An Investigation of Key Market Growth Factors that Influence the “Luxurisation” of Golf Industry in China

Congshan Zhang a*, Maktoba Omar b*, Nathalia C. Tjandra c*

a Central University of Finance and Economics, Beijing, China
b Edinburgh Napier University, United Kingdom
c Edinburgh Napier University, United Kingdom

*Corresponding author's email address: zhangcongshan@cufe.edu.cn

ARTICLE INFO

Received: 11-03-2016
Accepted: 21-03-2016
Available online: 24-03-2016

This study aims to investigate the key market growth factors for golf development in China as a luxury product. After nearly 30 years of development, China now has the largest golf complex in the world and in recent years the market is growing at its fastest pace. Due to rapid economic growth and the emergence of a large number of wealthy people, it has been argued that the consumption of luxury will increase. However, little research has been carried out to answer the question why a foreign game could develop so robustly, and the key factors that have contributed to its growth in relation to its unique features. Both questionnaire and in-depth interviews were adopted in the study. Valid questionnaire responses were collected from 213 golf managers in China. The results were supported by evidence from interviews with 5 experienced golf course managers who have worked in several golf courses around China. It is found that that the economic and cultural factors are the key market growth factors for the development of golf as a luxury product in China. The findings also discuss how political, economic, cultural, technological, geographic and environmental factors are influencing current and future golf development. This paper will help practitioners to understand their external business environment and implement innovative strategies.

© 2016 The Authors. This is an open access article under the terms of the Creative Commons Attribution License 4.0, which allows use, distribution and reproduction in any medium, provided the original work is properly cited.

DOI: http://dx.doi.org/10.18533/job.v1i2.23

1.0 Introduction

The numbers of golf courses and the number of golfers have been growing remarkably around the world (Wheeler & Nauright, 2006). This paper aims to investigate the key market growth factors that influence the development of the golf industry as a luxury product in China. China is considered one of the fastest growing golf markets. Meanwhile, golf business in China has the trend to overtake the position of both Europe and America because China is considered as being the next untapped market (Wheeler & Nauright, 2006). China has the largest golf project in the world, Mission Hill Golf Club, which boasts 180 holes and covers some 77,000 hectares (Wheeler & Nauright, 2006).

Due to the increasing buying power of the Chinese people, it makes recreational products, luxury products and their related businesses become more profitable than before (Gao, et al., 2009). The total expenditure on luxury products by Mainland Chinese reached 156 billion RMB in 2009 (16 billion GBP). The rapid development of the economy brought China a “middle class” larger than ever before (Xu, 2013). The increasing buying capacity plus
the changing taste towards healthy products have also become drivers of the development of golf in China. Furthermore, the function of showing off one’s status with luxury goods also became one of the main reasons for the fast development of luxury products in the East-Asian market because people in East-Asia pay extra attention to improve their status (KPMG, 2011; Park & Reisinger, 2009). However, little research has been carried out to answer the question why a foreign game could develop so robustly, and the key factors that have contributed to its growth in relation to its unique features. This paper believes the feature of luxury product is one of most unique features for golf industry in China.

To systematically answer the research question, this paper employed both questionnaires and in-depth interviews methods. After collecting 213 valid questionnaires from golf managers in China, this research gets a clear outline that political factors, economic factors and cultural factors are the key factors for golf development in China. To further address the question, “why these factors are important”, this paper carried out 5 in-depth interviews with experienced golf course managers who have worked in several golf courses around China. By synthesize finding, this research suggests that the economic and cultural factors are the key market growth factors for the development of golf as a luxury product in China.

This paper firstly reviews the concept of luxury product and answers why golf possesses the feature of luxury product. Secondly, this paper examine the potential factors could influence golf industry in China respectively and propose 6 research hypothesizes. After design the research method according the research framework, the final part of this paper present the research findings. Apart from presenting which factors are important, this paper also explain why each factors are important for golf development in China.

The findings of this study presented implications for academic literature and the golf industry. From the academic perspective, this research tested theories from existing literature in the field of golf development in China. Meanwhile, this research provides the framework for research in a related area in the future. For the golf industry in China, the framework provided by this paper will help practitioners to understand their external business environment and implement innovative strategies. The information revealed by the paper will also help potential international investors to develop better strategies to gain access to the Chinese market.

2.0 “Luxurisation” of golf in China

Golf originated in Scotland as a game for the majority of people (Hamilton, 1998). However, when the game went abroad, golf “travelled” with words such as “royal, elite and wealthy” – especially when it came to China in the year 1984 (Zheng, 2006). The very first impression that golf gives to Chinese people is expensive (Ceron-Anaya, 2010; Giroir, 2011). Although golf is listed as one of the luxury products by other researchers (He, et al, 2012; Park, 2011) there is limited number of studies carried out from the point of view of discussing golf as a luxury product.

The luxury market has also grown significantly in China (Lu, 2011; Zhou, 2011) and current trends suggest that people’s requirements regarding luxury products is shifting from product to experience (Xie, 2011), and golf provides the experience that people are after. Therefore, considering golf as a luxury product can create innovation opportunities for golf businesses. There is lack of evidence of existing research that discusses golf’s development in China as a luxury product. According to the World Bank, in China, 1% of families own 41.4% of the wealth of China. The number of Chinese multimillionaires has grown to 1,020,000, and the number of people owning more than 100 million Yuan reached 63,500 (Hurun Group, 2013). Due to both the high-speed development of the economy as well as the rapid increase in the number of rich people in the population, the luxury market in China has also been expanding greatly.

According to Shipman (2004), there is a trend that people are now adjusting their purchasing of luxury products from one of “waste” to “taste”. And the pursuit of good health is becoming increasingly more popular in China as a way to show people’s high taste (Walley & Li, 2014; Zhao, 2006). The report published by KPMG (2011) showed evidence that in order to gain taste and health, an increasing number of people in China are shifting their luxury consumption from buying certain products to enjoying an experience such as beauty treatment, outdoor activities and gym membership. People around the world have the motivation to keep healthy, especially for Chinese people who have the tradition of “Yangsheng” (Chinese as: “养生”), which is the unique Chinese method of health maintenance (Tang & Lu, 2013). Despite ancient Taoism (Nagai, 2007), modern people are more likely to maintain their health by taking healthy food (Ju, 2012) and participating in sports exercise (Tong, 2004). The existence of golf in China also fills a gap in the market for healthy, luxury recreational products.

Golf was a recreational game played by ordinary people when it was first played in Europe (Davidson, 2009),
However, as specialised balls and clubs were introduced to the game, the high cost for these pieces of equipment made golf become an activity only affordable by noble and royal people (Hamilton, 1998). Meanwhile, the game of golf requires a relatively large piece of land. Based on the summary of Moya (2012), many authors believed that golf in the old times was a luxury product only for a small group of people (Davidson, 2009; Hamilton, 1998; Lang Research Inc., 2007). Furthermore, when golf came to China and other countries, it became one of the highly prestigious activities and gradually became a "luxury”. Although there is no exact literature analysing why golf should be a luxury product, it is a fact that the price for playing golf in China is much more expensive than playing in other parts of the world (KPMG Golf Advisory Practice, 2008). Such high prices make people believe golf is a game only affordable by wealthy people, and therefore golf is considered to be a luxury product (Liu, 2008). Existing literature (Liu, 2008; Wu, 2004) also suggests that Chinese golf is heading in the direction of luxury goods and services. It is agreed that golf is one of the most expensive activities in China and the cost for a round is high compared with the national average income. Through exclusive membership and applying price discrimination, the Chinese golf industry has created a subjective value to their members and provided them with the feeling of social and economic status (Cui & Xiang, 2006; Zheng, 2006).

3.0 Key market growth factors that influence “luxurisation” of golf in China

There are number of factors that influence the development of golf industry in China as a luxury product. The political factor is claimed to be one of the most fundamental factors influencing the development of every business around the world (Awang & Aziz, 2010). The rule of politics and the behaviour of the government is claimed by market liberalism as the visible hand assisting the operation of invisible hands, the market (Sloman, 2007). Although China claims they are developing their economy following the principle of the market (Risso & Carrera, 2012), politics and the role of the government are still dominant in the business world. Especially with the development of golf, the literature review has revealed a conflict between government and business. Therefore, this research proposes the following hypothesis: $H_1$: The political factor has a positive influence on the golf industry in China in relation to the feature of luxury product.

Golf is believed to be one of the most “economically sensitive” businesses (Huertas, et al., 2010). This means that under strong economic conditions, more people would play the game, however under weak economic conditions, fewer people would play. This phenomenon also applies in the context of luxury industry. With the rapid development of the economy in China, the level of capital income is expanding significantly. The market of luxury products is showing great vigour (Gittings, 2005). China is the luxury market with the most growth potential (Monash University Business and Economics, 2007). The growth of economic conditions stimulates the demand for health (Office of the World Health Organization Representative in China, 2005). Moreover, as the financial conditions are improved, people have a higher demand for luxury products as a symbol of elitism (Catry, 2003). Therefore, as golf can become the preferred option to fulfil the demand of most Chinese people who are getting wealthy, the following hypothesis can be proposed: $H_2$: The economic factor has a positive influence on the golf industry in China in relation to the feature of luxury product.

According to Godbey (2003), the outlook toward recreation and luxury is increasing as people start gradually understanding that more time for leisure is as valuable as having time for work. He also suggested the industrial revolution in 1890 (Geron-Anaya, 2010) brought with it the fact that to increase productivity people could divide their time between work and leisure (Veblen, 2011). It is suggested that different levels of income will lead to different types of sports and there is no doubt that golf is related to financial status (Neo, 2010; Parker, 2012; Reis & Correia, 2013; Vamplew, 2010). Therefore, the following hypothesis is proposed: $H_3$: The cultural factor has a positive influence on the golf industry in China in relation to the feature of luxury product.

The technological factor influence on recreation and luxury product comes from two aspects. The first is providing new media and channels to attract potential customers. This is because the media could become the main source of information determining consumers’ purchasing decisions (Fotis, et al., 2012; Hyun, et al., 2009; Shukla, 2011). The second is to stimulate businesses to improve their productivity and provide high quality products and services. There is research suggesting that one of the reasons that golf could become one of the most profitable businesses is due to the constant application of the latest technology (Zhang, 2011). However, it is claimed that improving technology will also bring technical barriers to existing businesses due to the transaction costs accrued during the improvement process (Chen, 2004). Therefore, the following hypothesis is proposed: $H_4$: The technological factor has a positive influence on the golf industry in China in relation to the feature of luxury product.

For luxury product, geographic differences provide different requirements for certain products due to differences of experience, life style, climate and culture (Moya, 2012; Truong, et al., 2008). Meanwhile, China is a country that covers a great area. Different people living in different regions have different cultures,
understanding, languages and, of course, different requirements. Thus, it is well worth investigating how geographic factor will influence the development of golf as a luxury product: **H5: The geographic factor has a positive influence on the golf industry in China in relation to the feature of luxury product.**

Regarding luxury product, people have gradually lost interest in certain products that are potentially harmful to the natural environment, such as fur and other animal products (Davies, et al., 2011). People are going after more environmentally friendly products that have the potential for sustainable development. Even traditional luxury products have started to become more environmentally friendly to reflect people's concerns about sustainable development (Achabou & Dekhili, 2013). For Chinese people, sustainable development is part of traditional Chinese culture and the Chinese are always searching for a business that could combine the idea of luxury and sustainable development together. Businessmen are happy to find that golf could be the product they are looking for. For both groups, the proof will be a positive influence, as both will prefer to play golf on healthy surroundings. Therefore, the following hypothesis: **H6: The environmental factor has a positive influence on the golf industry in China in relation to the feature of luxury product.**

**Figure 1** illustrates the conceptual framework tested in this study.

### 4.0 Research methods

This research attempted to verify the relationship between factors and development of golf through testing hypotheses. The hypotheses were tested through web-based questionnaires. Furthermore, to explain the reason why these relationships exist, this research has to adopt the in-depth interview method and answer questions such as “why” and “how” (Rubin & Rubin, 2012). Participants that are eligible to participate in the study are managers who have experience working in the golf industry and have a relatively mid-level position in their golf club. As this study covers the condition of golf development in China as a whole, participants have to come from or be working in different regions of China. To recruit the participants, the first author attended four workshops and forums intended for golf managers across China and made 5-minute presentation about the study and asked for their participation in the survey. 213 out of 242 golf managers participated in the survey, resulting in 88.01% response rate. To eliminate the technology barrier, this research design used the QR code (abbreviated from Quick Response Code) for the questionnaire. To explain the findings of the survey, semi-structured interviewees with two experienced lecturers teaching golf related subjects and leaders in the golf industry and three managers working in the golf industry for a relatively long period of time were conducted. Multiple regressions with the backward stepwise method were adopted to analyse the survey data.

### 5.0 Findings

H1 testing indicates that political factor has a very high significance and a positive correlation in relations to luxury, the significance is less than 0.0001. However, the finding of the interviews suggests that the political factor has a negative influence on the features of golf as a luxury product. The interviewees suggest that the result of “stopping the development of new golf courses” and “increasing the running cost for existing golf courses” effectively increases the price for playing golf. However, the political approach could not effectively control the growing number of golfers. With an increasing number of people playing golf and the fixed supply of golf courses, the price for playing golf will consistently increase. As golfers play golf to express their wealth and social status, an increased price will encourage them further as it will continue to confirm their affluence to others. Therefore, there is no clear evidence that suggests the political factor would be enough to successfully promote or stop golf development independently.

With a significant level of less than 0.0001 and a positive correlation, H2 testing confirms that economic factor has positive influence on the feature of golf as a luxury product. This finding is also supported by the interview
results. As suggested by one of the interviewees: “Playing golf is regarded as a consumption of luxury in China because it is expensive. People who can afford golf must be quite wealthy in China. Thus it is a good option for people to both enjoy a healthy activity and obtain spiritual satisfaction through showing-off their wealth”. Furthermore, none of the interviewees suggested that golf businesses in China should decrease their prices to attract more customers. The reason for this is that if the price of golf is lowered, golf will no longer be seen as a luxury product. This confirms Heinemann’s (2008) suggestion that luxury products have features such as rarity and high price.

The testing of H3 results in 0.002 level of significance and a positive correlation. Thus confirms that cultural factor has a positive influence on the feature of luxury of golf in China.

"Guanxi" is frequently mentioned as one of the reasons contributing to people playing golf. As suggested by Kaynak et al. (2013), catering to another’s pleasure is one of the keys to building up the Guanxi. Interviewee A expressed: “Many people I know told me people play golf to build Guanxi with others. This may be one of the reasons that differentiate golf in China from other countries. Some people play golf to build a connection with other people. The purpose of this connection is the benefit they could get from each other. Golfers who can afford to play golf must have peers with a similar level of income. It is possible they have the same position in society. The connection between them is more accurate and has more chance for mutual benefit.”

The testing of H4 results in a significance level of 0.124 and a positive relationship. Thus, the technological factor has a positive relationship with the feature of golf industry as a luxury product. The interview results also confirm this finding. The interviewees suggest that technological improvements will result in the improvement of golf courses and the necessary accessories. However, there is a balance point between technology and the feature of luxury. If the technology is developed appropriately, it can improve the customer experience. Confirming what had been suggested by Chen (2004), some interviews state that over-developed technology can harm the originality of golf and the feature of luxury.

The testing of H5 results in a significance level of 0.132 and a positive correlation. This indicates that the geographic factor has little influence on golf development in China in relation to its luxury features and confirms the results of previous studies (Costa, 2008; Douglass, 2000; Getz, et al., 1999; Middleton & Clarke, 2012) All interviewees also agreed with this finding, as shown by the following statement: "I do not think geographic factors have a great influence on golf development. It does not change. It only indicates whether a place could build a golf course and if the place is ideal to build a golf course. Or, compare two sites: where is more suitable to build a golf course.”

The testing of H6 results in a significance level of 0.134 and a negative correlation. However, the interview findings suggest that the influence of the environmental factor on golf as a luxury product changes over time. When golf originally emerged in China, people wanted a beautiful outcome regardless of the environmental impacts and consequences. However, as people have become more aware of environmental protection, their attitude has changed. Although they still want a beautiful image, they do not want to damage the environment and wish to protect it. In this sense, they are able to boast of their ability to enjoy a beautiful golf course as well as display their sense of environmental awareness. Therefore, although the survey finding indicates that the environmental factor has a negative relationship with the feature of luxury, there is an emerging trend that suggests this relationship could become considerably stronger and positive in the near future. Figure 2 illustrates the findings of this study.

Figure 2: Hypothesis framework
6.0 Conclusion

This paper has aimed to investigate key market growth factors that influence the luxurisation of the golf industry in China. The findings indicate that political factor has a positive influence on the luxurisation of the golf industry in China. The economic and cultural factors have a significant positive influence on the luxurisation of the golf industry in China. Technological factor has a significant positive influence on the luxurisation of the Chinese golf industry. However, if the factor is over developed, it could harm the luxury feature of golf. The environmental factor has both positive and negative influence on the luxurisation of the golf. However, the current trend shows that luxurious golfers start to concern about the natural environment.

The golf industry in China has to face an ever-changing external environment. This study investigated six factors that influence the golf business through one of main features. However, it is important to draw attention to the fact that there are also other factors influencing the golf business. The purpose of this study was to provide the golf industry with an understanding of their external environment. In order to cope with these external influences, golf businesses in China should alter their internal environment, by developing business strategies, optimising employees through training, improving management skills and business culture.

The economic factor is found to be the key market growth factor for golf development in China. Economic development will encourage more golfers to play for luxury. In the current circumstances, there are many golf courses surrounding the first level cities. As the second level cities are developing rapidly, golf businesses could target the second level cities in China and develop golf facilities. However, as the government has forbidden new golf course development in China, golf businesses could alter their strategies and build a golf driving range or golf simulation facilities instead. By doing so, golf businesses are able to grasp the opportunities provided by economic development and attract more potential consumers. As driving ranges and golf simulation facilities are perfect for beginner level golf players, the development of such facilities could assist golfers in these cities by developing their golfing skills faster and thus make them more willing to play in golf courses.

The cultural factor also plays an important role for golf development. The culture is one of the reasons that people play golf and the majority of golfers are attracted by the culture of golf. The culture of golf is important for luxury feature. Therefore, golf businesses should enhance their capabilities of delivering golf’s deep-rooted culture to every golfer. Furthermore, helping people to understand the culture of golf is important for golf businesses in China. For example, currently public media consistently criticise golf while golf businesses in China still advertise the culture of golf as “royal” and “honourable”. These words can immediately catch the eye of golfers who play golf for its feature as a luxury product. However, the actual golf business in China does not promote the characteristics of being humble and modest. These words could catch the golfer’s attention however golf businesses in China do not state that playing golf requires a humble and modest personality. Additionally, these words will not appeal to general people who are not familiar with golf or have a bad negative perception of the sport. If golf businesses could use the off-peak times to run golf exhibitions for both golfers and non-golfers in their golf course, they could encourage more people to learn about the sport. This could alter people’s attitudes towards golf.

References


