

An Assessment of Golf Tourism's Future Growth Potential to 2020

Executive Summary

January 2011



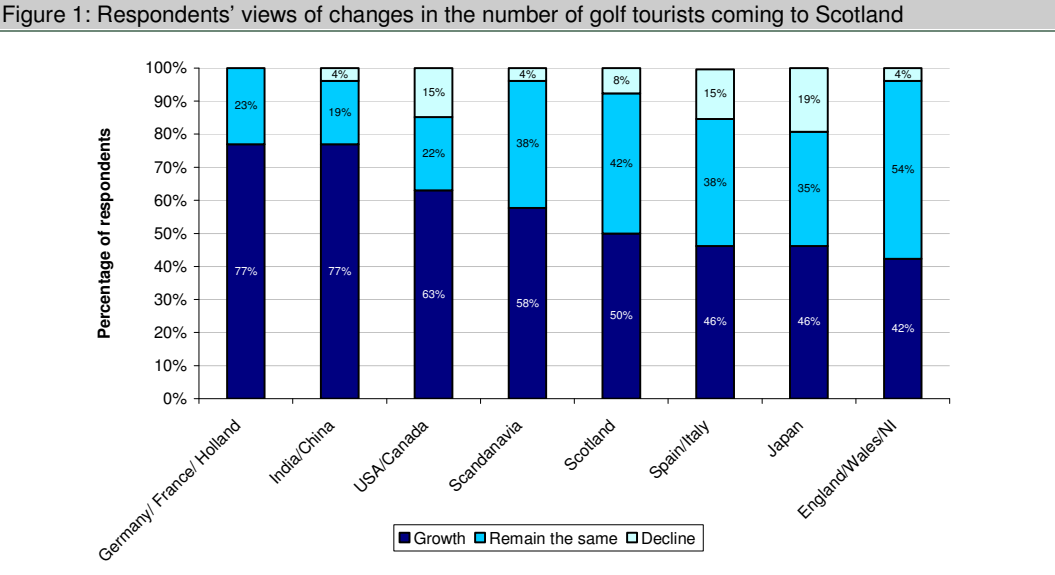
SQW

Executive Summary

1. This report presents SQW’s forecasts for the volume and value of golf tourism from 2010 to 2015 and then to 2020. The work was carried out between August 2010 and January 2011 and is based on a review of reports and data for the sector as well as consultations with a range of stakeholders in the private and public sectors who work in and around golf tourism. The study has been supported by Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), VisitScotland and Golf Tourism Scotland (GTS).
2. The aim of this research is to develop estimates of the growth of golf tourism in Scotland and its economic impact. The rationale is that a better understanding of the market and its size will help identify opportunities, lead to business growth and increase income and employment.
3. The research builds on work carried out by the Golf Tourism Monitor and which was presented in SQW’s previous impact assessment report in 2009. In this study we have looked at the potential changes in golf tourism over the next five and ten years in order to calculate the levels of economic activity that it could generate. The work involved a survey of Golf Tourism Scotland members as well as the use of published data sources and reports to identify the main drivers of change in the golf market.

Markets

4. Over the next ten years consultees expected to see the largest changes in visitor numbers from European countries (Germany, France, Holland), from emerging markets (India and China) and to a lesser extent North America and Scandinavia. Prospects for growth from within the UK and other more established golf markets were considered to be weaker (Figure 1).



Source: SQW survey of GTS members

- Participants in the survey were generally upbeat about prospects. More than 80% of respondents expect to see positive growth in both halves of the next decade. No respondents considered that the industry will decline over the next ten years. The findings of KPMG’s international review of markets in 2010 (which is based on a survey of tour operators) was similarly positive placing Scotland third, behind Spain and Portugal, in its list of “hot spots” for golf tourism in the upcoming years.

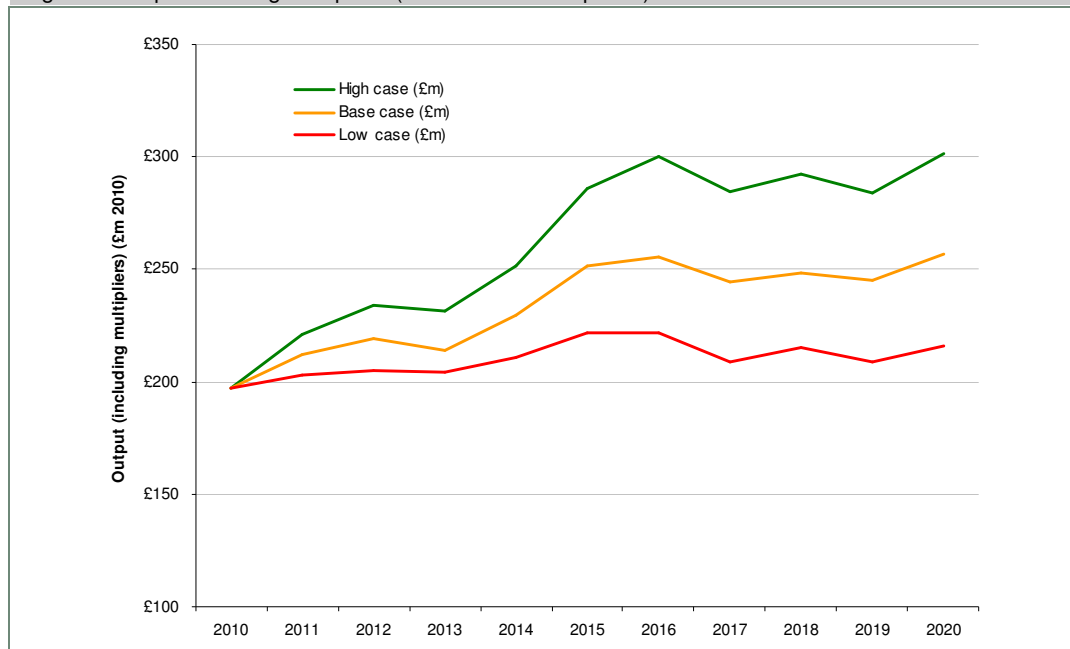
Estimates of growth

- The estimates of growth use high, medium and low scenarios developed to reflect changes in a number of “drivers” namely; golf participation, marketing, events, new courses, access/transport and online booking. For each of the ten years covered we have calculated the three scenarios to produce estimates of the number of trips, expenditure, economic output and Gross Value Added (GVA). In summary, the model estimates the following growth in expenditure:

- high growth** – 4.3% a year, giving 10 year growth of 53%
- base case** - 2.7% a year, giving 10 year growth of 30%
- low growth** - 0.9% a year, giving 10 year growth of 10%.

- Including multiplier effects, this gives the economic output forecasts shown in Figure 2. Under the base case, output grows from £197 million in 2010 to £257 million after ten years (in 2010 prices). This would represent Gross Value Added (GVA) of £138 million by 2020.

Figure 2: Output including multipliers (£ millions in 2010 prices)



Source: SQW

- In addition, we have used published estimates of the economic impacts of a number of the major events that are expected to take place in Scotland over the next ten years. These figures are based on *spectator spending impacts* rather than visitors playing golf and represent a

slightly different source of golf-related income. The net *output* generated by the 2010 Open at St Andrews was expected to be around £35 million¹, while output from the 2010 Ryder Cup at the Celtic Manor in Wales was estimated to be around £75 million². In the absence of a Scottish example, we have used this as a proxy for the Ryder Cup at Gleneagles in 2014.

9. Adding the potential spectator impacts to the golf tourism estimates gives the aggregate results in Table 1. This shows growth in output from £232 million, in 2010, to £300 million by 2020 (in 2010 prices).

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Base	£197	£213	£221	£216	£233	£256	£261	£250	£255	£252	£265
Events	£35			£30	£75	£35		£30		£30	£35
Total	£232	£213	£221	£246	£308	£291	£261	£280	£255	£282	£300

Source: SQW estimate, based on Scottish Government Input Output tables and SMS (2007) data³

Regional effects

10. Details of the regional changes are contained in the main report, although with some significant caveats. The distribution of growth will be influenced by a number of factors. Events tend to boost the courses hosting the event in the following year and those around it. With no major events planned in Ayrshire over the next five to ten years there is a risk that interest will move to the East of Scotland, with Fife and East Lothian set to benefit. The likelihood of the Scottish Open being moved to Castle Stuart in 2011 may also contribute to growth in the Highlands.
11. As the main hub for Ryanair, Glasgow Prestwick has helped to generate business for some of the courses in and around Ayrshire. With more low cost flights to Edinburgh and Inverness the options for European golfers are broadening and this trend would mean more point to point routes using regional airports. In theory this would benefit East Lothian, Fife, the North East, Inverness and potentially Angus/Carnoustie through development in Dundee.
12. The Trump courses in the North East are likely to have the most significant impact on the pattern of visits because of the scale of the development and the level of marketing that would be expected. The courses will generate a lot of interest and could have some spillover benefits for others in the North East. Castle Stuart, Nairn and Dornoch (as well as Spey Valley) now make up a high quality cluster of courses in the Highlands.

Conclusions

Market shape

13. While a lot of focus is placed on attracting overseas golfers, particularly from the US market, it is important to remember that the UK is, and will continue to be, the largest market for golf

¹ Event Scotland (2010) Press Release: The Open Championship worth £80m
<http://www.eventscotland.org/news/2010/7/the-open-championship-worth-80m>

² Ryder Cup Wales 2010 Ltd (2010) The Potential Economic Impact of Ryder Cup Wales 2010

³ Source: <http://www.scotland.gov.uk/Resource/Doc/919/0110399.xls>

tourism in Scotland. Although there is less scope for participation in golf to grow, there are opportunities to encourage more “staycations”. Many UK residents take golf holidays abroad. Clearly the weather will always be a major factor, but there could be benefits in encouraging these groups to take trips in Scotland, particularly if it becomes more expensive to travel abroad.

Concentration of tourist golf

14. A very large proportion of visitor revenue, and by extension tourist expenditure, is associated with a small number of the 540 courses in Scotland. The Golf Tourism Monitor (2008) estimated that the 70 most visited courses generate 75% of all the staying visitor green fees. In considering the most effective ways of supporting golf tourism, it is important to focus on the sub-set of courses that have the potential to deliver the greatest amount of benefit.

Opportunities from new courses

15. In the last couple of years Castle Stuart has opened, strengthening the cluster of top quality courses in the Highlands. The Marr Hall resort course has opened near Glasgow and Machrihanish Dunes now complements the original Machrihanish course on Kintyre. The new Trump course at Balmedie is expected to open in 2012. Backed by Donald Trump, it is likely to generate global interest. The promotion of the course may reach people who would not otherwise have considered visiting Scotland to play. With the course opening before the hotel and other associated accommodation, there will clearly be opportunities for related service providers, but in the longer term it also provides a great hook from which other courses and services in the North East (and beyond) can benefit. Understanding the profile of potential visitors, their needs, and the opportunities for businesses would be valuable.

Resilience of the golf market

16. Despite the recession and the continuing economic challenges, golf tourism appears to have been relatively resilient despite being what could be termed “discretionary” expenditure. Recent research by KPMG (2010)⁴ provides an international overview and concludes that while the majority of operators reported a decline in rounds and revenue, they had responded by cutting prices and costs, and were now largely optimistic about the future. Mintel (2010)⁵ reported that:

virtually no tourism segment has escaped the effects of the global financial crisis but golf tourism is largely expected to weather the storm better than other sectors due to the varied demographics of its participants.

Opportunities from Europe and emerging markets

17. The perception of consultees was that the emerging markets (China, Russia and India) as well as some of the European markets where golf is growing (Germany, France and Italy) offer the best prospects for attracting new visitors. Mature markets (the US and the UK) on which

⁴ KPMG (2010) Golf and the Economic Downturn

⁵ Mintel (2010) Travel & Tourism Analyst No. 15 - Golf Tourism - International

Scottish golf has depended for many years are likely to remain important but growth may be weaker. This has implications for the way golf in Scotland is promoted and where. While participation in the game in these countries is growing, converting this to tourist visits will be a challenge and require a real understanding of these markets. This will need different approaches from those used in attracting visitors from mature markets.

Opportunities from the Ryder Cup 2014

18. The Ryder Cup is one of the largest sporting events in the world. While it has the potential to provide a boost to golf tourism, some consultees were wary about exaggerating the scale of the effect. The Ryder Cup can be more about the matches, the players and the captains than about the courses, the traditions and the history that the Open courses provide. It will be important to try and ensure that the Ryder Cup is used to help showcase for Scottish golf. There will be opportunities for Scottish golf-related businesses to benefit from the Ryder Cup. It will be important to understand what these are and communicate them to businesses.

Packaging and on-line booking

19. Both packaging and on-line booking are important because of the structure of the sector in Scotland. Scotland has fewer resorts (that offer complete golf packages) than most other destinations. This can make it difficult for visitors to plan and organise trips which include a number of courses, hotels, transport etc. By working together golf businesses can put together simple and attractive packages that make organising a trip more straightforward and offer better value.
20. For example, the Golf Tourism Monitor 2009 reports that Golf Passes are a distinctively Scottish product (the new 2010 Official Guide to Golf in Scotland lists 16 such passes, whereas England has very few). More could be done to promote these collectively as a distinctive 'Home of Golf' product to European golfers looking for 'value golf' as well as to traditional UK markets.
21. E-booking, the facility to book tee times through the internet, is an issue which has been of growing importance to the sector over the past few years. This is particularly the case in dealing with an international market which wants to book tee times at any time of the day or night. According to SGU's Golf Central database⁶, there are only around 40 courses with online booking facilities, less than 10% of the total number of courses in Scotland. There is a risk that unless this type of access is developed by more courses it could deter potential visitors. Where online booking has been adopted courses have benefited. In North West Wales, average income from green fees at 21 courses which participated in a new online booking system increased by 20% with some clubs reporting increases of 40%.⁷, and there are similar examples elsewhere, including Scandinavia.

⁶ <http://www.scottishgolf.org/index.cfm?objectid=CB2668A3-9075-D826-417250A8FC367888>

⁷ Tourism Partnership North Wales (unknown) Online Booking Drives Profit for Golf Clubs
<http://www.tpnw.org/ebulletins/ewelcome11.pdf>

Data collection

22. This study and previous reports on the value of golf tourism have been challenging because of the limitations of the data available. There are two main elements that are required to monitor golf tourism activity and there are improvements that can be made to both. These will be essential to measure activity and to determine the effects of events and interventions in the future.
23. Data from the courses is collected through the Golf Tourism Monitor. This must be maintained and strengthened to allow a better understanding of the proportion of *staying* visitors and to capture the origin of visiting golfers.
24. A separate, representative survey of golf visitor expenditure is needed which reflects the numbers at certain types of courses and to provide average values that fit with categories and regions used in the GTM. This would capture accurate expenditure outwith the golf courses as well as providing a more robust profile of the origins of golfers, the number of rounds played.