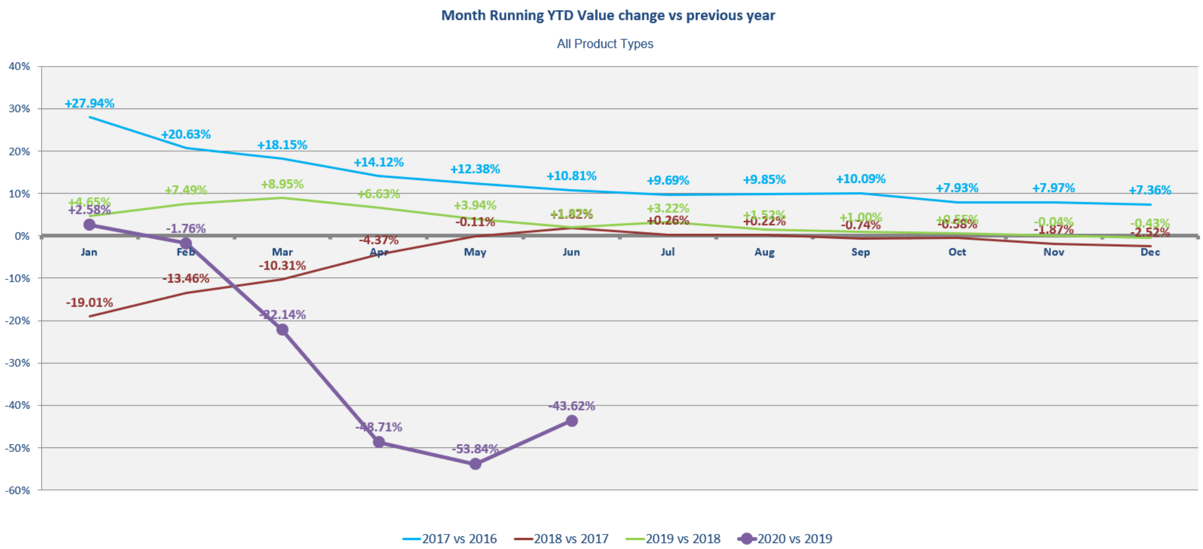
2020 Overview

Well, it's been a crazy year for everyone so far. This time last year we were all worried about Brexit – but that now seems like a distant memory. Covid-19 has wreaked havoc on the world economy and we are all now trying to pick up the pieces – without really knowing what's going to happen next.

From the lockdown in March the market has taken a massive slide with three heavy consecutive monthly losses to the YTD values. As of the end of May total market value was down 54% vs. 2019.

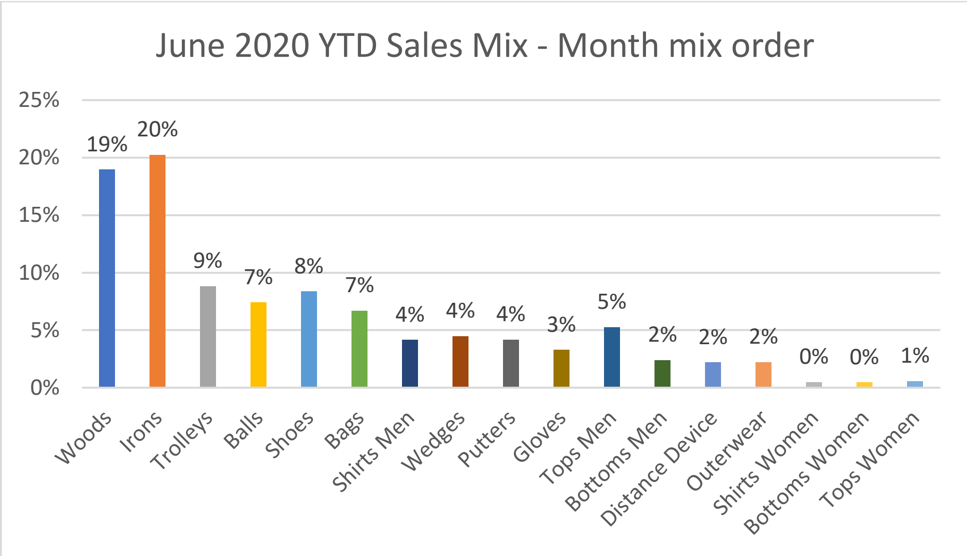


Since the national lockdown the only good news is that golf has been seen as a healthy and socially compliant activity. Golfing numbers have been very strong since mid-May with many clubs recording record amounts of golf being played. Membership demand has also been strong with some clubs even having to close membership categories.

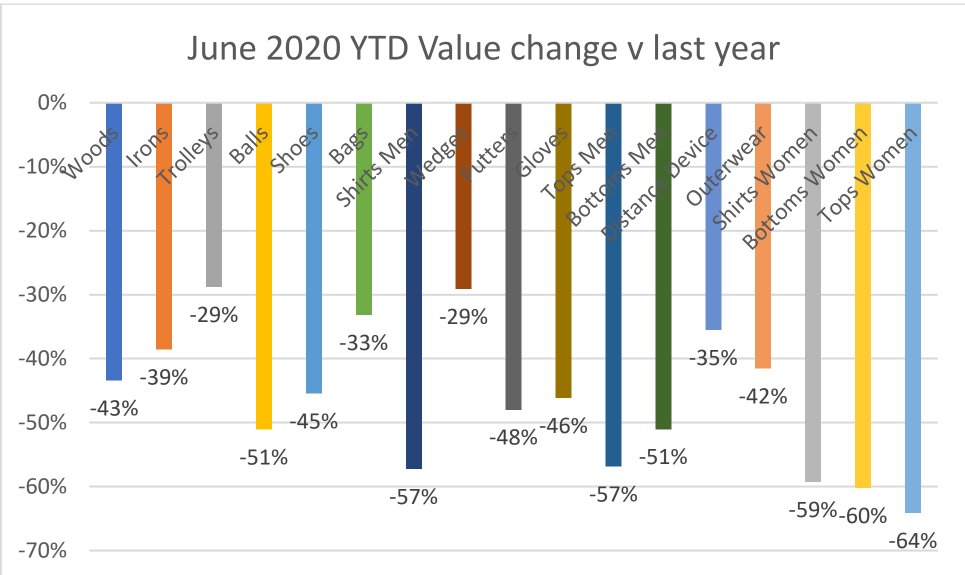
Unfortunately, this increase in playing golf hasn't yet translated to record retail sales, but things are on the up and some categories have been doing very well. June saw sales return to similar levels of 2019, being down just 3% overall. Considering that shops were only open for two weeks in England and restrictions remained for the entire month in Scotland and Wales this was a great result. This has brought the year to date position back to down -43% vs. 2019

Have all the categories suffered?

While the year started off normally, post lockdown, there has been a real shift in the product mix. Consumers have spent significantly more on clubs, trolleys, and bags than in a normal year. As of the end of June Irons was the biggest category followed by Woods and then Trolleys. In a normal season we would expect Balls, Shoes and Apparel Tops to be bigger than Trolleys by this time.



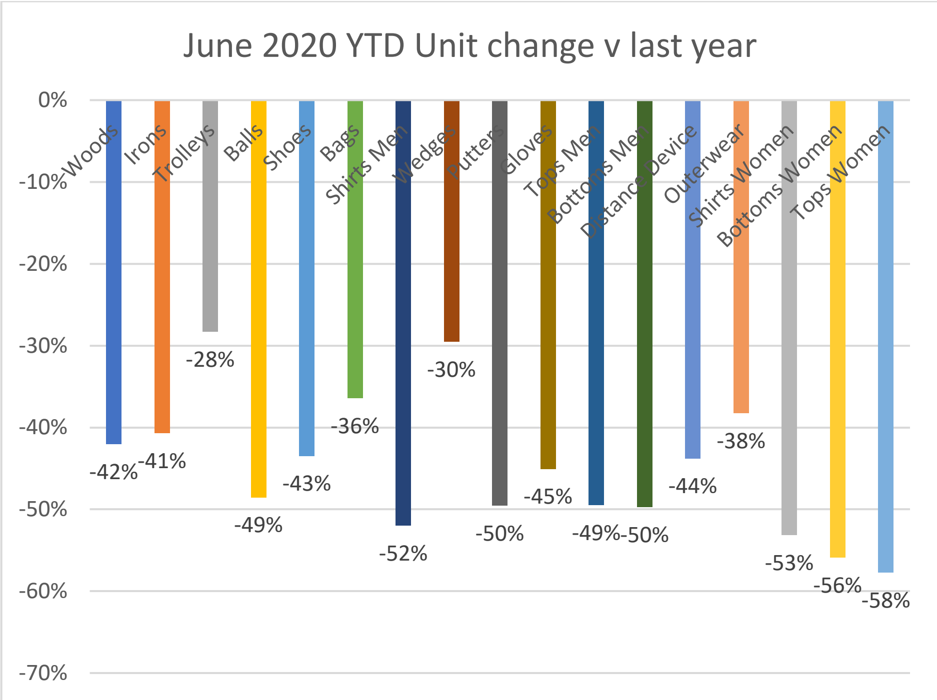
The best performing categories by value so far are Wedges, Trolleys and Bags. Consumers unable to share riding carts have spent a lot on electric Trolleys and new Bags. In June Trolleys were up 44% in value compared to 2019. Overall these categories are down year-to-date between 29 to 33%. In comparison apparel is down between 42 and 64% compared to the same period of 2019.



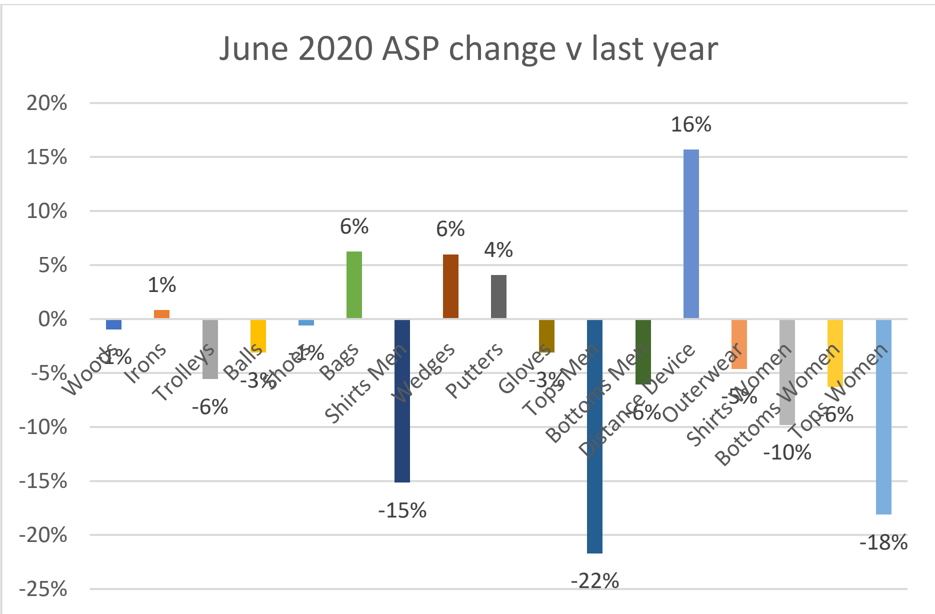
The two largest categories – Woods and Irons are well down on the year, however reports are that they are having a strong July.

Is the decline in value down to price or units?

It's a pretty simple story – unit sales have taken a tanking. Eight weeks of course closures and limited off course retail has deliverd a pretty heavy blow to year to date sales. While lockdown did provide some upside for training equipment, there was little apetite for equipment while everyone had to sit at home. As a result units have taken a hit across the board.



While units have been hit hard, pricing has generally held up pretty well. Retailers have maintained pricing and not panicked with any mass clearance – yet. We hope this remains as there is a good chance we could be in for a long season. Staycations and the current good weather could boost demand well into September / October. This could provide retailers with the opportunity to make back lost ground.



What’s the outlook?

There is a lot of uncertainty as to what will happen next. Will there be a second wave? Will there be more lockdowns? At the moment things seem to be moving back to a new normal. Lockdowns are being managed locally, while the general number of Covid-19 cases seems to be going in the right direction. Assuming there is no drastic uptick, golf remains open and the weather plays ball, there is a hopeful chance for a second half recovery. While people can’t go on vacation, can’t go to concerts or festivals, kids activities are limited, even BBQ’s aren’t what they once were, there is a lot more time to and incentive to play golf. Hopefully this will translate to more sales.

Hardware and consumables are likely to perform best with increased participation from new golfers and those returning to the sport. Some categories might continue to struggle as they are harder to sell within Covid-19 restrictions. Apparel is likely to be the worst off. Tourist destinations are likely to lack foreign visitors, which means less branded sales. While a general reduction in apparel inventory due to cancelled pre-orders provides less options for consumers to buy.

Overall, if we manage to do the same numbers for the second half of 2020 as we did in 2019, we should end the year circa 22% down in value. A lot of retailers would accept that as a manageable recovery.