INTRODUCTION

We at Specialized Saddles Company are pleased to introduce our two newest saddle lines. These uniquely designed saddles have been specifically created for the barrel racing and roping competitors in the rodeo industry. Our products are the only saddles on the market that can easily be adjusted to fit all horses. Proper saddle fit is a problem in the highly competitive barrel racing and roping events. Improper fit along the back can cause saddle sores and excess pressure on the withers can restrict proper muscle movement. A recent study by New Mexico State University on 153 horse/saddle/rodeo combinations found that 68% of saddles used by barrel racing and roping competitors did not properly fit their horses, potentially hurting their performance in events where 1/10 of a second can be the difference between winning and losing. Specialized Saddles placed on the same horses were able to correct 86% of the poor fitting problems. Our saddles are based on our patented 3-D fitting system which allows for precise and independent adjustment in the three areas of saddle fit: width, arch, and angle. The patented 3-D fitting system was developed using a Force Sensory Array (FSA)™ pressure mat system borrowed from the medical industry that measures the pressure exerted at 304 points along the horse’s back from the weight of the saddle and rider.

Specialized Saddles Company, in its 10th of making saddles, is the leader in the endurance saddle market controlling 40% of the market share. Endurance racing is an extreme, competitive equine sport where the races cover anywhere from 25 to 100 miles and riders must finish with a safe, sound horse. We are confident that emphasize on scientific saddle fitting technology that brought us success in the endurance racing market will provide the same competitive advantage and allow us to become a leader in the western saddle roping and barrel racing markets.

PRODUCT DESCRIPTION

What makes the saddle adjustable to fit most any horse? The answer is the unique patented 3-D fitting system, pictured below:

- The underside of the saddle has industrial strength Velcro which holds adjusting pads and shims firmly in place (A).
- It comes with four different thicknesses of neoprene pads, which allows proper adjustment to the width of the horse. (B)
- The shims allow for full contact with the middle of the horse’s back an even weight distribution. The beveled wedge shims (C) which come in four sizes, allow for adjusting the angle of fitting pads to the slope of a horse’s shoulder or loin. Flat shim strips (D) also come in four thicknesses to fit the arch and width of the horse’s dip behind the shoulders.
- There are two layers of memory foam in the seat of the saddle which contours to the shape of the rider’s seat.
- Less leather and lighter weight materials makes the saddle about 40% lighter than most other saddles in the market.

MARKET ANALYSIS

REV. 2-24 Market Size: There are well over 100 saddle makers in the United States however, the top 20 companies account for approximately 90% of the market share. The results of a survey of the top 20 saddle company’s showed that there are approximately 30,000 barrel and roping saddles sold annually in the United States. Roping and barrel saddles are typically priced from as low as $900 for a basic saddle to over $4,000 for a customized saddle. Using an average price of $2,000, results in an estimated annual market value of $60 million.

Market Outlets: It is estimated that at least 90% of saddles are sold through retail stores and catalogues while 10% are sold direct to consumers through Internet websites and by sales agents attending competitive events and trade shows. The typical retail store carries tack, western clothing, animal health supplies and animal feed. It is common for retail stores to carry up to five or more different brands of saddles.

Market Segments: Individuals purchasing western roping and/or barrel racing saddles for competition can be classified into three market segments—(1) rodeo professionals, (2) college, high school and junior high rodeo participants, and (3) weekend
warriors (hobbyists) that participate in local roping and barrel racing events. Individuals in all market segments are concerned with saddle fit.

**Publications:** These individuals typically get information from one or more of the following publications: Super Looper, Pro Rodeo Sports News, Barrel Horse News, National High School Rodeo Association Times (NHSRA Times), Collegiate Arena, Western Horsemen and the American Quarter Horse Journal.

**Key Influencers:** Brand awareness, word-of-mouth, rodeo celebrities, equine veterinarians and professional saddle fitters are key influencers in this industry.

**Industry Trends:** Cable television has increased the interest in rodeos; forty million fans watched PRCA Television broadcasts in 2008. Prize money at professional events has increased from 15 million to 40 million in the past 20 years. Interest in proper saddle fit is increasing as new technology becomes available to accurately measure saddle fit.

**Consumer Demographics:** High School/Jr. High rodeo participants, college rodeo athletes, professional rodeo athletes and weekend warriors share the following trends: They have two or more horses requiring more than one saddle for a proper fit to each horse. They follow association websites and actively participate in social networking sites such as Facebook, Twitter and Rodeo Up.

- There are 20,000 members that participate in High School and Jr. High rodeo events, and spend $4.6 million annually on saddles and tack. Ninety five percent plan on continuing rodeoing after high school and 3,280 members purchase something annually from advertisements in NHSRA Times.
- There are 4,000 members in the National Inter-Collegiate Rodeo Association and the majority plan on continuing rodeoing as professionals.
- There are 7,000 members in the Professional Rodeo Cowboys Association. They compete in an average of forty rodeos per year.
- There are about 30,000 barrel racers and ropers (weekend warriors) each who are members of rodeo associations that typically compete in ten to twenty five rodeo events per year, mostly local. They have an average household income of $60,000 or greater. They follow trends of professionals and a large percentage participates in ranch/farm work.

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**COMPETITOR ANALYSIS**

Six major competitors, who have been making saddles for many years, control about 75% of the western saddle market. Image plays a crucial factor in consumer decisions on the products they purchase in the rodeo industry. One of the major strengths that all six of our major competitors share is strong brand recognition. These companies have for many years donated or discounted prices of their saddles for prizes in events sponsored by the major associations. Providing sponsorships to well known rodeo professionals has also been an effective strategy. None of our competitors have succeeded in creating a saddle that has the versatility of properly fitting more than one horse. In many situations their saddles will not properly fit any horse as shown in the research by New Mexico State University. None of these companies are using scientific procedures to design their saddles.

Two competitors have made attempts to solve the issue of saddle fit. Circle Y offers a saddle with a flexible tree that adjusts as the horse moves but it does not guarantee even contact across the horses back. Martin makes the Axis saddle tree that reduces excessive contact on the withers but does not correct for all three areas of saddle fit. Their attempts have been helpful but have not effectively solved the problem of saddle fit.

Typical retail prices of non-customized saddles sold by competitors range from $1,200 dollars to $2,400, averaging around $2,000. Customized saddles often range from $2,500 to over $4,000.

**Competitor Partial SWOT Analysis**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Strengths</th>
<th>Weaknesses</th>
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Saddles SWOT

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Patented 3-D Fitting System capable of fitting most horses properly</td>
<td>• Brand not well established in rodeo market</td>
</tr>
<tr>
<td>• Light weight providing increase performance</td>
<td>• Requires training to fit saddle properly</td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td><strong>Threats</strong></td>
</tr>
<tr>
<td>• Innovative product</td>
<td>• Weak economy</td>
</tr>
<tr>
<td>• Expanding market and increasing concern with proper saddle fit</td>
<td>• Strong brand loyalty for competitors</td>
</tr>
<tr>
<td>• Demand for performance enhancing products</td>
<td>• Lack of knowledge on proper saddle fit</td>
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</table>

**BUSINESS PLAN**

Specialized Saddles Company will capitalize on our saddle’s superior fitting system to help rodeo athletes and their horses compete at their highest level of performance. The Company has the following competitive advantages which differentiate our saddles from our competitors. Our saddles:

- can be adjusted to properly fit all horses thereby improving performance,
- can be adjusted to fit all horses eliminating the need to buy a customized saddle for each horse, and
- are about 40% lighter than our competitor’s saddles resulting in less energy and time to achieve speed.

**Strategy Statement**

“Specialized Saddles Company’s mission is to provide the best performance saddles in the Rodeo Industry.”

**Key Planning Assumptions**

- Specialized Saddles holds the patent for the 3-D fitting system, with seven years remaining on the patent.
- The rodeo industry will continue to increase in popularity, increasing the market for performance saddles.
- Recent use of electronic measuring systems will increase awareness of the importance of proper fit.

**Sales Goals**

<table>
<thead>
<tr>
<th>Year</th>
<th>Saddles Sold</th>
<th>Sales Revenue</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>900</td>
<td>$1,821,600</td>
<td>3%</td>
</tr>
<tr>
<td>2</td>
<td>1800</td>
<td>$3,437,280</td>
<td>6%</td>
</tr>
<tr>
<td>3</td>
<td>3600</td>
<td>$6,732,000</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Sales Goals by Type Outlet**
Sales Goals by Customer Segments

The Company expects to sell 50% of all saddles to college, high school and junior high participants (school segment). This group, which numbers more than 20,000, is the largest market segment because as participants become of age they are in need of new saddles. The weekend warrior segment, estimated at 30% of sales, number more than 60,000 participants but tend to purchase saddles less frequently. The smaller professional rodeo athlete segment is estimated at 20%.

Brand Awareness Goals

Since most rodeo participants do not purchase a new saddle every year, a high level of brand awareness is important for current year and future year's sales. The company expects to achieve 80% brand awareness among the professional and school segments by the end of year 1 and at least 90% by year 3. The goal for the weekend warrior segment is set at 50% in year 1 and 75% by year 3.

Brand Loyalty Goal

Based on the saddle’s competitive price, ability to fit any horse, and improve performance we expect to achieve at least 95% customer satisfaction.

<table>
<thead>
<tr>
<th>Year</th>
<th>Company Direct</th>
<th>Retail Stores</th>
<th>Independent Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>2</td>
<td>52%</td>
<td>36%</td>
<td>12%</td>
</tr>
<tr>
<td>3</td>
<td>45%</td>
<td>40%</td>
<td>15%</td>
</tr>
</tbody>
</table>

ACTION PLAN

Branding

Specialized Saddles will be recognized by our simple, yet attractive logo. This logo will be stamped into the leather of our saddles and featured in our advertisements. The logo will be accompanied with the catchy tagline, “Unleash the Potential.” The barrel racing and roping saddle lines will be distinguishable with their own attention grabbing names, the “Turn & Burn” and “Day Money,” respectively.

Sales Personnel

The company will have two sales representatives working rodeo events and trade shows and holding clinics on proper saddle fitting. These sales managers will also hold saddle fitting clinics to educate people on proper saddle fitting techniques and demonstrate that our saddle is the best fit for their needs. The company will also contract with commissioned independent sales agents which will give the company direct presence at the many smaller rodeo events throughout the U.S. and Canada. These Sales Agents are highly respected professional or former professional rodeo athletes who conduct roping and barrel racing clinics teaching amateurs their personal winning techniques as well as endorsing various products, including our Specialized Saddles.

Pricing

The saddles will be priced in line with our major competitors. The average retail price is $2,200. Typical customized features include special leather, colors, fancy stitching, their names, conchos and rhinestones which increase the cost. It is estimated
that 75% of the customers will want some customization. The average retail price for a saddle including all types of customization is estimated at $2465. The average price sold to retailers is estimated at $1726 allowing for a 30% retail gross margin. The independents agents will receive a 20% commission based on retail prices.

**Integrated Advertising and Promotional Strategy**

Recognizing that our customers fall into two distinct groups, early adopters and those hesitant to immediately try new products, we have divided our promotional and advertising strategy into two phases.

**Phase One: Early Adopters**

This phase focuses on the trend setters; this includes professionals, elite college, high school and junior high school rodeo, and affluent weekend warrior participants. These opinion leading early adopters are always searching for a competitive advantage and are willing to adopt cutting edge products.

**Publicity:** This group places emphasis on information by experts. An early press release on New Mexico State University’s saddle fit research study in progress, created interest in the western horse and rodeo media by more than 15 publications. Results of this research will be released with the launch of the two new saddle lines. Press releases by equine veterinarians and saddle fit experts who ?????(STILL WORKING ON THIS)

**Sponsorships:** Specialized Saddles will sponsor one top professional barrel racer and one roping team, providing a customized saddle and funds to help pay for entry fees and travel. These athletes will be required to endorse our product by displaying our logo on their shirts and horse trailers, signing autographs and discussing the product with fans. Similar sponsorships will be provided to 8 elite college and high school competitors. Providing trophy saddles to the winners of State High School finals in Southwestern states will be a great pull strategy for gaining popularity among these young competitors.

**Tradeshows & Rodeo Events:** Two eye catching trailers will be visible at 50 tradeshows and major rodeos annually. Each trailer will be outfitted with a monitor displaying saddle scans, brochures, and a fiberglass horse demonstrating how to fit a Specialized Saddle. They will also be equipped with a pressure mat where potential customers can have their saddles scanned for comparison with the Specialized Saddle. Our company's sales managers will attend these events with an inventory of Specialized Saddles for sale on site.

**Website:** The Company's easily accessible website will be vital for providing our customers with proper saddle fit information. A short history of our company and the development of the Specialized Saddle will educate readers about the unique features we offer. Testimonials, instructional videos, research results, and professional endorsements will also be available for viewing on the site. Along with our promotional information, an interactive Build-Your-Own Saddle feature will allow customers to personally design and view their saddle before ordering. This they can do from their own computer or from company computers in the display trailers and in retail stores carrying our saddles.

**Phase Two: Trend Followers**

Once name recognition has been established among early adopters, phase two will put emphasis on driving sales to those customers who are trend followers and rely on word of mouth.

**Paid Advertisements:** Print and television advertisements start in phase one, but will be particularly important during the second phase of our promotional strategy, where we need to drive sales in our retail outlets and other customers we are not reaching by direct contact. The company will have paid advertisements in the most popular rodeo magazines including the Western Horsemen, the Super Looper, ProRodeo Sports News, and the National High School Rodeo Association Times. Ads will be purchased on RFD-TV during roping and barrel racing shows. Sponsored athletes retained during phase one, will be featured in these advertisements reaching over 350,000 potential customers.

**Retail Store Display:** Highly attractive point-of-purchase displays will include a computer linked to the company website that will allow for customers to build a saddle and order onsite. Free informational DVDs will also be available for potential customers to take and learn more about the benefits our saddle offers. Training of retail sales employees will also be crucial for increasing sales and having satisfied customers through this outlet. The Company sales managers will
hold training sessions for the retail store staff educating them on saddle fitting techniques and features of Specialized Saddles.

**Social Networking:** Members of rodeo associations have become more involved and influenced by Facebook, Twitter, and RodeoUp sites. The company will use these sites to promote our products to equine and rodeo fans. Featuring tips of the day from our sponsored athletes will allow our company to build off their existing loyal fan base and spur interest in our products. These social networking sites will be an essential component for our word-of-mouth advertising. Advertisements will also be purchased on these sites. We will continually change our ads to appear in different regions and networks, generating nationwide awareness of our saddles.

**Customer Service:** Customer service is a vital factor for making sure the company achieves its sales goals. With such a new product we should ensure that customers have the ability to try out our saddles and are satisfied before making a binding purchase. With our unique demo saddle option, customers have the opportunity to test out our basic saddle for 10 days and if not satisfied, can return it for a full refund. Other customer service features will include a 100% money back guarantee, warranty covering any defects, a toll free line, and the informational DVD.

**These two phases will overlap as part of our Integrated Promotional Advertising Strategy.** With this strategy we are able to employ all 6 components of a successful marketing plan and will unleash the company’s potential in the rodeo industry.

**Financials**

Total revenue estimates are based on a weighted average net price of $2,024 in year 1 decreasing to $1,870 by year 3. This average price decrease is due to the rising percentage of saddles sold through retail stores and independent sales agents in comparison to company direct sales. The average direct cost to manufacture the saddles is estimated at $1,100 for all three years.

<table>
<thead>
<tr>
<th>Number of Saddles Sold</th>
<th>Year 1 (900)</th>
<th>Year 2 (1,800)</th>
<th>Year 3 (3,600)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$1,821,600</td>
<td>$3,437,280</td>
<td>$6,732,000</td>
</tr>
<tr>
<td>Manufacturing Costs</td>
<td>$990,000</td>
<td>$1,980,000</td>
<td>$3,960,000</td>
</tr>
<tr>
<td>Gross Profits</td>
<td>$831,600</td>
<td>$1,457,280</td>
<td>$2,772,000</td>
</tr>
<tr>
<td>Marketing Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement/Promotion</td>
<td>$170,870</td>
<td>$223,877</td>
<td>$314,877</td>
</tr>
<tr>
<td>Labor</td>
<td>$170,000</td>
<td>$207,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Travel</td>
<td>$45,000</td>
<td>$55,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>Shipping</td>
<td>$36,000</td>
<td>$72,000</td>
<td>$144,000</td>
</tr>
<tr>
<td>Other</td>
<td>$49,600</td>
<td>$50,100</td>
<td>$60,600</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$471,470</td>
<td>$607,977</td>
<td>$834,477</td>
</tr>
<tr>
<td>Net Profit</td>
<td>$360,130</td>
<td>$849,303</td>
<td>$1,937,523</td>
</tr>
<tr>
<td>Marketing Expenses % of Sales</td>
<td>26%</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Advertising/Promotion % of Sales</td>
<td>9%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Return on Marketing Expenses</td>
<td>76%</td>
<td>140%</td>
<td>232%</td>
</tr>
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</table>

**MONITORING AND MEASUREMENT**

The action plan will be monitored by internal and external measurements to ensure complete effectiveness of the overall marketing plan. These 4 key areas of a successful business will be focused on.
<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>Review customer feedback and testimonials, along with actively monitoring online social network sites.</th>
<th>If customer is dissatisfied the company will guarantee a 100% refund. Adjustments in the saddle design will be made based on customer feedback.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>Analyze market share reports in order obtain a 5% market share by year 3.</td>
<td>If the company fails to achieve this, the company will adjust strategies to better serve the target market.</td>
</tr>
<tr>
<td>Sales and Profitability</td>
<td>Evaluate sales and financial reports by type of outlet quarterly to ensure a total of $3.3 million in sales by the 3rd year of operation.</td>
<td>Examine areas of inefficiencies and correct problems by reassessing pricing, advertising and promotional strategies and verifying that all sales associates have proper training.</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>The company will use customer feedback at tradeshows and rodeo events, the number of website visitors and Facebook fan growth to measure brand awareness.</td>
<td>Continue with promotional strategies unless there are areas with inefficiencies, in which case the company will increase incentives, attend more tradeshows and events and re-examine social networking approach.</td>
</tr>
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</table>

### Integrated Promotional & Advertising Strategy

**Customer Service**
- 100% Money Back if not Satisfied Within 15 Days
- Demo Saddle Available
- Saddle Fit Instructional DVD
- Warranty
- Toll Free Number

**Direct Marketing**
- Company Website
- Tradeshows and Rodeos

**Public Relations**
- Saddle Fit Research Press Releases
- Event Sponsorships
- Social Networking
- General Press Releases

**Personal Selling**
- Company Sales Representatives
- Independent Sales Agents
- Training Retail Store Employees

**Sales Promotion**
- Retail Store Point-of-Purchase Display
- Free Saddle Evaluations

**Advertising**
- Testimonials/ Endorsements
- Athlete Sponsorship
- Social Networking
- RFDTV Advertisements
- Company Website
- Print Advertisements