

## The Nature of the Golf Complex as a Tourism Business Model

Dimitar Kolev - PhD candidate  
University of Economics - Varna, Varna, Bulgaria  
dhkolev@abv.bg

### Abstract

*Governments and tourist boards around the world have recognized the importance of golf travel and the great potential it has to generate sustainable growth ,high revenue and low negative tourism impact. Golf has been used to change the image of a destination, increase 5 star hotel room sales, attract meetings & incentive events, generate real estate sales, draw inward investment, improve environmental sustainability, enhance water conservation and create leisure and sporting opportunities for all areas of the hospitality industry. To achieve all this suitable business model for the golf complex is essential. The aim of this article is to establish the parameters of the business model, which will help ensure that development of golf complex will be economically viable and sustainable.*

*Keywords: business model; golf complex; golf travel; components; tourism; golf course*

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### Introduction

In the 1970s and 1980s, modern sports and related sports tourism experienced a boom thanks to sports television channels such as ESPN and Eurosport, which broadcast sports competitions live and created sports media icons such as Pele, Bjorn Borg, Ingemar Stenmark, Ayerton Senna, Michael Jordan, Tiger Wood and others. (Marinov, 2011). In this period, golf also became a factor in the development of sports tourism.

Golf is a sporting activity that has gained great popularity and distribution in recent years, after its inclusion in the Olympic Games in Rio de Janeiro in 2016 (Millington, 2018), (Petrosillo, 2019) and in the Olympic Games in Tokyo in 2021. It is currently considered the world's main sport in terms of financial expenditure (Han,2016). Golf is both a sport and a leisure activity that includes aspects related to tourism, hospitality and real estate (Minoli,2015).

The importance of golf tourism can be expressed in various specific aspects. It is one of the niche markets in sports tourism and is a sector that is growing steadily worldwide with increasing golfer travel as well as sales of golf related goods and services. There are over 55 million golfers in the world, many of whom play regularly, seek variety on golf courses and are thus potential golf tourists. (Hutchinson, 2010).

In financial terms, golf tourists during their trips make higher average expenses than other types of tourists (Correia, 2007). In addition, golf courses become a very suitable tourist destination attraction (Shani, 2010) as they attract tourism investment, provide quality tourism, improve employment and regional competitiveness, and compensate for the seasonality of traditional tourism (Molina, 2010). Therefore, the political authorities of many governments and regions show great interest in including golf in their tourism development plans (Boukas, 2013). For the success of this type of tourism, the choice of a suitable business model for the golf complex is essential. Besides an operational golf course, the key components of an integrated golf resort include residential real estate for sale and/or accommodation facilities (hotels or standalone/detached residential real estate units for rent). These core components can be backed up with ancillary sports and leisure facilities, however it is the synergies between the main components of the resort that contribute most significantly to a resort's success.

### **1. Nature and development of golf tourism**

Travelers with the purpose of attending or participating in sports events form one of the current market segments in tourism in recent decades. Prominent trends in Western societies such as interest in health and fitness, changes in social attitudes and values, as well as media influence have influenced the rise of the 'sporting spirit' of modern man and society as a whole' (Higham, 2005). In the modern stage, sports tourism is one of the fastest growing sectors in tourism, and therefore many destinations turn sports and sporting events into popular tourism attractions. The growth of sports tourism and the diverse and complex needs of tourists interested in participating in or attending sporting events have created diverse opportunities and market niches in the travel sector.

Golf tourism is one of the niche markets in sports tourism and is a sector that is growing steadily worldwide in terms of golf visitor travel and sales.

In 2014, the global golf tourism market was valued at over \$20 billion (Hudson&Hudson, 2014). The golf tourism market, which was previously dominated by the US and Europe, is experiencing new emerging markets such as the Middle East and Asia due to the realization of the high spending of golf tourists (Hudson&Hudson, 2014). Golf is a significant market niche in the sports tourism sector and a generator of serious business in destinations.

According to research from The R&A and Sports Marketing Surveys (SMS), the sport has enjoyed a significant increase in popularity worldwide since 2016 with over five and a half million additional golfers taking up the activity.

The total number of golfers worldwide has increased from 61 million in 2016 to 66.6 million in 2021, surpassing the previous high of 61.6 million set in 2012.

From 66.6 million golfers, almost half travel around the world with the motivation to play golf while on vacation (Matuszewski, 2021). The golf tourism industry has grown significantly over the past decade. According to a study by the International Association of Golf Tour Operators (IAGTO) in 2019, golf destinations around the world had a 4.6% increase in golf tourists compared to the previous year 2018, when there was also a 3.2% year-over-year increase .

At the end of 2020, there were 38,081 golf courses in the world. The majority of golf courses are in the Americas (53%), while Europe is second (23%) and Asia third (16%). From the statistics, we can clearly see that most of the golf courses (78%) are located in only 10 countries (R&A, Golf around the world, 2020). Table 1 shows the number of golf courses in the top 10 golfing countries.

Table 1. Top 10 countries by number of golf courses

<b>№</b>	<b>Country</b>	<b>Golf courses</b>
<b>1</b>	USA	16 156
<b>2</b>	Japan	3140
<b>3</b>	England	3101
<b>4</b>	Canada	2564
<b>5</b>	Australia	1584
<b>6</b>	Germany	1054
<b>7</b>	France	811
<b>8</b>	Korea	810
<b>9</b>	Sweden	650
<b>10</b>	Scotland	617

Source: Adapted from R&A, Golf Worldwide, 2020

In the end of 2020, there were in planning 336 and under construction 198 golf courses. The

total of 534 courses that are under development is the evidence that golf continues to expand. In addition, the fact that 64% of these courses are related to resort developments indicates functional attraction between golf, tourism and economic development. Furthermore, Europe is the busiest continent with 151 golf courses under development in 28 countries which suggests that golf continues trending in Europe (R&A, Golf around the world, 2020).

Golf tourism can be considered as a geographically 'mobile' sport. Even though the prominent golf tourism market has been considered to be USA, UK and Japan, we can also see a rising development of golf tourism within the whole Europe. More specifically the southern parts of Europe since golf can be considered as a tourism development strategy to attract tourists during mid and low season (Hinch &Higham, 2004) The 10 top destinations for golf tourism in 2019 for IAGTO golf tour operators can be seen in the table 2.

Table 2. Top 10 destinations for golf tourism

<b>Position</b>	<b>Country</b>
<b>1</b>	Spain
<b>2</b>	Portugal
<b>3</b>	Ireland
<b>4</b>	Scotland
<b>5</b>	Turkey
<b>6</b>	USA
<b>7</b>	Thailand
<b>8</b>	France
<b>9</b>	Morocco
<b>10</b>	Italy

Source: Adapted from <https://www.iagto.com/pressrelease/details/95233643-e1d3-4214-b0d6-181182520faa> accessed on: 24/02/2022

Golf is favored by many destinations not only because of the high spending of golf tourists, but also as an opportunity to change seasonal visits and is used as a strategic tool to extend the tourism season. Golf is truly a global sport. As of year-end 2020, there were 38,081 golf courses, spread among 206 of the world's 251 countries. That is an 82% diffusion rate of the sport globally. Throughout the world, golf is used as a driver, not just of sport and leisure, but of regional planning and community build out. Economically inventive projects have to be embedded in local environmental conditions that help shape the distinctive quality of the outcome.

## **2. Business model concept**

The complex economic reality and the ever-changing business environment intensify the competition between enterprises and test their ability to adapt to the surrounding conditions in order to maintain a high level of competitiveness. Their activity is influenced by more and more diverse factors, which give advantage to some business entities at the expense of others. This necessitates the search for diverse, innovative and adapted to modern business conditions methods for gaining new competitive advantages and maintaining a high degree of flexibility. (Ilieva, Yalchan,2020)

Great business model is often regarded as a cornerstone of a successful business and can itself become a competitive advantage. Business model definition is rather difficult to determine precisely, as various different authors over the years have invented their own models and descriptions of the concept (Itami & Nishino 2010)

Itami and Nishino, suggest that a general definition should be built around two elements;

"business system and profit model". (Itami & Nishino, 2010) Fielt agrees and offers a definition based on the claims of various authors; "the business model describes the value logic of the organization in terms of how it creates and captures value for the customer". (Fielt, 2013) Similar is the definition by Osterwalder et al. that a business model is "the rationale for how an organization creates, delivers, and captures value" and by Baden-Fuller et al. that "the role of a business model is to provide a set of common attributes at different levels of how the firm organizes itself to create and distribute value in a profitable manner. (Osterwalder, Alexander & Pigneur 2010); (Baden-Fuller & Morgan 2010). Another mentionable definition comes by Morris, Schindehutte, & Allen, who summarize business model concept based on various authors researches in the beginning of 20s as "a business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets." (Morris, Schindehutte & Allen 2015)

To sum up the discussion on definitions, the earlier studies are focusing on more how the actual business model is constructed and bypassing the abstract definition (Fielt 2013; Bouwman, De Vos, & Haaker 2008; Osterwalder et al. 2005; Timmers 1998).

However, in the updated definitions, mainly from the middle 20s, scholars set the business model to the extent of value logic and in particular through the production, distribution and/or capture of value (Fielt 2013). For example Teece (2010) describes "how firm creates and delivers value to customers, and then converts payments received to profits", while Osterwalder & Pigneur (2010,) conclude, "business model describes the rationale of how an organization creates, delivers, and captures value." (Teece .2010); Osterwalder & Pigneur (2010)

Defining more precisely, what business model is made of, authors have created their own frameworks to describe the blocks within the structures of a business models. The elements are also referred to as, "building blocks" (Osterwalder & Pigneur 2010), "key questions" (Morris et al. 2005, p. 729) or "functions" (Chesbrough & Rosenbloom 2002). Frameworks do not only describe the elements, but add the interrelations and network connections between the components (Fielt 2013). Moreover, frameworks often introduce some hierarchal structures by categorizing elements into different levels (Fielt 2013; Johnson et al. 2008; Morris et al. 2005).

As can be seen from the literature, for decades scholars have sought ways to divide business models into parts that explain the underlying process of value creation (Osterwalder, Pigneur, Tucci, 2005; Zott et al., 2011). Of the many fruitful ways of breaking down business models into smaller parts for further analysis, for the purpose of this paper we adopt the business model canvas by Osterwalder in 2004 and Osterwalder and Pinor in 2010 as the most appropriate for considering the building blocks of a golf complex business model. (Osterwalder 2004); (Osterwalder & Pigneur, 2010)

From the models described the business model canvas covers and utilizes all the parts of concepts, transactional logic, processual view and mapping. Therefore, business model canvas highlights the versatile nature of business models but also assists in analysing, portraying and designing both existing and completely new and innovative models as a simple and comprehensive tool. Business model canvas splits the revenue generation into nine pieces (Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships and Cost Structure) that take customers, offer, infrastructure and financial viability into account. (Osterwalder & Pigneur, 2010.) It is worthwhile to note that all the single elements too have various antecedents in the business model literature (Osterwalder et al., 2005; Osterwalder & Pigneur, 2010). Thus, the elements of business model canvas by Osterwalder & Pigneur (2010) are portrayed in the following with the supplementation from their antecedents.

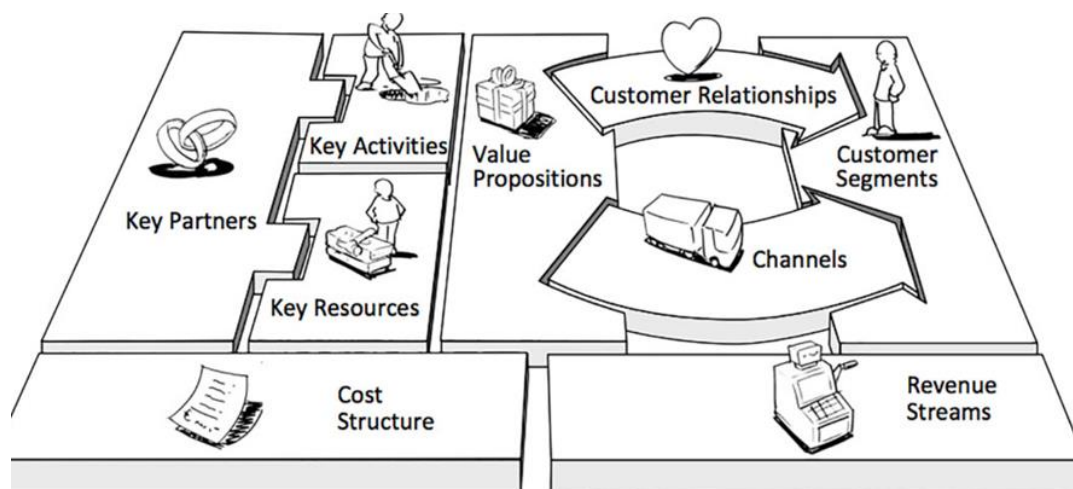


Figure 1 Business model canvas

Source: Osterwalder (2004) & Osterwalder & Pigneur (2010)

### 3. Features of the business model of a tourist golf complex

The golf resort industry is primarily concerned with the operation of golf courses that have accommodation, dining and entertainment facilities, etc. These resorts usually provide basic and additional food and beverage services, equipment rental services and golf instruction, etc. Activities in this industry include businesses that operate golf courses, miniature golf courses, and resorts and hotels that have golf courses on site. In this respect the features of the business model of a tourist golf complex includes the following components:

- Golf Complex Value Proposition

In the business model of the golf complex, the central value proposition and the main product is the course itself.

When considering the golf course as a key product, several elements contribute most to creating customer value; performance, design, customization and brand/status. The typical way to generate value is by increasing the efficiency of products or services, while innovation tailors goods and services to the unique needs of consumer segments.

Values and value proposition are seen as the combination of services and goods to generate value for customers (Osterwalder & Pigneur, 2010). But although there is differentiation in the value provided to the customer by each individual course, the common value is definitely the provision of high quality leisure time on the golf course. The rest is added value beyond the core value proposition. Different studies show that there are differences in the factors that determine the satisfaction of each customer group. Members value the social atmosphere and community within the course, while visitors often find the course itself a key factor in how they rate the experience. Therefore, it is extremely important that golf courses maintain these factors at a high level to ensure customer satisfaction. Course conditions and first-class customer service are the most important areas for customers.

- Market segments at the golf complex

Determining the target demographic requires some critical thinking. Consideration should be given to how well the golf course meets demographic needs, whether the golf resort proposition is realistic or attractive, and whether this demographic is lucrative enough to be worth pursuing.

For example, if the golf course is in a prime location, it would be suitable to target wealthy individuals in a private setting, with traditional branding and product offerings.

However, if the golf course is in a competitive market and most golf courses cater to the elderly or wealthy elite, it would be of more benefit to target families and young adults with a less traditional atmosphere.

It is abundantly clear from both research and casual observation of golfers that the term golf tourism market segments is somewhat ambitious. There is basically one segment. Most customers share a common demographic – they are over 50, relatively high income and/or high net worth.

In the golf course business, the most important group is the shareholders. Annual payments to shareholders cover the majority of companies' income. However, studies show that every customer or player is important, and they particularly emphasize the role of visitor-players, as they represent a different perspective from members, and thus offer important feedback for improvements.

- Key Resources/ Customer Relationship

As a result of the relatively small size of the golf industry, the organizational and management section also includes the company's activities and resources. (Zott & Amit 2010). Resources in this case represent the company's employees, technology, equipment, brand and financial resources of assets and credits (Johnson et al. 2008; Osterwalder & Pigneur 2010). Furthermore, Zott et al. (2011) suggest that the resources that the company owns are the way to connect the business model with customer needs. Companies also believe that service is critical to providing value to consumers and affects satisfaction. Excellent customer service is the result of a healthy work environment. Due to the small size of the organizations, internal communication is seamless and present every day at every level.

- Channels

Golf resorts typically use a combination of tools, channels and strategies to achieve their marketing and revenue generation goals.

Some marketing channels that golf resorts use include:

- Website
- Online booking
- Emails
- Search Engine Optimization (SEO)
- Pay per click
- Word of mouth and referrals
- Mobile application and SMS marketing
- Tee time allocation markets
- Traditional media such as radio, posters, television

The purpose of identifying each channel is to help create a specific set of tools and strategies for each of them.

Tee Time Marketplaces or Distributors are a well-known method of marketing of Tee Time to a larger audience through major websites such as GolfNow, Tee-Off or Chronogolf Marketplace. They serve as an excellent marketing channel if the golf resort has a good relationship with the supplier. The ability to generate new customers on the golf course is the core value of the Tee Time partnership.

Today, businesses have the ability to advertise online through banners, videos, and search engine results.

Google AdWords is the primary provider of these advertisements and could become the starting point for advertising of golf resort if it chose to use a pay-per-click marketing strategy

Social media is a very common channel that golf resort managers use. This is because these channels give easy access to relevant audiences and can be great for sharing promotions,

announcements and information related to a golf course. Twitter, Facebook and Instagram offer business-focused tools that allow the golf resort's social media page to share detailed information.

- Financial aspect - Revenue streams

For almost all golf resorts, shareholders are the most important customer segment and the most important source of revenue streams of 35-80%. Although the percentage of income of each customer group varies, the financial model of each golf complex is very similar. Four companies out of five maintain a mandatory share replacement payment each year. Some do not support mandatory replacement, but instead support a market-based model where the shareholder pays on an annual basis in exchange for optional playing rights. This means that a shareholder can pause share payments, but otherwise payments are made automatically each year.

Golf course green fees are also an important source of revenue for the industry, generating 33.9%. Green fees are fees paid by golfers who are not members of the golf club but wish to play an individual round of golf. According to the National Golf Foundation, golf participation fees have been declining over the past decade.

Government investment in large-scale sports infrastructure projects is another key source of revenue for players in this industry, and major renovations have also contributed to its revenue growth over the past five years.

- Key activities at the golf complex

The key to running a successful golf resort is to make the most of the building, grounds and amenities and to offer services and facilities in high demand such as:

- Weddings, events, conferences

Golf resorts are an increasingly popular choice of venue for many couples due to the convenience of accommodation, catering options and vast green spaces that make them the ideal venue for any wedding. In addition, the golf complexes are ideally suited for birthday celebrations, Christmas parties and corporate events, as well as for business conferences and meeting room hire. Opening a business to host conferences and weddings can bring a huge revenue stream to the resort, as well as being a great opportunity to turn into repeat guests, event goers who enjoyed their visit.

- Restaurants, bars and catering

Depending on the facilities available, golf resort restaurants and bars are a way to increase profits within an already established business. This can be achieved in various ways, by offering specials or set menus for occasions such as Mother's Day, Valentine's Day, Easter, Father's Day and other holidays. Another way is to organize themed afternoon teas and brunches which would be suitable for visiting groups. Seasonal extras like specialty hot chocolates or mulled wine in the winter and barbecue-style food with fun cocktails in the summer are just a small example of ways to increase profits with minimal costs. With a well-run restaurant and bar, there are many opportunities for "quick wins" that will delight customers and bring in additional income.

- Additional facilities and activities

If the golf resort has facilities such as a swimming pool or gym - these can be expensive to run and maintain, so attracting additional revenue from these is a very good business strategy. If appropriate - some golf resorts allow their pool to be used for children's swimming lessons on certain days and times so as not to interfere with members who wish to use it. A gym can bring in fees from monthly memberships, as well as personal training and exercise studio rooms, allowing for additional on-site income.

With vast acres of land surrounding the main building, golf resorts' most underutilized resource for maximizing revenue is the grounds themselves. Yes, of course golf should remain the focus, but there are so many sports supplements that can be worth investing in. Croquet and archery are just a few examples of activities that are proving very popular for group bookings.

- Packages

An all-inclusive golf resort is an endless opportunity to "upsell" customers and offer package holidays and golf vacations with a variety of facilities. By providing all-in-one deals - customers feel like they're not only getting a good deal, they're happy to know that everything they want is included in one purchase.

Spa packages and stay packages that include accommodation, dinner, breakfast, access to the spa and a treatment of their choice is a popular example for both couples and groups of friends

Golf and stay packages that include an overnight stay, 1-2 rounds of golf, dinner, breakfast, and access to the gym and pool are just one example of the many golf-based packages that can attract customers.

Everything said so far gives us reason to claim that golf courses can complement other existing developed forms of tourism such as city tourism, business tourism and rural tourism. And this can be seen as initial steps to introduce modern forms of offer and infrastructure for tours with special interests and to integrate golf into a complete and complex tourism offer of the golf complex.

### **Conclusion**

The development of golf tourism requires the provision not only of one or more golf courses, but also of many other related infrastructures and facilities, obviously including hotels and other forms of property development. It should have multi-level revenue streams and a diverse range of facilities. In short, a multi-functional master plans. These golf developments should aim to generate a constant flow of visitors during weekdays as well as weekends.

Golf developments provide an opportunity to manage large sections of land in a way that stabilises entire areas, providing a balanced mix of housing, infrastructure, managed landscaping and preserved natural areas.

All golf tourism promotion and development strategies must begin with an analysis of the existing golf courses and their suitability for the international tourism market.

It is essential to plan golf tourism regions carefully in order to make economic and social objectives compatible and thus contribute to the sustainability of the tourism sector, the product, the territory, the landscape and the local community.

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