

Guest Name and Title: Matt Corey, CMO
Guest Company: Golfsmith

Ethan Whitehill: Welcome to the Brand Show. I'm Ethan Whitehill.

David Patrick: I'm David Patrick.

Ethan Whitehill: And on today's Brand Show we're talking to Matt Corey, CMO of Golfsmith.

David Patrick: You'd think that a national golf chain is a seasonal business but Matt's been incredibly busy lately.

Ethan Whitehill: In addition to staying busy, we find out how Golfsmith stays relevant to golfers of every handicap. Matt, welcome to the show.

Matt Corey: Thanks for having me. I really appreciate you having me on today.

David Patrick: It's just really exciting to go in your stores. They're so experiential. There are a lot of sections around the store that really draw you in and engage you. I don't even know if you measure this but I'd love to know what the time the customer spends in your store because I'm sure that there's a high correlation between how long they spend in the store and how much they spend.

Matt Corey: Well, I appreciate you saying all that. I mean first off, we have and we still have a lot of work to do, don't get me wrong but a lot of our newer stores have been built and designed to your point to be very fun environments, great lighting, huge opportunities to hit in demo products with custom-fitting studios and hitting bays, big putting greens, etcetera. After all, we should be that way. It shouldn't be that you walk into a store you've got one bay that's got a little rope across it that says 'ask associate if you could use this.' No, we should be a playground for golfers and you should want to come hang out. We're not there in all of our stores. We got to go back and redesign some older stores and bring them up to this new spec if you will because it really follows our core purpose which is basically our purpose for being, our reason for being as a

company is to inspire people to play better and love life more. So everything that we do, we'll talk about this more, stems from that. Yes, we've got some fun stories of people that drive an hour, an hour and a half, two hours to get to the store and they come, they bring lunch, they hang out, they hit balls, they'll go buy some stuff, they'll eat their lunch and then they'll head home. It's great. That's what you want.

David Patrick: We can learn a lot in your stores, too, because you have big, dominant brand presentations. If I want to know what's going on at Ping or I want to know what's going on with Callaway or Cleveland Golf, you guys not only do breadth and depth but you organize it in the store in such a way where when I go in, I get drawn into what's happening with that brand. How do you think about that from a marketing standpoint in the store?

Matt Corey: Well, there are a couple of different things there. You bring up a great point. Most of the time, and a lot of stores do this differently, we have competitors that break up their store just into brands. So you're looking for a new driver. Well, you've got to go into these different pods. You've got to go over to the Ping area or the Callaway area or the Taylormade area, all across their store to get to the driver versus I'm going to go to the club department. Most people need to go to a department first and say, okay, I'm interested in golf clubs today. I just bought a pair of shoes last week so I don't need shoes. I'm going to go over to clubs. Now then clubs, how do you bring those brands to life? That's what we've tried to do in a big, bold way. Things like when new products launch, how do you tell that story of why the product is different and unique and fun? How do you bring it to the forefront of the store and really call it out in a great way on in caps and in the race tracks and in other places? Then also how do you give brands the ability to tell their features and benefits? Because you can't just throw a bunch of products and a bunch of drivers in a golf bag and fit it in the aisle and hope that it sells with a price point. You need to tell the story of the technology and how good it is, and how it's going to help you hit it longer and straighter than ever before.

Ethan Whitehill: Now Matt, I know you have a strong digital background yourself and we're talking about the brick and mortar environment but the digital path, the purchase has now entered the doors of the store. I'd like to know a little bit more about how Golfsmith produces innovation and actually integrates mobile experiences into its environment.

Matt Corey: Yes. Well, there are a couple of things you mentioned there. The first one is just the integration of online shopping, the brick and mortar shopping. At the end of the day, we don't care where you want to shop. We want to make it easier for you to shop in any channel whatsoever. We have the ability to order online and pick up in the store. A lot of customers go online and research what they want but they want to come in and touch and feel the product, and they want to swing that new driver and talk to a person about just some nuances, or they want to come in and get custom fit which is a huge, huge opportunity. Fitting has skyrocketed for us in the last two years. Sales of custom fit clubs are off the charts and we've seen great success.

David Patrick: How important is the PGA pros in the store and the training that they get to fit and the fitting machines that you have and all that? I know that I was telling Ethan before we got on air how incredibly knowledgeable your fitting and repair people are and I know that that isn't by accident at all.

Matt Corey: No, that's a great point. First of all let's start with the technology. The technology to custom-fit someone has never been better and we've actually introduced some brand new technology in all of our newer stores. From foresight it's out of this world. It's really fun. It's that virtual reality environment where you can see your ball flight and it makes it very easy to set a ball down to swing and get all kinds of measurements that are going to ensure that we get you in the right flex, the right shaft, the right loft and lie, and the right clubs. That's really important. Now obviously you have to have trained certified fitters but also a few PGA pros. There are PGA pros with golf jackets that we have that also do fitting but we certify all of our best fitters around the country. They go through a rigorous certification and training program to be able to help people of all skill levels come in and either learn to play and learn how to get fit in the right clubs for them, or it's that seven-

handicapper that wants to get down to a two or three and he didn't realize that he needed a few tweaks to the setup of his clubs, and our custom-fitting specialists can do that, too. So it's really a combination of the technology and the know-how and that's what specialty golf retail should be about. You don't generally buy a suit off the rack. Why would you buy a golf club off the rack?

David Patrick: Well, I know and I picked this up just by being in your stores. I know you don't shortchange your labor. You go into your stores, you have a lot of people on staff and they're very helpful, friendly and knowledgeable but also just the quantity of people and the staff makes it easy for these golfers to kind of access the knowledge that they need to make these big decisions on their equipment.

Matt Corey: Yes, we try to. We certainly try to and that's always a tough thing to balance when you're in season, out of season, etcetera. But whether there are two people working in the store or 20 people working in the store, we tell our associates that they're on stage. They're a little bit like a Disney brand that when you put on that costume and you work at Disneyworld, you are on stage every day and we want you to create an amazing experience. We want you to inspire people. That golfer needs to walk out of our store whether they're just beginning again or they're an avid golfer saying, "That was fun. I think my game is going to get better because I came in here."

Ethan Whitehill: You mentioned seasonality with your staffing. How do you drive revenue and profitability in the off season?

Matt Corey: We've got a pretty good mix of stores all over the country of course. We've got markets like Phoenix and Florida and Palm Desert that will be coming into season now versus markets in the North and the upper Midwest that are starting to go out of season, and some markets that are pretty much in season throughout the year in California. So we've got a really good mix. We manage everything from marketing and share of voice and inventory levels and staffing to the season. We really do it on a local market by market basis. So we're pretty dialed in as it relates to how to plan and run our businesses throughout the country.

David Patrick: Matt, there's a lot of competition out there in the regional, what used to be called big box, but kind of regional golf warehouse format. Do you have different strategies and markets where the competition and the penetration is intense versus those where you've got a dominant position?

Matt Corey: Yes, great question. Not only do we have a different strategy a little bit in terms of how aggressive we are with marketing messaging etcetera, but obviously media mix varies by market. What is good in one market like LA may be different than the media that works best in Chicago or Denver or Detroit. So we'd localize our entire share of voice to the mediums that are going to reach our core avid golfers the best. Then of course we have a very strong retention marketing practice as well. So you bet, we can adjust if there's a retailer nearby that's crazy Joe's golf shack and he's 40% off and we need to get aggressive for a while, we can do things like that because we are a national brand. Over time those smaller companies tend to weed themselves out. But again, at the end of the day what we focus on is delivering a great experience for every golfer. If we can do that, we know that long term we're going to beat the retailer that not only sticks around but thrives.

Ethan Whitehill: You're talking a little bit about local competition and how you respond. Golf is an international language and you all are moving into international territory announcing an alignment with a South African retailer. I would love to know a little more about that. What are some of the challenges that you're facing, what are you learning and how are you approaching the international market?

Matt Corey: Well, good question. A couple of these new international deals that we have are basically licensing arrangements for proprietary brands. So that's the way some of them are set up and in other cases like with our announcement about Korea, that's an alliance that is more geared towards the potential to open Golfsmith-branded stores in Korea. So there's a mix of licensing arrangements for proprietary brands where we'll help third parties optimize everything from visual and marketing and strategy and features and benefits of a the product, the proprietary product that we sell. But our branding in the United States

is more about selling the best brands in golf, all the best brands – the Titleists, the TaylorMades, the Callaways, the Nikes, Pings, etcetera. So we can take with our Korean partners, we can take all the best practices of retail that we've learned here and customize them for the market over there. There are obviously differences but we can certainly bring best practices on operating and all the great things we've done here in the United States to gain market share to bear in other markets around the world.

Ethan Whitehill: Dave is clearly on one end of the spectrum being a great golfer. I might put myself on the other end of the spectrum. It makes me think about segmentation and how you talk to your customers differently. Tell us a little bit about that if you could.

Matt Corey: Absolutely. Well, you do have much different types of golfer, everything from the beginner who walks in the store who wants to learn the game. You have to have a different conversation with that person than you do the four-handicapper, the five-handicapper who wants to tweak a few things. It's important in order to be authentic when you walk in our store, when you go on our website, we have to continue to strive to do a better job of talking to you the right way, and the way to do that is to engage in a dialogue with you. That's the best way to do it is to try to find out a little bit more about you, to understand what type of golfer you are, and then get smarter and smarter and smarter about how we message to you. So if the two of you walked in and one a lot better than the other, I need to figure that out within maybe 30 seconds. Generally if our associates are asking the right questions we can do that and then we can certainly help them. If somebody walks in and says, "I'm a little bit intimidated. I need to learn the game because I want to play with some friends but I have no idea where to begin." The standard response may be something like, "Well, you know what? You came to the right place. We're going to help you feel comfortable with your game and get some great products for you, or we're going to make it easy for you. So come on, let's walk over here and let's look at some clubs." It needs to be a "We're going to help you and don't feel intimidated. We're going to make things comfortable for you and we'll get you in a product that's right for you." Some customers are what we call

heat-seekers. They want the latest newest technology versus other customers who may still be just as good of a golfer but they may only buy on clearance. So they may wait six, eight months until product gets marked down. Those customers also need to be spoken to differently because they buy at different times. So we not only understand within our customer database who the most valuable customers are, we understand when they shop, what type of customer they are and we profile them, we segment them into multiple different groups and then we target them. We are now really getting sophisticated about targeting them with specific messaging. Now we're not there yet. In a perfect world, it works really easy when you walk into a store and you get custom-fit, that data should flow into a system that spits out an email for you that night that's got all your fitting specs and everything. We're not there yet but we certainly have a vision for how we're going to be even better down the road.

David Patrick: Are you able then to follow that golfer through their life stages in the golf game, the guy that picks up a club and shoots 120 the first time he goes out and as he progresses to 90 and then breaking 90 for the first time, you're able to follow him and help him through his golf journey?

Matt Corey: Well, that is absolutely the goal. Now that requires a really strong engagement with our customers, right? We don't know when you go out and play on a Saturday and what you shoot, but if you tell us, if we continue to build out this portal and this experience online that makes you come back for booking tee times and tracking your handicap and buying product and researching and watching cool videos and all this other stuff, then absolutely we can begin to learn more and more about you and make golf even that much more fun for you. If you just want a TaylorMade driver you do not need to get marketing or messaging about a new driver one month later. You need relevant recommendations and sometimes you just need a, "Hey, congratulations. I just heard you got a hole in one. That's awesome. Here's a Golfsmith plaque for you or a gift card because you just got a hole in one and you posted it to Facebook and now we've learned about it and we're congratulating you because now we know more about you

because you're engaged with us socially, too." A lot of businesses are trying to figure that out. They're trying to figure out how do we engage and track and monitor our customers in a way that incents them to be more involved with us, to be more socially engaged with us and how do we reward that behavior? So that's a journey that's really just started in the last year or so but there's no question in my mind that we're going to be the brand in golf that wins that race.

David Patrick: I think it will help you also in the off season because now you have conversations that are really relevant to help that golfer get to the next golf stage the more you're acquiring and organize that information specific to them.

Matt Corey: Yes, it does, and just by reminding them that, hey, okay, you're in Detroit or you're in Minneapolis. Come on into the store. Come hit golf balls this Saturday because we've got an open driving range in our store. Come on down. It's that reminder that they don't have to stick their golf clubs in the garage and wait till the snow melts.

David Patrick: When you have lesson plans over the winter, too, don't you?

Matt Corey: Absolutely. GolfTEC is a great partner of ours and they're America's number one teaching lesson provider. They've given over three million lessons. So they're by far the best lesson brand in the world and the best provider of lessons. We're proud to have them as our partner and yes, and exactly you can kind of keep your game going so you don't backtrack by the time Spring gets here.

Ethan Whitehill: Matt, I've got a little bit of a test for you. If you were to put into words what the emotion is that you want your customers to feel when they walk into your store, what would you say that is?

Matt Corey: Oh, that's easy because that can be summed up in our core purpose. Our core purpose is to inspire people to play better and love life more. So we want them to walk away feeling inspired. That's a never-ending passionate campaign in retail. It's never-ending. When I was at Home Depot I would watch Bernie Marcus and Arthur Blank walk

people through our stores. They built a \$50 billion company and they were still taking groups of people over to the store across from the headquarters and explaining how to sell. They would say, "Okay, when that customer walks in and asks about fertilizer, you don't point to the fertilizer aisle. You say, 'Come on, let's talk about your grass' and you walk with them and you learn about their grass and you get to know them as a person." I'd literally watch Bernie Marcus do this and they had no idea they were talking to Bernie Marcus. They just saw a guy in an orange apron with the name 'Bernie' on it. They probably thought he was just Bernie Joe Schmoe. They didn't know the guy was a \$3 billion owner of the company, and he walked with the customer and lo and behold, walked them all the way down, talked about the right products, got them in the right products and he built a relationship. So we want to keep people excited. We want to keep people inspired and we want to help them play better. If we're not doing that, we want to know because that's the only way we get better.

David Patrick: I love how that purpose is larger than just golf though, loving life more.

Matt Corey: Yes. Well, that's the goal, right? Most golfers' goal is not to go out for four hours and grind away so they can cut half a point off their handicap. Most people have a goal of how cool is this, I'm going to go play with some friends and I get to be on the golf course for three or four hours. It's beautiful out. I don't have to worry about my cell phone. I'm just going to have fun. That's their goal - they want to have fun, so that's our goal.

David Patrick: Matt, I got one last fun question for you. You mentioned heat seekers. So three weeks ago Phil Mickelson switched to the long-handled putter for like one round. Did you see a spike in your long-handled putter business when he did that?

Matt Corey: Well, it wasn't just him. Adam Scott has played really well this Fall with a belly putter, a long putter or a long putter in his case, but yes. Anytime multiple players start to switch into a product or they wear a certain shoe, you remember the 2010 Masters where Freddie Couples shot a 65 or 66 the first day and he was wearing Ecco shoes

with no socks? Ecco shoes went through the roof. So we've definitely seen an uptake in interest on long putters and belly putters and people wanting to try them and I think this will continue well into next year because I think you're going to see players tinker with it, too. So we're chasing it a little bit right now. We've actually run out of a lot of those products but we're going to be in stock again for the holiday based on some great special orders and conversations with a few of our key brands, and we're going to always stay on trend and make sure that we're delivering the products that golfers want to try.

David Patrick: Ethan says that that's what's holding him back is the belly putter. I tried a cue stick but that doesn't work well.

Matt Corey: Well, I think what holds golfers back and this is true of me and this is true of probably every player in the world and I think it was Arnold Palmer or Jack Nicklaus who said it best. It's the five inches between my ears.

Ethan Whitehill: Excellent. That's why I'm not on tour. Well, thank you so much for this fantastic information and we really appreciate your time on The Brand Show. I hope we can stay in touch and kind of find out what's up with Golfsmith in maybe another year or so.

Matt Corey: By all means. I really appreciate your having me on.

Ethan Whitehill: Thank you.