



Golf's 2020 Vision: The HSBC Report

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Executive Summary

The trends which will shape the future of golf are the same trends that are shaping the future of the planet: the shift towards Asia, the increasing feminisation of the public world, urbanisation, the spread of digital technology, and resource and sustainability pressures. What is striking is the way in which golf—one of the world's oldest sports—is adapting to these new challenges.



The professional game is already dominated by younger, fitter players. A boom in the number of children playing the sport in China and India means that the next generation will increasingly be from Asia: players like Shanshan Feng and Andy Zhang are a sign of things to come. One reason for the game's popularity in Asia is that Asian consumers are turning to leisure activities as they get richer; in China alone the number of golf courses has tripled in less than a decade. At the same time, enthusiasm for golf is high in China and India (higher than in core golf markets such as the US and the UK), which also suggests that golf's growth there will be sustained.

Asia has already become a centre of the women's professional game, and much of the growth in participation across the world is coming from women as well. This will lead to changes in expectations about the facilities that clubs and courses need to provide to their members—and creating a platform for golf as a family game.

Increasing time pressures, and shortage of space in cities, mean that golf will continue to move towards shorter formats which can be played more quickly. Already courses are being designed with options to play six holes rather than eighteen, and France's winning Ryder Cup 2018 bid, with its commitment to build hundreds of short urban courses, indicates the significance of this. Improved simulator technology will increase opportunities for short virtual games in the heart of the city. It seems only a matter of time before a broadcaster creates a high-profile, short-form professional competition, in the same way that cricket has developed the Twenty20 format.

Golf courses continue to provide the backbone of high profile tourism investment in many parts of world, and this market has mostly recovered since the financial crisis. Golf tourism is growing quickly in Asia and the Middle East, which currently has the world's most

profitable courses. Courses are being developed as part of national tourism strategies in countries as far apart as Vietnam, Abu Dhabi and Cuba.

In a world of increasing sustainability challenges, the demands of the golf course for water and maintenance can be controversial. But golf is increasingly innovating in this area, with more thought given at the design stage to sustainable management, and new course management techniques to reduce impact. In many parts of the world, the best courses, like the best businesses, are understanding that profitability, popularity and sustainability go hand in hand.

The game is becoming more popular in Asia as Asian consumers turn to leisure activities

Foreword

by **Giles Morgan**

HSBC Group Head of Sponsorship and Events

**Welcome to Golf's 2020 Vision.
As we prepare for the 141st Open Championship
we are surrounded by the rich heritage and
tradition that runs through the heart of golf.
History is part of the DNA of the sport and
always will be.**

However, as a long-standing sponsor of the game we have the opportunity to influence the future as well as celebrate the past and with this in mind we wanted to fast forward eight years and see how the game might look in 2020.

Golf is evolving and evolving fast. Our own experience with the WGC-HSBC Champions event in China has given us a flavour of the future and it's been truly inspiring to see this new generation of Asian players emerging—Andy Zhang is the latest example and we're immensely proud of the fact that he is a graduate of the HSBC Junior Golf Programme. Our other tournaments in Singapore, Abu Dhabi and Brazil have given us a global perspective on golf but we wanted to delve deeper and the results are what you are holding in your hand.

We have spent much of 2012 working with leading consumer research agency, The Futures Company, to take a glimpse into the future of golf eight years from now to produce our 2020 Vision. As a global banking and financial services organisation, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and, ultimately, helping people to fulfil their hopes and realise their ambitions. Our Golf 2020 Vision Report looks at the future opportunity for golf.



By researching data from key global markets and conducting interviews with golf industry experts and golfing giants such as Gary Player, Annika Sorenstam, Padraig Harrington and Colin Montgomerie we have been able to paint a picture of golf in 2020.

Who will play golf? How will they play it? Where will they play it? Where will our future champions come from? What effect will golf's new Olympic status have? What next for women's golf?

All of this and more is explored in the pages that follow. It's been fascinating to research and we hope you enjoy reading the results.

Giles Morgan



For more information on HSBC's golf programme go to www.hsbcgolf.com

Introduction



As a sport and as a business, golf operates on a huge scale. Although there are no official figures, an estimated 80 million golfers worldwide play on close to 40,000 courses across the planet. Golf events are said to be worth close to \$2 billion a year, and the golf tourism market something more than \$1 billion.



In short, golf is a large business which continues to grow globally despite the financial crisis. And it is growing, as we show in this report, because it is managing to keep in step with the times. As we look at how the game is changing, and why, there are some recurring themes which form the backbone to the story of Golf's 2020 Vision: The HSBC Report.

- Golf is moving East. In China it is becoming the game of choice for the wealthier as Chinese men and women become rich enough to enjoy their leisure, and there are also signs that in India golf is gaining momentum. It is only a matter of time before the professional circuit sees the arrival of a big Asian star.
- In many markets, golf is getting younger. As the image of the professional golfer has become younger and fitter, golf is more associated with sport and less with leisure.
- Golf participation is becoming less male as women increasingly take it up. At a social level, we expect the sport to become more unisex, with mixed games more common.

- Golf is adapting to urbanisation and to technology, moving beyond the 18-hole format and introducing new shorter forms of the game. The increasing quality of simulators is likely to accelerate this process.

- The golf tourism market has bounced back from the recession, and golf continues to form an important part of tourism development strategies, especially in emerging markets. There are risks here for a sport which is associated with affluence. In a world in which inequality is moving up the political agenda and resources such as land are becoming more contested, golf will need to learn the language of inclusion and sustainability. On both it could have a good story to tell.

In writing this report we have largely stayed away from issues of playing technology, which are well-rehearsed elsewhere. There is little in here about how far the next generation of clubs will allow the top professionals to hit the ball.

To prepare Golf's 2020 Vision: The HSBC Report, we have drawn on trends analysis, on a range of interviews across the sport, and on available data, in particular from The Futures Company's Global MONITOR and Mindshare's Global Sports Index.

The data, the interviews, and the other research for this report tell the same story about how golf is evolving

towards 2020. The game is continuing to grow in popularity, broadening its international base, building new audiences and recruiting new players, in new markets, but needs to keep modernising to stay in touch with the times. For some in the game, this will be a challenge. But the only thing worse than change is irrelevance.



Golf in 2020: the 12-hole guide

1. Golf clubs and golf courses will become more family friendly. There will be family rooms instead of bars, holes set up for younger players, and certified women-friendly facilities.

2. Six and nine hole formats, and other short-forms, complement the 18-hole tradition. A pay-TV sports channel accelerates this trend by promoting a professional short-form competition.

3. Golf will benefit from its association with younger fitter players—driving more fashion and more word on the street.

4. The 'next' Tiger Woods—the hot sponsorship and TV property of 2020—will be a young Asian player.

5. Asian golf brands will be making major inroads into the golf equipment and clothing market.

6. Golf becomes more unisex. As more women come into the game, golf becomes the way for men and women to share leisure time—as cycling has done in richer markets.

7. Golf simulation games—using motion sensors and gestural interfaces—become mainstream.

8. Gamers become golfers. Social gaming environments and family-oriented golf video games encourage people to move into the sport, not the other way around.

9. The app as caddy: smartphone and tablet software helps golfers make the right choices, while sensors in equipment and on courses—the smart coach—help players learn from their mistakes.

10. Golf becomes a centre of expertise in water management, conservation and biodiversity.

11. The first carbon positive courses are opened—in a hail of publicity.

12. The authorities change the rules about equipment to reduce the distances achieved by professionals and bring course lengths back under control.

The Global Game

Cast your eye over a typical golf course in 2020 and one thing which will be different is the demographic of the players.



“I think professionals are becoming younger and golfers are now becoming equipped physically and mentally much earlier in their careers to compete for Majors. By 2020, I predict we will see younger winners than ever before, with these winners coming from developing golfing nations such as those in Asia, the Middle East and even South America following the next Olympics.”

The 19 year old Italian Matteo Manassero is the youngest ever winner on the European Tour.

Instead of today’s older males, the future will look different, with a new wave of youngsters—across many geographies—sweeping into the game and reinventing its appeal and ambition. In 2011, three of golf’s Major tournaments were won by men in their twenties: Charl Schwartzel, Keegan Bradley, and Rory McIlroy, a sign that the professional game is increasingly dominated by young players. And future winners could be younger than this—and most probably will come from Asia.

Surging interest from potential competitors made the 2012 edition of Europe’s leading junior tournament—the US Kids Golf European Championship—the biggest yet, with 550 competitors from more than 50 countries. In the United States, The First Tee national programme, designed to introduce younger players to golf, is exposing around 1.6 million children to the game through elementary school gym classes.

In the UK, the Golf Foundation’s national development programme, HSBC Golf Roots, promotes the sport in schools, helps youngsters into clubs, and uses golf to promote important life skills such as honesty and respect. The Golf Foundation - a registered charity - aims to make it possible for young people to access the sport regardless of their circumstances. The HSBC Golf Roots programme is on target to reach 1 million children per year.

But the boom in younger players is most marked in Asia. Here, the game as a whole is experiencing a significant upswing in popularity, allied with the region’s economic boom and the rise of the middle classes. A growing



The Chinese golfer Andy Zhang this year became the youngest player ever to qualify for the US Open, at the age of 14, after Paul Casey withdrew with a shoulder injury. He began golfing at the age of six and moved to the US at the age of ten, and is a graduate of HSBC's Junior Golf Programme in China.

number of China's emerging middle classes, with more money to spend on luxury goods and leisure pursuits, are investing in training their children in a sport that has shifted from official disapproval in the 1960s to becoming aspirational in the late -1980s.

Academies for young golfers to nurture talented youngsters—from as young as five—are growing in popularity. A report by the state-run Xinhua news agency published in May 2012 identified a school in southern China's Zhuahi city in Guangdong province that offers free golf training to kindergartners. At the other end of China's income spectrum, some parents are now prepared to spend up to 300,000 yuan (\$43,940) on lessons for their children. The China Junior Golf Open Tournament held in Chengdu, capital of China's southwestern Sichuan province, and sponsored by HSBC, continues to grow in popularity, along with other junior golf events.

In India, too, young golfers are taking up the game as the number of coaches increases, while in Singapore a new subsidised junior golf initiative plans to turn golf into 'a sport for all.' There is no doubt that the future of the global game will increasingly be shaped by these highly ambitious and talented youngsters.

The South Korean golfer Y.E. Yang put it this way after his ground-breaking USPGA victory in 2009: he hoped that "all young golfers, Korean and Asian, would build their dreams and expand their horizons."



"The way things are going we're looking at the balance of power turning more and more towards Asia - they're producing better players and putting on better tournaments and this trend is definitely going to continue. I wouldn't be surprised to see three or four of the World's Top 10 from Asia by 2020."

Lee Westwood is a former world number one. He is one of the few golfers to have won tournaments in four continents - America, Europe, Asia and Australia.

Golf investment goes East

The emerging strength of young Asian players in the game mirrors the broader shift in participation and investment from West to East. There are still many areas in Europe where the popularity of golf is growing. In absolute terms, golf participation grew in Germany, the Netherlands, and the Czech Republic between 2000 and 2010 by 74%, 146%, and 650% respectively. However, in other parts of Europe, and also in the United States, the impact of the financial crisis on consumer spending and confidence means that golf has suffered.

This is in sharp contrast to the boom in Asia, where the growing middle class is taking to golf in increasing numbers, as a leisure pursuit and as a sign of status. As China and India get richer, this growth seems certain to increase. Between 2010 and 2020, Asia is expected to double its share of global middle class consumption to 42%. By 2015, 98 million Chinese households are expected to be middle-class, compared with 52 million in 2010. India's middle class is estimated to grow from 32 million households in 2010 to more than 50 million by 2015.

With increasing incomes and the more widespread acquisition of luxury brands comes the drive to set oneself apart from others—making leisure experiences such as international travel and sporting expertise highly sought after as status symbols. In China, the status of golf has risen dramatically. It was banned by the Communist Party until 1984; since then it has grown rapidly. Among the country's new economic elites, it has both novelty and prestige. Chinese business people see golf as a way to bridge the gap between East and West when doing business deals. Golf's inclusion in the 2016 Olympics in Rio de Janeiro will increase its appeal because of the high regard and interest which the Chinese have for the Olympics.

Talking point: Golf and values

Research done for HSBC by The Futures Company in 2007 found that Chinese parents identified golf as being effective at teaching decision making to children (a view shared with British and American parents) and also good at teaching self-confidence—a view held more strongly than in the US or Britain.

Investment is following participation, and growth is happening in the lower tier cities, many of them provincial capitals with lower income levels than Beijing and Shanghai, as well as large urban centres. Despite a ban on the development of new golf courses imposed by the government in 2004, the number of golf courses in China has more than tripled since then, from 170 in 2004 to over 600 in 2011. More golf courses are being constructed in rural areas to try to boost local property and land prices. This is offering vital revenue for fiscally-stretched local governments.

In India, where golf has a much longer history, investment in property is driving investment in golf, as in other parts of the world. In rural areas, real estate is attracting people to live near courses—though many do not necessarily play the game themselves. Many of the golf academies driving youth involvement in the game are located in the so-called ‘Tier 2’ cities, purposefully to build awareness of the game and participation. Though the game remains aspirational and a sign of status, the availability of public golf courses and subsidised green rates are increasing the accessibility of the game in India.

As happened in cricket, it seems only a matter of time before the centre of gravity in the game moves to Asia. Just as the popularity of cricket in India means that the sub-continent has become the economic and political centre of the sport, so - although it may take decades - we expect to see the centre of the professional golf game move towards Asia, with bigger purses and sponsorship opportunities attracting the best players as the game grows in significance there.



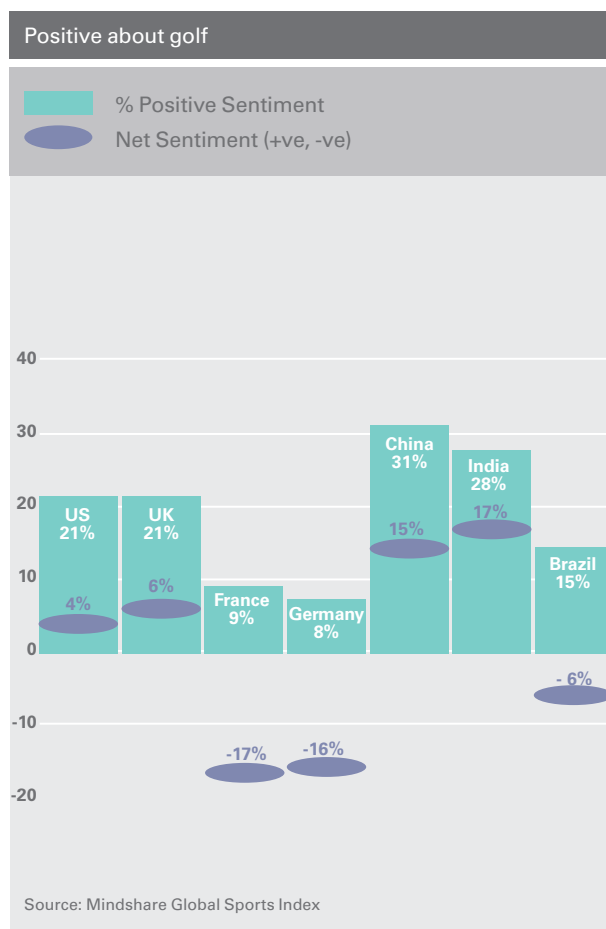
“The turning point came when the HSBC Champions tournament was made a WGC [World Golf Championship] event and it gave a real indication of how the golfing map is shifting. Here was a truly world-class event with the world’s top players and yet it was being played in China rather than the traditional golfing heartlands of Europe and the United States.”

Padraig Harrington has three major titles, and won the The Open Championship two years in a row.

The changing face of golf

One of the issues that golf faces in some markets is that it divides opinion. Looking at Mindshare's data for richer markets, in golf's traditional core markets—the US and the UK—we see significant 'positive sentiment', shown by the green bar on the chart, indicating people who might consider themselves to be golf fans. This also translates into overall positive 'net sentiment,' meaning that the number of fans outweighs those who dislike the sport. In contrast, in markets such as France and Germany, where golf is nonetheless widely played, there are fewer fans and the 'net' score shown by the blue ovals on the chart, is negative, meaning that there are more non-fans.

Looking at the same data for the large emerging markets of China, India, and Brazil gives an indication of the game's potential. In China and India, the level of positive sentiment is far higher than even the US and the UK, and the 'net sentiment' scores are also a lot higher. Even in Brazil, still regarded as a development market for golf, positive sentiment is comfortably higher than in either France or Germany. This data suggests that the game is primed for take-off in these emerging markets.



The influx of women players

“We’ve seen a revolution in women’s golf over the past 10 years and there’s no sign of it stopping. Asia is the focal point and I see this as something that will continue and even increase. The South Koreans are currently a dominant force in women’s golf and the sport is spreading its way across Asia very quickly.”

Annika Sorenstam, winner of 89 tournament victories worldwide and 10 major championships.





In the same way that the influx of youngsters into the game is changing the face of golf, increasing participation among women is another reflection of the game's broadening global appeal.

In Europe, even though overall participation in golf decreased for the first time in 2011, female participation in golf has continued to rise. In the Netherlands, it is the fastest growing sport among women and is now the third most popular sport in the country for women and girls.

A central challenge for golf will be learning how to adjust to the new demographics of the game. Commentators on the women's game suggest that specialist shops still focus primarily on men's equipment and clothing, whilst courses themselves continue to be lengthened with relatively little attention to the position of the forward tees. The profitable clubs of the future will have to meet the needs of women on and off the course. A 2011 report by the Sport and Leisure Research Group in the

United States found that female golfers' satisfaction with the experience of courses and club were driven by the availability of childcare, the presence of female staff as well as male, and 'reasonable yardages' from the forward tees.

Women are having a big impact at the top of the game. Professionals such as Yani Tseng and Na Yeon Choi top the list of LPGA superstars, following in the footsteps of Annika Sorenstam, and are achieving impressive earnings. In June this year, Shanshan Feng won the LPGA Championship at the age of 22 to become the first Chinese player to win a golf major. In an attempt to emulate the success of other Chinese sportswomen such as tennis player Li Na and cyclist Shuang Guo, China's golfing authorities have for years been seeking a female Tiger Woods to boost the development of the sport ahead of the 2016 Olympic Games in Rio de Janeiro and expand the country's presence on the world's major platforms. Shanshan Feng may be the player they have been waiting for.

The shift in gender and age profile, however, is not limited just to Asian markets. Similar shifts are being seen in golf's traditional strongholds as it competes for share of leisure time. As suggested by the Sport and Leisure Research Group study quoted above, there are some implications for golf, as with other sports that have traditionally relied for their participation base on men being willing to spend time away from their families. The golf clubhouse will become a more family-friendly environment, with cafés and family rooms rather than bars and restaurants. A more relaxed and casual environment, at least in Europe and the US, would be more in line with people's experience elsewhere.

**The profitable clubs
of the future will
have to meet the
needs of women on
and off the course**



“You have Yani Tseng, Shanshan Feng and all the Korean players and players from Asia where opportunities may not be as available but when one is given the opportunity it’s amazing what they can do with it: that’s so important. It’s just giving people the opportunity and seeing what they can do.”

Michelle Wie.

Areas of the golf course will increasingly be designed for juniors to help them improve their games. For example, practice areas could be modified to provide younger players with short par 3 holes to play, which is already happening in places such as India where limits on land availability restrict the development of course facilities. And more young players creates new expectations about facilities. Younger players already routinely expect to film their action as part of their coaching process and play back the video to analyse it. As a result, we expect to see clubhouses by 2020 with video upload and computer analysis facilities as part of their proposition.

More women players will also change expectations about the design of golf facilities, from ambience, to catering, to facilities for the rest of the family, which could include crèches or childcare. It means facilities for women players will improve—with, as has been suggested, even a certification scheme to validate this. The lifestyle of golfers is changing—and golf clubs will have to respond by thinking differently about the facilities they offer to their members and players.

Gary Player on Golf 2020

Gary Player, the South African winner of nine major titles and 165 tournaments worldwide, is one of a handful of players to have achieved the career Grand Slam. He has been heavily involved in course development, designing over 300 golf courses.

"I worked hard at having a long career, but the lifespan of a golfer is likely to get even longer as people are starting at an earlier age to watch their diet, health, and fitness and playing for longer, so you could easily have a champion who is anywhere between 16 or 60. I can only see more twists and turns looking ahead to 2020. Change is the price of survival."

What have been the main technological developments you have seen in the sport?

"The golf equipment and ball have completely changed. One of my main concerns at the moment is how far the ball travels. With the advances in golf ball technology, courses now have to be needlessly lengthened. These costs are hurting the game because courses will have to recoup the costs somewhere. The expense to scale back the ball would be miniscule compared to the money being spent around the world modifying golf courses."

What do you make of the rise in Asian golf?

"Asia has shown a wonderful passion for the game of golf. I have been travelling to Asia since the beginning of my career, and the exponential growth that has taken place in recent years is remarkable. We have worked on over 100 golf course design projects in Asia, and I look forward to seeing champions come out of the area and to spending more time there in the future."

Looking forward over the next decade or so, what will be the biggest changes affecting the sport?

"I think that you will see a lot of changes in the future to make rounds of golf shorter and courses more accessible to the everyday golfer. For golf to grow there will have to be ways to play that will not take nearly as long to complete a round. Time is of the essence to everyone. We have the responsibility to design and build enjoyable courses for the masses, not just the low handicapper or professional."



Where do you think the next growth markets are for the sport and why?

“Our design business has been very busy in Eastern Europe, the UAE, Latin America and Asia right now, but in addition to those markets, I am thrilled that golf will be included in the Olympics once again. The exposure will be a great catalyst for growth and development around the world, especially in new, emerging markets. With the games being hosted in Brazil, I think the growth in Latin America will be tremendous.”

Do you think the recent global recession has impacted the game of golf?

“There is no doubt in my mind that the recession has impacted the game of golf in most parts of the world. To give you an example, there are courses closing everywhere you look in North America, and there have been very few new courses opening. There are positive stories, however, and it’s our job to find them. In countries like China and India, the typical golf centred residential real estate model is alive and well. As the middle class in these countries grows, these projects have a great opportunity for success, and the game should grow as a result.”

How much consideration do you and your fellow professionals give to environmental issues, such as carbon offsetting and sustainability?

“I am a farmer at heart, so I have always had a great deal of respect for the land when designing courses. It is important to utilise the natural features and native plants, grasses and trees, not only because it will minimise the impact, but also the maintenance costs. I am thankful to see that most designers around the world are taking the environment very seriously.”

If you were able to meet someone who had recently returned from 2020, what two questions would you ask them about the future of golf?

“One, has anyone been able to join Gene Sarazen, Ben Hogan, Jack Nicklaus, Tiger Woods, and me in achieving the career Grand Slam?”

“Two, did golf’s governing bodies do anything to scale the golf ball back?”

The television picture

Golf has been a beneficiary of the two large developments in the television sector over the last two decades: the growth of more channels and the rise of pay-TV.

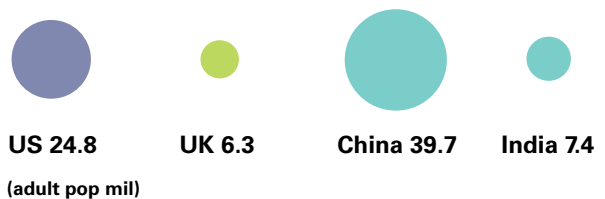
As a television spectacle, however, golf suffers in comparison with other sports. It is a competition between individuals, not teams. The action, at least in strokeplay competition, unfolds slowly, and in parallel, with different players who may be in contention for leadership at different places on the course. The balance of a tournament can change subtly, sometimes on holes with restricted coverage. This means that the golf audience tends to be a more informed audience.

But it also helps explain why golf is a polarising sport in some markets, with—as we saw earlier in the report—fewer people liking it than disliking it in a number of countries, including France and Germany. At the same time, the complexity of the sport creates new opportunities to improve the viewer experience through the use of ‘over-the-top’ digitally delivered services that allow people to tailor their coverage to follow a favourite player or watch a tricky hole with a hard-to-play water feature.

One striking finding from Mindshare’s data is the existing level of television engagement in China, in a market which is regarded as still developing. Engagement is a measure of the reach of the television audience. The data shows that in the Chinese market the interested television audience is already substantially larger than in the United States and the United Kingdom combined—an indication of the sport’s vast potential there. In the context of a population of a billion people, a current audience of around 40 million is tiny.

Two other aspects of the audience are striking, and are seen in the two charts opposite on the average age of the golf audience in different markets and the gender split. In the emerging markets, it is both more female, and it is younger. In other words, it reflects the characteristics of the game’s new players in those countries. All of this suggests a game that is putting down roots with the potential to grow fast.

Levels of golf engagement

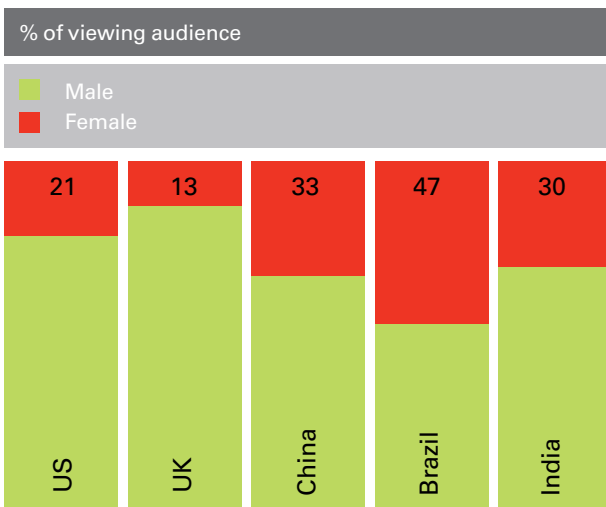


Source: Mindshare Global Sports Index

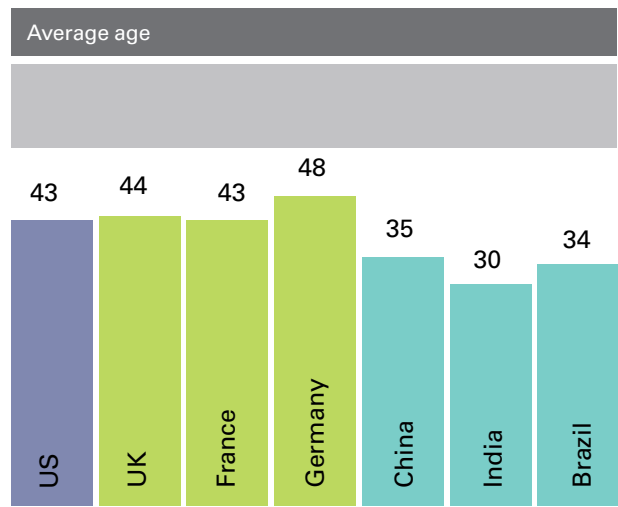
If the TV audience is growing, however, there is still a striking gap in the sponsorship value of the sport between richer and emerging markets. In sponsorship terms, the value of a Chinese viewer is estimated as being currently one-twentieth that of an American viewer. This gap is certain to close.

“The benefit of golf to TV is that it provides a new and unique audience. In this respect it is different to Formula 1, for example, which has a high degree of fan overlap with football in most markets. Golf provides the means to reach an older and more affluent audience than other sports”

Ed Wooller, head of mSport at Mindshare and creator of the Global Sports Index.



Source: Mindshare Global Sports Index



Source: Mindshare Global Sports Index



The role of celebrity

The emergence of celebrity players has contributed to the rising interest in golf, reaching more people through television and emerging design trends. The arrival of Tiger Woods attracted new audiences to golf a decade ago, and television ratings still see a 'Tiger effect,' rising 30-50% when he is in contention in the final round.

Golf-inspired designs have made their appearance in fashion trends, in part driven by the popularity of golf celebrities. In Japan, more female-friendly golf clubs and the success of female golfers, such as golf celebrities Ai Miyazoto and Momoko Ueda, have made golf popular among younger women. In recent years this has led to the growing trendiness of golf-inspired fashion in Japan both on and off the turf. In the US, golf-inspired brogues and loafers also became part of the cutting edge fashion trends this spring.

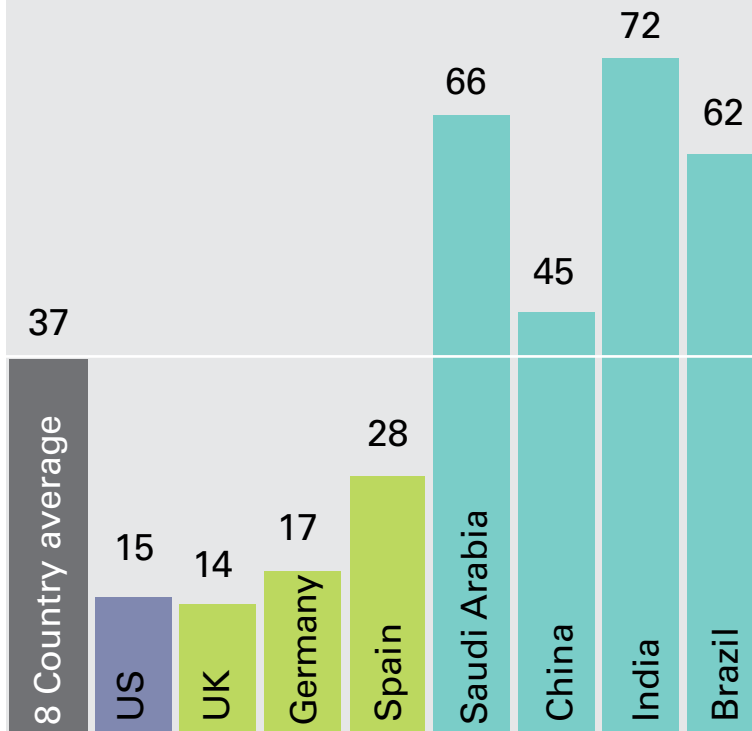
In general, because golf places more emphasis on individual competition rather than team events, audience interest in it tends to depend on the success of national players in big tournaments. The recent success of emerging Asian talent at international tournaments, including Shanshan Feng, Yani Tseng and Andy Zhang plus the emergence of new Chinese stars, is likely to drive the wider popularity of golf in celebrity-crazed China and other Asian markets.

But celebrity comes at a cost for the players, because of the much more intense scrutiny involved, as Gary Player observes: "The most important quality in a champion golfer is your mind, and the power to remain positive. Today's golfer encounters additional pressures from media, fans and sponsors, so your mind is crucial." One consequence for the professional game could be that top players either burn out more quickly, or choose to step away from the glare of the life of the tournament professional earlier than they used to.



Celebrity endorsement is more important in emerging markets

A celebrity endorsement will strongly affect my decision to buy one brand or another (%)*



Source: The Futures Company Global MONITOR 2011
Approx unweighted base size = 1500 (standardized)

An outcome of this combination of new markets, new players, and the association of golf with status in Asia will be the emergence of new Asian golf brands. Indeed, this has already started to happen. Last year Fila Korea, which owns the global rights to the Italian sports brand Fila, bought the American golf equipment maker Acushnet, along with its brands Titleist and Footjoy, for \$1.2 billion.

In Japan the success of female golfers has created a wave of golf-inspired fashion

The Innovating Game

The rise of the short form

One of the dominant trends over the next two decades, certainly in Asia, is a rapid growth in urbanisation driven by population increase. By 2030 the world's population is expected to grow from seven billion now to eight billion, and much of that growth will be in Asia. It is difficult to imagine the scale of this growth, but it has been described as the equivalent of building a city the size of Los Angeles every three months. There are consequences for land use: cities will expand beyond their current boundaries, absorbing land as they go.

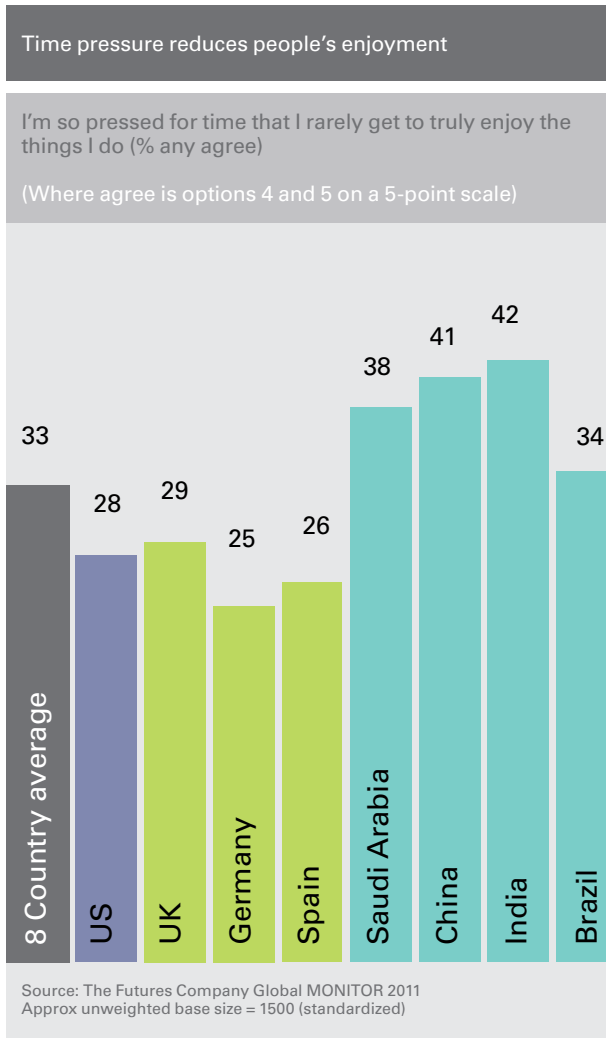






One challenge for golf, certainly in Asia, is that new courses, will be further from the city and harder to reach, adding more travel time to the four-to-five hours it takes to play a full round of golf.

And modern consumers, across the world, are more protective of their time. Even those who have more leisure time than they used to—as is true for many of the consumers in the emerging middle class in Asian countries—find themselves spreading it more thinly across more activities and more commitments.



Taken together, these suggest that in all markets we will see the emergence of new forms of golf which take less time, and there is already evidence that these forms are emerging. In this, golf is following a similar pattern to other sports, where short forms have emerged either because participants do not have the time for the traditional format (as with the rapid growth of five a side football), or because spectators are not willing to commit as much time (as seen in the development of 50-over and now Twenty20 cricket).

Change has always been part of the game. The golf course originally had 11 holes, played out and back to form a 22-hole round. In 1764 the first four holes were converted to two “for the improvement of the links”, thus reducing the course to 18 holes. Over time, as the prominence of The Royal and Ancient Golf Club grew, so 18 holes became the standard for a round.

Scotland's Troon course, one of the innovators, has developed a shorter, nine-hole version of its 'Monument' course, called Monument Express, with the challenge of a competition course combined with options for juniors and less experienced players. Elsewhere, course designers are developing 'clover leaf' formats that lay out a full eighteen-hole course in such a way that players return to the clubhouse every six holes, making six-hole and twelve-hole rounds a simple option. More irregular combinations of loops, such as three-, five-, and ten-holes would—depending on the physical land available— increase flexibility further.



Similarly, an important part of the winning French bid for the 2018 Ryder Cup was a commitment to develop 100 shorter urban courses, of six to nine holes, as an element in a development strategy which seeks to increase the number of registered French golfers from 400,000 to 700,000 in a decade.

Beyond this, as with Twenty20 cricket, we are beginning to see innovators tweak the rules to create short formats that preserve the flavour of the game but increase the excitement. It is likely that we will see more formats such as PowerPlay, based on a nine-hole competition, which rewards players willing to take more risks.

By 2020, we expect that an innovative sports channel will have driven this further, developing a format—with or without the support of golf's organising bodies—that allows professionals to play head to head in competitions that take half a day, or less, to finish. There may be a lesson here from the rise of the international sevens circuit in rugby union: the more international the flavour, the better the spectacle.



“Some people don’t feel they have the time to play a full 18 holes and golf may need to seriously develop its own version of Twenty20 in order to keep pace. This could certainly help more youngsters take up the sport, which is obviously vital. It could be a flagship event being hosted at night under floodlights, similar to what Formula One has achieved out in Singapore.”

Colin Montgomerie winner of record eight European Tour Order of Merit titles.

In other respects, golf development is in line with trends in other sports. Golf simulators, which are improving rapidly, are spreading into cities, offering the opportunity for a one-hour game of golf with friends in a lunchbreak or on the way home. South Korea remains the market leader for simulator golf, with providers found in shopping malls. Although there are controversies about simulator technologies, advocates believe that the best tracking technologies are now sophisticated enough to replicate indoors the full range of game situations. At the other end of the spectrum, the proposed Indoor Golf Arena in the Netherlands is a huge covered complex that will offer a whole range of different golf experiences under one roof, competing with leisure destinations as much as golf courses.

One of the consequences of such developments is the increasing democratisation of the sport. Urban Golf, a simulator golf business based in London, uses this as a point of difference in its advertising: "Any player, from beginner to professional, is eligible to walk in off the street ... They will not be required to abide by an archaic, denimphobic dress code, to speak in whispers in the club house or to be snubbed by the committee."

It could be that these developing short-forms of the game could spell the end of the traditional driving range. If spaces such as these are going to survive, they may need to re-invent themselves, perhaps along the lines of Top Golf, with a range of golf formats and entertainment facilities.



"Most people who work and have families in central London can't find time to get onto the golf course more than six to eight times a year. If you don't play, your standard slips, and then you lose the appetite for it. We believe the simulator system we now use tracks a golf ball 100% accurately. For practice it is far better than a driving range, as you can recreate on-course situations at the touch of a button. I think the simulator model is going to be the best way to keep players hungry to play outdoors."

**James Day,
Founder, Urban Golf**

Image source: <http://www.jazzfm.com/2012/07/coming-up-on-the-11th-july/>



Image source: <http://www.urbangolf.co.uk/our-simulators>

As part of its winning Ryder Cup bid, France will develop 100 shorter urban courses to increase participation

The golf video game market

Three questions dominate the discussion of the future of video games: what new hardware will allow us to do; what new gamers from different markets or demographics will demand; and what new games or content will emerge. These questions are as relevant to golf games as for any other type of video or computer game. When they are considered together they depict a particularly bright future for the genre.

When considering the impact of new hardware, marketers and gamers alike have tended to focus on the processing power of new consoles or computing devices. How many bits does it have? How many polygons can it render? How fast can it do 3D? Now, however, the attention has shifted away from raw



Image source: <http://www.flickr.com/photos/jdhancock/3408649524/sizes/l/in/photostream/>

processing power to new interfaces: from the Wii's motion sensing controllers, to controller-less gestural interfaces like the Xbox Kinect. The difference between the next generation of consoles and the Xbox 360s and Playstation 3s of today is likely to be as much about more intricate and sophisticated interfaces and input devices as it is better graphics.

This is good news for the golf video game market. Golf games offer eighth generation consoles like the multi-screen Wii U an accessible way of demonstrating new gestural interfaces (swinging a club in a golf game is more intuitive than learning a new control system for a games platform), as well as showing off improved graphics capabilities.

Motion-based interfaces (as on the Wii and Kinect) will become all but ubiquitous for the next generation of console golf games, but it will take longer for consumers to familiarise themselves with these new playing techniques. Traditionally, the standard interface in a golf game—largely unchanged since the mid-80s—has been a succession of clicks to determine power and direction. It will take some time for a new set of playing standards for motion-based interfaces to evolve, but when they do, it will change the gameplay in ways that make it more like playing the actual game.

When it comes to new gamers, golf is similarly well served by the growing group of 'casual gamers.' Golf games have traditionally tended to appeal to an older niche of people who were golfers interested in playing simulations, rather than the core gaming audience. However, the simple pick-up-and-play dynamic of golf games makes them perfect for the casual gamer, while the relaxed, gently competitive nature of a quick round of golf is more suited to the growing family gaming market than, say, a traditional multiplayer shoot-em-up. Beyond the casual gaming market, if golf continues to grow in popularity in Asia, we should expect to see a corresponding rise in the popularity of golf games in the region.



“I expect golf games will be a big part of the launch when the new generation of consoles is launched in a year’s time. They are a good way to showcase improved graphics capability—golf involves pretty landscapes—and are easy to include in the initial line up.”

Tim Edwards, Founder of www.pcgamesn.com/ and previously editor of PC Gamer magazine.

Image source: <http://www.prweek.com/uk/news/927992/editors-desk-tim-edwards-pc-gamer/>

Finally, when looking at new games, the casual gamer and Chinese gamer of tomorrow will want a different sort of golf game than the one we have today, but their tastes are unlikely to change the shape of the genre completely. The virtual game of golf will continue to follow the same patterns (strokeplay and matchplay) as the physical sport. What will change, however, will be the social dimension. At the simplest level, we expect golf games to make more use of User Generated Content to generate new courses, virtual club designs or even allow gamers to play creatively with the laws of physics in a virtual world. We also expect to see virtual coaching and mentoring of less experienced players, making them better, and more committed, golfers in the process. By 2020 we can expect simple but networked home simulators to blur the distinction between golf gaming and playing. The golf game of the future could make golfers out of gamers, rather than the other way round.

The caddy in your pocket

The advent of GPS (Global Positioning System) technology has created a swathe of mobile devices and applications designed to help golfers plan their approach to the hole. Typically, the devices allow the player to see the approach to the hole on their phone, along with obstacle, as well as calculating distance. Some applications also enable the user to record all of their shots and choice of club for later analysis. As devices become more sophisticated, they'll be able to help assess wind speed and direction, while social media will enable players to access other people's experience of playing holes or the best approach to particular obstacles, or even crowdsource advice.





The speed and pace of development in all aspects of golf is astounding – from the geography of golf, to the technologies available, to the marketing of the sport, it's definitely a changing game. I can see the Middle East playing an increasingly important role in the development of golf and I think there will soon be more winners coming from China and the Far East.

Within 10 years, I predict that the top 10 in the world will be made up of an equal split of Asian, European and US players."

Paul Casey has been a member of Europe's Ryder Cup team on three occasions, twice finishing on the winning side.



The Tourism Dimension



Golf has, in most markets, been strongly associated with affluence. This is a strength and a weakness. It makes the business case for course development easier to demonstrate, but it comes, sometimes, at a price: the game gets a reputation for exclusivity—a ‘country club’ image, as the Americans say, that can deter new players.

While the global economy struggles with the aftershocks of the Euro-American financial crisis, golf's positioning as an upmarket sport has meant that it has benefited from the continuing surge in spending by the top 10%. Simply put, golf tourists represent the top end of the tourist market.

China's Hainan Island, for example, is one of the areas being developed by the Chinese authorities as part of a planned tourism strategy, and there are plans for up to ten courses on it. Some of the demand will come from within China—and this is discussed below—but some comes from elsewhere in East Asia. As the National Golf Foundation noted in a 2010 report, the proximity of many Chinese courses to Korea and Japan, and competitive prices (even after allowing for flights) mean that Korean and Japanese golfers are likely to head to China at the weekend.

The boom in Asian golf tourism has not gone unnoticed at IAGTO, the International Association of Golf Tourism Operators, which this year launched its first golf tourism convention in Asia. Its President, Peter Walton, noted in April that, "Over 120 Asian companies have joined IAGTO this year alone and our Asian membership has already grown to over 15% and we expect this growth to continue rapidly from April through to the end of the year." More than half of IAGTO's 450 golf tour operator members sell Asian golf destinations.

Typically, a golf tourism strategy links tourism with competition golf. Abu Dhabi, for example, is now a destination on the European Golf Tour, with three championship courses in the Gulf region's top four. In turn, this means that they are able to promote tourist packages. "Golf tourism", says Dayne Lim of the country's tourism authority, "is a core pillar in Abu Dhabi's long-term tourism strategy."

For the region, it is a sound strategy. Golf courses in the Middle East are more likely to be profitable than those elsewhere in Europe or Africa, according to research done by KPMG in 2011 of golf course owners. Three quarters of the Middle Eastern courses surveyed planned capital investments, compared to half elsewhere.

Countries which have little in the way of a golf tradition have also started to invest in courses as a way of supporting their tourism strategy. Vietnam, for example, has constructed a number of luxury courses, including the Ho Chi Minh Golf Trail, which connects six luxury golf courses and resorts. Even Cuba, which banned the game after the revolution in 1959, last year approved the construction of four large luxury golf resorts involving an investment of \$1.5 billion. Cuba's Tourism Minister has said that up to 16 courses could be built on the island.

The enthusiasm for golf courses as part of a tourism strategy is simply understood: golf tourists travel more and spend more money. Some 20-30% of regular golfers will take a holiday in a given year where golf is the primary motivation, in a way that is simply not true of other sports participants. According to one analysis, the daily spend of golf tourists while on holiday is more than twice as high as that of general leisure tourists—and even higher among golf tourists visiting Spain. But it does more: golf tourism, suggests IAGTO, can extend the high season for destinations, as well as earning revenue from tourism ancillaries, such as meetings and incentives trade.

Chris Nicholas, the Managing Director of Standing Feather Indian, a Canadian company which will be building one of the Cuban courses, explained the government's change of mind to the New York Times in this way: "Cuba saw the normal sun and salsa beach offerings and knew that it was not going to be sustainable. They needed more facets of tourism to

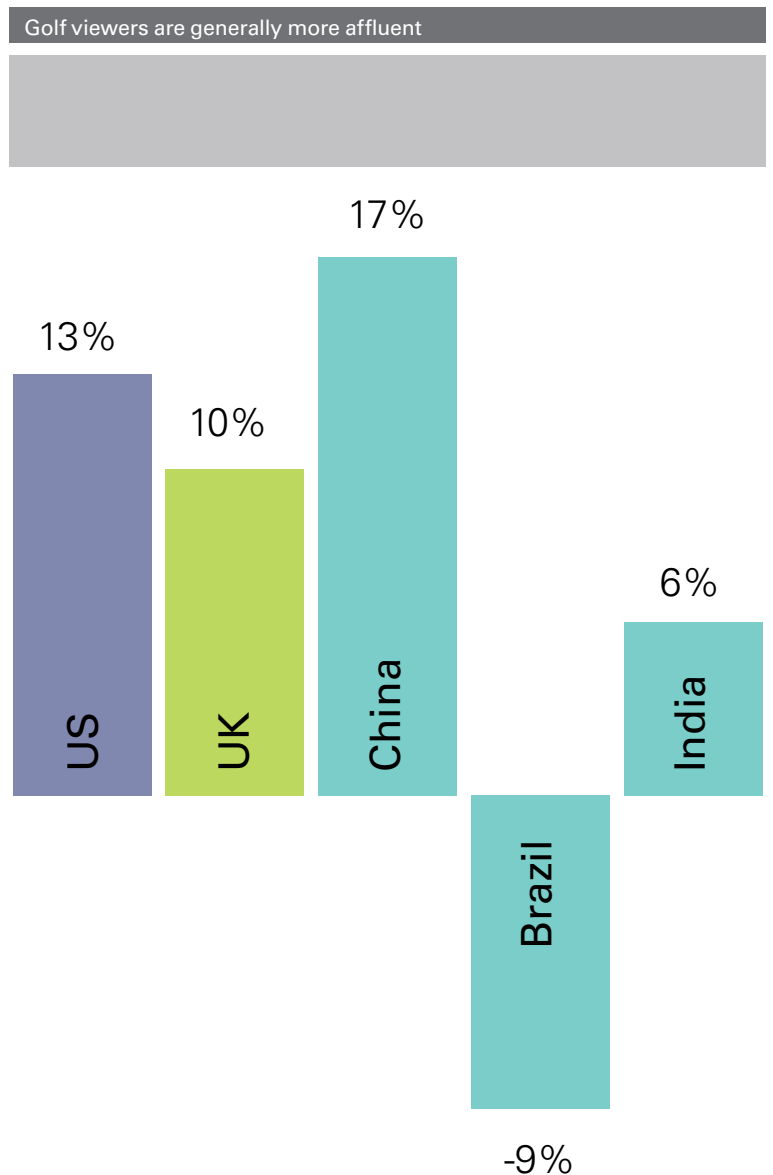
offer and decided that golf was an excellent way to go.” Unusually for Cuba, the developments will also include private houses that foreigners will be permitted to buy. The housing makes the venture more attractive to tourists and investors, and increases the profits, which will be split with the government.



Golf and the rise of domestic leisure

The secret to the growth of the game in these new markets will not lie just in their ability to attract international tourists, but domestic ones as well. As we see an emerging middle class in these emerging markets, so the demand for leisure and tourism is growing as well. The number of leisure trips made internally within China doubled between 2005 and 2010, and there is significant investment in hotels and tourism infrastructure for the domestic market. A recent study suggested that, for the Chinese, the leisure threshold kicked in at an annual income of 100,000 yuan, which—in the richest province, Shanghai—represents about 50% more than the average income. Golf, however, is in a different expenditure bracket. More than three-fifths of Chinese golfers spend more than 10,000 yuan a year on golf, and more than a quarter spend more than 50,000 yuan a year. Increasingly, these golfers expect to combine travel and tourism with golf.

Even as the golf market grows, it maintains its premium status among fans. Although the Chinese golf market is quickly becoming the largest in the world, golf viewers in China and India—like those in the USA and the UK—are better off than non-golf viewers.



Source: Mindshare Global Sports Index

Talking point: golf as a sign of economic development

Richard Haass, the President of the US Council on Foreign Relations, has observed that the development of golf courses in a country is an indicator of prosperity and stability. “Large numbers of golf courses,” he says, “reflect the emergence of a domestic middle class, the traditional foundation of democracy. And they suggest a society where citizens not only enjoy leisure time but take basic security for granted.”

But the premium status of golf brings with it its own risks. Land use is becoming increasingly contested as food and energy shortages, together with urban growth, mean that less land is available for other things. The reason for the Chinese government’s ostensible ban on golf development was concern over the land take of courses. More recently, a planned course in the UAE has run into some difficulties because it adjoins the country’s last remaining mangrove swamp—with concerns that the inevitable tourism development will compromise the protected status of the mangroves. Closer to home, Donald Trump’s plans to build a course in Scotland ran into political protests because the location included a Site of Special Scientific Interest.

These conflicts are inevitable in a climate in which there is both increasing pressure on land and greater interest in land rights and biodiversity. The economic benefits of a high-end tourism sector can also seem disconnected from the needs of local people to continue to make a living. But there are signs of innovation here. Courses as far as part as Cape Verde and Africa have engaged with their local communities to help support local agriculture with land and water. Sustainability initiatives, discussed in the next section, also help.



"I can see sustainability playing a key role in the sport moving forward, with new forms of water management being implemented that allow golf courses to be constructed in parts of the world that previously you would not have imagined possible. All in all, it could lead to another boom in golf tourism. I always get asked where I think the next big golfing destination will be and I can't look past China."

Colin Montgomerie's course design business has been building golf courses for more than two decades.





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The Green Green



In a world in which water scarcity is becoming a more significant issue, the environmental management of golf courses is rising up the agenda. As consumers become increasingly aware of their own water use (as seen in the chart), so they expect organisations also to take this seriously.

The average American golf course consumes some 50 million gallons of water a year—comparable to the usage of a village of 1,400 people.

The green greens that golfers tend to expect - an expectation perhaps encouraged by immaculate courses seen in television coverage of the top competitions - can come with an environmental impact, in their use of water, and also associated fertilisers and chemicals. While these issues represent inevitable challenges, they are also opportunities: it is possible that golf managers will come to be seen as a reservoir of knowledge about sustainability solutions, already an emerging trend in some water-constrained parts of the world.

In established markets such as Spain, and in developing golf markets such as China, water scarcity is an increasingly significant issue. In other markets, such as Germany and the Netherlands, consumers increasingly expect to buy from companies with good sustainability credentials. For golf, this will mean moving from thinking of sustainability as a threatening compliance issue to a positive opportunity that enhances the game's image,

and should be embedded in course management and development, and the staging of golf events.

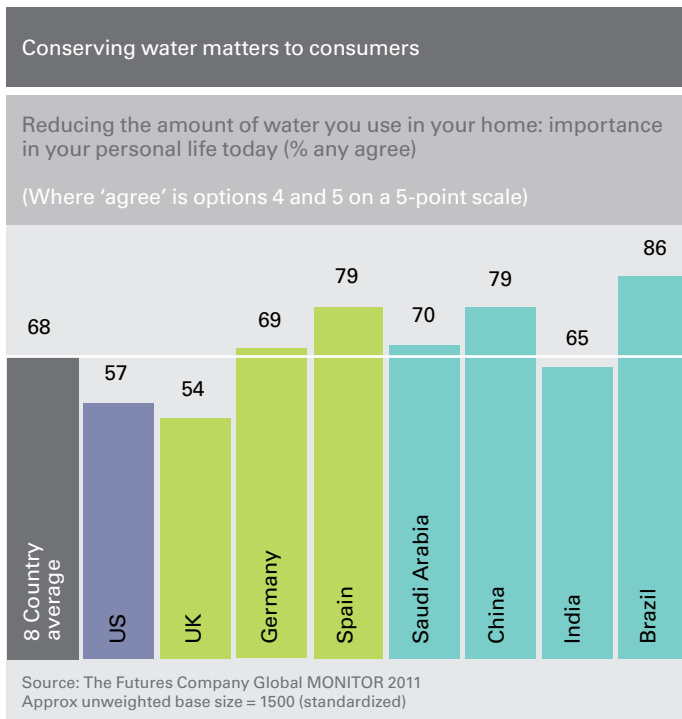
Jonathan Smith, the Chief Executive of the international, not for profit GEO (Golf Environmental Organization), points out that while golf faces real and legitimate challenges, golf can also tell a good story. It offers investment and employment, a healthy activity for all ages, local access to and protection of green space, while protecting biodiversity and sequestering carbon.

By 2020, it seems likely that most new courses will start by designing out unnecessary impacts and designing in sustainable management, for example by planting native perennials, increasing the amount of low maintenance vegetation, and allowing ponds and wetlands to become more natural.

In terms of the game's use of resources, an evolving array of new technologies are available that support more efficient water use and reduce chemical dependence. Innovative grassing techniques include the introduction of drought and disease resistant turf grasses that survive



Photograph: Laurence Gale, courtesy of Pitchcare.com



“Sustainability is a challenge for golf, but it is also a great opportunity. People are recognising that the best golf courses, run by the most profitable businesses, are those that are planned, designed and managed with resource efficiency, ecological richness and community integration in mind. A good course is one that responds to the landscape, climate and its location—embracing its natural and cultural assets, instead of trying to change them.”

Jonathan Smith, Chief executive, Golf Environment Organization

low quality irrigation water. Water-recycling, unused water reclamation, and improved irrigation technologies will also become more central to course management. Integrating sustainable drainage features on golf courses, such as ditches, wetlands and waterways can also contribute positively to the natural replenishment and purification of local water supplies.

Sustainable golf is already entering the mainstream in markets where consumers are engaged with environmental issues, with growing numbers of courses seeking credible sustainability certification in places like the Netherlands and Sweden. The extensive sustainability commitments made by France's winning bid to host the Ryder Cup in 2018 also points to the shape of things to come. By 2020, we will see some carbon positive golf courses that have taken advantage of sustainable innovation to contribute to the air, water and overall environmental quality of their locale.



Photograph: Laurence Gale, courtesy of Pitchcare.com

Talking Point



The World's First Floating Golf Course, scheduled to open in the Maldives in 2015, promises not to have a negative impact on local ecosystems. Its environmentally friendly design, engineered by a specialist engineering company, Dutch Docklands, includes sustainable desalination and water cooling techniques and solar powered electricity supply. The course will consist of several floating platforms with two or three holes each. The platforms and surrounding hotels will be connected by a series of underwater tunnels.

Image source: Conceptual design by Koen Olthuis
Waterstudio.NL/Dutch Docklands

Golf's 2020 Vision

As Gary Player says in his interview for this report, golf has become a global game, with new markets developing in Asia, Latin America, the Middle East, and Eastern Europe.

In researching and writing Golf's 2020 Vision: The HSBC Report, it has been striking that a game that is often regarded as traditional and conservative has embraced change so readily. In doing so, it is laying the foundations for the development of the game well into the 21st century, aligning itself with the trends which will shape life on the planet in the coming decades.

By 2020 and beyond, we see a sport that will be in the process of transforming itself.

It will be more international.

Historically, golf has been associated with countries in the richer world, in particular the US and the UK. As courses develop it will increasingly become more international, with more world-class competition golf being played in more countries. It is only a matter of time before the European Tour spends more time competing in the Gulf, adding a

second 'Desert Swing' to the itinerary, and there are more top flight events added to the schedule in China and elsewhere in Asia. This is to be welcomed; in turn it will encourage the emergence of more home-grown professionals from these countries, creating a virtuous circle of greater coverage, enabling youngsters to identify with local success, and encouraging local sponsors and brands to move into the market, creating more funding and more opportunities for development. The women's professional game is already some way down this road. The professional men's game of 2020 will also be more diverse.

Participation will be broader.

As golf is identified as a more active game requiring greater levels of fitness, so more young people are attracted to it rather than to other sports. In China this is reinforced by perceptions that golf teaches children important personal values. At the same time, women's engagement with the game, and participation in it, is also increasing—a source of growth even in those markets where the sport has seen a decline since the financial crisis. The result will be a game that is both younger and less male. The development of golf 'destinations' such as the planned Indoor Golf Arena will also encourage participation by attracting players of a wide range of ability and experience. Golf clubs and golf courses will need to respond, and we expect that by 2020 most clubs will be more family-friendly, in the clubhouse, in the practice areas, and on the fairways. This is good business as well as being socially appropriate.

The game will be more flexible.

Golf is increasingly moving away from the expectation that a game involves a full round of 18 holes, to a model where shorter versions of the game are encouraged. Extending participation in a more urban world will need shorter courses closer to where people live and work. We expect to see this extended by a range of new competitive formats

which enable professionals to play against each other in events which take only a few hours rather than the four days of a full strokeplay event. Power Play can be thought of as the first steps in this direction, and we anticipate that broadcasters will be active in developing such formats to help to promote their investment in the game. The rapid evolution in the quality of golf simulators will help, as they become sophisticated enough to replicate the full range of game situations, and enable people to 'keep their eye in' by playing indoors for an hour or two.

Golf will be more accessible.

The public perception of golf is still, to some extent, influenced by the attitudes of a small number of exclusive clubs. The development of short courses, of versions of the game that can be played in urban spaces, and of technology-enabled play will open the game up to people who are as interested in the sport of golf as its reputation. There are still challenges here for the game: there will need to be more locations where the business model is based on pay-and-play or the multi-course *cartet* rather than the membership model. Many of the youngsters taking up the game in China and India are from families without experience of golf, helped by the growth in academies and discounted green rates.

It will be more technologically engaged.

We are moving quickly towards a world in which digital technology is ubiquitous, even in emerging markets, and these technologies are rapidly becoming mobile, local and social. Courses and clubs are already using social media for marketing, communications, and bookings, and payment will not be far behind. Beyond the mobile device, sensors are now so cheap that it is possible to embed them in objects just in case, rather than having to build a business case. There will be some trivial but useful benefits from this, such as the end of the lost ball, automatic scoring, and a host of richer applications and benefits. These could include learning and coaching applications, such as the 'smart club' which can remember your grip and swing for a bad (or good) shot, allowing you to analyse it later. The use of video as a coaching aid will be increasingly widespread. Sensors will also be valuable to groundsmen and women in improving the maintenance and management of courses, enabling, for example, precision application of water or nutrients only where needed.

Courses will be more sustainable.

Golf has to some extent been behind the curve on sustainability, with some regarding it as a compliance cost rather than as an opportunity for the sport to develop expertise while also reducing costs. Water consumption will have to be reduced for courses in many parts of the world, and there is likely to be growing concern over the impact of fertiliser on runoff and local water systems. But all of these also represent huge opportunities for golf. The land management expertise of golf groundspeople is already high, and they have the potential to become repositories of knowledge about good local environmental practice. Courses will find that sustainable management is a cost-saving, not a cost. The future golf course will be embedded in the local water systems of their communities, helping them to manage their water resources, sharing good practice, and supporting local biodiversity through the design and management of courses.

Some of these issues will represent a challenge. The game is likely to see quite rapid change over the next decade. But they are changes that will help the game of golf—one of the oldest sports in the world—to grow and to prosper in the 21st century.

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Box: Talking point: golf as a sign of economic development

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