



THE GOLF APPAREL & FOOTWEAR MARKET

**Southern
Europe
Volume 1**

FOCUS ON:

Bulgaria, Croatia, Cyprus,
Greece, Italy, Portugal,
Romania, Serbia, Slovenia,
Spain and Turkey

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The Golf Apparel & Footwear Market Executive Summary - Southern Europe

Please find below an Executive Summary of the first volume of this comprehensive report on the market for golf apparel and footwear in Europe. Commissioned by the British Golf Industry Association (BGIA) and supported by funding from the British Chambers of Commerce Export Market Research Scheme, the three volumes of the report will cover a total of 31 countries in Europe, plus Morocco and South Africa. As this is an export focussed report the U.K. market is excluded. The research was carried out by EDM Publications, publishers of *Sporting Goods Intelligence*.

This unique series of country reports is intended to help the reader compare various markets by covering the same topics in each country. As shown in the table of contents at the beginning of each volume, each country report starts with a review of the general economic and social situation, followed by trends in sports participation in general before discussing the development of the game of golf among the local population, provision of golf courses and golf tourism. Production and trade in golf products is then analysed, together with major local suppliers of golf clothing and footwear.

The most important chapters, which have required most original research, relate to the size of the market for golf clothing and shoes and a description of the supply chain for these products. Leading brands, distributors, agents and retailers are profiled. The final chapters discuss fashion trends in golf apparel, branding and pricing issues, marketing and market entry and optimisation strategies. Each country report ends with a series of recommendations on how to optimise market penetration.

The degree of depth of the analysis and the size of the individual country reports varies depending on the importance that the country has in terms of local golf participation or the development of golf tourism. The countries analysed in this report have been divided into primary, secondary and other markets:

| | Volume 1 Southern Europe | Volume 2 Central/Eastern Europe/Africa | Volume 3 Northern Europe |
|--------------------------|-------------------------------------|---|-------------------------------------|
| Primary Markets | Spain | Austria | Denmark |
| | Italy | France | Finland |
| | | Germany | Ireland |
| | | | Netherlands |
| | | | Norway |
| | | | Sweden |
| | | | Belgium/Luxembourg |
| Secondary Markets | Cyprus | Czech Republic | Iceland |
| | Greece | Poland | |
| | Portugal | Russia | |
| | Turkey | Switzerland | |
| Other Markets | Bulgaria | Morocco | Estonia |
| | Croatia | South Africa | Latvia |
| | Romania | Slovakia | Lithuania |
| | Serbia | Hungary | |
| | Slovenia | | |

The markets listed in the first column are those covered in this volume. The other regions will be covered in two subsequent volumes, both of which are scheduled to be published later this year.

The information provided in this report is not only quantitative, although the actual or estimated turnover of most of the important players in the sector is given. Also discussed are market penetration strategies, brand positioning, sales structures, logistics and many other issues that are of interest to the companies involved in the sector.

In-depth interviews were conducted with selected industry experts and important market operators. Retail outlets have been visited and hundreds of brand owners, distributors, agents, retailers and operators of golf courses in all the countries, plus the export managers of many international golf apparel and footwear brands have been contacted. The list of the people interviewed (230 for this volume) and other useful contacts are reported at the end of each country report.

GENERAL INTRODUCTION

The territory covered by this volume - except for France, which will be covered in the second volume - corresponds largely to the Mediterranean region. It doesn't have as many golfers as some of the regions of Northern Europe, but because of its mild climate, its history and other attractions, it has become a favourite leisure destination.

According to our calculations, the countries covered in this volume generated total golf apparel sales of €69.5 million after VAT at the retail level in 2008. Retailers located in these countries also reported the sale of 168,000 pairs of golf shoes.

Many of the countries that we are studying in this volume – especially Spain and Portugal – have benefited from the rapid development of foreign golf tourism over recent years. Others, such as Turkey, are expecting to benefit from it in the future as travelling golfers discover new destinations.

Golf tourism is an important factor in the golf apparel market because tourists spend much more on golf apparel and related accessories than on golf hardware. However, to our knowledge, nobody has made a calculation so far of the amount spent by golf tourists on apparel and footwear while abroad. Golf tourism is estimated to generate total annual revenues of \$40 billion worldwide and has recently been growing by 8% each year.

Including France and the countries of northern Africa and the Middle East, which we are not covered in this volume, the Mediterranean attracts more than 30% of all the tourists who travel abroad, according to the World Tourism Organisation (OMT). While tourism is growing faster for other destinations, the OMT has predicted that the number of visits to Mediterranean countries will continue to grow at an annual rate of 3%, reaching 346 million visits or 22% of global tourism by the year 2020.

The growth of foreign tourism, including golf tourism, is likely to falter in the short term, however, because of the current economic crisis and the recent decline in the value of the pound sterling. These problems have had a strong negative effect on the golf apparel market since mid-2007, especially in Spain, reaching dramatic proportions in the second half of 2008.

There are no precise figures about the number of tourists who have been travelling to Mediterranean destinations to play golf, but we estimate that they have reached an annual level of about two million with the exception of France, the country with the highest number of golf courses in the region. France has a hybrid status insofar as it also has the highest number of indigenous golfers in the Mediterranean.

According to the International Association of Golf Tour Operators (IAGTO), the main flows of golf tourists come from the U.K., Germany, Sweden and France and are mainly directed at the following destinations, in order of importance:

| | |
|----------|---|
| U.K.: | Spain, Portugal, France, USA, Ireland |
| Germany: | Spain, Portugal, USA, Morocco, Tunisia, Turkey |
| Sweden: | Spain, USA, Ireland, Thailand, Italy |
| France: | Morocco, Spain, USA, Tunisia, Scotland, Caribbean |

German tourists, in particular, like to play golf outside their own country, and they have the highest degree of loyalty to specific areas. Golf tourists have a high spending power and some of them make up to nine trips abroad per year to play golf, especially in the spring and autumn. In the Mediterranean region, they tend to associate golf with other sporting or cultural activities.

There is a strong chance that the number of travelling golfers in the Mediterranean will continue to grow in the long term thanks to the development of low-cost airlines and the growth in the number of golfers, which is far from having reached maturity in countries other than the U.K., Ireland, Sweden or Germany. In the past ten years alone, the number of golfers throughout Europe has grown by 65% to more than 7 million registered individuals.

Except for France, the number of registered golfers has grown rapidly in the Mediterranean countries and in Portugal over the last ten years, but it has remained relatively low, mainly for cultural or economic reasons that are explained in the individual country reports. Some of the growth has been fostered by the availability of golf courses in the countries due to inbound tourism.

Following the development of golf at the national and international level, the number of golf courses has been growing steadily in most of the Mediterranean countries and in Portugal with the exception of Malta and Monaco, as shown by the statistics of the European Golf Association (EGA). The development has been most rapid lately in southerly countries such as Cyprus and Turkey.

There has recently been a strong trend to develop golf facilities in the more southerly locations of the Mediterranean region and within the countries along the coast as local authorities and entrepreneurs have come to realise the economic benefit of developing golf facilities, thus lengthening the holiday season beyond the summer months.

This first volume of the series on European golf apparel and footwear begins with country reports on Italy and Spain, the two largest economies in the Mediterranean region (with the exception of France). The Gross Domestic Product per capita is similar between the two countries. The size of the population, the basic culture and the climate are similar, too, but the development of the golf sector has been less pronounced in Italy than in Spain for a variety of reasons.

The perception of golf is more elitist in Italy than in Spain. It's harder to get a permit to open a golf course in Italy and national policies have not favoured the development of golf tourism or tourism in general in Italy. As a result, the number of golfers is lower in Italy than in Spain by a factor of three and the number of foreign golfers visiting the country is probably lower by one-quarter.

On the other hand, Italian creativity and the country's strong textile tradition has led to the emergence of numerous brands that compete with those from the U.K., Sweden and other countries in the area of golf apparel, including a multitude of smaller players, certain of which continue to manufacture some of their items in Italy. Because of this, the chapter on national production is much bigger in the Italian country report than in the Spanish one, boosting its overall size.

INTRODUCTION TO SOUTH-WEST EUROPE

Spain, Portugal and Italy are the first three countries covered in this volume. They are treated separately and differently from those of south-east Europe because their economies and their golf markets are more developed.

Their numbers in terms of local golf participation are much lower than in Central and Northern Europe, however, particularly in Italy and Portugal. This is partly compensated for by the development of golf tourism, especially in Spain and Portugal.

The chart below sums up the golf situation in these three countries, although GDP has been eliminated here as one of the fundamentals because of the economic crisis that began to hit all three countries hard in 2008. This and other themes are developed in more depth in the individual country reports.

General golf market figures, 2008

| | Golf apparel market (retail before VAT) | Golf shoe market (pairs) | Registered golf players | Golf tourists (2007 estimate) | Golf courses |
|----------|--|-----------------------------|----------------------------|----------------------------------|-----------------|
| Spain | €32.5 million | 100,000 | 318,331 | 950,000 | 321 |
| Italy | €18.0 million | 40,000 | 95,000 | 250,000 | 258 |
| Portugal | €13.0 million | 13,000 | 15,116 | 404,000 | 90 |

Source: Official figures and estimates by EDM Publications

About one-third of the golf apparel market in these countries consists of polo shirts and other types of casual and fashion-oriented clothing with some kind of golf inspiration that are widely worn on as well as off course.

Aside from this general observation and some obvious commonalities in terms of climate and culture, it is hard to reach any general conclusions about the market in all three countries. Thus, as an introduction to this part of the world, listed here are some of the conclusions that have been reached for each of these countries.

The sequence is not based on market size but rather on territorial grounds. We start with Spain and Portugal because several brands cover these two countries and the small state of Andorra jointly as part of a single Iberian market.

SPAIN

- After many years of high-single-digit and double-digit growth, total sales of golf products declined by more than 15% in Spain in 2008, according to estimates, with a drop of over 20% for apparel. Most of the decline took place during the second half of the year.
- Estimates for the total size of the Spanish market are a little different from those reached through the authoritative study conducted by Aymerich Golf Management in 2006. In particular, it is felt that this study under-estimated the role of El Corte Inglés and Décathlon.
- While other retail channels have been gaining in importance, pro golf shops have been losing market share in spite of the increase in the number of golf courses, and this process may continue. Precise estimates of the share taken by the pro golf shops in the sale of all kinds of golf products and of clothing in particular are provided.
- Pro golf shops are likely to suffer under the double impact of the current real estate crisis, whose origins are financial, and a big drop in the number of tourists, especially from the U.K., which is also due to the decline in the value of the pound sterling.

- Golf tourism has developed in Spain more than in any other European country. Six years ago Spain was favourite with golf tourists from the U.K., Germany and Sweden, and in second place after Morocco among French golf tourists. The progress of inbound golf tourism has nicely complemented the growth of golf in Spain until very recently. While the number of federated players has continued to increase, reaching more than 300,000 people, the number of incoming golf tourists has fallen. Visits by British tourists to the Costa del Sol and the Canary Islands were reportedly flat in 2006 and 2007 as they began to look for cheaper alternatives such as Morocco and Turkey. A bigger drop occurred in 2008.
- There are no major brands of golf clothing or footwear in Spain, but there are some interesting new ones such as MaxMoore and Vasari, which are analysed in this report.

PORTUGAL

- The market for golf apparel has grown rapidly in Portugal and is now higher than it has been estimated by local industry officials because of the growth in golf tourism. The existing local figures are based on an assumption that 300,000 foreigners come to Portugal every year to play golf. However, according to the most recent data, golf tourism in Portugal has grown by about 25% to more than 400,000 visits per year, rising from one-third to nearly half the latest estimated total for Spain.
- The number of Portuguese residents who play golf is still very low at just over 20,000 (more than 6,000 play without registering), partly because this sport is perceived as being too elitist and expensive, but the government is determined to develop the sport through public golf courses and a programme of youth clinics steered through the school system.
- The government has a clear strategy for the development of tourism in general and golf tourism in particular.
- It is not impossible that Portugal will reach the goal of having 100 golf courses by 2010, with a strong diversification in the areas where they are located.
- The Portuguese golf apparel market features some strong personalities, reviewed in our report, who act as distributors or agents, in some cases representing many different brands over a wide territory spanning beyond national borders.

ITALY

- Golf is much less developed in Italy than in Spain, although the level of economic development is similar. The penetration of golf is one of the lowest in Europe. With only 0.15% of its total population playing golf, Italy comes in 21st place among all the European countries, behind Slovenia, the Czech Republic and Portugal.
- The number of registered golfers in Italy has been growing in the last few years, especially among women and the younger generations, but it remains three times smaller than in Spain. The reasons are multiple, but the most important one is probably the fact that golf has remained largely an elitist sport. Another important reason is the lack of a coordinated national policy for the development of tourism in general and golf tourism in particular. In contrast to Spain and Portugal. Italy is not regarded as a golf destination, in spite of its numerous other attractions.
- Chervò and Conte of Florence are the only Italian golf brands that have been able to acquire a significant presence internationally, but there are many other small Italian firms in the sector. Newcomers include brands such as Botticelli, Geox and Manlio Paradisi for footwear; and Colmar, Panicale, Par72 and Il Gufo for clothing. They are all reviewed in this report.

- Based in Milan, Golf'us is the largest specialised retailer player in Italy and in Southern Europe, with a strong presence also in France and Spain. This interesting company, which is covered in detail, could be an excellent introduction to the market for foreign brands.
- The on-course pro golf shops are the main destination for the purchase of golf clothing apart from a few exceptions such as Golf'us, which manages several of them, and various other golf retailers. Several of them are described in this report. Among the non-specialists, Décathlon has been quite aggressive at some locations where it has tested a new "golf boutique" concept that may be adopted by the chain more widely in Europe.

INTRODUCTION TO SOUTH-EAST EUROPE

Several countries in the south-east of Europe have all the right assets to become attractive golf apparel and footwear markets: from the weather to the landscape and millions of tourists heading for their shores each year, they have strong potential for the international golf business.

However, from Slovenia to Turkey, from Croatia to Greece and from Serbia to Bulgaria, emerging economies in the south-east of Europe are all handling this potential in very different ways, and with differing results so far.

What most of them have in common is a low rate of local participation, so that the prospects for their market depend almost entirely on the will of real estate investors and the authorities to build more golf courses, to stimulate participation among the local population and attract golf tourists. This varies considerably from one country to the next.

1. ECONOMIC GROWTH

All of the countries studied in the south-east of Europe have enjoyed considerable economic growth in recent years, with GDP expanding faster than the European average.

Slovenia, Bulgaria and Romania have all joined the European Union recently, motivating them to reform and open up their economies, and contributing to the in-flow of investment. Slovenia, Croatia and Serbia have all come a long way since the break-up of former Yugoslavia and the end of the ensuing wars, with Slovenia resolutely leading the way. Serbia's prospects are more uncertain, and Bulgaria and Romania are still struggling to shake off the legacy of socialist rule, but they have been the focus of intense investment in recent years.

Greece has benefited from improved infrastructure, the expansion of its shipping business and its position as a bridgehead for investment in the southern Balkans. As for Turkey, it has enjoyed remarkable growth in the last five years, fuelled by structural reforms and by increasing foreign investment in this large market.

Some of these countries have been hard hit by the global economic unrest that began in 2008, causing investment to decrease and placing private consumption under pressure. In countries like Croatia and Serbia, large-scale developments have come to a halt, and the Turkish government is reluctantly turning to the International Monetary Fund (IMF) again.

In some of the newest EU countries, particularly Romania, forecasts of economic growth have been dramatically downscaled. GDP growth should be squeezed down to between 1% and 2% for 2009, which is anaemic compared with recent years. Yet again, in terms of economic expansion, all of the south-east European countries are still comfortably above the European average.

2. GOLF PARTICIPATION AND INFRASTRUCTURE

The most glaring obstacle for the development of a golf apparel and footwear market in nearly all of the countries in the south-east of Europe is the abysmal rate of local participation, caused by several factors: low interest in sports, prohibitive cost and lack of infrastructure.

The low participation rates go hand in hand with the generally poor golf infrastructure in south-east European countries. Then again, investing in infrastructure for a sport played only by a few thousand is not an enticing business proposition.

Therefore, with the partial exception of Slovenia, nearly all of the developments that have been taking place in the south-east of Europe in recent years are geared towards tourists.

Cyprus is one of the countries that have taken up golf as part of their tourist offer and drafted a plan to have 14 courses on the island. The plan has been thwarted due to severe drought but it does reflect a political will. Even though it started almost from scratch, Bulgaria is another country where public and private interests have moved in the same direction to open several courses recently, with more under construction.

In any case, the infrastructure remains very poor compared with the size of the territory and its population. It is even more limited when it comes to facilities intended for local players. Among many examples, there are only three golf courses in and outside Istanbul, a sprawling conurbation of about 15 million people.

3. MARKET SIZE

Given the paucity of courses and players in the south-east of Europe, the most interesting aspect of these markets is an analysis of their future potential. Spending per capita by the local population has to be calculated very precisely, and in some cases there wouldn't be any market at all without tourists.

Therefore, one of the characteristics of these markets is that golf apparel takes up a substantial share of the business, and even more so for crested apparel. While tourists are likely to be tempted by a shirt as they walk through the entrance of the golf course, they nearly always travel with their equipment and footwear.

When it comes to local players, the market is depressed by the fact that they are still often among the wealthiest citizens in their country, travelling widely. They are therefore most likely to enjoy shopping at golf stores that have a bigger choice than their local pro shop.

Another factor that is unfavourable to golf apparel brands in the south-east of Europe is that golf in this region is still often perceived as a matter of lifestyle and not sport. Local golfers regularly play in casual trousers and polo shirts, often those of international brands that have begun to spread in the south-east of Europe, from Hugo Boss to Tommy Hilfiger, Lacoste and Paul & Shark.

4. DISTRIBUTION PATTERNS

The small size of the regional market explains why only a few brands have bothered to consistently set up distribution there. Then again, investments in golf tourism, the growth of participation and the pressure felt in some more mature markets have all drawn growing attention to the south-east of Europe.

Slovenia and Turkey are the two south-east European markets with the largest number of brands available locally, for different reasons. In Slovenia, this is partly due to the country's proximity to Austria, which is well-covered by international brands.

Furthermore, Slovenia acts in some cases as a stepping stone for companies to move into former Yugoslavia: distributors from Slovenia often snapped up distribution deals for other countries that formerly belonged to Yugoslavia.

When it comes to Turkey, which boasts the largest market for golf apparel and footwear in the region, the country has drawn several international brands due to the growth of its golf tourism business. The structure of the market is easy to grasp, and there are a few well-established distributors who often run one or more pro shops.

In other countries distribution is much more haphazard. In most cases there are only a handful of distribution agreements in place, and some pro shops buy certain brands directly from their European offices, or through rather obscure channels including the internet. There is only one established distributor of golf products in Bulgaria, and the same applies for Romania. However, this is gradually changing as each of these markets continues to expand. Growing numbers of brands are beginning to study these golf markets and make exploratory moves to check the demand and the reliability of payments.

5. RETAIL STRUCTURE

Given the level of demand among the local population, there is hardly any retail space for golf apparel and footwear in south-east Europe aside from the pro shops.

There are only a handful of exceptions, with independent golf specialists popping up here and there: two large stores opened in Ljubljana in 2008, significantly altering the retail landscape in Slovenia, while two small outlets sprang up in Zagreb and another in Rhodes. Yet they still only form a small part of the business, and it remains to be seen if the market will be sufficiently large to justify their existence.

Another exception is that of Tennis & Golf Mall, a chain of three specialist stores in Romania. This would appear very bold in a country with less than 350 registered golfers, therefore the golf part of the title could be regarded as a far-sighted addition, while tennis makes up the largest part of the retailer's business.

However, the pro shops still account for the bulk of the market. Their numbers are just as weak as the golf course infrastructure in the south-east of Europe and their management of very differing quality. Some of the pro shops in Turkey and Cyprus have attractive and neatly-stocked retail spaces, while others could best be described as storage for a few accessories in a dark corner of the club house.

6. PROSPECTS

The chances for seeing golf participation rates rise significantly in south-east Europe are still very remote. With the exception of Slovenia, governments and other organisations already have a lot of work on their plate to stimulate sports participation as a whole, and they understandably focus on sports that are easy to play by a large number of citizens.

In the absence of any particular local golf culture, in the medium term the prospects of the golf markets in most of these countries will mainly depend on the construction of golf courses in a context that makes them appealing for tourists. There is plenty of scope for that in most of the countries featured in this set of market reports: golfing under a blue sky, amid olive and pine trees, with the Adriatic and Aegean Sea in the background, surely is appealing to millions of European golfers.

After many years of inertia, there are increasing signs that such facilities will be integrated into the tourist offer for the south-east of Europe in the next few years. In the case of Turkey it has already happened, and in several other countries investors are going ahead with the construction (and not just planning) of golf courses, at long last.

In the longer term, the south-east European market could be reshaped by the emergence of a more active middle class, as has happened to some extent in Slovenia. But anybody who is betting on such sweeping economic and cultural changes is taking a very long-term and optimistic view. For the time being, the countries of south-east Europe could still be chiefly regarded as promising, if not potential, tourist-based markets.

COMPANY PROFILES IN VOLUME 1

SPAIN

Valderrama
Xavi's
Vasari
MaxMoore
Nike Golf
Golfino
Holiday Golf
Proamsport
El Corte Inglés
Décathlon
Castellana Golf
Tom Sagan
Golf USA

PORTUGAL

Oceânico Group
Isanor – Areal
Richard Birkhead
Norgolfe
Nevada Bob's
My Golf

ITALY

IGH
Colmar
Chervò
Conte of Florence
Par72
DKB
Slam
My Golf
Il Gufo
Manlio Paradisi
Botticelli Golf.
Geox
Golfino
Pio Canins
GitexPoint
Summit Sports
Agency
Conte of Florence
(franchising)
Golf'us
Polos
Mister Golf
Décathlon
Ponte Vecchio Golf
Challenge

SLOVENIA

M&M Turist
Nes
Andraž
Lilas Trade
Nadler Golf & Sport
Tovo Trade – Chervò

Aequalis – Adidas

CROATIA

Golf Sport Promocija

Golf Zona

MYS

SERBIA

Hugo Boss

Lacoste/Florida

Leisure

ITM Group

ROMANIA

Sonoma

Gheorghe Negoescu

CYPRUS

A&G Sovereign

Golden Green Trading

TURKEY

Millennium Golf

Ashworth, Ecco,

Cutter & Buck – Pro

Golf Limited

Ping, Glenbrae,

Stuburt – Meridien

FootJoy, Galvin Green

– Istanbul Golf

Callaway, Greg

Norman, Ahead,

Puma Golf – Golf

International

Nike, Adidas, Chervò,

Duca del Cosma –

Global Golf

Oscar Jacobson,

Abacus, Röhnisch,

Glenmuir – Golden

Swing

VOLUMES THAT ARE YET TO BE RELEASED (SPRING 2009):

Volume 2: Austria, Czech Republic, France, Germany, Hungary, Morocco, Poland, Russia, Slovakia, South Africa, Switzerland.

Volume 3: Belgium/Luxembourg, Denmark, Estonia, Finland, Iceland Ireland, Latvia, Lithuania, Netherlands, Sweden.