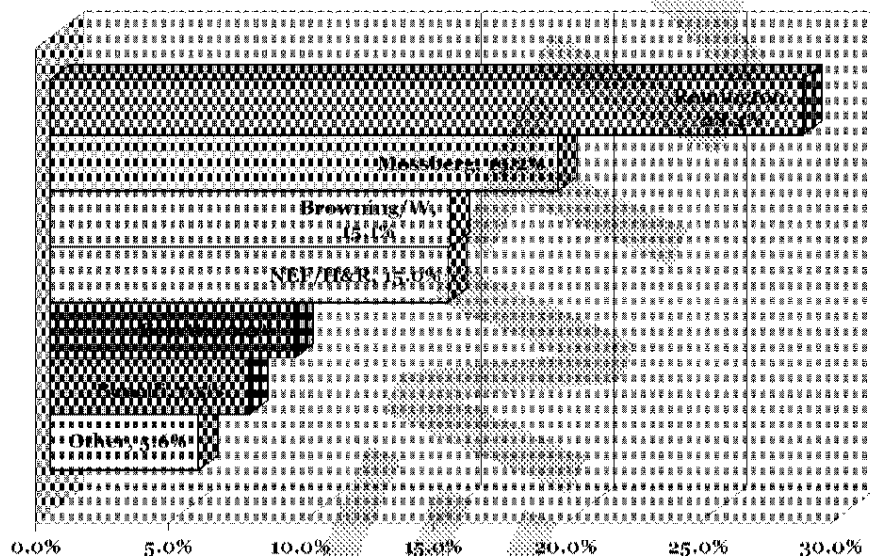


- Advertising dollars spent by major manufacturers totaled nearly \$5.7MM in 2001. Of that, Browning/USRAC (31% of total), Beretta Group, which include both Beretta and Benelli (25% of total), and Ruger (23% of total) accounted for 79%, or \$4.5MM of the cumulative advertising expenditures.
- Remington's expenditures were only 8%, or \$0.48MM of the total. Given the breadth of Remington's shotgun line and the fact that it's losing share in the shotgun market, this number is low. This is an obvious improvement opportunity for Remington.

4. 2002 AdFacts Study

2001 data from SAAMI and BATF reveals the following market share by brand:

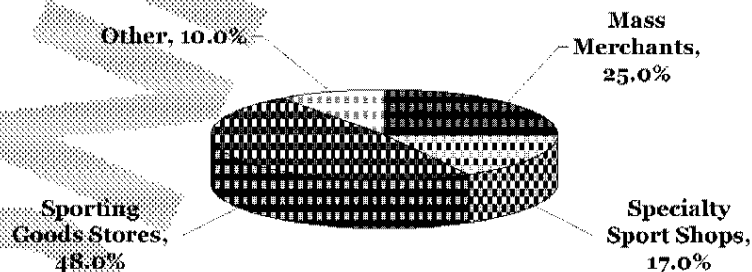
**2001 Shotgun Brand Share (% of Units)**



Remington still maintains a dominant brand position, despite some loss of share in the autoloading category. Looking at the entire shotgun market, Remington's loss of share is somewhat mitigated by both brand recognition and a strong mix of pump action and autoloader offerings. Among major manufacturers, only Browning/USRAC and Beretta/Benelli have similarly broad shotgun portfolios.

In terms of shotgun distribution channels, analysis of NSGA and SMRG reports reveals the following data for units purchased domestically:

**2001 Shotgun Distribution Channels  
(% of Units)**

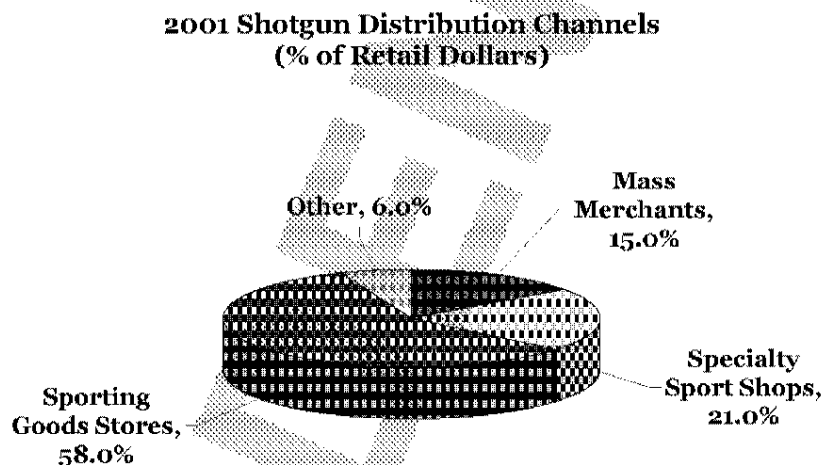




This represents a change from 2000 distribution of unit sales as follows<sup>6</sup>:

- A 1% increase in sales by Mass Merchants.
- A 3% decrease in sales by Sporting Goods Stores.
- A 2% increase in sales by Specialty Sports Shops.
- Virtually no change in other distribution channels.

Additionally, 2001 Distribution data for domestic sales in retail dollars is:



This represents a change from 2000 as follows<sup>7</sup>:

- An increase of 1% in dollar volume by Mass Merchants.
- A decrease of 2% in dollar volume by Sporting Goods Stores.
- An increase of 3% in dollar volume by Specialty Sports Shops.
- Virtually no change in other distribution dollar volume.

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6. SMRG Marketrac Study 2001

7. Ibid

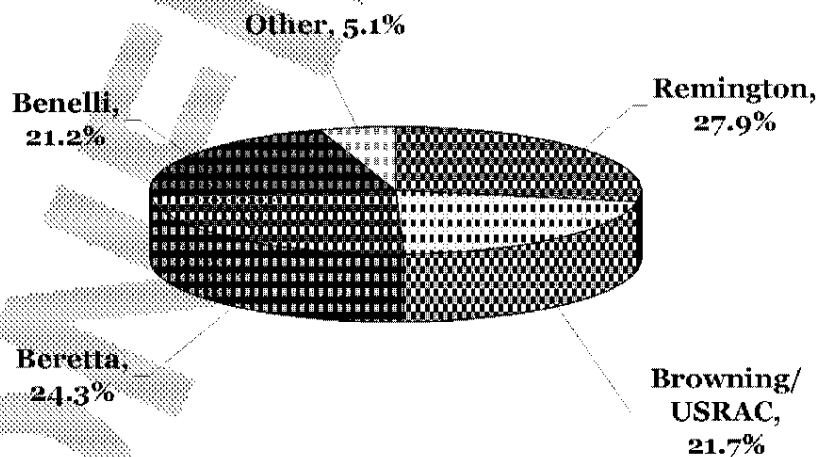
## Market Category Summary

### AUTOLOADING SHOTGUNS

The domestic autoloading shotgun market, as estimated from a combined analysis of NSGA, SMRG and US Customs data shows 210-220M units annually with a retail sales value of \$110-120MM. Sales volumes and market share as estimated for the last three years of the domestic market are:

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	59
Browning/USRAC	48
Beretta	53
Benelli	47
Other	<u>12</u>
TOTAL	220

**2001 Autoloading Shotgun Brand Share  
(% of Units)**



## **Remington Segment Performance**

Remington's autoloading shotgun line includes the Model 1100, Model 11-87 and the SP-10. 2001 sales totaled over 58M units, or \$27.8MM in revenue. This represents a 26% decrease in units and a 24.7% decrease in revenue from 2000 actuals. Worldwide Remington performance for the autoloading category follows:

<b>Autoloading Shotguns</b>	<b>1998 Actual</b>	<b>1999 Actual</b>	<b>2000 Act.</b>	<b>2001 Act.</b>	<b>2002 FCST.</b>	<b>02 P.O.</b>
Units Sales (M)	59.1	62.3	79.3	54.6	52.8	51.6
Sales Dollars (\$MM)	25.7	6.7	36.9	27.8	24.7	24.3
Standard Margin (\$MM)	11.2	11.4	18.3	11.5	10.5	10.3
Standard Margin % Sales	43.6%	42.5%	49.5%	41.4%	42.3%	42.3%

## **Competitive Outlook**

- The domestic autoloading shotgun market has undergone significant recent changes. During the last two decades, an overseas manufacturer (Beretta Group) has managed to climb to the top in terms of share and hold a dominant position for several years. As recently as 10 years ago, Remington enjoyed that dominant position, staying steady at 35-40% share of units. Unfortunately, the most reliable data from the past 3 years reveals a steady decline in Remington autoloader share to 27.9% in 2001.
- NSGA Marketing studies reveal that the autoloader percentage of the total domestic shotgun market is holding when viewed against a 5 year history. In other words, when the overall shotgun market fluctuates, the percentage that is in the autoloading category has remained steady at 18-20% of the total. Remington's piece of the pie, however, has continued to shrink.
- This loss of share in autoloaders is the result of several factors:
  - Products that are perceived to be in the declining stage of their life cycles.
  - Relatively high manufacturing cost, which limits the flexibility to cut prices and gain share.
  - Shortfalls in product performance and features when compared to the competition in the same price range.

*Remington's major competitors in the domestic autoloading shotgun market are Browning/USRAC, Beretta and Benelli. These three manufacturers, together with Remington, make up over 90% of all units sold in the U.S.*

### **Beretta/Benelli (Beretta Group)**

Beretta's key autoloading shotgun products are the AL390, AL391 Urika, ES100 Pintail and the new A391 Xtrema. At this writing, the **AL390** is being sold exclusively to Wal-Mart. Since its introduction two years ago, the 2 3/4" and 3" chambered **AL391 Urika** has gained significant favor in the auto shotgun market. It features 12 and 20 gauge self-compensating gas-operated actions, select walnut wood/synthetic stock and fore-end, and is available in field and competition versions spanning 37 SKUs.

The **A391 Xtrema** is a 12 gauge 2 3/4", 3" and 3 1/2" capable gas-operated autoloading shotgun that is available in wood and synthetic versions. The 2002 introduction of the Xtrema has been too recent to draw any conclusions about its market acceptance. However, according to sales trends across the industry, the 12 gauge 3 1/2" shotgun market has experienced a significant downturn over the past two years causing most shotgun manufacturers with 3 1/2" guns to offer promotions of various kinds to move product. Beretta's introduction of a 3 1/2" capable autoloader at this time is a curious strategic move.

The **ES100 Pintail** is an inertia-operated 12 gauge gun and like the Urika is chambered for 2 3/4" and 3" shells. The Pintail was once the flagship of the Beretta auto shotgun line, but is now only available in synthetic stock and fore-end versions covering six SKUs.

Benelli's main autoloading shotguns are the Super Black Eagle (SBE), M1 series and Montefeltro. The **SBE** is Benelli's premier autoloader, and is a 12 gauge only, 3 1/2" capable inertia-operated gun that comes in wood and synthetic versions. The **M1** is also 3 1/2" chambered and comes in 12 or 20 gauge field. The M1 comes in field versions, but is also the basis for Benelli's LE/tactical shotgun platforms. The **Montefeltro** is a 3" chambered gun that only comes in 12 gauge, wood and blued metal offerings. All Benelli shotguns are based on an extremely simple inertia-operated action that is renowned for its reliability and durability.

### **Browning/USRAC**

The **Gold** is the only autoloading shotgun design that Browning offers. There are several versions but all have the same gas-operated action, "speed loading" feature and magazine cut-off. Available in wood or synthetic, field or competition grade, the Gold comes in 12 or 20 gauge. Browning has separated this gun into 3" and 3 1/2" models and has made some differentiation with a "Classic" that sports a semi-humpback receiver and a stock with a much straighter comb.

Since **USRAC (Winchester)** discontinued the Model 1400 nearly 10 years ago, it had no autoloading shotgun until the introduction of the **Super X2**. This gun is essentially a clone of the Browning Gold without the "speed loading" feature. The SX2 comes in wood and synthetic versions and will cycle 2 3/4" and 3" 12 gauge loads.

Net wholesale pricing information for the major autoloader shotguns is as follows:

<b>Manufacturer</b>	<b>Model</b>	<b>Net Wholesale Price (After FET)</b>
<b>Beretta</b>	<b>AL 391</b>	<b>\$650-\$832</b>
<b>Beretta</b>	<b>A391 Xtrema</b>	<b>\$745-\$819</b>
<b>Beretta</b>	<b>Pintail</b>	<b>\$500-\$691</b>
<b>Benelli</b>	<b>SBE</b>	<b>\$907-\$1017</b>
<b>Benelli</b>	<b>M1</b>	<b>\$696-\$902</b>
<b>Benelli</b>	<b>Montefeltro</b>	<b>\$663-\$686</b>
<b>Browning</b>	<b>Gold</b>	<b>\$599-\$839</b>
<b>Winchester</b>	<b>SX2</b>	<b>\$512-\$743</b>
<b>Remington</b>	<b>1100</b>	<b>\$325-\$529</b>
<b>Remington</b>	<b>11-87</b>	<b>\$441-\$554</b>

### **S.W.O.T Analysis (Strengths, Weaknesses, Opportunities, Threats)**

#### **Remington Autoloaders – Strengths**

- The Remington shotgun receiver design is considered highly efficient due to its relatively small size. Short and compact, it allows the overall gun length to be minimal. Its solid steel construction also minimizes the stock dimensions where they meet the receiver, allowing for a narrower grip and generally better handling.
- The lines of the Remington autoloader are widely regarded as pleasing to the eye. The fact that several competitors have tried to imitate Remington lines validates this observation.
- The gas operation of the gun makes for a softer recoiling platform.
- Remington autoloaders come in a wide array of standard options, including numerous hunting, law enforcement, and competition variations.
- Remington autoloaders are the most accessorized autoloaders on the market, allowing for nearly endless modification and customization.

## **Remington Autoloaders – Weaknesses**

- The weight of the all-steel Remington makes it the heaviest auto in its class. This is a problem for youth shooters, women, or anyone who carries it all day.
- Remington autos, particularly the 11-87, are perceived to have a less than desirable balance. The barrel contour on the magnum-chambered guns tends to make them heavier towards the muzzle than the competition, and more difficult to swing on target.
- The Remington action and feeding design, although state of the art in its day is an overly complex system relative to today's standards. This is a problem from a reliability standpoint, as more parts generally means that more can go wrong.
- Cleaning and Maintenance. The design of the gas system is not "self cleaning". The fouling that occurs on the outside of the magazine tube requires frequent cleaning or the gun may begin to malfunction. This is not perceived to be a shooter-friendly trait.
- The receiver markings and embellishments that are currently used are dated and not perceived as high quality.
- Remington wood fore-ends have a reputation as easy to crack or break.

## **Remington Autoloaders – Opportunities**

- **1100/1187 Premier:** Immediate opportunities exist to improve the cosmetics of Remington autoloading shotguns. Simple changes that enhance the visual appeal of these guns will be pursued including embellishment changes, etc.
- A redesign for greater simplicity will be explored. This can benefit the category by reducing part count, thereby improving reliability and reducing unit cost.
- Longer term a new autoloading shotgun design is needed.

## **Remington Autoloaders – Threats**

- The most serious threats to the current Remington autoloading line are the Beretta AL391, the Benelli Montefeltro/Super 90/Super Black Eagle, and the Browning Gold/Winchester SX2. The Beretta and Benelli guns are stand-alone products, while the Winchester SX2 is a virtual clone of the Browning Gold. All of these autoloaders come in 12 and 20 gauge. The Beretta and Browning/Winchester guns are gas operated 2-3/4" and 3" capable, while the Benelli guns are inertia operated. It appears that overall the 12 gauge 3 1/2" market is drying up, as major manufacturers are opting to chamber their new offerings in 2-3/4" and 3" for their 12 gauge product lines. Furthermore, the introduction of Hevishot high performance shotgun ammunition makes the need for 3 1/2" 12 gauge guns even less relevant.

- All of these competitive guns are generally considered high quality and high performance by the market place. Remington's testing of competitive offerings reveals that while these guns are not flawless performers, they do tend to outperform Remington autoloaders across the range of ammunition that's loosely termed "light target loads to 3" heavy magnums"

### **Autoloading Shotgun Product Strategy – Overview**

Remington's strategy to regain a dominant position in the auto shotgun category will have three parts:

1. Build demand for the existing autoloading line by redesigning it for greater reliability/lower cost and improving its aesthetic appeal.
2. Expand the offering of customer specials and the targeting of under-emphasized or untapped markets such as niche-competition and collector markets.
3. By far the most important strategic initiative is the effort to design a revolutionary new gas autoloader that outperforms the competition at a competitive price. Introduction of such a product, coupled with a strong marketing and advertising plan, can place Remington back on top of the autoloading shotgun market.

### **Autoloading Shotgun Product Strategy – 2003**

In support of the strategic vision mentioned above, new autoloading shotgun product for 2003 will include the following:

- **Model 1100:** Two versions of the Model 1100 in 16 gauge. The first will be a premium version with polished/blued metal, fine line roll mark/embellishments, satin finish walnut stock and fore-end, and will be called the "Classic Field". The second will be a matte finish version with synthetic stock and fore end. Recent experience with the Model 870 16 gauge orders dictates inclusion of both versions. Positioning strategy is as follows:

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
1100 16 ga. Classic Field	\$574	\$453	2000	31%
1100 16 ga. Synthetic	\$412	\$325	3000	36%

- A 12 gauge Model 1100 chambered for 2-3/4" and 3" magnum loads will be offered. Design work to make this modification is complete. This product will likely be marketed on an exclusive basis to a large chain account like Wal Mart or marketed on a non-catalog basis.

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
1100 12 ga. 3" Magnum	\$449	\$354	10000	29%

- In pursuit of under-emphasized markets, a Model 1100 will be offered for the practical competition world. This will essentially be a nine round autoloader that is competition ready right out of the box. It will be critical to deliver a very reliable gun at a competitive price, as Benelli and Winchester have both entered this market in the last 3 years and have gained a solid reputation with this type of competitive shooter.

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
1100 Practical Competition	\$729	\$575	1000	54%

- A Model 1100 Tournament Skeet will be offered for 2003. This will be based on the existing Sporting 12 and feature O-grade wood, a Nickel plated plain receiver, 28" barrel and "Model 1100 Tournament Skeet" rolled onto the side of the receiver.

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
1100 Tournament Skeet	\$701	\$626	1000	36%

- **Model 11-87:** A commemorative Model 1187 Premier featuring a tribute to Dale Earnhardt, Sr. will be offered. This gun will be similar in quality to the Sam Walton 11-87 of 2001 and will offer polished blue metal, high gloss walnut stock and fore-end, and tributary embellishments including Earnhardt's portrait and signature. As a gesture of respect, a portion of the proceeds can be donated to the Carolina Foundation, Inc.

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
11-87 Dale Earnhardt	\$749	\$591	2000	35%

**Pricing Considerations** - Due to the competitive pressure mentioned above, there are no planned price increases for the autoloading shotgun line in 2003.

**Product Deletions** - A comprehensive product deletion list is included in Appendix A.



## Autoloading Shotgun Product Strategy – 2004 and Beyond

Looking beyond 2003, the long term development strategy for autoloading shotguns will be two-fold:

1. **Model 2100, New Gas Autoloader:** Remington will introduce a new gas-operated autoloading shotgun with features and benefits that will lead the autoloading industry for the foreseeable future. This revolutionary new gun will be positioned as a premium-end product that is near the Beretta 391 in price (Average net wholesale price after FET of \$680). For 2005, only two versions will be offered, a 26" barrel and 28" barrel. These two offerings will be wood stock and fore-end only for first year introduction. It will initially be 12 gauge, 2-3/4" to 3" capable. The desired design goals are:

- Make this the lightest weight autoloader on the market through the use of high tech materials/metallurgy and utilizing modern manufacturing principles. In conjunction with the weight objective, the gun must balance "between the hands".
- Despite the light weight, the new gun will need to use technological advances and innovative design to tame recoil to a higher degree than has ever been done before. The net effect will be a dramatically softer-recoiling shotgun.
- A new action system will be designed that eliminates whole categories of malfunction while maintaining the highest safety standards in the industry.
- The new gun will have ergonomic and handling characteristics that are second to none. It will fit better, point better, balance better, and perform better than anything Remington has done in the past.
- This new autoloader must be much more robust and wear-resistant than anything currently offered. A compensating device will be part of the action design that mitigates fatigue on the gun.
- Marketing surveys and case studies will be done before the design is complete to capture the most important features that the gun will need to be successful.

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
Model 2100, New Gas Auto	\$699	\$551	10000	45%

*Second year volumes are forecast at 15M units, third year forecast is 20M units.*

**Low Cost Model 11-87:** The second part of this long term strategy will be to introduce a redesigned, simplified and much cost-reduced Model 11-87. There are currently industry rumors that Mossberg will reintroduce the Model 9200 in a 3 1/2" capable 12 gauge in 2004. If this comes to pass then the need to lower the cost of the 11-87 will become even more important. Naturally such a fundamental change in the 11-87 will require significant redesign. However, this should fit the strategic vision well if the redesigned gun is positioned as a low-cost autoloader that complements the "high end" Model 2100 mentioned above. A symbiotic relationship like the Model 700/Model 710 is the goal, and places Remington firmly at both ends of the autoloading shotgun market. The best areas in which to concentrate this redesign are:

- A simplified fire control that uses significantly fewer parts than the current design and can provide significant cost savings from a purchasing, inventory, and assembly perspective. Better sourcing of the new parts can yield significant cost savings if focus is applied to the process. Marketing will work with Ilion Engineering and Purchasing to explore these possibilities.
- In addition, a simplified and more rugged gas system that moves away from o-rings and activator seals is needed. Remington currently has six different gas system options in the autoloading shotgun line. If possible, this needs to be standardized.
- Alternative receiver manufacturing methods will be explored. The goal here is to identify a way to make the 1187 receiver without resorting to machining from solid bar stock. This should reduce raw material cost, cycle time, and capital tooling requirements.
- New materials for synthetic stocks and fore-ends that improve cycle time and reduce part cost will be explored. Also, more cost-effective sourcing of our wood stock and fore-end is needed.
- Given the current project load for the Ilion Engineering Department and the upcoming New Gas Autoloader, which will be an Ilion-based product, the effort for a Low Cost 11-87 will take some time. The redesign of the gas system, the alternative machining of the receiver, the simplified fire control, and the possibility of new parts from new vendors will all require engineering time and significant testing. ***A Low Cost 11-87 is therefore not forecast for introduction until 2006.*** The target pricing strategy is:

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
Low Cost Model 11-87	\$429	\$375	15000	50%

## Market Category Summary

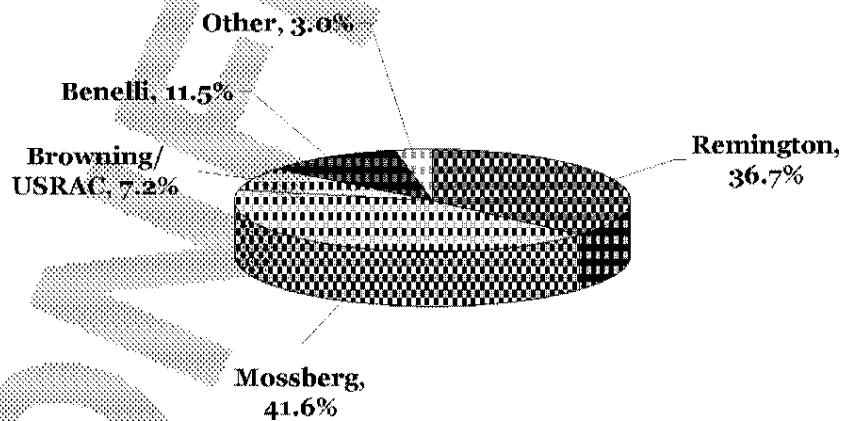
### PUMP ACTION SHOTGUNS

The domestic pump action shotgun market is estimated to be 580-620M units annually with a retail sales value of \$110-120MM.

Sales volumes and market share as estimated for the last three years of the domestic market are:

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	230
Browning/USRAC	45
Mossberg	250
Benelli	70
Other	<u>15</u>
TOTAL	610

**2001 Brand Share of Pump Action Shotguns  
(% of Units)**



## **Remington Segment Performance**

Remington's pump action shotgun line includes the Model 870, in both the Wingmaster and Express versions. 2001 sales totaled 223M units, or \$53.1MM in revenue. This represents an 8% decrease in units and an 8.1% decrease in revenue from 2000 actuals. Worldwide Remington performance for the pump action shotgun category follows:

<b>Pump Action Shotguns</b>	<b>1998 Actual</b>	<b>1999 Actual</b>	<b>2000 Actual</b>	<b>2001 Actual</b>	<b>2002 FCST</b>	<b>2002 P.O.</b>
Units Sales (M)	272.1	314.1	243.4	223.0	256.5	281.4
Sales Dollars (\$MM)	58.6	70.2	57.8	53.1	60.7	66.7
Standard Margin (\$MM)	20.0	24.8	22.3	16.1	20.3	22.4
Standard Margin % Sales	34.1%	35.3%	38.5%	30.2%	33.5%	33.6%

## **Competitive Outlook**

- **Remington**

Remington still enjoys a well recognized brand and loyal following in the Model 870. Long considered the standard in pump action shotguns, the Model 870 has been copied both in terms of function and appearance by numerous firearms manufacturers over the years. Because the pump action buyer is generally not as fixated on high tech "newness", the 870 has not been as sensitive to life cycle decline as Remington's autoloaders. 870 Pump action shooters seem to value basic functionality, reliability, aesthetics and cost over serious product innovation. The price point of the average pump action shotgun is in the \$190-\$200 range, which keeps most major manufacturers focused on producing a lower cost product, fulfilling the needs of special markets and/or improving cosmetic appeal to gain share. This has been a key part of Mossberg's success in the pump action shotgun segment. In short, the pump-action shotgun shooter is looking for a dependable *shooting tool*.

*Remington's major competitors in the domestic pump action shotgun market are Mossberg, Browning/USRAC, and Benelli. These three manufacturers, together with Remington, make up over 90% of all units sold in the United States.*

### **Mossberg**

After discontinuing the Model 9200 autoloading shotgun, Mossberg's focus on its pump action business has made it the leading producer of this category of shotgun. Mossberg offers three main models: **1. The Model 835 Ulti-Mag**, which is a 12 gauge only 3 1/2" capable pump gun that is primarily a synthetic camouflage offering, but includes two SKUs of plain synthetic and wood. The softness of the 3 1/2" 12 gauge market has prompted a promotional push from Mossberg in the first quarter of this year. All Ulti-Mags come with ported barrels. **2. The Model 500**, which is an economically priced pump gun that is chambered for 12, 20 and .410 gauge. The Model 500 is offered in 32 SKUs, and comes in wood and synthetic, field and personal defense versions (known as the Persuader/Cruiser). **3. The Model 590** is a special purpose cylinder bore 12 gauge that features a 9 shot magazine capacity. This gun also comes in a double-action only version, and is intended to appeal to the liability-conscious law enforcement market. Mossberg currently has the shotgun contract with the U.S. military.

### **Benelli**

A notable exception to these statements has been the introduction of the **Benelli Nova** pump action shotgun in 1999. This gun features synthetic stock and fore-end and a unique polymer-coated receiver that houses their standard rotary lock-up design. Additionally, the Nova has some radically different stock and fore-end geometry that makes the gun instantly identifiable as a Benelli product. This new gun has been an almost immediate success, giving Benelli more than an 11% share in pump action shotguns in less than 2 years. However, field reports indicate that the gun's weakness may be fragility in its fire control assembly and in the action bar/fore-end assembly.

Net wholesale pricing information for the major pump action shotguns is as follows:

Manufacturer	Model	Net Wholesale Price (After FET)
Mossberg	835 Ulti-Mag	\$229-\$353
Mossberg	500	\$184-\$272
Mossberg	590 SP	\$243-\$380
Benelli	Nova	\$292-\$413
Remington	870 Wingmaster	\$342-\$390
Remington	870 Special Purpose	\$328-\$349
Remington	870 Express	\$196-\$296

## S.W.O.T. Analysis

### Remington Pump Action Shotguns – Strengths

- The Model 870 has a reputation for strength, durability and reliability that has made it the first choice of America's law enforcement agencies. This is significant because of the message it sends to the sporting shotgun community about the soundness of the design.
- At its core the 870 is remarkably simple and easy to maintain. It has a high tolerance for dirt and debris that makes it suitable for more demanding field conditions.
- The Wingmaster is widely viewed as one of the most visually appealing pump action shotgun designs of all time

### Remington Pump Action Shotguns – Weaknesses

- The 870 Express is intended to be a low cost pump gun for the public who wants a no-nonsense shooting tool. In this market segment, however Mossberg has the dominant share. On average, Mossberg shotguns are priced well below a comparable 870, which makes holding share for Remington a challenge.
- On the high end, quality standards for the 870 Wingmaster have decayed somewhat so that the fit and surface finishes that used to make it a gun with a premium feel are no longer as apparent.

### Remington Pump Action Shotguns – Opportunities

- The main opportunities to improve the Model 870 market position are:
  - **Express/Special Purpose:** Cost reduce the 870 Express/SP without sacrificing the quality or functionality that have placed them where they are today.
  - **Wingmaster:** Improve the aesthetics and handling of the Wingmaster, also while maintaining its reputation as a high quality firearm.
  - Pursue special order opportunities with wholesalers and chain accounts, especially in terms of seasonal specials and hunting combos.

## Remington Pump Action Shotguns – Threats

- Mossberg continues to threaten Remington's pump action shotgun business by undercutting Remington's Express line prices, particularly with its low-end Maverick line. In this market segment, cost can matter more than looks or reliability, as evidenced by Mossberg's high sales volumes of a product that is marginal in terms of looks and handling.
- The Nova has the potential to gain share if Benelli can improve the fragility of the design and lower its price.

## Pump Action Shotgun Product Strategy – Overview

- Because it is already a solid, well-established design, the emphasis for improving the 870 will revolve around cost reduction and cosmetics.
- **Express/Special Purpose:** In the short term, pump action shotgun strategy will be to hold market share while lowering the cost of manufacturing, particularly on Express guns. Recognizing the magnitude of this challenge, the integrity of the Model 870 must be preserved throughout the cost reduction process.
- **Wingmaster:** Improvements to the Wingmaster will be implemented to help rebuild its aesthetic appeal. This will primarily take the form of finer embellishments and better cosmetics in checkering.

## Pump Action Shotgun Product Strategy – 2003

- **Model 870 Express** – For 2003, Remington engineering staff will begin the process of incorporating material and process changes that will lower the cost of manufacture. Initially, the use of MIM parts where they make sense will help in this regard. An improvement in Express wood stain and a new camouflage pattern, Skyline®, will replace the current camo guns at a significant cost savings. *New Express camouflage cost savings are estimated at \$28M annually.*
- **Model 870 SPS Camo** – Remington will renegotiate our royalty agreements with our major camouflage suppliers for 2003. Significant reduction of our current camouflage royalties is possible if focus is applied to the process. *Renegotiated SPS camouflage savings are estimated at \$20M annually.* Additionally, a new 20 gauge camo turkey shotgun will be introduced. This will be an adult turkey gun, and will be a collaborative effort that dovetails with the introduction of 20 gauge Hevi-Shot® turkey loads in 2003 by Remington's Ammunition Group.

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
870 SPS 20 ga. Turkey Gun	\$432	\$335	2000	37%

- **Model 870 Wingmaster** - The Wingmaster will see some cosmetic improvements in 2003. The original fine line roll marking on the receiver will return, along with some “sculpted engraving” options featuring tasteful and understated artwork. Another improvement opportunity on the stock and fore-end is a return to the “Fleur de Lis” checkering pattern of yesteryear. The advent of laser checkering now makes this technically and financially possible.

**Pricing Considerations** - Due to the competitive pressure mentioned above, there are no planned price increases for the pump action shotgun line in 2003.

**Product Deletions** – A comprehensive product deletion list is included in Appendix A.

### **Pump Action Shotgun Product Strategy – 2004 and Beyond**

- Long term, the path for the 870 Express will include a continuing cost reduction effort that harnesses modern materials science and design. By accumulating significant cost savings, Remington can make concrete steps towards the goal of squeezing Mossberg out of the dominant share position for pump action shotguns. ***This strategy does not include any planned price increases for the 870 Express for at least 2 years.*** Growth in margin must come from cost savings.
- Another priority will be to expand the 870 law enforcement products to maximize volumes in this segment of pump guns. Exclusive offerings in the personal defense segment with wholesalers and chain accounts will also be part of this plan.
- In an attempt to increase the appeal of the synthetic pump action shotgun line, a design effort will be initiated to add insert-molded or overmolded rubber on synthetic stocks and fore-ends. The Winchester SX2 for 2002 has a rubber “Duratouch” coating that appears to be selling well, and the Beretta Xtrema features rubber “grip pads” on the stock and fore-end. A cost-effective change that incorporates a similar feature will be pursued.
- Both the Express and Wingmaster will incorporate changes that improve Remington’s shotgun point of impact when using SAAMI sight picture.
- New recoil pad technology will be explored to reduce felt recoil. Provided that the cost of these new recoil pads makes them feasible, they can eventually be introduced on waterfowl, turkey and target guns and marketed as a performance improvement. ***Target cost for a high performance recoil pad is \$5. It's estimated that this will command at least a \$10 premium per gun.***



## Market Category Summary

### BREAK ACTION SHOTGUNS – OVER/UNDER

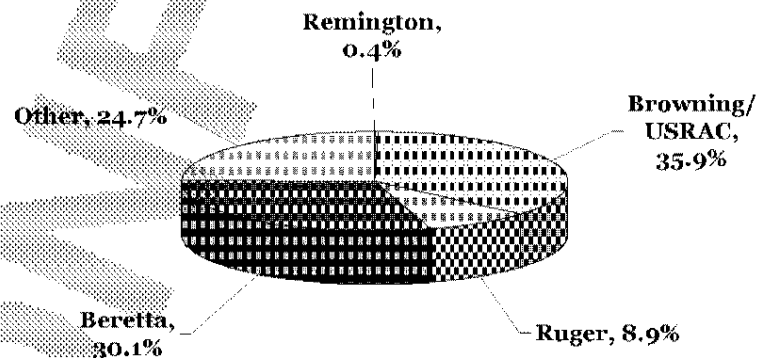
The domestic break action shotgun market is actually two markets; the over/under shotgun market and the single shot shotgun market. For purposes of clarity, the two markets will be analyzed separately.

The over/under (O/U) market is estimated to be 110-120M units annually with a retail sales value of \$78-88MM.

O/U volumes and market share as averaged domestically for the last three years are:

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	.5
Browning/USRAC	40
Ruger	12
Beretta	35
Other	<u>28</u>
TOTAL	115

2001 Brand Share of O/U Shotguns  
(% of Units)



## **Competitive Outlook**

- **Remington**

Since the original Model 32, Remington has had a number of forays into the O/U market including the Model 3200, Peerless, Model 396 and the Model 300 Ideal. All of these products have missed the mark of large-scale customer acceptability because of a host of factors including:

- Overweight product
  - Incorrect handling/balance
  - Poor wood to metal fit
  - Pricing
  - Unacceptable malfunction rate
  - Substandard aesthetic appeal
- Efforts to re-introduce a high quality over/under shotgun in the last few years have been hampered by several issues, including insufficient knowledge of customer expectations and poor communication between Marketing and Manufacturing. Success with the Model 870 and Model 11-87 as pump action and autoloading shotguns respectively did not transfer automatically to successful O/U production. For one, the higher expectations of fit and finish are difficult to obtain with the mass production mentality. Attention to detail, including metal polish and bluing, wood to metal fit, checkering, engraving and repeatable 100% assembly are only a few of the customer expectations of a higher priced product for discriminating sportsmen.
  - Marketing is committed to re-entering the O/U shotgun market and looks forward to occupying a secure position with this level of customer in the years ahead. Remington's presence must be in the global marketplace with the likes of Beretta, Browning, and Ruger.

The largest share in the domestic O/U market belongs to Browning/USRAC. Browning offers the popular Citori line and Winchester has the Feather line of O/U shotguns. Together they control almost 36% of the market, which represents about 40M units in annual sales.

The Beretta Group, which in the O/U arena includes Beretta and Franchi, enjoys more than 30% of domestic share, which translates into nearly 35M units annually.

***Together Beretta Group, Browning/USRAC and Ruger control over 75% of domestic O/U sales annually.***

### **Browning**

The Browning **Citori** is the largest selling O/U in the domestic market today at 35M units annually. The Citori is available in various versions of field and target grades covering nearly 100 SKUs. The Citori comes in 12, 20, 28 and .410 gauge, and is offered in 26", 28", 30" and 32" barrels.

The easiest way to digest this wide range of guns is to divide it into Field and Target/High-Grade. The Field guns are the **525, Lightning, White Lightning and Feather**, and offer polished blue metal and various styles of stock and fore-end in high-gloss wood. These are the less expensive O/Us in the Browning line, but account for the majority of sales. The Target/High-Grade guns are the **XS, XT, Gran Lightning, Privelege and Esprit**, and offer select wood, ported barrels, some with adjustable stocks and some with engraved sideplates.

The Winchester brand of O/U is the **Supreme**, and is a lower priced O/U than the Citori field grade guns. It is offered in field and sporting versions covering only 4 SKUs. The Supreme comes in at an average \$250 less than the comparable Citori product.

### **Beretta**

A close second in terms of volumes is Beretta with 30-32M units sold annually. The main Beretta O/U offerings are the **686 and 687 Field** family, which together include 74 SKUs. The 686 family is comprised of the **Whitewing, Onyx and Silver Pigeon**. The **Whitewing** has the lowest price in the Beretta line, and features 12 and 20 gauge guns with checkered A grade gloss-finished walnut and chambered for 3" shells. The **Onyx** also comes in 12 and 20 gauge, 3" or 3 1/2" chambers, select walnut with cut checkering and Schnabel fore-end. The **Silver Pigeon** is offered in 12, 20 or 28 gauge, and also has select walnut and Schnabel fore-end.

The 687 Field family includes the **Ultralight, the Silver Pigeon II, the Gold Pigeon and the Diamond Pigeon**. The **Ultralight** is a 12 gauge 2 3/4" only gun, and offers checkered select walnut in gloss or matte finishes. The **Silver Pigeon II** is offered in 12 or 20 gauge with 3" chambers and also has select walnut, but with an oil finish. The **Gold Pigeon and Diamond Pigeon** guns are 12, 20, 28 or .410 gauge, and come with highly selected walnut with a gloss finish. All of the 687 Field family come with Schnabel fore-end.

### **Ruger**

There are essentially two O/U shotgun offerings from Ruger: the **Red Label and Woodside** models. The **Red Label** features 12, 20 or 28 gauge actions with pistol grip, English straight or Sporting Clays stocks. It is the least expensive O/U model in the Ruger line. The **Woodside** is a 12 gauge 3" chambered gun only, and also comes with a pistol grip, English straight or Sporting Clays stock. Ruger's **Engraved** models are essentially Red Labels offered with engraved stainless steel receivers in 12, 20 or 28 gauge and only come with pistol grip or Sporting Clays stocks.

Net wholesale pricing information for the major O/U shotguns is as follows:

<b>Manufacturer</b>	<b>Model</b>	<b>Net Whsle Price (After FET)</b>
<b>Browning</b>	<b>Field Grade</b>	<b>\$1106-\$2788</b>
<b>Browning</b>	<b>Target Grade</b>	<b>\$1181-\$2651</b>
<b>Beretta</b>	<b>686 Family</b>	<b>\$856-\$1707</b>
<b>Beretta</b>	<b>687 Field Family</b>	<b>\$1233-\$4122</b>
<b>Ruger</b>	<b>Red Label</b>	<b>\$813-\$960</b>
<b>Ruger</b>	<b>Woodside</b>	<b>\$1098</b>
<b>Winchester</b>	<b>Supreme</b>	<b>\$909-\$1018</b>
<b>Remington</b>	<b>Model 332</b>	<b>\$906</b>

## **S.W.O.T. Analysis**

### **Remington Over/Under Shotguns – Strengths**

In this century, the O/U marketplace has only truly embraced one O/U design from Remington, namely the Model 32. If imitation is the sincerest form of flattery, then Krieghoff's Model K-80 is quite a complement, as it is based directly on the Remington Model 32. The K-80 is a very pricey O/U, and the fact that high quality gun makers like Krieghoff would copy a Remington is evidence that the basic design is sound. Recognizing this, the exterior design and dimensions of the original Model 32 are the inspiration behind Remington's new O/U offering, the Model 332.

### **Remington Over/Under Shotguns – Weaknesses**

To reiterate, Remington's O/U shortcomings have been:

- Poor handling and balance for the application for which the guns were designed.
- Unacceptable cosmetics like inconsistent wood/metal fit, poorly executed embellishments and lines that lack style.
- High malfunction rates when compared to the competition.
- Prices that are too high given the weaknesses already listed.

## **Remington Over/Under Shotguns – Opportunities**

If a reliable, high quality O/U shotgun can be made at a competitive price, Remington can increase its market share provided the marketing tools are in place to support its introduction. Based on its pedigree status, the new Model 332 provides the best chance for Remington's re-entry into the O/U market. A sustained product life cycle with multiple offerings is the goal.

## **Remington Over/Under Shotguns – Threats**

1. Well-established O/U product lines from Beretta, Browning/USRAC and Ruger provide the buying public with a wide variety of O/U shotguns at equally varying price levels. In short, there is already a lot from which to choose.
2. The perception from the public that Remington is irresolute with its O/U shotgun plan creates hesitation in purchasing until it is clear that Remington will not change the basic design the following year.
3. Controlling the cost of the O/U product is extremely important. The most effective way to ensure that the O/U line is profitable is to significantly reduce the cost of manufacture. Cost overruns can kill the product.
4. The quality of the O/U product is also of paramount importance. The buying public will not embrace a new O/U unless the functional and cosmetic quality of the gun is solidly entrenched.

## **Over/Under Shotgun Product Strategy – Overview**

- Remington's strategic direction will be to re-enter the O/U market with quality, sustainable products and grow share over the long term.
- To affect this strategy the plan will have three parts.
  - Establish and entrench the new Model 332 by providing a quality shotgun that has the right characteristics at a competitive price to similar offerings from Beretta and Browning. The public must be assured that Remington will continue with the Model 332 and not discontinue it in a year or two.
  - Streamline and cost-reduce the manufacturing aspect of this gun. This is vitally important to the long term health of the category. Various tactics will be employed to bring the cost of manufacture down so that solid margins become a reality. Alternative fabrication methods and strategic outsourcing of parts will be part of this plan.
  - Eventually expand the offerings of the Model 332 to grow volume. Different configurations and gauge offerings will validate the line and go a long way towards allaying public skepticism about Remington's resolve in its O/U products.

### **Over/Under Shotgun Product Strategy – 2003**

- 2002 introduction of the new Model 332 came about too quickly to formulate a strong marketing plan for this gun. The 2003 plan, however, will benefit from the exposure in print advertising that is taking place this year. MCD must budget sufficient resources towards print media exposure to support the Model 332 as the worthy successor of the original Model 32.
- An effort will be initiated to improve the balance of the Model 332 in the 30" barrel version.
- 2003 will be a cost reduction year for the Model 332. A focused effort to streamline the production process will be initiated that reduces part and assembly cost to improve margins.
- Marketing will continue the communication/education effort with Manufacturing in regard to quality standards. Quality reviews started in 2002 by the Model 332 Quality Audit Team will be ongoing to ensure that standards are being upheld, especially as the cost reduction effort takes shape.

### **Over/Under Shotgun Product Strategy – 2004 and Beyond**

- Once the quality standards and cost reduction measures are in place it will be time to expand the O/U line with a high grade gun. This model of 332 will have select grade walnut, high luster blued metal, and engraved sideplates that follow the Model 332 heritage of understated, elegant embellishments. Having a field grade and a high grade gun is an important part of legitimizing the O/U line.
- In addition, a target grade Model 332 will be explored for the competition shooter. This gun should have a redesigned stock with straighter comb, a more pronounced sweep to the grip, and a semi-beavertail fore-end. Porting, back-boring and lengthened forcing cones will be available as well.
- Once the current O/U becomes more cost-effective, the next best way to validate the Model 332 in the marketplace is to introduce a 20 gauge version with a small, lightweight frame and low overall weight. Today's upland game hunter demands the option of a small frame O/U, and 20 gauge is the most popular of the small frame O/U shotguns.
- **Market share goals for the Model 332 (% of total domestic units) are:**
  - 2004 – 2%
  - 2005 – 6%
  - 2006 – 10%
  - 2007 – 14%

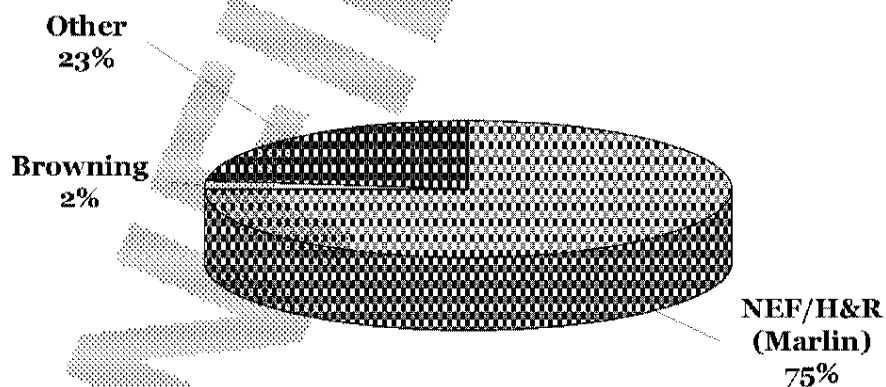
## BREAK ACTION SHOTGUNS – SINGLE SHOT

The domestic single shot shotgun market is estimated to be 220-240M units annually with a retail sales value of \$20-25MM.

Volumes and market share as averaged domestically for the last three years are:

<u>BRAND</u>	<u>UNITS (M)</u>
H&R/NEF	173
Browning	5
Other	<u>54</u>
TOTAL	232

**2001 Single Shot Shotgun Brand Share  
(% of Units)**



## **Competitive Outlook**

H&R/NEF is still the market leader in the single shot shotgun category. The vast majority of single shot products are low priced, high volume guns whose average retail price is under \$100. Browning is the exception with its BT-99, which is a single shot trap gun whose market sector is clearly small in comparison to the lower end product. Small volumes and high cost of manufacture caused Remington to discontinue its own single shot trap gun, the 90-T, in 1999.

It's interesting to note that H&R/NEF's share has eroded in recent years as lower cost imports from China and the former USSR are making inroads domestically. After many years of 85%+ share for H&R/NEF, the imports have doubled their market share since 1997, leaving H&R/NEF with only 75% in 2001.

Remington does not compete in this category, and there are no firm plans to do so in the near future. However, there may be opportunities to enter this market if a product can be introduced that is low enough cost and can be positioned properly. Most likely this would be a heavily outsourced product to keep overhead low. The design would have to be simple and safe. One possibility is to build a single shot shotgun based on the very simple Rolling Block action. This was last done in 1891 with the Model 1 and Model 2 Rolling Block Shotgun. Marketing will work with R&D and Manufacturing to determine if such a product fits into Remington's strategic framework.

***A Remington single shot shotgun would have to come with a cost of no more than \$40 and a net price of less than \$75 to achieve a profit margin of 34-35%. This would yield around \$20 gross profit per gun. First year volumes could be expected at 30M units.***



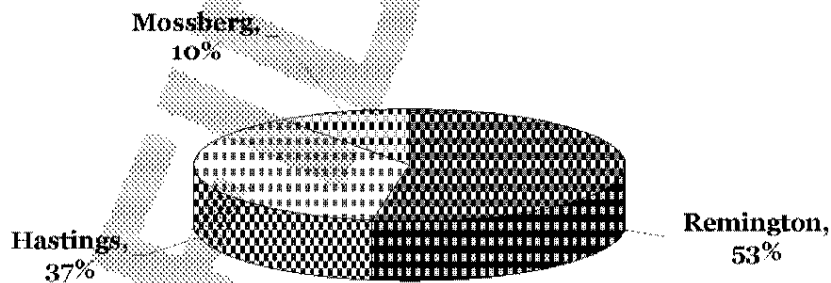
## EXTRA SHOTGUN BARRELS

### Market Summary

The extra shotgun barrel market is estimated to be about 70M units annually and includes the following three manufacturers.

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	37
Hastings	26
Mossberg	7
TOTAL	70

Extra Shotgun Barrel Brand Share  
(% of Units)



### Competitive Outlook

In terms of gross profit, extra shotgun barrels have some of the best margins in Remington shotgun products, with a SGM of almost \$72 per unit, or over 50%.

Remington's main competition in this market is from **Hastings®**, who manufactures extra barrels and choke tubes not only for Remington but for Browning, Ithaca and Beretta shotguns as well. Hastings has a reputation for good levels of quality and enjoys respectable sales with its replacement barrels for Remington shotguns. Hastings barrels are offered for the Model 870, Model 1100 and Model 11-87, and come with interchangeable chokes. The Hastings Paradox® line is comprised of fully rifled 12 and 20 gauge barrels, and offers rifled sight and scope mount options. The Hastings barrel line for Remington shotguns spans over 40 SKUs and carries a distributor price after discounts and terms of 5%-10% less than comparable Remington product.

**Mossberg®** also offers replacement barrels for Remington shotguns, but only in 12 gauge and only for the Model 870. Their line includes 7 SKUs and is almost entirely made up of deer barrels. The distributor price after discounts and terms is around 5% less than comparable Remington barrels, but the perceived low quality of the Mossberg product does not make them a serious threat.

### **Extra Shotgun Barrel Product Strategy**

- **2003-2004:** Extra barrel strategy for the short term will include the addition of 16 gauge slug barrels for the Model 870 Wingmaster and Express. In addition, a 16 gauge VT RC barrel will be added for retrofit to the "old" style 16 gauge guns. In 2004, deer barrels for the Model 1100 16 gauge will be introduced.
- **2005-2007:** Long term, the strategic direction will be closely tied to the introduction of the Model 2100 New Gas Autoloader. Its design will allow for replacement barrels that are fully rifled and have provisions for scope mounts and rifle sights.
- **2006:** New rifling technologies will be explored that have performance improvement potential. Polygonal and microgroove rifling will be evaluated for greater accuracy enhancement. This can be incorporated into existing 870, 1100 and 11-87 barrels to drive incremental sales.

New extra shotgun barrels for 2003-2004 are as follows:

<b>2003-2004 XBL Model</b>	<b>MSP</b>	<b>Net Selling Price</b>	<b>1st Year Volume</b>	<b>Margin</b>
<b>870 Wing 16/20 Deer RS</b>	<b>\$142</b>	<b>\$103</b>	<b>1000</b>	<b>30%</b>
<b>870 EXP 16/20 Deer RS</b>	<b>\$101</b>	<b>\$73</b>	<b>1000</b>	<b>37%</b>
<b>870 Wing 16/28 VT RC</b>	<b>\$181</b>	<b>\$131</b>	<b>1000</b>	<b>45%</b>

## **SPECIAL PRODUCT OPPORTUNITIES - SHOTGUNS**

### ***Model 710 Slug Shotgun***

As a low cost centerfire platform, the Model 710 rifle has few equals. Equipped with a detachable box magazine, a 3x9 scope and a suggested retail price of \$425, the Model 710 rifle has quickly gained a reputation as an accurate rifle and an outstanding value. If the design can be converted for a specialty slug round, then there will be nothing like it in the marketplace.

Remington's ammunition group is in the conceptual stages of developing a high performance slug round called the NXS, or New Experimental Slug. 28 gauge is the largest gauge that means the fewest design changes to the existing Model 710. This would therefore be a collaborative effort between Firearms and Ammunition that has some very attractive profit potential.

The North American Hunting Club reports that there are 13 states that have slug-only laws for hunting big game. Within those states there are an estimated 2 million slug hunters. A price point slug gun featuring a new high performance slug round, relatively high magazine capacity, inherent Model 710 accuracy and a pre-mounted scope will beat the competition hands down. The performance advantages over the competition are:

- Inherently strong three-lug lockup
- Button rifled barrel for maximum accuracy
- Assuming a 28 gauge slug, then 4 round capacity is possible
- A bore-sighted scope is standard
- Familiar Model 710 rifle design

Pricing strategy for the new slug gun is as follows:

Model	MSP	NSP	1 <sup>st</sup> Year Volume	Margin
710 Slug Gun, 28 gauge	\$339	\$263	15000	45%

## Challenges

- The conceptual new slug round is still in the early stages, so designing a package that can deliver high down-range energy with sufficient lethality may take some time. Due to the required energy, this will also mean that the round must be designed such that it will not fit into a regular 28 gauge shotgun. ***This new product is therefore not expected to be ready for introduction until 2004.***
- 11 of the 13 slug-only states will not allow slug guns smaller than 20 gauge. A similar problem was encountered with the introduction of copper solid sabot rounds. At that time the problem was overcome by direct contact with and subsequent education of the various state DNRs (Dept's of Natural Resources). Once sufficient proof is provided that the new product has the requisite lethality, then it is anticipated that approval by the individual DNRs will not be far behind. Based on previous experience the contact and education phase with the state agencies will begin at least 1 year from introduction to the public.
- The geometry of the Model 710 system is such that 28 gauge appears to be the best gauge to use that will fit into the existing envelope. Despite what looks like a simple development effort, there will be several design challenges around the bolt head/extractor, magazine box, barrel, etc. This will also take time and require a full R&D effort. Remington R&D is scheduled to begin this development effort in 3<sup>rd</sup> Quarter 2002.
- Obviously there is no data to suggest what the rifling should be for this new gun. Because of the unknowns with the NXS ammo, it is not yet possible to predict what rifling geometry or twist rate will provide the maximum in accuracy. As the ammunition development progresses these questions will be answered, but will require significant testing.

## Rimfire Rifle Market Summary

*The U.S. domestic rimfire market is estimated to be in the range of 680M units sold annually.* The retail sales value of this market is approximately \$99MM at an average price of \$145 per unit. Retail prices range from less than \$100 to over \$1000 across the category.

The rimfire rifle segment is dominated by the autoloading rifle, constituting nearly 70% of all sales in the category. The remaining 30% of the sales volume is comprised of a mix primarily of bolt-action, lever-action, and pump-action rifles.

Distribution takes place primarily through mass-merchants with Wal-Mart being the category leader with nearly 30% of total retail sales volume in the segment.

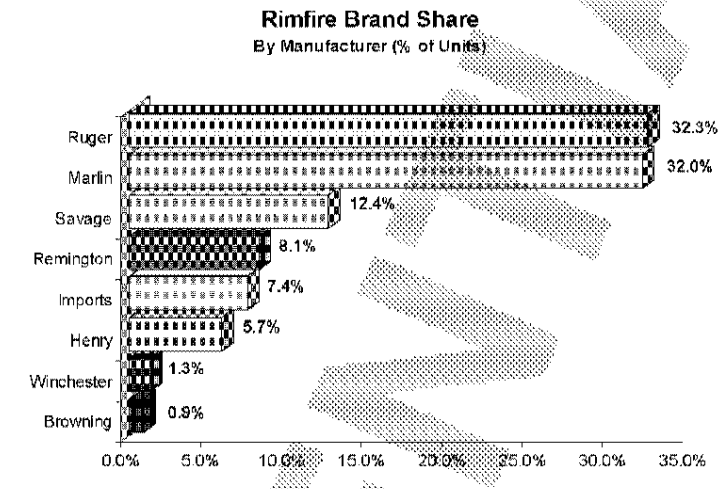
Category leaders by a wide margin are Sturm, Ruger & Co. and Marlin Firearms. Product sales by these two manufacturers constitute 60% of the total rimfire rifle market. Total 2001 sales volumes by manufacturer are listed below.

### 2001 Rimfire Market (Estimated Sales Volume by Manufacturer)<sup>1</sup>

<u>BRAND</u>	<u>UNITS (M)</u>
Ruger	219
Marlin	217
Savage	84
Remington	55
Imports	50
Henry	39
USRAC	9
Browning	<u>6</u>
TOTAL	679

<sup>1</sup> Combined analysis of BATF Production Figures-1999, SAAMI factory shipments – 2001, Remington actual sales data, and 2002 Sales Distribution Analysis

Compiled market data suggests the following brand share position by manufacturer as a percent of units sold.



As stated earlier the rimfire rifle market is clearly dominated by Ruger and Marlin. Although Remington has gained some favor in the marketplace with the Model 597, early performance issues with respect to the magazine box and feeding, coupled with a retail price position close to that of the Ruger have caused the Model 597 to fall short of initial projections.

Ruger's position stems almost entirely from longstanding market dominance of the Model 10/22 autoloading rimfire rifle. Regarded widely as the standard for autoloading rimfire rifles, the 10/22 has entrenched itself in the marketplace through broad distribution and widespread acceptance as a quality performer for the money.

Marlin has established itself as the low-cost leader in the rimfire market with the Model 60 autoloading rimfire rifle. At a retail price of just over \$100, the Model 60 is often referred to as "the most popular 22 in the world."

## **RIMFIRE RIFLE INDUSTRY ANALYSIS**

The U.S. domestic rimfire rifle market as a whole is dominated by two players, Sturm Ruger & Co., and Marlin Firearms, each with just over 32% share in units of the total market volume. Third is Savage Arms with 12.4% of the U.S. market. The Remington Arms Co. is a distant fourth in the rimfire rifle market with a scant 8.1% of the total market volume in units. Imports also play a role in the U.S. rimfire rifle market. Former Communist Block countries, particularly the Czech Republic have made significant inroads into the U.S. with lower-cost rimfire rifles that at face value, appear to deliver significant value for the money spent.

The price/value relationship plays a key role in the rimfire market. Low-cost rifles in this category appeal to the masses. In 2001, of the 211M units of rimfire rifles sold by Wal\*Mart, 62% of said volume was comprised of products retailing at a price less than \$160.00<sup>2</sup>. The result is an intense struggle by manufacturer's to protect their precious share of the market by maintaining competitive cost positions which translate into low prices at the retail counter.

In stark contrast to the highly competitive "low-end" rimfire market, there is a significant, albeit smaller portion of the market willing to pay premium prices for high-end rifles. Appealing generally to the rimfire "aficionados," product offerings chambered for .22 Winchester Magnum and the newly introduced .17 Hornady Magnum as well as premium grade bolt-action rimfire rifles command higher prices and higher margins.

### **1. Customer Profiles**

- If one were to examine the rimfire rifle customer solely on a traditional demographics basis, one would find such a broad range of characteristics that it would be difficult to categorize or classify said customer in any meaningful manner. For instance, other than being predominately male, the age, income, and geographic distributions would be so broad that targeting any one particular attribute would prove difficult at best. Rather, it is much more effective to categorize the customer based on the intended usage of the products. In the case of rimfire rifles, it can reasonably be assumed that there are two distinct customer groups. These groups can be categorized as the "plinker" and the "enthusiast."
  - The "plinker" by in large makes up the predominate sector of the rimfire rifle market. Typical end use would range from casual target shooting to occasional small game hunting. Purchase decisions by the "plinker" would be influenced by price, value, and brand recognition. The "plinker" would often select a product based on the recommendation of

<sup>2</sup> 2001 Wal\*Mart F.O.S. Data - confidential

a friend or relative, or through ample exposure to some advertising medium. The “plinker” would expect accuracy required to consistently hit small targets such as cans, pie plates and small game, with relatively few malfunctions across a broad range of ammunition offerings (especially price point ammunition).

- The “enthusiast” can be classified as a smaller yet more discriminating customer base. The “enthusiast” may be a competitive or semi-competitive target shooter, or varmint hunter relatively well versed in firearms technology and ammunition capabilities. Accuracy expectations from this customer will typically be 1 Minute-of-Angle or less with a very low tolerance for malfunctions of any kind. While more discriminating in tastes and expectations, the “enthusiast” is less influenced by price point and more apt to make their purchase decision based on reputation, technical write-ups and word of mouth throughout elite shooting circles.

## 2. Brand Perception

- Although no known comparative study is known to exist with respect to measuring brand perception exclusive to rimfire rifles, some conclusions can be drawn from Sports Market Research Group’s (SMRG) 2000 study of the overall (centerfire & rimfire) market<sup>3</sup>, as well as through general knowledge gained through discussions with consumers and the monitoring of internet message boards. Listed below is a summary of Remington’s brand perception, along with the perception of the three dominant brands within the rimfire rifle category.

- **Remington** – Over the years, Remington has established the reputation of delivering exceptional value for the money. The SMRG 2000 study of the rifle market supports this as the price/value factor was the number one reason for choosing a Remington rifle. This study, however, covers both centerfire and rimfire rifles. It is the belief of this writer that Remington’s brand perception is much stronger for centerfire rifles than it is for rimfire rifles at the present time. Remington’s position in the rimfire market is very weak as a result of the failure from a quality standpoint of the Model 522 Viper and early stumbles with the Model 597 which plagued the product with a reputation of unreliable feeding. In addition, Remington spends relatively few advertising dollars in comparison to other key players, attributing to shortfalls in brand recognition.

- **Ruger** – Ruger’s position in the rimfire market, primarily with the Model 10/22 is an enviable one. Priced moderately, Ruger products are not considered as low-cost, price point products, but as high on the price/value scale. The results are products which successfully penetrate

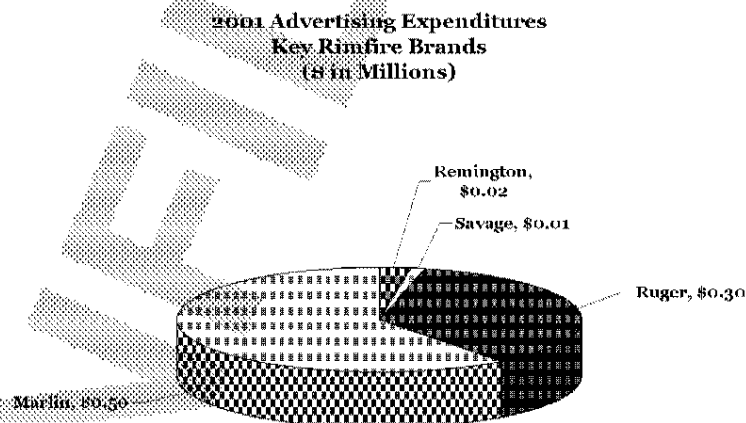
<sup>3</sup> SMRG’s U.S. Marketing 2000 Annual Report - Rifles



the “plinker” market, while maintaining acceptance within the “enthusiast” sectors of the market. SMRG data also shows Ruger with a very strong position from a brand recognition perspective, supporting their dominating position with respect to advertising expenditures.

- **Marlin** – Marlin is without a doubt the low-cost leader in the rimfire rifle category. Tied with Ruger with 32% of the total market, Marlin has been very successful in mass merchant retail by establishing the Model 60 as the most popular tubular magazine fed autoloading rimfire rifle. With entry level pricing just over \$100, the Model 60 has proven to be very popular with the “plinker” segment of the market. In fact, it is a reasonable assumption that Marlin dominates the “plinker” segment. While Marlin does offer some specialized bolt-action products to appeal more to the “enthusiast’s,” they have positioned themselves well as the entry level rimfire leader.
- **Savage** – While third in brand share, Savage is a distant third with just over 12% of the total rimfire market. Also regarded as a low-cost, entry level brand, Savage has not gained the following enjoyed by Marlin. From this writer’s perspective, those who purchase a Savage as an entry level rifle seem satisfied with the product. Perhaps Savage’s shortfall stems from brand recognition. Of all the major U.S. firearms manufacturers, Savage spends the least amount in advertising dollars<sup>4</sup>.

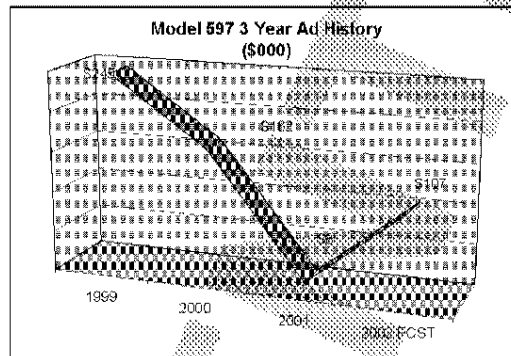
#### 2001 Total Print Ad Expenditures – Rimfire Rifles by Key Brands<sup>5</sup>



<sup>4</sup> 2001 AD Facts Firearms Advertising History

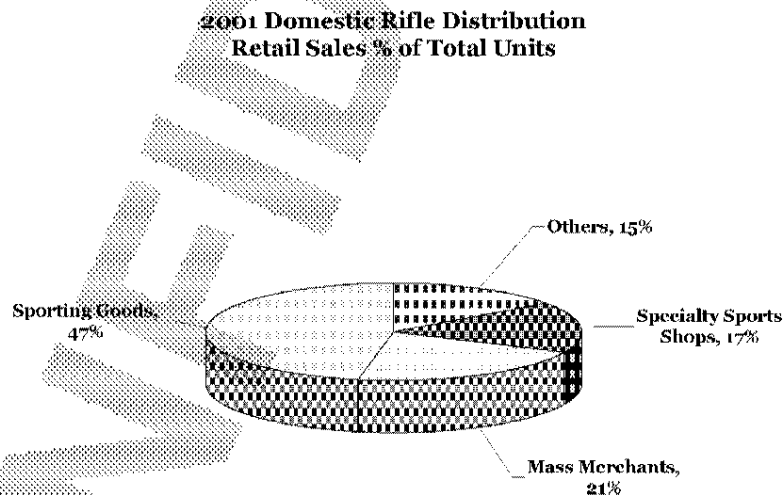
<sup>5</sup> Ibid

The chart above paints a clear picture of the emphasis Marlin and Ruger place on protecting their brand share in the rimfire market through the support of advertising dollars. In order to successfully gain share in the rimfire market, Remington must provide additional advertising support to generate impressions on the consuming public. Listed below is the historical and current forecast of advertising expenditures for the Remington Model 597 Autoloading Rimfire Rifle.



#### **Distribution Analysis – Rimfire Rifles**

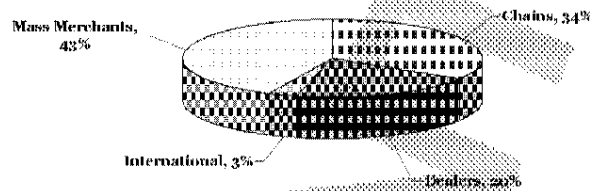
Listed below is the total retail distribution for all rifles (centerfire and rimfire) as reported by the 2001 NSGA Retail Study.<sup>6</sup>



<sup>6</sup> 2001 NSGA Retail Study.

Listed below is the total 2001 retail distribution for Remington rimfire rifles.

**2001 Remington Rimfire Rifle Distribution  
Retail Sales % of Total Units**



While no known comprehensive study exists categorizing the total retail distribution of rimfire rifles only, it is the belief of this writer that the Remington rimfire rifle distribution more closely resembles the true picture of the industry as a whole than does the NSGA Study. It is also important to note that the “Mass Merchant” category in the case of Remington is made up almost exclusively by Wal\*Mart.

## AUTOLOADING RIMFIRE RIFLES

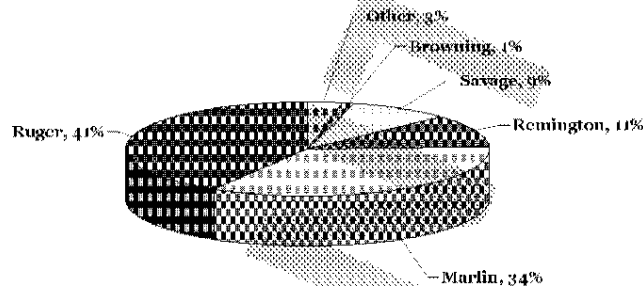
2001 sales estimates have determined the U.S. domestic autoloading rimfire rifle market to be 473k units annually. A break down by manufacturer is listed below.

**2001 Autoloading Rimfire Rifle Market  
Estimated Sales By Manufacturer**

<u>BRAND</u>	<u>UNITS (M)</u>
Ruger	194
Marlin	162
Remington	53
Savage	42
Other	16
Browning	<u>6</u>
<b>TOTAL</b>	<b>473</b>

## 2001 Autoloading Rimfire Rifle Brand Share (% of Units)

2001 Autoloading Rimfire Rifles  
(Brand Share by Manufacturer)



### Remington Segment Performance – Autoloading Rimfire Rifles

Remington competes in the autoloading rimfire rifle segment with two product families. 2001 sales consisted of 53M units or \$7.3 MM in revenue. Volume and revenue changes from 2000 to 2001 were decreases of 9% and 10% respectively.

	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 FCST	2003 P.O.
Unit Sales (M)	64.2	56.9	57	51	47	50
Sales Dollars (\$MM)	\$7.6	\$7.7	\$6.9	\$6.3	\$5.6	\$5.8
Standard Margin (\$MM)	\$2.1	\$1.8	\$1.3	\$1.0	\$0.7	\$0.7
Standard Margin (%)	27.0%	23.5%	18.8%	15.5%	12.6%	12.1%

The Mayfield based Model 597 family dominates Remington's presence in the category, consisting of 51k of the total volume of the 53M autoloading rimfire rifles sold. The remaining 2M units are comprised of the Ilion based Model 552 Speedmaster.

Model 597 sales appear to have stabilized over the course of the past two years. Therefore volumes and share growth are stagnant. This is problematic for Remington. Introduced in 1997, the Model 597 has reached a plateau in its product life cycle much too soon. The Model 597 problem for Remington is one of complexity. With razor thin standard margins of 12%, Remington must focus on increasing profitability while growing volume in the category. For a product which competes in a highly price elastic market, this presents a formidable task.

The Ilion based Model 552 Speedmaster, while boasting a healthier margin over the Model 597 of 23% comprises only a small portion of category sales. Appealing to more of a niche market, the Model 552 is not a serious competitor in the autoloading rimfire rifle market. While the moderate volumes of 2M-3M units per year remain attractive, the growth prospects for this rifle, mature in its product life cycle are limited at best.

## **Competitive Outlook**

Principle competitors to Remington in the Autoloading Rimfire Rifle market are Ruger, Marlin, and Savage. Listed below is a brief summary of principle competitive offerings from each of these three manufacturers.

### **Ruger**

Ruger's principle competitive autoloading rimfire product is the **Model 10/22**. Featuring a 10-shot rotary magazine, the 10/22 has established a reputation of tremendous value for the money and is widely considered to be the standard by which other autoloaders are judged against. The 10/22 is offered in wood, synthetic, and laminated stock versions with both blued and stainless configurations. Heavy barrel target versions are available as is a 10/22 Magnum chambered for .22 WMR.

### **Marlin**

Marlin's dominant product offering in the autoloading rimfire category is by far and away the **Model 60** and its variants. Equipped with a 14-shot tubular magazine, the Model 60 is commonly referred to as the most popular .22 rifle in the world. Economically priced and widely available, the Model 60 is offered in standard wood stocked, carbon steel models with stainless steel, synthetic stocked and camouflaged versions also available. Marlin also offers scoped versions of the base wood-stocked Model 60 and the stainless steel wood-stocked model equipped with a low-cost fixed 4X scope. The stainless steel scoped version has proven to be a popular item with Wal\*Mart stores.

Marlin also offers a clip-style magazine version in the **Model 795**. Equipped with a 10-shot magazine, the Model 795 features a synthetic stock and is available in standard carbon steel and stainless steel.

### **Savage**

Economically priced, the Savage **Model 64** series of autoloading rimfire rifles feature a detachable magazine box and are available in wood, synthetic stocked versions with a choice of carbon or stainless steel actions. Like Marlin, Savage offers a scoped version of the Model 64 in wood and synthetic stocked configurations with carbon steel actions. Not unlike the Marlin, the scoped Model 64's feature an inexpensive fixed 4X scope.

## **Remington**

Remington's mainstay in the autoloading rimfire rifle market is the **Model 597** family. Available in four .22LR and three .22WMR sku's, the Model 597 family constitutes over 95% of Remington's sales volume in the category. .22LR versions feature a 10-shot detachable magazine box while the .22WMR versions come equipped with an 8-shot magazine box. All Model 597 rifles are drilled and tapped for scope mounts, and are designed with a "last-shot hold open" feature which leaves the action in an open position after the final shot is fired.

Model 597 – The base 597 is chambered for 22LR and features a gray synthetic stock with a blued action with iron sights. This configuration of the Model 597 constitutes 70% of all sales within the product family.

Model 597SS – Chambered for 22LR only the 597 SS is equipped with a stainless steel action with iron sights and the standard gray synthetic stock

Model 597 LSS – The 597 LSS features a brown laminate stock with stainless steel action and iron sights. Chambered for .22LR.

Model 597 HB – Featuring a brown laminate stock similar to that of the 597 LSS, the 597 HB is equipped with a heavy target contour clean barrel. Chambered for .22LR and .22WMR.

Model 597 Magnum – Identical to the base Model 597 .22LR, only chambered for .22 WMR.

Model 597 Magnum LS – The Model 597 Magnum LS features a gray laminate stock and blued action with iron sights. Chambered for .22WMR.

Initial versions of the 597 received a mixed reception due to early issues with malfunctions in feeding, a plastic magazine box and excessively heavy trigger pull. Over the course of its life, the 597 has evolved to feature a metal magazine, a newly designed ejector to virtually eliminate jamming issues and manufacturing methods have been refined to improve the trigger.

However, the Model 597 has yet to reach its anticipated potential in the marketplace. Priced in between the Marlin Model 60 and the Ruger 10/22, the Model 597 has difficulty in providing obvious product differentiation to draw the Model 60 prospective buyer up on the price scale. In addition, the Model 597 is relatively close in price to the perceived standard Model 10/22, providing easy rationalization for the undecided consumer to choose the category standard Ruger. Due to the low margin position of the Model 597, Remington must find ways to deliver distinct product differentiation to the shooting public, while adding profitability to the line.

As stated earlier, Remington also offers the Model 552 Speedmaster autoloading rimfire rifle. Equipped with a tubular magazine, the 552 Speedmaster is the only domestic autoloading rimfire rifle capable of shooting .22LR, .22 Long, and .22 Short ammunition. The Model 552 Speedmaster features a polished blued finish and high-gloss walnut stock and fore end with cut checkering.

#### Wholesale Pricing Comparison Autoloading Rimfire Rifles

Manufacturer	Model	Net Wholesale Price
Ruger	10/22	\$139 - \$174
Ruger	10/22 Magnum	\$290
Marlin	Model 60	\$99 - \$160
Marlin	Model 60 Scoped	\$104 - \$135
Marlin	Model 795 Carbon	\$95
Marlin	Model 795 SS	\$127
Savage	Model 64	\$88
Savage	Model 64 SSHB	\$149
Savage	Model 64 Scoped	\$91 - \$99
Remington	Model 597 Syn	\$111
Remington	Model 597 SS	\$149
Remington	Model 597 LSS	\$186
Remington	Model 597 HB	\$181
Remington	Model 597 Mag	\$220
Remington	Model 597 Mag LS	\$258
Remington	Model 597 Mag HB	\$273

#### S.W.O.T. Analysis – Model 597 Autoloading Rimfire Rifles

##### Strengths

- Button rifled barrel produces an inheritably accurate product
- Widely available through a broad range of distribution
- State-of-the-art manufacturing facility produces a consistent product

## **Weaknesses**

- Early incidences of malfunctions have given the product a black-eye that has proven difficult to remedy
- Product is also plagued by the poor reputation and product failure of the Model 522 Viper in the autoloading rimfire rifle category
- Low-margin position yields poor profitability
- Low visibility in comparison to Ruger with respect to advertising exposure

## **Opportunities**

- Growth opportunities exist with Wal\*Mart
- Past performance with special make opportunities have yielded significant volume and can result in improved margins
- Speed to market with the new .17 Hornady Magnum Rimfire could place Remington in the market with the first autoloading rimfire rifle chambered for this round

## **Threats**

- Continued pressures from Ruger and Marlin to protect market share
- Increased pressure from imports
- Increased costs of materials or increased costs of manufacturing could drive the 597 over the threshold price of competitiveness

## **Product Strategy – 2003**

### **Model 552 Speedmaster**

No new product introductions are planned for the 552 Speedmaster. An emphasis should be placed on maintaining manufacturing quality to protect the small but profitable niche market opportunity enjoyed by this product.

### **Model 597**

**Model 597 Magnum .17HMR** - Introduced at the 2002 S.H.O.T. Show, the .17 Hornady Magnum Rimfire was one of the hottest topics of the year. Product offerings from Marlin and Ruger feature bolt-action rifles chambered for the .17 HMR. If executed in a timely fashion, Remington has the opportunity to present the first autoloading rimfire rifle chambered for this new round. The 597 Magnum .17 presents the following opportunities:



**597 Magnum Synthetic** – Standard 597 Magnum chambered for .17 HMR

**597 HB Magnum** – Same as current 597 HB Magnum chambered for .17HMR.

**597 .17 HMR Conversion Kit** – Marketed under the same strategy followed on shotgun part order barrels, the sale of .17 HMR Model 597 barrel would allow the current owner of a Model 597 Magnum .22WMR to convert their firearm over to accommodated the .17 HMR.

Model	MSP	NSP	1st Yr. Volume
597 Magnum SYN .17HMR	\$ 241.00	\$ 215.40	5000
597 HB Magnum .17HMR	\$ 299.00	\$ 267.23	2000
597 Magnum .17HMR Conversion	\$ 103.00	\$ 86.30	2500

**Model 597 Scoped Combo** - The Marlin Model 60SS scoped combo has proven to be tremendously successful at Wal\*Mart. Point of Sale data from Wal\*Mart indicates growth in volume for this sku in 2002 of 10% over 2001 levels. The rifle comes with an inexpensive fixed 4X scope with 20mm objective and 5/8" tube. Significant opportunity exists for Remington to enter this category with a similar offering, only with a scope perceived as a greater value. A fixed 4X scope with a 32mm objective and 1" tube from BSA has been identified as a candidate for this project. Initial thoughts are to make this product an exclusive for Wal\*Mart conditional upon Wal\*Mart's commitment to grow the 597 business significantly.

Model	MSP	NSP (Wal Mart)	1st Yr. Volume
597 Scoped Combo	\$ 140.00	\$ 130.34	7500

**Pricing Considerations** – From a purely competitive perspective, there is every argument not to take a price increase on the Model 597, especially on the 22LR models. However, pricing on the Model 597 has held for two consecutive years despite rising manufacturing costs. Margins on the Model 597 are poor and a price increase for 2003 is a necessary action. **A 4% price increase is recommended across the line for 2003.**

**Product Deletions** – No product deletions are planned for 2003.

## **Product Strategy – 2004 & Beyond**

### **Model 552 Speedmaster**

There are no new products planned for this item. Consideration will be given to special make opportunities provided they meet a threshold minimum of 500 units.

### **Model 597**

The key to the continued success of the Model 597 family lies in maintaining or reducing manufacturing costs without sacrificing the quality of product delivered to the marketplace and in product differentiation. Points for consideration are:

- Cost reduction opportunities such as the elimination of the receiver dovetail cut and drilling and tapping of scope base holes on the receiver by redesigning the receiver with built in bases, similar to the Ruger 10/22.
- Pursuit of special make up opportunities that provide product differentiation to our customers, allowing the 597 to fill voids left by the 10/22 and Model 60 in niche market opportunities.
- Special make opportunities that capitalize on the Remington NASCAR sponsorship with Dale Earnhardt Jr. These opportunities have proven to be good volume in previous years, however due to vendor yields and inconsistencies, these special runs were not profitable. R&D has been challenged with finding alternate sources and solutions which will allow Remington to again capitalize on this partnership.
- Maintaining flexibility to respond quickly to changes in market trends in order to capitalize on opportunistic situations such as the recent introduction of the .17 Hornady Magnum Rimfire.

***Pricing Considerations*** – It is recommended that after the 2003 price increase, pricing be held on the Model 597 line barring any opportunistic potential yielded in Ruger's pricing strategy for the Model 10/22.

## MANUAL ACTION RIMFIRE RIFLES

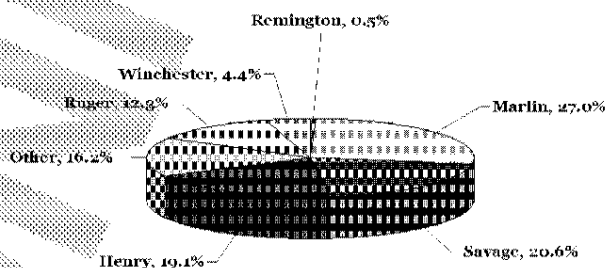
Manual action rimfire rifles can be categorized as pump action, lever action and bolt action firearms. 2001 sales estimates place the total manual action rimfire rifle U.S. domestic market at 204M units. Of the category, bolt action rifles dominate the total volume, accounting for 75% of the category volume, or 153M units annually. A break down by manufacturer is listed below.

### 2001 Manual Action Rimfire Market Estimated Sales by Manufacturer

<u>BRAND</u>	<u>ACTION TYPE</u>	<u>UNITS (M)</u>
Marlin	Bolt	55
Savage	Bolt	42
Henry	Lever	39
Other (Imports)	Bolt	33
Ruger	Bolt	25
USRAC	Lever	9
Remington	Pump	<u>1</u>
TOTAL		204

### 2001 Manual Action Rimfire Brand Share (% of Units)

2001 Manual Action Rimfire Rifles  
(Brand Share by Manufacturer)



## **Remington Segment Performance**

Remington's presence in this market category is essentially non-existent. Currently, the only product offered by Remington is the Model 572 Fieldmaster pump-action rimfire. With volumes ranging between 1M and 1.5M units on an annual basis, this product is not a formidable competitor appealing to a small niche market. From a historical perspective, when the 541/581 series of bolt-action rimfire rifles were manufactured, Remington maintained approximately 10% of this market segment.

## **Competitive Outlook**

As stated earlier, save the specialized lever-action rimfire rifles from Henry, Marlin and Winchester, the manual action category is dominated by the bolt-action rifle. Remington no longer possesses a core competency in the manufacture of lever-action firearms, hence the following discussion will focus on the bolt-action category.

Bolt-action rimfire rifles can be categorized in **three basic price categories – Low, Mid, and High**. Listed below is a general discussion of each of the three categories.

### ***Low Price (Less than \$250)***

Low price bolt-action rimfire rifles account for approximately 60% of all bolt-action rimfire rifles sold in the U.S. domestic market. Distributed primarily through mass merchant channels, these low price offerings are attractive as entry level rifles, or rifles used for casual target shooting or hunting.

### ***Savage***

Savage Arms participates in the bolt-action .22LR rimfire category with the single shot Mark-I series and the repeating Mark-II series. Both are priced right for the entry level market and are strong performers with the mass merchants. Savage also provides a .22 Magnum series in the Model 93.

The **Mark-I single shot series** is positioned toward instructional use and as youth firearms. Available in wood stocked full size and youth configurations, a stainless steel/laminated stock set up, and in a synthetic stocked youth camo version.

The **Mark-II repeater series** is essentially identical to the Mark-I, only equipped with a single stack, removable magazine. Also available in a variety of stock and action configurations, including heavy barrel varmint versions.

The **Model 93 series magnum** bolt-action rimfire rifles are, like the Mark-II, available in wood and synthetic stocked versions with choices in carbon or stainless steel actions as well. Also available are heavy barreled varmint models.

## **Marlin**

Marlin competes in the bolt-action rimfire market with products at the true entry level price point as well as with products priced at the top end of what we refer to as the "Low" price point category. Product offerings are available in .22LR, .22 Magnum, and in the new .17 Hornady Magnum Rimfire. As one can see from the product offering descriptions below, Marlin has by far the greatest breadth in product offerings in the bolt-action rimfire rifle market.

The **Model 15 series** consists of two single-shot youth rifles, one with a blued action and one with a stainless action. Both are fitted with a low-grade hardwood stock.

Next on the price scale are the **Model 25 .22LR series and the Model 25M .22 Magnum repeating rifles**. Both equipped with a 7-shot detachable magazine box, the Model 25 series features a low-grade hardwood stock and blued action. Both the .22LR and the Magnum versions are also available in a camo version.

Rounding out the entry level price point category for Marlin is the **Model 81TS .22LR and 83TS .22 Magnum**. The 81TS features a synthetic stock and tubular magazine capable of handling .22LR, .22 Long and .22 Short cartridges. The Model 83TS is equipped exactly like the 81TS, except the tubular magazine on the 83TS only accepts .22 WMR ammunition.

Marlin's premier line of .22LR bolt-action rimfire rifles consist of the **Model 880 series**. The **Model 880SQ "Squirrel Rifle"** features a heavier contour, blued barrel intended to enhance accuracy. Also available is the **Model 880SS** with a standard contour stainless steel barrel and action. Both models are equipped with a synthetic stock and 7-shot detachable magazine.

Marlin's premier .22 Magnum line consists of the **Model 882 and Model 883 series** rifles. Model 882 rifles feature a 7-shot detachable magazine, while the Model 883 sports a 12-shot tubular magazine. Available in wood, laminate, and stainless synthetic configurations. The Model 883 is available in a wood stocked version with a choice of blued or stainless barreled actions.

Marlin's big news for 2002 came in the way of the .17 Hornady Magnum Rimfire cartridge. A joint development between Hornady Mfg., Marlin Firearms and Sturm Ruger, the .17 HMR was one of the most popular topics at the 2002 S.H.O.T. Show. Marlin entered the .17 HMR with two heavy varmint contoured barrel offerings, both with 7-shot detachable magazine boxes. These offerings consist of the **Model 17V**, a "no frills" walnut stocked, blued action version and the **Model 17VS**, a laminate stocked version with stainless steel barreled action.

**Wholesale Pricing Comparison  
Low Priced Bolt-Action Rimfire Rifles**

Manufacturer	Model	Net Wholesale Price
Savage	Mark –I Single Shot	\$90 - \$112
Savage	Mark – II Repeater	\$90 - \$103
Savage	Mark – II HB	\$136 - \$157
Savage	Model 93 Magnum	\$111 - \$139
Savage	Model 93 Mag. HB	\$160 - \$188
Marlin	Model 15	\$111
Marlin	Model 15 SS	\$125
Marlin	Model 25	\$113 - \$133
Marlin	Model 25 Magnum	\$129 - \$149
Marlin	Model 81TS	\$114
Marlin	Model 83TS Mag	\$139
Marlin	Model 880 SS	\$169
Marlin	Model 880 SQ	\$178
Marlin	Model 882	\$174 - \$185
Marlin	Model 883	\$181 – 192
Marlin	17V	\$144
Marlin	Model 17VS	\$216

***Mid Priced (\$250-\$500)***

Accounting for approximately 25% of the bolt-action rimfire rifles sold in the U.S. domestic market, rifles in the mid priced category appeal to a more discriminating market. As a result, these rifles do command a higher price. Rifles in this price category adopt some of the same features found on popular bolt-action centerfire rifles such as adjustable fire controls, higher grade wood and superior finish. Remington used to compete in this segment with the Model 541 and 581 series of rimfire rifles.

**Ruger**

Based on the popular M77 centerfire rifle series, the **Ruger M77/22** takes shares many of the styling characteristics of its centerfire counterpart, as well as the same three-position safety. First introduced in 1980, the 77/22 has gained quite a foothold in the mid priced bolt-action rimfire category. Models are available in 22LR, 22 Magnum and the new .17 Hornady Magnum Rimfire. Available in walnut, laminated, and synthetic stocked configurations with both blued and stainless actions available. The Model 77/22 features the same rotary style magazine found in the 10/22. Another nice feature of the 77/22 line, although not a rimfire topic, was Ruger's expansion of the 77/22 into a small centerfire rifle cartridge, the .22 Hornet. The .22 Hornet offerings have proven very successful for Ruger.

### **CZ (Ceska Zbrojovka)**

In the mid 1990's importation of the CZ ZKM 452 series of bolt-action rimfire rifles began. Manufactured as at very low costs in the former communist block nation of Czechoslovakia, the CZ product is a no-frills albeit sturdy platform that has gained quite a following the U.S. Domestic market. BATE import reports indicate some 6M-10M units are imported into the U.S. on an annual basis. Available in European, Classic American, and Varmint configurations, the CZ rifles feature Turkish walnut stocks, cast steel receivers and hammer forged barrels with a low-luster matte finish.

#### **Wholesale Pricing Comparison Mid Priced Bolt-Action Rimfire Rifles**

Manufacturer	Model	Net Whsle Price
Ruger	77/22	\$329 - \$348
CZ	ZKM 452	\$225 - \$250

### **High Priced (Over \$500)**

The high priced segment of the bolt-action rimfire market is the smallest category by far. However, prices commanded for rifles in this category are far from the \$100 price point, mass produced rifles. In fact, there is a significant step change in price between the Mid Priced and High Priced bolt-action rimfire rifles. While the Mid Priced Rifles seldom approach the \$500 retail mark, it is not uncommon for the High Priced rifles to sell in the \$800 - \$1000 range. This price gap suggests that there is some untapped opportunity for a platform that draws potential buyers up from the Ruger and CZ rifles, while also drawing potential buyers down from the high priced platforms. Distribution in the High Price category takes place nearly exclusively through direct dealer relationships.

### **Kimber**

The Kimber 22 has received reviews by some prominent outdoor writer's as being the finest American made bolt-action rimfire rifle available. Recently introduced after departing from the bolt-action rimfire market, the Kimber 22 has gained popularity. Boasting guaranteed out-of-the-box accuracy of 5-shot group sizes not exceeding 0.40" (although phone calls to Kimber have determined this claim to be somewhat misleading as the accuracy is tested by placing the action alone in a vice without the stock), the Kimber 22 also boasts healthy prices. The Kimber 22 is available in "no-frills" Youth and Hunter versions, the mid-line Classic version, and a highly decorated Super America version.

### Cooper Arms

Founded by former Kimber employees, Cooper rifles while not as widely known are based on many of the same features as the Kimber line. In fact, it has been said in some small circles that Cooper rifles represent what Kimber bolt-action rimfire rifles "used to be" implying that the scrutiny and attention to detail under which current Kimber product is manufactured has diminished. The Cooper 57 rifles are available in sporter and varmint configurations with varying grades of wood and finish.

### Sako

Operated under the umbrella of Beretta, Sako makes an entry in the High Priced bolt-action rimfire category with the **Finnfire** rifle. The Finnfire is based on a scaled down version of the Sako 75 centerfire rifle. U.S. domestic volumes are estimated to be less than 2000 units annually.

### Anschutz

Anschutz truly sets the standard for bolt-action rimfire rifles. Well known and respected throughout the world for world-class rifles, the **Anschutz 1700** series stands in a class of its own.

**Wholesale Pricing Comparison  
High Priced Bolt-Action Rimfire Rifles**

Manufacturer	Model	Net Wholesale Price
Kimber	Hunter 22	\$500
Kimber	Classic 22	\$700
Kimber	Super America	\$1300
Cooper Arms	Model 57 Classic	\$1000
Sako	Finnfire	\$600 - \$700
Anschutz	1700 Series	\$1000 - \$1300

## Product Strategy – 2003

### Model 572 Fieldmaster

While no additional catalog offerings are planned for the Model 572 Fieldmaster, this firearm is slated to be the Friends of the NRA banquet gun of the year for 2004. This will require shipment in the 4<sup>th</sup> quarter of 2003. The NRA banquet gun will be equipped with a satin finished, straight combed walnut stock and fore end with finger grooves like those found on the old "ADL" version of the 572. The receiver will feature an embellishment treatment provided by Baron's. Remington will not be charged by Baron's for the receiver enhancement. Quantities are expected to be between 900 – 1000 pieces, essentially doubling typical production quantities for 2003. MSP will be \$324.



## **Product Strategy – 2004 & Beyond**

### **Model 572 Fieldmaster**

No additional offerings are planned for this category. Consideration will be given to special make opportunities provided they meet a threshold minimum of 500 units.

**Model 504 Bolt-Action Rimfire** – Development is currently underway for a new bolt-action rimfire from the Remington Arms Co. Slated to fill the void in the current pricing gap between the Mid Priced and High Priced bolt-action rimfires, the Model 504 will be designed and positioned as a premier platform. Capitalizing on Remington's core competency in building exceptional performance for the price in bolt-action rifles, the Model 504 will boast many of the same features found on higher priced platforms. The Model 504 will initially be offered in .22 Long Rifle, .22 Magnum and .17 Hornady Magnum Rimfire. Key product features are:

- All steel receiver with rear lock up, bedded by two take down screws
- 20" button rifled barrel (.22LR features 5-R rifling)
- Product specific fire control, fully adjustable by gunsmith
- Dual extractors
- Satin finish walnut stock with ebony fore end tip and high grade grip cap medallion and laser cut checkering
- Platform is expandable up to the .221 Remington Fireball centerfire cartridge

Model	Caliber	MSP	Cost	NSP	Margin (After F&D)	1st Yr Est.
504	.22LR	\$ 450.00	\$ 230.00	\$ 402.19	33%	5000
504	.22WMR	\$ 490.00	\$ 230.00	\$ 437.94	37%	1000
504	.17HMR	\$ 490.00	\$ 230.00	\$ 437.94	37%	1500

**Low Cost Bolt Action Rimfire Rifle** – 2001 Point of Sale data at Wal Mart alone show over 35M units of \$99 bolt-action rimfire sold. Of that figure, nearly one third of the sales were youth sized products. The challenge for Remington has been, and is likely to continue to be the inability to manufacture a product that can be sold at wholesale to hit a \$100 retail price point. Remington needs to pursue sourcing a low-cost, no-frills bolt-action rimfire rifle that can be marketed under the Remington brand or co-branded with the Remington brand (i.e. Mohawk by Remington). With the strength of the Remington brand, an annual volume of 15M – 20M units is easily attainable. Although this product will be a "no-frills" product, a prerequisite for consideration must be that the product functions reliably. There are many sources of a low-cost product that though they are low-cost, they are not "junk." This is paramount to any product bearing the Remington brand.

Item	MSP	NSP (Wal-Mart)	Cost	Margin (After PPE)	Annual Volume
Low Cost B.A. Rimfire	\$100	\$93	\$65	20%	15M – 20M Units

**Pricing Considerations** - Pricing will be reviewed annually in order to determine the most effective pricing strategy from year to year. Market dynamics and conditions are constantly changing, making meaningful forecasting models for pricing marginally effective at best. Pricing strategies will likely continue to be driven by necessity and opportunistic events and conditions.

## CENTERFIRE RIFLE MARKET SUMMARY

Market estimates placed the 2001 U.S. total market for centerfire rifles at 960M units.<sup>7</sup> Given an average retail price of \$350 per unit, this places the market value at \$336MM.

SAAMI's 2001 report of factory shipments shows an industry wide decline in centerfire rifles of approximately 2%. It should be noted however that the SAAMI data is not a comprehensive view of the total market as it does not include figures from some key players such as Marlin Firearms. In stark contrast, the **Remington Arms Company showed a 25% increase in centerfire rifles shipments in 2001 over 2000 figures.** This increase was attributed primarily to the introduction of the new Model 710 bolt-action rifle, produced in the Mayfield Kentucky factory. In a manner similar to that of the introduction of the Model 700 ADE Synthetic in 1995, the new Model 710 grew Remington's centerfire rifle business by nearly 40M units in 2001. 2002 order positions for the Model 710 mirror those of 2001. Ilion factory shipments increased 2.5% over 2000 levels.

Centerfire rifle sales have been extremely strong over the last three years across the industry. The same holds true for the Remington Arms Company. With the introduction of the new Remington Ultra Mag beltless magnum cartridges beginning in 1999, category growth has been extremely strong. Additionally, high levels of demand for high margin all weather stainless steel rifles with synthetic stocks have resulted in healthy profit margins.

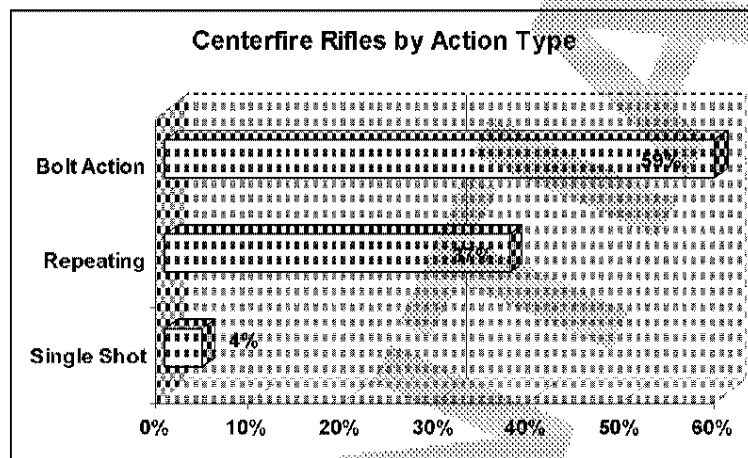
Market momentum has slowed for 2002. Order positions exceeding plant capacity have normalized somewhat. **While order positions remain solid, it appears that the centerfire rifle category has reached a plateau; at least as far as the near term outlook is concerned.** The pipeline for Remington Ultra Mag calibers has been filled and demand for these products has declined drastically.

The centerfire rifle segment is essentially composed of three product categories. 2001 volume estimates by category are as follows:

Category	Units (M)
Bolt Action	560
Repeating <sup>8</sup>	361
Single Shot	42
Total	963

<sup>7</sup> Combined analysis of BATF production figures, SAAMI Industry Shipments Report, NSGA retail sales study and Remington Sales Distribution analysis

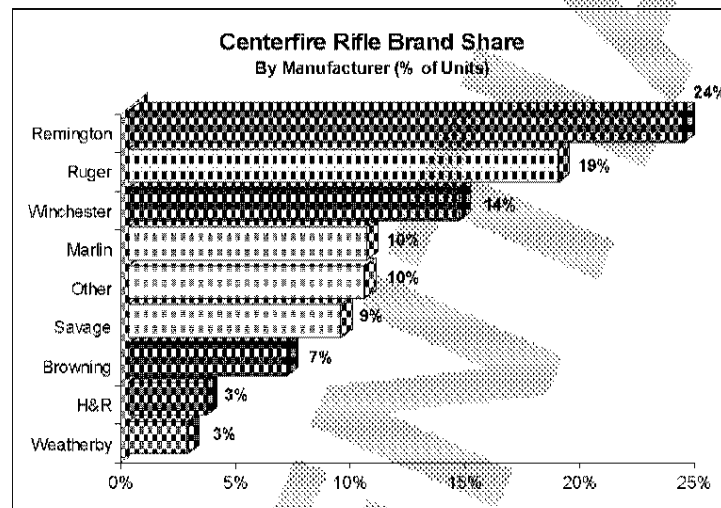
<sup>8</sup> Includes Autoloading, Pump & Lever Action



In contrast to the rimfire rifle segment, the bolt-action rifle dominates the centerfire category, commanding nearly 60% of the sales volume in units. Centerfire rifle unit sales for the U.S. domestic market are as follows:

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	225
Ruger	182
USRAC	140
Marlin	101
Other	100
Savage	90
Browning	67
H&R	33
Weatherby	<u>25</u>
TOTAL	963

Compiled market data suggests the following brand share position by manufacturer as a percent of units sold.



**Remington maintains a dominant position with respect to brand share in the centerfire rifle category, primarily through sales of the popular Model 700 line of bolt-action centerfire rifles.** Additional share growth was spurred in 2001 with the introduction of the Model 710 Sportsman, an entry level priced scoped combo bolt-action rifle priced in the sub \$400 mark at retail. 2001 sales of the Model 710 were purely incremental with no slippage in sales for the Model 700. **Bolt-action rifles constitute nearly 90% of all Remington centerfire units sold.**

Sturm, Ruger & Company occupies the number two spot with a 19% share of the centerfire rifle category. Unlike Remington, Ruger's portfolio is much more diversified with respect to "action types." Although strong in the bolt-action category with the M77 family, Ruger maintains a dominant position with respect to semi-automatic centerfire rifles with the Mini 14 series of "ranch rifles." Ruger also holds a fair share of the single shot centerfire category with the No. 1 series.

The number three spot goes to U.S. Repeating Arms/Winchester. **Approximately 60% of the Winchester volume lies in the Model 70 bolt-action rifle. Of that 60%, it is estimated that half of the Model 70 production lies in 4 sku's of scoped combo, entry level product.** The balance of the Winchester centerfire category falls in the Model 94 lever-action repeating rifles, a modern day variant of the one hundred plus year old famous design.

Marlin, tied for the fourth largest participant in the centerfire rifle category competes solely with platforms based on the lever-action repeating design of the Model 1895 series and variants therein. Marlin also recently purchased their way into an additional

3% of the centerfire market with the acquisition of Harrington & Richardson (H&R), a popular manufacturer of break-action, single-shot rifles.

The "Other" category consists predominately of imports, as well as custom rifles. Although the import category is significant, a large portion of that market consists of imported surplus military rifles. In fact, **it is estimated that nearly half of the 100M imported centerfire rifles are comprised of surplus military firearms.** It should be noted that the scope of the remainder of this report section will be focused on sporting firearms as Remington, with the exception of specialized products for law enforcement and military applications, does not participate in marketing military style firearms for sale to the general public.

Completing the list of top industry players are Savage Arms with 10% share, Browning with 7% share, followed by H&R and Weatherby each with a 3% share of the market.

## **CENTERFIRE RIFLE INDUSTRY ANALYSIS**

Unlike the rimfire rifle market, the centerfire rifle market is not dominated by one or two manufacturers. Certainly there are clear market leaders, but by in large, the playing field is bit closer to level between the top four or five players. Intense competition exists amongst this segment, primarily through efforts to provide product differentiation to the market through new caliber chambering, usage of hi-tech materials for construction, and by introducing platforms geared toward specific end use applications.

Like other segments within the firearms industry, the price/value relationship maintains a great presence within the centerfire rifle segment. Consumers place a great deal of emphasis on the level of performance, precision, and quality obtained for the dollars spent. It should be noted that unlike the rimfire rifle market, centerfire rifles maintain a position of a premium product in and amongst themselves. While entry-level priced products exist in the centerfire rifle market, typical entry level price points are sub \$400 at retail as opposed to sub \$150 at retail for the rimfire market. Centerfire rifles are by nature, viewed as more specialized tools for more specific end use applications and therefore maintain a higher threshold price.

Essentially, the centerfire rifle segment can be categorized under three distinct headings:

- Entry Level Centerfire Rifle (< \$500 Retail)
- Premium Centerfire Rifle (\$500 - \$800 Retail)
- Specialty Centerfire Rifle (Niche Markets)

### **Entry Level Centerfire Rifle**

This segment is dominated by lower price point repeating rifles, no-frills bolt action offerings, and the increasingly popular "ready to go" scoped combo packages. The entry level price point appeals to the casual big game hunter, the new entrant to big

game hunting and the hunter with a limited budget. **Entry level product offerings in the centerfire rifle category account for approximately 35% of retail sales in the U.S. domestic market.**

### **Premium Centerfire Rifle**

Appealing to a more discriminating audience, the premium centerfire rifle category in the sporting firearms market consists primarily of bolt-action rifles that constitute the flagship products of the various manufacturers. Featuring higher grade options such as stainless steel, high grade stocks, polished blued metal work and an overall higher perceived level of attention to detail. **The premium centerfire category accounts for approximately 50% of retail sales in the U.S. domestic market.**

### **Specialty Centerfire Rifle**

The specialty centerfire category features products that are generally highly focused toward a specific end use. Examples would be heavy barreled long range rifles with specialized target stocks for situations such as varminting, or extended range big game hunting. Products within this category often utilize state of the art materials such as aramid fiber reinforced stocks, titanium alloys and in the case of the Remington Model 700 EtronX, electronic firing mechanisms. Custom built firearms would also be included in this category. **This segment constitutes the remaining 15% of the U.S. domestic market.**

### **Customer Profiles**

As is the case in the rimfire rifle market, general demographic studies are far too broad in this category to draw any meaningful conclusions with respect to specific demographic trends. Perhaps a more comprehensive study might reveal some data of substance, but with current available information any conclusions would be speculative at best.

Based on market trends and data compiled in the 2001 SMRG Annual Rifle report, nearly three fourths of the centerfire rifles purchased in the domestic market are purchased for hunting applications<sup>9</sup>. Based on personal experience, this writer believes that to be a conservative estimate and that in fact, **the actual figure for hunting usage approaches the 85% mark.** The remaining 15% of the sporting centerfire market can be primarily categorized as target shooters.

The "hunter" profile can be categorized under two broad headings, "casual" and "dedicated." Stratification within the category is estimated to be skewed 60% toward the "casual" profile.

- The "casual" hunter can be categorized as the person who has an opportunity to hunt a few times a year, generally in close proximity to his or her home. It can reasonably be assumed that game types and hunting situations do not vary a great

<sup>9</sup> SMRG's U.S. Marketing - 2001 Annual Report

deal for the "casual" hunter. Firearms are also chosen with consideration given to widely available, well known and competitively priced ammunition types. Consumption of a full box (20 rds) of centerfire ammunition within one season would often be ambitious at best. The "casual" hunter may not see the point, or may not have the income at his or her disposal to rationalize the expense of a high dollar scope/rifle set up. In fact, he or she may be limited by either budget or need to one rifle. The "casual" hunter is likely not to be categorized as technically savvy with respect to firearms, ammunition, and optics technology making products which are easy to use and quick to set up attractive. The "casual" hunter would expect a functionally sound product that yields accuracy capable of taking medium size game at typical ranges of less than 200 yds. A product category gaining immense popularity with the "casual" hunter profile are the "grab and go" scoped combo centerfire rifles, with scopes pre-mounted and bore-sighted requiring minimal modification by the end user.

- The "dedicated" hunter is more versed in firearms, ammunition and optics technology than his "casual" counterpart. Game species and hunting situations may vary significantly within the "dedicated" segment as he or she may travel to varied destinations to hunt. The "dedicated" hunter places greater value on enhanced product features such as detailed metal work, high grade stock materials and the incorporation of high tech materials such as synthetics, stainless steel and other alloys to tailor a product to suit the needs of a particular situation. The "dedicated" hunter likely owns multiple rifles suited for different situations or species that they may encounter. The "dedicated" hunter would generally expect Minute-of-Angle accuracy or better with a very low tolerance for malfunctions of any kind. It would not be uncommon for a consumer within this category to spend in excess of \$700 for a complete rifle/scope setup.

The remaining 15% of the centerfire market is essentially occupied by sales to the target shooter.

- It should be noted that there is likely a great deal of overlap of target shooters who qualify as "dedicated" hunters. Target shooters are perhaps the most technically savvy of the centerfire rifle category with respect to rifle and ammunition technology. Precision accuracy is critical to the target shooter. It is not at all uncommon for the target shooter to purchase a factory produced rifle and immediately send the firearm to have custom work performed. Custom work would include fire control modification or replacement, barrel work or replacement and stock modifications or replacement to name only a few. A large percentage of custom rifles are purchased by target shooters on an annual basis. Often times, custom made rifles utilize actions from factory based platforms where a custom gun maker might purchase a base factory rifle, salvage the action and build a new gun from the ground up. These firearms command high prices, almost always exceeding \$1000. Generally speaking, the target shooter is the most discriminating of centerfire rifle consumers.



## Brand Perception

Brand perception within the centerfire rifle market places a great deal of emphasis on the value/price relationship or quite literally, the most “bang” for the buck. This holds especially true for the brands participating at lower price points that make very strong cases for the consumer to get “more for less.” That being said, there is a tremendous level of brand loyalty within the category, provided of course that particular brands are maintaining consumer expectations with respect to quality and performance.

- **Remington** – Remington is very well established with respect to reputation in the centerfire rifle market, primarily due to competencies exhibited in the manufacturing of bolt-action rifles. No other manufacturer builds and sells more bolt-action centerfire rifles than the Remington Arms Co. This modern day reputation is based upon the foundation established by the Model 700 series bolt-action centerfire rifle. First introduced in 1962, the Model 700 series is perhaps the most popular bolt-action centerfire ever built. At the end of 2001, over 4 million Model 700’s had been built. Known for its “best out-of-the-box accuracy”<sup>10</sup> the Model 700 rifle rates very high on the price/value scale from a consumer perspective. It is not unreasonable to assume that Remington centerfire rifles are the standard by which other manufacturers are judged.
- **Sturm, Ruger & Co.** – Second to the Remington Arms Co. in centerfire market share, Ruger participates in this segment primarily with the M77 series and Mini 14/Mini 30 series of centerfire rifles. M77 bolt action centerfire rifles are priced comparable to that of the Remington Model 700. Although regarded as solid performers, the M77 simply does not have the following of the Model 700, nor the extensive depth in the market. Ruger also maintains a very healthy position in the repeating centerfire rifle category. Based on U.S. M1 Carbine, the Mini 14/Mini 30 series of autoloading rifles are by far the most popular in their class. Ruger spends more dollars in advertising than do any of the other manufacturers participating in the U.S. domestic centerfire rifle market. As a result, the Ruger brand is widely recognized, aiding to pull product through the marketplace. Although perceived as a fair value for the price, Ruger relies heavily on advertising dollars to continue to pull product through into the hands of the consumer.
- **Winchester** – Winchester established a competency in centerfire rifles and a reputation for quality in the late 1800’s with the Model ’94 series of lever-action repeaters. While the Model ’94 remains a staple in the Winchester line, it plays second fiddle to the Model 70 series of bolt-action centerfire rifles. In fact, prior to the popularity surge of the Remington Model 700, the Winchester Model 70 was viewed as the finest bolt-action centerfire rifle in America. Winchester seems to have a loyal following of consumers, predominantly residing in the

<sup>10</sup> Marcot, Roy. The Official Authorized History of Remington Arms Co. Peoria, IL: Primedia Special Interest Publications, 1998.

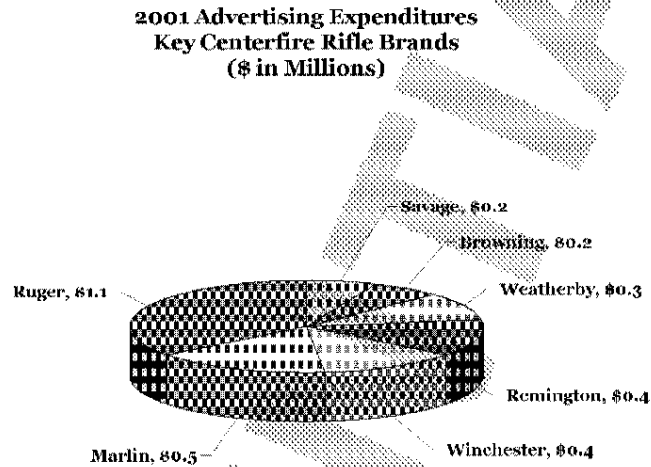
Western and Southwestern regions of the United States. It is interesting to note that in a survey conducted by SMRG, Winchester deviated from the other manufacturers with 64% of respondents stating that Winchester's brand name was influential in their purchase decision, placing greater emphasis on these criteria than the price/value relationship<sup>11</sup>. This information when compared to Winchester's fourth place position with respect to advertising dollars spent indicates that the Winchester consumer is perhaps more loyal to the brand than are other centerfire rifle consumers.

- **Marlin** – Marlin Firearms participates in the centerfire rifle market only with their family of lever-action repeating rifles. Marlin also purchased a dominating presence in the relatively small single-shot centerfire rifle market through the acquisition of Herrington & Richardson (H&R). The Marlin brand is undoubtedly associated with “middle of the road” (in comparison to Remington and Ruger) offerings targeted toward the casual hunter with a limited budget or limited desire to spend a great deal of money on a hunting rifle.
- **Savage Arms** – Like Marlin, Savage focuses marketing efforts toward reaching the entry level, or price conscious consumer. This is reinforced by Savage CEO's statement in the 2002 product catalog, “we continue to build on our reputation for accuracy at an affordable price”.<sup>12</sup> Savage relies on their bolt-action Model 10/Model 11 platforms to carry the load. Regarded as “no-frills” firearms, lacking high grade finishing and materials, Savage rifles do in fact carry a reputation for being an accurate product. This reinforces Savage's position on the price/value scale.
- **Browning** – Browning participates in the centerfire rifle market with the A-Bolt bolt-action centerfire and B.A.R. autoloading repeater. Regarded as a premium brand, Browning accounts for only 7% of the U.S. domestic centerfire rifle market. Not unlike Winchester, Browning has a very loyal customer base. This theory is reinforced by the results of the same SMRG study referenced above which categorized Browning as last on the scale with respect to the consumer's decision to purchase a Browning rifle based on the price/value relationship. Instead, a far greater emphasis was placed on brand recognition and dealer advice. The “dealer advice” response is not surprising as Browning follows a dealer direct strategy to a large extent.

<sup>11</sup> SMRG's U.S. Marketrac 2001 Annual Report

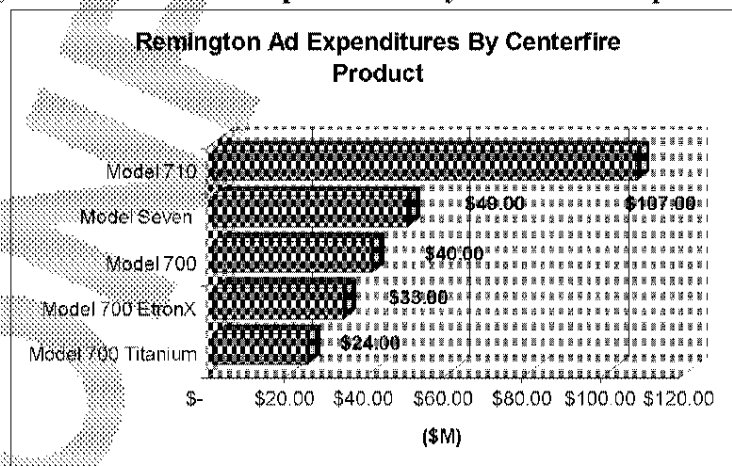
<sup>12</sup> Savage Arms 2002 Product Catalog

## 2001 Total Print Ad Expenditures – Centerfire Rifle



With the exception of Ruger, advertising dollars spent on supporting the centerfire rifle category are relatively evenly distributed between the top four players. **Ruger, in contrast, spent nearly twice as many ad dollars supporting their centerfire rifles than did Remington, Marlin, and Winchester combined.** This figure is significant and should not be overlooked: Ruger is working aggressively to penetrate deeper into the centerfire rifle category.

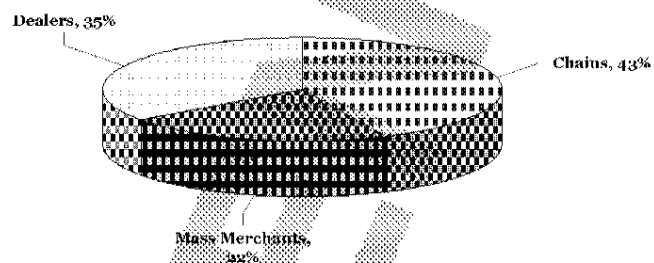
## 2001 Remington Centerfire Ad Expenditures by Product Group



## Distribution Analysis – Centerfire Rifles

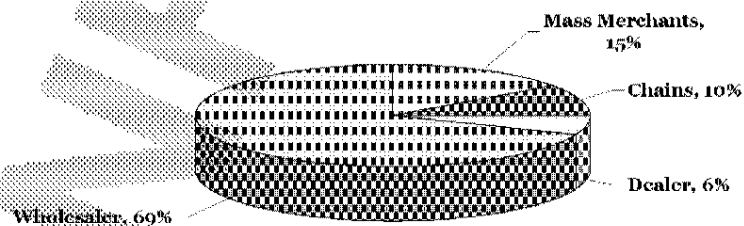
The table below portrays the estimated distribution through normal retail channels in the U.S. domestic market of Remington centerfire rifles.

**Remington Centerfire Rifle Distribution**  
Retail Sales % of Total Units



From a wholesale distribution perspective, Remington's position is as follows:

**Remington Centerfire Wholesale Distribution**



## BOLT-ACTION CENTERFIRE RIFLES

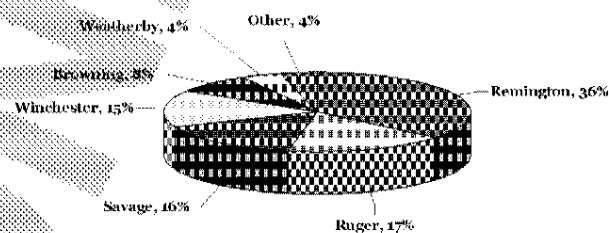
2001 Sales estimates have determined the U.S. domestic bolt-action centerfire rifle market to be approximately 560 units annually with a retail sales value of \$196MM. A break down by manufacturer is listed below.

### 2001 Bolt-Action Centerfire Rifle Market Estimated Sales by Manufacturer

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	225
Ruger	182
Savage	140
Winchester	101
Browning	67
Weatherby	25
Other	<u>21</u>
TOTAL	963

### 2001 Bolt-Action Centerfire Rifle Brand Share (% of Units)

2001 Bolt-Action Centerfire Rifles  
(Brand Share by Manufacturer)



Remington currently occupies a dominant brand position in the bolt-action centerfire rifle market. 2001 was of great significance as Remington picked up an estimated 6%-8% brand share with the introduction of the Model 710 rifle. The Model 710 provided Remington with incremental sales volume, with demand levels exceeding Remington's ability to fully supply the market. Short term objectives are to continue to grow Remington's brand share through increasing capacity to fulfill more of the market's demand for Model 710's. An ongoing and longer term objective is to maintain the integrity of Remington's reputation for quality bolt-action centerfire rifles through continuous improvement initiatives that provide Remington with distinct competitive advantages with respect to perceived value and cost.

#### **Remington Segment Performance – Bolt-Action Centerfire Rifles**

Remington competes in the segment with three distinct product families, the Model 710 Sportsman, the Model 700 series and the Model Seven compact rifle. 2001 sales volume consisted of 194M units or \$84 MM in revenue. Overall volume and revenue changes from 2000 to 2001 were increases of 28% and 26% respectively.

<b>Model 710 Sportsman</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2002 PO</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>FCST</b>	
Unit Sales (M)	0	0	0	40	45.5	41
Sales Dollars (\$MM)	0	0	0	\$10.4	\$11.7	\$10.5
Standard Margin (\$MM)	0	0	0	\$4.9	\$5.3	\$4.7
Standard Margin (%)	0	0	0	46.7%	45.4%	45.1%

<b>Model 700 Regular</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2002 PO</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>FCST</b>	
Unit Sales (M)	121.5	113.8	103.1	101.5	129.0	129.0
Sales Dollars (\$M)	\$38.8	\$37.3	\$37.5	\$37.5	\$48.2	\$48.1
Standard Margin (\$MM)	\$17.7	\$16.9	\$17.4	\$17.7	\$22.1	\$22.1
Standard Margin (%)	45.7%	45.5%	46.5%	47.2%	45.8%	45.9%

\*Includes Model Seven Regular

<b>Model 710 Stainless</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2002 PO</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>FCST</b>	
Unit Sales (M)	25.9	29.1	33.8	47.3	39.0	41.4
Sales Dollars (\$M)	\$11.6	\$13.1	\$16.7	\$23.1	\$21.2	\$22.9
Standard Margin (\$MM)	\$6.3	\$6.9	\$8.9	\$12.1	\$10.7	\$11.5
Standard Margin (%)	54.4%	52.7%	53.5%	52.3%	50.3%	50.3%

\*\*Includes Model Seven Stainless

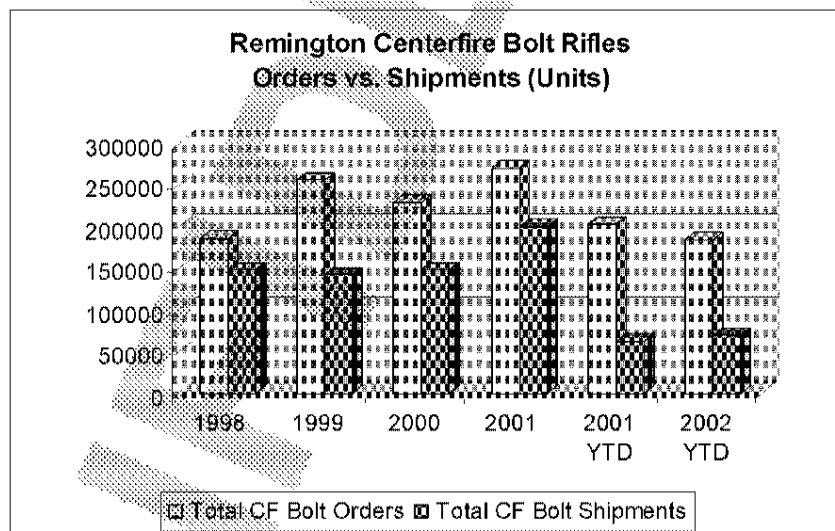
<b>Model Seven Regular</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2002 PO</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>FCST</b>	
Unit Sales (M)	*	*	5.8	5.8	12.0	6.9
Sales Dollars (\$M)	*	*	\$2.0	\$2.0	\$4.5	\$2.6
Standard Margin (\$MM)	*	*	\$0.9	\$0.9	\$2.0	\$1.1
Standard Margin (%)	*	*	45.5%	44.9%	43.0%	42.6%

<b>Model Seven Stainless</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2002 PO</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>FCST</b>	
Unit Sales (M)	**	**	3.5	3.9	8.5	5.1
Sales Dollars (\$M)	**	**	\$1.5	\$1.7	\$3.7	\$2.2
Standard Margin (\$MM)	**	**	\$0.8	\$0.9	\$2.1	\$1.2
Standard Margin (%)	**	**	54.5%	57.0%	55.2%	54.8%

The Model 700 series clearly is the dominant player in the bolt-action centerfire rifle category for Remington. Accounting for approximately 75% of all sales in the category, the Model 700 family continues to make a strong showing in the marketplace. Like the Model 700, the Model Seven is an Ilion plant based product. While undoubtedly more of a niche market product, the Model Seven has shown a drastic spike in popularity due to the introduction of the Remington Short-Action Ultra Mag series of centerfire cartridges, first introduced in the Model Seven line.

New for 2001, the Mayfield based Model 710 Sportsman series of scoped bolt-action rifles was perhaps one of the most successful new product launches in Remington's history. Targeted toward the entry level market and distributed primarily through Mass Merchants and Sporting Goods Chain stores, order positions in 2001 and projected order positions for 2002 easily exceed plant capacity. The introduction of the Model 710 resulted in a historical all-time high shipment position for bolt-action centerfire rifles approaching the 200M unit mark. Most importantly as noted earlier, the Model 710 resulted in an estimated 6%-8% pick up in market share for the Remington Arms Company.

#### Bolt-Action Centerfire Rifle Order Position/Shipment Trends



Over the course of the past three years, Remington has enjoyed order positions for bolt-action centerfire rifles far in excess of plant capacities. Reasons for these positions were a strong market in general, coupled with the introduction of the Remington Ultra Mag family of cartridges in '99 and '00 and the introduction of the new Model 710 in 2001. While order positions for the Model 710 remain consistent with 2001 levels, Ilion based bolt-action centerfire rifles have showed considerable softening, predominantly in the Model 700 "Regular" category occupied by the 700 ADL and

**700 BDL blued, carbon steel rifles.** This softened position is indicative of current market conditions, combined with the fact that most back order positions with respect to rifles chambered for the Remington Ultra Mag calibers have been filled.

Issues critical to the continued success within this category are:

- *Improving and maintaining product quality*
- *Timely fulfillment of orders*
- *Ability to respond quickly to niche market opportunities and special makeup's*
- *Maintaining competitive positioning with respect to product cost and pricing*
- *Product centered advertising on core products to continue to "pull" product through the marketplace*

## **Competitive Outlook**

The following section addresses the three principle categories of centerfire rifles as stated earlier, Entry Level, Premium, and Specialty specifically as they relate to bolt-action centerfire rifles from a competitive perspective. In the bolt-action centerfire rifle category, Remington competes primarily with Ruger, Savage, Winchester, Browning and Weatherby on various fronts within the category.

### **Entry Level Centerfire (< \$500 retail) – Bolt-Action Rifles**

#### **Savage Arms**

Savage plays primarily in the entry level bolt action centerfire category. Primary product offerings are the **Model 10/11** series of firearms. Available in wood and synthetic versions, with and without detachable magazines, the Model 10/11 are known not for their styling, but for their reputation for solid performance at a low price. Savage also set the precedent for the scoped combo package guns, offering consumers with a platform that is ready to shoot straight from the box. Scoped combos are available in wood and synthetic versions, with and without detachable magazine boxes. The Remington Model 710 competes directly with Savage in the scoped combo arena.

#### **Winchester**

The Winchester **Model 70** is similar to the Remington Model 700 family in that variants exist to compete at various price points. Model 70 variants with "controlled round feed" based on the old Mauser style action are placed in the high end, while less costly "push feed" models make up the lower end of the spectrum. On the entry level front, Winchester offers the **Model 70 Black Shadow**. Featuring a synthetic stock with floor plate magazine, matte blued finish this "push feed" design is targeted toward the budget minded hunter. Winchester also offers an **exclusive scoped combo version of the Model 70 Black Shadow in calibers .270 Win, .30-06, and 7mm Rem Mag to Wal Mart**. Intended to compete with the Savage package guns, the Model 70 scoped guns are also a primary competitor to the Remington Model 710. Non-scoped versions of the



Model 70 Black Shadow compete primarily with the Remington Model 700 ADL Synthetic. **Reliable sources indicate that the Wal Mart exclusive Model 70's account for 40%-50% of Winchester's total Model 70 volume.** In 2001, 22M of the Model 70 scoped packages were purchased at retail.<sup>13</sup>

### Remington

Remington competes in the entry level category on two fronts. The first product offering is the **Model 700 ADL** series of bolt action centerfire rifles. The **Model 700 ADL Deluxe** features a walnut stock with blind magazine, polished blue finish and iron sights. The more popular and price competitive **Model 700 ADL Synthetic** features a black synthetic stock with blind magazine, matte blue finish and iron sights. First developed in conjunction with Wal Mart, the Model 700 ADL Synthetic has proven a worthy competitor to the Winchester Model 70 Black Shadow as an entry level product.

The second and most recent product offering from Remington in the entry level category is the **Model 710 Sportsman** series of scoped combo package guns. Introduced in 2001, the Model 710 is economically priced and cost effective to manufacture, affording Remington the opportunity to more effectively penetrate the true entry level bolt-action centerfire category. The Model 710 carries the reputation of the Remington brand with the price tag of the traditionally lower priced Savage package gun. Perhaps one of the most successful new product launches in Remington history, the Mayfield Kentucky manufactured Model 710 has drawn order positions in its first two years of existence exceeding plant capacities. **Of further note, the Model 710 was presented the 2001 Field & Stream Magazine's "Best of the Best" awards.**

### Wholesale Pricing Comparison Entry Level Centerfire Rifles – Bolt Action

Manufacturer	Model	Net Wholesale Price
Savage	10/110	\$277 - \$312
Savage	110/111 Scoped	\$287 - \$393
Winchester	M70 Blk Shadow	\$335 - \$353
Winchester	M70 Scoped	\$325
Remington	700 ADL	\$382 - \$400
Remington	700 ADL SYN	\$331 - \$349
Remington	710 Scoped	\$290

<sup>13</sup> 2001 Wal Mart POS Data - CONFIDENTIAL

## **Premium Centerfire (\$500 - \$800) - Bolt-Action Rifles**

### **Ruger**

The **Ruger M77MKII** series fields a broad array of product offerings in the premium category. Generally priced toward the lower end of the category, the Ruger M77 competes heavily with the Remington Model 700 and Winchester Model 70 categories. Like the Winchester Model 70 Classics, the Ruger M77 features a three-position safety and Mauser type extractors for controlled round feeding. All models feature a hinged floor plate magazine. Walnut stocked configurations are available in full size and compact models with blued finish. Stainless steel versions are available with laminated or synthetic stocks as well.

### **Winchester**

The **Model 70 Classic** series represents Winchester's position in the premium category of centerfire bolt-action rifles. Featuring a three-position safety and Mauser style claw extractor for controlled round feeding, the Model 70 Classic has enjoyed quite a following. All feature hinged floor plate magazines and are available in full size and compact platforms. Walnut stocked variants feature polished blued metal and the synthetic stock versions feature a stainless steel barreled action. All premium grade Model 70 Classics are produced in non-sighted or "clean barrel" configuration. The Model 70 Classic is typically marked against the Remington Model 700 BDL & BDL SS product families. Following the success of Remington's prior introduction of the Ultra Mag family of non-belted magnum cartridges and firearms to suit them, Winchester Firearms in conjunction with Winchester Ammunition and Browning introduced the Winchester Short Magnum (WSM) family of non-belted, short-action magnum cartridges. This introduction was perhaps the single most important recent development for the Model 70 Classic family of firearms.

### **Browning**

The **Browning A-Bolt** competes exclusively in the premium bolt-action centerfire rifle category. The wood stocked variant of the A-Bolt, the Hunter series is available in three grades, Hunter, Medallion, and Gold Medallion with each increment in grade featuring higher quality wood and enhanced metal work. The synthetic variant, the Stalker series, is available in stainless steel and blued carbon steel versions. The A-Bolt features a 60 degree bolt throw, intended to shorten the time to cycle a round as well as a unique floor plate magazine that can also be used as a detachable magazine. The A-Bolt is available in a wide range of calibers, including the new WSM caliber offerings. The A-Bolt's principle competitors are the Remington Model 700 BDL and BDL SS as well as Weatherby bolt-action centerfire rifles.

## **Remington**

The **Model 700 BDL Custom Deluxe** is the core product of the Model 700 line. The BDL features a high-gloss finished American walnut stock with black fore end nose piece and hinged magazine floor plate. The BDL sports a high-polished blued barrel and receiver. Remington also offers six left-hand skus in the Model 700 BDL Custom Deluxe. The 700 BDL is also offered in a detachable magazine (Model 700 BDL DM) configuration, allowing the shooter the convenience of a quick-load removable magazine box. The DM version, while cosmetically similar to the BDL Custom Deluxe, utilizes a unique receiver and unique stock to accommodate the removable magazine box.

In 1981, Remington began a yearly offering of a **Limited Edition Model 700 Classic**. Chambered primarily in vintage calibers, or those of historical significance, the Model 700 Classic has proven to be a popular offering amongst collectors.

The **Model 700 BDL SS (Stainless Synthetic)** offers the same legendary performance as the Model 700 BDL Custom Deluxe with the added benefit of weather resistance and durability derived from a synthetic stock and stainless steel action. Like the Custom Deluxe, the BDL SS is offered in a detachable magazine version as well. Continuing the lineage of the stainless steel feature is the Model 700 LSS (Laminated Stock, Stainless) boasting a stainless steel action bedded in an attractive and durable gray laminated stock. The Model 700 LSS is also available in three left-hand skus.

The **Model 700 Mountain Rifle** series features all the benefits of the regular Model 700 models with the added benefit of a slender mountain contour barrel to reduce weight and improve portability. Available in a walnut stocked, blued version with detachable magazine and in a laminated stock with stainless action, the Model 700 Mountain Rifles have proven popular with high country hunters.

In 1983 Remington introduced the Model Seven, a compact sibling to the Model 700 series. Featuring the benefits of the legendary Model 700 action, the Model Seven is a compact rifle intended for use in dense cover and also appealing to smaller stature shooters. Available in most popular short action calibers, the Model Seven is available in a stainless synthetic platform as well as in a laminated stock with either stainless or carbon action. In May of 2001, Remington announced the introduction of the short action counterparts to the Remington Ultra Magnum family. Available in both 7mm and .300 calibers, the Remington SA Ultra Mags were introduced in a magnum variant of the Model Seven SS and LS platforms. The combination of these calibers with the Model Seven platform gave shooters a unique combination of magnum caliber performance in a compact rifle.

### Wholesale Pricing Comparison Premium Centerfire Rifles – Bolt Action

Manufacturer	Model	Net Wholesale Price
Ruger	M77 MKII	\$393 - \$424
Ruger	M77 MKII Stainless	\$393 - \$424
Winchester	M70 Classic	\$474 - \$493
Winchester	M70 Classic Stainless	\$512 - \$531
Browning	A-Bolt Hunter	\$442 - \$600
Browning	A-Bolt Stalker	\$461 - \$535
Browning	A-Bolt Stainless Stalker	\$586 - \$622
Remington	700 BDL	\$452 - \$479
Remington	700 BDL SS	\$484 - \$512
Remington	700 LSS	\$549 - \$558
Remington	700 Mountain	\$498 - \$531
Remington	Seven	\$463 - \$508
Remington	Seven Stainless	\$481 - \$527

### Specialty Centerfire (Niche Markets) – Bolt-Action Rifles

#### Ruger

While limited in scope, Ruger does offer a limited number of skus that would qualify as specialty rifles in the M77 line. Offerings consist primarily of heavy target/varmint barrel configurations, along with a heavy magnum version intended for use on dangerous game.

#### Browning

Like Ruger, Browning's primary focus with respect to bolt-action centerfire rifles is centered on the premium category. However, Browning does offer two specialized firearms in the **A-Bolt Eclipse series**. The Eclipse is available in both a sporter barrel and a heavy target/varmint barrel. The truly unique feature about these products is their specialized laminated "thumbhole" target stocks.

#### Winchester

Winchester offers two "push feed" Model 70 rifles in heavy barrel configuration. The **Model 70 Coyote** features a laminated stock and stainless steel barrel, chambered in the new WSM calibers, as well as in .308 Win. Similar in nature, the **Model 70 Stealth** features a synthetic stock and matte blued heavy barrel chambered for popular small bore varmint cartridges. From a "controlled round feed" perspective, Winchester offers a Safari Grade rifle chambered for dangerous game calibers.

## **Remington**

Remington offers perhaps the broadest array of specialized centerfire bolt-action rifles. The **Model 700 Long Range** series features a wide offering of heavy barreled varmint rifles with high grade laminate and composite stocks. The **Model 700 VS (Varmint Synthetic)** features a heavy target barrel with matte blue finish, bedded in a high grade H.S. Precision composite stock with aluminum bedding block. Three left-hand skus are available in this platform. Offered in the same stock is the **Model 700 VSSF (Varmint Synthetic Stainless Fluted)** featuring a stainless steel heavy barrel with fluting. All varmint configurations are offered in popular short action varmint calibers.

The **Model 700 Sendero** series (available in blued or stainless fluted versions) are essentially the same platforms as the Model 700 Varmint rifles, only chambered for long action and magnum calibers.

The ultimate in light weight hunting rifles, the **Model 700 Titanium** was introduced to the line in 2001. Featuring a receiver of light weight titanium alloy and a fluted bolt for additional weight reduction, the Model 700 Titanium with its specially designed composite stock and mountain rifle contoured barrel is truly the lightest production rifle available today.

Truly on the cutting edge of technology is the **Model 700 EtronX Varmint Rifle**. Designed to eliminate mechanical firing mechanisms in order to deliver the fastest lock-time possible, the EtronX rifle works by sending an electric charge to a specially designed centerfire rifle primer rather than a traditional percussion primer. Well ahead of its time, the EtronX has yet to attract a significant following in the market.

**Wholesale Pricing Comparison  
Specialty Centerfire Rifle – Bolt Action**

<b>Manufacturer</b>	<b>Model</b>	<b>Net Wholesale Price</b>
Ruger	M77 MKII Target	\$476
Winchester	M70 Coyote	\$451 - \$470
Winchester	M70 Stealth	\$512
Browning	Eclipse M-1000	\$754
Browning	Eclipse Hunter	\$733 - \$751
Remington	Model 700 VS	\$539 - \$557
Remington	Model 700 VLS	\$482
Remington	Model 700 VSSF	\$649
Remington	Model 700 Sendero	\$539 - \$557
Remington	Model 700 Sendero SF	\$668 - \$677
Remington	Model 700 Titanium	\$847
Remington	Model 700 EtronX	\$1,367

**S.W.O.T. Analysis – Remington Bolt-Action Centerfire Rifles**

**Strengths**

- Dominant Brand Position
- Broad Range of Product Offerings Across the Category
- Solid Reputation for Performance
- Competitively Priced in the Market
- Attractive Margin Position

**Weaknesses**

- Capacity Constrained
- Manufacturing Concerns Could Tarnish Brand Image
- Limited in Capability to Respond to Changing Market Conditions

**Opportunities**

- Potential Exists to Capture Additional Market Share with Model 710
- Incremental Business Opportunities for Customer Specific Niche Products
- Updates to the Styling of the Line to Create New Interest

## **Threats**

- General Softening of Market Could Result in Negative Impact to High Margin Specialized Products
- Manufacturers that are Dependent on Entry Level Business Could Begin to Make Price Concessions in Order to Regain Volume Required to Cover Manufacturing Overhead
- Changes in State Hunting Laws that Limit Use of Centerfire Rifles in the Eastern United States or Other Densely Populated Areas
- Strong U.S. Dollar Continuing to Create Favorable Conditions for Imported Firearms and for Major Participants Such as Winchester and Browning Who Rely Heavily on Imported Goods
- Environmental Conditions Such as Chronic Wasting Disease Threatening Game Populations

## **Product Strategy 2003 – Model 710 Sportsman**

No new catalog introductions are planned for 2003. Sales predictions indicate that sufficient demand remains to exceed current plant capacities in .270 Win and .30-06 configurations only.

**Model 710 Magnum** - A current development project is currently in place for magnum caliber versions of the Model 710. All development and testing will be complete in the summer of 2002. Equipped with a 24" barrel, calibers will be 7mm Rem. Mag and .300 Win. Mag. Both will utilize the current scope configuration of the .270 and .30-06 versions. **While the magnums are not intended for catalog introduction in 2003, Marketing and Manufacturing will be prepared to announce and launch the magnum variants should business soften in 2003.** Otherwise, the magnum calibers will be a 2004 product introduction.

<b>Model</b>	<b>MSP</b>	<b>NSP</b>	<b>1<sup>st</sup> Year Volume</b>
710 w/scope 7mm Rem Mag	\$329	\$300	6.75M Units
710 w/scope .300 Win Mag	\$329	\$300	8.25M Units

**Capacity Expansion** - Due to current capacity constraints, a capital project has been issued to purchase and install additional machinery in order to increase Model 710 production. This new equipment will be in place and operational by the 4<sup>th</sup> quarter of 2002 and is expected to increase overall Model 710 capacities by an additional 10M units annually.

**Production/Quality Control** – An essential criteria required in maintaining the competitive position of the Model 710 is to monitor and insure that the price/value relationship remains in favor of the consumer and above the competition. A key element involved in this strategy is to monitor and understand the accuracy performance of the Model 710 in a manner of statistical significance. Manufacturing is implementing quality control procedures to monitor, record, and interpret the accuracy performance of the Model 710 off of the production line.

**Pricing Considerations** – No price increase is recommended for the Model 710 in 2003. In response to the Model 710, Savage Arms was forced to decrease pricing by 6.5% for 2002 on select Model 110 Scoped guns in order to remain competitive. It is the belief of this writer that this resulted in a significant blow to Savage's overall margin position. From margin/profitability perspective, Savage may be forced to increase price for 2003, but will likely hold price in order to protect their market share. **By holding price on the Model 710, Remington should be able to further entrench their position in the entry level scoped combo market.**

**Product Deletions** – No deletions are planned for 2003.

### **Product Strategy 2004 & Beyond – Model 710 Sportsman**

The overall long-term strategy for the Model 710 will be to continue to deliver exceptional value at an affordable price.

**Extruded Receiver** – Exploratory efforts are underway to improve the perceived value of the Model 710 by means of an all metal receiver. Technology that will yield a dimensionally correct steel receiver through extrusion at little or no additional cost to the current synthetic receiver insert is being evaluated by Manufacturing and R&D.

**Model 710 Short-Action** – In April of 2001, Remington composed a poll of visitors to the company website asking the question: "In which caliber would you most like to see the Model 710 chambered?" Over 500M responses were received to the question. Nearly half responded that they would like to see the Model 710 chambered for short action cartridges. Specifically, 22% responded with .243 Win and 25% responded with .308 Win. Although short action calibers are typically less popular than long-action, it makes sense to include one or two short action calibers in the mix to complete the Model 710 family. The short action offering would likely be a 2005 introduction.

<b>Model</b>	<b>MSP</b>	<b>NSP</b>	<b>1<sup>st</sup> Year Volume</b>
710 w/scope .243 Win	\$329	\$300	3.5M Units
710 w/scope .308 Win	\$329	\$300	4.0M Units



**Model 710 Youth** – As an entry level product, it is logical to explore the introduction of a scaled-down version of the Model 710 to fit the smaller stature shooter. Such a product should feature a shorter length of pull stock with a slimmer grip and fore end. A shorter 20” barrel would also be appropriate. Chambered for .243 Win, the Model 710 Youth would correspond to the launch of the Model 710 short action platform in 2005.

<b>Model</b>	<b>MSP</b>	<b>NSP</b>	<b>1st Year Volume</b>
710 YTH w/scope .243 Win	\$329	\$300	5.0M Units

**Production/Quality Control** – It is important for Manufacturing to continue to focus on small incremental improvements on the Model 710 to improve manufacturing efficiencies that reduce costs while not sacrificing quality or performance.

**Pricing Considerations** – It is recommended that a \$10 price increase across the board on the Model 710 be taken in conjunction with the introduction of the Model 710 Magnum in 2004. Pricing should hold at this level for two years. The entry-level centerfire market is somewhat price elastic. If Remington can hold pricing in this category while maintaining healthy margins, the long term competitive position in the category will be better served. It is critical to remain cognizant of the fact that the Model 710 is positioned as value priced firearm. Annual price increases based on opportunistic beliefs can quickly change this product’s position in the market as a price point firearm.

### **Product Strategy 2003 – Model 700**

The strategy for managing the Model 700 brand differs vastly from that of the Model 710. With a relatively fixed level of production capacity and broad product mix spanning nearly the entire spectrum of the market, the key to the future of the Model 700 is to focus strategies on maintaining production levels within the Ilion plant and protecting profit margins. This can be accomplished through:

- Special make up product opportunities allowing customers differentiated product through mixing and matching calibers and cosmetics with existing components.
- Concerted focus on consistency and quality in manufacturing to insure that product entering the market place meets customer expectations and continues to set the standard for bolt-action centerfire rifles.
- Revitalizing the current product line through cosmetic improvements.
- The incorporation of new materials and technologies that provide competitive advantage in the market.
- Efforts in manufacturing to improve efficiencies and reduce costs while maintaining the highest level of quality.
- Improved predictability and accuracy in order fulfillment through line item effectiveness.

**Model 700 ADL LS** – Offered as an exclusive to Wal Mart, the Model 700 ADL LS is intended to replace the Model 700 ADL Deluxe in all Wal Mart stores. Featuring a polished blued receiver and barrel with iron sights and a brown laminate stock, the Model 700 ADL LS will be offered in .270 Win and .30-06.

Model	MSP	NSP (Wal Mart)	Volume
Model 700 ADL LS .270 Win	\$419	\$390	6000 units
Model 700 ADL LS .30-06	\$419	\$390	6000 units

**Model 700 Titanium Magnum** – A logical expansion of the new Remington SA Ultra Mag cartridges is to extend them into chamberings in the Model 700 Titanium. This strategy provides the hunter with magnum performance in the ultimate light carry rifle platform. The challenge to date is a means to deliver magnum performance in the Model 700 Titanium without creating a weight penalty by adding a heavy mountain contour barrel. The Model 700 Titanium as currently configured utilizes a slim, mountain contour stainless steel barrel. The present design is not suited to withstand the pressures created by a magnum round. Work is currently underway to qualify a new high strength stainless steel alloy that will safely handle magnum pressures while maintaining the slim, mountain contour barrel profile. This level of performance is currently unavailable in a production grade rifle and will provide competitive advantage in the market.

Model	MSP	NSP	1 <sup>st</sup> Yr. Volume
Model 700 Titanium 7mm RSAUM	\$982	\$896	400 units
Model 700 Titanium .300 RSAUM	\$982	\$896	800 units

**Model 700 Remington SA Ultra Mags** – Two Model 700 BDL SS sku's chambered for each of the two Remington SA Ultra Mag calibers were introduced at the 2002 S.H.O.T. Show as show special guns. Order response was strong with a combined total between the two in excess of 5M units. Plans are underway to include Model 700's chambered for the Remington SA Ultra Mags in the product line for 2003. These products consist of:

Model	MSP	NSP	1 <sup>st</sup> Yr. Volume
Model 700 BDL SS 7mm RSAUM	\$581	\$530	2000 Units
Model 700 BDL SS .300 RSAUM	\$581	\$530	3000 Units
Model 700 Sendero SF 7mm RSAUM	\$764	\$697	2000 Units
Model 700 Sendero SF .300 RSAUM	\$764	\$697	2500 Units
Model 700 BDL SS RMEF .300 RSAUM	\$626	\$571	2500 Units

**Model 700 Classic 2003** – For the 23<sup>rd</sup> straight year, the Model 700 Classic will be offered in a limited edition caliber. The 2003 offering will be the .300 Savage.

Model	MSP	NSP	1 <sup>st</sup> Yr. Volume
Model 700 Classic .300 Savage	\$511	\$466	2000 units

**Model 700 EtronX Long Range** – While no new product introductions are planned for the Model 700 EtronX, special consideration will be given to a full court press sales effort. In order to accomplish this and support this effort, consigned gun accounts have been established for each of the four sales agencies. Sales agencies have been instructed to provide each sales rep with a sample EtronX rifle to use for demonstration purposes at key accounts.

**Model 700 LV SF (Light Varmint Stainless Fluted)** – Intended to reach a niche market, the Model 700 LV is designed to appeal to the “walking” varmint hunter who finds small bore varmint calibers desirable, yet finds a traditional 8 1/2 – 9 lb varmint rifle too heavy to meet his or her needs. The Model 700 LV will feature a custom designed composite stock, blued receiver, and a 22” medium magnum contour stainless steel clean barrel with fluting. Caliber offerings will consist of .17 Rem, .221 Rem. Fireball, .22-250 Rem. and .223 Rem. The Model 700 LV SF will be introduced in the summer of 2003 as a 2004 Spring Gun sku.

Model	MSP	NSP	1 <sup>st</sup> Yr. Volume
Model 700 LV SF .17 Rem	\$712	\$649	1500 Units
Model 700 LV SF .221 Rem. Fireball	\$712	\$649	1500 Units
Model 700 LV SF .22-250 Rem	\$712	\$649	2500 Units
Model 700 LV SF .223 Rem	\$712	\$649	1500 Units

**Production/Quality Considerations** – A grass roots effort needs to evolve around improving, monitoring, and maintaining the quality and integrity of the Model 700 category. Specific issues exist currently which must be addressed. These issues are:

- **Rough chambers** - Major issues from a consumer perspective appear to center around the “roughness” of the chambers being excessive, exhibiting signs of worn tooling. In the case of rough chambers, the end result is often scarring of brass and excessive bolt lift forces.
- **Crooked Chambers** - Crooked chambers impact the Model 700 from an accuracy standpoint. Chamber casts of Model 700’s exhibiting signs of “crooked” or eccentric chambers actually show unevenness in the throat area between the chamber and the bore with lands extending into the throat on one side of the chamber and not the other.

- **Rough Rifling** – Similar to rough chambers, rough rifling refers to tool marks and in some extreme cases, gouges in the lands within the bore of the barrel. This issue appears to be more prevalent on stainless steel barrels and has been an issue with the high end Model 700 Titanium rifle.
- **Crowns** – Ilion is currently targeting 100% of all centerfire rifles for accuracy. It appears that poor crowns contribute to a large percentage of rifles that fall out due to unacceptable accuracy in the gallery.

It is paramount to understand and uphold the fact that **Remington rifles set the standard for the rest of the industry.** Being “as good as” or “nearly as good as” the rest of the industry is a mindset that can not be tolerated.

**Pricing Considerations** – The key elements in pricing strategy for the Model 700 are to remain positioned competitively with respect to other product offerings within the category and to maintain margin positions. Internal factors taken into consideration for the upcoming year’s pricing scenario are:

- Changes in raw material costs
- Changes in labor and overhead rates
- Capacity restraints/availability

External considerations are:

- Overall strength of the market
- General condition of the domestic economy
- Competitors strategies and past practices
- Inventory positions within the trade

While market conditions for bolt-action centerfire rifles have softened somewhat, the overall market for Remington rifles is still such that manufacturing is challenged capacity wise to fulfill order positions. No changes of significance are anticipated with respect to raw material or other variable costs that may negatively impact margin positions. It should be noted however, that at the time this document was written, these figures were not yet available for budgetary purposes, so they are somewhat speculative and will be revisited in August 2002 once budgets are submitted. Based on this, there are no overwhelming issues from an internal perspective that require a price increase to maintain current margin positions.

**Externally, however there are factors at play which make logical sense to take a price increase for 2003.** Although trade inventory levels are high with respect to long action Ultra Mag sku’s, demand for core offerings appears stable. The upcoming release of SAAMI 2002 Q1 share figures will confirm or raise question to this hypothesis.

From a competitive perspective, both Browning and Winchester are likely at full capacity with strong demand levels for the Winchester Short Magnum (WSM) calibers. Both are likely to initiate price increases for 2003. Browning, Winchester and Ruger have all taken substantial price increases over the past two years in relation to Remington. It is the belief of this writer that there is a price parity issue between Remington Model 700's and Winchester Model 70's in the premium centerfire bolt-action category. On average, Winchester Model 70's are priced at a \$30 premium to the Model 700. Entry level Model 700 ADL Synthetics are priced on a net basis approximately \$10 below the push-feed Winchester Model 70 Black Shadow. Remington must make up some of this price disparity in 2003. Price increases by category are as follows:

Model	2003 % Increase
Model 700 ADL	+2.5%
Model 700 ADL SYN	+2.5%
Model 700 Regular	+3.0%
Model 700 Stainless	+3.5%
Model 700 Titanium	+2.5%
Model 700 EtronX	NC
Model 700 Long Range	+3.0%

**Product Deletions** – See Appendix xx for a comprehensive listing of product deletions.

### **Product Strategy 2004 & Beyond – Model 700**

The Model 700, while continuing to serve as the industry standard for modern day bolt-action centerfire rifles, is a product in the mature stage of its product life cycle. Focus within the category in the near future will be a proactive approach geared toward maintaining volumes at peak levels at attractive margins. This is accomplished primarily through incremental improvements to the product line to keep it fresh in the eyes of the consumer. Some suggested concepts are as follows:

- **Model 700 BDL Synthetic Stock** – The current Model 700 BDL Synthetic stock is dated in styling and aesthetics. A common complaint of Model 700 Synthetic stocks is that it feels “hollow” and “cheap”. Wall thickness on the Model 700 Synthetic stock is relatively thin in the butt section and is currently stuffed with foam to help absorb some of the “hollow” sound encountered when the stock is tapped on. Consideration should be given to both increasing the wall thickness and to a change in material. The Model 597 rimfire and the Model 710 bolt-action centerfire both sport very solid feeling and sounding stocks which are substantially cheaper to produce than the current Model 700 Synthetic stock.

In addition to the “cheap” feel of the Model 700 Synthetic stock, its styling is dated. Originally designed as a plastic version of the trusted wood stock, checkering patterns were included in the molded design of the synthetic stock. Now that synthetics have gained acceptance in the market place, it is not a prerequisite that they follow along the same lines with respect to appearance as their wood counterpart. Changes in stock texturing or rubber over-molded panels in the grip and fore end areas of synthetic stocks are beginning to take the place of the more traditional checkering patterns. A great example is the Sako Model 75 Synthetic.

Requirements for a redesigned Model 700 Synthetic stock are:

- Must feel and sound more durable and solid than the current stock
- Must utilize either a texturing change or rubber over-molded panels in the grip and fore end areas
- Must take advantage of new technologies currently under evaluation by R&D to create a non-slip rubberized surface through the injection molding process
- Must minimize or eliminate “swirls” in the stock found in the current synthetic stock

The redesigned synthetic stock will be utilized on the higher price point BDL Synthetic models, providing further brand differentiation from the entry level ADL Synthetic models.

- **Model 700 Classic** – The Model 700 Classic will continue through 2004 and 2005. 2005 will mark the 25<sup>th</sup> anniversary of the Limited Edition classic and will likely mean the end of the series. Caliber offerings for 2004 and 2005 are:
  - **2004** – 8mm Mauser
  - **2005** - .35 Remington
- **Model 700 ADL LS Short Action** – In continued focus to manage Remington’s relationship with Wal Mart, the Model 700 ADL LS will be offered in a short-action platform exclusive to Wal Mart in 2003. Calibers will be .243 Win and .308 Win.

Model	MSP	NSP (Wal Mart)	Volume
Model 700 ADL LS .243 Win	\$419	\$390	2000 units
Model 700 ADL LS .308 Win	\$419	\$390	2000 units

- **Model 700 ADL LS Ultra Mag** – In an effort to continue to improve category growth at Wal Mart, a third version of the Wal Mart exclusive Model 700 ADL LS will be offered in .300 Remington Ultra Magnum in 2004.

Model	MSP	NSP (Wal Mart)	Volume
Model 700 ADL LS .300 RUM	\$449	\$418	4000 units

- **Model 700 EtronX** – A .30-06 hunting version of the Model 700 EtronX is currently in test at R&D. The new design capitalizes on means to reduce cost on the firearm to appoint where the hunting version of the EtronX will be available at retail for \$800-\$900. Also underway is the ASICS program intended to miniaturize and further reduce cost of the EtronX concept. **The future of the EtronX concept lies in Remington's success or failure to effectively promote the benefits of the concept to the consumer through hands-on demonstrations, product focused advertising, intensified PR and incentive based promotion at the retail level (on both sides of the counter). To date, the EtronX program has been a major product success hindered by a market acceptance failure.**

**Production/Quality Control** – Focus must be maintained on the part of manufacturing on monitoring and insuring the quality and integrity of the Model 700 brand. Emphasis must be placed on consistency and standardization within manufacturing processes. Focus should also be placed on cost reducing measures which improve margins, but do not detract from the perceived quality of the product.

**Pricing Considerations** – Pricing will be reviewed annually in order to determine the most effective pricing strategy from year to year. Market dynamics and conditions are constantly changing, making meaningful forecasting models for pricing marginally effective at best. Pricing strategies will likely continue to be driven by necessity and opportunistic events and conditions. For forecasting purposes the following price increases per year will be used with the understanding that the percentages may fluctuation up or down in any given year.

Model	2004 % Increase	2005 % Increase
Model 700 ADL	+1.0%	+1.0%
Model 700 ADL SYN	+1.0%	+1.0%
Model 700 Regular	+2.0%	+1.5%
Model 700 Stainless	+1.5%	+1.5%
Model 700 Titanium	+1.0%	+1.5%
Model 700 EtronX	NC	NC
Model 700 Long Range	+2.0%	+1.5%

## **Product Strategy 2003 – Model Seven**

While the Model Seven product category has nowhere near the breadth of the Model 700, the strategies for growth are essentially the same. While less emphasis in the short term will be placed on new materials, the same strategies with respect to manufacturing quality, costs, and line item effectiveness do apply.

**Model Seven Regular** – No new product introductions are planned for 2003.

**Model Seven Stainless** – No new product introductions are planned for 2003.

**Production/Quality Considerations** – The same principles that apply to the Model 700 also apply to the Model Seven. See topic description above.

**Pricing Considerations** – The same principles that apply to the Model 700 also apply to the Model Seven. See topic description above. Pricing recommendations for the Model Seven in 2003 are as follows:

Model	2003 % Increase
Model Seven Regular	+3.0%
Model Seven Stainless	+3.5%

**Product Deletions** – No Model Seven product deletions are planned for 2003. See Appendix xx for a comprehensive listing of product deletions.

## **Product Strategy 2004 & Beyond – Model Seven**

The same product strategy applied to the Model 700 will apply to the Model Seven. The product category will be managed to maintain margins and volume through incremental improvement intended to reduce cost and/or improve the brand's perception in the market. Topics for consideration are:

- Synthetic stock redesign (See Model 700 topic above)
- Reducing weight in the magnum products through the utilization of high strength alloys for barrels

Pricing strategies will follow closely the strategies applied to the Model 700. Price increases will be based on opportunistic potential and/or necessity to maintain profitability.

Model	2004 % Increase	2005 % Increase
Model Seven Regular	+2.0%	+1.5%
Model Seven Stainless	+1.5%	+1.5%



## **Product Strategy 2003 – Other New Product Opportunities**

**Model 673 Guide Rifle** – In 1965, Remington introduced the Model 600 Magnum Carbine bolt-action centerfire rifle. Chambered originally for .350 Remington Magnum and later for 6.5mm Remington Magnum, the Model 600 Magnum Carbine featured a beech and walnut lumber laminate stock and 18.5" barrel with a full length, synthetic ventilated rib. Today, these firearms are widely sought after by collectors and enthusiasts.

For 2003, Remington plans to introduce the next generation rifle based on the lineage of the old Model 600 Magnum Carbine. Based on the Model Seven Magnum platform, the Model 673 Guide Rifle will feature a nearly identical stock to the old Model 600 Magnum with a 22" barrel with a full length, steel ventilated rib. The Model 673 Guide Rifle will be chambered in .350 Remington Magnum and .300 Remington SA Ultra Mag. It should be noted that the .350 Remington Magnum, absent from the Ammunition line for sometime will be reintroduced by the Ammunition group to accompany the new Model 673.

<b>Model</b>	<b>MSP</b>	<b>NSP</b>	<b>1st Yr. Volume</b>
Model 673 Guide Rifle .350 Rem Mag	\$619	\$565	1500 units
Model 673 Guide Rifle .300 RSAUM	\$619	\$565	1500 units

## **Product Strategy 2004 & Beyond – Other Product Opportunities**

**New Centerfire Bolt-Action Rifle (C-BAR)** – While the Model 700/Seven categories are still enjoying healthy volumes and profit margins, both products are relatively mature in their life-cycle. The Model 700 will certainly continue to occupy and drive a significant portion of the future of the Remington Arms Company. However, Remington must be proactive and look to new technologies, materials, and manufacturing methods to design and implement a new product family that is cutting edge from an accuracy and performance perspective and more cost effective to manufacture than current products. As the next generation of premium centerfire bolt-action rifles, the C-BAR's design should take the following into consideration:

- Accuracy capability that is unprecedented in a production grade bolt-action centerfire rifle through production methods that result in product consistency and predictability.

- Crisp fire control that sets the standard for the industry in performance, reliability and safety.
- Utilization of state of the art materials that yield unprecedented strength, yet allow for a lighter weight product.
- Use of high performance recoil reduction technology.
- Designed for ease of manufacturing through parts commonality from caliber to caliber and assembly that is easily repeatable and lends itself to standardized processes.

It is important to note that the realistic timeframe for the introduction of the C-BAR exceeds the scope of this three-year plan, however it is important to begin the conceptualization of this project within the next two to three years. **Although current centerfire rifle order positions are solid with the Model 710 and Model 700, history in the autoloading shotgun market has taught us that displacement within the market is only as far away as the next major product innovation. Remington must be proactive in this regard.**

## Centerfire Repeating Rifles

*The U.S. domestic market for centerfire repeating rifles is estimated to be 358M units annually with an estimated retail sales value of \$114MM.*

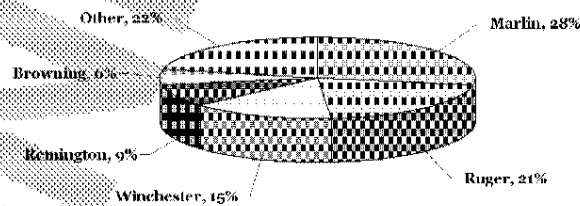
Sales volume and market share are estimated as follows:

**2001 Domestic Repeating Centerfire Rifle Market  
Estimated Sales by Manufacturer<sup>14</sup>**

<u>BRAND</u>	<u>UNITS (M)</u>
Marlin	101
Ruger	75
Winchester	53
Remington	28
Browning	22
Other	<u>79</u>
<b>TOTAL</b>	<b>358</b>

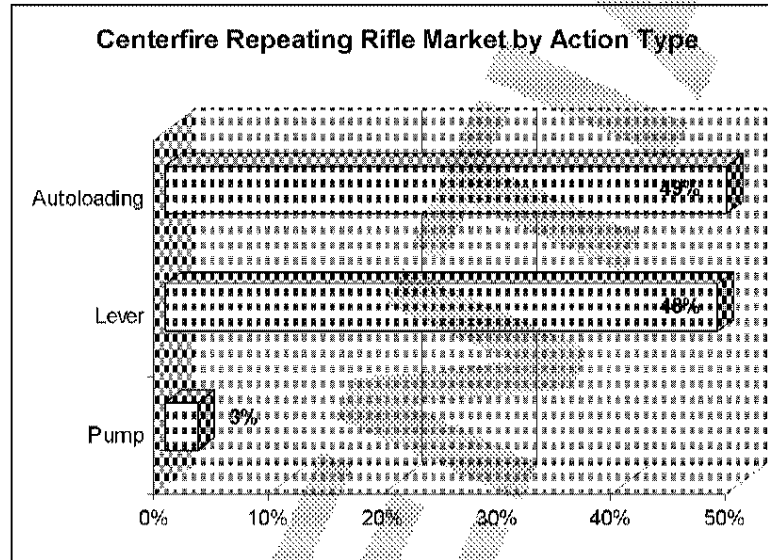
### Centerfire Repeating Rifle Brand Share (% of Units)

**2001 Centerfire Repeating Rifles  
Brand Share by Manufacturer**



<sup>14</sup> Combined estimate of BATF, SAAMI, and NASGW 2001 Data

The centerfire repeating rifle category is comprised of three basic action types: Autoloading, Pump and Lever. A breakdown by action type is as follows:



The overall centerfire repeating rifle market picture is not a pretty one, especially for Remington. Volumes across the category have diminished, particularly in the pump and autoloading rifle categories in which Remington competes. Perhaps the most significant and overwhelming reason for this decline in market size is the popularity of bolt-action centerfire rifles. This environment has been created by the rising prices of repeating centerfire rifles and compounded by the increasing number of affordable bolt-action centerfire rifles in the market.

### Remington Segment Performance

Remington participates in the category with the Model 7400 series of autoloading centerfire rifles and Model 7600 pump action centerfire rifles. Sales volume in 2001 for the entire category totaled 28M units and accounted for \$10.6MM in revenue. These figures account for a 20% decrease in the category from 2000 sales levels.

Model 7400	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 ECST	2002 PO
Unit Sales (M)	26.7	27.2	24.0	19.5	21.0	21.9
Sales Dollars (\$MM)	\$8.4	\$8.8	\$8.1	\$6.8	\$7.2	\$7.5
Standard Margin (\$MM)	\$3.4	\$3.6	\$3.5	\$2.8	\$2.6	\$2.7
Standard Margin (%)	41.0%	40.5%	42.8%	40.4%	36.6%	35.9%
Model 7600	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 ECST	2002 PO
Unit Sales (M)	13.5	12.6	11.3	8.5	8.0	8.5
Sales Dollars (\$MM)	\$3.9	\$3.8	\$3.7	\$2.7	\$2.6	\$2.7
Standard Margin (\$MM)	\$1.5	\$1.4	\$1.5	\$1.0	\$0.9	\$0.9
Standard Margin (%)	39.3%	38.0%	40.4%	38.4%	35.0%	34.1%

It is apparent from the information above that the category is challenged from Remington's perspective. **With an exponential decline in unit sales volume on a year to year basis, Remington is faced with some very key impending decisions with respect to the long term future of the product category.** Primary reasons for the decline in sales for the Model 7400/7600 series are:

- *Unfavorable general market conditions for the 7400/7600 category with respect to consumer preferences geared toward bolt-action rifles*
- *Favorable pricing for bolt-action rifles appealing to the traditional repeating rifle customer*
- *Dated design of the Model 7400/7600 is not competitive with today's product offerings (i.e. not capable of handling magnum cartridges)*
- *Poor reputation for quality and reliability, particularly in the Model 7400 series*
- *Lack of recent focus through advertising efforts to promote the product and generate consumer awareness*

## **Competitive Outlook**

The following section will briefly address competitive offerings in the centerfire repeating rifle category. It is important to note that the "other" category listed earlier in the section is comprised mostly of surplus military rifle imports and assault rifle type configurations. Due to the scope of Remington's business, only sporting rifles will be addressed. The three basic action types (autoloader, pump, and lever) will each be summarized.

### **Autoloading Centerfire Rifles**

#### **Browning**

The Browning BAR is the principle competitor to the Model 7400. The BAR is a gas operated autoloading rifle and is offered in an unbelievable 46 sku's. The BAR is available in varying grades, ranging from the all-purpose synthetic Stalker series, to the high-grade Safari series equipped with high polished blued metal with fancy fine line engraving and fancy walnut. Caliber offerings range from .243 Win to .338 Win Mag. New for 2002, the BAR is also offered in the .300 WSM caliber. All models feature detachable magazine boxes.

#### **Ruger**

Ruger participates in the autoloading centerfire segment primarily with the Mini-14/Mini-30 series of carbine rifles. Based off of the military M-1 carbine style, the Mini-14/Mini-30 series rifles are gas operated with a detachable rotary magazine. Available in wood and synthetic stock configurations and a choice of stainless or blued steel, the Mini-14/Mini-30 series of rifles are chambered for .223 Rem and 7.62x39 cartridges.

Ruger also offers the Deerfield Carbine, chambered for the .44 Magnum centerfire pistol round and a blow-back operated PC carbine for law enforcement chambered for .40 S&W and .9mm pistol rounds.

### Remington

The Remington Model 7400 series of gas-autoloading centerfire rifles are offered in both synthetic and wood versions. Both versions offer 22" barrel length models as well as 18 1/2" carbine models. Chambered in short and long-action calibers popular with deer hunters, the 7400 features a rotary lock up with four lugs and detachable magazine boxes. While popular with deer hunters in the U.S., the Model 7400 is also popular in Europe with International sales comprising 15%-20% of total unit sales. European volumes have dwindled over the course of the past five years. Primary reasons for this decline are issues related to reliability with respect to feeding and to the growing popularity of the Browning BAR and other European manufacturers.

### Wholesale Pricing Comparison Autoloading Centerfire Rifles

Manufacturer	Model	Net Wholesale Price
Browning	BAR SYN Stalker	\$566 - \$618
Browning	BAR SYN Stalker BOSS	\$660
Browning	BAR Lightweight	\$583 - \$636
Browning	BAR Safari	\$583 - \$636
Ruger	Mini 14	\$370 - \$433
Ruger	Mini 30	\$393 - \$433
Ruger	PC Carbine	\$352 - \$365
Remington	Model 7400 SYN	\$356
Remington	Model 7400 Wood	\$427

### Pump Action Centerfire Rifles

#### Remington

Browning's recent withdrawal of the BPR from the market leaves Remington as the sole source supplier of pump action centerfire rifles. **The category as a whole however is not very popular with concentrated followings primarily in the Northeast U.S., particularly in Pennsylvania.** Total Model 7600 sales volume for 2001 was less than 10M units worldwide. With a design very similar in nature to that of the 7400 with respect to the receiver and fire control, the Model 7600 is available in the same basic configurations as the Model 7400.

### Wholesale Pricing Comparison Pump Action Centerfire Rifles

Manufacturer	Model	Net Wholesale Price
Remington	Model 7600 SYN	\$331
Remington	Model 7600 Wood	\$402

### Lever Action Centerfire Rifles

Remington does not currently participate in the lever action centerfire rifle market, nor are there foreseeable plans to do so. However, lever action centerfire rifles are a close substitute product for pump action centerfire rifles and it is important to at least understand the current offerings available in the market place.

#### Marlin

Marlin's basis in the lever action centerfire rifle category centers on the Model 1894 design. The Model 1894 design features an exposed hammer, tubular magazine fed action with side eject. The Model 1894 series are wood stocked configurations chambered for .44 Rem Mag, .44 S&W Special, and .357 Magnum. A stainless steel model is available as well. An 1894 Cowboy series is also in the lineup, targeted towards the Cowboy Action shooting market.

Also based on the Model 1894 design is the Model 1895 Big Bore series chambered for .450 Marlin and .45/70 Govt. The Model 444 is essentially a line extension of the Model 1895 chambered for .444 Marlin. Both the Model 1895 and Model 444 feature an exposed hammer, tubular magazine fed action with side eject. All models feature walnut stock and fore ends. One sku is available with a stainless steel barrel and action.

A popular offering with deer hunters is the Model 336 series. Also based on the Model 1894 design, the Model 336 series is chambered primarily in the popular and widely available .30/30 Winchester. Although the Model 336 is available primarily in wood stock configurations, a camouflaged synthetic stock model is offered as well. The Model 336 is also offered in a stainless steel version. Along with offerings from Winchester, Marlin lever action rifles are formidable competitors to the Remington Model 7600, especially in the Northeastern United States.

### **Winchester**

Winchester participates in the lever action centerfire rifle category with the Model 94. Like the Marlin, the Winchester Model 94 is based on a highly successful design that has prevailed for over one hundred years. The Model 94 sports an exposed hammer, tubular magazine fed action with top eject. Essentially available in the same principle caliber offerings as the Marlin 1894 (.30/30, .357 Mag., .44 Mag) as well as .480 Ruger and .45 Colt, the Winchester Model 94 is a principle competitor to the Remington Model 7600.

### **Wholesale Pricing Comparison Lever Action Centerfire Rifles**

Manufacturer	Model	Net Wholesale Price
Marlin	Model 336	\$243 - \$286
Marlin	Model 336 Stainless	\$346
Marlin	Model 1895	\$341 - \$375
Marlin	Model 1895 Stainless	\$411
Marlin	Model 1894	\$300
Marlin	Model 1894 Stainless	\$367
Winchester	Model 94	\$272 - \$338

### **S.W.O.T Analysis – Remington Repeating Centerfire Rifles**

#### **Strengths**

- Strong brand recognition
- Familiar design leads to ease of use
- Unique product offering (Model 7600)
- Priced competitively

#### **Weaknesses**

- Dated design concept
- Product category is “out of favor”
- Less than stellar reputation for functioning properly
- Perceived as less accurate than bolt-action rifles
- Unable to accept magnum cartridges



## **Opportunities**

- Re-establishment in European market through a concerted focus on improving product quality (Model 7400)
- Expansion of French market opportunities through introduction of standard line item with 2-shot non-detachable magazine
- Niche market opportunities in domestic market
- Entry and acceptance in the Law Enforcement markets

## **Threats**

- Legislative pressures to eliminate or vastly restrict sale of pump and autoloading centerfire rifles to the public
- Continued pressure from competitors further eroding market share
- Growing popularity of lower price point bolt-action rifles acting as substitute product (Model 7600)
- Environmental conditions such as Chronic Wasting Disease threatening game populations

## **Product Strategy 2003 – Centerfire Repeating Rifles**

Developing a meaningful strategy for the Remington centerfire repeating rifle product family is difficult at best. Current product offerings are well into the declining stages of the product life cycle. The overall market for pump and autoloading rifles is flat or slightly declining domestically. The world market size for these products is less than 150M units annually. Both of these factors present challenges in developing a new product family, requiring a product design that utilizes many of the same components from a parallel development effort such as the Model 2100 shotgun project. Such an effort would have to be carefully evaluated closer to the launch of the Model 2100 project in order to determine the feasibility of this concept.

Therefore, the near term strategy for Remington's centerfire repeating rifle business will be to maximize the opportunity for sales of the Model 7400 and Model 7600 through focused efforts to target product toward niche opportunities. Also in 2003, Remington will place a focused effort from an advertising perspective to aid in sparking consumer interest and create some momentum to "pull" demand through the retail sector. There has been no advertising presence for this product category for at least three consecutive years.

**Model 7400 Weathermaster** – At the 2002 S.H.O.T. Show, Remington unveiled as a show special the Model 7400 Weathermaster chambered for .30-06. The Weathermaster is a Model 7400 Synthetic with a nickel-plated receiver and barrel, designed for added weather resistance. The Model 7400 Weathermaster proved successful at the S.H.O.T. Show, with orders exceeding the forecast volume of 1000 units. Despite the fact that the product is not cataloged, the Model 7400 Weathermaster is the third most popular sku for 2002 from an order perspective. For 2003, the Model 7400 Weathermaster will be a catalog product, offered in .270 Win and .30-06.

<b>Model</b>	<b>MSP</b>	<b>NSP</b>	<b>1<sup>st</sup> Yr. Volume</b>
Model 7400 Weathermaster .270 Win	\$468	\$427	1000 units
Model 7400 Weathermaster .30-06	\$468	\$427	1500 units

**Model 7400 2-Shot Non-Detachable Magazine** – As stated earlier, the Model 7400 is popular in the European market, especially in France. However, in order for the Model 7400 to be legal for sale in France, the rifle must be fitted with a 2-shot only magazine box that can not be removed from the rifle. Past practices have involved shipping Remington's key French distributor standard product. The distributor then must modify the firearm to be legal for sale. Remington has devised a solution from the factory in a modified magazine box that only allows two rounds to be loaded in the magazine at a time and is pinned to the receiver preventing its removal.

<b>Model</b>	<b>MSP</b>	<b>NSP</b>	<b>1<sup>st</sup> Yr. Volume</b>
Model 7400 2-Shot ND .280 Rem	\$493	\$449	600 units
Model 7400 Carbine 2-Shot ND .280 Rem	\$493	\$449	600 units

**Production/Quality Considerations** – Perhaps the most important issue pertaining to the repeating centerfire rifle category centers on the reliability issues with the Model 7400. Considerable emphasis needs to be placed on insuring that the Model 7400 will reliably cycle and function consistently. Remington's European business is suffering as a result of poor performance in the field. A recent letter from Remington's key distributor in Italy noted that every Model 7400 received by them undergoes a rigorous evaluation and rework by their gunsmiths at their expense. The reputation for poor performance has become so widespread that the distributor, after completing their evaluation and rework includes an insert in each gun box stating the following.

*We declare that the above mentioned rifle, after the forced test provided for by law at the National Proof House of Gardone Val Trompia has undergone another shooting test using a congruous number of cartridges of the commercial choice in order to guarantee the correct functioning of its semi auto mechanism.*

The same letter indicated that of the last 400 Model 7400's that were received 50 of them or 12.5% did not reliably function with factory ammunition. These issues must be corrected. One of the key selling points behind the Model 7400 is that the firearm enables the shooter with the ability for rapid follow up shots. The benefit of this feature, of course, is lost when the rifle will not properly cycle ammunition. Each Model 7400 must with absolute certainty, function flawlessly with factory ammunition prior to leaving the Ilion facility.

**Pricing Considerations** - Due to declining sales and a softening market, no pricing recommendations are recommended for either the Model 7400 line or the Model 7600 line.

**Product Deletions** - No product deletions are planned for the Model 7400 or Model 7600 for 2003.

### **Product Strategy 2004 & Beyond – Centerfire Repeating Rifles**

As stated earlier, the near term strategy for Remington's centerfire repeating rifle business will be to maximize the opportunity for sales of the Model 7400 and Model 7600 through focused efforts to target product toward niche opportunities. Through this strategy, along with efforts to improve the quality of the Model 7400, the focus will be on stabilizing order positions within the category on an annual basis.

**New Centerfire Autoloading Rifle (C.A.R.)** – Despite a small market, it would not be unreasonable to assume that with a new product, Remington could secure 30M-35M units in sales volume. After all, Remington does possess a competency in the manufacture of autoloading centerfire rifles.

An evaluation by R&D and Manufacturing needs to be performed to project the resources required for such an effort. In order to keep development costs to a minimum, the C.A.R. could in theory (but is not mandated to) utilize many of the same components and design concepts generated by the upcoming Model 2100 Autoloading Shotgun project. General criteria for the C.A.R. are as follows:

- Gas autoloading design utilizing recoil reduction technology.
- Must function ammo ranging from .243 Win to .300 Win Mag., as well as Remington Short Action Ultra Mag cartridges.
- Capability to function .223 Remington ammunition would be beneficial, but is not a prerequisite.
- Detachable box magazine. 2-shot non-detachable magazine option for International.
- Synthetic and wood versions available.

<b>Model</b>	<b>MSP</b>	<b>NSP</b>	<b>Annual Volume</b>
Centerfire Auto Loading Rifle – S/A & L/A	\$560	\$511	25000 units
Centerfire Auto Loading Rifle – Magnum	\$580	\$529	10000 units

**Pricing Considerations** – Unless opportunity presents itself, rationalization for price increases in the Model 7400/7600 product lines will be difficult to come by. In all practicality, some level of increase will likely prove necessary in order to maintain margins. For forecasting purposes the following price increases per year will be used with the understanding that the percentages may fluctuation up or down in any given year.

**Centerfire Repeating Rifle Price Increases  
2004 & 2005**

<b>Category</b>	<b>2004 %</b>	<b>2005 %</b>
<b>Model 7400</b>	<b>1.5%</b>	<b>1.5%</b>
<b>Model 7600</b>	<b>1.0%</b>	<b>1.0%</b>

## **In-Line Muzzleloading Rifle Market Summary**

### **Market Share Overview**

Reliable information pertaining to the in-line muzzleloading rifle market is difficult to come by at best. Muzzleloading firearms are not regulated by the BATF, nor do they have representation in an industry association. These two factors compounded by the fact that essentially all key players are privately held translate into a speculative view of the market based on assumptions from insiders and sketchy market research data.

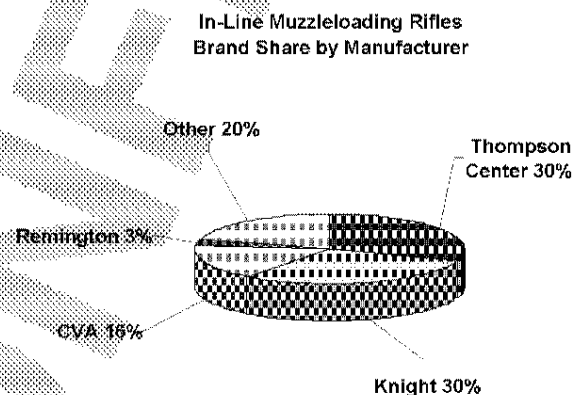
With the qualifying statement above in mind, the overall view of the market in this writer's opinion is that the U.S. domestic in-line muzzleloading market consists of 250M-400M units at a retail sales value of between \$56MM and \$90MM. A breakdown by manufacturer is as follows:

#### **2001 In-Line Muzzleloading Rifle Market (Estimated Sales Volume by Manufacturer)**

<b><u>Manufacturer</u></b>	<b><u>Units (000's)</u></b>
Thompson Center	75
Knight	75
CVA	40
Remington	7
Other	50
<b>Total</b>	<b>247</b>

### **Brand Share – In-Line Muzzleloading Rifles**

Compiled market data indicates the following brand share by manufacturer:



## **In-Line Muzzleloader Industry Analysis**

Upon examining the data, one point is obvious. The muzzleloading market is dominated by players whose businesses rely almost exclusively on the manufacture and sale of black powder arms. Although some crossover does exist, the three key players in the in-line muzzleloading market, Thompson Center, Knight, and CVA have essentially divided the market into three price point segments. Knight dominates the higher end, Thompson Center the mid point and CVA carries the ball in the low price segment.

When the in-line muzzleloading rifle market emerged, Remington enjoyed a tremendous boost in business through the introduction of the Model 700 ML series of black powder rifles. In 1997 alone, Remington produced and shipped over 65M units of Model 700 ML rifles. When the in-line market first erupted, the Remington Model 700ML offered the shooter a familiar platform with an established reputation that was easy to use. Since that time the following has occurred:

- The market for premium in-line muzzleloading rifles has become saturated.
- Competitors have pursued a proactive approach to providing the market with differentiated product while the Remington design has remained essentially unchanged.
- The in-line muzzleloading rifle market has shifted from a high end product to more of a commodity approach with the market for entry level priced rifles and “grab and go” starter kits becoming the driving factor in the market.

Remington had very good reason for not further exploiting the in-line muzzleloading market. The Model 700 ML rifle consumed regular Model 700 centerfire capacity which is relatively fixed in nature. In addition, the Model 700ML line cost essentially the same to manufacture as its centerfire counterpart while earning nearly \$100 less per unit. These factors when weighed against an exploding bolt-action centerfire rifle category resulted in the sound decision to utilize the Ilion plant's rifle capacity to build bolt-action centerfire rifles at the expense of the muzzleloading line. As a result the Model 700 ML is perceived as a higher end, specialty product that is simply not competitive by today's standards.

## **Remington Segment Performance**

In 2001, Remington shipped 7.3M units at a total value of \$2.38MM. This was an 11% increase in units and a 30% increase in sales dollars due to a more favorable mix of higher dollar density stainless steel product. Historical performance is as follows:

Model 700 ML	1998	1999	2000	2001	2002	2002 PO
	Actual	Actual	Actual	Actual	Est	
Unit Sales (M)	19.1	9.2	6.6	7.3	8.2	9.1

Sales Dollars (\$MM)	\$4.9	\$2.4	\$1.6	\$2.1	\$2.3	\$2.6
Standard Margin (\$MM)	\$2.0	\$1.0	\$0.6	\$0.9	\$0.9	\$1.0
Standard Margin (%)	40.4%	40.9%	36.5%	41.0%	39.8%	40.1%

\*Includes carbon and stainless steel models

## Competitive Outlook

### **Thompson Center**

The **Black Diamond** series represents the core of T/C's in-line offerings. Equipped with a patented "**Flame Thrower**" ignition system, the **Black Diamond** offers the shooter the advantage of using 209 shotshell primers as an ignition source. Also featured on the **Black Diamond** is a 26" standard length barrel for greater velocities. The **Black Diamond** is offered in nine different configurations varying by carbon or stainless steel, camouflaged stocks and fiber optic sights. The **Black Diamond** is also offered in a clam pack starter kit and in a .45 caliber configuration. All other offerings are .50 caliber. The **Black Diamond** is positioned as a "middle of the road" in-line muzzleloader.

### **Knight**

Participating more in the higher end market is the **Knight DISC Rifle**. Utilizing the DISC ignition system which consists of a removable plastic insert to hold the primer, the DISC features 209 shotshell primer ignition. The DISC rifle is available in both .45 and .50 caliber configurations with choices in carbon or stainless steel, as well as camo stock offerings. The DISC rifle also features a bolt-action design which was subject to prior litigation for potential infringement on the Remington patent. The litigation was settled, allowing Knight to continue the manufacture of the DISC rifle. The DISC rifle is available in 24" barrel lengths as well as a 26" barrel length for greater velocities. Fiber optic sights are also offered on the DISC rifle. **The DISC is Knight's high-end offering, competing heavily with the Remington Model 700 ML.**

The **Knight Wolverine 209** is a traditional in-line muzzleloader featuring a straight pull cocking mechanism rather than the premium bolt-action design. Also equipped with the DISC ignition system, the **Wolverine 209** utilizes shotshell primers as an ignition source. Available in .50 caliber only, the **Wolverine** is available in carbon or stainless steel with camo as an option as well. The **Wolverine** features fiber optic sights and a compact 22" barrel length. **The Wolverine competes with the Thompson Center Black Diamond in the "middle of the road" category.**

The **American Knight** is Knight Rifles true entry-level offering. With a traditional in line action design and an ignition system only capable of using the basic No. 11 percussion cap, the **American Knight** is truly a price point offering. The **American Knight** is available in a 22" barreled, blued finish version only. Not surprisingly, the **American Knight** is offered in the increasingly popular "value pack" configuration that

includes all the shooter needs to get started with the exception of powder. **The American Knight competes primarily with the CVA product offerings.**

### **CVA**

The premier offering from CVA is the **Eclipse Firebolt Ultra Mag 209** rifle. Equipped with a 26" fluted barrel and rubber coated stock, the Firebolt is targeted to compete with the mid priced Knight rifles. Like the Knight, the Firebolt is equipped with a 209 shotshell primer ignition system. As the name implies the Firebolt utilizes a bolt-action design in the cocking mechanism. The Firebolt is available in blued carbon steel or nickel plated versions with standard black, green or camo stock configurations. Caliber offerings are .45 and .50 caliber.

The first step down from the Firebolt in the CVA line is the **Hunterbolt** rifle. Also utilizing a bolt-action inspired cocking mechanism, the Hunterbolt features a 24" barrel in either blued or nickel plated finish. A three-way ignition system allows the use of 209 shotshell primers, musket caps, or No. 11 percussion caps. **The Hunterbolt rifle is the top seller in the CVA in-line family.**

Next in the CVA line is the **Eclipse 209 rifle**. The Eclipse utilizes a straight, in-line cocking mechanism. Also equipped with 209 shotshell primer capability, the Eclipse ignition system can also be configured to accept musket caps and traditional No. 11 percussion caps. Offered in .50 caliber only, the Eclipse features a 24" barrel in either blued or nickel plated finishes. Black synthetic stocks are the only available configuration.

A true entry level rifle, CVA offers the Staghorn 209 with the basic blued version **retailing just below the \$100 mark**. Equipped with a straight pull cocking mechanism and 24" barrel, the Staghorn affords CVA a serious competitive advantage in the entry level category by offering the consumer a low-cost product that features 209 shotshell primer capability and fiber optic sights. Although the Staghorn is a "no frills" rifle, it serves its purpose well as a price point offering.

### **Remington**

Remington participates in the in-line Muzzleloading rifle category with the Model 700 ML series of black powder arms. Utilizing many of the same features of the popular, time-tested Model 700 centerfire rifle design such as the bolt, action, and trigger, the Model 700 ML carries tremendous credibility on reputation alone. Regarded by some as the most accurate and dependable muzzleloader on the market, the Model 700 ML is available in a carbon steel, blued version with a 24" barrel, as well as the stainless steel MLS Magnum series equipped with 26" barrels for greater velocities. New for 2002, all Model 700 ML and Model 700 MLS Magnum rifles are equipped with a three-way ignition system capable of using 209 shotshell primers, musket caps and No. 11 percussion caps. The standard Model 700 ML is available in .50 caliber only, while the



Model 700 MLS Magnum is also offered in a .45 caliber configuration. Viewed as a premium product, the Model 700 ML series of Muzzleloading rifles competes with the Knight DISC and Thompson Center Black Diamond, as well as with higher priced, low-volume specialty rifles.

#### **Wholesale Pricing Comparison In-Line Muzzleloading Rifles**

<b>Manufacturer</b>	<b>Model</b>	<b>Net Wholesale Price</b>
Thompson Center	Black Diamond	\$214 - \$290
Knight	DISC	\$336 - \$384
Knight	Wolverine	\$208 - \$248
Knight	American Knight	\$136
CVA	Firebolt	\$176
CVA	Hunterbolt	\$120 - \$136
CVA	Eclipse	\$96
CVA	Staghorn	\$80 - \$88
Remington	700 ML	\$284
Remington	700 MLS Magnum	\$365

#### **S.W.O.T. Analysis – Remington In-Line Muzzleloading Rifles**

##### **Strengths**

- Design familiar to centerfire rifle users
- Strong brand recognition with association with Model 700
- Solid reputation for accuracy
- Utilizes many of the same components as Model 700

##### **Weaknesses**

- Lower margin earner when compared to Model 700 centerfire rifles.
- High retail price point limits volume in market.

##### **Opportunities**

- Pennsylvania, a strong deer hunting state has recently introduced legislation allowing in-line muzzleloading rifles, expanding the total in-line muzzleloading market size.

- More shifting of densely populated areas from centerfire deer hunting to primitive weapons and shotgun only regions could create additional market opportunity.
- A renewed approach to advertising the Model 700ML could help to create additional "pull" in the market.
- Due to the strong centerfire rifle market of recent years, relatively little focus has been placed on pursuing special make up opportunities to provide customers with differentiated product.

### **Threats**

- Increased market focus on low-cost/low-priced entry level and combo packages.
- Although efforts to regulate in-line muzzleloaders and muzzleloaders utilizing 209 shotshell primers have been defeated, potential exists for these efforts to surface again.
- Increasing costs could force Remington to raise prices in an effort to protect margins. Additional price increases would result in further erosion of Model 700ML volumes.

### **Product Strategy – 2003 Remington In-Line Muzzleloaders**

**Model 700 ML** - No new product introductions are planned for the 700ML family for 2003 as a result of a complete overhaul of the line in 2002. Focus will be placed on meeting the delivery expectations of customers where Remington has fallen short in recent years. **Efforts should be focused on areas to reduce costs of the Model 700 ML. These efforts could include, but are not limited to more cost effective solutions to accessories packaged with the rifle. Nipple/breech plug tools come to mind immediately as opportunities to pursue inexpensive stamped wrenches.**

**Pricing Considerations** – The Model 700 ML is already positioned price wise at a competitive disadvantage. As stated above, efforts should be placed on taking cost out of the product to protect and improve margins rather than adding price that will certainly erode volumes.

**Product Deletions** – No product deletions are planned for 2003.

### **Product Strategy – 2004 & Beyond Remington In-Line Muzzleloaders**

#### **Model 700ML**

In 2004, consideration will be given to adding fiber optic sights to the Model 700 ML series if the opportunity is present to create additional value in the market place without sacrificing margin positions.

### **Experimental Ignition System**

Ilion Engineering is currently reviewing the potential to utilize a .22 rimfire blank as an ignition source. Should the concept prove feasible and cost effective, the introduction of a new, more reliable source of ignition could give Remington an incremental boost in Model 700 ML sales. Careful consideration and review will need to be given to Federal interpretations by the BATF and state level DNR regulations as well.

### **Low-Cost Muzzleloader Starter Kit**

Consideration should be given to Remington providing a low-cost entry level muzzleloading kit to the market place. The product would come equipped with a rifle and all key accessories required for the beginning shooter to enter the sport of muzzleloading. The kit will be clam packed such that it could be effectively merchandised by large chains and mass merchants. Consideration should be given to launching this platform under the Model 710 brand if the product can be produced at a cost that would allow for adequate margin opportunity for Remington. Consideration may also be given to a sourced product to fill this void in the market. Target MSP would be \$149 - \$199.

## MARKET RESEARCH OPPORTUNITIES

Recent innovations in market research have led to more effective methods for gathering practical data on customer wants and needs. The traditional methods for acquiring this information (product surveys, focus groups, etc) can lack precision and reliability, leaving companies to often conclude that customers "don't know what they want". Furthermore the traditional approach can assume too much about a customer's product desires without the benefit of hard data. This can lead to decisions based on data that may or may not be relevant.

To lay a foundation for more effective market research, Firearms Marketing group will initiate a plan that utilizes *outcome-based segmentation*. This is nothing more than a methodology that does not separate customers by age, income, or other demographic data, but by the desired *outcomes* that customers want. These outcomes are simply statements that describe what customers specifically want to achieve with a product. This is not to be confused with product suggestions, which are typically too narrow in scope to be of much use as meaningful marketing data. Too often these product suggestions supplant real innovation with specific *solutions*, and short-circuit the innovation process. A better methodology is available. In short, this method is just a disciplined way to use proven response-integration formulas to:

1. Reveal what the most important outcomes are to a selected group of respondents.
2. Find which of those outcomes are the least satisfied by current products.
3. Calculate an "opportunity score" for each outcome that clearly establishes its priority.

In the early stages of this project, some limited contact will be made with consultants and current users of this marketing concept to get the project headed in the right direction. Later, the real development will take place by harnessing the power of the Internet as the foundation for this tool. To keep development costs down, every effort will be made to use internal Remington resources to do all programming and setup. The emphasis will be on creating a user-friendly series of data-collection tools that yield the most accurate results possible. An integrated approach with Remington's current data base system will be the goal.

Manpower requirements will be minimal. Only a project coordinator, programmer, and database manager will be needed, and even then on a very limited basis. The programming and de-bugging phase of the project will take the most time and is estimated at a total of 30 man-days. The first phase of the segmentation program is scheduled for a limited beta-test in the fourth quarter of 2002. If successful, a full roll-out is scheduled for the first quarter of 2003.

## **PRODUCT QUALITY CONSIDERATIONS**

Remington has been beset in recent years by quality concerns in its firearms business. In the past, maintaining product standards has been part adherence to process record, part selective fit of parts and assemblies, and part "know-how" that was learned on the bench. All three of these practices have been neglected to the point that core products (870s, 700s, 1100s, etc) are exhibiting unacceptable quality deficits. Furthermore, these quality control failures are the subject of increasing negative attention from key customers.

***For Remington to maintain and grow share, this trend must be permanently reversed.***

A single coherent strategy is needed to maintain a high-quality product line. A central plan avoids the organizational confusion that can cause duplication of effort, poor communication, and a drain on valuable resources. This plan will have to come from Manufacturing. In support of this, ***Firearms Marketing's position going forward is that no new firearms products will be approved until all requisite testing has been administered and passed.*** To be clear, requisite testing is that level of test necessary to confirm new designs in which there have been changes or innovations that reflect on the safety or performance of the product. This position will help to avoid the problems that have been experienced recently with some products that did not undergo proper testing protocol and became problems at the consumer level.

## **APPENDIX A:** **2003 Product Addition and Deletion Summary**

The following is a summary by SKU of product additions and deletions planned for 2003. A threshold volume of 250 units was used to identify SKUs for deletion.

### **New Products for 2003**

SKU	Description
4989	Model 870 SPS-T 20/20 Camo (Mossy Oak Break Up)
5245	Model 1100 Synthetic Youth Camo (Skyline Excel) 20/21 VT RC
5105	Model 870 Express Super Mag Camo (Skyline Excel) 12/23 VT RC
5175	Model 870 Express Synthetic Youth Camo (Skyline Excel) 20/21 VT RC-T
5205	Model 870 Express Synthetic Camo (Skyline Excel) 12/21 VT RC-T
TBD	Model 1100 Classic Field 16/26 VT RC
TBD	Model 1100 Classic Field 16/28 VT RC
TBD	Model 1100 Synthetic Field 16/28 VT RC
TBD	Model 1100 Practical Competition 12/22 VT RC
TBD	Model 1187 Dale Earnhardt 12/28 PR VT RC
TBD	Model 1100 Tournament Skeet 12/28 NP VT LC RC
TBD	Model 1100 Sportsman Magnum 12/28 VT RC

### **Product Deletions for 2003**

SKU	Description
5233	Model 300 Ideal 12/26 VT RC
5231	Model 300 Ideal 12/28 VT RC
5229	Model 300 Ideal 12/30 VT RC
4812	Model SP-10 Magnum 10/26 VT RC
9906	Model 11-87 SP Magnum 12/26 VT RC
9905	Model 11-87 SP Magnum 12/28 VT RC
5379	Model 1100 Synthetic Youth Camo (Realtree Advantage) 20/21 VT RC
5104	Model 870 Express Super Mag Camo (Realtree Advantage) 12/23 VT RC
5091	Model 870 Express Syn. Youth Camo (Realtree Advantage) 20/21 VT RC-T
5089	Model 870 Express Syn. Camo (Realtree Advantage) 12/21 VT RC-T

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