Golf Equipment Manufacturing Industry Marketing Strategy Case

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Market Characteristics

The golf equipment manufacturing industry is a constantly fluctuating market. The fluctuations tend to follow golf participation rates which are directly correlated with the economy. In 2005, golf participation was at an all time high of around 30 million golfers. In 2010, golf participation decreased to around 26 million golfers (Tanner, 2012). This is likely due to the economic recession during that time period which caused disposable income to be at a minimum. The average golfer will have a larger amount of disposable income. Depending on where you live, golf can be a very expensive sport. In popular golf cities like Austin, Texas, Atlanta, Georgia, and Columbus, Ohio an average round of golf will be about $40, but in cities like Las Vegas, Nevada, the average round is $140 (Passov 2014). The golf equipment is also very expensive. Based on my past experience of buying and researching golf equipment, Table 1 details the average price of golf equipment.

Table 1
Average Price of New Golf Equipment

<table>
<thead>
<tr>
<th>Equipment (Amount per bag)</th>
<th>Average Price ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driver (1)</td>
<td>350</td>
</tr>
<tr>
<td>Woods/Hybrids (2)</td>
<td>275</td>
</tr>
<tr>
<td>Irons (8)</td>
<td>700</td>
</tr>
<tr>
<td>Wedges (2)</td>
<td>200</td>
</tr>
<tr>
<td>Putter (1)</td>
<td>100</td>
</tr>
<tr>
<td>Balls (12)</td>
<td>35</td>
</tr>
<tr>
<td>Bag (1)</td>
<td>150</td>
</tr>
</tbody>
</table>
In 2010, about 80% of golfers were men, about 20% were women, and about 10% of those golfers were between the ages of six and seventeen. Although a large amount of golfers are over the age of 55, they are considered more tech savvy than other sports fans in that age category. 66% of golfers consume golf related content on mobile devices (Nielsen 2014). Core golfers, people who play between eight and twenty four rounds per year, are about 57% of the golf market. Avid golfers, people who play more than twenty five rounds per year, are about 27% of the golf market (Tanner 2012). See Appendix 1 for a complete breakdown of golf participation. Core and avid golfers are the people who the major equipment manufacturers are targeting because they are more likely to buy newer equipment and base their decision on performance and quality compared to price.

The golf equipment manufacturing market is considered to be in the late stages of maturity or the early stages of decline. The strategies and practices detailed in the rest of this case study will be associated with these market characteristics.

**Industry Characteristics**

The golf equipment industry is made up of many brands, but the largest percent of sales comes from a few major brands. The major brands in the golf equipment industry are: Taylormade, Callaway, Nike, Ping, Titleist, Cleveland/Srixon, Wilson, and Bridgestone. Taylormade is currently the market share leader in the metal woods and irons category. Odyssey, subsidiary of Callaway, is the market share leader in putters. Cleveland is the market share leader in wedges. There are many acquisitions and partnerships in the golf equipment industry. The
parent company to Taylormade is footwear and apparel giant, Adidas. Taylormade recently acquired Adams Golf, the market share leader in hybrids. Cobra was recently purchased by footwear and apparel manufacturer, Puma. The volatility of the golf equipment industry is a reason why many golf companies are acquired by larger organizations. They provide financial stability. Another defining industry characteristic is the lack of product differentiation. Removing the extreme outliers, most clubs in a given product category will have very similar performance statistics (Covey 2014) and product quality. Strict manufacturing tolerances and golf’s governing regulations have influenced the lack of differentiation.

**Identifying Opportunities**

Considering the market is beginning the decline stage, a common opportunity for a firm is through mergers and acquisitions as a profitable survivor (Walker and Mullins 272). A dominant firm in the industry will recognize a weakness in the firm, whether it is a product line, target segment, or an untapped market, and find a company that can fill that void.

Taylormade recently acquired the Adams Golf brand. A weakness that Taylormade had was innovation, specifically in their hybrid club product category. Adams Golf was a smaller company that was known for its innovative technology in hybrid clubs. They were the market share leader in that product category. The acquisition allowed for Taylormade to share resources and knowledge with Adams, but still keep the successful Adams brand name.

Cleveland Golf was acquired by Dunlap Sports in 2007. Dunlap is one of the leading golf manufacturers in Japan. Their weakness was the lack of presence in the United States. Acquiring Cleveland Golf gave Dunlap access to the American golf market.
**Information for Strategic Entry**

The first and most important piece of information that is needed for potential entry into the golf market is the size of the market. There is no exact number, but there are organizations, like the National Golf Foundation, that create surveys to determine estimates. Most firms in the industry use the National Golf Foundation’s research for various market statistics (NGF 2014).

Potential firms must also develop strong supplier and retailer relationships. Manufacturers will be using a responsive supply chain (Kerin and Peterson 374). There is a high amount of customization. Each club usually has up to three components that are supplied by tier one suppliers. The most common components are shafts and grips. A potential firm will need to have an inventory of shafts and grips from popular companies like True Temper, KBS, Golf Pride, and Winn to be able to satisfy the customized needs of the customer. Most firms use dual distribution (Kerin and Peterson 369). Customers looking for a more customized product can order directly from the manufacturer. A more standardized product is available at a retail store. As with any retail product, shelf space is limited. A strong retailer relationship is necessary to be successful in the industry.

**Market Segmentation**

The following market segments are hypothetical and based off personal research and experience with the products and end users.

**Equipment Junkies**

This segment consists primarily of men between the ages of 35 and 49. They will have higher than average incomes or a greater amount of disposable income. They will make multiple major golf purchases per year and do not develop strong brand loyalties. They purchase the latest
and greatest technology, but their clubs have a high turnover rate. They are active on golf related message boards, social media, and frequently write product reviews.

**Loyalists**

This segment consists primarily of men over the age of 35. They will have higher than average incomes but less disposable income. They will make very few major golf purchases per year. They will have strong loyalties to a certain brand or even a set of clubs they own. There is no amount of marketing or data that could convince them that what they currently using is not the best available. Loyalists have a strong presence on social media and golf related message boards. They have traditional values with relationships being a strong factor in a purchase decision.

**Data Driven**

This segment consists primarily men under the age of 35. They will have average incomes and disposable income. They make at least one major purchase per year. They do not have strong brand loyalties. The length of the purchase decision is significantly longer because they like to do extensive online and hands on research. They will read product reviews and test the clubs in stores. Custom fitting is important because club turnover is very low and they expect a great value and quality for the price.

**The Sponges**

This segment consists of men and women of all ages. They participate in more sports or activities other than golf. They may only golf one or two times per month. They are highly influenced by marketing, the look of the equipment, and the people who use the equipment. Very
few major golf purchases are made, but they tend to buy the latest and greatest technology right off the shelf without interest in custom fitting.

**Recent Entry**

Hopkins Golf is the most recent entry into the golf equipment manufacturing industry. The strategy that they likely used was a pioneer with niche market penetration (Walker and Mullins 207). They are the first OEM to sell only through their e-commerce website directly to customers. They have developed a strong distribution advantage by partnering with UPS to provide free standard shipping directly to customers (Walker and Mullins 202) (See appendix 2 for their distribution model compared to the industry standard). Hopkins Golf is also able to offer lower prices because they sell directly to the customer and avoid retail markups. They are using niche penetration because they only offer highly customized wedges and irons that are sold directly on their website. Their products will not appeal to the mass market because of the complexity of the product. Their target segment would likely be the “Data Driven” segment. The greatest danger for Hopkins is that potential customers cannot try the equipment before they buy it. Golfers are really picky and sensitive when it comes to wedges, so buying from the internet before holding the club could a deterrent. Hopkins has addressed this issue by offering a full refund within 30 days if the customer is not satisfied.

**Recommendation for Future Action**

Based on the declining market, disintermediation should be considered by many firms in the industry in order to reduce costs (Kerin and Peterson 370). Fewer and fewer customers are buying golf equipment at retail stores. So much that Dick’s Sporting Goods, the largest golf retailer in the United States, had to fire all of their in-store golf specialists. All of the major firms
in this industry have e-commerce websites that have the ability to sell and ship equipment
directly to the customer. Instead of having products at retail stores, they can focus their attention
to the local golf courses by having more product demo days. Many firms currently use product
demo days, but they are far and few between. The direct-to-consumer sales model will be the
future standard in the golf manufacturing industry.
Works Cited


MyGolfSpy is a golf blog that has created an unbiased data driven product testing system for the purposes of comparing and reviewing equipment. They are highly recognized in the industry and their data and results are used by the manufacturers in their advertisements.


The National Golf Foundation is non-profit and it is the most trusted independent golf industry research firm. Their data is used by most if not all of the leading manufacturers in the industry.


Greg Hopkins is the former CEO of Cleveland Golf and current CEO and founder of Hopkins Golf, an up and coming manufacturer that specializes in customization and direct to consumer business model.


Stephen Master is the SVP of Sports for Nielsen. Nielsen is one of the most well known and trusted media measurement firms in the world.

Joe Passov is the Senior Editor at Golf.com and has written over 750 articles since 1987 that featured golf course architecture, rankings, and vacations. He was the former editor-in-chief of Links Magazine.


Steve Tanner has founded three successful golf start-ups. TGA Premier Junior Golf has grown into a multinational franchise. On his blog he published some NGF statistics that were used in this case study.

Appendix

Appendix 1

NGF Golf Participation Statistics (Tanner 2012)

![Golf Participation in the U.S. Table]

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6+</td>
<td>1+</td>
<td>19.5</td>
<td>27.4</td>
<td>24.7</td>
<td>28.8</td>
<td>30.0</td>
</tr>
<tr>
<td>Occasional</td>
<td>6+</td>
<td>1-7</td>
<td>6.1</td>
<td>11.5</td>
<td>8.3</td>
<td>9.1</td>
<td>12.0</td>
</tr>
<tr>
<td>Core</td>
<td>6+</td>
<td>8+</td>
<td>13.4</td>
<td>16.0</td>
<td>16.4</td>
<td>19.7</td>
<td>18.0</td>
</tr>
<tr>
<td>Avid</td>
<td>6+</td>
<td>25+</td>
<td>6.9</td>
<td>8.3</td>
<td>8.4</td>
<td>10.2</td>
<td>9.1</td>
</tr>
<tr>
<td>Junior</td>
<td>6-17</td>
<td>1+</td>
<td>2.0</td>
<td>2.9</td>
<td>2.8</td>
<td>3.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Female</td>
<td>6+</td>
<td>1+</td>
<td>4.1</td>
<td>5.9</td>
<td>5.0</td>
<td>5.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Non-Caucasian*</td>
<td>6+</td>
<td>1+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Includes African-American, Asian-American, Hispanic
Appendix 2

Hopkins Golf Distribution Model Comparison (Hopkins 2014)