

Distribution

The loss of nearly 180,000 federal firearms license holders during the last four years has had a drastic impact on Remington's distribution network. Basement bandits and small retailers who no longer can afford the increased cost of the license fee nor can meet the additional requirements established by the ATF are the major reasons for this reduction. In a nutshell, government has been very effective in reducing the number of sources where a law abiding citizen can purchase a firearm. This phenomenon has greatly contributed to a general decline in all firearms sales over the last 24 months.

Remington services the marketplace utilizing three distinct channels of distribution. Direct sales are made to wholesalers, independent dealers and chains. Remington wholesaler business has been quite healthy and in fact, has shown significant growth during the last four years. Chain business has been up and down particularly at K-mart and Wal-mart; however, the "Big Boxes" such as Sports Authority, Jumbo Sports, Gatt Brothers and Sport-Mart are becoming more popular destinations to purchase sporting arms and ammunition. On the other hand, independent dealers have been declining in numbers due largely to the FFL issue discussed above and increasing competitive pressures. As a result, their percentage of the market is declining. This trend is also apparent in Remington's firearm business where full line dealers have declined by 75% over the last four years. *It is anticipated that Remington's dealer direct business will continue to trend downward in the future and will reach a point where this channel of distribution will no longer be attractive enough to service on a direct basis.*

Tracking by the National Association of Sporting Goods Dealers of firearm sales by outlet type can be seen in the charts below for rifles and shotguns.