

MATERIALS, NOT MARKETING — THE TOUR EDGE STORY

BY CHRIS NICKEL

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35 COMMENTS

How does @TourEdgeGolf remain profitable, while others struggle? "We spend money on materials, not marketing" - Tour Edge Founder and President, David Glod.

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You've heard the joke before. What's the best way to make 20 million in the golf industry? Start with 30 million. It'd be funny if it weren't so true.

Over the past decade, OEMs have come and gone, (Nike, Nickent, Adams, Yes!), been sold off (TaylorMade, Maxfli) or reorganized in an effort to remain relevant (Hogan). But for the past three decades Tour Edge, David Glod's garage business turned engine-that-could, just keeps on chugging.

The question is, "How?"

"We spend money on materials, not marketing," says Tour Edge Founder and President, David Glod.

It's perhaps an over-simplification, but it's at least a place to begin the conversation.



GETTING A HANDLE:

Tour Edge isn't exactly a household name. It's not one of the oft-discussed "Big Five" in the equipment industry, and rarely does it release product to widespread consumer fanfare. This mid-level OEM which produces everything from price-point box sets to premium equipment targeted toward competitive amateurs and professional golfers has been profitable every year of its existence. Regardless of the industry, that's pretty impressive.

By and large, golf companies aren't wildly profitable entities (TaylorMade was reportedly losing 75-100 million per year before its sale which was finalized this year) and the list of those perpetually in the black is short.

Although Tour Edge can claim "Top 10 manufacturer in every club category" status, there isn't a single, unifying brand identity. Moreover, because "Top 10" is something nine other OEMs can also claim, it's somewhere between a place on the podium and receiving the participation ribbon. Each line within the brand (Exotics, Hot Launch, Bazooka) serves a strategic purpose, but there's more to it than ensuring every type of player (and size of budget) can find something to please the palate. It's a coordinated approach which is rooted in Glod's founding premise to give consumers more performance per dollar spent than the larger OEMs, who offset marketing, sponsorship and R&D budgets with inflated price tags. It's a variation on the direct-to-consumer story (leave out the middle-man and pass savings along to the consumer), but more so, it's an approach that

has allowed Tour Edge to remain consistently profitable, which is entirely atypical for many of today's golf equipment manufacturers.

The juxtaposition of premium and bargain-priced clubs is hard to ignore. It's responsible for both a cult-like following of titanium-faced fairway loyalists (**new CBX retails at \$349.99**) as well as the **\$299 Men's Bazooka 2 box set**. It's surf and turf out one door, and a crave case of sliders out the other. Both exemplify what Tour Edge is, but neither entirely defines it.



STRATEGERY

This differentiated approach is neither unique nor remarkable in the industry, but navigating the unforgiving waters of the retail golf world takes a certain business acumen, particularly as a family run (David and his brother Gordon co-own Tour Edge) operation which doesn't have the luxury of corporate financial support.

As a result, Tour Edge has to be more nimble and precise in all its endeavors. It has to carefully select opportunities where it can be aggressive and try to capture market share from larger OEMs. Tour Edge does not pay players at any level of professional golf to use its equipment, but with the recent hire of Jon Claffey (VP of Marketing) and John Craig (Executive Vice President), there will be a renewed focus on catering to professional players.

Exhibit A: The PGA Champions Tour. Adams Golf used to be this tour's fairway wood and hybrid darling. Its exodus created a void, which frankly couldn't have worked out better for Tour Edge. On the Champions Tour, equipment sponsorships and tee up money are neither as common nor as lucrative as they are on the PGA Tour. Because of that, club performance sometimes speaks a little louder than dollars tossed. Despite its late introduction, the Exotics CBX clubs earned three Top 5 finishes, four Top 10's and five Top 20 finishes over the 2017 Champions Tour's final five events. There's an argument to be made that the CBX was the right product at the right time, and now that it has a firmly established foothold, it won't be the least be surprising if this trend continues in 2018.



Other factors might be working in Tour Edge's favor as well. Large OEMs are cutting back on tour spend, which will likely result in more equipment free-agents and/or less restrictive contracts. PING has witnessed its driver count grow as TaylorMade vacated single-club driver deals. Mizuno (irons specifically) snagged several former Nike staffers this past year and should this trend continue; we're likely to see more situations like we did in 2012 when Brandt Snedeker (Bridgestone staffer) opted for the Tour Edge CB4 3-wood en route to winning the Tour Championship and FedEx Cup.

Additionally, consumers are beginning to come to terms with higher across the board prices and fewer price cuts. Because production costs haven't increased at the same rate, OEM margins are on the rise and Tour Edge wants in on that action. The global market for golf isn't expanding at any appreciable rate, so growth has to come via market share or through other methods

of increasing profit margins (e.g., decrease costs).

Tour Edge may never become a colossus of the industry, but for David Glod, that's perfectly fine. I don't get the sense he's uncomfortable in the spotlight, but I also don't get the impression he has the same end-game as some of the larger OEMs.

Seeing a myriad small OEMs crash and burn after over-spending while pursuing rapid growth might have something to do with it. Glod has always taken a more measured and conservative approach, and while it was much easier for all companies to sustain growth in the late 90s and 2000s, Tour Edge didn't deviate from its humble, "performance at a reasonable price" roots. Maybe it didn't enjoy all the spoils it could have, but then again, it may not have survived 2008 either.

Following the largest economic crisis since the Great Depression, Tour Edge more or less hunkered down, cut staff and reduced non-essential spending. It wasn't pretty, but it survived.

Now a decade later, it's once again healthy and looking to take another step forward by both offering something new (custom built clubs at atypically attractive prices) and rekindling the magic first introduced by the original CB fairway wood.



Yes, there are lies, damn lies, and statistics, but don't confuse a modest approach to growth with slow growth. Year-over-year, Tour Edge is up 25%, and the **Hot Launch 2** line grew 100% over the same period. While specific numbers weren't provided, I have to think the Hot Launch line is where Tour Edge derives a significant chunk of its total revenue. For example, the Hot Launch driver (\$200 retail) shares specs and technology with competing products which retail for substantially more. It's a little

bit like buying the store brand anti-inflammatory which has the same exact active ingredient as the higher-priced "label" brand. It's not a perfect analogy, but it works.

The Bazooka line is one which many forum regulars likely scoff at, but it's worth remembering how many consumers aren't moved by \$1200 irons or \$500 drivers. The vast majority of golfers are recreational and purchase golf equipment the way many consumers buy mattresses for a spare bedroom. They spend less on something that gets the job done.

With the Hot Launch line carrying more than its share of the profit burden, Glod can be more aggressive with the limited run Exotics line, which is Tour Edge's "best of the best" in regards to materials, engineering and performance for better players.

CBX CASE STUDY

Larger OEMs spend copious amounts of money supporting tour staff and marketing departments. Tour Edge spends its money on materials - or so the story goes. The "Exotics by Tour Edge" line is where Glod works to fulfill this promise.

The "material advantage" claimed by Tour Edge is evidenced by several differentiating technologies seen exclusively in this line. Tour Edge asserts the thinner beta-titanium face expands the sweet spot and by brazing (instead of welding) the face to a stainless steel/carbon body, the face can flex more at impact, translating to higher ball speeds. The carbon composite sole plate helps to push the CG slightly forward to decrease spin while the speed-ramp sole works to ensure clean ball-face contact.



Additionally, the tooling operations are more complex (additional coining steps) which means the final casting is precisely the correct shape, and as a result, there's less variation in any given production run. All of these features come with higher production costs, but because Tour Edge doesn't pay players to use the product, nor does it spend a boatload on advertising campaigns, prices are generally reasonable and in line with premium offerings from competing OEMs (TaylorMade M1 \$299, Callaway Epic \$279).

What would happen if TaylorMade (or any other large OEM for that matter) were to use the same materials and processes as Tour Edge, but still maintain current margins?

Glod hypothesized "It'd be close to \$500."

The net result, Tour Edge claims, should be a club with demonstrably lower spin and faster ball speeds. Theoretically, this translates to more distance. Marketing materials make reference to an independent test which verifies these claims, but it's fair to note the test in question is short on specific protocols, parameters, and launch conditions, but plenty long on distance claims.

Regardless, we'll let our Most Wanted testing have the final say, but in several quick range sessions both the fairway and hybrid felt hotter than leading steel-faced clubs at the same loft. If anything, launch was a bit lower which would likely lead me to either go up in loft or bend each 1°-2° weak. For what it's worth, I reached out to several custom clubfitters which echoed these sentiments, while noting that not every player is going to be best served by dropping spin. That said, particularly for high spin/high swing speed players looking to increase distance, the CBX should be on the short list.



You know where this is headed – As always, it's imperative to work with a competent fitter to determine ideal launch conditions depending on what exactly a player is seeking to optimize.

It's also worth noting Tour Edge does not employ adjustable hosels (which saves as much as 15 grams over some of its competitor's offerings), instead opting for tighter spec tolerances (generally +/- 1 degree) and multiple lofts in each model (CBX Fairway comes in lofts of 13.5°, 15°, 16.5° and 18° and the CBX hybrid in 16°, 17°, 18°, 19°, 20° and 22°).

Tour Edge states the new CBX line offers the only multi-material titanium faced fairways and hybrids available for purchase in the US, and it's specifically this dedication to titanium which Glod feels sets Tour Edge apart from competitors. The primary downside to titanium is cost. It's lighter and stronger than steel and Glod feels we're approaching the limits of what steel can do. As other OEMs potentially return to titanium in an effort to increase performance, Glod feels Tour Edge will once again prove to be several steps ahead because in point of fact, it never left.

NOT A ONE-MAN BAND

While David Glod is the name most associated with Tour Edge, his is far from a solo act. David and his brother jointly own the company, but the US-based R&D staff which David heads up is charged with creating most Exotics designs. An additional team in Japan gives David access to the latest trends and developments on both stock and exotic materials. The Japanese market is more receptive to higher priced equipment and because of that, the Japanese market has always had some influence on both the design and material structure of the Exotics line.

David is fifty-five years old and while a transition isn't imminent, he did indicate there were "plans in place" but nothing he wanted to discuss in detail. What this means is there are no guarantees, but the future of the company won't be dependent on Glod being at the helm.



In the meantime, expect Tour Edge to continue to assemble all of its product in the USA and retain its lifetime warranty which covers every club against defects in components, products and workmanship.

With questionable marketing tactics and self-crafted messages of superiority seemingly at an all-time high, Tour Edge is confident its performance will say all it needs to. Fortunately, there's a way to measure that.

Bag any Tour Edge equipment? Tell us why.