EUROPEAN VALUATIONS

MARKET SECTOR INSIGHTS - NOVEMBER 2019

Golfing Equipment Industry

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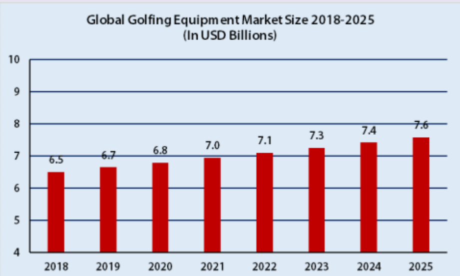

Global Golfing Equipment Market, 2018-2025

Global Outlook

According to Grand View research, the global golfing equipment market size was valued at USD 6.51 billion in 2018 and is expanding at a CAGR of 2.2% over the forecasted period of 2018-2025, thereby reaching to USD 7.58 billion by 2025. Rising consumer disposable income, spur in golf tourism, growing popularity of the sport, and development of golf courses across the world are some of the prominent factors driving the growth.

The Report goes on to add that the number of young golfers has substantially increased in the last few years leading to the purchase of various golf kits. This is one of the major reasons driving the demand for golf equipment. The substantial rise in the demand is also due to the increasing income of the middle class population and the number of female golfers over the last few years.

However, hectic schedules in young consumer groups is leading to increase in the number of indoor games, thus hampering the demand. Furthermore, high membership charges of the golf courses are also impeding product demand globally.

Regional Segmentation

North America was estimated to be the largest market in 2018 owing to growing popularity of the sport in the region. In 2018, The U.S was the largest market for golf equipment with a share of 57% in North America. Changing lifestyle along with increasing income of the middle-class population is driving the regional demand. In addition, inclination of the consumers towards leisure activities is further fuelling the growth.

Asia Pacific is anticipated to register the fastest CAGR of more than 2.5% during the forecasted period. Rising popularity of the sport in the region, particularly in China after the golfer, Feng Shanshan, won a bronze in 2016 Olympics, is the major factor propelling the regional market.

Distribution Channel Insights

On the basis of distribution channel, the market is divided into sports goods retailers, online, and department and discount stores. Sports goods retailers held the largest market share of more than 55% in 2018. These retailers are generally present inside the golf courses thus, they generate the maximum revenue. Furthermore, easy access, availability of the product, and variety are among the prominent factors for the segment growth. These retailers also provide discount with the golf course membership which is also propelling the segment.

Apart from sports retailers, online is the fastest growing segment and is witnessing a significant CAGR of more than 4.0% over the forecasted period. Faster delivery, discounts, assured dealers, and free replacements are among the prominent factors driving the growth. For instance, Amazon.com provides one day delivery of products to its Prime customers and guarantees 30 days' replacement with assured dealers. Such factors are anticipated to positively influence the segment growth in the forthcoming years.

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Online sales as a proportion of all retailing increased to 19.2% in October 2019, from the 19.0% reported in September 2019.

Recent Trends

Surge in the Number of Golf Courses

There has been an upsurge in the number of golf courses across the globe, especially among the top golfing nations over the past few years. The United States, the United Kingdom, Japan, Germany, Canada, South Korea, Sweden, France and Italy are some of the key leading countries in the golf industry, where most (more than 50%) of the golf courses are located. Most of these courses belong to private clubs, golf-centric real estate places, and golf resorts. There are more than 30,000 golf facilities across the world, and more than 70% of them are open to the public, hence, it is largely accessible. At present, more than 200 golf courses are under construction and 350 plus golf courses are in the planning stage, across the world, which indicates a significant rise in demand for golf equipment in the coming years.

Affordable "Boutique" Brands of Golf Equipment

The biggest brands in golf equipment, such as Titleist, TaylorMade, Callaway, and Ping, have continued to raise prices on their new releases to the point that new drivers go for over $500, a set of irons can approach $2000, and a dozen golf balls can top $44. As such pricing is prohibitive to many golfers, the door has opened for smaller "boutique" brands that offer quality golf equipment at "factory direct" prices that are often half or better than the big brands. Going forward, affordable golf equipment brands are expected to keep growing owing to their price competitiveness.

UK Retail Sales

Overview

According to the Office for National Statistics ("ONS"), in the three months to October 2019, the quantity bought in retail sales increased by 0.2% when compared with the previous three months and fell by 0.1% when compared with the previous month. Year-on-year growth in the quantity bought increased by 3.1% in October 2019, with growth across all sectors except household goods stores.

Online sales as a proportion of all retailing increased to 19.2% in October 2019, from the 19.0% reported in September 2019.

Impact of Brexit

The uncertainty over Brexit has put retailers across UK under pressure, with the weak pound driving up import costs. A no-deal "hard Brexit" could cost the UK retail industry up to £7.8 billion in tariffs, according to analysts at Retail Economics..

One of the most important segments most impacted due to Brexit and its related issues are high street retailers, who say that the rising costs have put them at a disadvantage, leading to a noticeable slump in their businesses.

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UK Retail Health Index

The health of the UK retail industry has fallen to record lows as shops battle some of the "toughest trading conditions they've ever experienced." The Retail Health Index ("RHI"), which takes into account consumer demand, gross margins and costs, fell from 77 to 76 in the second quarter of 2019, financial services firm KPMG and Ipsos Retail Think Tank ("RTT") reported. The firms' most recent report shows retail health in the third quarter of 2019 has surpassed the historic low previously recorded in the final. quarter of 2012, when the UK's economy faced the so-called 'double-dip recession'. The third quarter of 2019 scored a record low of 75, with health in the final quarter predicted to decline even further to 74.

The think tank members were in unanimous agreement that the industry has faced a prolonged decline of health, stressing that the high rate of store closures, business failures, job losses and overall turmoil within the sector has been unprecedented.

Looking ahead to the final quarter of 2019, Paul Martin, co-chair of the RTT and UK head of retail at KPMG, said, "It's hard for consumers or retailers to look ahead at the coming months with any certainty with Brexit as well as political and economic uncertainty continuing to delay or disrupt purchasing and business decisions. With the final 'golden' quarter an obvious focal point for many retailers, the period marks a make-or-break point especially for those that have struggled to achieve meaningful sales growth so far this year."

He added, "To a degree, British consumers have appeared defiant in the face of economic and political turmoil, choosing to keep calm and carry on. The run-up to Christmas is arguably a time when consumers will take this approach most prominently, but retailers still have their work cut out to maintain demand, so it will likely flat-line at best. There will be those that can buck this trend of course, but that success will pivot on an ability to turn these adverse trading conditions into an advantage. That's something legacy players continue to struggle with currently."

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