

Callaway golf essay



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Callaway Golf Company Executive Summary Established in 1982, Callaway Golf Company is a leader in the golf equipment industry, creating some of the most technologically advanced golf clubs in the business. In less than a decade, Callaway's sales went from \$5 million in 1988 to well over \$800 million in 1997. The main man behind the success of Callaway Golf Company is Ely Callaway, founder, chairman and chief executive officer. Over the course of the company history, other leaders in the company included Richard Helmstetter, who had previously been a successful manufacturer of Japanese billiard cues and joined Callaway.

In 1996, the company hired Don Dye. Between 1996 and 1998, when Ely Callaway reassumed the role of CEO, the Callaway Company introduced a series of new products including the Biggest Big Bertha Titanium Driver and the Great Big Bertha Tungsten Titanium Irons. With the average golfer serving as Callaway's target market, Callaway virtually revolutionized the game of golf the world over with the introduction of Big Bertha in 1991. While Callaway's target market is the average golfer, it didn't hurt that professional golfers were also using their clubs.

For a golfer who uses a Big Bertha is like having a driver on steroids, leaving the golfer without a Big Bertha at a distinct competitive disadvantage. Selling clubs at a premium, Callaway provides the market with high performance clubs that are proven to deliver skill forgiveness, thus enriching the overall golfing experience. However, today is a new day. Callaway is no longer the only game in town when it comes to manufacturing highly quality, technologically advanced clubs. The competition has caught up to them and

now Callaway needs to respond to the ever growing pressures born in a highly competitive industry.

They must seek new opportunities and capitalize on their strengths if they are to remain one of the leaders in the field. Key Business Issues There are two primary or key business issues that Callaway Golf Company must address. The first of these issues is the fact that Callaway is losing market share. The second key issue is that they need to gain new market share.

Nothing complicated here, quite simple and straightforward are the issues.

What is not as simple and straightforward are the marketing solutions necessary to remedy these issues. Situation Analysis: Identify & Assess 5C's

The situation analysis begins with the identification and assessment of the five C's of marketing. The five C's of marketing analysis that are necessary for sound marketing decisions begin with customer needs in which the company wishes to satisfy. Second, are the Company skills. Company skills are the specific competencies the company possesses to meet the needs of the customer. The third of the C's is competition. That is, who is the company competing with for market share? Collaborators are fourth among the five C's. These are the people or entities that a company partner with the company to achieve their objectives.

Finally, context is the fifth C. When we speak of context from a marketing analysis perspective, we are referring to the cultural, technological and legal factors that may inhibit or limit the possibilities for the organization. For the purpose of a marketing analysis relating to Callaway Golf Company, the following provides some identification and analysis in each of these five

areas. Customer Needs When it comes to customer needs, there are four major needs identified by Callaway in which the company is attempting to satisfy. These needs are not presented in any particular order of importance or priority.

Much to the customer's desire is / was the need for innovation. Over the years, customers came to know, expect and depend on Callaway's cutting-edge technology to deliver new innovation when it came to golf club design. For years, Callaway was in a league all its own using state-of-the-art technology to deliver more than a great looking club. But a club that met the second of the four customers needs that being a club that delivered high performance. When I say performance, I am talking about Callaway producing a club that permitted the average golfer to play at a higher level than they might otherwise play without a Callaway driver.

In order to achieve this higher level of performance in one's golf game, Callaway had created a club for their target market that met yet a third need, that being the demand for forgiveness in a club. To meet this need Callaway created a driver that allowed a less than technically proficient golfer to drive the ball straight and accurate down the fairway, even though the golfer may have hit the ball left or the right of center on the driver. In other words, what the golfer lacks in technical skill can be compensated for to a noticeable degree by the advanced design of a golf club.

This is what is known as forgiveness. The fourth and final need is that of quality. Given that Callaway customers paid a premium for Callaway clubs, they expect that Callaway would create nothing short of a high quality club.

A high quality club being one made of the best materials, while delivering on all of the claims made such as improved performance. It was Callaway's ability to successfully meet these four customer needs that had put them at the top of their game for many, many years. Company Skills

As was described from the above definition, there are skills that the company must possess if it's to achieve the objectives of meeting customer needs. For Callaway Golf, that means that it is essential that they possess the four skills described. First, leading-edge technology. Second is research and development. Third, is manufacturing. Fourth, is target-marketing. Finally, they needed to have a strong relationship with the PGA Tour. Competitors Callaway Golf Company has no shortage of competitors these days. However, in the early days, that was not the case particularly from a technological perspective.

Callaway's driver technology was so far superior to the competition they were in a league all their own. It was their technology that literally changed the game for the average golfer, if not for everyone who has ever played the game of golf. After the development of Big Bertha in 1991, it would take the competition every bit of eight years to develop a club with similar technology that could deliver equally in performance. Today, in the highly competitive world of golfing equipment Callaway faces such strong brand names as Taylor Made, Titleist, Cobra and Ping.

The overall competitive ranking varies with each of these companies depending upon the club(s) in question. As with all companies, each brings their various strengths and weaknesses to the market place. The Taylor

Made, who like Callaway, also targeted the average golfer, possesses a strong commitment to research and development and technologically advanced design of equipment. They have also been very consistent in supporting their on-course and off-course retailers through a variety of programs such as rebates and cooperative marketing. I would say that this is Callaway's most direct competitor.

Titleist, on the other hand, marketed its products to the upper crust of the golfing world, directing its marketing at the professional or very good players, believing that everyone who holds a golf club aspires to greatness. Then there is Cobra, which is owned by the same company as Titleist, also targeted the average player. However, they had taken their marketing efforts one step further placing a special emphasis on women and senior in the market. Finally, there is Ping. Ping was Callaway's number one competitor in the putter category. Like, Callaway and Taylor Made, Ping was also highly committed to research and development.

They also excelled with their custom-fitting innovations. Collaborators
Collaborators for Callaway Golf include on-course and off-course retailers and pro golfers. On-course collaborators are the small golf shops one finds at the golf courses, commonly referred to as the pro shops. Naturally, because of their physical size, they offer a smaller selection of inventory while the off-course retailers, with their larger stores are able to offer a much larger selection. Regardless of the size of store, all off-course locations used advertising to market Callaway products.

Finally, there is the golf pro. The golf pros that are used to endorse Callaway clubs are those whose names are recognizable and respected but not necessarily considered to be those at the top of the leader board. Context While we know the context to be the forces that limit or impact a company's business, there are two primary forces that impacted Callaway's business. First, is the United States Golf Association (USGA), which is the governing body responsible for developing and enforcing the rules and regulations of the game of golf in the United States.

In terms of sales internationally, the crisis in the Asian economies has had a real impact on Callaway's growth abroad. Identification & Analysis of Existing Marketing Efforts: Callaway's existing marketing efforts occurred through multiple channels using many different mediums. In the on-course and off-course environments, Callaway provided product advertising, and demo days. While Callaway also advertised on the internet, their efforts translated into less than 1% of their sales revenue.

While it would seem that they did a great deal to try and promote their products it seems that they were not maximizing on the opportunities available to them like leveraging the relationships they had with their distribution channels. Market Segmentation In the world of the golf equipment industry, market segmentation was defined according to the number of rounds played per year. For example, beginners were defined as those that played one to seven rounds per year. Average golfers were defined as those that played a minimum of ten rounds per year.

Finally, avid golfers were those described as playing more than thirty rounds per year. Target Market Selection The target market that Callaway is dedicated to serving is that of the average golfer. As mentioned previously, these are the folks that play golf a “ minimum of ten rounds of golf per year. In addition, they have a handicap above 18 and bought new equipment every two or three years (p. 5). ” Over their history, Callaway’s success in appealing to this target market rest in their ability to meet the customer needs. Positioning

Ely Callaway knew what he was talking about when he said,“ if Callaway had a truly more satisfying product for the average golfer, not the professionals, and make it pleasingly different from the competition, the company would be successful. ” With that vision statement in mind, when it comes to positioning, in the minds of the target market a positioning statement that might help to serve the objective might read as follows: Callaway golf clubs enhance and enrich the total golfing experience for every golfer due to the technologically superior club design compared to all others Product

Callaway Golf Company has many products. There core products being a range of golf clubs of the wood, iron and putter variety. Callaway’s signature is the Big Bertha and the many variations and generation of that club that followed over the years. Above and beyond the actual physical product are the augmented products that stem from the use of the clubs. One such augmented product is the pure enjoyment gained from having a positive golfing experience because the average golfer was able to improve upon their overall performance because they had a Callaway club.

Place The place refers to the marketing channel or the network in which a company takes its product to market. This can occur through both direct and indirect distribution channels. For Callaway, the distribution channels of choice are those of an indirect nature, meaning that there is a third party involved. For Callaway, this included off-course and on-course retailers, foreign subsidiaries, local subsidiaries, international golf club distributors and pro golfers. Other distribution channels included E-commerce, golf courses and practice facilities. Promotion

Promotion is the way in which a company decides to communicate its message about the product or service it wishes to introduce, educate, inform and otherwise make its target market aware of what it is offering. An effective marketing promotion incorporates an integrated approach is required if it is to achieve the objective. For Callaway, their strategy had included a number of promotional activities. The first of these was demo days, endorsements, word of mouth, media, and exporting. Pricing When it comes to pricing, Callaway employed somewhat of a value-based pricing strategy.

The fact that Callaway charged twice as much for their driver than anyone had ever charged and consumers were willing to pay the price tells us at least two things. First, there is a perceived value on the part of the consumer that the club truly is better because it is so different. Second, is the true economic value Callaway clubs delivered because they produced the desired results of improving one's golf game. Root Cause(s) Analysis As previously mentioned, the key business issue is the loss of market share. While there

may be many reasons why this is so, I believe that there are three primary reasons that are at the root of the problem.

First, is the competition's technological advancements over the course of time that has attributed to Callaway's loss of market share. Competition does not stand still and therefore it is the competition that has narrowed the gap in terms of developing a competitive product at a cost that is equal to, if not less than Callaway's for a like product. The second reason for the loss of market share is the sheer number of quality competitors that have joined the industry since Callaway first began. Simply said, consumers have choices today that they did not have in the early going.

The third and final reason for a loss of market share is Callaway's position in the market relative to the issue of pricing. I believe overtime Callaway lost some of their competitive advantage because of price. As a golfer, if I can purchase a club that improves my game to any degree and I don't have to spend the big dollars that is Callaway clubs, why wouldn't you, other than prestige. Prioritized Recommendations and Detailed Action Plans supported by Marketing Logic Recommendation #1: Strengthen and improve relationships with on-course and off-course retail channels.

Place the greatest emphasis on the off-course retail channels given that 67% of Callaway sales revenue comes from this source. This recommendation is based on the premise that if Callaway is going to gain market share as well as retain its current legion of faithful customers in this very competitive age, it must do everything within its power to provide those that have direct

contact with Callaway customers with the necessary tools and resources needed to promote and succeed with their products.

It is important the Callaway recognize the value of these relationships if they are to be successful. To this end, I recommend a strategy involving the following four elements. The first of these elements begins with education. I believe Callaway needs to be very aggressive in providing the on-course / off-course sales force with both product training and professional sales training. This could be accomplished by creating an online sales training curriculum and product training curriculum that would be required of all retail staff to complete.

Callaway might also include on-site sales training seminars and increase the number of Demo days, thus heightening their visibility and presence.

Second, Callaway needs to provide greater incentives for on-course and off-course retailers to sell more of their products. This may come in the form of trade promotions using a push strategy. A second example that Callaway might consider is a Tiered rewards / compensation program whereby a salesperson increases their sales of Callaway products Callaway provides greater rewards.

Three, Callaway needs to increase the number of visits for B accounts from once a month to twice a month. By increasing the number of visits, Callaway would be building upon and strengthen the relationships they have with their distribution channels increasing the frequency of their on-site visits. The fourth and final element is to assist retailers with developing and providing a more sophisticated inventory management system. This is yet another

opportunity to help further strengthen the relationship Callaway has with the personnel within the distribution channel.

The better the on-course / off-course retail sales force feel about Callaway, the greater likelihood that they are to speak well and speak often of Callaway. In short, whatever Callaway can do to make themselves stand out and be different above all the other manufactures in the minds of the retail sales force the greater their sales will be. I think that wherever the formula of education and rewards are applied, the likely result is increased sales. The sooner Callaway recognizes they have two different customers, the end-use and the on-course and off-course sales force, the better off they will be.

Recommendation #2: Pursue new and untapped markets. This recommendation is based upon the premise that in the era of increased competition, a company needs to look well beyond the original target market and aggressively pursue new market segments with a laser-like focus. Consider an advertising campaign that specifically targets minority populations like Hispanics, African Americans and women. Such an advertising campaign may include a recognizable rainbow coalition of minority golfers such as Seve Ballesteros, Sergio Garcia, Vijay Singh, Anna Rawson, Natalie Gulbis and Beatriz Recari.

A second advertising campaign that Callaway may consider might be titled "If it's good enough for the pros, it's good enough for me." Using pros that are not superstars but are recognizable and respected would be a cost-effective way to get the word out about Callaway clubs. Naturally, the manner in which Callaway communicates either message to the target

audience must be very carefully calculated using an integrated approach. Planning an effective communication strategy for either message would require a model such as the six M's. Recommendation #3: Deploy a new pricing strategy.

This means Callaway must consider making adjustments to their current pricing. A tiered-strategy based on the volume of sales from a given source may be one such adjustment. Recommendation #4: Pursue new product development through technology. Given that technology is one of Callaway's greatest strengths, it only makes sense to capitalize on this in pursuit of new markets. More specifically, Callaway needs to make it a priority to create and develop new, less expensive club designs specifically for the purpose of targeting the beginner market segment.

Callaway's ability to create a more affordable and high performing club for the beginner will be the first step toward gaining a new and life-long customer. Conclusion I believe the above recommendations are paramount to Callaway regaining momentum and setting them on a course to regain market share in the golf equipment industry. However, I do believe that it will take more than just these four recommendations to get the job done.

From a big picture perspective, I believe they need to go back to the drawing board and evaluate every facet of their operation including those areas not discussed in any great length such as branding, packaging, displaying, servicing and physical handling. As we have learned, you are only as good as your last round of golf and he /she who has the best clubs wins. Give a great golfer an average club and they can play a great game of golf. Give an

average golf a Callaway club and they will play a better round of golf than they did the round before.