

TaylorMade-adidas Golf Strategy

TaylorMade-adidas Golf's aim is to be the leading performance golf company in the world in terms of sales and profitability. It combines three of golf's most well-known brands: TaylorMade, adidas Golf and Ashworth. All three brands are dedicated to continuously developing and commercialising innovative, technologically advanced products. TaylorMade-adidas Golf has established six strategic priorities: extending its leadership in metalwoods, continuing to increase market share in irons, maintaining a strong presence in golf balls, maximising growth in footwear and apparel, further strengthening its distribution mix and executing aggressive retail initiatives to drive increased sales.

Capitalising on the strong market positions of three well-established brands

TaylorMade-adidas Golf implements a multi-brand strategy comprised of three well-defined golf brands with strong market positions under one roof. TaylorMade is the market leader in the metalwoods category, is among the leaders in irons, and is steadily evolving into a leader in golf ball manufacturing. adidas Golf footwear and apparel sales have doubled in size during the past five years, thanks in part to the brand's focus on technologically infused performance apparel. The acquisition of Ashworth adds an authentic golf-inspired lifestyle brand complementing adidas Golf's position and increases the segment's presence in the golf apparel market. TaylorMade-adidas Golf is committed to further growing its business in all categories in a profitable way, by harnessing the segment's R&D resources, by leveraging its brand equity and by expanding the distribution of all three brands.

Innovation and design focus

TaylorMade-adidas Golf's core objective is to create the best performance golf products in the marketplace, and that starts with a clear commitment to innovation, technology and leadership on the world's professional golf tours. The segment strives to extend its leadership position with a continued focus on innovation and cutting-edge design while introducing at least one major product innovation or evolution every 12 to 18 months. In 2008, for example, TaylorMade successfully launched two new innovatively designed high-MOI putters called Monza Spider and Itsy Bitsy Spider that proved immediately and immensely popular among Tour professionals, and which helped double TaylorMade's putter sales. In 2009, the segment will continue to leverage the terrific success of the Burner® golf club line with the launch of new Burner® irons ■■■ see *TaylorMade-adidas Golf Products and Campaigns*, p. 146, with the long, middle and short irons each designed separately to achieve specific types of performance. adidas Golf continues to leverage adidas' R&D capabilities, incorporating innovative adidas concepts and technologies into golf footwear and apparel products to improve performance, comfort and durability.

Extending leadership in metalwoods

Today, TaylorMade is the clear market leader in metalwoods (drivers, fairway woods and hybrids). The brand is particularly strong in the USA, where it has forged a 30% share of the market and a large lead over its strongest competitor.

This success was driven by TaylorMade's ability to introduce and commercialise a steady stream of new and innovative products. The brand's primary focus going forward is to remain the innovation leader and expand its metalwood business outside the USA. This strategy enabled TaylorMade to gain significant market share in Europe in 2008. In 2009, the launch of the new R9™ driver and fairway woods will serve as a platform to continue the brand's strong momentum globally. In addition to TaylorMade's award-winning Movable Weight Technology™ (MWT®), the R9™ incorporates the brand's new Flight Control Technology (FCT) ■■■ see *TaylorMade-adidas Golf Products and Campaigns*, p. 146. The combination of these two technologies adds a new dimension of product customisation, giving golfers the power to change the club head's face angle, loft and lie angle in addition to changing the location of its centre of gravity.

By 2010, TaylorMade plans to establish a global metalwood market position that is as strong as what it enjoys in the USA, in part by strengthening its promotion partnerships in other regions (e.g. new partnerships with Andres Romero of South America and Ye Yang of Asia).

Growing golf ball business by further gaining Tour credibility

Success in this category depends on the ability to create high-performance golf balls, bring them to market and build credibility among Tour professionals. During the last four years, TaylorMade-adidas Golf has restructured its golf ball business to lay the groundwork for a prosperous future. This includes the careful construction of an in-house ball division fully dedicated to developing high-quality, technologically advanced performance products.

TaylorMade successfully extended its premium TP Red™ and TP Black™ golf balls in 2008, upgrading them with a new technology called Low-Drag Performance (LDP) that improves driver distance on off-centre hits. TaylorMade-adidas Golf Tour Staff professional Sergio Garcia used the TP Red™ LDP throughout 2008 when he won the PGA Tour's prestigious Players Championship and rose to No. 2 in the World Golf Rankings. TaylorMade is now the second most-played golf ball brand on the European Tour. More than 270 Tour professionals around the world are playing the TP Red™ and TP Black™. This high level of Tour validation has furthered TaylorMade's credibility as a golf ball brand among professionals and serious golfers. Commercially, this success has fuelled a significant rise in market share, making TaylorMade the industry's fastest-growing golf ball brand.

TaylorMade intends to enhance marketplace acceptance and sales in the golf ball category by extending TaylorMade branded offerings, increasing the number of Tour professionals using TaylorMade balls and further leveraging the successful NOODLE franchise, which focuses on soft-feeling, long-distance golf balls at a value price.

Building on adidas Golf's strength in footwear and apparel

adidas Golf's steady commitment to developing great-looking, great-feeling and performance-enhancing products has made it the fastest-growing footwear and apparel brand in golf during the last three years. The introduction of industry-leading high-performance golf shoes such as the TOUR360, the TOUR360 II and the POWERBAND has helped adidas Golf extend its position as the top-selling footwear brand in Japan and advance its standing as a strong competitor in the global golf footwear market. adidas Golf intends to expand its position in golf footwear in the medium term by further leveraging adidas' strength in footwear technologies and by building on its successful TOUR360 and POWERBAND franchises.

In apparel, adidas Golf positions itself as the most innovative performance brand in the game by utilising adidas CLIMACOOL®, CLIMACOOL® Motion, CLIMA Compression and CLIMAPROOF® technologies in adidas Golf apparel products. adidas Golf was the first major brand to incorporate technologies like these into golf apparel, making the brand the clear leader in technological innovation. adidas Golf is committed to growing its apparel business by continuing to incorporate leading adidas apparel technologies into golf products, a strategy that will help the brand achieve global market leadership in the category in the medium term. Also, the integration of adidas Golf and Ashworth has extended the segment's distribution capability from over 4,000 to 5,000 green grass retail accounts, creating further distribution potential for adidas Golf.

Authenticity through Ashworth

The acquisition of Ashworth presents TaylorMade-adidas Golf with a unique opportunity to establish a lifestyle business. Through the combination of adidas Golf and Ashworth, the segment is now the leading manufacturer in the golf apparel market. The acquisition allows adidas Golf to sharpen its focus and leadership in performance apparel, while under its new multi-brand approach Ashworth can be refocused to golf lifestyle. Its roots in golf and authenticity as a golf brand provide a key differentiator from other golf lifestyle brands. From a product perspective, the brand will primarily focus on extending its leadership in functional cotton products that deliver a modern look and will prioritise the men's segment. In line with TaylorMade-adidas Golf's strategy, Ashworth will also seek to build Tour visibility and credibility utilising partners such as Tour professional Fred Couples. While maintaining two distinct brands, to maximise the commercial opportunity of the acquisition, all operating and go-to-market functions have been fully integrated to take advantage of operational and fixed cost synergies.

Marketing excellence as a key success factor

Well-coordinated and consumer-relevant marketing is paramount to attaining sustainable market leadership. To achieve that, TaylorMade-adidas Golf has combined product marketing, brand communication and retail marketing into one fully-integrated global marketing team. This team uses a variety of strong marketing tools to achieve its objectives. Product launches are followed by point-of-sale support, in-store communication and customer flow management support (e.g. assistance in reducing waiting times for consumers) to drive product sell-through. Likewise, TaylorMade-adidas Golf's leadership and presence on the world's major professional golf tours is imperative to increasing brand traction among consumers. A multitude of prominent Tour professionals wear and play TaylorMade-adidas Golf products, including Kenny Perry, Retief Goosen, Sean O'Hair, Darren Clarke, Natalie Gulbis, Nick Faldo, Mike Weir, Andres Romero, Fred Funk and global golf icon Sergio Garcia, with the logos of the brands clearly displayed on their bags, hats, apparel and footwear. Further, efficient product lifecycle management plays an important role in helping TaylorMade-adidas Golf achieve optimal marketplace results. In summary, marketing expertise and excellence are critical tools that TaylorMade-adidas Golf uses to drive sustainable growth.

Further extending and segmenting distribution

TaylorMade-adidas Golf works with retail partners that possess the skills to effectively showcase the performance advantages of TaylorMade, adidas Golf and Ashworth products. Core channels include green grass retailers, off-course golf specialty retailers and sporting goods retail formats with golf-specific departments. Focusing on strategic and key accounts (golf specialty and sporting goods retailers) in the distribution mix allows TaylorMade-adidas Golf to position its clubs, balls, footwear and apparel among the top-selling golf products in these retail channels.

TaylorMade-adidas Golf will continue to work closely with its strategic accounts in 2009 and plans to increase its efforts to extend brand presence at smaller retailers and on-course golf shops, where great opportunities exist. To support growth and at the same time avoid overexposure to certain accounts or an oversupply in the market, TaylorMade-adidas Golf pursues a selective distribution strategy based on a clear segmentation of its product offering at retail. The company also utilises existing adidas infrastructure, particularly own-retail stores, to distribute adidas Golf products and drive growth in emerging markets.

Pricing strategy reflects brand positioning

TaylorMade-adidas Golf's pricing policy mirrors the positioning of its three brands. As a result, TaylorMade's pricing strategy is to dominate the market at premium price points and compete aggressively in the high-volume mid-price segment. adidas Golf supports its market reputation as the innovation leader by selling its products primarily at premium price points. Ashworth positions products in the mid- and premium-price categories, and focuses on distribution through golf specialists. Market share expansion, particularly in golf equipment, is driven mainly by the ability to deliver best-in-class lines of products at multiple price points. In 2008, two examples of TaylorMade-adidas Golf's success with this strategy are the Burner® (medium price) and r7® Limited (premium price) drivers, and the POWERBAND (medium price) and TOUR360 Limited (high price) footwear.