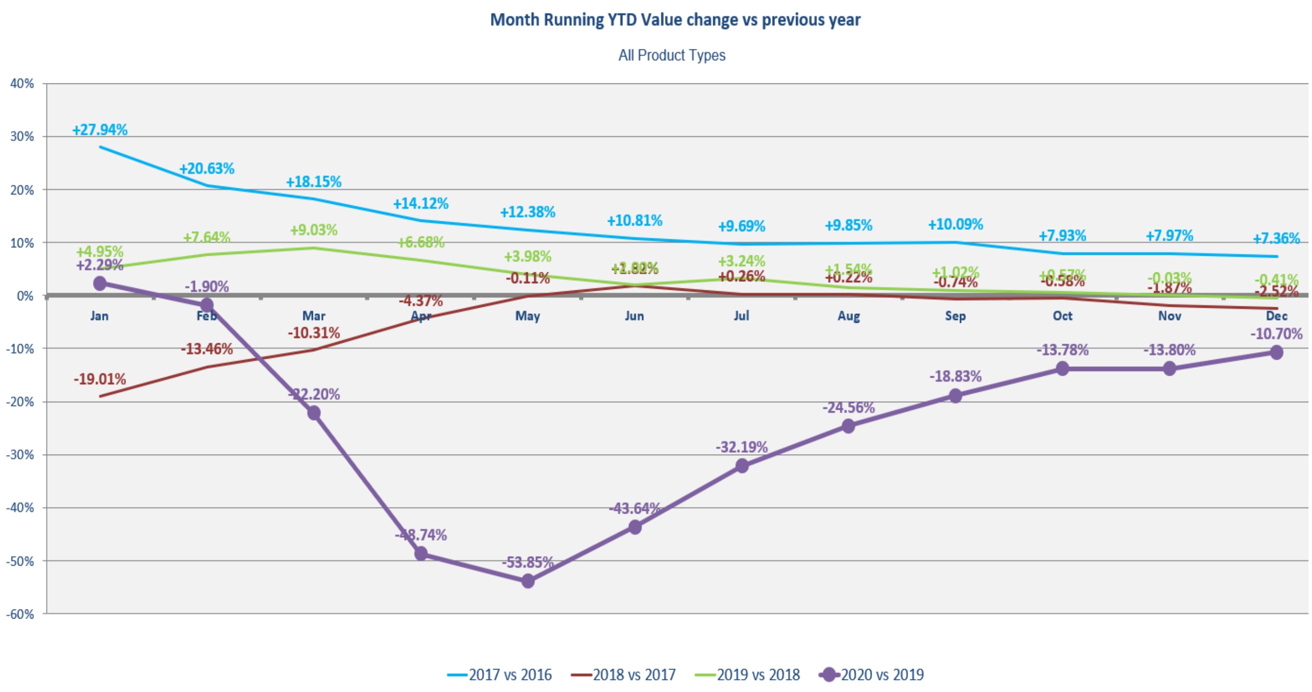
2020 Overview

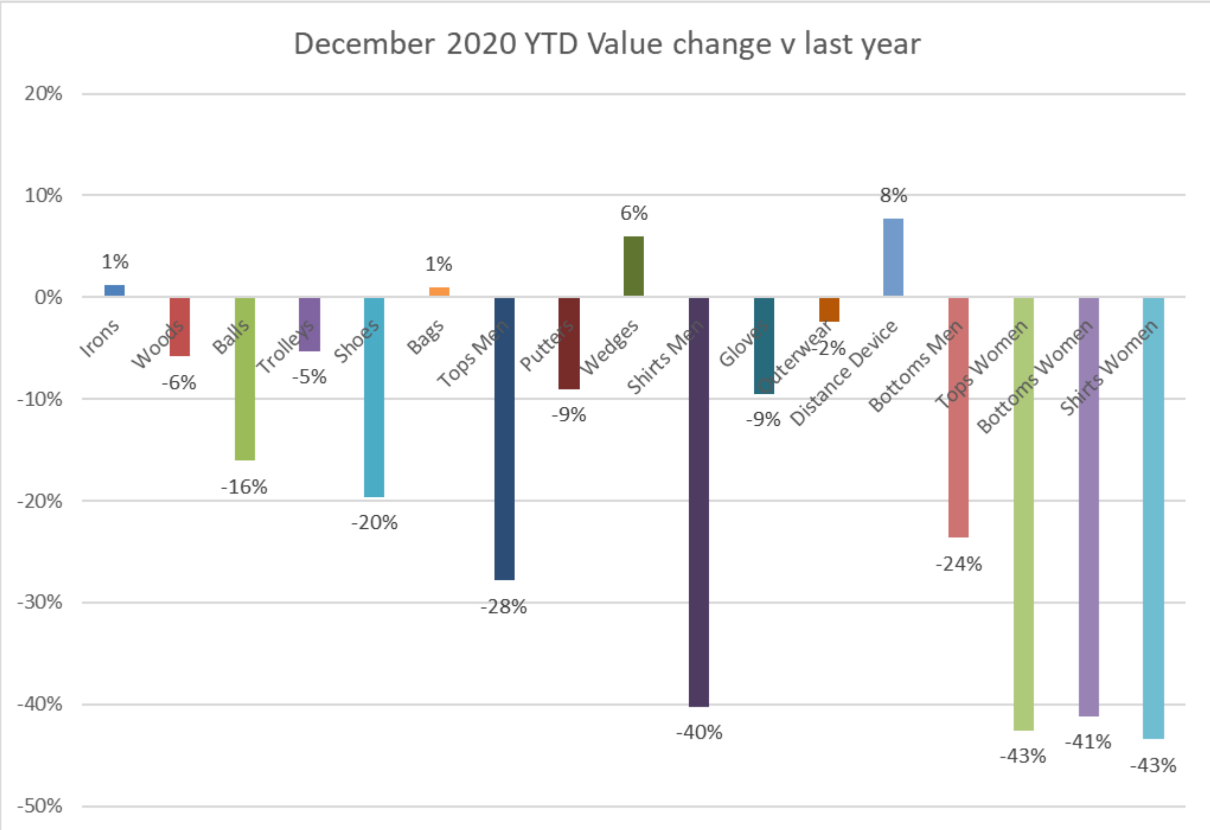
A crazy year – I think that's how best to put it. While the lockdown effected the various regions differently golf lost nearly a 1/3rd of a year to COVID while retail lost even more, it really has been a bumpy ride. Having been in the doldrums in May, seeing retail sales down 54% things were looking bleak. But great weather and the socially distanced appeal of golf drove demand. The resurgence in popularity saw golfers new and old loving the game and most importantly spending their money. Pent up demand drove sales in the second half of the year to record highs. At year end the speciality golf channel had recovered from its biggest drop ever to be only down 10% on the previous year.

As with many things the headlines don't cover the whole story. The second half of 2020 was up 24% in value on 2019. But the main point is the difference seen On and Off course. As expected online did incredibly well driving the off course channel up 43% in the second half of the year. This compared to just 10% up for the on course. What's more impressive is that this includes the effects of a 2nd lockdown in November which saw shops and courses closed for another month. Looking at the year overall On course ended up down - 19.8%. Off course ended the year up by 3%. Some might have expected more but the loss in March through June and November was a considerable hole to fill.



So what about some details

So away from the overall headlines, let's look at what happened across the market. First thing to note is that overall there was a real change in consumer spending. Generally hardwear did well and Apparel got hammered. Looking at the bad first – other than outerwear that had a resurgence in a damp final quarter - clothing categories were down between 24 and 43% for the year. Ladies clothing fared worse – all down in the 40's. As mentioned in previous updates, much of this is drop appears to be down to social distancing rules On course – where it was hard to browse and try clothing. Retailers and customers seem to have found it difficult to understand the COVID rules and what consumers could do safely. Generally I think customers were a bit scared and just opted to leave the clothing on the rack. Visitor numbers also had a significant impact On course – foreign tourists didn't by lots of logoed kit – that had a definite impact. Off course apparel numbers were up considerably in the second half of the year – but this still didn't compensate for the loss On course. Customers obviously felt more comfortable ordering clothing to try on at home.



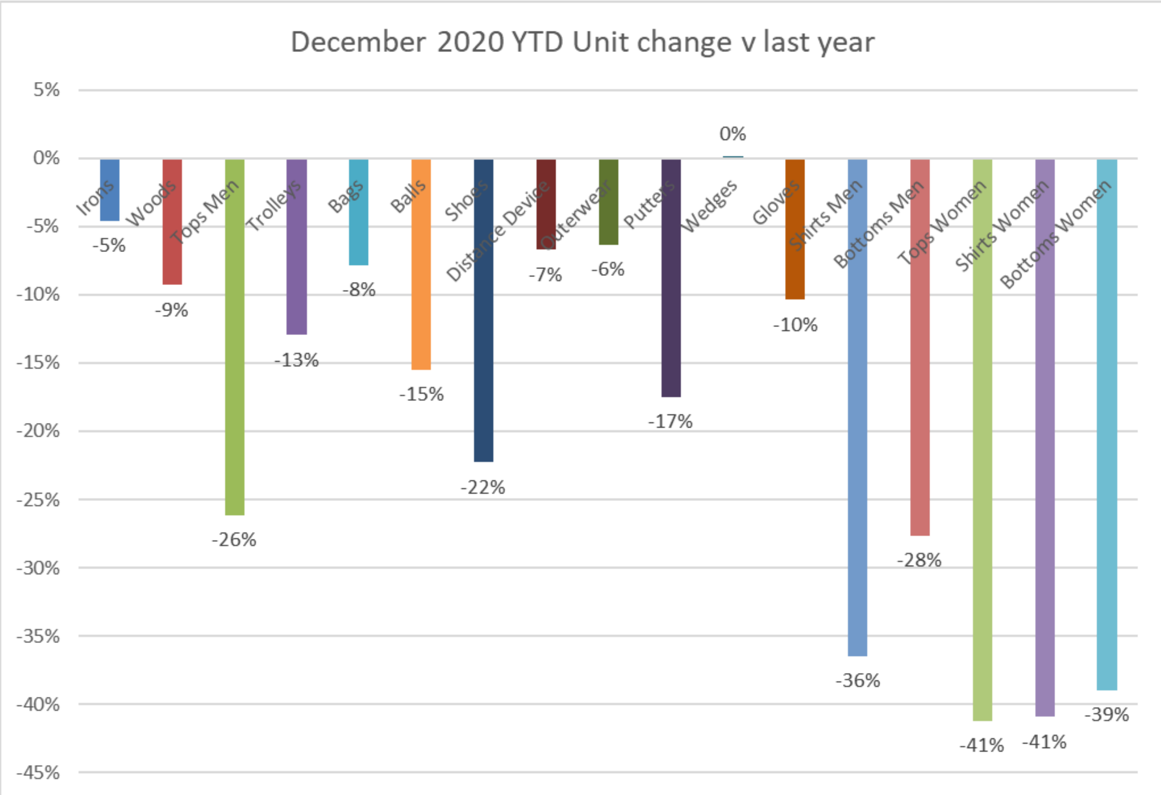
There was positive news with Irons, Bags, Distance devices and Wedges all having positive value years – which is incredible. Trolleys may well have been in this position if stocking issues with the brands hadn't reduced overall sales. In fact stocking may have been a contributing factor to declines in a number of categories especially for On course retailers. At the start of the boom – in the middle of June inventories were down between 5 and 55% on the year before. Many retailers obviously nervous about the affects of the pandemic had cancelled orders at the beginning of the season. This may have starved their stores of the new stock once the boom kicked off hence curtailing their sales. Stories of some retailers taking a punt on inventory and ordering big may well have paid off.

The natural order of product categories shifted again this year with Trolleys and Bags jumping up the sales rankings, while Tops, Shoes and Shirts all dropped down. The only other anomaly with sales that I can see are the balls which seemed to have dropped more than expected. I appreciate that we lost a lot of golf during the season but I have a feeling that lots of customers bought from the likes of Amazon this year.

How about Units – have customers really bought more.

In a word – No! Except for wedges – that were very slightly up, all other categories are down. With the clothing categories fairing worse.

Interestingly for a couple of categories the drop in units is less than the drop in value. Shirts, tops and balls all faired better in units than value. Showing that perhaps consumers were opting for lower cost items.



Looking at the ASP's its clear to see that all the main categories maintained pricing and in most increased quite considerably. Many hardware categories saw ASP growth of 10%+. This is probably a combination of new priced product but also a lack of clearance brought by the lack of stock. Retailers didn't need to clear their shelves towards the end of the season as customers were still buying and stock was relatively low.

In fact looking at stock turns overall things took a very positive note. Irons and Woods saw a 26% improvement with Wedges and Bags doing even better. Obviously Apparel didn't fair so well seeing drops in most categories. The only exception was Outerwear that saw a real jump from 1.6 to 2.2 – still relatively low but a marked improvement.

So what does 2021 look like – a poor start?

New year and a new set of lockdowns have affected golf in all areas. Scotland is still open – but only for two balls. Wales hasn't allowed golf for a couple of months now so things have been depressed there for a while. Golf doesn't look like returning in England until the middle or perhaps the end of February – fingers crossed. However while this looks bad for trade I wonder in reality how much golf would have been played over this period. Its been very wet and very cold with much of the country covered in snow. So even without COVID it would have been a rough start to the year. The only upside is that due to COVID there is some government support for closed retailers and clubs. Furlough is available for staff and grants are available for some clubs and retailers that pay rates. Covering these costs in these down times could actually help improve the financial situation for many. If we had all been closed for snow – there would have been non of these payments.

Reasons for optimism

Looking ahead – if we assume that we are shut for January and February there is still plenty of opportunity ahead. Some retail has been happening over this shut period but the market will be down considerably. However January and February are small months. Typically only accounting for 8 or 9% of turnover – but more importantly only 6 to 8% of Margin. Usually these quiet months are times for clearance and freshen up. With the low stock levels that's not needed this year.

Once we are out of lockdown I expect the year to be a bit more like 2019 than 2020 with its mega boom and bust. We know January and February will be small – as normal. Hopefully there will be some pent up demand as the weather improves and golf returns to peoples thoughts. So March through May will be the key period and important to get everyone back in the swing. With the vaccine roll out forging ahead I hope that there will be no need for lockdown during the summer. People will be encouraged to go outside and stay healthy. Travel may still be a problem so there may be some restriction on peoples international holidays. This will probably lead to more people stay-cationing in the UK and hopefully playing more golf. If we combine these factors and manage to retain many of the new and returned golfers things could be very buoyant in the coming months.

Looking at the numbers we can do a little modeling. If we lose the majority of January and February and then have modest gains over 2019 of 10% in March, April and May. Followed by smaller gains of 5% in June through September and then return to 2019 levels for the rest of the year we would end up 11% on 2020 and a percentage or two up on 2019. If we can achieve that then I think it would have to be considered a good result having lost the first 2 months. However if golf is released early and momentum picks up like it did last year then anything is possible.

The key takeaway is that even in the harshest of conditions the golf market is very resilient. Golf spend is relatively consistent year on year with normal years being + or – 5%. Even in a pandemic it was only -10%. What does change is what people spend their money on and where they spend it. Retailers that have done well may continue to do so if they can maintain their customer base. Retailers that have lost some customers need to reengage with their target market and add value and service to win them back.

What ever happens we will continue to count the numbers and keep you informed.