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BOLT ACTION LINE STRATEGY

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#### BACKGROUND

For several years during the Seventy's, Remington enjoyed a major share of the bolt action segment of the center fire rifle market. For reference, following is a share and sales volume analysis 1977 versus 1981.

##### Share-Retail

|            | <u>1978</u> | <u>1981</u> |
|------------|-------------|-------------|
| Remington  | 36.4        | 32.1        |
| Ruger      | 17.5        | 25.6        |
| Winchester | 10.7        | 14.4        |

|                               |              |             |
|-------------------------------|--------------|-------------|
| <u>Volume (M) - Remington</u> | <u>124.0</u> | <u>93.0</u> |
|-------------------------------|--------------|-------------|

Based on the above share and sales volume data, plus the fact that we were no longer competitively priced against competition, plans were initiated in 1981 to upgrade our 700 Bolt Action line offering in an effort to reverse the downward sales trend. Initially, our strategy called for introducing a restyled 700 ADL and BDL in 1984. Capital expenditure constraints required a redirection that ended with a restyled 700 ADL (sporter) in 1983, and a restyled BDL in 1983.

OBJECTIVE

Introduce in 1983 a bolt action rifle with consumer accepted features and styling at a competitive price. Reverse the downward volume and corresponding share trend in bolt action rifles, while maximizing earnings and cash generation. Maintain volume gains resulting from the Sporter introduction through 1984, pending the introduction of a second generation BDL, thus completing the loop and providing a line of products equal to or better than competition.

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## MODEL STRATEGIES

### ADL -

Maintain 700 ADL in limited caliber offerings (3 vs. 10) for sale through mass retailers. This will provide a transition product position for use in the mass market, while a new model is being introduced principally through the independent trade. Currently, it is expected the ADL would be eliminated in 1985 when the second generation bolt action rifle is introduced.

### BDL -

Minimize volume and profit losses to new Sporter in common calibers by reducing cost (removal of sling), and offering a new 223 caliber standard barrel version.

Current estimates indicate a 6M gun loss in 1983 if the new Sporter is not introduced, and a 13M gun loss with the introduction of the Sporter.

### CLASSIC -

Continue offering in six calibers, plus one uncataloged caliber (300 H&H). Offers a straight stock bolt action rifle. Current trends indicate some improvement in this model sales. Eventually, this version would be eliminated with the introduction of a restyled BDL (1985).

### SPORTER -

A new model in five calibers having perceived consumer value in-use features. Priced competitively to Ruger. Initially sold through independent network. Estimated 1983 volume at 30M units, half of which will come at the expense of Remington ADL's and BDL's; the remainder at the expense of competition.

### BDL LEFT HANDED, VARMINT SPECIALS AND SAFARI'S -

Maintain in all calibers. Solid sales volume as versions are not available from other sources.

## FEATURES AND CALIBER SELECTION

### FEATURES

BDL would continue to have the most features, but for cost purposes, minus the leather sling. The Classic and Sporter are comparable, with the exception of scope mounts which are included on the Sporter, but not on the Classic. The ADL, of course, would have the least number of features. See Exhibit A for details.

### CALIBERS/SKUs

See Exhibit 8 for caliber offerings and Stock Keeping Unit impact.

### SALES VOLUME STRATEGY

Strategically, several options were developed and discussed in depth prior to reaching a final recommendation. They included such ideas as providing scope mounts on the Classic and BDL, eliminating the ADL completely, upgrading the 788 to replace the ADL, changing input cost to the ADL by utilizing a birch stock versus walnut, reducing BDL costs and, of course, a do-nothing case in recognition of effort which may be diverted from other cost reduction programs to bring a new model on stream.

After several discussions, including Sales, Advertising, Market Research, and R&D personnel, it was concluded that two basic alternatives should be considered. One was do-nothing; and, two, was a more aggressive approach utilizing a model restyle (Sporter) to be more competitive in the marketplace.

In determining the sales impact of each of the two alternatives, it was agreed that a do-nothing strategy would lead to volumes in 1983 indicative of annual sales trends. As for the more aggressive approach, sales expectations were the result of market potential, line positioning in the marketplace, channels of distribution and, finally, the impact on the field morale of having something new and competitive to offer. Following are the volumes developed, assuming no major changes in the economy.

#### SALES VOLUME (M)

| <u>Model</u> | <u>1981</u> | <u>1982 (1)</u> | <u>1983 (2)</u><br><u>No Change</u> | <u>1983</u><br><u>Proposed</u> |
|--------------|-------------|-----------------|-------------------------------------|--------------------------------|
| ADL          | 30          | 20              | 14                                  | 10                             |
| BDL          | 45          | 37              | 30                                  | 24                             |
| Classic      | 5           | 9               | 8                                   | 8                              |
| Sporter      | -           | -               | -                                   | 30                             |
| BDL Special  | 13          | 13              | 13                                  | 13                             |
| Total        | 93          | 79              | 65                                  | 85                             |

(1) Revised LA Forecast.

(2) Trended '81 through '83.

**ECONOMIC ANALYSIS AND SHARE ANALYSIS - 1981**

Case 1 - No Nothing  
Case 2 - Add Spawler

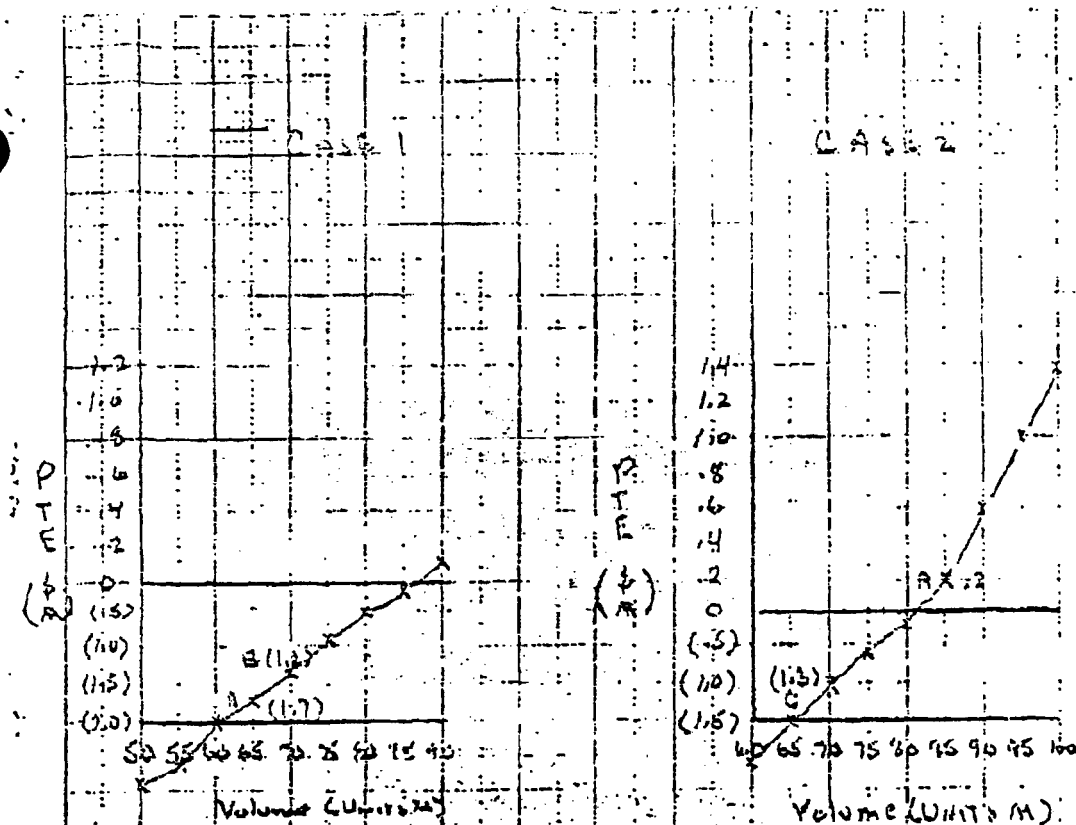
|                        | ASL     |         | DDI     |         | Glenale |         |
|------------------------|---------|---------|---------|---------|---------|---------|
|                        | Case 1  | Case 2  | Case 1  | Case 2  | Case 1  | Case 2  |
| Volume (M)             | 14      | 10      | 30      | 24      | 8       | 8       |
| Suggested Retail/Unit  | 359.95  | 369.95  | 429.95  | 439.95  | 590.05  | 409.05  |
| Net Selling Price/Unit | 283.17  | 289.37  | 306.67  | 372.77  | 247.07  | 254.17  |
| Gross Sales (M)        | 3 124.4 | 2 293.7 | 7 007.1 | 6 545.5 | 1 983.8 | 3 093.4 |
| Less:                  |         |         |         |         |         |         |
| Excise Tax @ 11%       | 319.6   | 227.3   | 792.5   | 648.6   | 106.6   | 201.6   |
| Cash @ 3.0% **         | 84.4    | 62.0    | 216.1   | 178.0   | 63.0    | 55.0    |
| Net Sales              | 2 730.4 | 2 004.4 | 6 008.5 | 5 720.5 | 1 735.5 | 1 778.9 |
| Per Unit               | 105.03  | 200.44  | 232.95  | 238.37  | 216.70  | 223.11  |
| Cost of Sales          |         |         |         |         |         |         |
| Variable               | 1 643.0 | 1 173.4 | 3 884.6 | 3 188.5 | 880.9   | 880.9   |
| Fixed                  | 603.1   | 482.9   | 1 935.6 | 1 185.1 | 816.2   | 395.4   |
| Total                  | 2 246.1 | 1 656.3 | 5 820.1 | 4 373.6 | 1 397.1 | 1 276.3 |
| Per Unit               | 181.88  | 165.63  | 197.37  | 182.25  | 174.64  | 158.28  |
| Other Costs            |         |         |         |         |         |         |
| Variable               | 177.0   | 128.1   | 440.9   | 361.9   | 101.8   | 101.8   |
| Fixed                  | 598.9   | 327.5   | 214.7   | 788.6   | 842.4   | 201.5   |
| Total                  | 775.9   | 455.6   | 1 725.6 | 1 137.4 | 444.2   | 363.0   |
| Per Unit               | 65.42   | 45.56   | 57.83   | 47.39   | 55.53   | 45.35   |
| Total Costs            | 3 022.0 | 2 111.9 | 7 545.7 | 5 511.0 | 1 841.3 | 1 639.3 |
| Per Unit               | 237.28  | 211.89  | 251.89  | 229.62  | 230.17  | 204.97  |
| Profit Earnings        | (691.0) | (116.5) | (618.2) | 208.8   | (107.7) | 137.0   |
| Per Unit               | (42.28) | (11.6)  | (21.04) | 8.74    | (13.40) | 17.14   |
| % Profit               | (21.7)  | (6.8)   | (9.4)   | 3.7     | (6.2)   | 7.7     |

| Market Share - (M Units) | 1978 | 1981 | Estimate 1982 |
|--------------------------|------|------|---------------|
| Total Market             | 340  | 200  | 200           |
| Remington                | 124  | 83   | 79            |
| % Share                  | 36.4 | 32.1 | 37.0          |

\* 1982 Estimated Cost  
Escalated @ 5.0% per G. Campbell  
(Basic Cost provided by W. J. Thacker, Jr.)  
\*\* Cash @ 4.5% 1982 only.

|                        | Storier |         | BPL Spawler |         | Total Line |          | 1982           |
|------------------------|---------|---------|-------------|---------|------------|----------|----------------|
|                        | Case 1  | Case 2  | Case 1      | Case 2  | Case 1     | Case 2   | 11A Feat. 80.5 |
| Volume (M)             | 30      | 13      | 13          | 13      | 65         | 85       |                |
| Suggested Retail/Unit  | 419.95  | 469.95  | 469.95      | 469.95  |            |          |                |
| Net Selling Price/Unit | 260.37  | 285.17  | 285.17      | 285.17  |            |          |                |
| Gross Sales (M)        | 7 611.1 | 3 707.3 | 3 707.3     | 3 707.3 | 10 012.6   | 22 472.6 | 20 472.0       |
| Less:                  |         |         |             |         |            |          |                |
| Excise Tax @ 11%       | 774.1   | 367.4   | 375.3       | 375.3   | 1 000.1    | 2 227.0  | 2 029.0        |
| Cash @ 3.0% **         | 211.1   | 100.3   | 102.4       | 102.4   | 414.4      | 607.4    | (50.0)**       |
| Net Sales              | 6 625.9 | 3 240.5 | 3 240.5     | 3 240.5 | 14 682.0   | 19 638.1 | 17 613.0       |
| Per Unit               | 220.83  | 249.10  | 264.62      | 264.62  | 225.03     | 231.04   | 318.00         |
| Cost of Sales          |         |         |             |         |            |          |                |
| Variable               | 4 410.1 | 1 939.8 | 1 939.8     | 1 939.8 | 8 448.2    | 11 312.7 | 9 805.0        |
| Fixed                  | 1 480.8 | 439.5   | 441.3       | 441.3   | 1 195.4    | 4 196.6  | 3 968.0        |
| Total                  | 5 890.9 | 2 379.3 | 2 379.3     | 2 379.3 | 12 643.6   | 15 409.2 | 13 763.0       |
| Per Unit               | 193.70  | 213.79  | 188.65      | 188.65  | 194.63     | 181.27   | 170.97         |
| Other Costs            |         |         |             |         |            |          |                |
| Variable               | 425.1   | 208.6   | 208.6       | 208.6   | 628.5      | 1 313.7  | 1 077.0        |
| Fixed                  | 682.0   | 350.0   | 425.1       | 425.1   | 2 782.5    | 2 782.5  | 2 025.0        |
| Total                  | 1 107.1 | 558.6   | 633.0       | 633.0   | 3 711.0    | 3 996.2  | 3 702.0        |
| Per Unit               | 40.07   | 68.67   | 48.76       | 48.76   | 67.09      | 47.01    | 45.99          |
| Total Costs            | 6 998.0 | 3 644.8 | 3 216.0     | 3 216.0 | 16 354.6   | 19 404.4 | 17 465.0       |
| Per Unit               | 233.63  | 272.66  | 247.31      | 247.31  | 251.61     | 228.29   | 210.00         |
| Profit Earnings        | (92.7)  | (306.1) | 95.1        | 95.1    | (1 002.0)  | 213.7    | 148.0          |
| Per Unit               | (3.09)  | (23.47) | 7.32        | 7.32    | (15.55)    | 2.75     | 1.84           |
| % Profit               | (1.4)   | (9.4)   | 2.9         | 2.9     | (11.4)     | 1.3      | 0.8            |

| 1983      | 1983     |
|-----------|----------|
| By Change | Proposed |
| 250       | 200      |
| 60        | 86       |
| 22.0      | 29.0     |



LEAGUE

A - CASES PRESENTED

B - CASE 1 @ CASE 2 PRICES; VOLUME AND MIX SAME  
65M UNITS

C - CASE 2 @ CASE 1 VOLUMES - 20M UNIT REDUCTIONS IN  
SPOTTER - PRICES @ CASE 1

X - VOLUMES @ 5M UNIT INCREMENTS  $\pm$  FROM BASE  
CASE 1 AND 2. MIX CONSTANT BOTH CASES.

SENSITIVITY DETAIL

| CASE 1 |              |          |         |       | CAST 2 |              |          |         |       |
|--------|--------------|----------|---------|-------|--------|--------------|----------|---------|-------|
| QTY.   | NET<br>SALES | VARIABLE | FIXED   | PTE   | QTY.   | NET<br>SALES | VARIABLE | FIXED   | PTE   |
| 50     | 11,301.5     | 7,212.5  | 6,977.9 | (2.9) | 60     | 13,862.4     | 8,771.4  | 6,977.9 | (1.9) |
| 55     | 12,431.7     | 7,933.8  |         | (2.5) | 65     | 15,017.6     | 9,502.4  |         | (1.5) |
| 60     | 13,561.8     | 8,655.0  |         | (2.1) | 70     | 16,172.8     | 10,233.3 |         | (1.0) |
| 65     | 14,692.0     | 9,376.7  |         | (1.7) | 75     | 17,328.0     | 10,964.3 |         | (0.6) |
| 70     | 15,822.1     | 10,097.5 |         | (1.3) | 80     | 18,483.2     | 11,695.2 |         | (0.2) |
| 75     | 16,952.3     | 10,818.8 |         | (0.9) | 85     | 19,638.4     | 12,426.3 |         | 0.2   |
| 80     | 18,082.4     | 11,540.0 |         | (0.5) | 90     | 20,793.6     | 13,157.1 |         | 0.6   |
| 85     | 19,212.6     | 12,261.3 |         | (0.1) | 95     | 21,948.8     | 13,888.1 |         | 1.0   |
| 90     | 20,342.7     | 12,982.5 |         | 0.3   | 100    | 23,104.0     | 14,619.0 |         | 1.4   |

LONG RANGE OUTLOOK

with the introduction of the Sporter in 1983, and the positive effect on bolt action sales and earnings, the downstream strategy calls for holding bolt action volume gains through 1984 pending the introduction of a second generation SDL in 1985. At that point, we expect to have an offering equal to none and, within a two to three year period, regain share and volume comparable to the mid-seventy's.

Specific details of this strategy have been communicated to R&D and, at this time, product needs appear achievable. Pending any major negative market shifts, we currently expect our bolt action line to achieve a position dominance by 1988.

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#### SUMMARY AND RECOMMENDATIONS

Marketing, with the concurrence of R&D and Production, recommends that the Bolt Action Strategy as presented be approved for implementation in 1983. Expected results will reverse the current downward volume trend by 20M units, while improving earnings from .1M in 1982 to .2M in 1983, versus (1.7)M in 1983 with no line change. Effect on market share, assuming a constant market volume, would be a share improvement from an estimated 27% in 1982 to 29% in 1983 versus 22% if we make no changes to our existing bolt action line.

Marketing assesses the probability of achieving these results at better than 90%. The major uncertainty is whether Kuger will move the pricing of their Model 77 to a point near our proposed level; however, in the event they do not, we do have some room to respond through either programs or pricing changes, while still achieving an improved economic picture for our bolt action line.

Impact on existing Remington, Distributor and Retailer inventories will be minimal, as only 7 specifications in the 700 AOC line will be discontinued. Based on recent consumer research, the proposed strategy does offer a bolt action model competitive in the marketplace, and provides a much needed opportunity to alleviate some of the negative attitudes currently prevailing in our independent channel of distribution.

In summary, the proposed strategy represents minimal risks and addresses our need to halt the deteriorating sales performance of our bolt action line. In addition, the strategy responds to our basic business mission of improved earnings and cash generation.

BOLT ACTION FEATURES - PROPOSED 1983 LINE

|                           | <u>ADL</u> | <u>BDL</u> | <u>CLASSIC</u> | <u>SPORTER</u> |
|---------------------------|------------|------------|----------------|----------------|
| Walnut                    | X          | X          | X              | X              |
| Fore-end Tip              |            | X          |                |                |
| Cut Checkering (18 Line)  |            |            |                | X              |
| - Larger Pattern          |            | X          | X              |                |
| - Finer Pattern (20 Line) |            | X          | X              |                |
| Grip Cap Plain            |            | X          |                |                |
| - With Inserts            |            |            |                | X              |
| White Line Spacers        |            | X          |                |                |
| Sling Swivel Studs        |            | X          | X              | X              |
| - Swivels                 |            | X          |                |                |
| Butt Plate                | X          | X          |                |                |
| - Rubber Pad              |            |            | X              | X              |
| High Gloss Finish         | X          | X          |                |                |
| Medium Gloss Finish       |            |            | X              | X              |
| Floor Plate               |            | X          | X              | X              |
| Iron Sights               | X          | X          |                |                |
| Plain Barrel              |            |            | X              | X              |
| Scope Mounts              |            |            |                | X              |
|                           | <u>4</u>   | <u>12</u>  | <u>8</u>       | <u>9</u>       |

## EXHIBIT B

BOLT ACTION CALIBER SELECTION - PROPOSED 1983 LINE

|          | <u>ADL</u> | <u>SPORTER</u> | <u>CLASSIC</u> | <u>BDL</u> | <u>LEFT<br/>HAND</u> | <u>VARMIN'T<br/>SPECIAL</u> | <u>SAFARI</u> |
|----------|------------|----------------|----------------|------------|----------------------|-----------------------------|---------------|
| .17      |            |                |                | X          |                      |                             |               |
| .222     |            |                |                | X          |                      | X                           |               |
| 22-250   |            | X              | X              | X          |                      | X                           |               |
| .223     |            |                |                | X          |                      | X                           |               |
| 6mm      |            |                | X              | X          |                      | X                           |               |
| .243     |            | X              | X              | X          |                      | X                           |               |
| 25-06    |            |                |                | X          |                      | X                           |               |
| .270     | X          | X              | X              | X          | X                    |                             |               |
| 7mm-08   |            |                |                | X          |                      | X                           |               |
| 7mm Exp. |            |                |                | X          |                      |                             |               |
| 30-06    | X          | X              | X              | X          | X                    |                             |               |
| .308     |            |                |                | X          |                      | X                           |               |
| 7mm Mag. | X          | X              | X              | X          | X                    |                             |               |
| .300 WM  |            |                |                | X          |                      |                             |               |
| .300 H&H |            |                | X              |            |                      |                             |               |
| 8mm Mag. |            |                |                | X          |                      |                             |               |
| .375     |            |                |                |            |                      |                             | X             |
| .458     |            |                |                |            |                      |                             | X             |
| TOTAL    | 3          | 5              | 7              | 15         | 3                    | 8                           | 2             |

TOTAL: 42 Specifications; 1982 Line 44 Specifications.