

Callaway golf canada

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| Callaway Golf Canada: The Mobile Performance Team| Case Study| | |

Jamie Merrimen 100117777 October 12, 2012 Business 1703 D1 Dr. Conor Vibert | Problem Statement Wayne Mallette is the director of performance management for Callaway Golf Canada, the world`s largest golf club manufacturer. In 2004, Mallette launched the Mobile Performance Team (MPT), a team of 20 consultants who demonstrate the Callaway equipment line as well as measuring customers for custom equipment at private golf courses during the golf season.

Mallette has been asked by Callaway Canada`s managing director to design a plan for the approaching 2008 golf season to make sure that Callaway Canada will stay ahead of its competitors. Mallette is faced with multiple choices for possible improvement, or the option to continue with the current operations. Important Facts * The golf manufacturing market is highly competitive. It is important for Callaway Golf Canada to stay ahead of the competition in order for them to keep their reputation and status, as well as increasing their sales. After the success of Callaway Golf`s Mobile Performance Team, other golf manufacturers are likely to follow lead and provide more service to their customers. * Callaway Golfphilosophystates that the company intends to give more golfers more opportunities, by designing, creating, building, and selling the best golf clubs. Callaway Golf also believes that by making golf more enjoyable for the average golfer, the game of golf will grow. * In early 2008, Callaway Golf was the largest golf club manufacturer in the world. Golf equipment products have a life cycle of about two years, resulting in pressure on companies to release successful new products every year. Failureto release successful new products will

result in poor sales in the current year, as well as future sales by hurting the company's reputation. * Companies in the industry used two strategies: focusing resources on research and development to develop new, innovative products; or focusing resources on securing endorsements from professional golfers on tours, which led to an increase in sales from exposure.

Callaway preferred to maintain a small amount of endorsements with high-profile players, while investing and focusing more on research and development. * From 2005 to 2007, nearly 65% of Callaway's sales occurred during the first half of the year. * Callaway's customers are players from every ability level and a wide range of socioeconomic groups. * Small golf specialty stores were the Callaway's biggest customer. Other customers included sporting goods retailers, mass merchants, golf retailers, and pro shops. * The United States Golf Association began to institute policies limiting manufacturer innovation.

This leaves manufacturers struggling to find different ways to compete. Other firms had cut prices as a way of competing, which resulted in a loss of margins across the industry. Firms were also focusing more on securing endorsements with tour professionals. * The goal of the MPT is to maximize the performance of each individual golfer, not to maximize Callaway's sales, even if it means recommending a competitor's product. * The MPT program costs about \$500, 000 annually. * Callaway has a sales conversion of about 75% from custom fitting sessions. Alternative Solutions 1) Mallette has many different ideas on how to improve Callaway's sales.

His first option is to leave the MPT program unchanged; as it has been so successful he does not want to jinx it by changing something that could

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potentially decrease profit for Callaway's Golf. 2) Callaway Golf does not currently require their mobile performance consultants (MPCs) to be professionally certified. If the MPCs were to be professionally certified, they would not only be able to give a hybrid service of custom fitting, but they would also be authorized to provide official lessons. This would add greater value to the private fitting and consultations if there were to be a private lesson included.

Having a professional on site would increase the credibility and effectiveness of the consultations. An inconvenience in this plan is that to become certified in Canada, an individual must work a minimum of 35 hours per week under a head professional and pass a playing ability test (Jackman, Brett (2008) Callaway Golf Canada. Ivey Cases page 9). 3) Mallette also is considering pairing the MPCs up with professional staff at the club the MPC is working at. This would have the same benefit of having professionally certified MPCs, but there wouldn't be the one-on-one aspect that many club members enjoy and value.

On the contrary, club members may be comforted by having a member of their club's professional staff present, it may lead the club member to trust Callaway Golf and the MPC more. It would also be beneficial as the club member could consult the club's staff member if they had any more questions after the MPC had left. The inconvenience in this scenario is that Callaway would have to pay the club staff member as well as the MPC. 4) Another option would be to update the equipment that Callaway Golf MPC's use during their consultations.

They currently are using Accusport Vector machines that are in fine working condition, but the newest model has just been launched, the Vector Pro monitor which would be useful for the golf professionals during lessons as it incorporates video swing analysis into the fitting process. This may also add value to the consultations. The downside to this solution is that each monitor would cost \$3, 500, as well as bringing all 20 MPCs to the head office for a training day at the expense of Callaway Golf. 5) There is currently only one MPC per territory in Canada.

There is an average of 30 different accounts in each territory, and Mallette believes that hiring more MPCs would be beneficial in by being able to give more attention to each account. Mallette says that by doubling the amount of MPCs, the amount of service provided would be doubled. This means that the cost of the MPT program would be doubled as well, considering training and wage expenses. Most fitting days are scheduled for four hours; typically, each golf club currently has one fitting day per month, as there is insufficient demand to require more (Jackman, Brett (2008) Callaway Golf Canada.

Ivey Cases page 8). This leads to the fact that there is insufficient demand for Callaway Golf to hire more MPCs. 6) Callaway Golf is focused on working with their current accounts, which are mainly private clubs. If they were to work more closely with public clubs across the country by bringing them MPT program, more sales could potentially be made. This option would only be realistic if more MPCs were hired, as there are many public clubs across the country and the MPT wouldn't be as successful if they started neglecting their current accounts.

Decision Criteria Profitability: Choosing to leave the MTP program the same would result in Callaway Golf's net income for 2008 to slightly decline or slightly increase. There wouldn't be much change seeing as there was no change to the MTP program. The cause of decrease would come from the possibility of Callaway's competitors launching a program similar to the MTP, causing Callaway's to experience fewer sales. The increase could happen if the competitors programs weren't a success.

Changing the hiring requirements for MTCs would result in a loss of time and money in order to train current employees, or hire professionally certified employees and train them to be MTPs. Since having professionally certified employees would add value to the consultations, Callaway could increase their prices. It isn't clear if this would generate more income in the end result. This solution would benefit only members of private clubs where the consultations are held, and public club members may start opting for cheaper products if Callaway's increases its prices, which would lead to lower sales.

Pairing MTCs with club staff would cost Callaway more in wages expense. It may result in more sales since customers would feel more comfortable with a club staff member, therefore more willing to trust Callaway Golf and buy their product, resulting in more sales. This solution would benefit only members of private clubs where the consultations are held, and public club members may start opting for cheaper products if Callaway's increases its prices, which would lead to lower sales. Updating equipment would cost both the equipment price, and the price of training all current MTCs.

This would also add more value to the consultations, which would lead to an increase in price of Callaway's products, which may or may not lead to an increase in long term income. This solution would benefit only members of private clubs where the consultations are held, and public club members may start opting for cheaper products if Callaway's increases its prices, which would lead to lower sales. Hiring 20 more MPCs would not be beneficial for Callaway Golf, seeing as there is not enough demand. This would lead to a loss in profit since the extra profit would not be sufficient to cover the extra wage expense.

Hiring more MPCs to do consultations at public clubs would lead to an increase in sales for Callaway Golf. Looking at how much the net income increased after launching the MTP program in private clubs, it seems it would be beneficial to launch the program in public clubs as well. There are many more public clubs across Canada, so the sales made at all of these clubs would be greater than the wages expense for the new employees. Customer Satisfaction: Leaving the MTP program unchanged would result in the customer satisfaction rate leveling off and eventually declining as competitors improved their programs.

Changing hiring requirements to include only professionally certified employees would increase customer satisfaction since there would be more value added to consultations, although this would lead to a price increase which could decrease the customer satisfaction rate if the price increase were too high. Pairing MTCs with club staff would have the same result as hiring only professionally certified staff, although customer satisfaction

would likely increase since customers would be more comfortable with a member of the club's staff.

Updating equipment would also increase customer satisfaction because it would be adding value to the consultations. The product price increase may decrease the satisfaction rate. Hiring 20 more MPCs would only lead to customer satisfaction if they were introduced into public clubs. The public club members would likely be very happy to have a private consultation, which leads to a higher rate of customer satisfaction. If 20 more MPCs were hired only to work in private clubs, the unique value of consultations would go down, causing fewer sales and more employees with nothing to do.

Recommendation

Based on the decision criteria, the best choice for Wayne Mallette to ensure that Callaway Golf Canada stays one step ahead of their competition is to hire more MTCs to work in public clubs. This is the best choice because both profitability and customer satisfaction would increase. It would also assure customers that Callaway Golf is not only a company for intense golf players, but for average players just like the Callaway Golf philosophy states. Starting consultations in public clubs would build Callaway's reputation even more, increase sales and profit, and customer satisfaction. This is the best case scenario for Mallette to choose.