With a focus on bringing international economic golf trends to the forefront of business planning, the recent PGA Merchandise show addressed the question of what impact worldwide trends in golf tourism, employment, tax dollars and other economic indicators will make on the health and growth of the sport on a global basis.

Golf's global trends on the upswing

Speakers from three of the largest markets—US PGA chief executive, Joe Steranka, Australian PGA CEO Max Garske, and Great Britain's PGA chief executive, Sandy Jones—brought a wealth of experience and international knowledge of golf's economic impact to a summit meeting at the show in Orlando in January. Jim Huber, who acted as moderator for this, the first ever PGA Global Summit, noted that during his extensive travels under the Turner Broadcasting flag, both for CNN and TNT over the last three decades, there has been a phenomenal growth in the sport from Japan and China, through Australia, Thailand, South Africa, Kenya, Europe, South America to Mexico, Canada and across the USA.

Max Garske started his presentation with an account of the Australasian Pacific region. Working from an updated economic industry framework study by Ernst & Young, commissioned by the Australian PGA in 2004, Garske pointed out some key findings. While acknowledging that Australia is a small golfing nation in comparison with the rest of the world, there are approximately 1.25 million golfers and 1,700 golf courses, they generate approximately $2.5 billion, which has increased from $2.2 billion in 2004. The value of golf per player in Australia is about $1,700. It also provides significant employment opportunities. 23,000 people are directly employed in the industry, which creates two full-time positions for every 100 players. Direct golf-related industries such as golfing facilities, golf-course investment and so on contribute 81% of the total Australian golf economy. About 19% comes from the indirect industries, with golf facilities making up 54% of that. It is estimated



Tiger Woods at HSBC Champions, Shanghai 2006.

HSBC Holdings plc



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that the real estate value of golfing properties makes up about 3% of the total recreational real estate market.

Potential in Asia Pacific

Looking now at an overview of the Asia Pacific region Japan has the greatest number of golf courses, at about 2,500. New Zealand has 336 golf courses and it's quite remarkable that, considering population size, it probably has the greatest number of golf courses per capita in any country in the world. If we look at the broader Asia Pacific region, there are many established nations such as Japan, Thailand, Taiwan, Singapore, and Malaysia that went through a boom period for golf probably 10 or 20 years ago and are currently performing well, but have probably plateaued in terms of growth. Then we have the two rapidly expanding markets of Korea and China. Currently, in the Korean market, there are approximately 200 golf courses and they expect this total to double by 2016. Korea has a golf population of around three million, but that's including those that frequent driving ranges, which make up a very important part of the golf industry – as it does in Japan.

If we look at China (and who doesn't these days?), it is going through a huge expansion at the moment with the number of facilities expanding at about 40% per year. Currently, the number of courses stands at around 311, including Hong Kong, and that is expected to double in five years. The success of important international tournaments such as the HSBC Champions event in Shanghai in November 2006—co-sanctioned by the official European tour and featuring top stars, including Tiger Woods, and €4 million in prize money—is adding to the excitement. And perhaps the development of the Mission Hills complex in Shenzhen sums up better than anything the rise of golf in China (see panel).

In summary, in the whole Asia Pacific region, there are about six million golfers, 6,000 golf courses, and a golfing market that is already the same size as Europe's with far greater potential—in 10 to 20 years it could rival the size of the US golf market. As the quality of the players improves, the consumer demand for equipment and support industries will improve proportionally.

Enigmatic Europe

The next speaker, Sandy Jones from the UK, was quick to point out that the European golf market can be difficult to understand and categorise. The PGA of Europe is made up of 31 member countries, amalgamated into an association that works to develop the game. Within this single association the diversity is enormous. For example, although in the UK and Ireland, which is the oldest association in Europe, being formed in 1901, is adequately endowed with some 7,500 golf professionals, the PGA of Poland has only five registered professionals.

Golf in Europe represents a $20 billion business with 6,300 golf courses split 50/50

between the UK and Ireland and continental Europe. It is estimated that the four million players each contribute $5,000 to the local golf economy. Jones estimates that golfing facilities account for 50% of the economy of the game with 120,000 full-time employees. In contrast to US golfing venues, European venues have only an average of 14 employees at each club— in the USA there are 14 people at the bag-drop alone.

The golf equipment business in Europe is estimated at $1.6 billion split 60/40 between pro shops and sporting goods outlets. They attract an investment of some $400 per golfer per year. As in Asia and in the USA, Europe has seen a massive development in golf courses in the last 10-20 years.

In the UK there was an over-development of courses between 1987 and the end of the century, causing many to go into bankruptcy, but the UK is still building an average of 83 new golf courses per year currently without an apparent slowdown in opportunities. Europe is on schedule to double its number of courses to 4,000 by 2020. In terms of tourism, the loss of American visitors to Europe, due to 9/11, has actually changed the business allowing more three-to-four-day inter-continental trips. With the emergence of the budget airlines, golfers from countries such as Germany and Sweden have been encouraged to play in the warmer climes of Spain and Portugal, whilst golfers from Italy and France, for example, have had better access to the more numerous UK courses. Advertising dollars are up too with exotic new venues across the world accounting for much of the magazine and media buys to 1.5 million readers of golf magazines. Jones noted also that at professional golf events such as the Ryder Cup played most recently in Ireland last year, it was estimated that the economic impact was around $130 million.

The States streak ahead

On the US front, Joe Steranka, CEO of the PGA of America was the final regional speaker at the summit. Although quick to point out he was the newcomer to the block, Steranka had some impressive figures and statistics to report: 28,000 PGA professionals and golf industry employees estimated to be around 600,000 in the USA. He also pointed out that the golf industry in the USA is larger than the motion picture industry— even at Oscar time. It is estimated that just in golf fees, membership dues, food and beverage sales, golf lessons, club rentals and other course related services, the economic value is $20.5 billion, of which $8.2 billion represents payroll.

Retail sales are currently at $4 billion and capital spending is at $8 billion for renovations of existing clubs with a slightly lower figure calculated to represent new course and club construction. Tournament golf, whether it is the PGA Championship, Ryder Cup, PGA or LPGA tour, generates just under $900 million with endorsements representing about $255 million. What market-share Tiger Woods has of that is a pure guess, but it's significant. Fundraising for charity by the PGA totals $3.2 billion. It is true that real estate development has slowed in the mature US market, however, tourism is in full swing with 79 countries being represented at this year's PGA Merchandise show.

In closing, with three PGA regions of the world representing 42,000 professionals, and with a global economy in excess of $50 billion, the future looks bright indeed for an industry that is still regarded in some sporting circles as hitting a rock with a stick.



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Mission Hills – mission accomplished

The Mission Hills complex in Shenzhen in southern China lays claim to being the world's largest golf and leisure complex. It comprises twelve 18-hole golf courses, six driving ranges, more than 50 tennis courts, plus Asia's largest spa. It also contains Asia's biggest golf shop.

Top golfers from all over the world – including Jack Nicklaus, Ernie Els, Annika Sorenstam, David Duval and José María Olazábal – have contributed to the design of the courses at Mission Hills; two of the 12 are playable at night.

The facility is now on the world map for hosting important tournaments and will be the venue of the World Golf Championships in 2007 and 2008.

More than 300,000 golfers play Mission Hills courses each year. From zero 20 years ago, there are now two million golfers across China and a growth rate of 15-20 per cent a year is currently forecast