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**ANALYSIS OF THE OPPORTUNITIES TO INCREASE THE GOLF TOURISM  
REVENUE /THE CASE OF BULGARIA/**

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**Abstract:** Golf tourism is a kind of sport tourism. It marks very quick progress in the last ten years in Bulgaria. This is not a type of mass tourism. Its users have elevated financial status in the society, whereat the profit per golf tourist is relatively high. Another fact is that the golfers prefer to play on different golf courses. In Bulgaria, there are two main regions where the golf courses are grouped: three golf courses close to Sofia and four golf courses in Northeast Bulgaria on the Black Sea coast. The golf courses are modern and offer good conditions for practicing other tourism types as sea and mountain tourism. There are many facilities for the non-golfers as well. The golf courses' location and the fact that Bulgaria is a relatively new golf destination make the country attractive for golfers and their families. Therefore, there is a market niche and the priority is to achieve maximum revenue. Because of this in the theoretical part of the paper is emphasized on the revenue management in golf tourism. It's very important for the golf courses to have convenient financial management. It helps for the optimization of the golf tourists' revenue. The golf courses must have well developed and planned policy to improve the use of the course, the incomes from membership, the green fees, the practice range fees, the golf lessons in the golf academies of the courses, the sales in the proshop, the food and beverages sales, the events that are not directly related to the golf, for example weddings, corporate events, etc. In the paper are given formulas for the main KPI's: REVPATT (Revenue per available tee time), number of players per tee time, ATTR (Average tee time rate), course utilization or expressed in percent, it is known as utilization rate, ADTTR (Average daily tee time rate), REVPUR (Revenue per utilized round), average time - AT, number of rounds per year, average members per course - AMC, AREVM (average revenue per membership). In the analytical part of the paper is elaborated SWOT analysis of the golf tourism in Bulgaria. Some of the strengths are related to the competitive prices and the new and modern golf courses in the country, the popularization of specialized forms of tourism, that have higher added value and profit rate, as spa tourism, yacht tourism, etc. The weaknesses could be classified as follows: low purchasing power of the local population, that is an obstacle for the local people to practice golf; lack of a training base for qualified golf managers; high costs of irrigation and maintenance of the grass in the golf courses; the high investments' costs for the creation of a course and the slow rate of return that makes the golf facilities creation a risky business. Some of the opportunities are holding more and worldwide popular tournaments, promotion of golf lessons for children, optimization of the advertisement activity, improvement of distribution channels mix as diversification of the Internet sites and touroperators offering golf packages, etc. The threats are the high fees of the golf courses, the risk of unreturned investments, the negative image of Bulgaria as low-cost destination, the climate changes and the global warming, etc. Some conclusions about the trends in golf tourism are defined.

**Keywords:** golf tourism, golf courses, revenue management, KPI's.

**1. INTRODUCTION**

Golf tourism worldwide generates annual turnover that exceed €2.1 billion each year according to International Association of Golf Tour Operators (IAGTO). While the global economy struggles with the aftershocks of the Euro-American financial crisis, golf's positioning as an upmarket sport has meant that it has benefited from the continuing surge in spending by the top 10%. Simply put, golf tourists represent the top end of the tourist market<sup>2</sup>. Because of this the golf tourism theme is very actual.

In 2012 in Belek, Turkey, Bulgaria is named Undiscovered Golf Destination of the Year by the International Association of Golf Tour Operators (IAGTO). The IAGTO Awards were established in 2000 to reward a few exceptional contributions to the world of golf travel. The Undiscovered Golf Destination of the Year is voted for by the International Golf Travel Writers Association (IGTWA), incorporating 159 of the world's leading golf travel journalists in 33 countries<sup>3</sup>.

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<sup>2</sup> Golf's 2020 Vision: The HSBC Report

<sup>3</sup> <http://www.piringolf.bg/bulgaria-named-iahto%E2%80%99s-undiscovered-golf-destination-of-the-year-2012~790>

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Object of analysis in the present paper are the conditions and the perspectives for the development of the golf tourism in Bulgaria. For this reason a theory, related to the maximizing of the revenue from this activity, through revenue management use is discussed. Some of the main opportunities to make the golf tourism more significant for the Bulgarian economy are described in the SWOT analysis.

## 2. THEORY FRAMEWORK

**Golf origin:** The origin of the golf is subject of discussions and contradictions. The modern golf is a Scottish invention. Its origin is in 1457 year - the first written record of golf when it is banned, along with football, by the Scots Parliament of James II because it has interfered with military training for the wars against the English.<sup>4</sup> In 1502 with the signing of the Treaty of Glasgow between England and Scotland, the ban on golf is lifted. Golf is documented as being played on Musselburgh Links, East Lothian, Scotland as early as 2 March 1672, which is certified as the oldest golf course in the world by Guinness World Records.<sup>5</sup>

**Definition:** According Hall golf tourism can be defined as a form of sport tourism or special interest tourism.<sup>6</sup> Readman classifies it as “travel for non-commercial reasons to participate in golf activities away from the traveller’s local environment.”<sup>7</sup> There are different theories about the etymology of the term “golf”. One of the most curious is that is an abbreviation of “Gentlemen only, ladies forbidden”. Another version comes from the old Danish or old Scottish name of the golf club respectively “culve” or “gulve”. Later, in the standardization of the spelling rules, the word is transformed to “golf”.

The golf rules are established with an international standard and are followed by all players. The main principle of these rules is the fairness. Every four years there is an edition of the “Rules of the golf”.

**Specific economic characteristics of golf tourism:** Until the early nineties of XX century the golf industry doesn’t need the application of revenue management because the golf courses worldwide are not so much. At the end of the last century there is boom in the investments in golf tourism creation, but the number of golfers doesn’t increase with the same pace. The competition increases. The result is the strive to optimize the overall performance of the golf courses even the revenue management.

The potential demand of playing golf at a golf course and the respective revenue of the main activity of the courses are related to the number of paid memberships, individual purchased tee times, the number of days convenient to play. It’s very important for the golf courses to have good financial management. It helps for the optimization of the revenue. The golf courses must have well planned policy to improve the use of the course, the incomes from membership, green fees, practice range fees, golf lessons, sales in the proshop, food and beverages sales, events that are not directly related to the golf, for example weddings, corporate events, etc.

One of the main revenue sources is the membership. This is the fee that the golfers pay to use the course for a specific period, usually one year. It also cover some or all of the facilities the course offers. The services included in the membership may vary. They depends on the policy of the golf course and the type of membership.

Golfers who are not members pay a green fee. Its cost could vary depending on the pricing policy, the size of the course (9, 18 or 27 holes), the par of the course, the period of playing, the weather forecast, etc.

The golf course revenue depends on the optimal administration of some of relatively controllable factors as variable demand, the intervals between the tee times, the play speed, etc. It depends on some uncontrollable factors as well. Some of them are the climate conditions and the duration of the daylight.

To avoid financial losses from no shows of reserved tee times, the golf courses make overbooking. In this case if there is a no show and there aren’t walk-in golfers, another players that booked the same tee time play. Similar to the aviation and the hospitality industry to make an overbooking the managers use statistical data from past analogical periods. This helps to be found the optimal percent of reservations’ duplication.

Another technique to decrease the unrealized revenue from no shows is the payment of guarantee when a tee time is reserved. When the tee time is determined per person, the golf courses require advanced payment of green fee for a full party of players per tee time. The goal is to minimize the financial risk if some of the golfers is no show.

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<sup>4</sup> <http://www.golf-information.info/history-of-golf.html>

<sup>5</sup> <https://bg.wikipedia.org/wiki/Голф>

<sup>6</sup> Hall, C. M. *Adventure, sports and health tourism*. In C. M. Hall & B. Weiler. *Special interest tourism*. London, Belhaven Press, (1992).

<sup>7</sup> Readman, M. *Golf tourism*. In S. Hudson (Ed.), *Sport and adventure tourism*. Binghamton, NY: Haworth Hospitality Press, (2003).

The demand could be forecasted for specific months, days of the week or hours in the day. Similar to the hospitality in the golf industry there are golfers who are walk-in and another that make reservations. To forecast the occupancy in future periods the share and the preferences for tee times of these clients' segments have to be tracked.

The golf courses have a limited capacity. The limitation is determined by the number of holes, the carrying capacity of the course in time aspect and regarding the buggies and equipment.

The green fees vary in the day, week, months, depending on the demand. The prices are affected by the weather forecast for a specific day, the location of another golf courses nearby, the events that take place in the area, the school vacations, official national holidays in the country or in the neighbouring countries, the statistics for demand in a previous analogical period, the share of the prepaid green fees, etc.

The marketing managers make contracts between the golf courses in the area. This way they offer special package rates for golfers who want to play on different courses in the same zone. The places could be fixed per time necessary for playing a round, and not per a tee time.

For justifying the different rates is necessary some limitations to be determined.. The aviation and hospitality industries apply some requirements as: reservation window, guarantees, non refundable deposits, etc. Nowadays, the golf industry doesn't apply these limitations. The techniques used in golf pricing are the application of special discounts in twilight, age discounts, loyal members rates, etc. The conditions for the differentiation of the green fees could be divided to tangibles and intangibles. The group of tangibles conditions are the party size starting at a concrete tee time, the use of a buggy, etc. The intangible ones include payment of group membership, period of playing golf (in the day, week, month), duration of the round, guarantee requirement details, reservation, etc.

The fixed costs of the golf courses are high and the variable are relatively low. The courses have to generate revenue that covers the variable and at least part of the fixed ones.

Specific factor in the golf industry is the duration of a round. It can't be forecasted exactly and because of this has to be controlled. It helps the optimization of the interval between tee times. Shorter the interval is, more green fees could be sold and higher could be the revenue. To control the game duration many golf courses use marshals. They care about the speed of the game. Some golf managers authorize the marshals to display temporary a party that play slower. The goal is to keep the speed of the game for the rest of the golfers. Another technique for duration control is the division of tee times for beginners and advanced. This way is higher the satisfaction of the experienced golfers that don't wait the beginners. To speed up the movement from one hole to the next, the golf managers offer lower rates for buggy use. This procedure is applicable in busy periods.

Some of the techniques used to keep the pace of the game are: green fee discount if the party plays the game faster than the fixed time by the golf course; limitation of the number of golfers when they are over a certain age; appointing employees to look for the golf balls on certain holes; appointing caddies when a larger group play.

**Golf revenue management:** The revenue management application in the golf industry started in the 90's of the last century when the demand is going higher and the number golf courses is not enough. Nowadays there are many golf courses and they have to fight to attract their clients.

The golf courses management has to know the specific purchasing habits of the prospect clients if wants to optimize their revenue. As well it is necessary to learn how the economic situation, seasonality, competition, advertisement campaigns, etc. affect them. The golf managers have to maximize the sales in periods when the elasticity of demand is high.

If the golf managers want to calculate the revenue by the activity of a golf course they must have few basic instruments for analysis. These are clients' data management system, statistics of the sales, clients segmentation system, segmentation of the distribution channels, etc.

The effectiveness of the marketing and management instruments, applied in the golf course performance, are directly related to some every day activities as updating and control of bookings and cancellations of tee times, detailed information about reservations' conditions, day-to day control on release periods, etc.

For results optimization have to be used the main techniques of revenue management in the golf industry as: golfers' segmentation; price structuring; analysis of the different types of clients; overbooking; elaboration of reservation policy.

**Key performance indicators in the golf industry:** The key performance indicators that the golf managers use, depends on their priorities and their experience in the revenue management. The golf courses has several sources of incomes. The main are green fees and membership and the additional golf lessons fees, sales in the proshop, food and beverages, etc.

The main indicator in the golf industry is the REVPATT /Revenue per available tee time/.<sup>8</sup>

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<sup>8</sup> Varadzhakova, D., Tourism Revenue Management, Avangard Prima, Sofia, 2015, p. 172

$$REVPATT = \frac{\sum_{i=1}^n REV_i}{n_{att}}$$

where: REV – revenue per tee time. Depending on the number of golfers the revenue per tee time could vary from one up to four green fees;  $n_{att}$  – number of the available tee times;  $n$  – number of tee times, as  $n \leq n_{att}$ .

The revenue per available tee time is the main indicator for financial effectiveness of a golf course. Every unused tee time is a real loss because it can't be stored and sold later. Higher the revenue is, the better will be the REVPATT indicator. The main goal of every golf manager has to be the maximization of the revenue per available tee time.

The indicator number of players per tee time has direct effect on the revenue. The lower is the number of golfers per tee time and a party the, lower the revenue are.

Another indicator for golf course performance is the ATTR (Average tee time rate):

$$ATTR = \frac{\sum_{i=1}^n REV_i}{n}$$

The course utilization and the utilization rate (course utilization in percent) is the ratio between the number of sold tee times to the number of available tee times.

$$UR(\%) = \frac{n}{n_{att}} \cdot 100$$

The lower values of this indicator require more effective marketing strategies for attraction of clients. Before making conclusions, the golf manager has to analyze some additional factors as the weather conditions.

The REVPATT could be calculated in another way as well:

$$REVPATT = ATTR \times UR(\%), \quad (38)$$

Another key performance indicator is the Revenue per utilized round - REVPUR.

$$REVPUR = \frac{\sum_{i=1}^n REV_i}{n_{gf}}$$

where  $n_{gf}$  – number of paid green fees per player.

The number of rounds per year shows the occupancy of the golf course and is equal to the amount of all tee times per year.

The attractiveness of the golf course measures through the average members per course (AMC).

$$AMC = \frac{n_m}{n_w}$$

where:  $n_m$  – number of rounds played by the members;  $n_w$  – number of rounds played by the walk-ins.

### 3. THE GOLF TOURISM IN BULGARIA

Nowadays, in Bulgaria, there are seven active golf courses. They offer golf instructors, certified by the Professional Golf Association. The Bulgarian golf courses are located in two golf destinations:

- Destination Sofia – Pravets - Razlog -includes the golf courses “St. Sofia” close to the village of Ravno pole, near Sofia; golf club “Air Sofia” close to Ihtiman; golf club "Pravets" and “Pirin golf” close to Razlog;
- Cape Kaliakra – includes “BlackSeaRama” Golf & Villas resort and “Lighthouse” close to Balchik and “Thracian cliffs” close to Kavarna.

#### SWOT ANALYSIS OF THE GOLF TOURISM IN BULGARIA

Globally most of the golf courses are located in the tropical climate zone. The number of golf courses in the moderate continental area is less. This is a premise for the development of golf tourism in Bulgaria. The country has

the real potential to become one of the desired and preferred golf destinations in Europe. It has favorable climatic conditions and terrain for a golf courses in picturesque landscapes.

Nowadays, in Bulgaria the prices are low compared to these in the golf resorts in the neighbouring countries. This fact make the counry an attractive destination for amateur and professional golfers. In many interwies famous golfers and golf specialists determine a big perspective for Bulgaria to become competitive and profitable golf destination.

**Strenghts** of Bulgaria as golf destination:

- The prices of the green fees in Bulgaria are lower compared to the rest of the golf destinations in Europe;
- The membership of Bulgaria in the EU contributes to the development of the golf tourism in the contry;
- The golf tourism attracts more solvent tourists and generates high revenue;
- The golf tourism packages are tourism products with high quality;
- The golf tourism enlarge the summer season on the Bulgarian Black sea coast. From 3-5 months this could become 8-9 months;
- Golf makes the ski resorts a all year around tourism destinations;
- Golf tourism development stimulates the development of specialized forms of tourism with higher added value and profit rate as spa, yacht tourism, etc.;
- Golf tourism stimulates the attraction of foreign investments in the public and private sector;
- Because of the more favorable nature and climate conditions Bulgaria is potentionally more attractive golf destination than Spain and Portugal for golfers from the Scandinavian countries, UK, Russia;
- Many golf courses in Bulgaria are located in picturesque landscapes that differs them from more of the European golf courses;
- Golf tourism results in extension of the stay of the tourists (longer vacations and stay in the country);
- Building golf courses and developing golf tourism contribute to the development of the adjacent infrastructure;
- If there is adequate government regulation the golf tourism could be an effective counterpoint of the overbuilding in the established destinations;
- The golf courses contribute to the development of a new type of real estate market – sales of luxury properties.

**Weaknesses** of Bulgaria as golf destination:

- The low standard of living (golf is an expensive sport and this an obstacle to be practiced by the local people);
- Unsuufficient advertisement of Bulgaria as golf destination;
- Lack of a training base for qualified golf managers;
- High costs of irrigation and maintenance of the grass in the golf courses;
- The government doesn't invest in golf projects and doesn't provide sufficient financial assistance;
- The high investments' costs for the construction of a golf course and the slow rate of return that makes the golf facilities creation a risky business;
- Lack of convenient space and location terrains for building golf courses. The length of the golf course is usually 6-7 thousand meters. For a 18-holes golf course including the infrastructure and the golf village is necessary a terrain of 1000 decars. It is difficult to acquire private land with these charachteristics, because usually there are many owners. The government and the municipalities have this type of terrains. Some of them are low productive areas or wastelands, that are not in use;
- The high land price – this is the main economic factor that detain the development of golf tourism and the construction of golf courses in Bulgaria.

**Opportunities** for the golf tourism development in Bulgaria:

- Holding more and worldwide popular tournaments;
- Promotion in the country of the golf as sport;
- Promotion of golf lessons for children;
- Optimization of the advertisement activity and promotion of the golf tourism in Bulgaria through improvement of distribution channels mix as diversification of the Internet sites and touoperators offering golf packages, etc.;
- Creation of a plan for construction of golf courses in regions with wastelands with the main goal of economic development of the region.

**Threats** for the development of the golf tourism in Bulgaria:

- The high fees of the golf courses;

- The risk of the ecological problems;
- Low percent of exploitation of the golf courses in Bulgaria;
- Lack of interest by strategic investors;
- Risk of non refundable investments;
- Development of new competitive destinations;
- The image of Bulgaria as a low cost destination;
- Ineffective national and corporative marketing campaigns.

#### 4. CONCLUSION

The SWOT analysis shows that Bulgaria hasn't yet an image of golf tourism destination. The country is attractive as summer destination and ski destination. The Bulgarian tourism is with high seasonality and there is a lack of high qualified specialists in the golf industry. The country has favorable geographic location, wonderful natural and anthropogenic resources. To improve its image as a destination that offers high quality tourism product the government has to focus on a well planned tourism policy. The golf specialists in Bulgaria have to follow the trends in the industry. They have to become more family oriented, to attract young players, to plan an sustainable development of the golf courses.

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