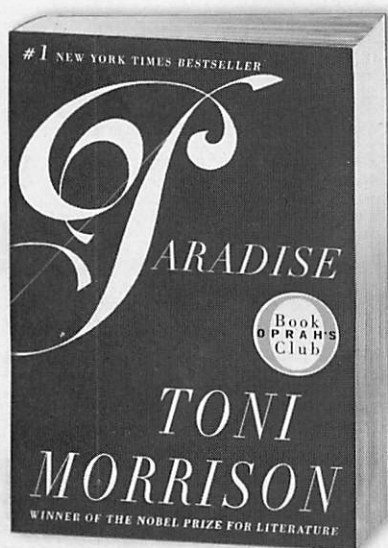


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THE SPORTING SCENE

SWINGING

Golf, it turns out, is a very risky business.

BY DAVID OWEN

PEOPLE who sell things for a living have a rotten reputation, but I like them. They look you in the eye, use your name a lot, hold your shoulder while they talk to you, and laugh really hard at your jokes. They take you out to expensive restaurants, and when the waiter asks them if they want a drink they don't say, "Just water, please." They ask you where you went to college and what your kids do after school. They suggest through facial expressions and body language that they would like to marry you. In other words, salespeople treat you exactly the way you wish everyone would treat you—the way you deserve to be treated. Their only tiny flaw is that they don't mean any of it: they're just trying to make a sale. But isn't that a trivial defect, all things considered? Doesn't the insincerity of salespeople seem like a negligible shortcoming in comparison with the incalculably opulent richness of their devotion?

Well, I think it does. And I had plenty of opportunities to agree with myself recently, because I spent four days in Orlando, Florida, attending the 1999 Merchandise Show of the Professional Golfers' Association of America. It is one of the largest trade shows in the United States, and this year it comprised more than fourteen hundred exhibits, staffed by thousands of attractive, friendly, enthusiastic people selling just about every imaginable type of golf-related product and service. I talked with a guy who had invented a short-shafted golf club, which he told me is supposed to be used for hitting golf balls while the user is sitting on a toilet; learned from a man who was selling a forty-thousand-dollar golf simulator how far I would be able to hit my seven iron on the moon (more than a mile); studied copper wristbands at the booth of Sabona of London, a company whose headquarters are in Sikeston, Missouri; filled two large plastic shopping bags with brochures for com-

panies that sell everything from satellite-based yardage-measurement systems to signs urging golfers not to urinate on trees; and chatted about Ireland with a woman whose son packages golf trips.

My purpose in doing all this was not only to avoid some nasty weather back home, in the Northeast. I also wanted to reflect upon golf as an industry, a game, and a cultural phenomenon. I don't mind telling you that I came to some pretty interesting conclusions.

DURING the past few years, golf has occupied more space than usual in the consciousness of Americans, mostly because of the brilliant young player Tiger Woods. Woods has made golf seem sort of cool—or, at least, not totally disgusting—and the game's new cachet has caught the attention of almost everyone who sells almost anything that golfers might conceivably buy. People who play golf tend to have money, and people who sell things are attracted to that. I had attended the P.G.A. Merchandise Show once before, in 1992, and at that time the exhibition seemed gigantic, but this year's show was more than twice that size. All sorts of manufacturers have realized that a person who will freely spend five hundred dollars for a putter and two hundred dollars for a short-sleeved shirt is a person they would like to know better.

It's all incredibly vibrant and exciting, except for one small detail: if you look deeper than about a millimetre below the surface, the current golf boom doesn't seem like much of a boom. The National Golf Foundation, in a report released at this year's show, estimated that there are now about twenty-six million golfers in America. That's a huge number, but it's only slightly huger than the number the N.G.F. turned up in a similar study in 1988. Even worse, the N.G.F. predicted that during the next decade the number of golfers in America will probably grow at an annual rate

of just one and a half or two per cent.

Golf-related headlines in the financial pages have also been bleak. Golden Bear Golf, whose chairman is Jack Nicklaus, revealed that instead of losing fifty-three cents a share in 1997 (as had been previously announced) it had actually lost four dollars and forty-nine cents a share, and the company's stock tanked; several well-known golf companies—among them Ben Hogan, Black Rock, Founders Club, Lynx, MacGregor, Ram, Nevada Bob's, Snake Eyes, Tad Moore, and Tommy Armour—have either folded or filed for bankruptcy protection or been bailed out or absorbed by other companies; Coastcast, which makes club heads for Callaway, Cobra, Taylor Made, Titleist, and other well-known companies, revealed last month that it had been forced to lay off half its employees and to shift the bulk of its manufacturing to Tijuana.

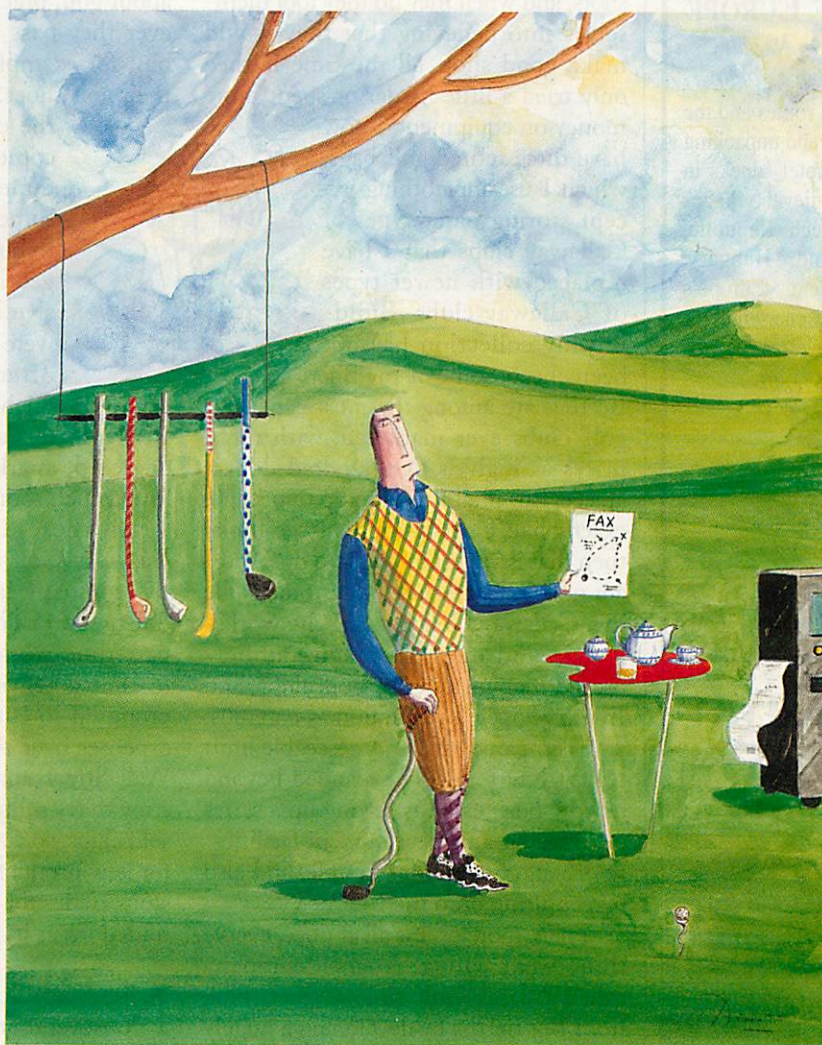
The state of the industry was most poignantly exemplified at the merchandise show by Goldwin Golf, a company that entered the business in the mid-nineties with a driver whose distinguishing feature was a head milled from solid aluminum. Goldwin grew rapidly, and the company's executives began to dream big dreams. This year, Goldwin bought much of the most conspicuous and expensive advertising space at the convention center in Orlando, including the back cover of the show's four-hundred-page-plus directory and buyers' guide. The directory ad announced the introduction of a sleek new Goldwin driver, called the AVDP III. (The initials stand for "avoidupois.") "Revolution not evolution," the ad said. "The future of golf is in your hands."

When I went to take a look at the AVDP III, though, I found a restaurant occupying the thirty-two-hundred-square-foot space where Goldwin's booth was supposed to be. I later learned that a few days before the opening of the show Goldwin's main financial backers, alarmed by deteriorating

by a septuagenarian California businessman named Ely Callaway, who had made an emergency investment, ten years before, in a small, money-losing manufacturer of specialty golf clubs and had renamed the company after himself. Callaway had already completed two successful careers. He had been the

president of Burlington Industries and, after leaving that position, in 1973, had run and sold his own thriving vineyard and winery in Southern California.

In 1986, Ely—whose name is pronounced "Ee-lee"—hired Richard C. Helmstetter, who for the previous seventeen years had been manufacturing pool cues in Japan. Helmstetter combined some ideas of his own with some ideas that had been lying around Callaway Golf and came up with Big Bertha. Ely took an anxious warning from one of his engineers—"You can't argue with physics"—and turned it into an advertising slogan, devising an immensely successful marketing campaign based on a claim that Big Berthas hit balls farther and straighter than other clubs, and



A crucial element of a merchandiser's success is the lunacy of avid golfers.

sales, had suddenly decided not only to withdraw the exhibit but also to essentially shut down the company. Goldwin's representatives in Orlando had been told to take down the booth, check out of their hotels, and look for other jobs.

At the 1992 merchandise show, the big story was drivers with oversized heads. Such clubs are ubiquitous today, but they were just becoming popular at that time. The most popular one, which was called Big Bertha, had been introduced at the previous year's show by a then semi-obscure company called Callaway Golf. The company was run

were more forgiving of faulty swings. Sales surged, and, a month after the 1992 show, Ely took the company public. In 1993, shares of Callaway Golf (ticker symbol: ELY) more than tripled, outperforming all the other stocks on the New York Stock Exchange. Even more impressive, the company was able to sustain its growth by bringing out a steady succession of popular new products. It introduced a Big Bertha variant called War Bird, popularized a lofted fairway wood that it called the Heaven Wood, introduced Big Bertha irons in various versions, and developed two even bigger drivers—Great Big

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Bertha and Biggest Big Bertha—both of which had heads made not of steel but of titanium.

A crucial element of Callaway's success was the lunacy of avid golfers—a group in which I count myself. Golf promotes compulsion, because even poor players occasionally make good shots, and when they do they fool themselves into believing that they would make good shots all the time if they only tried a little harder or spent more

money on equipment. I now have three retired golf bags, which I use for nothing except storing older types of Callaway clubs that I have replaced with newer types of Callaway clubs. Building my collection has not been cheap: some of my Big Berthas are among the most expensive golf clubs ever marketed, with retail prices as high as five hundred dollars apiece. But if all I need to do to become exactly like Tiger Woods is to go broke then that is what I'm going to do. And I am not alone. Because of customers like me, Callaway Golf became the world's largest and most profitable publicly owned manufacturer of golf clubs, and Ely developed a reputation as a genius. The company, with no foreseeable limit to its growth, boldly expanded beyond its core business—by setting up a series of "research-and-development facilities" at driving ranges, for example, and also by venturing onto the Internet.

Then, more or less all at once, everything went wrong. A small company called Adams Golf stole market share from Big Bertha by developing a hugely popular line of clubs called Tight Lies, which had unusually small heads. (Slogan: "Oversized is over.") Then another small company, called Orlimar, stole market share from both Adams and Callaway with another line of small-headed clubs, called Tri-Metal. Then the United States Golf Association, which performs roughly the same function in American golf that the Food and Drug Administration performs in American medicine, declared that several recent clubs, including some of Callaway's, might violate U.S.G.A. rules governing the resilience of club faces. (Under massive industry pressure, the U.S.G.A. subsequently backed down.)

Most important, nutty golfers like

me noticed that we were still shooting crummy scores despite having depleted our retirement accounts. This was very bad news. An often overlooked fact about the golf market is that although there may be twenty-six million golfers in America, there are only five or six million obsessives—players who dream about golf, practice their swings whenever they pass a mirror, and yearn to buy, for example, magnetic insoles for their golf shoes. The financial health of

the entire golf industry had come to depend on our sustained irrationality as consumers—on our continuing to buy and then immediately get tired of ever more expensive stuff—and some of us were feeling stretched. I have often played golf in four-

somes in which all four of us used Big Bertha drivers and fairway woods; that degree of market penetration doesn't leave much room for growth.

All these developments brought Callaway Golf back to earth. Last fall, the company laid off a quarter of its full-time workforce (plus three hundred part-time workers), announced plans to shut down its non-core businesses, promised to cut fifty million dollars in expenses over two years, and informed Wall Street analysts that it might destroy thirty million dollars' worth of unsold clubs, so as not to dilute the market for new products. Today, the company's stock trades for about a third of what it traded for at its peak.

NOT very long ago, Callaway and several other top golf companies had a sudden and virtually simultaneous vision of salvation: golf balls. The appeal of balls to a beleaguered golf company is easy to understand. Balls, unlike clubs, have to be replaced on a regular basis no matter what: they wear out after a few rounds, sink to the bottoms of ponds, and disappear forever among weeds and trees. The market for balls—about six hundred and fifty million dollars' worth at wholesale every year—is large. Best of all, they cost very little to make (no more than thirty or forty cents apiece, even for the premium brands) yet can be sold for quite a lot (as much as six or seven dollars apiece in some larcenous golf shops). It sounds so good that there just has to be a catch—



and there are several. The main one is that the market for balls is growing very slowly, if at all. Golfers as a group buy roughly the same number of balls every year, and when they change brands they don't abandon usable balls they already own. As a result, the only way for one company to increase its business is to steal business from someone else—a zero-sum game.

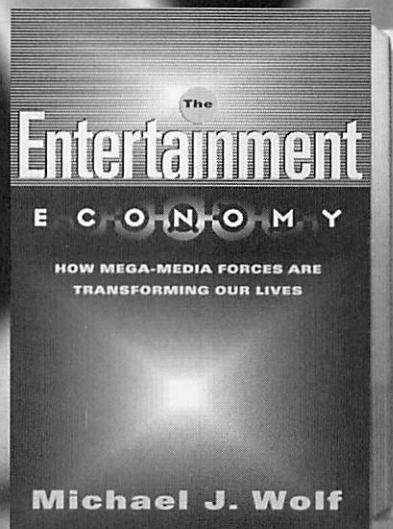
A modern golf ball is a miracle of engineering—it is an exquisitely aerodynamic object, whose dimples transform it into a sort of spherical wing—but the range of performance among different types of balls is small. (For example, the U.S.G.A. places an upper limit on distance, and almost all balls meet it or come close; that's why so many different brands claim to be the longest ball in the world.) If you remove the identifying markings from an assortment of balls, even very good players are unable to tell one from another by hitting them—perhaps partly as a result of the fact that seventy per cent of golf balls in the United States are manufactured, under a number of different names, by just two companies: Titleist, which is a division of Fortune Brands, and Spalding, whose best-known ball brand is Top-Flite. Marketing balls, like marketing cigarettes, is therefore mainly a matter of managing consumer perceptions. In a market like that, a newcomer has to be willing to spend a huge amount of money just to be noticed.

The splashiest entry into the ball market at the merchandise show this year was Taylor Made's. Its new balls, of which there are three varieties, are called InerGel—Taylor Made's term for the balls' distinguishing ingredient, "an exclusive copolymer that is both soft and super-resilient," in the words of a press release. Gary McCord, a well-known television commentator and famously mediocre professional golfer, was quoted in the same press release as having said, "This is a magic material. I can spin the ball more without swinging any harder, and I get more distance. Bingo. Game over."

A marketing representative for one of Taylor Made's competitors told me that the material Taylor Made calls InerGel is simply a well-known form of nylon that has been around for a long time but has never been used in golf balls before, because it readily absorbs mois-

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The lake that was caked ice is ice no more,
but waves scudding and making foam, although

if you plunged your arm up to the elbow
you'd touch the hard table-truth of ice, under which

brown trout tell their own story. A man with a gun
patrols the shore: be not a woodcock or a snipe

this rainy afternoon, or—if you are—sit still as stone
when his spaniel noses the drenched heather. Still,

he says, he wouldn't shoot a pheasant, for aren't there
only a few about, the lovely creatures. We stand

for a cigarette, his gun cracked open, and in his hand
two shells of shot—wine-colored, with golden bands

closing top and bottom—lie like matching rings.

—EAMON GRENNAN

ture. A Taylor Made representative told me that InerGel balls are no more likely to absorb moisture than other golf balls are. Nevertheless, rumors of a water problem were all over the merchandise show ("Don't get 'em wet!"), and InerGel balls are packaged in unusual plastic sleeves "to provide protection from atmospheric moisture and ensure factory-fresh performance."

In developing the InerGel line of golf balls, Taylor Made started with technology and then built a marketing program around it; Nike, which also introduced balls at the show, approached the problem from the other direction. Brian Zappitello, Nike's marketing manager for golf products, told me how: "We took every bit of advertising that was out there, as well as all the products, and pasted everything up on a wall in a conference room. At the same time, we started sending other people's product out to independent testing laboratories, to see exactly whose claims were valid and whose weren't. We found that there was a lot of really good product in the market—but we also saw, on the wall in that conference room, a lot of confusion. There were stories about spin, and feel, and distance. They were all very viable stories, but we felt that the messages were being communi-

cated in a way that made it difficult for the consumer to understand what was going on."

After three months of studying ads for existing balls, Nike's marketing people identified what they felt was an underexploited golf-ball marketing niche: "accuracy." Zappitello continued, "Once we had identified that as the marketing story we wanted to go after, we knew we didn't have the competencies to go ahead and manufacture balls ourselves, so we found a development-and-manufacturing partner." Subcontracting development and production is not unusual in the ball business; ball factories are expensive, and only a small number of companies have their own. Zappitello wouldn't say so, but people in the industry told me that Nike's balls are made for it by Bridgestone, a Japanese company, whose own best-known golf-ball brand is Precept.

Are the golf balls that Bridgestone makes for Nike more accurate than the golf balls that Bridgestone makes for itself? I didn't ask Zappitello that question, because I was worried that it would sound rude, but, judging solely on the basis of Nike's new television commercials, I'd have to answer—yes! In one of those commercials, a golfer hits a Nike ball right down the center

line of a two-lane highway, between two speeding eighteen-wheelers. I've been playing this game for seven years now, and, brother, I can honestly say I've never seen anyone do that with a Precept.

THERE'S a tremendous amount of money in America these days, and quite a bit of it belongs to aggressively self-confident people who love golf: retired corporate chairmen, bored hotshot bond traders, former professional athletes, wealthy founders of software companies, prominent television commentators. Such people sometimes decide suddenly that they would like to play golf all the time, hang around with famous tour players, get rich all over again, read about themselves in *Fortune*, and revitalize their lives by applying their financial genius to their favorite pastime. They scoop up a few of their surplus millions and invest them in some golf-related enterprise, and pretty soon they start talking about how they're going to lock horns with the giants of the industry.

One person who fits that profile is Rudy Slucker, a wealthy New Jersey guy who retired from his first career—as an importer and marketer—in 1990, at the age of forty. In 1996, he took over a small, struggling putter company called TearDrop. In the years since then, through several acquisitions, he has turned TearDrop into a sort of mini-conglomerate of failed or failing golf brands, among them Tommy Armour, Ram, and Zebra. Slucker's intention, according to a press release I picked up at the show, is to make TearDrop “one of the golf industry's leading suppliers of premium golf clubs.” The long-term odds are probably not very good, but to Slucker—and to many people like him—the example of Ely Callaway must seem almost irresistible. Needless to say, Slucker has taken his company public.

Partly because of people like Rudy Slucker, it is nearly impossible today for a tired old golf brand to simply disappear. Several insiders I talked to at the merchandise show complained that there are now far too many golf companies chasing far too few dollars—yet practically every time a struggling golf

business seems ready to collapse, somebody with a lot of money props it up again. Tommy Armour golf clubs were extremely popular just a few years ago, but the company fell on hard times and would have almost certainly vaporized if Rudy Slucker (or someone like him) hadn't come along at just the right moment. And even when companies do disappear, the golf universe doesn't contract. An editor at a major golf publication told me, “You see all these guys who are in trouble, yet for every one of them who goes out of business there are thirty more lined up to take his place.”

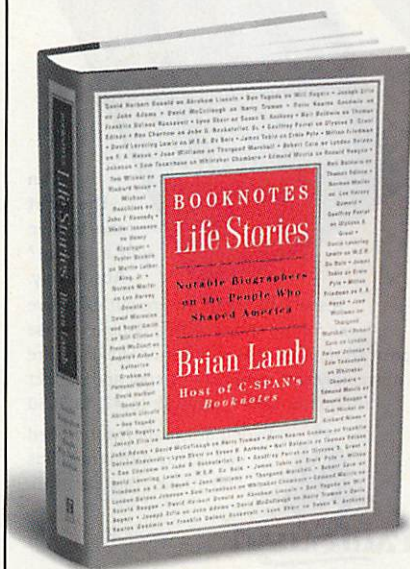
From a golfer's point of view, such commotion is simultaneously mesmerizing and depressing. As I wandered happily through the labyrinth of aisles at the merchandise show, I was also aware that the main result of all that desperate selling was going to be a more expensive hobby for me. The great paradox of the golf industry is that increased competition has tended to drive prices up rather than down, because it has forced manufacturers to fight for market share by investing heavily in new products—or, at least, new packages—and then promoting them like crazy. In the past few years, for example, Top-Flite has introduced balls that are slightly larger than usual (to make them curve less and therefore supposedly stay out of trouble); balls that contain small



amounts of titanium in their covers (for “explosive distance”) and small amounts of tungsten in their cores (for “amazing soft feel”); balls with ovate rather than circular dimples (for a reason I've never understood); balls supposedly designed to be struck by Callaway golf clubs; balls supposedly designed to be struck by Taylor Made golf clubs; and three-part balls containing a “New Ultra Soft High Energy Core for distance and feel,” an “Ionomer Mantle layer for increased distance,” and, with all due respect to Nike, a “soft shear resistant Zynthane II cover for pinpoint accuracy.”

An article in the business section of the *Times* last December hypothesized that the golf industry's main problem was “a lack of new products to excite golfers.” If that's the lesson the manufacturers took home from the merchandise show, golfers are in big trouble. ♦

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