

## TAYLORMADE-ADIDAS GOLF STRATEGY

TaylorMade-adidas Golf's mission is to be the leading performance golf company in the world in terms of sales and profitability. It combines two of golf's strongest brands: TaylorMade (focused on clubs and balls) and adidas Golf (focused on footwear and apparel). Both brands are dedicated to continuously developing and commercializing innovative, technologically advanced products. To accomplish its goal, TaylorMade-adidas Golf has set its sights on five strategic priorities: extending its leadership in metalwoods, significantly expanding its golf ball business, maximizing growth at adidas Golf, driving marketing excellence and further strengthening its distribution mix.

## CAPITALIZING ON THE STRONG MARKET POSITIONS OF TWO WELL-ESTABLISHED BRANDS

TaylorMade-adidas Golf maintains two well-defined golf brands with strong market positions under one roof. TaylorMade is the market leader in terms of sales in the metalwoods category and is among the leading iron brands. In addition, TaylorMade is also steadily evolving into a leading golf ball manufacturer. adidas Golf has delivered outstanding sales growth in both footwear and apparel during the past five years and has clearly become the fastest-growing golf footwear and apparel brand in terms of sales and market share in major golf markets. TaylorMade-adidas Golf is committed to further growing its business in a profitable way and improving its market position by harnessing the R & D strength [see Research and Development, p. 072](#) and brand equity of both TaylorMade and adidas Golf.

**INCREASED INNOVATION FOCUS** TaylorMade-adidas Golf's core principle is to create the best performance golf products in the marketplace, and that starts with a clear commitment to innovation, technology and Tour leadership. The brand strives to extend its leadership position with a continued focus on innovation.

To remain at the forefront, TaylorMade-adidas Golf is intensifying its R & D efforts. For example, TaylorMade created an independent innovation team that is solely focused on identifying potential new product concepts and designs, primarily in metalwoods and irons, that may subsequently be transformed into product development by the general R & D team. adidas Golf continues to leverage adidas' R & D capabilities, transforming innovative adidas concepts and technologies into golf footwear and apparel products. TaylorMade-adidas Golf strives to introduce at least one major new product innovation or evolution every 12 to 18 months.

## EXTENDING LEADERSHIP IN METALWOODS

Today, TaylorMade is the clear market leader in metalwoods - particularly in the USA, where the brand's market share of approximately 28% has created a substantial gap between TaylorMade and its strongest competitor. This success was driven by the brand's ability to continuously introduce and commercialize new and innovative products. Therefore, the brand's primary focus going forward is to maintain its place in the market as the innovation leader and to further expand its metalwoods business outside the USA. By strengthening its promotion partnerships in other regions (e.g. new partnerships with Korean golfer Ye Yang and the China Golf Association in Asia), TaylorMade plans to support its international expansion in the metalwoods category. By 2010, the brand's goal is to achieve a similarly strong market position on a global scale as in the USA.

## GROWING GOLF BALL BUSINESS BY FURTHER GAINING TOUR CREDIBILITY

Success in golf balls depends on the ability to create high-performance golf balls, bring them to market and build credibility among Tour professionals. Over the last three years, TaylorMade-adidas Golf has restructured its golf ball business to lay the groundwork for a prosperous future in this product category. The brand purchased numerous patents with the acquisition of Maxfli in 2003 and created its own ball division that is fully dedicated to developing high-quality, technologically-advanced performance golf balls.

TaylorMade successfully introduced its TP Red and TP Black golf balls in 2006, which together now comprise the second most-played ball models on the European, Nationwide and Japan Tours. In this way, TaylorMade has established itself as a credible golf ball brand among professionals and highly skilled players. In 2007, the number of marquee players using the TP Red and TP Black golf balls further increased. Among new additions to the portfolio of players were Retief Goosen, Fred Funk, Sean O'Hair, Darren Clarke and Natalie Gulbis. The brand intends to increase sales in the golf ball category by extending the TaylorMade branded offering and further leveraging the successful NOODLE franchise.

Going forward, the golf ball division will be supported with additional personnel and financial resources to drive growth. In addition, TaylorMade plans to further grow the number of players on the Tour using its golf balls, thereby gaining stronger acceptance in the marketplace.

**BUILDING ON ADIDAS GOLF'S STRENGTH IN FOOTWEAR AND APPAREL** As a result of its steady commitment to developing great-looking, great-feeling and performance-enhancing products, adidas Golf has been the fastest-growing footwear and apparel brand in golf for the last three years.

With the introduction of industry-leading high-performance golf shoes such as the TOUR360, the TOUR360 II and the POWERBAND, adidas Golf has developed into a strong competitor in the global golf footwear market. In 2007, adidas Golf for a short period even became the top-selling footwear brand in Japan. This was the first time ever that a non-domestic brand had taken over market leadership in a product category in Japan, which is the world's second largest golf market. adidas Golf intends to extend 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 has positioned itself as the most innovative performance brand in the game by utilizing adidas ClimaCool®, ClimaCool® Motion, Clima Compression and ClimaProof® technologies in adidas Golf apparel products. adidas Golf was the first major brand to bring these types of technology to the golf industry, making it the front-runner in terms of technological innovation in the golf apparel category. Going forward, adidas Golf is committed to growing its apparel business by continuously incorporating leading adidas apparel technologies into golf products. In this way, the brand expects to achieve clear global market leadership in the category in the medium term.

**MARKETING EXCELLENCE AS A KEY SUCCESS FACTOR** Well-coordinated and consumer-relevant marketing is paramount to achieving sustainable market leadership. For this reason, TaylorMade-adidas Golf has combined product marketing, brand communication and retail marketing in one fully-integrated global marketing team. Executional excellence and a coordinated approach to bringing product to market are key elements of the segment's go-to-market strategy.

TaylorMade-adidas Golf utilizes a variety of strong marketing tools. Following product launches, TaylorMade-adidas Golf provides 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. TaylorMade's Tour Trailers are on-site at nearly all PGA Tour and European Tour golf tournaments to give Tour professionals the opportunity to interact with TaylorMade product specialists. Leadership on these Tours strengthens TaylorMade-adidas Golf's credibility among golfers and helps both brands increase traction among consumers. Further, efficient product lifecycle management plays an important role in helping TaylorMade-adidas Golf achieve optimal results in the marketplace. In summary, marketing expertise and excellence are critical tools to help TaylorMade-adidas Golf drive sustainable growth going forward.

#### **FURTHER EXTENDING AND SEGMENTING DISTRIBUTION**

TaylorMade-adidas Golf works with retail partners who possess the skills to effectively showcase the performance advantages of TaylorMade and adidas Golf products. Core channels include green grass retailers, off-course golf specialty retailers and sporting goods retail formats with golf-specific departments. By focusing on strategic and key accounts (golf specialty and sporting goods retailers) in the distribution mix, TaylorMade-adidas Golf has positioned TaylorMade metalwoods and irons, and adidas Golf footwear and apparel to be among the top-selling golf products in these retail channels.

TaylorMade-adidas Golf will continue to work closely with its strategic accounts. The company also plans to increase its efforts to extend its brands' presence at smaller retailers and on-course golf shops, where the brands are currently under-represented. This will help TaylorMade-adidas Golf steadily grow its business going forward. 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 utilizes 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 two brands in the golf market. As a result, TaylorMade's pricing strategy focuses on dominating the market at premium price points and competing aggressively in the high-volume mid-price segment. adidas Golf supports its market perception as the innovation leader in performance golf footwear and apparel by selling its products primarily at premium price points.

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. Two examples of TaylorMade-adidas Golf's success with this strategy in golf equipment are the Burner® (medium price) and r7® SuperQuad (premium price) drivers: launched in 2007, both became the best-selling driver model in their respective price segment in the US market. The Burner® even was the best-selling driver worldwide in 2007. Another example of a successful implementation of this strategy is adidas Golf's high-priced TOUR360 golf shoe, which became the brand's best-selling golf shoe for two years running.