

# State of the Market Briefing

Excerpts from IAGTO Opening Address at IGTM 2010  
by IAGTO Chief Executive



# State of the Market

## Looking Ahead

Rather than simply reviewing the past year we would like to take a look at how the golf tourism industry is developing and how this might affect your business in 2011.

We are now 2½ years into the global economic crisis, so whatever the market throws at us this year at least the element of 'surprise' should no longer be a factor! However, it is essential that every IAGTO member positions themselves in the best possible way at the beginning of the year in order to take advantage of **uneven resurging markets** and a very wide range of **consumer expectations**.

In November 2008 we said that golf tourism would bounce back sooner than general leisure tourism and we were therefore pleased to see the **bounce** begin in September 2009. What we failed to predict were the volcanic ash clouds and the devastating disruption that was to follow, putting the brakes on the recovery in March 2010. In November 2009 we said that only **50% of all suppliers** and destinations are likely to recover to previous levels within 2-3 years and therefore all of our activities recently have been designed to keep our IAGTO members in that top half!

## Golf Tour Operators

Despite the crisis, IAGTO now has a record number of golf tour operator members, more than **360 in 51 countries** and this is set to grow as we expand into Asia.

- IAGTO membership criteria for operators is now tighter than ever before and we have rejected membership applications from more than 100 operators over the past 4 years;
- Few if any IAGTO member operators went out of business in 2010;
- Recently we have seen an **increase in mergers** and strategic alliances between operators;
- Operators have shown a chameleon like ability to adapt rapidly to changing circumstances in order to sell what the consumer is demanding at prices they can afford;
- Enormous resilience has been shown with **reduced overheads** and **longer working hours** necessary to drive business in and remain profitable on smaller margins;
- The purchase and sale prices of golf vacations have dropped to **record lows**, whilst **profit margins have also been slashed** to the bare minimum as a result of tough local competition, an increase in the number of booking channels and a demand for lower prices and increased value for money.

The result of all this has been that golf tour operators are reporting a **consistent growth in sales volumes** (not necessarily reflected in revenue or profits...) despite occasional interruptions by unpredictable events in a global market that is now far more aware of and sensitive to global economic movements, natural disasters and travel related incidents.

This growth in golf travel numbers is, however, real, and should be music to the ears of golf destinations worldwide in 2011.

## Suppliers & Golf Destinations

---

IAGTO's supplier membership has also grown every year since the Association was established in 1997, now totalling more than **1200 supplier companies**, tourist boards and organisations in **82 countries**.

When an economy is emerging from a recession, individual company performances vary enormously: Some hotels have gone into administration; others are well down on previous years' figures whilst there are also many great stories of suppliers reporting **excellent year on year growth**.

- Semi-private golf clubs which have lost membership during the downturn are compensating by making more tee times available to visitors. This is great for consumers but tough for destinations that have **excess tee time capacity**. Some hotels that go into administration come back onto the market with even lower prices just so that the property can be kept alive until it can be sold;
- Generally all suppliers have had to cut their prices and therefore their own profit margins; The most successful have also become **very creative with their packaging**, responding to requests from operators and consumers not only for lower prices but for even greater value for money!;
- Golf Resorts 'hold all the aces' when competing with hotels without golf courses, but they also tend to be saddled with the highest costs and/or loans particularly if they were dependent on real estate sales that were not completed prior to the recession.
- Ground handlers are being squeezed from both sides whilst at the same time are having to deliver the best possible service in order to keep the demand coming in, but the rise in the number of small groups has worked in their favour. **Customer service & added value** are the core principles of all IAGTO ground handlers and they are in a unique position to deliver what the operators' and suppliers' clients are crying out for.

## Rise in Small Group Travel

---

Many IAGTO suppliers from around the world have reported a **significant rise** in the number of **small groups** travelling, although this is both destination and market specific. Not only does this reflect the down-sizing of larger groups but it also reflects the growing attraction of the cost effectiveness of travelling in a small group as opposed to travelling individually.

## An Industry Conundrum: Shorter Lead-In Times vs. Rise in Forward Bookings

---

Most suppliers are reporting shorter lead-in times, whilst at the same time operators are reporting a genuine rise in forward bookings. Late bookings and forward bookings are of course diametrically opposed to each other and should not be increasing at the same time! The explanation behind this apparent **golf tourism industry conundrum** demonstrates neatly some of the key trends in this recovering market

We all understand the concept that late bookings increase when the consumer expects and then experiences late **price-dumping** by hotels and golf courses. Suppliers put out late and low-priced special offers when they realise that they are unlikely to sell their entire room or tee time inventory. However, whilst this behaviour is still prevalent, operators are at the same time achieving good forward bookings to specific golf resorts and destinations as a direct result of persuading the consumer that the best prices to these selected destinations are available **right now and not later!**

There is also a **new trend taking shape** because not all short lead-in times are caused by the culture of late offers. Global uncertainty, accentuated by the disruption caused by the volcanic ash clouds, has lead many travellers to wait until the last moment before booking their golf vacation. This is one of the main reasons that we saw a late surge in golf bookings for September and October 2010.

Furthermore, it is becoming a behavioural trait for many people who decide to book late simply because they **cannot make a commitment** a long time in advance, for work or other lifestyle reasons. For these people it is not a question of being driven by late-offers.

As the third quarter of 2010 began, many tour operators were reporting good levels of forward bookings for 2011 to specific golf resorts and destinations, six or seven months in advance. This can be linked directly to suppliers getting their net rates out early to operators and to suppliers guaranteeing their best rates to golfers who booked early, which together enabled the operators to **deliver confidence to the consumer to "Book Next Year Today!"**

## The Value of Events during a Recovery

---

Another trend that came to light in 2010 was that events of all sizes are particularly beneficial to destinations during a recovery period. Destinations consistently saw a growth in golf tourism where local events of interest to international visitors had been staged, ranging from globally publicised affairs such as the soccer World Cup in South Africa or the Formula 1 Grand Prix; from the Ryder Cup in Wales to **small commercial golf tournaments** staged specifically for golf tour operators to sell to their clients.

When golfers are in two minds about travelling, having an event forces them to take a decision. Providing their hesitation is not financial, carefully planned events can certainly be a **valuable catalyst for the short term growth** in golf tourism during a recovery.

## Regional Variations

---

Whilst drawing your attention to some noticeable recent trends within the golf tourism industry, we urge you to guard against sweeping generalisations. Particularly in a recovering market you need to look carefully at how each market is responding to specific destinations. For example, towards the end of 2010 **Scandinavia** was without the market most suppliers considered to be improving the fastest.

**Germany** was also coming back well along with the **Netherlands**. The enthusiasm of the new markets in central Europe including the **Czech Republic** was buoying their bookings and **Russia** too was doing well at both the low end and the top end of the market.

**Austria** and **Switzerland** were doing well comparatively whilst **France** and **Belgium** as outbound markets were up in some destinations but not in others. **Local international travel** is up in many places, where golfers can drive or fly a short distance to a golf destination – for example Germans to the Czech Republic or English golfers travelling to Ireland.

**Spanish** golfers were travelling to nearby destinations such as Andalucia and the Lisbon Golf Coast but were down for example to Mallorca. Whilst many destinations were still waiting for the **UK** market to recover, domestic travel was up in the UK together with numbers to Ireland and forward bookings to both winter-sun and summer golf destinations for 2011.

Whilst many would consider the **US** market to be down overall, it was actually up to many places in the Caribbean and winter long-haul destinations like Australia and Thailand also reported good US sales, whilst business to both Canada and Ireland was down.

**Canada** and **Australia**, both with strong currencies, performed well and the tiger economy of the sub-continent saw a noticeable rise in **Indian** golf visitors to South East Asia; and whilst **Asian** golf travel within the continent is looking good, **South Korean** golf travel to China was down. Golf is really booming in **Latin America** with **Argentinian** golfers leading the way on golf trips primarily to the USA.

## Key Factors Affecting Markets & Destinations

---

When you dig down into the details, most of the variations between markets and destinations can be traced back to **exchange rate fluctuations, government action** and real changes to **international access** such as the loss of specific direct flight routes or the emergence of low cost carriers. Strong Canadian and Australian currencies are primarily the result of these countries having suffered less during the economic crisis all of which makes them strong outbound golf travelling markets at the moment. Whilst the British Pound is still relatively weak against the Euro, this is no longer such an important factor in holiday choice for golfers as the British consumer has become more used to its currency's position. Therefore it is the rapid change in a currency's strength that has the most dramatic effect in short term golf holiday bookings.

You will notice that **none** of these variables are **within your control!**

So our advice is to **maximise your market mix** and **ride those markets on the up** and keep working on those that maybe struggling whilst recognising that you can't force a slow market. We also recommend that tourist boards should try to remain **dynamic and flexible** and be lead by the private sector. Ideally tourist boards should allocated significant amounts of their promotional budgets for short notice use, in order to help catch markets on the up.

## Achieving Forwards Bookings

---

This time next year we would like to see all IAGTO member suppliers achieve a **20% growth in forward bookings** from IAGTO member golf tour operators! Evidence gathered in the autumn of 2010 would suggest that this is eminently achievable for suppliers who focus on **three key guarantees**...

- 1) A guarantee to get net rates out to operators 12 months in advance or simply allow them to use the current year's rates for future bookings;
- 2) A guarantee that the best rates will be offered for early bookings and that these will not be undercut by lower rates later in the season;
- 3) A guarantee that a supplier's client operators can book any offer that is published directly to the consumer by the supplier, even if these are on different terms.

These three steps will put suppliers in the perfect position not only to achieve massive gains in forward bookings, but also to establish the strongest possible risk-free relationships with IAGTO operators in order to **win a significant share of the growth** that operators are generating in each rising market.

## Direct Marketing vs. Operator Sales

---

Nearly all suppliers and destinations benefit from a combination of Direct Marketing to consumers and Tour Operator sales. It is in every supplier's interests in a recovering market to ensure that both direct sales and operator sales efforts are as effective as possible. The reality is that **direct marketing will also increase tour operator sales** (direct marketing raises the awareness of a supplier's product or offer and triggers enquiries to operators) and promotions undertaken by tour operators **will also generate direct sales for the suppliers** and sometimes for other competitor operators!

Therefore all promotions benefit both suppliers and operators, providing that there is **no bottleneck**. Unfortunately, not all direct offers can be booked by tour operators, and this is where the problem lies. Many consumers prefer to book their golf vacation through their local golf tour operator who they know will protect them financially and who will also handle all the details and manage any changes. If the operator does not have access to a direct offer promoted by a supplier, then **they cannot close the sale**, and there is **no guarantee** that the consumer will book the vacation directly with the supplier.

So our advice is to **use the operator to close the deal**, whatever arrangements you need to put in place to make it worthwhile to the operator – be creative! Many suppliers retain the services of public relations companies and international marketing agents to promote their products directly, but tour operators only take a commission on business that they produce.

A supplier can consider its client tour operators to be their very own sales **agents or 'foot-soldiers'**, paid purely on results. Therefore the most successful suppliers in 2011 will be those that enable operators to sell every offer that is published direct to the consumer and therefore to 'close the deal early'.

**Harness the power of golf tour operators in 2011**, enable them to close every sale early and maximise your forward bookings!

## IAGTO Response to a Crisis

---

There is no doubt that the disruption caused by the volcanic ash clouds was the single biggest factor in the tourism industry this year, let alone in our own golf tourism sector.

We would simply like to **congratulate all IAGTO member suppliers and tour operators** for how they responded to the crisis, putting the interests of the customer above profits. All of you went well beyond the letter of your contracts and ensured that golfers stuck abroad were able to continue enjoying golf and their enforced extended stay, whilst those who were unable to travel were offered their money back if they were unable to travel at a later date.

As a result tens of thousands of golfers learned first-hand two of the primary benefits of booking through a tour operator: **financial security** and first rate **customer care**. Tour operators, with the support of their suppliers, looked after their clients, whilst holiday makers who booked individual vacation components through discount websites were at the mercy of their insurance companies.

Within 24 hours of the disruption, IAGTO had issued guidelines to our members. We were able to immediately ask all European suppliers what action they were taking, and publish **IAGTO Best Practice Guidelines**, even though these went beyond contractual obligations.

Similarly, when the disruption continued into April, it began to affect not only the end of the winter-sun golf season but the whole of the European summer golf season, particularly from sensitive markets like the USA. Our guidance to US operators was to issue guarantees to their customers that if flights were cancelled their clients would in no way be penalised financially. Thanks to our **North America Chapter** meeting our US tour operators were able to identify one travel insurance company that treated volcanic ash cloud disturbance as a 'weather incident' rather than an 'act of god'.

**SO WELL DONE TO ALL OF YOU!**



INTERNATIONAL  
GOLF TRAVEL  
MARKET



INTERNATIONAL GOLF TRAVEL  
WRITERS ASSOCIATION



1 Trafalgar House, Grenville Place, London, NW7 3SA, United Kingdom  
Tel: +44 20 8906 3377 Fax: +44 20 8906 8181 Email: info@iagto.com  
Website: www.iagto.com