Callaway golf company case study analysis

Business

The revolutionary clubs were sold to professional as well as average players at premium prices driven by the high reference delivered by them. The company's CEO and founder Ely Galloway was a golf champion himself during his twenties and was a powerful motivator defining the company's culture with his charm, optimism, energy and inspiration.

The company came into existence after the takeover of Hickory Stick USA, Inc. By Galloway with an Investment of $435, 000 and idea of mounting the product mix.

Galloway prioritize development of original products and invested heavily on new product development thereby basing his strategy on technology and product innovation. The inclusion of Richard Helmeted in 1986 as a chief of new products and Vice president of the company brought about a revolution making CGI an innovation powerhouse from its earlier existence as Just a niche producer. With the introduction of a unique clubbed model SASH in 1988, the company began a revolution in golf club design concepts that assisted better performance with higher efficiency.

Helmeted promoted a unique approach to research and development (R&D) by allowing his team to work on a set of unanswered questions exploring the reasons behind different successful golfing techniques. His belief in the power of informed intuition along with his strategy to hire a mix of scientists, golfers and engineers led to the introduction of their next revolutionary model – Big Bertha in 1991. By providing premium pricing for Big Bertha, CGI had popularized golf clubs and reshaped consumer purchasing patterns.

They made the clubs a compulsory possession for every kind of player not Just for the performance it delivered but also for the effortless and pleasurable experience of playing with it. The third technological breakthrough by CGI was introduction of Titanium to be used instead of stainless tell in 1995. This called for retooling the facility but with Helicopter’s strategy of an uninitiated R; D there were no shortfalls to funds allocated.

The replacement of gig Bertha with Great Big Bertha Titanium drivers in 1995, at a steep $500 called for competition from ‘ Taylor Made’ and thus introduced the phenomenon of clubs as a status symbol.

In 1996 with don Dye as the CEO, CGI introduced a series of new products most of which were technologically more advanced than the predecessors but were overpriced and received inadequate consumer perception to be better. In 997, CGI purchased Odyssey Golf for its number one selling line of putters and commitment to technology which matched their own strategy. CGI also introduced a line of golf clubs for kids. In 1998, CEO leadership was reassumes by Ely Galloway.

Sac’s strength lay in its leading edge technology that delivered quality products Inch could be placed in the market with the highest prices and still receive maximum sales.

CGI emphasized on product development to such an extent that they and to continually introduce new products which not only deteriorated t from competitors but also from their own range. This made their R&D budget rise Upton $37 million in 1998 from $6 million in 1994. These products were strategically placed for the average player to benefit with. Since the professional players would play well despite of the type of club they used, the efficiency of Sac's products was noticed by the average golfer through improvements in their golfing experience.

Even though the products were priced at a premium, the main consumer base being the average golfer had to come for a repeat buy every 2-3 years.

As the products were updated with latest technology, it was extremely important to emphasize on promoting the product well enough for the consumer to understand. Rhea products were placed in both off-course and on-course retail stores but 65% of sales came from off-course stores since on-course stores had other priorities than lust selling clubs.

Thus the off-course sales team had various responsibilities on field Inch included running demos, correcting CGI displays, maintaining physical inventory, providing product seminars, taking customer orders and accustoming with store sales people. The promotions for CGI products were done through golf magazines, trade publications, television and word of mouth. Although the company endorsed certain professional golfers on the five major tours, there were many notable professional golfers who used their products throughout the world without being under contractual obligations.

CGI also promoted via television ads aired during golf tournaments on CNN and ESP.

increasing the budget allocation from $45 million in 1996 to $79 million in 1998. New golfers increased from 1. 5 million to 3 million between 1988 and 1998, but most of them quit due to increased cost of playing which went up by nearly 50%, unavailability of courses and time involved in playing. The global premium equipment market declined post 1998 due to various reasons like decreased demand, Asian economic turmoil and saturation of product in the market place.

To Sac's benefit the competition on golf equipment industry was unwilling to introduce radically designed clubs in the late asses and early asses.

But by 1999, manufacturers became more willing to introduce new designs and leading edge technology like that from Japan was a threat to Sac's US market. The United States Golf Association (USGS) announced the adoption of a test protocol in 1998 to measure the spring-like effect in driver clubhouses. This forced CGI to do further research to come up with better products that comply with the new test protocols of USGS.

Owing to disagreeable retailer relationships, CGI faced loss of over $27 million in 1998. Although product technology and development was undeniably the biggest strength of CGI, it lacked in placing its product for effectively benefiting the retailer and reaching larger customer base.

In spite of ranking among the top three in retail surveys for advertising, excellence in customer service and quality of products, CGI lagged behind in margins. CGI lacked in competitive retail pricing linked with volume accounts and offered stringent credit terms.

Although the CGI brand was so powerful that it forced the retailers to maintain CGI clubs in their inventory so as to be validated golf equipment stores, it became increasingly difficult for retailers to maintain all varieties of clubs due to lack of physical space and high costs so they carried inventory Just enough to fit maximum number of people. The inclusion of discounts on achieving sales targets and co-operative marketing programs could help promote sales turner as NAS been in the case to competitors like Taylor Made.