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Canadian Market Opportunities— Import Profile



Government
of Canada

Regional Industrial
Expansion

Gouvernement
du Canada

Expansion industrielle
régionale

Canada

GOLF BALLS

(EXCLUDING HOLLOW PRACTICE TYPE)

Pub. No: 31-85

October 1985

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These offices are listed on page 8
of this publication.

REFERENCE SOURCES

Department of Regional Industrial Expansion
Statistics Canada
Revenue Canada
Supply and Services Canada

EXPLANATORY NOTES

Valuation

Imports are generally recorded at the values established for customs duty purposes according to the provisions of the Customs Act. Customs values are identical to selling prices for most transactions between non-affiliated firms, but customs values exceed selling prices for many transactions between affiliated firms. All values are reported in Canadian dollars and do not include duty.

Average Growth Rate

Growth rates are calculated on the basis of annual compounding.

CANADIAN MARKET OPPORTUNITIES - IMPORT PROFILE

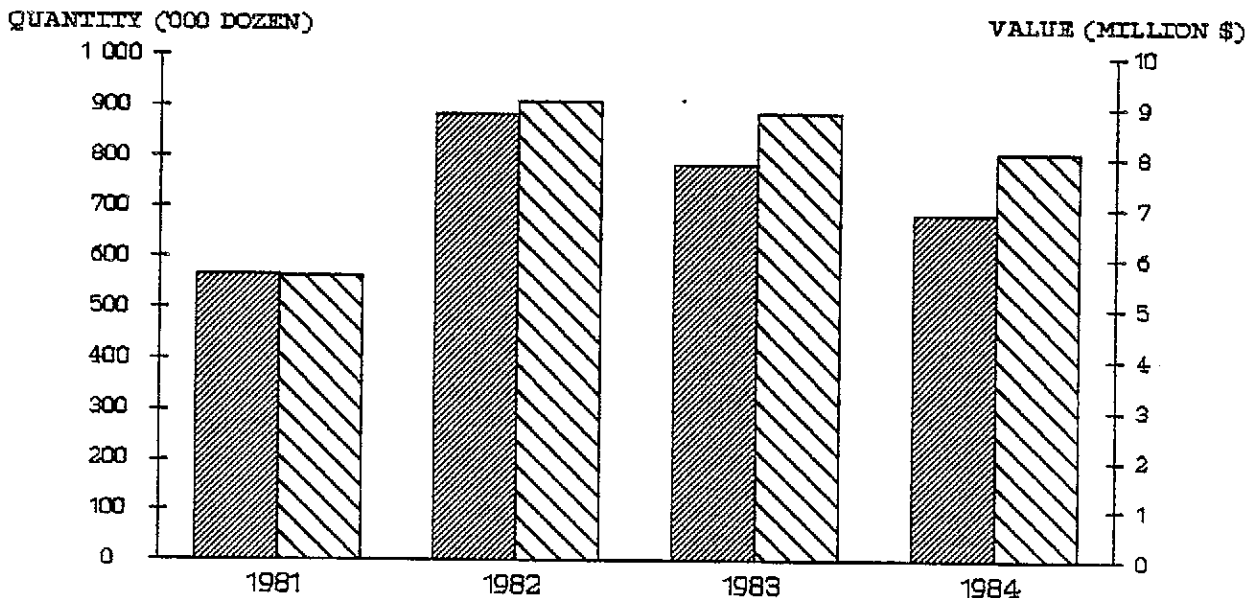
GOLF BALLS

(EXCLUDING HOLLOW PRACTICE TYPE)

INTRODUCTION

This report is one of a continuing series designed to increase business awareness of the potential existing for domestic production and to stimulate Canadian business to further explore potential opportunities in both the Canadian and export markets. It is important to emphasize that this report does not attempt any assessment as to the feasibility of manufacturing or competing in a particular market and should be treated as an indicator or starting point for the manufacturer or entrepreneur.

IMPORT TRENDS
OF
GOLF BALLS
(EXCLUDING HOLLOW PRACTICE TYPE)



	1981	1982	1983	1984
■ QUANTITY	564	885	786	688
▨ VALUE	5.6	9.1	8.9	8.1

IMPORTS BY MAJOR FOREIGN COUNTRY OF EXPORT
(IN DESCENDING ORDER OF 1984 VALUES)

<u>FOREIGN COUNTRY OF EXPORT</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>UNIT PRICE 1984 (\$ PER DOZ.)</u>	<u>AVERAGE ANNUAL GROWTH RATE 1981-1984 %</u>	<u>PER CENT CHANGE 1983-1984 %</u>
UNITED STATES							
QUANTITY (DOZ.)	492 170	817 527	642 939	596 148		7	-7
VALUE (\$000)	5 464	8 883	8 321	7 622	12.79	12	-8
SOUTH AFRICA							
QUANTITY (DOZ.)	0	5 000	25 300	37 000		N/A	46
VALUE (\$000)	0	34	181	242	6.54	N/A	34
KOREA, REPUBLIC OF							
QUANTITY (DOZ.)	70 036	55 786	93 705	30 260		-24	-68
VALUE (\$000)	151	161	286	115	3.80	-9	-60
UNITED KINGDOM							
QUANTITY (DOZ.)	75	500	4 472	19 489		538	336
VALUE (\$000)	1	3	23	95	4.87	356	313
OTHER							
QUANTITY (DOZ.)	1 599	6 634	19 802	5 256		49	-73
VALUE (\$000)	17	14	57	16	3.04	-2	-72
TOTAL							
QUANTITY (DOZ.)	563 880	885 447	786 218	688 153		7	-12
VALUE (\$000)	5 633	9 095	8 868	8 090		13	-9
UNIT PRICE (\$ PER DOZ.)	9.99	10.27	11.28	11.76			

N/A - Not applicable.

From 1981 to 1982 imports of golf balls increased by 57 per cent in terms of quantity and 61 per cent in terms of dollar value. Subsequently, there was a decline through 1983 and 1984 of about 11 per cent per year in volume and of two per cent and nine per cent, respectively in value, due to the aftereffects of the economic recession. Preliminary import data for the first six months of 1985 show a growth of 16 per cent in terms of quantity compared to the same period in 1984. However, there has been a drop in value of eight per cent during this same period, which can be primarily attributed to increasing competitive price pressure among the United States manufacturers and Far East sources.

The United States has consistently been the major exporter to Canada, accounting for 87 per cent of the quantity and 94 per cent of the value in 1984.

The average unit price in 1984 was \$11.76 per dozen. Average unit prices of imports from South Africa, Republic of Korea and the United Kingdom were considerably lower than those from the United States. The high unit prices of imports from the United States are accounted for by several factors. In addition to the substantial differential in currency exchange rates, many golf balls from the U.S. are made by a higher-cost construction process. This, combined with consumer demand at the professional and regular player levels for a ball with prominent brand name recognition and perceived superior playing characteristics and quality, allows a higher mark-up.

Generally, balls from other countries have neither the same brand/quality recognition factor nor the aggressive marketing support. As a result, with some exceptions, they are directed more toward the lower-priced segments of the market (i.e. promotional and non-branded markets).

IMPORT MARKET CONCENTRATION
(BY % OF TOTAL 1984 VALUE)

<u>TOP 5</u> <u>IMPORTERS</u>	<u>TOP 10</u> <u>IMPORTERS</u>	<u>TOP 20</u> <u>IMPORTERS</u>
92	97	98

The five major importers accounted for 92 per cent of the total imports for 1984. Of these five firms, four were located in Ontario and three were classified as wholesalers of sporting and recreational goods and supplies.

TYPE AND LOCATION OF THE 20 MAJOR IMPORTERS - 1984
(98% OF TOTAL IMPORT VALUE)

<u>IMPORTER</u> <u>LOCATION</u>	<u>IMPORTER TYPE</u>				<u>TOTAL</u>	
	<u>MANUFACTURERS</u>		<u>WHOLESALEERS</u>		<u>NO. OF</u> <u>IMPORTERS</u>	<u>VALUE</u> <u>(\$000)</u>
	<u>NO. OF</u> <u>IMPORTERS</u>	<u>VALUE</u> <u>(\$000)</u>	<u>NO. OF</u> <u>IMPORTERS</u>	<u>VALUE</u> <u>(\$000)</u>		
Ontario	3	2 250	8	5 303	11	7 553
Quebec	-	-	4	82	4	82
Western Provinces	-	-	5	265	5	265
Atlantic Provinces	-	-	-	-	-	-
TOTAL OF ABOVE	3	2 250	17	5 650	20	7 900

Per Cent of 1984 Total Value	28%	70%	98%
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There were approximately 128 importers of golf balls during 1984. The top 20 importers accounted for 98 per cent or \$7.9 million of the total imports. Of these 20 importers, 17 were wholesalers, whose total imports represented 70 per cent of the import total. Eight of these 17 firms were classed specifically as wholesalers of sporting and recreational goods and supplies. The 11 Ontario importers accounted for 93 per cent of the total imports.

CANADIAN PRODUCTION

There are two Canadian manufacturers of golf balls. Both companies are located in Ontario. Statistics Canada does not publish specific production data for golf balls.

EXPORTS

There are no authoritative data on exports of golf balls from Canada. Exports are believed to be negligible.

CANADIAN TARIFFS, 1985

TARIFF ITEM	DESCRIPTION	% OF TOTAL IMPORT VALUE (1984)	TARIFF TREATMENT				
			BRITISH PREFER- ENTIAL TARIFF(1) %	MOST FAVOURED NATION TARIFF %	GENERAL TARIFF %	GENERAL PREFER- ENTIAL TARIFF %	U.K. AND IRELAND %
<u>To 08/11/84</u>							
51100-01	Racquets and racquet frames; baseball bats; hollow practice golf balls; balls of all kinds for use in sports, games or athletics, n.o.p.; finished parts of golf clubs	99	13.5	13.5	35	9	13.5
51102-01	Articles and materials for use in the manufacture of golf balls (temporary tariff item)	1	Free	Free	35	Free	Free

Effective 08/11/84

51101-01	Golf balls, n.o.p.		14.7	14.7	35	9.5	14.7
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(1) Excludes U.K. and Ireland
n.o.p. - Not otherwise provided for

Tariff Arrangements and Foreign Countries of Export:

MOST FAVOURED NATION: UNITED STATES, SOUTH AFRICA
MOST FAVOURED NATION OR GENERAL PREFERENTIAL: REPUBLIC OF KOREA*
MOST FAVOURED NATION OR U.K. AND IRELAND: UNITED KINGDOM

ENQUIRIES CONCERNING TARIFFS SHOULD BE DIRECTED TO THE NEAREST CUSTOMS AND EXCISE OFFICE OR TO:
TARIFF PROGRAMS
REVENUE CANADA
CUSTOMS AND EXCISE
OTTAWA, ONTARIO
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TEL: (613) 992-8589

*NOTE: In order to qualify for General Preferential Tariff treatment a special certificate of origin is required.

MARKET SUMMARY

Between 1976 and 1981, public participation in golf was estimated to have increased by 32 per cent. Recent smaller surveys have indicated that golf ranks in the top 12 in recreational activity popularity. According to the Canadian Golf Foundation it is estimated that in 1985 there are 1.5 million Canadians playing 15 rounds or more a year, with an additional 300 000 casual golfers. Of this total about 77 per cent were male.

The demographic characteristics of the United States and Canadian golfers are very similar. Most are university educated, and have household incomes exceeding \$35 000 per year. In the U.S., 84 per cent of those who golf are age 25+, while in Canada, 81 per cent are 20+.

In golf balls, brand name recognition is a major factor influencing consumer demand. Currently, the market is dominated by brands of U.S.-owned companies such as Spalding, Wilson and Titleist. There are three identifiable distribution channels: on-course pro shops, off-course pro shops and mass merchant/retail sporting goods outlets.

There is not expected to be any dramatic shift in the overall size of the Canadian golf ball market in the near to medium future.

The manufacture of golf balls is a capital-intensive industry requiring a market of sufficient opportunity and volume to justify significant capital investment. There are two main manufacturing processes utilized. One process involves a solid centre with Surlyn cover; and the other higher-cost process incorporates a wound centre with a Balata cover. Many of the higher-priced U.S. balls use the second process.

A firm considering manufacturing in Canada would want to decide in which of the two distinct markets it would operate.

One market is characterized by prices in the range of about three to six dollars a dozen. Imports are from overseas, roughly 100 000 to 150 000 dozen, worth approximately \$400 000 per year at the border. Presumably, independent firms from those countries would price their products aggressively, but the present tariff would provide some protection.

The other market is essentially high priced, at import prices close to \$12 per dozen. This market embraces approximately 600 000 dozen, or 90 per cent of imports. Opportunities could lie in the sheer size of this market. Even a relatively small share would represent a substantial gross revenue. A well-developed marketing strategy would have to be prepared to move the product profitably through the marketing channels in the face of the nationally-advertised brands.

Additional information on golf equipment can be found in profiles 32-85, Golf Clubs (individual and sets); and 33-85 Finished Parts of Golf Clubs.

This report was prepared by:

The Market Development Branch of
the Department of Regional Industrial Expansion
in collaboration with the Department's
Food and Consumer Products
Industries Branch

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