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The Value of Golf to Scotland's Economy

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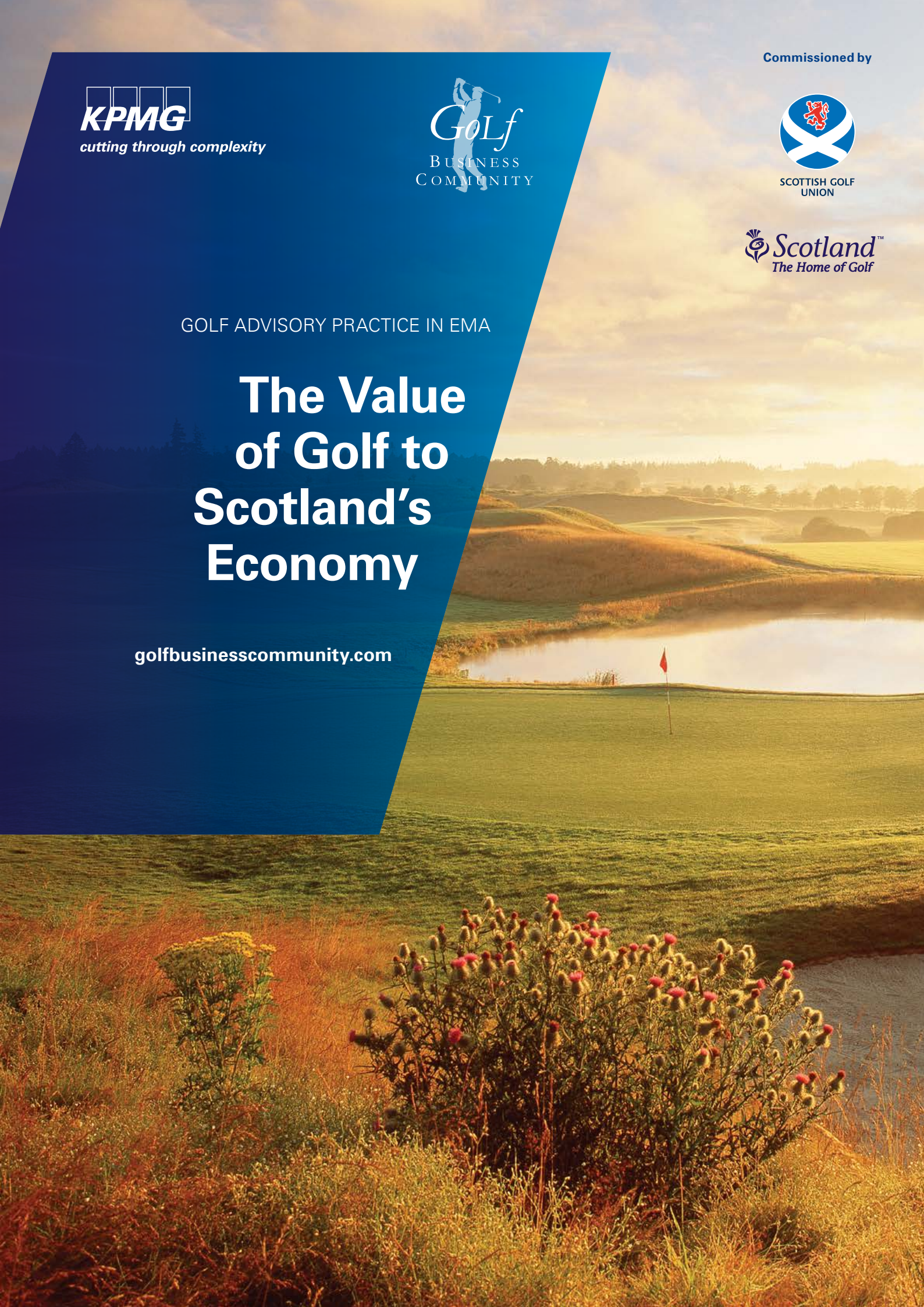


Table of Contents

Executive summary	4
Methodology and metrics	6
Insight to the Scottish economy	8
The history of golf in Scotland	9
Cluster 1: Golf facility operations	10
Cluster 2: Golf course capital investments	13
Cluster 3: Golf supplies	15
Cluster 4: Golf tournaments and endorsements	18
Cluster 5: Golf tourism	22
Cluster 6: Golf real estate	26
Summary of Key Indicators	28
Future outlook	29

Dear Reader,



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After extensive research, I am pleased to present our study on the Value of Golf to Scotland's Economy.

In order to create this new and important study KPMG, in association with Oxford Economics assessed six key sectors of the Scottish golf industry, namely golf facility operations, golf course capital investments, golf supplies, golf tournaments and endorsements, golf tourism and golf real estate.

As you will read in the following pages, the golf sector is incredibly important for Scotland. The golf industry has generated total revenues in the value of £1.171 billion and made a total gross value added (GVA) contribution to Scottish GDP of £496 million in 2011. This is 0.4% of the country's total economic output in 2011, or put another way £1 million in every £250 million of Scottish economic output is partly dependent on the game of golf. The golf industry is estimated to support the employment of over 20,000 people, meaning that roughly one in every 125 jobs in Scotland is dependent on golf.

This detailed report will provide an invaluable aid to investors and decision-makers across the industry. It captures the ongoing importance of Scotland to the world of golf and reinforces its global positioning as the 'Home of Golf'.

I would personally like to thank all the industry bodies, specifically the Scottish Golf Union, VisitScotland, and Scottish Enterprise, as well as the Scottish Government and all individuals who have contributed their knowledge to help in the production of this study. If you would like to receive any clarification or discuss the findings, please don't hesitate to contact the KPMG team or myself.

Yours sincerely,

Andrea Sartori

Executive summary

KPMG's 'Value of Golf to Scotland's Economy' study, produced in association with Oxford Economics, assesses six key economic clusters of the Scottish golf industry, namely golf facility operations, golf course capital investments, golf supplies, golf tournaments and endorsements, golf tourism and golf real estate.

The base year for this study is 2011. Key organisations, specifically the Scottish Golf Union, VisitScotland, Scottish Enterprise and the Scottish Government together with industry stakeholders, have contributed knowledge in the production of this study which captures the on-going importance of Scotland to the world of golf, and reinforces its global positioning as the 'Home of Golf'.

Key findings

As a subset of the total economic impact, the six clusters that make up the Scottish golf industry made a £264 million direct GVA contribution to Scottish GDP in 2011. To give a sense of scale, this is 89% of the fishing and fish farming industry's or 83% of the air transport sector's GVA contribution.

Scotland's total golf economy is estimated to generate £1.171 billion in revenues for the wider Scottish economy. On these earnings, the game supports a £496 million gross value added (GVA) contribution to GDP. This is 0.4% of the country's total economic output in 2011, or put another way £1 million in every £250 million of Scottish economic output is partly dependent on the game of golf.

It is estimated that the golf industry supports approximately 20,000 people in employment in Scotland (or 0.8% of the total number of people employed in Scotland). This is slightly more than all the people employed in East Renfrewshire. It supports £300 million in annual wage payments.

Over 600 golf facilities were operating in Scotland in 2011, including driving ranges and practice-specific facilities. Of these, 597 golf courses¹ were the main revenue generators. Golf facilities contributed £582 million to the Scottish economy. From this top line revenue, these facilities support £231 million of GVA contribution to Scottish GDP and 12,380 people in employment.

Golf participation in Scotland, measured as a percentage of population, is among the highest in Europe. More than 4.5% of the population are registered golf club members and, according to the 2011 Scottish Household Survey, 8% of the population plays golf at least 12 times a year.

Scottish Golf Tourism generated £120 million of revenue in 2011, in addition to visitor green fee revenues, their spending on equipment whilst visiting and attendance at tournaments which were considered in other clusters.² Golf tourism contributed £57 million GVA to Scotland's economy and employed 2,100 people and paid wages totalling £35 million.

Expenditure on new capital equipment and construction activities at golf facilities generated £252 million in expenditure in Scotland in 2011. This spend supported a £108 million GVA contribution to Scottish GDP, 2,700 people in employment and £69 million in wages.

Production and retail sales of golf supplies (equipment, apparel and accessories) generated £157 million in revenue for the Scottish economy in 2011. This revenue supported approximately 1,660 jobs that paid almost £26 million in wages and contributed £72 million in GVA to Scotland's GDP.

¹ Some golf clubs in Scotland do not manage a golf course and instead, have agreements with separately managed golf courses which provide the club members with playing rights.

² The Scottish Golf Tourism Market Analysis Report (2009), commissioned by Scottish Enterprise, estimated the total economic impact of golf tourism at around £220 million in revenue terms, representing around £120m of Gross Value Added (GVA) for the Scottish economy. Their figure included visitor green fee revenues, tourist spending on equipment whilst visiting and attendance at tournaments, and therefore is higher than the figure stated in this report where these elements are accounted for in other sectors.



Photo: Royal Aberdeen Golf Club
by Aidan Bradley

Golf Tournaments and Endorsements generated £46 million in revenue for the Scottish economy in 2011. This revenue supported approximately 1,090 jobs that paid £15 million in wages and contributed £22 million in GVA contribution to GDP³.

New real estate developments (built alongside golf courses in 2011) generated £14 million in revenue in Scotland and supported a £6 million GVA contribution to GDP. Some 150 people were employed as a result of the build of golf real estate, receiving £4 million in wages.

³ It should be noted that The Open Championship (British Open) will be staged in Scotland in 3 out of the latest 5 years (2009 to 2013). Sheffield Hallam University estimate the 2013 Championship will deliver a total economic benefit of £70 million to the Edinburgh and East Lothian economies. In 2011, The Open Championship was held in England and therefore was not considered in our economic impact analysis. Nevertheless, the total economic impact from tournaments would be significantly higher in years when the Open Championship is staged in Scotland. We also highlight that two other non-annual significant events, the Womens' British Open and the Walker Cup, were hosted in Scotland in 2011, both contributing significantly to revenues.

Methodology and metrics

The golf economy includes a number of sub-sectors that are directly related to the game of golf (either from the golf facilities or the players’ perspective) and also reaches out to other industries that have a relationship with golf in some form (e.g. hospitality and tourism, real estate). In order to be able to measure the size of the golf economy, we have analysed the following industry clusters:

Golf Economy Clusters⁴

Core industries	Cluster 1: Golf facility operations	<ul style="list-style-type: none"> • Green fees and membership fees • Food and beverage revenues • Sponsorship revenues • Lease fees, rental fees, tuition fees • Other revenues
	Cluster 2: Golf course capital investments	<ul style="list-style-type: none"> • New course developments • Expansion of existing courses • Other investments (e.g. clubhouse renovation, irrigation system replacement, etc.)
	Cluster 3: Golf supplies	<ul style="list-style-type: none"> • Hardware, apparel and accessories (clubs, balls, shoes, bags, gloves, clothing, etc.)
	Cluster 4: Golf tournaments and endorsements	<ul style="list-style-type: none"> • International tournaments and events • Player endorsements • Broadcasting rights
Enabled industries	Cluster 5: Golf tourism	<ul style="list-style-type: none"> • Spending of golf tourists on travel, accommodation, F&B, entertainment, etc.⁵
	Cluster 6: Golf real estate	<ul style="list-style-type: none"> • Golf-related residential and hotel developments

⁴ Our analysis does not include golf-related charity activities as those are not considered in a standard economic impact methodology. It should however be noted that golf makes a significant annual contribution to charity in Scotland, as well as volunteering.

⁵ Visitor green fees and certain other elements were captured in other sectors and excluded here to avoid duplication.

Photo: St. Andrews – Old Course
by Aidan Bradley



The value of the golf industry is measured through the quantification of the direct, indirect and induced effects, which are defined as:

Direct effects – the direct economic impact of the golf industry in Scotland is the economic activity that occurs in each of the six clusters. The impact occurs at the location of the golf facilities; manufacturers and retailers of golf equipment; firms dealing with the broadcasting, marketing and running of golf tournaments; and transport facilities, hotels and restaurants used by golf tourists. Real estate activities that are linked to a golf course also create economic value.

Indirect effects – the indirect economic impact of the golf industry are the effects it has on its supply chain. These effects occur through the industry's procurement of inputs of goods and services. This spending generates output, profits and employment at Scottish suppliers. In turn, these firms draw on others for inputs further down the supply chain.

Induced effects – the golf industry and the firms directly in its supply chain pay their staff wages. A proportion of this income is spent on goods and services. The induced economic impacts are the effects on the rest of the Scottish economy of this consumer spending. The impact is initially felt at retail and leisure outlets close to where the employees live. But there will also be secondary effects down the retail sector's supply chain.

Total economic impact includes the direct effects of economic activity of all golf-related economic clusters, as well as the indirect and induced (or multiplier) effects on the overall economy.

The study presents information on **four measures of economic activity** (revenue, gross value added contribution to GDP, employment and total wage income) generated by the golf industry in Scotland. The base year of this study is 2011.

The metrics are defined as:

- **Revenue** – the value of sales generated by the golf industry, expressed in £millions.
- **Gross value added (GVA) contribution to GDP** – GVA measures the contribution to the economy of each individual producer, industry or sector in Scotland. It is the difference between the industry's revenue and the costs of the inputs of goods and services consumed in the production of the industry's output. Summing all firms' or sectors' GVA, adding taxes on products and subtracting subsidies on products gives Scotland's gross domestic product (GDP). This is the measure of output used to judge how rapidly the Scottish economy is growing and when it enters recession. Golf's GVA contribution is expressed in £millions.
- **Employment or total jobs** – describes the total number of people employed in the golf economy.
- **Wage income** – includes salaries and wages paid to full-time and part-time staff employed in the golf industry, expressed in £millions.

Statements, assumptions and estimates made in this study were based on a variety of sources of information, including both secondary and primary research. We have conducted a number of interviews with local industry stakeholders, and, together with the Scottish Golf Union, have surveyed local golf facilities, golf tour operators and retailers for input to this study.

Beyond the economic effects

As this study concentrates on the economic aspects of the industry, we do not consider in our research the health or environmental benefits of golf courses, neither charity or volunteering. It should however be noted that golf makes a significant annual contribution to charity, while volunteering in the industry is also considerable.

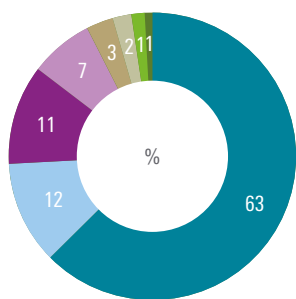
Health and environmental benefits are areas of growing interest and fundamentally important in evaluating the all round sustainability of the sector. Although it is often debated, golf courses can have environmental benefits. In fact, they can offer long-term, stable green space which improves environmental quality. They also often enhance the visual appearance of a locality. In particular they can help to protect ecosystem services, which are increasingly recognised as being of high financial value.

Insight to the Scottish economy

Key indicators	2009	2010	2011	2012
Population (m)	5.19	5.22	5.25	5.27*
GDP at current market prices (EUR bn)	115,167	121,185	124,584	126,004
GVA (2009=100)	100.0	101.5	101.9	102.2
Consumer price inflation (%)	2.2	3.3	4.5	2.8
Unemployment rate (%)	7.7	7.9	8.1	8.0

Source: Scotland.gov.uk and Economist Intelligence Unit
* Estimate

Distribution of GVA at current market prices, 2011



- Services
- Manufacturing
- Taxes, less subsidies, on products
- Construction
- Mining and Quarrying
- Electricity and Gas Supply
- Water Supply and waste
- Agriculture, Forestry and Fishing

Source: Scottish National Accounts Project as part of www.scotland.gov.uk

The Scottish economy is closely linked to that of the rest of the United Kingdom (UK), sharing national tax structures and public investment. Scotland has its own parliament in the capital city of Edinburgh and is due to vote on full independence from the UK in 2014.

The population of Scotland was 5.25 million as of 2011. Unemployment in the country has seen a steady rise since the global economic crisis, 7.7% to 8.1% from 2009 to 2011. The year 2012 saw a slight decline in total unemployment, potentially the start of a recovery period for the country. Youth unemployment was at a peak in 2011 and early 2012, however, as of Q1 2013 there has been a substantial drop in this number.

At 2.8% in 2012 inflation in Scotland is in line with that of the rest of the UK but it remains above the Bank of England's Inflation target.

The breakdown of total GVA in the Scottish economy in 2011 shows the services industry, which a large proportion of the golf sector falls under, is responsible for 63% of the total GVA of Scotland. Manufacturing and tax share 12% and 11% of the GVA, respectively, while construction accounts for 7% of the economy.

GDP has grown 2% between 2009 and 2012. The government have projected the Scottish economy will return to a similar level of output pre-recession towards the end of 2014. While there are limited indicators on forecasted GDP, it is expected to achieve small amounts of growth until a predicted 1.9% growth in GDP in 2015.

The history of golf in Scotland



Photo: Old Tom Morris and Charlie Hunter around the time of the first Open Championship. Photo courtesy of Prestwick Golf Club

Golf in Scotland can be dated back to the 15th century when, after an imposed ban on the sport was lifted in 1502, it has become the 'National Game' and Scotland the 'Home of Golf'.

According to the record books, the oldest course in the world presides in East Lothian near Edinburgh called Musselburgh Links where golf was played from as early as 1672.

In 1744 the Honourable Company of Edinburgh Golfers, the world's oldest golf club, started life at Leith Links, and now based in Muirfield, drafted the first 13 rules of golf in order to establish competitions. This paved the way for the formation of the Royal and Ancient Golf Club of St Andrews, who adopted these rules and became the global governing body of golf.

The Links at St Andrews, more commonly known as 'The Old Course', is probably the most famous golf course in the world. It originally comprised 22 holes, and later reduced to 18.

The oldest of the four 'major' golf tournaments, The Open Championship, originated in Scotland in 1860 and was held at the links course in Prestwick, on the West Coast, for 11 years before moving location annually.

Although being one of the oldest and most mature golf markets in the world, the development of Scottish golf has continued during the last decades. Since 1985, an increase of more than 20% has been recorded in golf course supply, reaching 597 courses in 2011. During this same period, the number of registered golfers who are member of a club has increased by a similar scale to approximately 240,000, while over 400,000 play the game regularly (at least 12 times a year)⁶.

The Scottish golf market in 2011

Number of golf courses*	597	Golf membership rate (%)**	4.5%
Number of registered golf club members	239,500	Golf participation rate (%)***	8%

* Some sites have more than one course

**Percentage of registered club members versus total population

*** Percentage of golfers versus total population

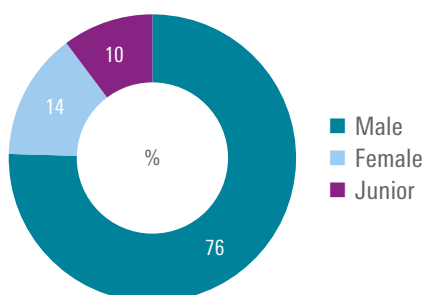
Source: SGU, 2011 Scottish Household Survey, KPMG research

Scotland has one of the lowest populations per golf course (9,800) in Europe, indicating a remarkably strong supply. To put this in context, popular golfing countries such as Germany and France have 114,000 and 112,000 people per course respectively, while even England has 28,000 people per course.

Golf participation rates in Scotland are among the highest in Europe. For the sake of comparison, the golf participation rate in Germany is 0.75%, in England 1.41% and markets that cater mainly for golf tourism, such as Portugal, are as low as 0.13%.

Golf is a male dominated sport in Scotland with approximately 76% of golfers being men and only 14% being women in 2011. Juniors made up 10% of the total number of golfers. This distribution has been quite stable in recent years.

Distribution of golfers in Scotland, 2011



Source: SGU

⁶ It should be noted that in Scotland golfers don't need to be registered with their governing body to play, unlike in many European markets.

Cluster 1: Golf facility operations

Golf facilities (mainly courses, clubs, practice facilities and driving ranges) lie at the heart of the golf industry.

Aside from providing the opportunity for an outdoor physical activity in a quality environment, they also generate considerable economic activity. Facilities earn revenue through green fees, membership fees and range fees; golf cart rentals; and players and their friends spending on food and beverages (F&B). Facilities provide employment for golf course management, green keepers, the club professional, pro-shop, catering and other support staff.

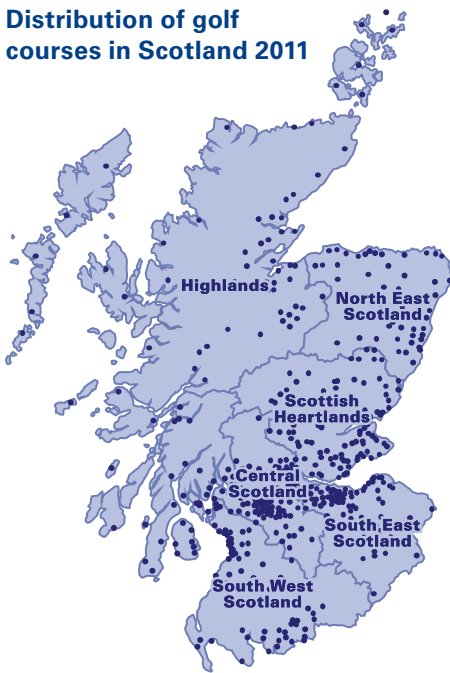
This activity indirectly supports output and employment at companies in the facilities' supply chain (e.g. grass seed suppliers, chemicals and fertilizer suppliers, F&B suppliers etc.). The induced effect of golf facilities is the consumer spending of their staff and those directly employed in their supply chain.⁷

Golf facilities in Scotland

From all the golf facilities in operation in Scotland, the main revenue generators are the golf courses, with a total supply of 597 in 2011.

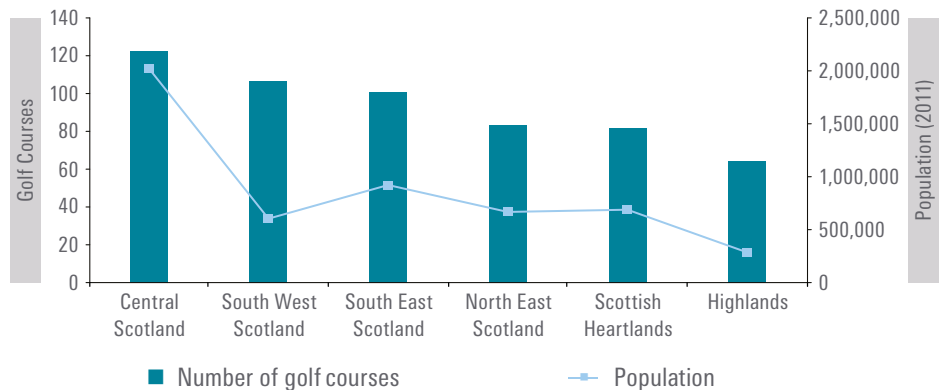
The Central Scotland region boasts the largest amount of golf courses in the country, which, given the region includes the largest population centre, Glasgow, is not surprising. Interestingly, the region that is most famous for golf, Scottish Heartlands, has the second least number of courses. The South West region has the second highest number of courses, yet has the second lowest population.

Distribution of golf courses in Scotland 2011



Source: Scottish Golf Facilities Plan (2012), Porteous Leisure

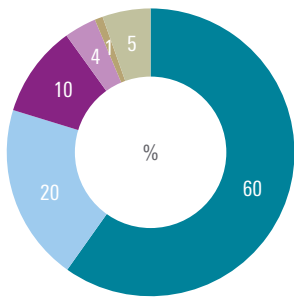
Golf course supply by region



Source: SGU and KPMG research

⁷ The analysis presented in this section is based on information collected by the Scottish Golf Union during their golf course audit in 2012, reflecting the year 2011. This has been complemented by KPMG research related to golf course staffing and wages.

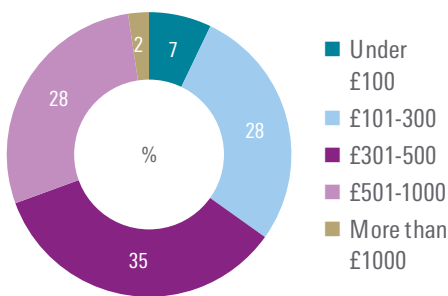
Ownership of Scottish courses



- Private members
- Proprietary / commercial
- Local authority / municipal
- Trust
- Educational body
- Other

Source: SGU Golf Course Audit, 2011

Annual membership fees at Scottish courses



Source: SGU Golf Course Audit, 2011

Scottish golf is very much centred around the golf course and clubhouse, with limited other amenities on site. This is evident in that only 6-8% of clubs have a spa or health club, a gym or a swimming pool on site; 56% of clubs have a pro-shop while about 80% have a bar and/or restaurant in the clubhouse, where members typically socialise after a round of golf.

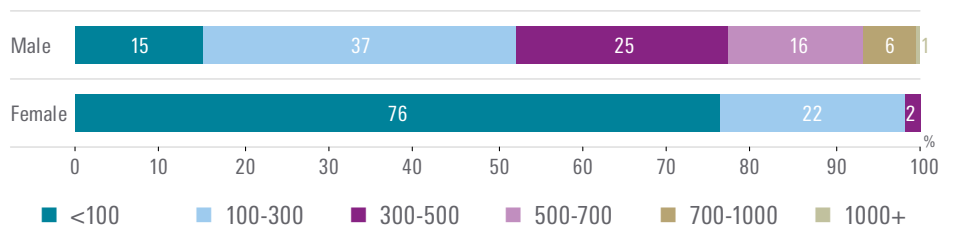
The majority (60%) of clubs in Scotland describe themselves as private members clubs, while 20% are commercially incentivised clubs. The municipalities own 10% of all courses in Scotland with 4% of courses owned by a trust, including the seven courses at St Andrews.

Over two-thirds of golf courses in Scotland are listed as having 18 holes, while nearly a third are 9-hole courses. Some sites have more than one course and offer 27 or more holes for players. There are also a small number of 6-hole courses in Scotland.

The vast majority (94%) of golf courses offer a membership scheme. The average cost of membership is around £420, although variable from club to club. Nearly two-thirds of clubs charge below £500 for annual membership. While very few facilities charge annual dues below £100, hardly any membership costs more than £1,000 a year. Juniors can play for less than £100 a year at most clubs.

The average membership size of facilities in Scotland is around 480. If we only consider 18-hole facilities, their average membership is over 500, while 9-hole facilities generally have less than half as many registered members on average.

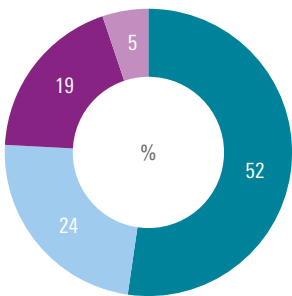
Membership size at Scottish courses



Source: SGU Golf Course Audit, 2011

The highest number of facilities have 100-300 male members and less than 100 female members. About half of courses have some restrictions for junior players. Average revenues of 18-hole Scottish facilities were around £600,000 in 2011, while 9-hole courses recorded about 30-50% less. About half of revenues came from membership fees (joining fees and annual membership fees), a quarter from visitor green fees, 19% from secondary spend in a restaurant, bar, pro-shop etc., and the rest from other revenues sources. Fifty-seven per cent of golf courses claimed to be profitable in 2011.

Revenue structure at Scottish courses



- Membership fees
- Green fees
- Secondary spend (F&B, pro-shop, etc)
- Other

Source: SGU Golf Course Audit, 2011

Key Findings

The 597 golf courses, together with driving ranges, practice facilities and golf clubs, are estimated to generate £582 million in revenues for the Scottish economy. On these income flows, the facilities support a £231 million GVA contribution to Scottish GDP, employ 12,380 people and pay £152 million in wages.

The following table summarises the economic impact of golf facilities in Scotland.

2011	Direct	Indirect	Induced	Total
Revenues (million)	£319	£130	£134	£582
Contribution to GVA (million)	£128	£52	£52	£231
Employment	7,650	2,870	1,860	12,380
Total wage income (million)	£95	£32	£24	£152

Source: KPMG and Oxford Economics

The direct economic impact of golf facilities comprises the revenue, contribution to GVA, employment and wage income created at the golf courses, driving ranges and other golf course facilities.

In 2011, golf facilities in Scotland earned a total of £319 million in direct revenue. On that revenue, golf facilities made a GVA contribution of £128 million to Scotland's GDP and employed around 7,650 people.⁸

Golf facilities' procurement of inputs of goods and services generate £130 million in revenue for suppliers in their domestic supply chain.⁹ This expenditure led to an indirect economic GVA contribution to the Scottish economy of £52 million. Almost 2,870 people are estimated to be employed at firms in Scotland providing the inputs the golf courses and ranges use.

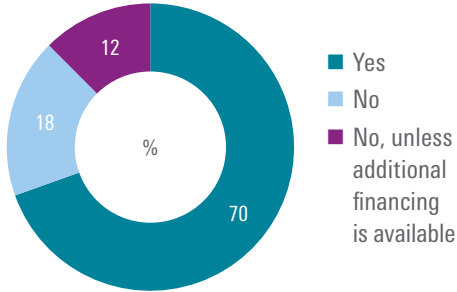
People employed at the golf facilities and in their direct supply chain in Scotland are estimated to receive £127 million in wages. The induced impact of golf facilities are the effects of the consumer spending out of this income. This expenditure is estimated to support a £52 million GVA contribution to Scottish GDP, keep 1,860 people in employment and pay £24 million in wages.

⁸ Data on the average number of people employed at golf facilities and their salaries are sourced from the Office of National Statistics' (ONS) Inter-Departmental Business Register for 2010. Access was provided by Scottish Government. Data have been forecasted forward to 2011 in line with the UK GDP deflator and earnings growth.

⁹ Output, gross value added and employment multipliers for the recreation services sector used to calculate the indirect and induced impacts are sourced from The Scottish Government.

Cluster 2: Golf course capital investments

Are you planning any capital investments on your golf facility?



Source: SGU Golf Course Audit, 2011

The direct impact of golf course capital investment is made up of two major types of investment: (i) capital investment at existing golf facilities and (ii) brand new course construction.

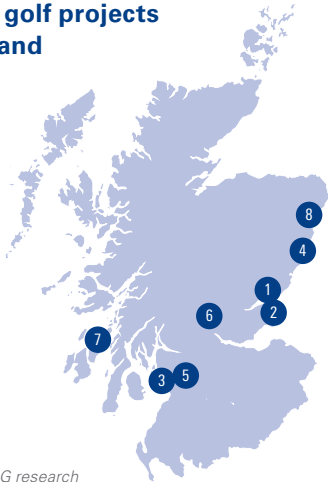
Investment at existing courses includes improvements to on-course facilities such as tees, greens and bunkers, the irrigation system or the cart fleet, purchases of new maintenance equipment, enhancements to the clubhouse and pro-shop. In addition to renovating existing golf course facilities, investment is made to construct new golf courses or extend the facilities of existing courses. Given the relatively adverse economic conditions in Scotland in 2011, there were fewer new builds and extensions than in an average year.

Golf capital investment in Scotland

While there was little in the way of course openings in 2011, there were projects ongoing throughout the year in Scotland. In addition to new developments, several courses went through expansions or improvements, with a number of clubhouse facilities being upgraded.

The table below and the adjacent map list some of the key projects that are currently in the planning and development phases in Scotland and set to open in the next few years.

Current golf projects in Scotland



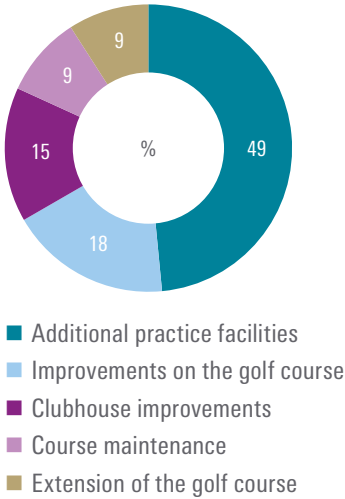
Source: KPMG research

Courses	Estimated Investment value
1 Angus	£60 million
2 St Andrews International	£20 million
3 Irvine Bay	£60 million
4 Urys Estate	£40 million
5 Loudon Castle*	£300 million
6 G West*	£500 million
7 Ardfin Estate (project on hold)	£20 million
8 Trump International Golf Links 2 nd course (Menie Estate)*	Undisclosed

*These are integrated projects with residential and resort components.

Photo: Machrihanish Dunes by Aidan Bradley

If additional financing was available, what capital investment would you be planning, based on justified demand?



Source: SGU Golf Course Audit, 2011

Regarding investments in new machinery and equipment, 18-hole courses in Scotland reportedly spend £45-55K per annum on new machinery and equipment, while 9-hole courses spend £20-30K per year, based on our interviews with suppliers and operators.

Some larger clubs which are financially secure tend to spend significantly more, £70-£120k per year.

It was noted that some of the clubs facing financial challenges in Scotland and the wider UK have reduced their spending, or stopped buying new machinery.

Key Findings

In 2011, expenditure on new capital equipment and construction activities at golf facilities generated £243 million in expenditure in Scotland. This spend supported a £104 million GVA contribution to Scottish GDP, 2,600 people in employment and £67 million in wage payments.

The following table summarises the key indicators of the Golf Course Capital Investment cluster.

2011	Direct	Indirect	Induced	Total
Total expenditure (million)	£124	90	£37	£252
Contribution to GVA (million)	£46	£43	£19	£108
Employment	920	1,260	510	2,700
Total wage income (million)	£27	£32	£11	£69

Source: KPMG and Oxford Economics

The **direct impact** includes the total construction cost of new golf facilities (including course expansion) and investment in existing facilities (new capital equipment and construction).

In 2011, a total of £124 million was spent on investment in golf courses. Of this, 83% was spent on construction activity and 17% on purchases of new capital equipment.¹⁰ The total direct investment translates into a £46 million GVA contribution to Scottish GDP, which kept 920 people in employment and generated £27 million in wage income.¹¹

To calculate the **indirect effect** of golf course capital investment we applied the multipliers published by the Scottish Government for the construction and machinery and equipment industries to the estimates of the direct impact of golf course capital investment. This suggests that investment at golf courses supports a £90 million spend on inputs of goods and services from Scottish suppliers. This procurement supported a £43 million GVA contribution, kept about 1,260 people in jobs and generated £32 million in wage income.

The **induced effect** is the effect of those involved in the capital investment programmes or working in its supply chain spending their wage income on consumer goods and services. As with the indirect impact, we apply the two industries’ multipliers for Scotland to the direct level of golf course construction and new capital equipment. In total, we estimate the £37 million in induced revenue contributed £19 million in GVA, supported around 510 jobs and generated £11 million in wage income.

¹⁰ The estimate of new construction activity is built up from interviews with major courses and expert opinion of the average for smaller ones. The estimate for spend on new capital equipment by size of course is made up from interviews with capital equipment providers.

¹¹ The direct gross value added contribution and employment estimates were calculated from the investment spend on construction and new capital equipment using the ratios for those two industries’ in the Scottish Government’s (2013) ‘Scottish Annual Business Statistics 2010’. The estimate of wages is calculated using the mean average gross annual pay in each industry in Scotland using data from ONS (2012) ‘Annual Survey of Hours and Earnings, 2011 revised results’.

Cluster 3: Golf supplies

The golf supplies cluster covers both the production and retailing of golf equipment, such as golf clubs, golf balls, golf bags and golfing apparel like shoes, polo shirts and rain jackets.

The economic impact of golf supplies accrues from Scotland-based manufacturers' production of equipment, and retailers' sales of both imported and domestically-produced supplies to customers.

The golf supplies industry in Scotland

For centuries Scotland simply owned the game of golf. From the days of Mary Queen of Scots and for five centuries thereafter, the nation supplied the best golf equipment, balls, green keeping staff and the finest courses. Scotland dominated golf manufacturing like no other for a very long time.

It was around the time of the Second World War that the industry in Scotland started to decline rapidly. As the game grew worldwide, the firm grip that Scotland had on the game began to slip. Countries where golf was emerging developed their own golfing industries. Starting with North America and then evolving to China in the 1970's, Scotland was no longer the craftsman of the sport. The Scottish golf manufacturing industry was all but gone.

Today the only Scottish-owned club manufacturer that exists is the St Andrews Golf Co., which owns three of the original brands going back to 1881, including Nicoll, Tom Stewart and St Andrews Golf Co. They produce both hickory and modern clubs and still utilise manufacturing skills and techniques used some 130 years ago.

Many brands that have either been brought out or have found new locations still remain true to their Scottish roots and market products in accordance with the historic values and association with Scotland, the home of golf. Companies such as Glenmuir, Lyle and Scot, Pringle of Scotland, Ben Sayers and John Letters have either relocated or are now owned by non-Scottish registered companies. Global economic pressures and operational efficiency have driven manufacturers to consider cost efficiency and access to broader markets.

The popularity of the game in Scotland still drives a competitive retail sector. With golf participation rates among the highest in Europe (approximately 8% in 2011) and high levels of golf tourism demand, the support for golf-related retail remains strong. In Scotland there are approximately 400 golf specific outlets; these can be categorised in two ways, as outlined below.

On Course – typically small to medium-sized outlets that service the local market of regular players and club members. The “pro-shop” is traditionally managed by a PGA golf professional as a retained service to the golf club. Premises are typically integrated into the clubhouse structure; however the PGA professional owns the stock and employs staff to support the operation. Many professionals will be part of a larger collective group, the two largest being the TGI Golf Partnership and Foremost Golf. Golf Professionals and on-course stores account for approximately 85% of the total Scottish market.

Off Course – generally considered “Golf Superstores”, this type of retailer includes brands such as American Golf, Direct Golf, Nevada Bob's and Auchterlonies. Shops can be found close to the major cities of Edinburgh, Glasgow and Aberdeen, or within close proximity to the major golf tourism destinations such as St Andrews. Generally these stores are medium to large enterprises that hold greater stock levels and are linked to a national chain.

One of Scotland's modern day equipment manufacturers “John Letters” began in 1918 on the north bank of the River Clyde in Glasgow. The company developed into a renowned golf brand providing equipment for the world's best players including Gary Player and Lee Trevino.

The company was eventually acquired by Dunlop and in 1983 moved its club making operations to England, leaving the Scottish manufacturing facility threatened with closure. Activity was limited over the next two decades, however due to recent investment supporting research and development, a rebrand and a new leadership approach, the company has been re-launched, along with a flagship showroom located in St Andrews.

Whilst the new owner chooses to centre operations and resources from a headquarters in the north of England, the Scottish history and brand heritage remains a key focus for the company's future development.



As in many industries online retail has developed as a major competitor to the physical shop, with many outlet owners creating an online presence to maximise revenue generation. Whilst this sales method provides greater competition, many of Scotland’s experienced and traditional golfers require the hands-on expertise necessary to personalise and custom fit equipment. Pressure from online web sites has dictated that both on- and off-course retailers offer a personal fitting customer experience; this is validated by many retailers claiming to now custom fit approximately 80% of hardware sales.

Key Findings

The economic impact of golf supplies accrues from Scottish manufacturers’ production of equipment and retailers’ sales of both imported and domestically-produced supplies to customers.

The cluster covers both the production and retail of golf associated products, made up of three categories. The first is equipment such as clubs, gloves, balls and shoes that account for approximately 38% of market sales. The second is apparel, for example shirts, trousers and rain jackets, purchased specifically for golf, a segment accounting for 33% of total sales. Finally the accessories category accounts for the remaining 29% of the market share.

Based on our research and interviews with representatives of major industry stakeholders, we estimate that Scottish golfers purchased £69 million in golf equipment and apparel from pro-shops and other golf retailers in 2011.

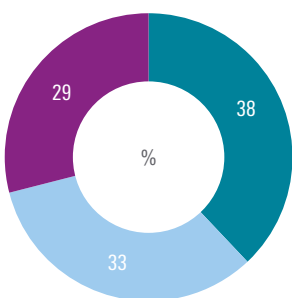
In 2011, the production and retail sales of golf supplies generated £157 million in revenue for the Scottish economy. This revenue supported approximately 1,660 jobs which paid almost £26 million in wages and contributed £72 million in GVA to Scottish GDP.

The following table summarises the key indicators of the Golf Supplies cluster.

2011	Direct	Indirect	Induced	Total
Revenues (million)	£91	£34	£32	£157
Contribution to GVA (million)	£ 41	£16	£15	£72
Employment	1,240	230	190	1,660
Total wage income (million)	£18	£5	£4	£26

Source: KPMG and Oxford Economics

Distribution of retail sales by product category



- Equipment
- Apparel
- Accessories

Source: TGI and KPMG research



Photo: Allied Surveyors Scottish Amateur Championships, Carnoustie 2008 FINALS
by Rob Eyton-Jones

The **direct economic impact** of golf supplies is calculated by adding together the revenue manufacturers of golf equipment receive from exports outside of Scotland and retailers' revenue on sales of both domestic and imported supplies.

In total, we estimate the direct effect of golf supplies from both the production and retail sales of such items to be worth £91 million in revenue terms to Scotland, contribute £41 million to Scottish GVA, support approximately 1,240 jobs and generate £18 million in wage income. Most of the revenue, employment and wage impact is from retailing compared to production, since most suppliers of equipment are located outside of the country.

Applying the relevant multipliers to the producers' and retailers' direct activity¹² gives total **indirect revenue** in 2011 of £34 million, which translates into a £16 million GVA contribution to Scottish GDP that supports slightly more than 230 jobs at local suppliers. These firms pay their staff around £5 million in wage income.

The **induced effect** is the effect of the consumer spending by those involved in the production and retail sale of golf supplies and employed in their supply chains. As with the indirect impact, we apply the Scottish Government's multipliers to producers' and retailers' direct impacts. In total, we estimate that £32 million in induced revenue contributed £15 million in GVA to Scottish GDP in 2011, supported almost 190 jobs and generated £4 million in wage income.

¹² Adjustments were made to avoid double counting from Scottish manufacturers being in the retailers' supply chain.

Cluster 4: Golf tournaments and endorsements

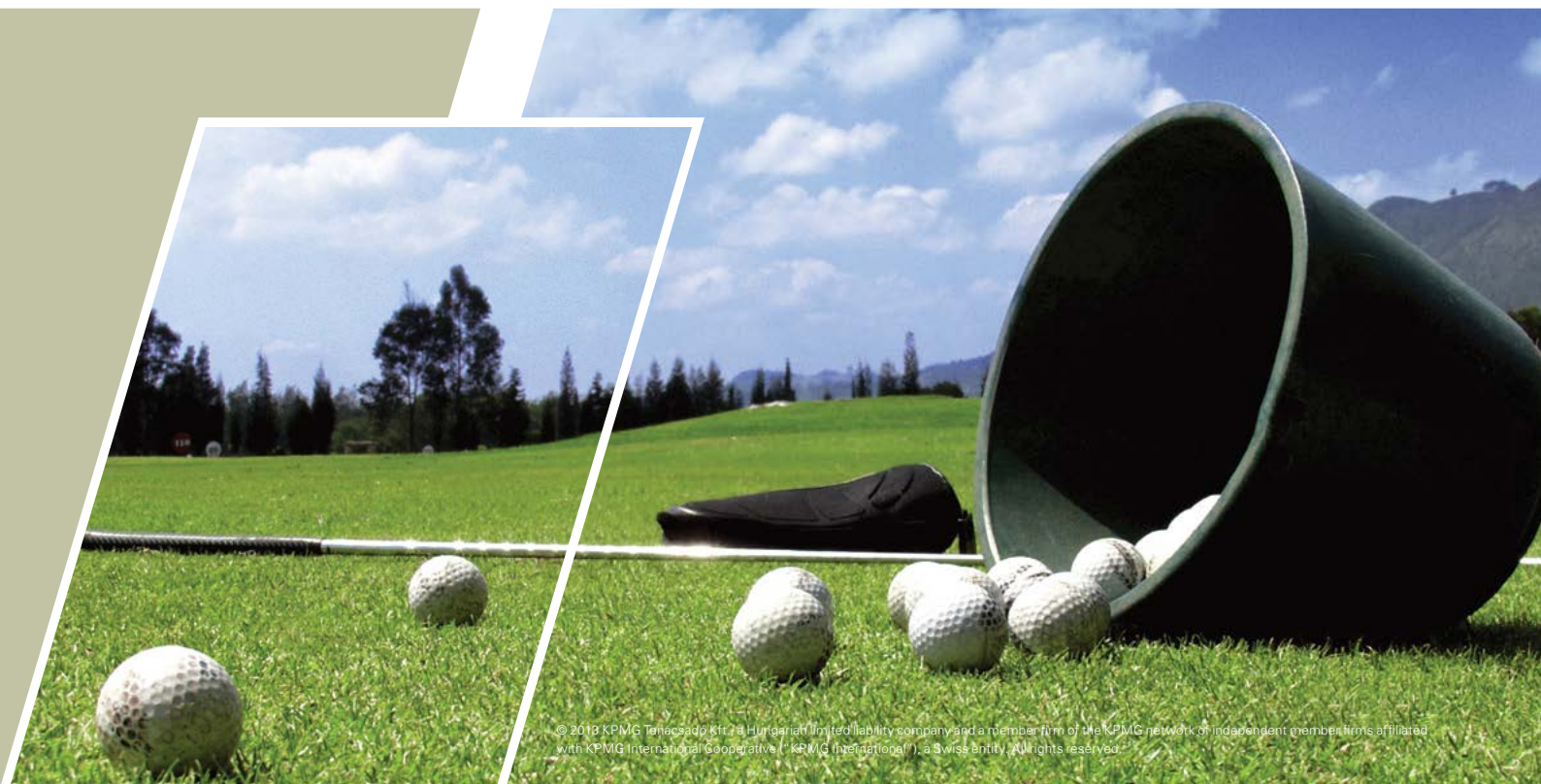
This cluster of the golf economy focuses on the economic activity created by professional golf tournaments and golf events staged in Scotland. It quantifies the economic impacts from hosting major and regional tournaments, payment of prize money to players and endorsements, along with additional events that help promote the game and encourage participation.




As revenues created through sponsorship, tickets and hospitality are generally offset by a number of infrastructure costs related to hosting a professional tournament, in order to ensure no double-counting of the economic impact, KPMG has agreed with the stakeholders that the majority of events operate on a 'break-even' basis and equated the total value of the prize money as the economic impact of golf tournaments as measured by revenue. This methodology is consistent with other similar studies undertaken in other countries, produces a revenue figure in line with the known collective economic impact research undertaken independently at each event, and provides for a consistent approach to the multiplier effects.

Golf tournaments in Scotland

Considered a key point in time for the game's evolution, the 1960's saw broadcasting becoming more attractive to global audiences through colour television, the best players travelling across the Atlantic to compete, and the rivalry of Nicklaus, Palmer and Player stirring more media interest than ever before and driving the popularity of golf.

The Open Championship (British Open) is the most renowned and historic golf tournament of all and since 1960 has been hosted 30 times in Scotland (effectively being staged 3 of every 5 times there). As one of golf's four annual major tournaments and the only one played outside of the United States, the Open Championship is a highlight on the calendar and provides key input to the national and regional economies. As the event was not held in Scotland in 2011, there is no inclusion of the generated revenues within this report, however the Open Championship will be held in Scotland for three of the next four years providing significant revenue influx into the economy.



Year	Edition	Course	Town	County	Country	Dates
2013	142 nd	Muirfield	Gullane	East Lothian	 Scotland	18–21 July
2014	143 rd	Royal Liverpool Golf Club, Hoylake	Hoylake	Merseyside	 England	17–20 July
2015	144 th	Old Course at St Andrews	St Andrews	Fife	 Scotland	16–19 July
2016	145 th	Royal Troon Golf Club	Troon	Ayrshire	 Scotland	21–24 July

Professional golf events staged in 2011

Event	Venue
Scottish Open	Castle Stuart
Johnnie Walker Championship	Gleneagles
Alfred Dunhill Links Championship	St Andrews, Kingsbarns, Carnoustie Links
Womens British Open	Carnoustie Links
Scottish Senior Open	Fairmont St Andrews
Scottish Ladies Open	Archerfield Links
Scottish Hydro Challenge	Spey Valley
Scottish PGA region	Multiple events

The estimated annual impact of hosting the Open Championship at Muirfield in 2013, according to an independent study commissioned by The R&A, forecasts the event to deliver a total economic benefit of £70 million to the East Lothian and Edinburgh regional economy. The figure includes a forecast economic impact of £25 million based on the anticipated admission of 170,000 total spectators and the spending patterns of players, the media, event staff, sponsors and organisers established from the last three Championships and an estimated destination marketing benefit of £45 million gained through over 3,000 hours of global television exposure in over 30 countries.

Apart from the major global events several international golf tournaments are annually held within Scotland along with a considerable number of regional events for local professionals and amateur players.

The PGA European Tour staged three events in Scotland in 2011: The Scottish Open, The Johnnie Walker Championship and the Alfred Dunhill Links Championship. All are contested by the world's leading players, have extensive television coverage and substantial prize funds.

The Ricoh Women's British Open took place at Carnoustie Links in 2011 and delivered an economic impact of over £4.7 million to Scotland. Thirty-one per cent of spectators came from outside of Scotland and the Championship generated substantial exposure for Scotland through worldwide TV coverage and media interest. The event was broadcast globally for 1,485 hours by 57 broadcasters.

Additionally individual events were staged for the European Tour Seniors, Ladies and Challenge Tour's, along with a full schedule of 80 regional Scottish PGA events that are played predominantly by local professionals representing the various clubs of Scotland. In addition there is also an extensive calendar of amateur tournaments that is played for on a national and regional level by men, ladies and juniors. The standout event from an economic viewpoint in 2011 was the staging at Royal Aberdeen Golf Club of the Walker Cup. This was estimated to have generated £0.3 in economic impact benefit for Scotland.

Sponsorship for tournaments is crucial to the success of such events at all levels and this is typically generated through either public or private enterprise. Sponsors are categorised either as title, partner or official suppliers at most tournaments with contribution through direct payments or barter contracts to support the prize fund and tournament organisational cost.

In 2014 Gleneagles in Perthshire will host The Ryder Cup, ranked third most watched sporting event following the Olympic Games and FIFA World Cup. This is a crucially important event for Scotland and will provide a pivotal focus for promotion of the game and tourism activity in the run up, during and post event. Approximately 45,000 visitors will attend each of the six days of the event that is anticipated to raise more than £100m for Scotland's economy.

Organisers for the event, Ryder Cup Europe LLP, expect supplier contracts to employ 5,000 people directly, with many more likely to benefit through the supply chain including opportunities of catering, merchandising, security and transport.



For the sake of comparison, the total economic impact of the Ryder Cup at Celtic Manor Resort in Newport, Wales, in 2010, was calculated at £82.4 million. Hospitality revenues were lower than previous years mostly due to the shift in economic conditions. However over 170 companies hosted guests and took advantage of the hospitality offering. Volunteers helping at the event made a significant contribution of almost £1.3 million.

Endorsements

Internationally recognised players often earn more off than on the course. In 2011 Scotland had three resident players in the Official World Golf Rankings Top 150 and, although not one of the three but as Scotland's most successful player in history, Colin Montgomerie was reported by Golf Digest magazine to have earned in excess of EUR 5 million in 2011 of which approximately 90% was off-course, making him the highest earning Scottish player.

The Scottish Golf Show

Scotland's largest exhibition facility Glasgow's SECC is host to the Scottish Golf Show, which provides an injection of £1.25 million into the local economy as a result. The 3-day event boosts business for local restaurants, hotels, bars and increases consumer spend and attracts new visitors, which organisers estimate upwards of 15,000 over the weekend. The event is an opportunity for enthusiasts to visit over 100 exhibitors, view international golfing getaways and demonstrate the latest golfing products.

Key Findings

Tournaments, including broadcasting rights, are by far the highest contributor to the cluster, contributing 65% of all revenue, while Scottish players resident in their homeland are estimated to earn the remainder in endorsements.

In 2011, the Golf Tournaments and Endorsements cluster generated £46 million in revenue for the Scottish economy. This revenue supported approximately 1,090 jobs which paid £15 million in wages and contributed £22 million to GVA. The following table summarises the key indicators of this cluster:

2011	Direct	Indirect	Induced	Total
Revenues (million)	£25	£11	£11	£46
Contribution to GDP (million)	£12	£5	£5	£22
Employment*	660	260	170	1,090
Total wage income (million)	£9	£3	£2	£15

*Employment includes: tournament organisers, broadcasting staff, players involved in endorsements and these players' management.
Source: KPMG and Oxford Economics

In 2011 prize money at tournaments in Scotland is estimated to have reached £11 million.

The **direct economic impact** of the tournaments and endorsements cluster is the revenue, contribution to GDP, employment and wage income. Tournament revenue in 2011, including broadcasting rights for the major tournaments amounted to £16 million. Endorsement income of the top players who reside in Scotland is estimated to generate £9 million to bring total direct revenue in the tournaments and endorsements cluster to £25 million.

In 2011, tournaments and endorsements directly contribute an estimated £12 million to Scottish GVA. This cluster of the golf economy employed approximately 660 people, and generated £9 million in wages.

Revenue estimates for the supply chain are calculated by multiplying the various sources of revenue (tournaments/ endorsements and broadcasting rights revenue) by their respective multipliers. Applying the relevant multipliers gives total **indirect revenue** in 2011 of £11 million, which translates into a £5 million GVA contribution to Scotland's GDP that supports almost 260 jobs and generates around £3 million in wage income.

The **induced impact** of tournaments and endorsements are the effects of wage-financed consumer spending by those employed by the various professional golf tournaments organisers in Scotland or employed directly in their domestic supply chain.

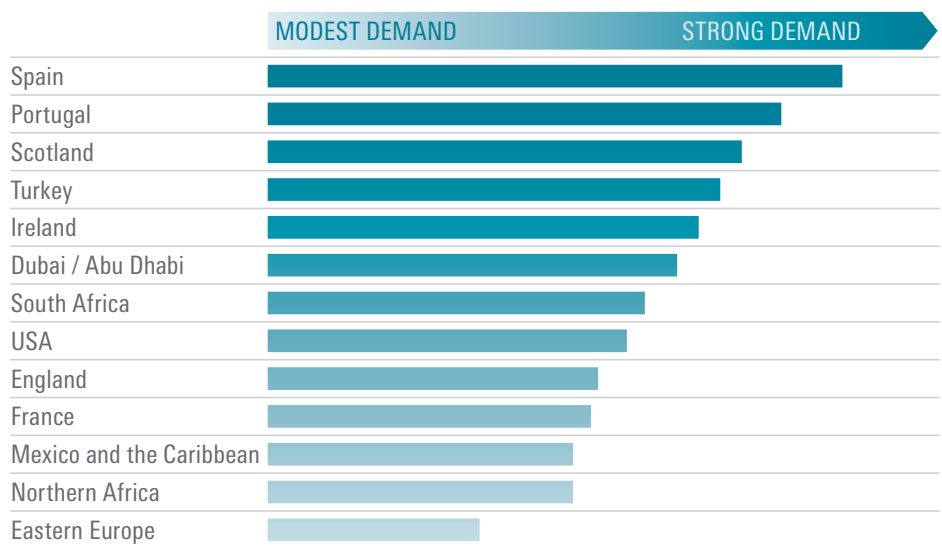
In total, we estimate the £11 million in induced revenue contributed £5 million to the Scotland's GVA in 2011, supported 170 jobs and generated £2 million in wage income.

Cluster 5: Golf tourism

Golf tourism, in its own right, has developed into a successful business, and there are numerous tour operators tailoring their offers to the specific needs of golfers all over the world. Whether as a primary motivation for a holiday or simply as a secondary activity, golf attracts millions of holidaymakers worldwide.

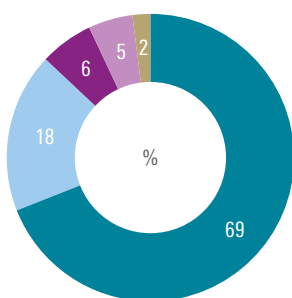
Golf tourists purchase many different goods and services while on their trip, supporting a wide range of businesses such as hotels, restaurants, retailers and, of course, golf facilities themselves through the purchase of green fees, golf equipment and cart rental. The global trade organisation for the golf tourism industry, IAGTO, estimates golfers’ spend to be 120% more than that of other travellers’.

Hot spots for golf tourism in the coming years



Source: KPMG Golf Travel Insight report 2013

Source of Scotland’s golf tourism, 2011



- Scotland
- Rest of UK
- Europe
- North America
- Other International

Source: 2011 National Golf Tourism Monitor

Golf tourism in Scotland

Scotland is one of the world’s premier golf tourism destinations, and was ranked among the top 3 golf tourism hot spots for the coming years by international golf tour operators in a recent survey of KPMG.¹³ Scotland’s offering of links and inland courses, including some of the most famous venues in the world make it unique. Golfers from all over the world travel to the ‘Home of Golf’ specifically to play the legendary courses there.

Besides its reputation and history, as well as its easy accessibility and clusters of quality golf facilities, the tournaments hosted in Scotland are also set to be a catalyst for inbound tourism growth. Scotland is hosting The Open at Muirfield in 2013, The Ryder Cup in 2014, and The Open at St Andrews in 2015.

On the other hand, some of the biggest challenges for golf tourism in Scotland are the weather and the accessibility of some courses to visitors.

Analysis of those paying visitor green fees in 2011 suggests that about a third were attracted from outside of Scotland. Of these, 57% came from the rest of the UK, 19% from the rest of Europe, 17% from North America and 8% from elsewhere.¹⁴

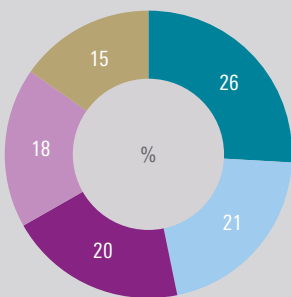
Short stay golf tourists stay 2.7 nights on average in Scotland, and typically spend up to £150 per day on golf related services. The largest amount of short break

¹³ KPMG Golf Travel Insights 2013

¹⁴ Scottish Golf Union, (2012), ‘2011 National Golf Tourism Monitor’.

golfers come from England, complemented with golfers from the rest of Europe. Players from the US are very important not only in terms of quantity but also with regards to length of stay, usually more than 5 days, and spending contribution in the golf, travel, accommodation and F&B sectors. Of the total amount spent by golfers visiting Scotland, approximately a quarter will be spent on green fees, regardless of the type of accommodation or F&B spend.

According to our research, golf tourists spend on average £150 per day on a short trip, and 30-50% more on a long-haul golf trip. The following chart presents the estimated breakdown of golf tourist spending during a long haul trip of seven days.



- Golf
- Travel
- Accommodation
- F&B
- Other

Source: KPMG research

Visitor rounds per course April – October 2010 and 2011



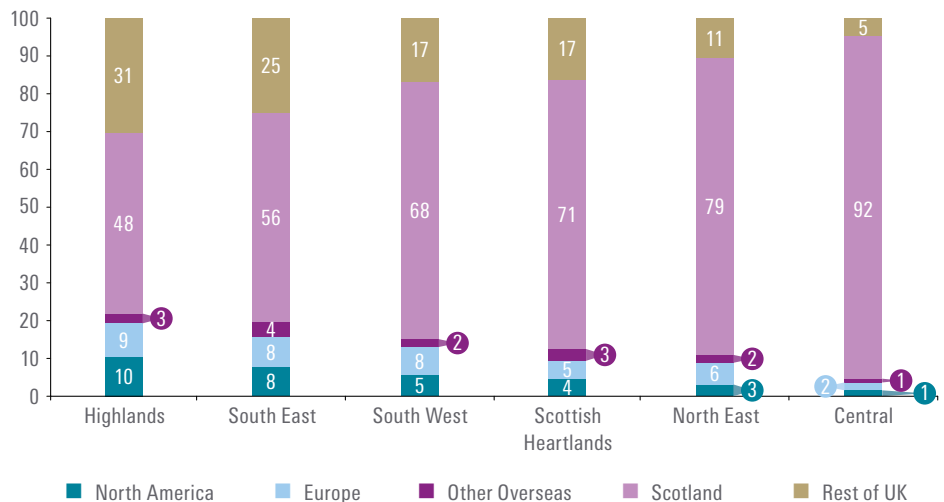
Source: 2011 National Golf Tourism Monitor

In 2011, visitor rounds were down 1% compared to 2010 across the Scottish regions; however, there are two regions which saw growth: the South East and North East. The largest difference between 2010 and 2011 came from the Scottish Heartlands, where visitor rounds went down over 12%.

According to the 2011 National Golf Tourism Monitor, the UK provided the largest share of inbound golf tourists in the year, with a trend towards playing links courses. Although not unique to Scotland, this type of course is considered a very different proposition to the norm for most golfers. The coastal location, dramatic views and historic nature make the links courses the most sort after place to play for many golfers. The sand based courses are also very permeable during periods of heavy rainfall so closure is seldom.

The largest visitor revenues from golf courses comes from domestic tourism, however, there are differing levels of spending depending on the origin of visitor and the region of Scotland. North American visitors show a larger share (10%) of spending in the Highlands in contrast to 1% in Central Scotland.

Share of visitor green fee revenues by origin of visitor



Source: 2011 National Golf Tourism Monitor

Photo: Scottish Amateur Championship, Nairn
Zack Saltman plays to the 18th
by Peter Kelly



The Highlands have a number of world class golf courses, specifically Nairn Golf Club, host of the Walker Cup in 1999, Castle Stuart, the venue of the 2011 Scottish Open, and Royal Dornoch with its Championship Course ranked No.4 by Golf Digest UK & Ireland 2011. This quality supply is one of the reasons for a high green fee revenue share figure from North American visitors. The core markets of inbound international tourism however remain North America, Scandinavia, Ireland and Germany. These golfers are typically experienced, appreciate the quality of courses in Scotland, and enjoy the links experience and heritage. Recently, with the growth of golf in France, the number of French golf tourists has also increased. While Scotland is a preferred destination for all golfers looking for a short break, longer breaks will generally be popular in Portugal and Spain, with the good climate likely being a major factor.

The peak months for international golf tourism in Scotland are between May and September, when the weather is much improved compared to the often harsh winters. However, visitors from the rest of the UK are more accustomed to the wintry conditions, and continue to visit Scotland throughout the year.

Key Findings

A number of studies have investigated the size of the golf tourism market in Scotland.¹⁵ This section looks at the impact of the spend by golf tourists in the country (defined as those staying at least one night) not covered elsewhere in the other five clusters. It therefore excludes tourists' spend at Scottish golf operations, purchases of golf supplies and those attracted to tournaments held in Scotland, to avoid double counting. As a result, the estimate is smaller than those published elsewhere.

¹⁵ SQWconsulting, (2009), 'Scottish golf tourism market analysis; Report to Scottish Enterprise'

In 2011, the golf tourism cluster generated £120 million in revenue for the Scottish economy, in addition to visitor green fee revenues, their spending on equipment whilst visiting and attendance at tournaments which were considered in other clusters. This revenue supported approximately 2,100 jobs which paid £35 million in wages and contributed £57 million to GVA. The following table summarises the key indicators of the Golf Tourism cluster.

2011	Direct	Indirect	Induced	Total
Revenues (million)	£70	£27	£22	£120
Contribution to GVA (million)	£34	£12	£11	£ 57
Employment	1,480	340	270	2,100
Total wage income (million)	£22	£7	£6	£35

Source: KPMG and Oxford Economics

The **direct economic impacts** of golf tourism are the revenue, contribution to GVA, employment and wage income generated by tourists' golf trips and their associated spending in Scotland. In 2011, golf tourists are estimated to have spent £70 million. Of this, the major areas of expenditure were accommodation (21%), eating and drinking (20%) and transport in Scotland (18%).¹⁶

We estimate golf-related tourism directly contributed £34 million in GVA to Scottish GDP, supported around 1,480 jobs and generated £22 million in wages.

The industries that benefit from golf tourists expenditure in Scotland purchase a proportion of their inputs of goods and services from Scottish suppliers. Using The Scottish Government's multipliers for the tourism industries, it is possible to estimate the golf tourists spend lead to an indirect economic effect of £27 million in procurement.¹⁷ This created a £12 million GVA contribution to Scottish GDP in the tourism industries' supply chain. This supports 340 jobs and generates close to £7 million in wage income.

Staff working in restaurants and pubs, transport and accommodation sectors that serve golf tourists and those employed in these sectors' domestic supply chain are estimated to be paid £29 million in wages in 2011. Using multipliers for these sectors it is possible to calculate that they spend £22 million of this income at retail and leisure outlets, which generates an induced GVA contribution to Scottish GDP of £11 million and supported 270 people in employment in the country.

¹⁶ Source: SQWConsulting (2009), 'Scottish golf tourism market analysis; Report to Scottish Enterprise'

¹⁷ The Scottish Government's multipliers for accommodation, bars and restaurants, land transport and other expenditure (proxied by the mean multiplier for all other sectors) are applied to the spend on each item.



Photo: Royal Dornoch Golf Club
by Aidan Bradley

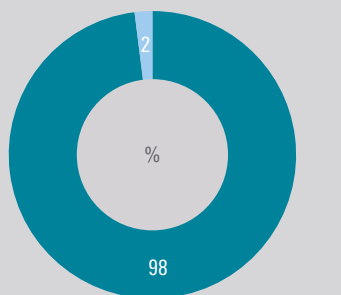
Cluster 6: Golf real estate

Golf courses are increasingly being used to support quality residential developments. Although the residential golf community concept in Europe has a much shorter history than in the North American market, it is widely recognised that the location of apartments and villas alongside golf courses can help developers to increase sales velocity and add a sales premium to pricing. In some areas, premiums of between 20-30% are added to properties close to golf courses. Numerous studies have indicated that golf courses only come second to water as the most desirable 'amenities' for a housing community.

Golf real estate in Scotland

In Scotland, the golf courses with real estate components are all considered luxury developments spread across the country, with no particular area of concentration.

Share of golf courses with real estate components in Scotland



■ Golf courses without real estate
■ Golf courses with real estate

Source: KPMG research

Golf and real estate in Scotland are not as easily paired as with many other popular golfing countries, especially golf tourist hot spots such as Spain and Portugal. The market has shown that there is no strong demand for secondary homes attached to golf courses where the weather can be unpredictable all year round. Besides the climate conditions, the lack of integrated golf and real estate in Scotland may also be down to cultural factors.

However, there are a small number of developments in the country with residential real estate amongst the golf course, and further developments currently underway or in the planning phase.

Archerfield Links, just East of Edinburgh, has 27 units of residential real estate available for purchase, 36 holes of links golf as well as other world class amenities one would expect from a high profile resort.

The most talked about development recently is the Trump International Golf Links project in Aberdeen, a £750 million project including residential, hotel and leisure amenities. A resort such as Mar Hall near Glasgow first developed a 5-star hotel with a golf component, and then residential units with asking prices starting at £1 million.

With regards to the year 2011, the only sales we have become aware of are from Archerfield Club, to the value of approximately £3 million in total.

Key Findings

The economic impact of golf real estate relates to the economic activity supported by the construction, development and sale of housing and hotels on golf courses and the price premium from their location when first sold.

In total, these new real estate developments built alongside golf courses in 2011 generated £14 million in revenue in Scotland and supported a £6 million GVA contribution to GDP. Some 150 people were employed as a result of the build of golf real estate, who received £4 million in wages.

2011	Direct	Indirect	Induced	Total
Total revenues (million)	£7	£5	£2	£14
Contribution to GVA (million)	£3	£2	£1	£6
Employment	50	70	30	150
Total wage income (million)	£1	£2	£1	£4

Source: KPMG and Oxford Economics

In 2011, developers and constructors of golf real estate in Scotland earned £7 million in revenue. On this they made a **direct** GVA contribution to Scottish GDP of £3 million. About 50 people were employed building and developing the property, who were paid a £1 million.

To calculate the size of the golf-related real estates' **indirect effects** we have used the Scottish Government's construction and real estate supply chain multipliers. Developers and builders of golf-related property purchased inputs of goods and services worth £5 million from their domestic supply chain. This procurement spending is estimated to contribute £2 million in GVA. We estimate that 70 people are employed in the golf-related property's supply chain who are paid a total of £2 million in wages.

The **induced impact** of developing and building golf-related property are the effects of the consumer spending by those employed by the developers and construction firms or directly in their supply chain. Akin to the indirect effects, we have used multipliers calculated from the Scottish Government's construction and real estate multipliers. We estimate staff employed developing and constructing golf-related property and in their supply chain spent £2 million on consumer goods and services in 2011. This is estimated to contribute £1 million in GVA, create 30 jobs and pay £1 million in wage income.

Photo: Turnberry Ailsa Course



Summary of Key Indicators

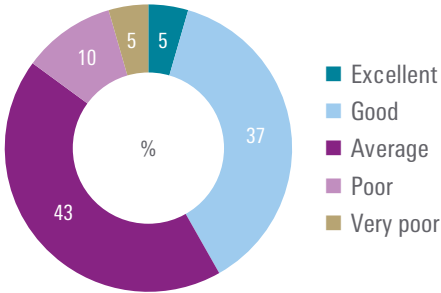
The following table summarises the indicators of the golf economy by industry cluster.

	Direct	Indirect	Induced	Total
Golf Facility Operations				
Revenues (million)	£319	£130	£134	£582
Contribution to GVA (million)	£128	£52	£52	£231
Employment	7,650	2,870	1,860	12,380
Total wage income (million)	£95	£32	£24	£152
Golf Course Capital Investments				
Revenues (million)	£124	£90	£37	£252
Contribution to GVA (million)	£46	£43	£19	£108
Employment	920	1,260	510	2,700
Total wage income (million)	£27	£32	£11	£69
Golf Supplies				
Revenues (million)	£91	£34	£32	£157
Contribution to GVA (million)	£41	£16	£15	£72
Employment	1,240	230	190	1,660
Total wage income (million)	£18	£5	£4	£26
Golf Tournaments and Endorsements				
Revenues (million)	£25	£11	£11	£46
Contribution to GVA (million)	£12	£5	£5	£22
Employment	660	260	170	1,090
Total wage income (million)	£9	£3	£2	£15
Golf Tourism				
Revenues (million)	£70	£27	£22	£120
Contribution to GVA (million)	£34	£12	£11	£57
Employment	1,480	340	270	2,100
Total wage income (million)	£22	£7	£6	£35
Golf Real Estate				
Revenues (million)	£7	£5	£2	£14
Contribution to GVA (million)	£3	£2	£1	£6
Employment	50	70	30	150
Total wage income (million)	£1	£2	£1	£4
TOTAL GOLF ECONOMY				
Revenues (million)	£636	£297	£238	£1,171
Contribution to GVA (million)	£264	£130	£102	£496
Employment	12,000	5,030	3,030	20,080
Total wage income (million)	£172	£81	£47	£300

Source: KPMG and Oxford Economics

Future outlook

What are your predictions regarding your business performance in the next 5-10 years, in revenue terms?



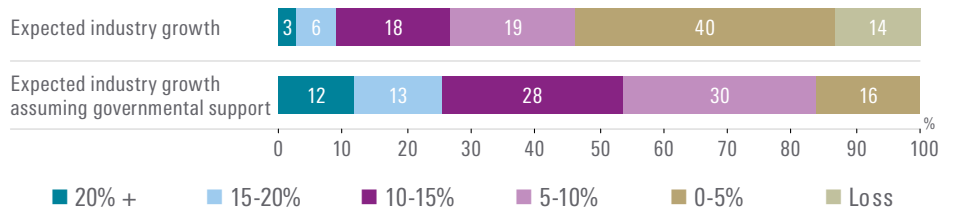
Source: KPMG and SGU survey

In order to assess the future outlook for golf in Scotland, KPMG's Golf Advisory practice and the Scottish Golf Union surveyed over 500 local stakeholders in the golf sector about their expectations for the short and medium term.

Based on a 12% response rate, the majority (80%) of golf industry stakeholders foresee average to good results for their business in the next 5-10 year time frame, while 15% predict poor or very poor results. Most respondents expect their revenues to increase by less than 5%, and 5% forecasted excellent results with an annual revenue growth of 20% or more.

On an industry level, 40% of the survey participants expect modest annual growth (0-5%), and another 19% and 18% expect 5-10% and 10-15% growth each, respectively. Only a small percentage of the surveyed industry stakeholders foresee industry performance, being either excellent or very poor. Nevertheless, assuming stronger governmental support for the golf industry, most respondents see a more significant growth being achievable.

What annual growth do you expect for the Scottish Golf Industry as a whole within the next 5-10 year time frame, in revenue terms?



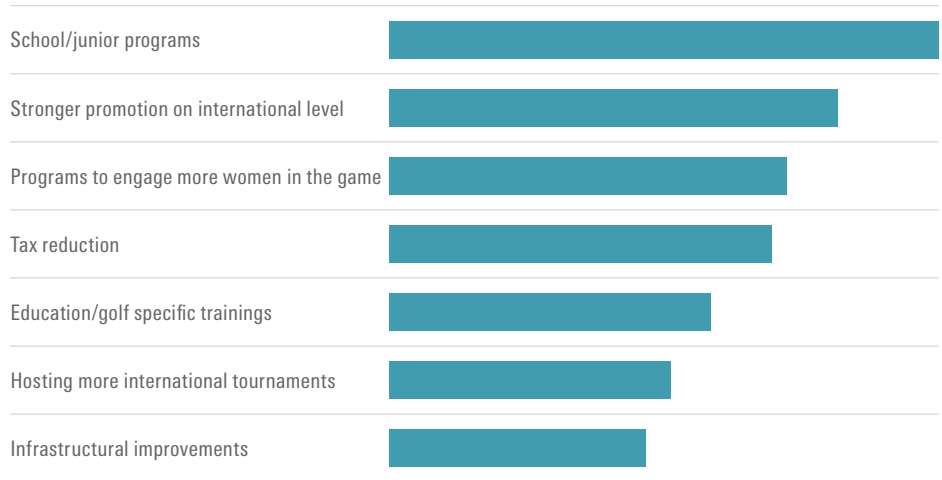
Source: KPMG and SGU survey



We have also asked industry stakeholders to weight the key measures that could initiate growth on the industry level. Introducing school and junior programmes received the highest rank, followed by stronger promotion of the Scottish golf experience on the international level. Respondents also found it important to engage more women in the game, as well as the reduction of taxes.

As additional notes, several respondents mentioned the need for stronger cooperation between stakeholders, as well as collaborative marketing initiatives. Many would find it important to promote more affordable golf courses at both the UK and international levels, along with the luxury resorts. Some also mentioned the need for shorter game formats, which is less country specific but a global debate.

What are the key measures that could initiate growth on industry level?



Source: KPMG and SGU survey

Driven by golfing heritage, Scotland’s unique golf tourism proposition and its ability to stage globally important events, such as The Open Championship and the 2014 Ryder Cup, the country remains an attractive region for golf visitors and potential investors.



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