Competition in the golf industry

Business, Industries

An Analysis of “ Competition in the Golf Industry” It is unknown when the game of golf originated, but it is believed that people began playing in Europe during the middle ages. In the United States, golf was a sport primarily played by the wealthy individuals until tournaments began being televised. Since then, golf has grown to be a very lucrative industry with over 27 million golfers nationwide by the end of the 1990’s. “ Competition in the Golf Equipment Industry,” acase studywritten by John E.

Gamble of the University of South Alabama, is an overview of the problems currently facing major companies in the golf equipment industry: technological limitations (due to golf’s governing organizations), a decline in the number of golfers, and the economic recession, and the threat of counterfeit products. These limitations are causing leading competitors in the golf industry, namely Calloway Golf, to rethink their strategies in 2010. PLAC Analysis for Calloway Golf Ely Reeves Calloway Jr. , Calloway’s original owner, CEO and President, bought a manufacturing company of hickory shaft wedges and putters in 1983.

Calloway, originally restricted to reproducing antique golf clubs, has extended its product breadth across the golf equipment industry. Calloway Golf now encompasses drivers (with the introduction of Big Bertha), putters (with the acquisition ofOdyssey), irons (designed to compete against Titleist), golf balls (with the acquisition of Top-Flite), footwear and clothes branding, and GPS units (with the acquisition of UPlay). See Timeline in Appendix 1. Calloway has differentiated itself from its competitors by its innovation, beginning with the success of their driver, Big Bertha, which initiated thetechnologyrace among firms.

Calloway and its’ competitors introduce more innovative products every 12-18 months to remain competitive. Furthermore, Calloway has acquired several firms since its origination in 1983 in order to expand its product breadth. Although in 2009, Calloway Golf Company was the “ second largest seller of drivers and fairway woods,” revenues have declined by 17% in 2009 compared to the first six months of 2008. Challenges facing this firm will be assessed in the SWOT analysis. SWOT Analysis for the golf industry, Calloway Golf & Recommendations See Appendix 2 for Matrix Strengths:

Calloway’s technological innovation in making a driver that pushed the limits of USGA standards showsmotivationto become the best. Marketing to recreational golfers in an attempt to help them enjoy the game more by offering an opportunity to drive 6-10 yards further was a benchmark and pushed Calloway’s product to the best golf product of the century by a two-to-one margin. Calloway’s recognizable name also gives them a competitive edge. Weaknesses: Although these technological advances may have boosted sales, there is still little evidence that these advances help golfers lower their scores.

Another weakness of the industry is sustainability. With the development of new products every 12-18 months, it is crucial that companies market their products and have strong sales shortly after introduction. Also, a weakness with Calloway’s golf balls was their brand image with the acquisition of Top-Flite golf balls, which quickly coined the game “ Rock-Flight. ” Opportunities: Although sales have declined 5. 7% during 2008, continued marketing efforts and remaining a household name could prove beneficial to all firms after the recession has subsided.

Due to the recession, discretionary spending has declined and savings has risen, but this could quickly change after a turn in the economy. Furthermore, Calloway has recently cut their endorsements of PGA professionals to only encompass 10 men's PGA professionals and 5 women. If they expanded these numbers, it would give them more brand exposure and possibly higher revenues since many recreational golfers base their decisions on the type of equipment successful, professional golfers are using. Threats:

There are a number of threats affecting the golf industry as a whole: effects of technological limitations by USGA, a decline in the number of golfers due to the economy and lack of leisure time, and the rise of counterfeiting. The state of the current economy paired with the decline in the number of golfers, has caused companies to focus more on price and volume. Counterfeiting is largely attributable to the decisions by executives to outsource for cheaper labor to manufacturers in China; who can produce a golf club for less than $3 per club. Recommendations

Companies currently operating within the golf industry, specifically Calloway Golf, must change their current marketing approaches and strategies to withstand the recession and threats facing the industry. Although Calloway has a strong R&D department that tends to remain competitive with products and technology, there have been little results in reference to scores. It is imperative that if companies are going to market a product that will help golfers drive further and straighter that the results depict this so that not to damage the brand name of a product.

Secondly, due to the decline in equipment sales and the number of golfers, prices are dropping and companies are outsourcing to maintain the volume needed to remain competitive. Companies must be cautious and aware so that counterfeiting may be reduced. This reduction would also allow companies to reduce their pricing and have more sales without the competition of these cheaply priced knock-offs. In the instance of Calloway, an increase in marketing and endorsements would boost their sales due to brand recognition. Calloway has recently fallen to second place in the amount of sales of drivers.

In aiding in cutting down on counterfeiting, lowering prices, and increasing marketing and endorsements, Calloway may have the opportunity to reposition themselves as number one in the marketplace. Appendix 1 Calloway Timeline 1983- Ely Reeves Calloway, Jr. purchased a 50% interest in a Temecula, California manufacturer and marketer of hickory shafted wedges and putters for $400, 000. 1985-Ely Reeves Calloway, Jr. , hired aerospace and metallurgical engineers to design the most technologically advanced golf clubs. 1991- Introduction of Big Bertha 1996- Acquisition of Odyssey (leading brand of putters)