

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)



ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Agenda:

- **Background**
- **Program requirements**
- **Report structure and format**
- **Rating classifications - materials and suppliers**
- **Communication to suppliers**
- **Program Metrics & Benefits**
- **Q & A**

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Why did we start this program?

- **We didn't have a program.**
 - Supplier base was at 83 suppliers.
 - We are spending \$85 MM dollars on raw materials.
- **We did not have good answers to important questions:**
 - How are our suppliers performing?
 - Who are your best on-time delivery suppliers?
 - Who are your best product quality suppliers?
 - How do you rate your suppliers on price?

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Program Requirements:

- **Quantitative vs. Qualitative**
 - **Based on real data**
 - **Reliable data collection database (Gainseeker by Hertzler)**
- **Level Playing Field**
 - **One set of requirements for all**
- **Reports structured for the CEO & Supplier Management Staffs**
- **Quarterly reports based on last 12 months data**
- **Reports for suppliers in top 80% of dollars spent**

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Implementation Timeline

- **Started project – Jan 2003**
- **Develop System Requirements – March 2003**
- **Develop Report Format – July 2003**
- **Present to Upper Management – August 2003**
- **Communiucate to Suppliers – Feb 2004**
- **Send out 1st reports – May 2004**

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Golf Ball question #1

What are the percentage (%) of Golfers on the PGA Tour who play either Pro V1 or Pro V1X golf balls?

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Report Structure and Format: (5 sections)

- Executive Rating Summary
- Materials Quality Segment
- Supply Chain Segment
- Supplier Classification Scorecard
- Material Classification Scorecard

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Executive Rating Summary (4 Sections)

- **Supplier Classification Rating**
- **Material Classification Rating**
- **Materials Quality Segment Rating Keynotes**
- **Supply Chain Segment Rating Keynotes**

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Keynotes

Materials Quality Segment Rating Keynotes	
Category	Narrative
Quality Management Systems	No changes to the ratings in this category. QMSAS results are from Q1 2006 Survey.
Quality Execution	Earned 1 new EXCEEDS rating for Proven Corrective Actions related to preventing High Viscosity Primer NCMR 117. No other changes to the ratings in this category.
Supply Chain Segment Rating Keynotes	
Category	Narrative
Supply Chain Systems and Execution	Earned three EXCEEDS and two ADEQUATE ratings for requirements in this category. Recommend Acme develop a system to ensure on-time delivery will never be a problem. Continue to have “close calls” related to back-up CSR protocols.

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Golf Ball question #2

How many years has the Acshuhnet Company (Titleist) been manufacturing golf balls?

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Materials Quality Segment (3 Sections)

- **Quality Management System (7 Elements)**
- **Quality Execution (6 Elements)**
- **Process Capability (2 Elements)**

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Quality Management System

- Quality Function
- Raw Material QA
- In-Process Inspection & Control
- Final Inspection & Outgoing Control
- General Quality
- Current Approved PMS
- Current Approved COA/COC

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Quality Execution

- Non-Conformances
- Non-Conformance Resolution
- Lot Acceptance
- Production Stoppage
- Packaging
- COA Communications
- Preshipment Samples/Timing

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Process Capability

- **Specification Reliability**
- **SPC Reporting**

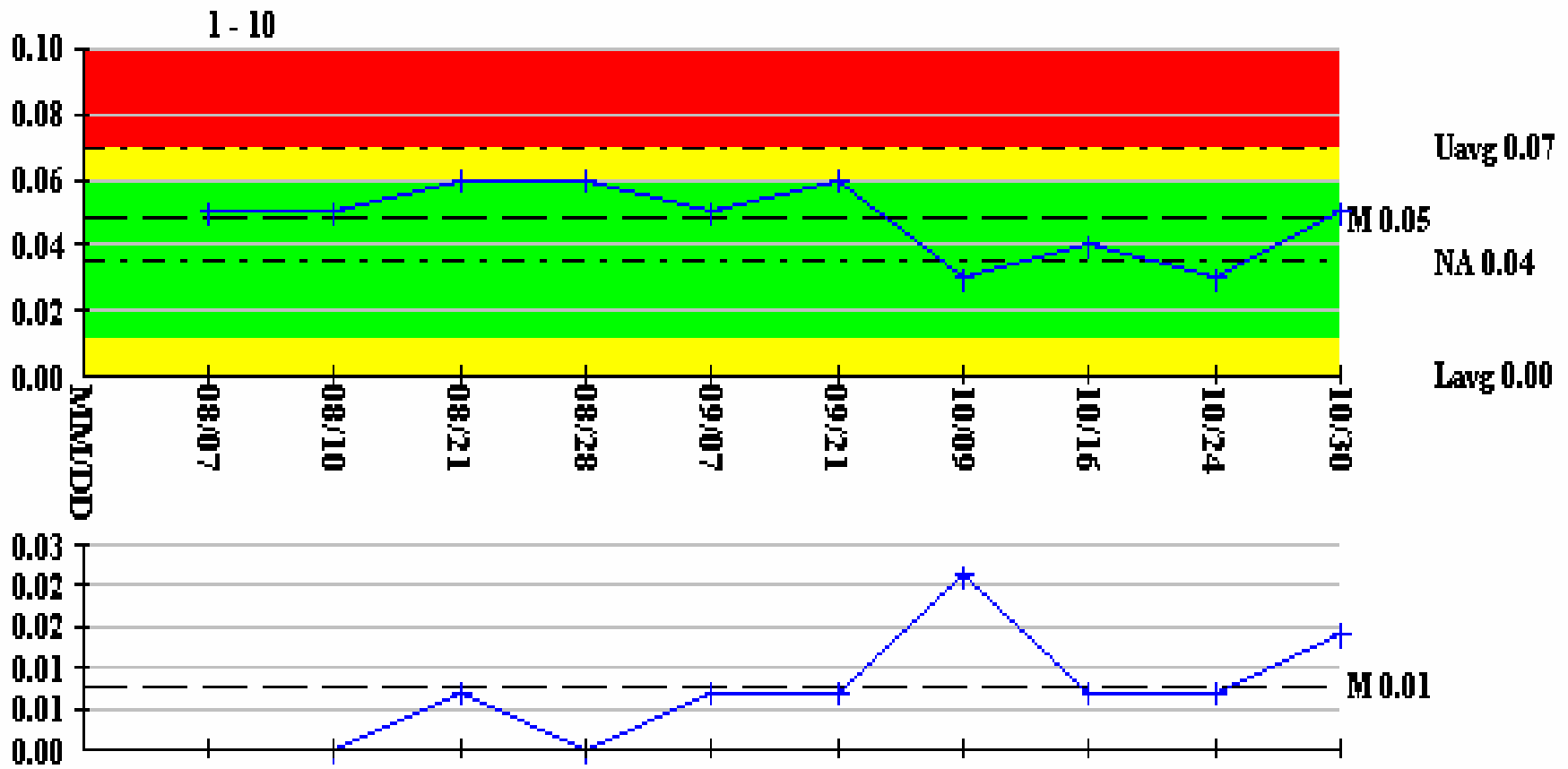
ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Acushnet Company CONFIDENTIAL

R05017 QARM COA % Vol % Volatiles 8/3/2007 0:00:00 - 11/2/2007 23:59:59

X and s Chart

Data grouped by: Anchor point



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Golf Ball question #3

When (What year?) did the Pro V1 ball get introduced in to the Marketplace?

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Supply Chain Segment (4 Sections)

- **Supply Chain System/Execution (5 Items)**
- **Cost Containment System/Execution (3 Items)**
- **Enterprise Viability (3 Items)**
- **Technological Resources (4 Items)**

Supply Chain Systems/Execution

- Delivery Performance**
- Sales Representation**
- Customer Service**
- Logistics**
- Financial Transactions**

Cost Containment Systems/Execution

- Versus Marketplace**
- Versus Historical Data**
- Observation (Cost Control)**

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Enterprise Viability

- **Financial Review**
- **Environmental Issues**
- **Market Trends**

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Technological Resources

- **Demonstrated Capabilities**
- **Investment In New Technology**
- **Facilities**
- **Personnel**

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Golf Ball question #4

What is the “sister” brand of the Titleist golf ball?

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Supplier Classification Scorecard (3 sections)

- **Supplier Rating Tally/Score**
- **Supplier Classification Definitions as determined by the scores**
- **Total Rating Score and Supplier Classification**

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Materials Classification Scorecard (3 Sections)

- Listing of materials from supplier
- Description, lot acceptance, classification
- Description and definition of the material classifications

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Supplier Classification Rating (4 Levels)

1. **Unapproved** - A supplier with 4 consecutive quarters of a **CONDITIONAL** Classification, whereby continued business requires Sr. Supply Chain Management approval
2. **Conditional** - A new supplier of less than one year with Acushnet Company or a supplier that has not achieved a score within the **APPROVED** Classification Range
3. **Approved** - A supplier that has achieved a score within the **APPROVED** Classification Range
4. **Preferred** - A supplier that has achieved a score within the **PREFERRED** Classification Range

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Material Classification Rating (4 Levels)

- Conditional - All new materials of less than 1 year history of supply, or the Supplier Classification is **CONDITIONAL**, or the material does not meet a 90% lot acceptance rating
- Approved - a 90% - 95 % lot acceptance rating for that material
- Qualified - greater than 95% lot acceptance rating for that material
- Certified - "Preferred" supplier rating along with a >95% lot acceptance rating for that material

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Communication to Suppliers

- All reports are sent electronically
- Reports are sent to the supplier CEO & supplier quality/purchasing representatives
- All "Preferred" suppliers are awarded a supplier plaque at their facility(s)
- ASIP is discussed at all supplier meetings

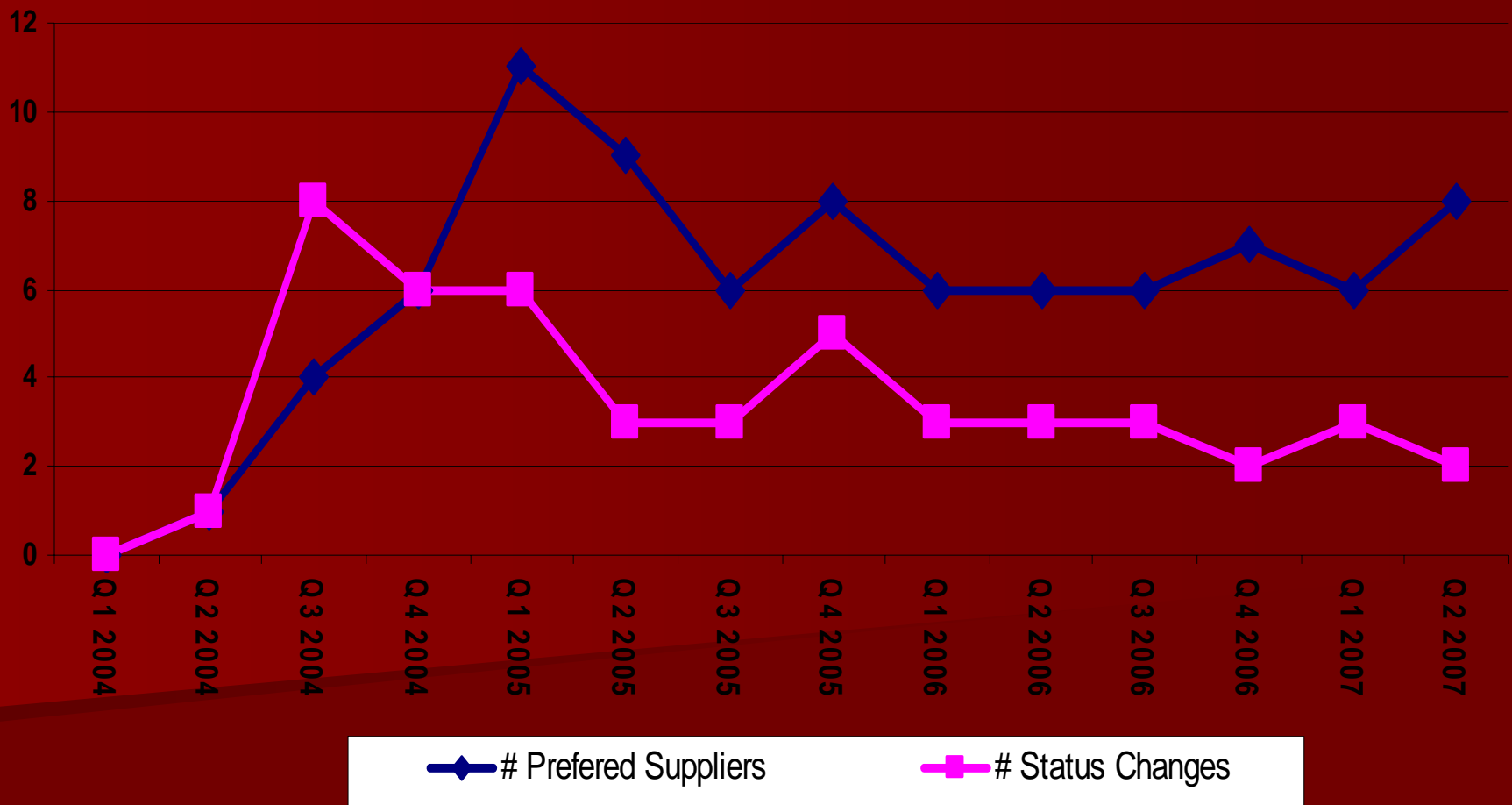
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Program Metrics

- There are currently 29 suppliers in the program
- 14 Suppliers have been awarded "Preferred Supplier" status
- We average 3 supplier status changes per report
- We average around 6 suppliers in the "Preferred" category each quarter

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ASIP METRICS



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Program Benefits

- Now have a scorecard to evaluate suppliers for current and future business
- Direct communication with our supplier's top management
- Unbiased method to monitor our suppliers
- Method for recognizing our suppliers for their continuous improvement activities

Questions?

Sample ASIP Report

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

GOLF BALL OPERATIONS

August 17, 2007
Acme Corporation
Mr. Joe Whalen
VP Liquid Business Unit
1701 West 142nd Street
Chicago, IL 60633

Dear Mr. Whalen:

The Acushnet Company is committed to strengthening and growing our market leadership position. Striving to achieve World Class Manufacturing status is one way we will do this. Close alignment with and participation by our suppliers is necessary if we are to be successful.

Enclosed is the 2nd Quarter 2007 Acushnet Supplier Improvement Program report for Acme Corporation. Congratulations on achieving our “Preferred Supplier” Rating for the quarter. The Quarterly Preferred Supplier Plate to affix to your Supplier Facility Picture Wall Plaque will be sent shortly hereafter.

The Acushnet Company encourages open dialogue from our Suppliers. Please address any concerns/issues/suggestions regarding this particular report or the ASIP program to Jim Smith – Senior Materials Manager, (508) 979-2506 or jim.smith@acushnetgolf.com.

On behalf of the Acushnet Company, we want to thank you for your participation and look forward to your continued support of this important initiative.

Sincerely,

Kenneth A. Welchman
Director of Quality, Golf Ball Operations

Frederick A. Langevin, CPIM
Senior Director, Golf Ball Supply Chain Management

Michael Kramer
Vice President, Golf Ball Operations

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

ACUSHNET COMPANY

GOLF BALL OPERATIONS

Acushnet Supplier Improvement Program

Executive Rating Summary

Acme Corporation

2007 Q2

The Acushnet Supplier Improvement Program (ASIP) rating is compiled from information gathered from various sources and from observations made by the ASIP team. The two specific ratings in the program; the **Supplier Classification Rating** and the **Material Classification Rating** assist us by determining areas for focused improvement activities.

In addition to this executive rating summary, the following reports are included herein.

- **Supplier Classification Report** – Describes all the criteria, individual Supplier Ratings for each requirement, Classification Score Ranges and overall Supplier Classification.
- **Material Classification Report** – Describes the materials supplied, percent acceptance and corresponding Material Classifications and criteria.

Supplier Classification Rating

The **Supplier Classification Rating** is compiled from the two evaluation segments; the **Materials Quality Segment** and the **Supply Chain Segment**.

- The **Materials Quality Segment** reviews and evaluates Acme Corporation's Quality Management Systems, Quality Execution and Process Capability.
- The **Supply Chain Segment** reviews and evaluates Acme Corporation's Supply Chain Management & Execution, Cost Containment, Enterprise Viability and Technical Resources.

The **Supplier Classification Rating** for Acme Corporation is;

Supplier Classification Rating		
Conditional	Approved	Preferred

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Materials Quality Segment Rating Keynotes	
Category	Narrative
Quality Management Systems	No changes to the ratings in this category. QMSAS results are from Q1 2006 Survey.
Quality Execution	Earned 1 new EXCEEDS rating for Proven Corrective Actions related to preventing High Viscosity Primer NCMR 117. No other changes to the ratings in this category.
Process Capability	No changes to the ratings in this category.

Supply Chain Segment Rating Keynotes	
Category	Narrative
Supply Chain Systems and Execution	Earned three EXCEEDS and two ADEQUATE ratings for requirements in this category. Recommend Spraylat develop a system to ensure on-time delivery will never be a problem. Continue to have "close calls" related to back-up CSR protocols.
Cost Containment System & Execution	Earned EXCEEDS ratings for requirements in this category
Enterprise Viability	Earned one EXCEEDS and two ADEQUATE ratings for requirements in this category
Technological Resources	Earned one EXCEEDS and three ADEQUATE ratings for requirements in this category

Material Classification Rating

The Material Classification Rating for Acme Corporation is as follows;

Material Classification Rating				
Material	Conditional	Approved	Qualified	Certified
RM00894 EXWAW113S Pigmented Primer		Approved		
RM00893 EXUCCO52B Clear Activator				Certified
RM00892 EXUCCO52A- M3 Clear Paint				Certified

Note: An electronic copy of this summary is available. E-Mail your distribution list to jim_smith@acushnetgolf.com

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Supplier Classification Report

Supplier: Acme Corp.

Q2

Date: 07/01/06 -6/30/07

SUPPLIER RATING TALLY			
Not Adequate	Adequate	Exceeds	Totals
0	3	13	16
0	7	8	15
0	10	21	31

Materials Quality Segment
Supply Chain Segment
Totals

SUPPLIER RATING SCORE			
Not Adequate	Adequate	Exceeds	Totals
0	4	56	60
0	16	36	52
0	20	92	112

Supplier Classification

	Classification Range	
Unapproved	N/A	A supplier with 4 consecutive quarters of a CONDITIONAL Classification, whereby continued business requires Sr. Supply Chain Management approval
Conditional	0 - 60	A new supplier of less than one year with Acushnet Company or a supplier that has <u>not</u> achieved a score within the APPROVED Classification Range
Approved	61 - 95	A supplier that has achieved a score within the APPROVED Classification Range with no more than 2 NOT ADEQUATE ratings
Preferred	96 - 132	A supplier that has achieved a score within the PREFERRED Classification Range with zero NOT ADEQUATE ratings and a minimum of 75% EXCEEDS ratings in critical requirements

Total Rating Score: **112**

Supplier Classification: **Preferred**

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Supplier Classification Report - Materials Quality Segment

Supplier: Spraylat Corporation

Q2 Date: 07/01/06 -6/30/07

EVALUATION CATEGORY	REQUIREMENT	CRITERIA		SUPPLIER RATING				
		Adequate	Exceeds	Weight	0 Not Adeq.	1 Adequate	2 Exceeds	Score
Quality Management System	Quality Function	35 ≤ QMSAS Section Score ≤ 49	QMSAS Section Score ≥ 50	2			X	4
	Raw Material QA	32 ≤ QMSAS Section Score ≤ 46	QMSAS Section Score ≥ 47	2			X	4
	In Process Inspection & Control	32 ≤ QMSAS Section Score ≤ 46	QMSAS Section Score ≥ 47	2		X		2
	Final Inspection & Outgoing Control	33 ≤ QMSAS Section Score ≤ 47	QMSAS Section Score ≥ 48	2			X	4
	General Quality	35 ≤ QMSAS Section Score ≤ 49	QMSAS Section Score ≥ 50	2			X	4
	Current Approved PMS	On File	On File with Signed Acknowledgment Letter	2			X	4
	Current Approved COA/COC	On File	On File with Signed Acknowledgment Letter	2			X	4
Quality Execution	Non Conformances	2 in past 12 months	≤ 1 in past 12 months	3			X	6
	Non Conformance Resolution	Corrective Action Plan within 3 months of issuance	Proven Corrective Action within 3 months of issuance	3			X	6
	Lot Acceptance	≥ 90% in 12 months - all products	≥ 95% in 12 months - all products	3			X	6
	Production Stoppage	1 quality related stoppage past 12 months	0 quality related stoppage past 12 months	4			X	8
	Packaging	Meets PMS Requirement	Exceeds PMS Requirement	1			X	2
	COA Communications	Any means	Electronic e-Mail	1			X	2
	Preshipment Samples vs. Shipment Timing	Available where applicable but timing may coincide with shipments	Lot release linked to preshipment quality w/ sufficient time before required delivery	1			X	2
Process Capability	Specification Reliability	Data Available for Cpk Calculation	Cpk > 1.00 on critical variables in last 12 months	1		X		1
	SPC Reporting	Available On Request	Regular Control or Process Capability Reporting	1		X		1
Segment Score:								60

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Supplier Classification Report - Supply Chain Segment

Supplier: Spraylat Corporation

Q2 Date: 07/01/06 -6/30/07

EVALUATION CATEGORY	REQUIREMENT	CRITERIA		SUPPLIER RATING				
		Adequate	Exceeds	Weight	0 Not Adeq.	1 Adequate	2 Exceeds	Score
Supply Chain System/Execution	Delivery Performance	Meets delivery dates with minimal expediting	Has concise fail-safes to ensure against stockouts	4		X		4
	Sales Representation	Provides necessary support to Acushnet	Takes a proactive posture to assist Acushnet in all facets of the business relationship	2			X	4
	Customer Service	Consistent and effective processing of orders and shipments. Diligently solves problems and discrepancies	Proactively ensures that orders, shipments and business transactions are conducted with little to no issues.	2			X	4
	Logistics	Materials moved in an efficient and cost effective manner	Proactive efforts to lower logistics costs	1			X	2
	Financial Transactions	Transactions are accurate and require little to no correction	Proactive efforts to lower administrative costs	2		X		2
Cost Containment System/Execution	Versus Marketplace	Material costs in line with overall marketplace	Material costs are significantly lower than marketplace	2			X	4
	Versus Historical Data	Material costs are relatively consistent from year-to-year	Proactive activities intended to lower costs are engaged	4			X	8
	Observation	Supplier has adequate cost control systems in place	Supplier has aggressive cost cutting measures in place	2			X	4
Enterprise Viability	Financial Review	Review of available information infers a sense of confidence in continued operations	Company has significant financial stability and resources	3		X		3
	Environmental Issues	Meets known environmental requirements	Demonstrated proactive activities to minimize environmental risks	2			X	4
	Market Trends	Review of available information infers that business activities track with overall market.	Demonstrated proactive activities to assume a lead role in the respective marketplace	2		X		2
Technological Resources	Demonstrated Capabilities	Has sufficient capabilities to understand the materials currently produced	Proactive programs leading toward material improvement and/or new products are available	3			X	6
	Investment in New Technology	Supplier investment in new technology is on track with the respective marketplace	Company has demonstrated a significant investment in new technologies	2		X		2
	Facilities	Supplier has a dedicated developmental department/facility	Supplier has demonstrated a significant investment in development facilities	1		X		1
	Personnel	Supplier has adequately trained technical personnel	Supplier has either dedicated development personnel or individuals focused on new product development activities	2		X		2
Segment Score:								52

ACUSHNET SUPPLIER IMPROVEMENT PROGRAM (ASIP)

Material Classification Report

Supplier: Spraylat Corporation

Q2
Date: 07/01/06 -6/30/07

Supplier Classification: Preferred

RM/OS	Description	% Acceptance / 12 Months	Material Classification
RM00894	EXWAW113S Primer	93%	Approved
RM00893	EXUCCO52B Clear Activator	100%	Certified
RM00892	EXUCCO52A-M3 Cat. Clear	100%	Certified

Material Classification Defined:

Conditional	Approved	Qualified	Certified
All new materials of less than 1 year history of supply, OR the Supplier Classification is CONDITIONAL , OR the material does not meet a 90% lot acceptance rating	Minimum APPROVED Supplier Classification and a 90% acceptance rating for that material	Minimum APPROVED Supplier Classification and a 95% acceptance rating for that material	Minimum APPROVED Supplier Classification with a composite score of greater than 95 points, a 95% lot acceptance for that material, and a minimum of 75% "EXCEEDS" rating for critical requirements of the "Materials Quality Segment" evaluation area