

BUSINESS MEETINGMARKETING - Contd.BUSINESS OBJECTIVE

A Business Mission is, by definition, broad and difficult to measure. A Business Objective is more specific, so that performance can be measured against it. The agreed upon objective for Firearms is:

"Increase pretax return on investment to at least 26% and improve our market share to 36%."

KEY STRATEGIES

To support the Business Objective, Management has approved eight key strategies for Firearms. These strategies (Exhibit 1) will form the basis of our five year plans.

All the strategies are important to meeting the Firearms objective. From a Marketing standpoint, however, Key Strategy #3 is especially significant. The pricing flexibility we had in the 1970's is gone for the 1980's. Competitive threats from foreign-sourced products, and the large number of lower-priced guns being advertised and promoted, points up the need for careful protection of our market position. Also, having the competition match our percentage price increases, especially in the case of products currently priced below ours, magnifies the price differences the consumer sees at retail.

Marketing's basic strategy is to keep percentage price increases over the next five years below those of the Consumer Price Index. As part of this strategy they will implement more variable pricing. For example, the price of a Model 7600, which has little, if any competition, will likely increase more than a Model 700, which has significant competition. Variable pricing will probably be implemented between gauges and calibers within models as well.

With the loss of pricing flexibility, this cost reduction strategy is crucial to meeting our objective of 26% pretax return on investment.

FIVE YEAR MARKETING PLAN

Marketing then outlined their five year plan in support of the key strategies.

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