

Interview

The Callaway Difference

An Interview with George Fellows,
President and Chief Executive Officer, Callaway Golf Company



George Fellows

EDITORS' NOTE Before assuming his current post in August 2005, George Fellows served as the President and CEO of Revlon Holdings Inc. He was previously the President and CEO of GF Consulting in New York City and has also acted as Senior Advisor at JPMorgan Partners and Investcorp International Inc. A director of VF Corporation since 1997 and Callaway Golf Co. since August 2005, he previously served on the board of directors of Jack in the Box Inc., Senetek PLC, and The Cosmetic Center, Inc. He serves as Director of the National Association of Chain Drug Stores and of the Cosmetics, Toiletry and Fragrance Association. Fellows received a B.S. with Honors from City College of the City of New York in 1964 and an M.B.A. with honors from Columbia University in 1966, and matriculated from the Advanced Management Program at Harvard University in 1981.

COMPANY BRIEF Callaway Golf Company (www.callawaygolf.com; NYSE: ELY) manufactures and sells golf clubs, golf balls, and golf accessories, under the Callaway Golf®, Odyssey®, Top-Flite®, Ben Hogan®, and uPro™ brands in more than 110 countries worldwide.

How much of an impact has this current economic climate had on Callaway's business?

In this current environment, it's fairly clear that business is more difficult to come by. The golf industry is somewhat unique, however, in

that a substantial portion of those who play golf are very passionate about the game – it remains a calling, as much as a hobby – so to some degree, we're insulated from a lot of the environmental issues other companies deal with. At least through the first quarter of this year, rounds of golf being played are actually up. To some extent, people may actually be golfing to get away from the day-to-day issues that are plaguing them.

Having said that, golf club purchases are deferrable and travel is costly, so the rounds of golf one may have wanted to play at some far-off place are being replaced by rounds that take place closer to home. But at the end of the day, we think the golf industry is going to be quite healthy coming out of this economic period, and that we will return to a period of some growth.

Do you foresee any changes to the range of product you're offering, or is the portfolio going to remain relatively consistent?

Golf is at the core of the Callaway franchise, and always will be, but golf is also a lifestyle. The Callaway name has the strength among its consumers to go into other categories, so clothing is something we're in, and we're looking at the shoe business and other ancillary products relating to the golf industry. Just last year, we purchased a company called uPlay that manufactures state-of-the-art GPS products under the uPro name that you use to navigate a golf course.

Are Callaway products only designed for the seasoned player or do they also appeal to the new player?

The company was founded by Ely Callaway 26 years ago on the premise of making golf a better experience for all levels of players, so over the years, we have created lines of product that stretch from the very beginner to the most sophisticated golfers with the lowest handicaps. We also have a very strong initiative to get more women involved in the game of golf, particularly in the United States. In addition, as an industry, we have not done a very good job of putting the game of golf in front of younger people, so we are focused on doing that.

How critical are innovation and technology for the brand?

The company was formed by Callaway on the basis of technology that changed the paradigm of what golf and golf equipment was all about. The Big Bertha was the breakthrough product that launched the company, and ever since, we've continued to spend significantly on R&D. We apply state-of-the-art technology to the

game of golf in order to create equipment that helps bring the game to a broader cross section of golfers. Technology and innovation have been in the DNA of Callaway Golf since its inception.

Do customers need to actually touch your products or does your Web site also drive direct sales?

A little of both. There is a core of people worldwide that may go into stores to try product, but they prefer to buy online. But in the Internet environment, we can control the exposure of our product, get a full cataloguing of everything we offer, and provide content in terms of instruction, usage, and background, which is difficult to do in most other retail environments. The Web site will continue to be very important and potentially of greater importance going forward.

How closely do you work with retailers on the education process for their salespeople?

We work very closely with them. Obviously, it's a critical element because so many customers are going into retail environments looking for guidance. But we have to work more diligently at making our merchandising work harder for us in educating the consumer who may not have the availability of a knowledgeable sales associate. You can't rely totally on store personnel. They do the best they can, but store personnel are never in huge supply in any retail environment.

As a game that appeals to more of a niche market, what steps can be taken to contribute to further growth and recognition for the sport?

One of the most effective ways to bring the game of golf to a much broader audience is to get it back into the Olympics. This is a sport that meets virtually every qualification of an appropriate Olympic sport: it is an outdoor sport, it is a family sport, it is one that can be played both at the highest skill levels and at the lowest recreational level, and it's a sport that's based on honesty and self-regulation. And we think that the Olympic spirit embodies a lot of what golf is all about and golf embodies a lot of what the Olympics are all about. Our company, as well as all of the governing bodies within golf, have gotten very strongly behind the effort to restore golf to the Olympics, which was last a part of the Games in 1904. The decision will be made this year to potentially restore golf back into the Olympics for the 2016 games, and it's something we think is most important for the long-term health and well being of the golf sport. ●