

DOMESTIC FIREARMS
MINUTES OF KEY ISSUES & MISSION MEETING #2
(Friday, March 18, 1983 @ 10:00 a.m. - Kingston, NY)

Present

| | |
|--------------------|---------------|
| D. M. Condon | E. J. Rossi |
| W. H. Forson, Jr. | C. B. Workman |
| H. C. Munson | W.J. Weeks |
| C. A. Riley, Chmn. | |

Main topics of the meeting were firearms cost trends and competitive assessment. These discussions when combined with market environment data from the first meeting led to the following mission statement and key issues:

"The domestic firearms business mission is to strengthen our strong competitive position. Achieve annual retail share growth of 1% for 1984-85, and 2% for 1986-88, and pretax margin of 15% by 1988. Maximum support will be required."

Key issues for firearms are how we can achieve:

- o Profit objectives
- o Retail share objectives.

Cost Trends

Exhibits of manufacturing costs by product line were discussed. In each case, data in constant dollars over a nine-year period indicated that while material and labor have remained relatively stable (shotgun direct costs have risen somewhat more sharply from 1980), the factory level of overhead has been rising rapidly since the mid-70's. While two causes - volume decline and government mandated costs - account for some of the rise, consensus was that these costs must be subjected to additional controls.

An exhibit of unit sales price, total firearms costs, value added costs in constant dollars and price/cost indices produced the following conclusions:

- o Remington price index and cost of sales index have risen in parallel. Implications were that industry selling price index has risen slower than COS index.
- o Total COS has risen in parallel with value added cost (value added is manufacturing cost less material cost).

Issues drawn from cost analysis were:

- o More emphasis to reduce overhead cost.
- o In the future, we are less likely to raise selling prices to cover cost increases.

Competitive Assessment

Team proceeded to rank each competitor by product line with respect to the following:

- o Critical success factors
- o Strength and weaknesses
- o Perceived missions and thrusts
- o Competitive position

The results are shown in the attachments and competitive position is summarized below:

| <u>Competitor</u> | <u>Competitive Position</u> | <u>Mission</u> |
|---------------------|-----------------------------|----------------|
| Ruger | Very Strong | Strengthen |
| Remington | Strong | Sustain |
| Browning | Strong/Average | Strengthen |
| Smith & Wesson | Average | Strengthen |
| Marlin | Average | Sustain |
| Mossberg | Weak | Sustain |
| U.S. Repeating Arms | Weak | Redirect |



E. J. Rossi

EJR:mu
3/21/83
Att.

0146R

ANALYSIS OF CRITICAL SUCCESS FACTORS

SHOTGUNS - 1983

| <u>Weight</u> | <u>Success Factor</u> | <u>Importance</u> | <u>Competitor Ranking</u> |
|---------------|--|-------------------|--------------------------------|
| 5 | Line Breadth | MI | 1-B: 2-Re: 3-S&W: 4-U: 5-M |
| 8 | Distribution (Retail) | I | 1-Re: 3-U: 4-Mo 2-B: 5-S&W |
| 10 | Product Price/ Value Relationship | VI | 2-B: 1-S&W: 3-Re: 5-U: 4-Mo |
| 10 | Product Quality/Perceive Consumer Franchise | VI | 1-B: 2-Re: 3-S&W: 5-U: 5Mo |
| 8 | Service (response) | I | 1-Re: 2-B: 3-S&W: 4-U: 5-Mo |
| 9 | Communications | I | 1-Re: 2-B: 3-S&W: 4-Mo: 5-U |

Key:

Re: Remington
R: Ruger
B: Browning
M: Marlin
Mo: Mossberg
U: U.S. Repeating Arms

VI: Very Important
I: Important
MI: Moderately Important

ANALYSIS OF CRITICAL SUCCESS FACTORS

RIM FIRE RIFLES-1983

| <u>Weight</u> | <u>Success Factor</u> | <u>Importance</u> | <u>Competitor Ranking</u> |
|---------------|--------------------------------------|-------------------|-----------------------------|
| 8 | Distribution | I | 1-M: 1-R: 3-Re: 4-B: 5-U |
| 10 | Product Price/ Value Relationship | VI | 1-R: 2-M: 4-Re: 4-B: 4-U |
| 5 | Product Quality | I | 1-R: 2-B: 3-U: 4-M: 5-Re |
| 6 | Service | I | 1-Re: 1-R: 3-B: 4-M: 5-U |
| 9 | Communications | I | 1-M: 3-Re: 4-B: 2-R: 5-U |

"Key same as page 1"

ANALYSIS OF CRITICAL SUCCESS FACTORS

CENTER FIRE RIFLES-1983

| <u>Weight</u> | <u>Success Factor</u> | <u>Importance</u> | <u>Competitor Ranking</u> |
|---------------|--|-------------------|-----------------------------|
| 7 | Line Breadth* (product offerings/ end-use) | I | 1-R: 2-B: 3-Re: 4-U: 5-M |
| 8 | Distribution | I | 3-Re: 1-R: 2-B: 4-M: 5-U |
| 10 | Product Price/ Value Relationship | VI | 1-R: 3-Re: 2-M: 4-B: 5-U |
| 10 | Product Quality | VI | 1-Re: 2-R: 3-B: 4-M: 5-U |
| 8 | Service | I | 1-Re: 1-R: 3-B: 4-M: 5-U |
| 0 | Communications | I | 1-R: 2-Re: 3-U: 4-B: 5-M |

* For center fire rifles, definition of line breadth is broadened to include end-use of product; i.e., hunting vs. para-military since consumers are differentiated.

"Key same as page 1"

COMPETITOR STRENGTHS & WEAKNESSES

TOTAL FIREARMS--1983

| <u>Major Competitor</u> | <u>Mkt. Share</u> | | <u>Major Strengths</u> | <u>Major Weaknesses</u> |
|-------------------------|-------------------|-------------|---|--|
| | <u>1982</u> | <u>1987</u> | | |
| Remington | 23 | 34 | o Distribution o Communications o Service | |
| Browning | 9 | 12 | o Line breadth o Quality | |
| Marlin | 8 | 10 | | |
| Ruger | 15 | 17 | | |
| USRAC | 15 | 13 | | |
| Mossberg | | | | Breadth-Price-Product Quality-Service |
| S&W | | | o Price/value | Distribution |

COMPETITOR STRENGTHS & WEAKNESSES

SHOTGUNS--1983

| <u>Major Competitor</u> | <u>Mkt. Share</u> <u>1982E 1987</u> | <u>Major Strengths</u> | <u>Major Weaknesses</u> |
|-------------------------|--|---|--|
| Remington | 21 | <ul style="list-style-type: none">o Distributiono Serviceo Communications | Price/value |
| Browning | 5 | <ul style="list-style-type: none">o Line breadtho Quality | |
| Marlin | - | | |
| Ruger | - | | |
| USRAC | 14 | | <ul style="list-style-type: none">o Product qualityo Communications |
| Mossberg | 7 | | Breadth-Price-Quality Service |
| S&W | 5 | Price/value | Distribution |

COMPETITOR STRENGTHS & WEAKNESSES

RIM FIRE RIFLES--1983

| <u>Major Competitor</u> | <u>Mkt. Share</u> <u>1982E 1987</u> | <u>Major Strengths</u> | <u>Major Weaknesses</u> |
|-------------------------|--|---|--|
| Remington | 10 | Service | |
| Browning | 4 | | Price/value |
| Marlin | 38 | Price/value Distribution Communications | |
| Ruger | 24 | Price/value Quality Service Distribution | |
| USRAC | 6 | | Distribution Service Communications Price/value |

COMPETITOR STRENGTHS & WEAKNESSES

CENTER FIRE RIFLES--1983

| <u>Major Competitor</u> | <u>Mkt. Share</u> | | <u>Major Strengths</u> | <u>Major Weaknesses</u> |
|-----------------------------|-------------------|-------------|--|---|
| | <u>1982E</u> | <u>1987</u> | | |
| Remington | 20 | | Quality Service | Line breadth |
| Browning | 5 | | Breadth | Price/value |
| Marlin | 16 | | Price/value | o Line breadth o Communication |
| Ruger | 28 | | Breadth Price/value Communications Distribution | |
| USRAC | 14 | | | Distribution Price/value Quality Service |

PERCEIVED MISSIONS & THRUSTS

SHOTGUNS--1983

| <u>Competitor</u> | <u>Competitive Position</u> | <u>Perceived</u> | | <u>Market Share</u> | |
|-------------------|-----------------------------|------------------|--|---------------------|--------------|
| | | <u>Missions</u> | <u>Strategies</u> | <u>1979</u> | <u>1982E</u> |
| Remington | Strong | Strengthen | Line breadth Communications | 27 | 21 |
| Drowning | Strong | Strengthen | Distribution Price/value Communications Service | 5 | 5 |
| USRAC | Weak | Redirect | Unknown during redirect | 16 | 14 |
| Mossberg | Weak | Sustain | Price/value | 7 | 7 |
| S&W | Average | Strengthen | Distribution Communications Price/value | 3 | 5 |

Since Remington's weakness is price/value and 3 competitors are using price/value strategies, Remington must strengthen.

PERCEIVED MISSIONS & THREATS

RIM FIRE RIFLES--1983

| <u>Competitor</u> | <u>Competitive Position</u> | <u>Perceived</u> | | <u>Market Share</u> | |
|-------------------|-----------------------------|------------------|--|---------------------------|--------------|
| | | <u>Missions</u> | <u>Strategies</u> | <u>(%)</u> <u>1979</u> | <u>1982E</u> |
| Remington | Average | Sustain | Service | 10 | 10 |
| Browning | Weak | Sustain | Quality | 4 | 4 |
| Marlin | Strong | Sustain | Price/value Distribution Communications | 45 | 38 |
| Ruger | Very Strong | Strength | Price/Value Distribution Communications Service | 16 | 24 |
| USRAC | Weak | Redirect | Unknown | 9 | 6 |

PERCEIVED MISSIONS & THRUSTS

CENTER FIRE RIFLES-1983

| <u>Competitor</u> | <u>Competitive Position</u> | <u>Perceived</u> | | <u>Market Share</u> | |
|-------------------|-----------------------------|------------------|--|---------------------|--------------|
| | | <u>Missions</u> | <u>Strategies</u> | <u>1979</u> | <u>1982E</u> |
| Remington | Strong | Sustain | Communications | 32 | 20 |
| Browning | Average | Sustain | Distribution | 4 | 5 |
| Marlin | Average | Sustain | Price/value | 23 | 16 |
| Ruger | Very Strong | Strengthen | Price/value Distribution Service Communications | 16 | 28 |
| USRAC | Weak | Sustain | Communications | 14 | 14 |

COMPETITOR STRENGTHS & WEAKNESSES

TOTAL FIREARMS-1983

| Apparent Mission | Current Competitive Position | | | |
|------------------|------------------------------|-----------|--------------|---------------------|
| | Very Strong | Strong | Average | Weak |
| Strengthen | Ruger | BROWNING | Smith&Wesson | |
| Sustain | | Remington | Marlin | Mossberg |
| Redirect | | | | U.S. Repeating Arms |
| Yield | | | | |
| Withdraw | | | | |

COMPETITOR STRENGTHS & WEAKNESSES

SHOTGUNS-1983

| <u>Apparent Mission</u> | <u>Current Competitive Position</u> | | | |
|-------------------------|-------------------------------------|-----------------------|----------------|-------------|
| | <u>Very Strong</u> | <u>Strong</u> | <u>Average</u> | <u>Weak</u> |
| <u>Strengthen</u> | | Remington Browning | Smith&Wesson | |
| <u>Sustain</u> | | | | Mossberg |
| <u>Redirect</u> | | | | USRAC |
| <u>Yield</u> | | | | |
| <u>Withdraw</u> | | | | |

COMPETITOR STRENGTHS & WEAKNESSES

RIM FIRE RIFLES-1983

| <u>Apparent Mission</u> | <u>Current Competitive Position</u> | | | |
|-------------------------|-------------------------------------|---------------|----------------|-------------|
| | <u>Very Strong</u> | <u>Strong</u> | <u>Average</u> | <u>Weak</u> |
| <u>Strengthen</u> | Ruger | | | |
| <u>Sustain</u> | | Marlin | Remington | Browning |
| <u>Redirect</u> | | | | USRAC |
| <u>Yield</u> | | | | |
| <u>Withdraw</u> | | | | |

COMPETITOR STRENGTHS & WEAKNESSES

CENTER FIRE RIFLES-1983

| Apparent Mission | Current Competitive Position | | | |
|------------------|------------------------------|-----------|--------------------|-------|
| | Very Strong | Strong | Average | Weak |
| Strengthen | Ruger | | | |
| Sustain | | Remington | Marlin Browning | USRAC |
| Redirect | | | | |
| Yield | | | | |
| Withdraw | | | | |