

cc: E.H. Blackwell
H.M. Stoesser
G.M. Calhoun
F.E. Morgan
K.H. Walker

Ilion, New York
November 12, 1963

GAIL EVANS
BRIDGEPORT

MODEL 40X-B CENTER FIRE RIFLE
ALTERNATIVE SELLING PRICES AND OPERATIVE EARNINGS COMPARISONS

Sales has proposed that the 1964 retail selling price of the S2 and H2 grades be increased from \$187.95 to \$205.00. Research and Development has reservations concerning the magnitude of the proposed increase since it is their opinion that sales volume will be reduced. The attached tabulation of volumes, selling prices, costs and earnings has been developed on the subject rifle as an aid in the final determination of its retail selling price for 1964.

Explanations of the various positions are as follows:

Present Position - The volume approximates the indicated 1963 production volume of the Custom Shop. The retail selling price is current and the factory cost is an Ilion Treasury estimate of 1964 cost at the volume indicated excluding sales development expense connected with marketing the gun.

Alternative Position A - A five dollar increase in retail selling price with an R&D estimate of its negligible effect on volume.

Alternative Position B - A ten dollar increase in retail selling price with an R&D estimated reduction in volume of 50 units and its subsequent effect on factory cost.

Alternative Position C - A fifteen dollar increase in retail selling price with the maximum volume that R&D estimates the price will support.

Alternative Position D - The retail selling price indicated by Sales in the Proposed 1964 Firearms Line at the line volume level. R&D concurs with the volume at the retail price shown and Treasury has estimated the reduced volume's effect on factory cost.

- 2 -

Alternative Position E - Sales estimated decrease in volume of 25 guns shown in the 1964 Firearms Line between 1963 and 1964 raised to the 1963 activity level at the 1964 retail price suggested by Sales.

Alternative Position F - Same volume basis as Position E with the retail price level increased 11%, the same percentage increase proposed for the Model 40X-B Rim Fire rifles.

The alternatives shown cover the range of prices, volumes and costs deemed appropriate for consideration and reflect the thinking of the Departments indicated.

The Ilion Research and Development Section prefers Position A because of its effect on volume and operative earnings.

If further information is required concerning the data, please contact the writer.

R. A. Morris
R. A. Morris

RAM:ms

**MODEL 40X-B CENTER FIRE RIFLE-VARIOUS LEVELS OF SELLING PRICES
AND OPERATIVE EARNINGS BASED ON FULL BOOK AND
CASH COST BASIS**

	<u>Present Position</u>	<u>Alternative Positions</u>					
		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
Estimated Annual Volume	350	350	300	300	250	325	325
Retail Selling Price	\$187.95	\$192.95	\$197.95	\$202.95	\$205.00	\$205.00	\$208.60
Net Selling Price	\$125.00	\$128.31	\$131.64	\$134.96	\$136.33	\$136.33	\$138.70
<u>Full Cost Data</u>							
Unit Factory Cost	\$103.00	\$103.00	\$110.00	\$110.00	\$115.57	\$106.50	\$106.50
Unit Selling, Admin. and Research Cost	16.88	17.32	17.77	18.22	18.40	18.40	18.72
Unit Cost of Goods	\$119.88	\$120.32	\$127.77	\$128.22	\$133.97	\$124.90	\$125.22
Unit Operative Earnings	\$ 5.12	\$ 7.99	\$ 3.87	\$ 6.74	\$ 2.36	\$ 11.43	\$ 13.48
% of Net Selling	4.1%	6.2%	2.9%	5.0%	1.7%	8.4%	9.7%
<u>Cash Cost Data</u>							
Unit Factory Cost	\$ 77.20	\$ 77.32	\$ 82.26	\$ 82.40	\$ 86.87	\$ 80.07	\$ 80.16
Unit Selling, Admin. and Research Cost	16.88	16.88	16.88	16.88	16.88	16.88	16.88
Unit Cost of Goods	\$ 94.08	\$ 94.20	\$ 99.14	\$ 99.28	\$103.75	\$ 96.95	\$ 97.04
Unit Operative Earnings	\$ 30.92	\$ 34.11	\$ 32.50	\$ 35.68	\$ 32.58	\$ 39.38	\$ 41.66
Total Operative Earnings	\$10,800	\$11,900	\$ 9,800	\$10,700	\$ 8,100	\$12,800	\$13,500
Total Net Earnings	\$ 4,600	\$ 5,100	\$ 4,200	\$ 4,600	\$ 3,500	\$ 5,500	\$ 5,800