

Golf balls are sold under the Callaway Golf and Strata brands and are generally either a 2-piece golf ball (consisting of a core and cover) or a multilayer golf ball (consisting of two or more components in addition to the cover). The Company's golf ball products include covers that incorporate a traditional dimple pattern as well as covers that incorporate innovative designs, including the Company's proprietary HEX Aerodynamics (i.e., a lattice of tubes that form hexagons and pentagons), Hybrid Cover, Triple Track Technology and Truvis patterns. Callaway golf balls are generally made of various combinations of synthetic rubber, ionomer blends and urethane processed with other chemicals to optimize performance.

Product Design and Development

The Company is innovating to maintain its market share leadership position in both golf clubs and golf balls by investing in research and development and leveraging artificial intelligence in its product design process. The Company designs its golf equipment products to be technologically advanced and has not limited itself in its research efforts by trying to duplicate designs that are traditional or conventional. The Company has the ability to create and modify product designs by using computer aided design software, finite element analysis software and structural optimization techniques employing Artificial Intelligence methods. Further, the Company utilizes a variety of testing equipment and computer software, including golf robots, launch monitors, a proprietary virtual test center, a proprietary performance analysis system, an indoor test range and other methods to develop and test its golf equipment products.

Manufacturing

The Company has its primary golf club assembly facility in Monterrey, Mexico, and maintains limited golf club assembly in its facilities in Carlsbad, California. In addition, used clubs that the Company receives from its Trade-In Trade-Up program are refurbished at its facility in Austin, Texas. The Company's golf clubs are also assembled in Tokyo, Japan; Swindon, England; Melbourne, Australia, and other local markets based on regional demand for custom clubs. In addition, the Company utilizes golf club contract manufacturers in China and Vietnam. In 2021 and 2020 and 2019, most of the Company's golf club assembly volume was made in regions outside of the United States. Overall, the golf club assembly process is fairly labor intensive, requires extensive global supply chain coordination and utilizes raw materials that are obtained from suppliers both internationally and within the United States.

The Company has a golf ball manufacturing facility in Chicopee, Massachusetts, and also utilizes golf ball contract manufacturers in Taiwan and China. In 2021, 2020 and 2019, approximately 75%, 70% and 60%, respectively, of the Company's golf ball unit volume was manufactured in regions outside of the United States. The overall golf ball manufacturing process utilizes raw materials that are obtained from suppliers both internationally and within the United States.

Sales

The Company sells its golf equipment products in the United States and internationally, directly and through its wholly-owned subsidiaries, to wholesale customers, including pro-shops at golf courses and off-course retailers, sporting goods retailers, on-line retailers, third-party distributors and certain products to mass merchants, as well as directly to consumers through its websites and retail locations in Japan. The Company offers custom club fitting programs at its performance centers and at participating on- and off- course retail stores to help consumers find a set of golf clubs to fit their personal specifications. In addition, the Company sells to corporate customers who want their corporate logo imprinted on certain of the Company's golf equipment.

The Company also sells certified pre-owned golf clubs directly to the consumer through its website. The Company generally acquires the pre-owned clubs through its Trade In! Trade Up! program, which gives golfers the opportunity to trade in their used Callaway golf clubs and certain competitor golf clubs at authorized retailers or through its website for credit toward the purchase of new golf equipment or pre-owned golf clubs.

Competition

For its golf equipment products, the Company generally competes on the basis of technology, quality, performance, customer service and price. In order to gauge the effectiveness of the Company's response to such factors, management receives and evaluates Company-generated market trends for United States and foreign markets, as well as periodic public and customized market research for the United States and U.K. markets from Golf Datatech and The National Golf Foundation that include trends from certain on- and off-course retailers. In addition, the Company utilizes Growth from Knowledge Group for data and analysis on the consumer goods market in Japan.