2018 Golfer Omnibus: Market Update

GOLF | SPORTS & LEISURE RESEARCH GROUP

A Current, Consumer Driven Perspective

Winter 2018 SLRG Sports Omnibus

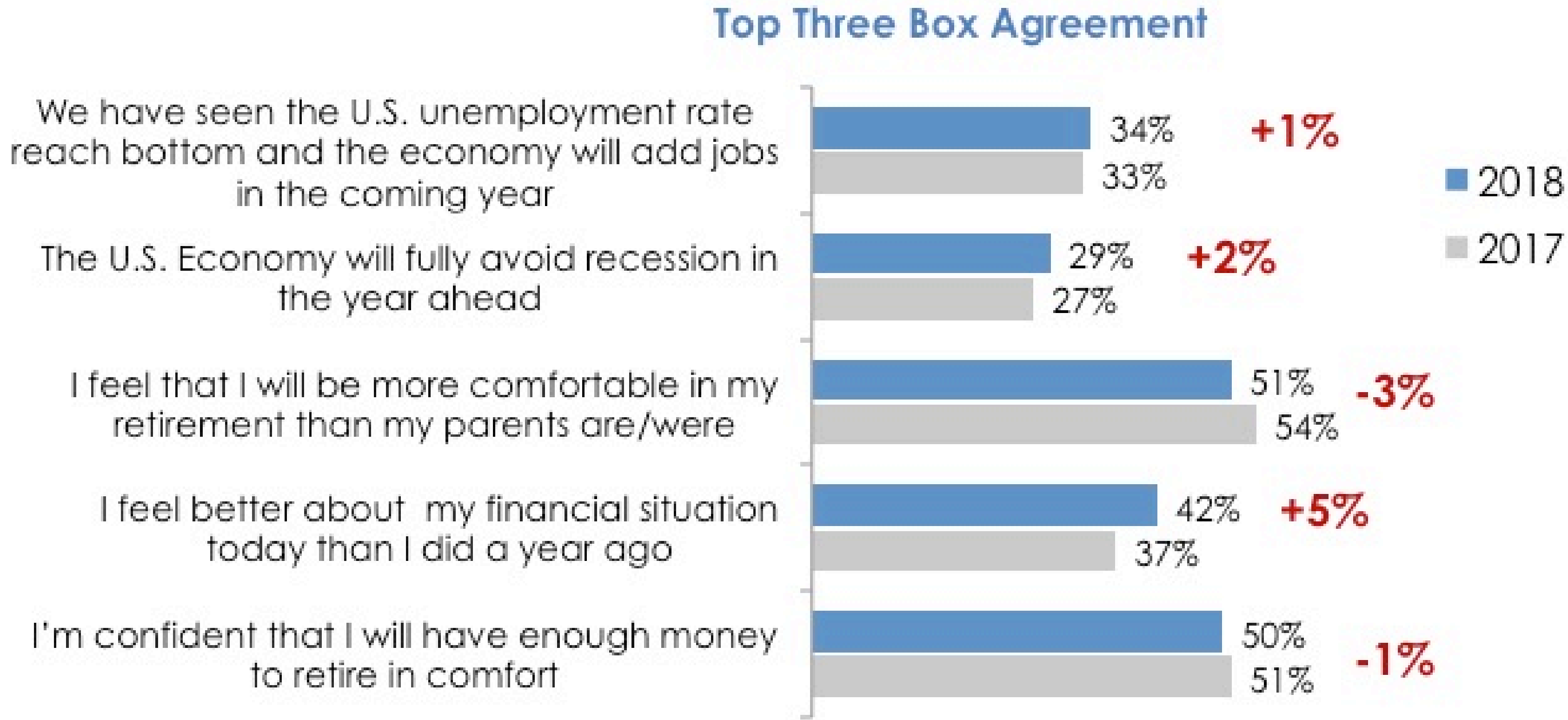
- Assess the attitudes and perceptions of golfers
- Initiated by Sports and Leisure Research Group in 2009
- December 2017 online survey of over 1,300 golfer respondents
  – Fielded November – December, 2017
  – Average completion time of 16 minutes
- All golfers in the online survey played a minimum of twice per month, in season

Golfer Confidence in the Economy for 2018

The Good News:

- Golfers are feeling confident about 2018 and we are seeing a number of positive wave over wave shifts:
  - "I feel better about my financial situation than I did a year ago" is up 9 points since 2016 and is at a five wave/year high
  - Strong agreement that the U.S. unemployment rates have reached a bottom and that we will add jobs this year is at a five wave high, up 16 points from 2016
  - One in ten golfers strongly agree that people will go back to spending freely on luxuries again this year,… the highest level in five years
  - Strong agreement that there's no such thing as job security is at a five year low, down 7 points from 2014
- "The game of golf is facing major participation challenges" is at a four wave low and is down 13% from 2015
- 97% of golfers are expecting to play the same amount or more in 2018; consistent with previous waves

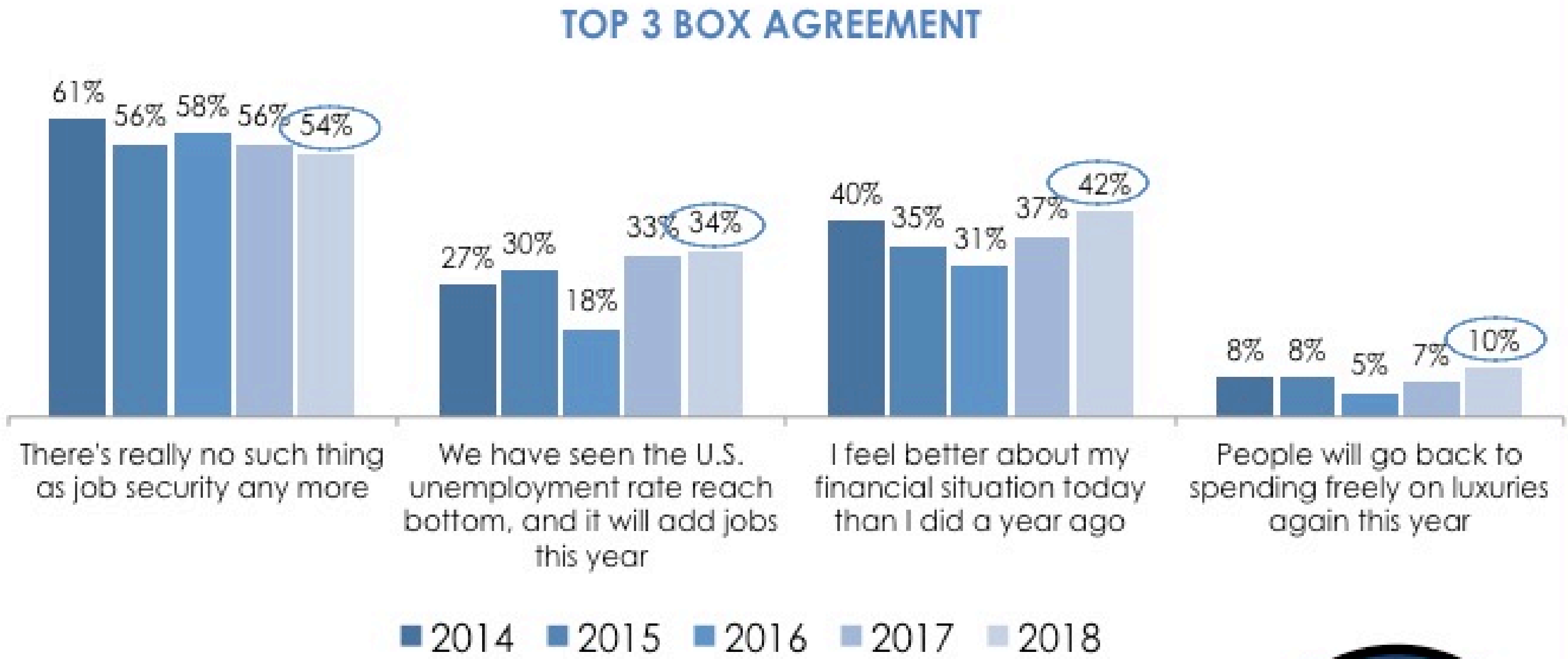
Golfer Consumer Confidence Entering 2018; Feeling Better about Their Financial Situation



Source: SLRG 2017-18 Omnibus

Golfers' Overall Economic Outlook turns Optimistic

- "There's no such thing as job security" is at a five year low
- "People will go back to spending freely" and "the U.S. will add jobs this year" is at a five year high

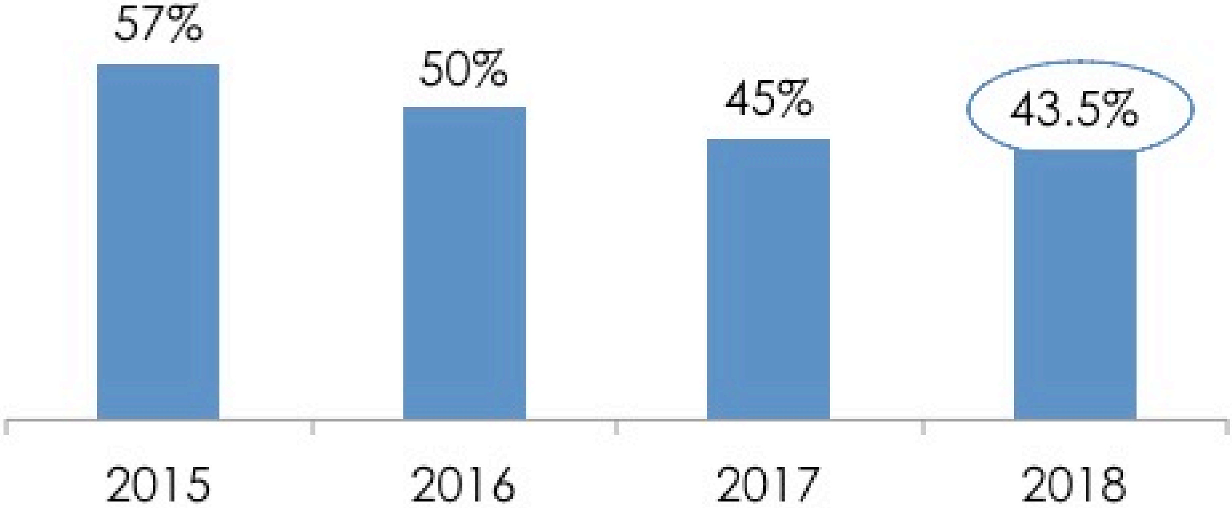


Source: SLRG 2014-18 Omnibus

Golfers Less Apt to Believe that the Game Is Facing Major Participation Challenges; Four Year Low

- 2018 continues to dip below 50% and is the lowest we have seen in the past four years

Top 3 Box % Agreement:
"The game of golf is facing major participation challenges"

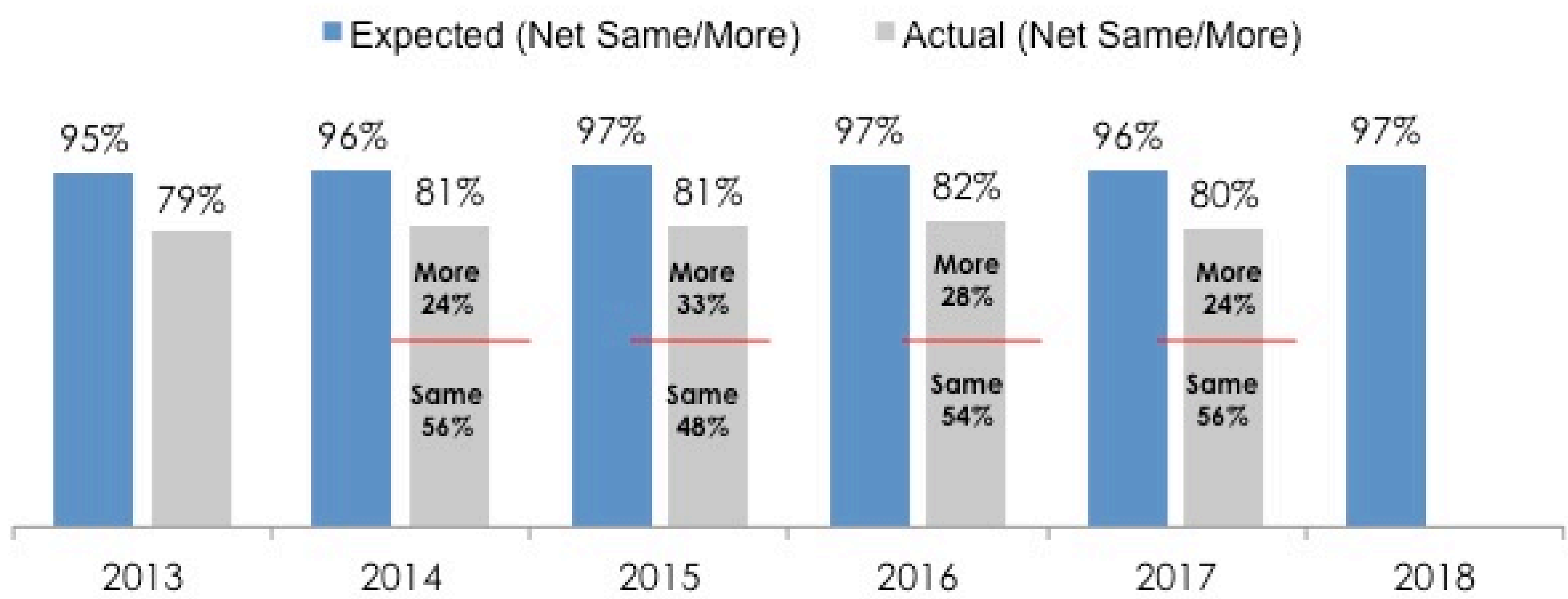


Source: SLRG 2015-18 Omnibus

The Year Ahead—Expectations are More of the Same

Golfers are still expecting to play the same amount or more in 2018..suggests continued rounds participation flatness

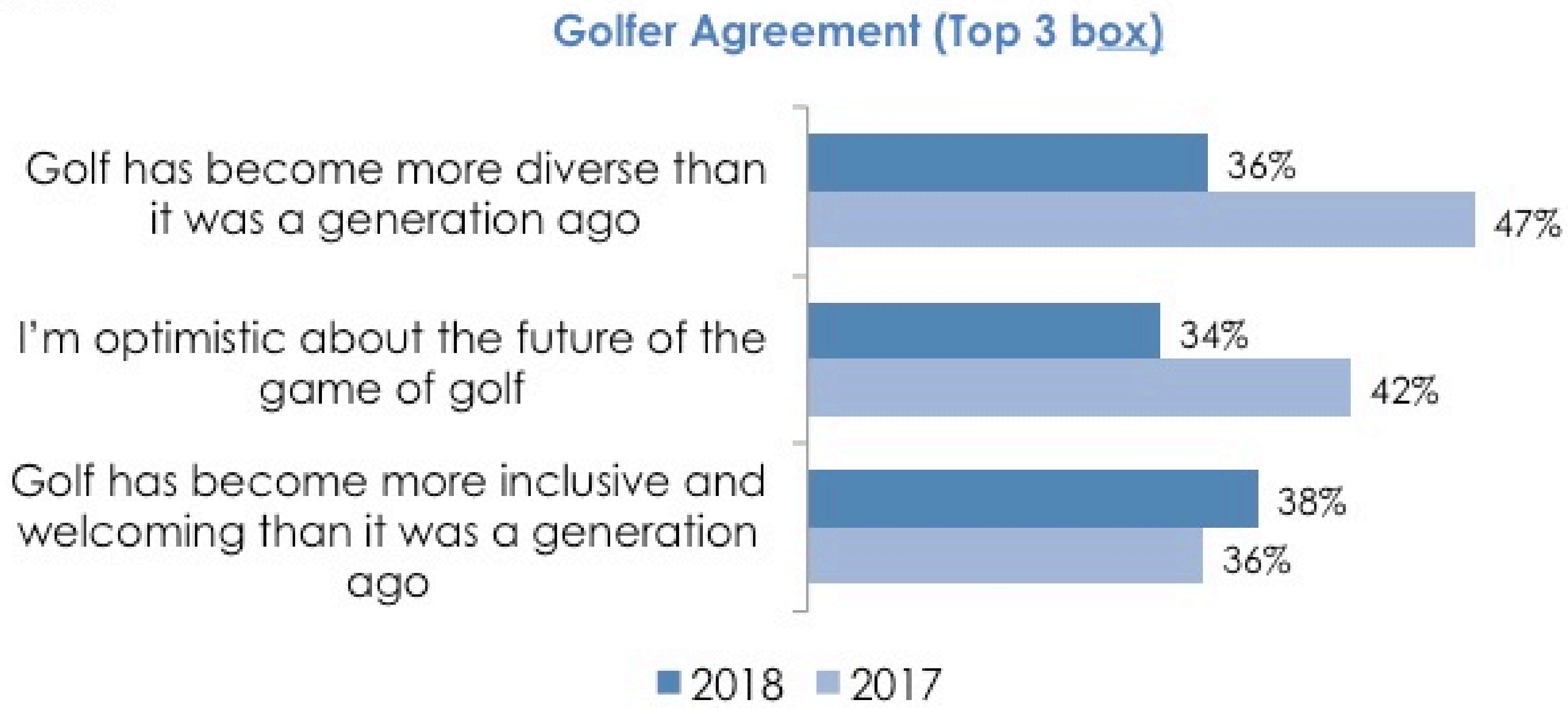
Q. Do you expect to/Did you actually play the same amount or more in…?



Source: SLRG 2013-18 Omnibus

Reflections and Attitudes on the State of the Game, Entering 2018: Mixed Signals

- While golfers tend to see the industry as becoming more inclusive and welcoming than it was a generation ago, significantly less feel that it is more diverse



Source: SLRG 2018 Omnibus

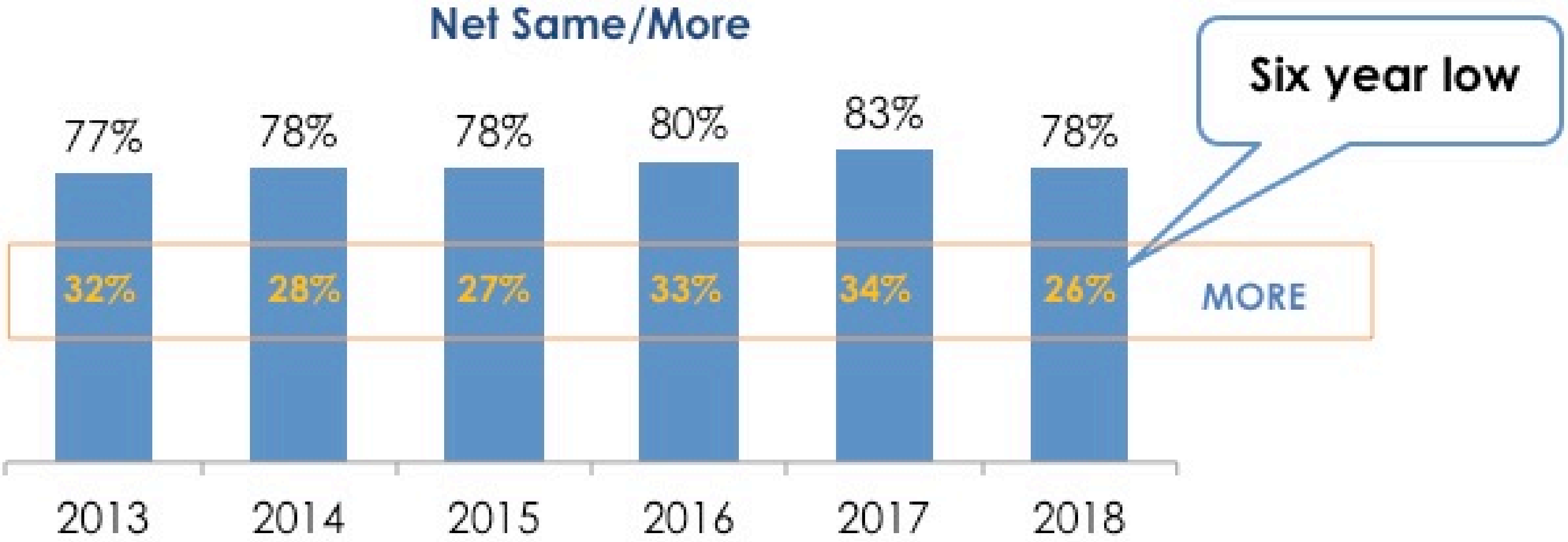
Implications for the Equipment Market as We Head Into 2018: A Pause to Favorable Price Elasticity?

- Golfers are expecting to play the same amount or more in 2018
- In the year ahead, spending *more* money on golf equipment is at a six year low
  - We could be seeing retrenching after golfers moved up to embrace $499 drivers in 2017. Our most recent prior waves correctly suggested consumer acceptance for higher price points. This year, sentiment has shifted
  - Drivers, woods and hybrids see the greatest softness from a category specific perspective
- There has been a decrease in brand equipment loyalty
  - Supports other data points regarding greater value consciousness among golfers, and a broader exploration of alternative retail channels
  - The research suggests opportunity for new concepts like equipment leasing to capture greater share of customer and capitalize on the growing "constant shopper" phenomenon

Lower Expected Spending on Equipment

- From a category specific perspective, the greatest softness is seen in drivers, woods and hybrids, as well as in golf bags

Q. Do you expect to spend the same amount or more next year?



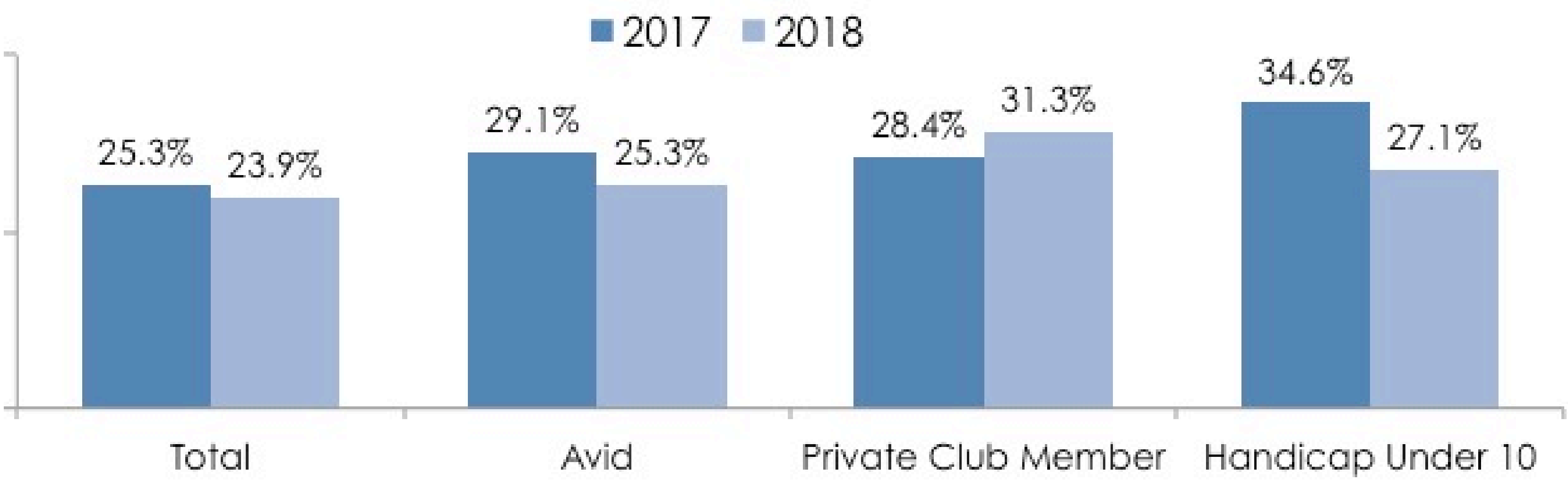
Source: SLRG 2013-18 Omnibus

…And a Decrease in Equipment Brand Loyalty

- Suggests opportunity for new concepts like leasing to capture greater share of customer and capitalize on the "constant shopper" phenomenon

Q. Please indicate how much you agree or disagree with the following statement…

I've found one brand of golf equipment that I plan to stick with, when I make my next purchase (Top 3 Box Summary)

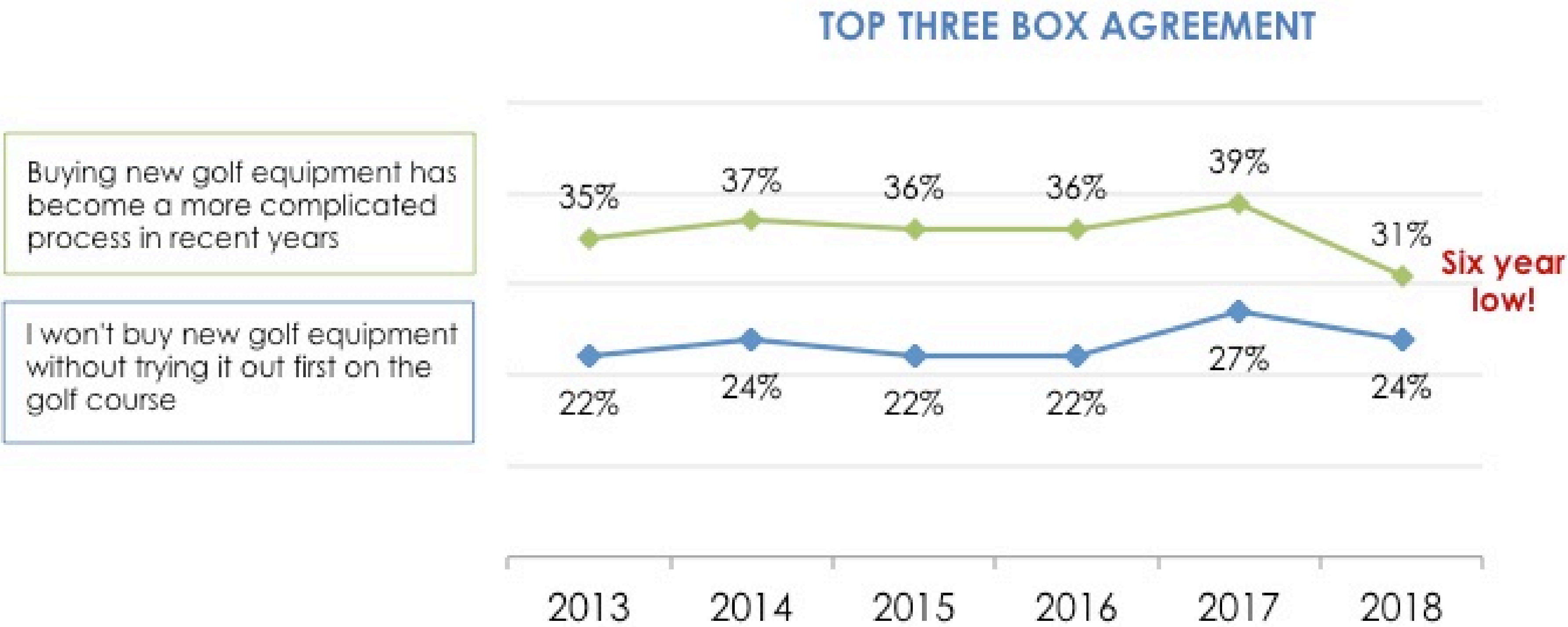


Source: SLRG 2017-18 Omnibus

Golf Equipment Purchase Process Trends

- "Buying new golf equipment has become a more complicated process in recent years" is at a six year low, with less than one third strongly agreeing
- Nearly only fourth of golfers won't buy new golf equipment without trying it out first on the golf course.
- Intent to purchasing golf equipment over the internet has hit a six wave high (17%), up 5% from 2016. Purchasing golf equipment at an off-course specialty store is at a six wave low, at 32%, down from 38% in 2013.
- When purchasing golf equipment, demoing clubs at a golf store, golf club, pro shop or driving range remains the most important driver of the ultimate purchase decision
- Talking to friends or other golfers is cited by more than one third of golfers as extremely important in the process
- Less than 10% of golfers talk to a spouse, read emails from retailers or manufacturers or visit auction websites online when deciding to make a golf equipment purchase decision

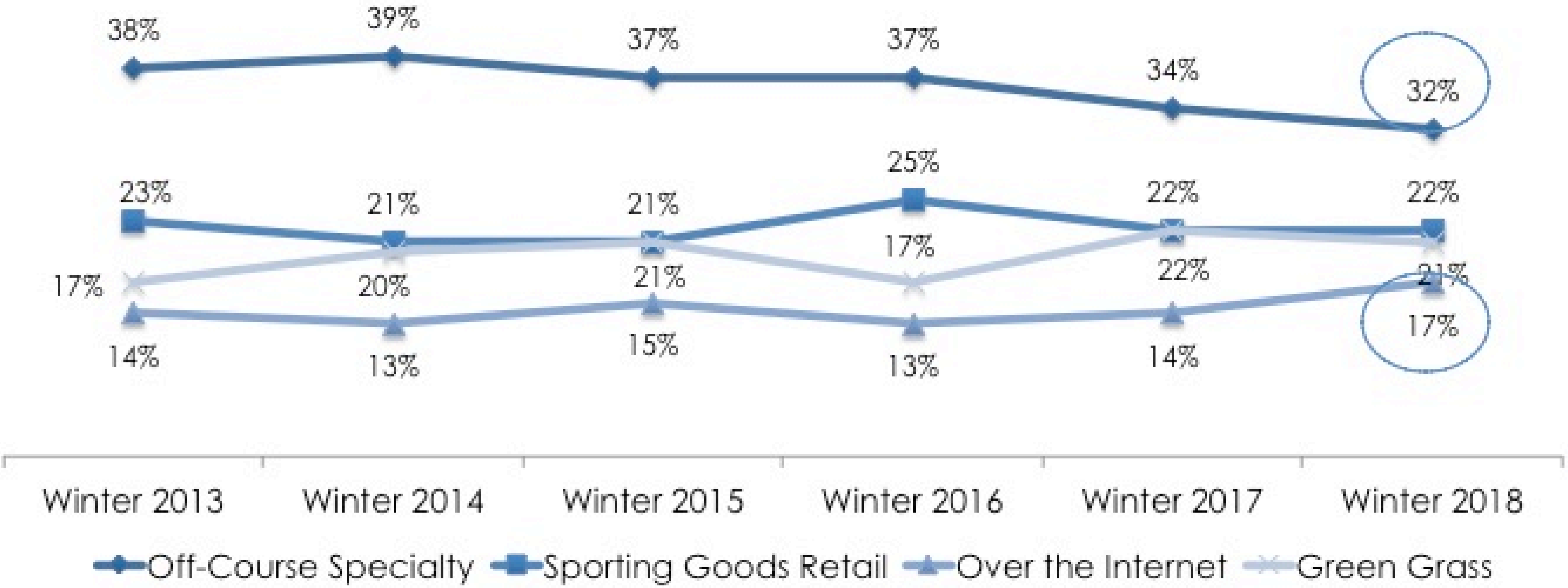
Strong Agreement that Golf Equipment Purchases are Becoming more Complicated is at a Six Year Low



Source: SLRG 2013-18 Omnibus

Retail Preference: GROWTH IN INTERNET Channel; Six Year Low for Off-Course Specialty Stores

Q. Where are you most likely to make your next golf equipment purchase?



► Off-Course specialty is particularly resonant with those living in the west and with HH Income of $150-$299K; Internet shoppers are particular high among those in the South and with a HH Income of >$150K

Source: SLRG Omnibus 2018

Top 10 Factors in Determining Equipment to Buy

- When purchasing golf equipment, half of golfers find demoing clubs extremely important; those with a Handicap Under 10 are significantly more likely to agree with these statements than any other segment

Top 3 Box Summary	Total	Super Avid	Private Club Members	Handicap Under 10
Demoing clubs at a golf store, golf club, pro shop, driving range	50%	57%	61%	72%
Demoing/trying clubs on the golf course	44%	53%	64%	70%
Talking to friends or other golfers	35%	36%	37%	40%
Talking to teaching or club pros	31%	40%	54%	44%
Going to an off course golf store	29%	28%	17%	24%
Going to a pro shop on a golf course,	28%	39%	55%	50%
Going to a sporting goods store	27%	22%	16%	19%
Researching/read articles in golf magazines	24%	27%	23%	29%
Accessing, reading or researching online golf publications or independent web sites	23%	23%	20%	30%
Visiting golf retailer websites online	21%	22%	17%	29%

Source: SLRG Omnibus 2018

Other Top Factors in Determining Equipment to Buy

- One fifth of golfers and more than one third of those with a handicap under 10 visit the equipment company websites online before making a purchase decision

Top 3 Box Summary	Total	Super Avid	Private Club Members	Handicap Under 10
Visiting equipment company websites online	20%	22%	19%	36%
Using/trying other golfer's clubs	20%	20%	18%	31%
Google Search	16%	14%	12%	13%
Talking to salespeople	15%	14%	14%	11%
Looking at catalogs with golf equipment	11%	12%	6%	12%

Source: SLRG Omnibus 2018

Key Year-Over-Year Trends

Spending More—Continues Last Year's Anticipated Trend of Higher Price Achievement!

Reported 2017 Per Cap Dollars Spent Was Higher Than What Was Expected

- Golf Shoes
- Golf Apparel

Reported 2017 Per Cap Price Achievement Increases over YAG in 8 of 11 Categories

- Irons (+16%)
- Putters (+1%)
- Golf Bags (+11%)
- Drivers (+10%)
- Wedges (+15%)
- Golf Apparel (+28%)
- Fairway Woods/Metals (+21%)
- Hybrids (+13%)

Expected 2018 Per Cap Spending up Over Reported Actual 2017 Spending in 7 of 11 categories

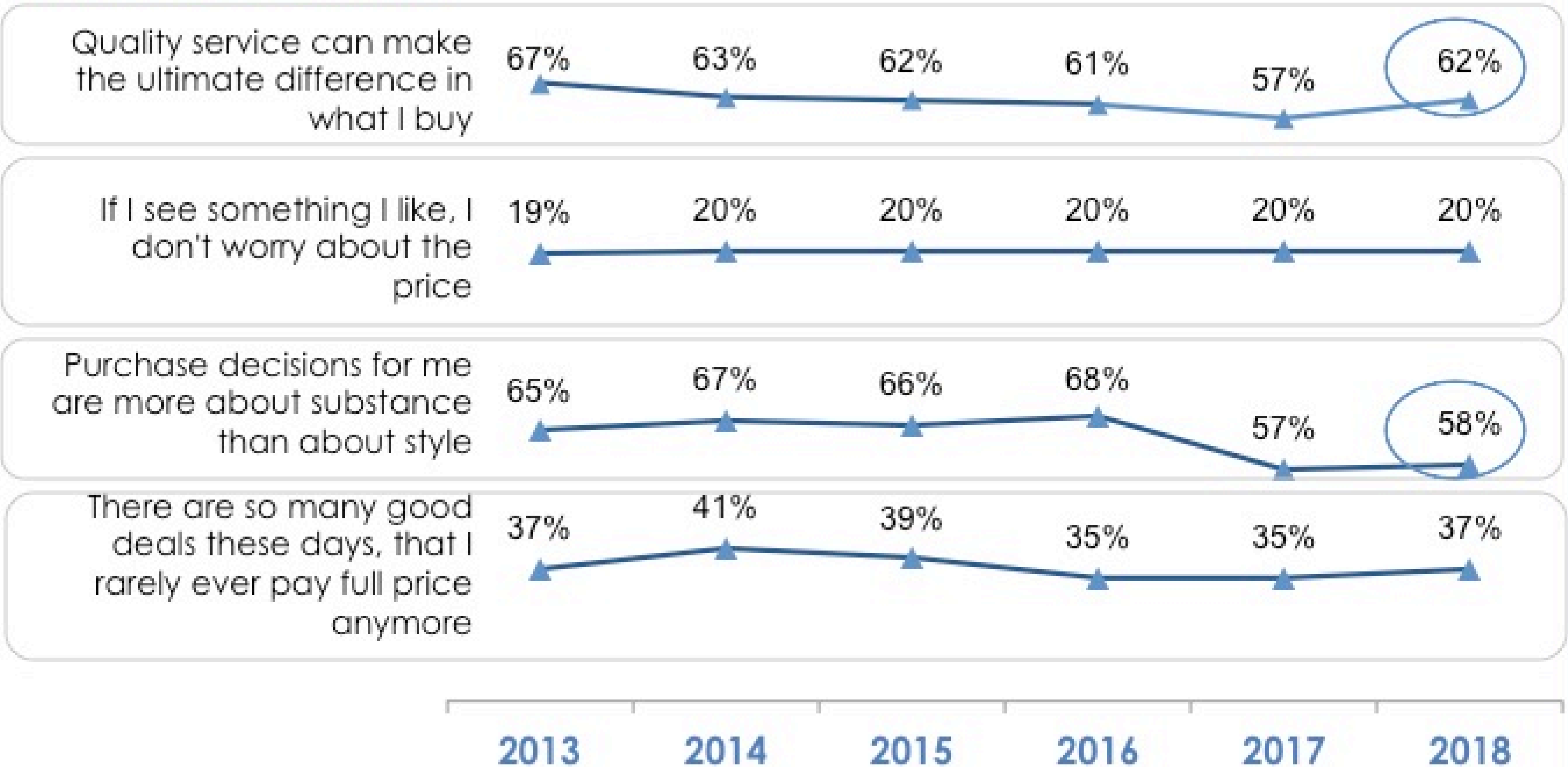
Up >5%:
- Golf Bags (+13%)
- Wedges (+21%)
- Drivers (+9%)
- Replacement Grips (+10%)
- Irons (+27%)

Up 2-5%:
- Golf Balls (+3%)
- Fairway Woods/Metals (+2%)

Source: SLRG Omnibus 2017-18

Retail Decision Drivers – Service and Style Become More Important

TOP 3 BOX AGREEMENT

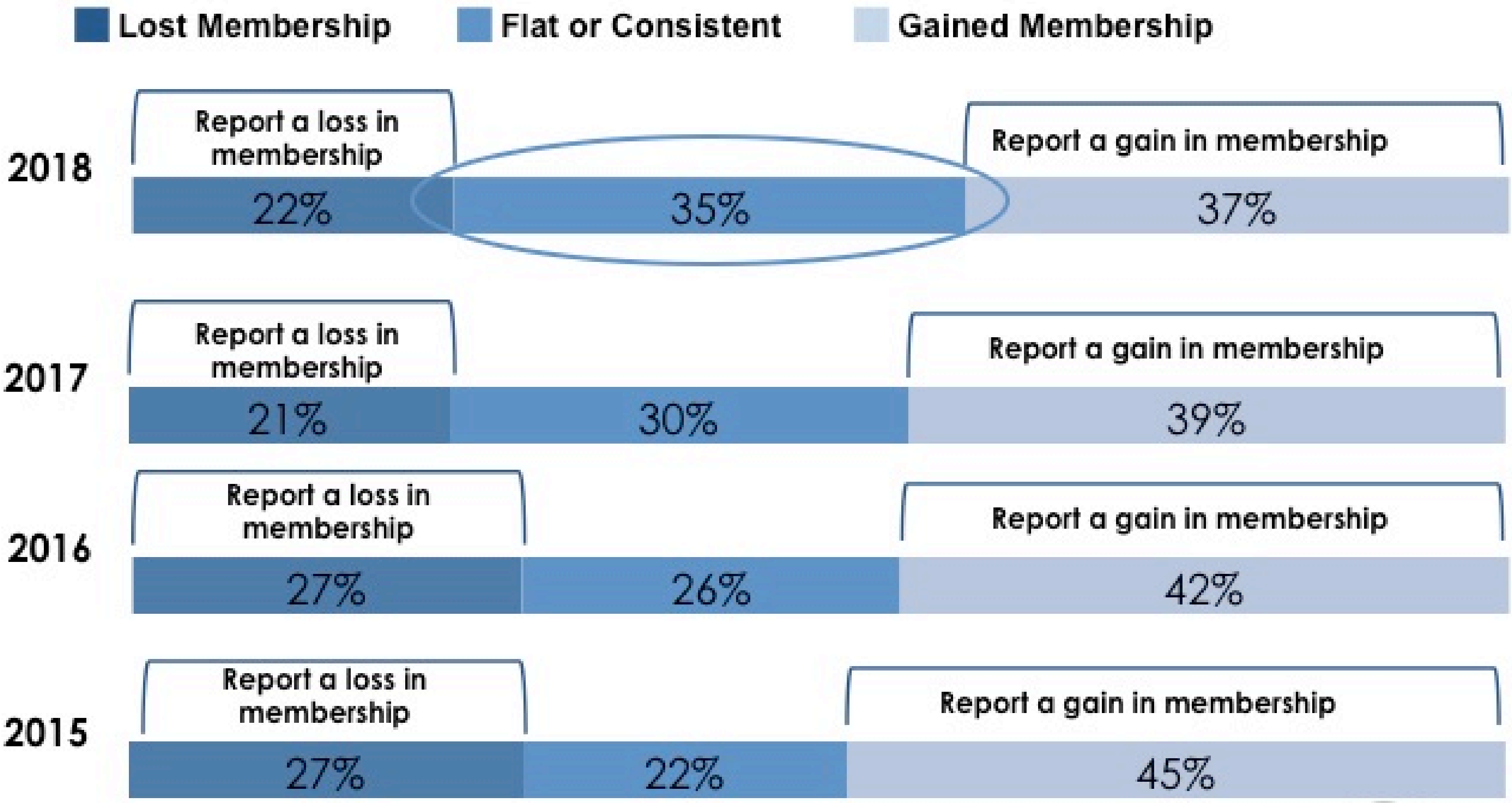


Private Clubs: Stability through Diversity of Offerings

- Private club members reporting a loss in membership is down 5% from 2015 and 2016. Flat to consistent membership at Private Clubs is at a four wave high and a gain in membership is consistent with last year's results
- Concern among private club members with the financial stability of their club is down 11% from 2013
- Several statements suggest that private clubs continue to seek expanding programs around diversity and inclusion
  - My Club has made a concerted effort to attract younger members in the past few years **(+8 points since 2013)**
  - My Club has been putting more emphasis on junior golf programs recently **(+9 points since 2013)**
  - My Club has instituted a variety of new non-golf programs to attract families **(+7 points since 2013)**
- Strong agreement with the statement "private clubs in general, need to make aggressive changes to remain relevant in the coming years" is at a six wave low, with 53% strongly agreeing, down 7% from 2015

Private Club Member Retention HAS STABILIZED after Recovering From the Depths of 2008-10

MEMBERSHIP LEVELS OVER THE PAST 3 YEARS



Base: National Sample of Private Club Members

The State of Private Clubs

…Emphasis on junior programs, families and attracting younger members have all seen significant increases since 2013

TRENDING UP

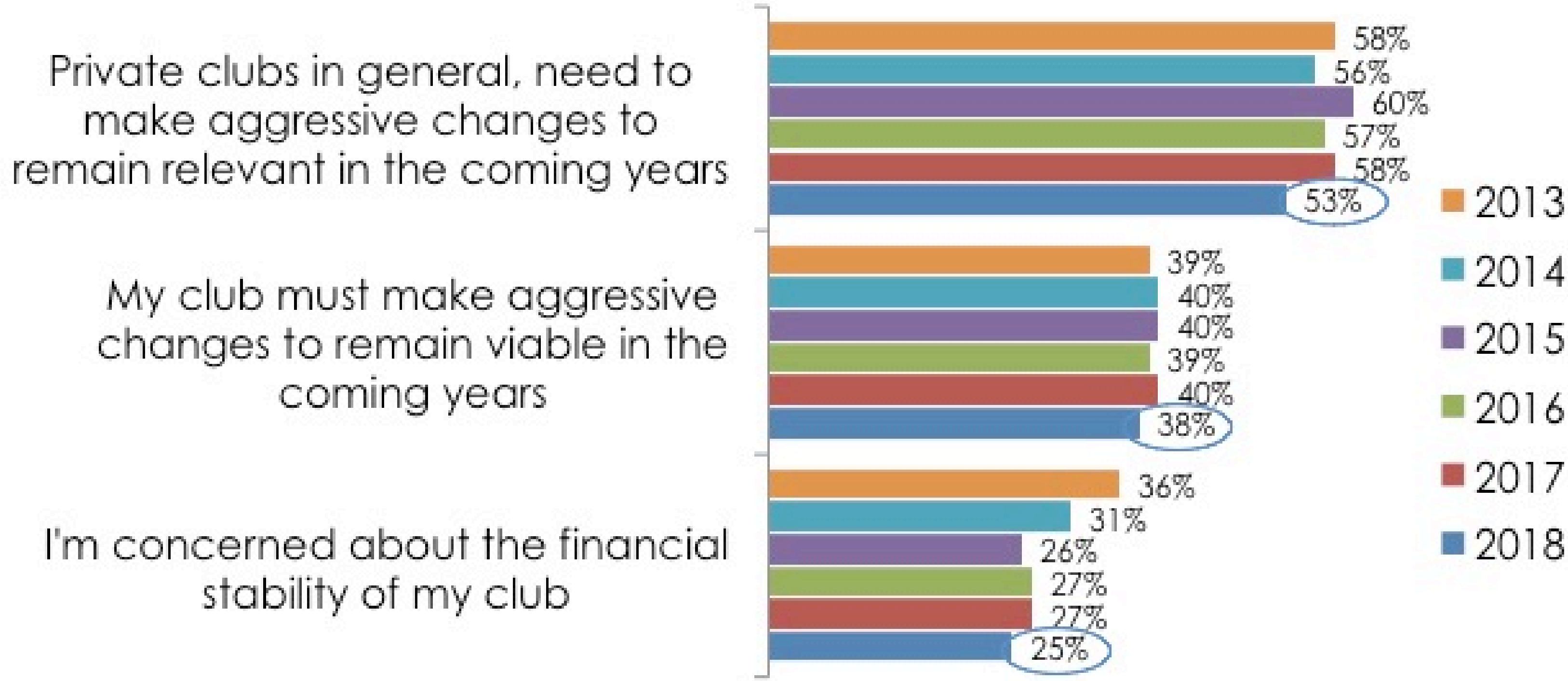
My Club has made a concerted effort to attract younger members in the past few years	2013: 53% → +8% → 2018: 61%
My Club has been putting more emphasis on junior golf programs recently	2013: 39% → +9% → 2018: 48%
My Club has been putting more emphasis on women's programs recently	2014: 24% → +1% → 2018: 25%
My Club has instituted a variety of new non-golf programs to attract families	2016: 26% → +7% → 2018: 33%
I'm concerned about the financial stability of my club	2013: 36% → -11% → 2018: 25%

Source: SLRG 2013-18 Omnibus
Base: Private Club Members

The State of Private Clubs: Concerns at Six Year Lows

- Focus on Evolution has created stability

TOP 3 BOX AGREEMENT



Top Three Box on 10 point scale

Base: Private Club Members

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