

**strategic** audit of  
**victorian** industry



The Victorian Sport and Recreation Industry  
Information Paper no. 2  
November 2001





## The Victorian sport and recreation industry

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## Minister's foreword



I am pleased to provide the second Information Paper resulting from the strategic audit of Victoria's sport and recreation industry.

The paper provides a commentary and insight into developments and opportunities in this industry. This is based on wide-ranging industry consultation and business workshops throughout the State, as well as consideration of developments both interstate and overseas.

Some important issues and opportunities are emerging from the audit. These include the need to consider the issue of skills development in various parts of the industry, and also to address financial, commercial and risk management issues. This is particularly the case for small to medium-sized firms.

At the same time certain business development opportunities are becoming evident. This particularly includes those associated with elite sport, tourism, and existing investment and export strategies. As you will see in this paper, Victoria clearly has some important competitive advantages in the sport and recreation industry. These can provide a strong basis for future industry development, together with 'multiplier' effects that generate wider employment and higher economic growth.

I would like to thank the many companies, organisations and individuals who have contributed to the consultation process so far. I am seeking to obtain a wide response to the ideas and issues contained in this paper, and look forward to your continuing involvement and contribution.

I hope that you will take the time to read on and if you have comments, that you will get in touch with the Audit Team using the contact details that are included on the final page.

A handwritten signature in black ink, reading "Justin Madden". The signature is stylized and cursive.

**Hon Justin Madden MLC**  
**Minister for Sport and Recreation**



## Contact details

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# 1. Introduction

## 1.1 Context

The Strategic Audit of the sport and recreation industry occurs as part of the Victorian Government's wider Strategic Audits of Victorian industry (SAVI). The SAVI process is being pursued in accordance with a 1999 commitment made by the then Bracks Opposition to assess the issues affecting Victorian industry over the medium term, and to develop strategies to help industry grow.

The sport and recreation Audit is one of ten that are taking an intensive look at industries that the Government believes are of importance for Victoria's future. In each case an Audit team have researched and consulted widely and sought input from business and the public on strategies for the medium term growth of Victoria. In sport and recreation, this research and dialogue with business will culminate, late in 2001, with a report to the Minister for State and Regional Development, John Brumby MLA and the Minister for Sport, Justin Madden MLC.

Sport and recreation is an industry that has developed rapidly over the last decade or more. The growth in the value of sporting goods traded in the world economy is an indicator of this growth (see Table 1). Australian Bureau of Statistics (ABS) figures indicate that in 1996 over 60,000 Victorians owed their main job to sport and recreation. Although official estimates of the economic value of the whole industry are not available, research by the National Centre for Cultural and Recreation Statistics (NCCRS) indicates the industry contributes in excess of \$3 billion to total Victorian production. This is 2% of the State economy.

*Table 1: World trade growth per annum (1993-2000)*

Biotechnology	20%
Geographical information systems	18%
Advanced manufacturing technology	14%
Sporting goods	12%
Software	11%
Merchandise trade (1990-99)	7%

*Source: National Institute of Economic and Industry Research; World Trade Organisation*

## 1.2 The role of government

For many years Government's primary role has been to facilitate participation by ordinary people in sport and recreation. In that this helps generate demand for sport and recreation related goods and services, it is possible to argue that the Government has an involvement in the business side of the industry. However in contrast to other areas of Victorian industry, such as the automotive industry, Government has tended not actively to involve itself in the development of sport and recreation businesses.

During the 1990s, a greater understanding of the economic dimensions of sport and recreation emerged, and elite sporting events became a vehicle for promoting Victoria, attracting tourists and stimulating the economy. Over that time, the Government has invested in attracting events to Victoria and currently invests up to \$35 million yearly within a strategic framework. The Government will also be making significant investments in development of new stadiums and sporting facilities in connection with the 2006 Commonwealth Games.

However, beyond the business of major events, Governments are increasingly recognising the broad commercial potential of the sport and recreation industry. In 1997 Australia Sport International (ASI) was founded to facilitate development of exports of sport and recreation goods and services. More recently a national strategic plan for the 'for-profit' sport and leisure industry has been published in the report "Game Plan 2006". The report recommended that an annual target of \$1.3 billion in sport and recreation exports be set for 2006. Exports of that magnitude put the sport and recreation industry in the same ballpark as that notable export success, the wine industry.

In this context, this Strategic Audit of sport and recreation gives further recognition to the commercial significance and potential of the sport and recreation industry.

### 1.3 Industry Structure

In broad terms the Strategic Audit of the sport and recreation industry has produced a picture of an industry that consists of four major markets. These markets are –

- Events and elite sports (and media activity) eg. seating supply, stadium management, sports broadcasting,
- Fitness and physical recreation, eg. greenkeeping, managing facilities, fitness instruction,
- Goods, equipment and professional services, eg. fitness equipment maintenance, sports marketing, sports education, and
- Adventure recreation and nature-based tourism, eg. camps operation, surfing instruction, fishing guide services.

These categories separately identify markets where significant economic activity occurs and which interface with each other through marketing activities within the overall sports and recreation industry.

*Figure 1:  
Markets of the Sport and Recreation Industry*



### 1.4 Information gathering

There have been two main phases of information gathering to the Audit. Following a review of available literature, the first phase involved interviews with representatives of larger organisations in the industry. These were largely in the major events, fitness and physical recreation, and goods and equipment markets, and mainly metropolitan based. The second phase involved meetings with business people from across the State, largely from smaller businesses in the adventure recreation and nature-based tourism, retailing, and professional services markets.

The evidence from the first phase is that the sport and recreation industry has been going through a period of major growth and also of significant upheaval. This is mainly a result of the media and the marketing industry realising how passionate people are about sport, backed by the availability of plentiful sponsorship dollars. Efforts to turn this passion into profits are so strong that care will be necessary to ensure Victoria does not face oversupply of top-flight sporting events.

Organisations have 'ridden this wave' in different ways. Some, such as advertisers, sports managers, retailers, and even academic institutions, have used the opportunity to boost their profile and increase marketing opportunities. Others, including sporting associations and some smaller business sectors, appear to be lagging behind.

Victoria has some competitive advantages within Australia in the form of its large economy and its long tradition of staging large events. We are also well placed internationally in designing and operating facilities. However these advantages do not provide any special strength in the goods and services market or adventure recreation.

Tony Collier  
Wendouree

Torquay Swim School  
Torquay

Tradewinds Sailing School  
Frankston

Ultimate Fishing  
South Geelong

VICFIT  
East Melbourne

VicSport  
Jolimont

Victorian Bookmakers' Association  
Flemington

Victorian Major Events Corporation  
South Melbourne

Wesley Point Camp  
Lake Eppalock

West Coast Adventure  
Torquay

Wilderness Wear  
Preston

YMCA  
Ashburton

You Yangs Bike Hire & Adventure Tours  
Lara

IMG Carlton South	Pro-team Management P/L Beaumaris
Ivanhoe Golf Equipment Sales Ivanhoe East	Racing Victoria Flemington
John Willett & Assocs St Kilda	Rebel Sport Greensborough
Langwarrin Sports Medicine Centre Langwarrin	Rebound Sports Newborough
Life Fitness Burwood	Recrosport P/L Donvale
Lilydale Squash and Fitness Centre Lilydale	Road & River Newtown
McKinnon Sports Medicine Centres McKinnon	Rock Adventure Centre Newtown
Melbourne Sailing School Parksdale	Rollerway Newtown
Monash University Clayton	S.E.A.L Diving Services Traralgon
Morwell Tenpins Morwell	Sandown Lodge c/o Armanasco Stables Caulfield
Motorcycle Motion Moorabbin	Snowy River Bait and Tackle Marlo
Mountain Designs Traralgon	South Australian Office of Recreation and Sport Kidman Park
Mountain Top Experience Morwell	Sports Industry Australia Curtin
Northern Metropolitan Institute of TAFE Preston	Start to Finish Event Management Hawthorn
Nunawading Basketball Centre Burwood	Surf Shack Lakes Entrance
Ocean Wetsuits Dandenong	Synthigrass Australia Thomastown
On the Road Magazine Williamstown	TabCorp Melbourne
Peddle Thorp Architects (Melbourne) Melbourne	TCN Channel Nine Pty Ltd Willoughby
Professional Fishing Guides Association Cowes	The Parachute School Montmorency

Evidence from the second phase of information gathering (ie. public Forums) suggests that fitness and physical recreation and adventure recreation markets are characterised by a high proportion of small businesses. This appears sometimes to limit their ability to act effectively and collectively as opportunities and challenges emerge. However this is not to say that the industry is without many stories of successful businesses of all sizes in all markets.

Putting the information from the interviews together with that from the Forums, it would seem appropriate to describe the sport and recreation industry as dynamic but lacking some current direction and cohesion. This parallels the findings of the national strategic plan for the sport and leisure industry (Game Plan 2006) that there is some lack of cohesion in the sport and recreation industry.

## 2. The changing face of the industry

In order to analyse the industry and its needs, it is necessary to understand the forces that are influencing the direction of the sport and recreation industry.

Sport and recreation's position in the marketplace is evolving rapidly in response to a range of significant social, economic, and community influences. New trends in leisure, lifestyle, and commercial exploitation are changing the way people watch and participate, and how businesses meet customers needs.

The range of influences is diverse and includes –

- Television and media coverage
- Major events growth
- Intellectual property developments
- Increased home entertainment
- Lifestyle diversity and flexible work practices
- Globalisation of sports.

In the main, these forces have produced an industry that is growing dynamically – with increased activity in one market stimulating activity in others – and that investors will pay a premium to be a part of (eg. the stand-out sharemarket success of Billabong)<sup>1</sup>. However especially since the industry is a youthful one, these same forces have sometimes also created challenges for the industry, such as imbalances of supply and demand and a lack of coordination. The following assessments of the industry's main markets provide more detailed analysis of the effects of these forces, and particularly the challenges for the industry that they have sometimes produced.

### 2.1 Events and elite sports (and media activity)

The media, particularly television, has emerged in the last decade as a major influence on the sports industry. Television and media have harnessed the marketing power and passion for sport, so that sport viewing has become part of the 'home entertainment' business.

The degree of viewer interest that coverage of events featuring the best in the world can generate has resulted in a globalised market for sports based media and promotional activity. Whether elite athletes are Australian or from overseas, the effect that they can have on viewer numbers and the success of sport based marketing means that the stakes in this market are very high. Even cities and countries are active in this market, bidding for the right to host major events that will enable them to showcase themselves, and attract tourist visits from sports fans. This has been and will remain particularly valuable for places such as Victoria that do not have the reputation for their scenery of States like Queensland.

As a result sports management and marketing companies have emerged to become significant intermediaries in this dynamic market. They have developed legal and commercial arrangements where clubs, players and associations can exploit a multiplicity of rights and related marketing opportunities. They even create events so as to tap the right markets. This has created a demand for highly skilled professionals, such that sports management courses, for example, have some of the toughest entry standards of all undergraduate courses in Victoria.

<sup>1</sup> Since its sharemarket listing in mid 2000 Billabong's market capitalisation has tripled to \$1.4 billion.

# Appendix 1: Consultations

## Industry Reference Group

Mr Paul Brettall

Moonee Valley Racecourse

Mr Lindsay Grenfell

Boating Industry Association

Mr Matthew Mahon

IMG

Mr Chris Porter

Go Ride a Wave

Mr Jack Reilly

VicSport

## Organisations Consulted

ABS Surfaces

Glen Waverley

AFL Players Association

Melbourne

Arts and Recreation Training Victoria

Melbourne

Athletics Australia

Melbourne

Australian Barbell

Mordialloc

Australian Tennis Magazine

South Yarra

Bindaree Adventures

Lilydale

Blazing Saddles

Airey's Inlet

Bluewater Marine Centre

Paynesville

Bowlers Wearhouse

Heidelberg

Brighton Sports Medicine Clinic

Brighton

Bury's Slipway P/L

Nungurner

Camping Association of Victoria

Viewbank

Canoe Kayak Education Australia

Kew

Canoeing Victoria

Viewbank

Cliffhanger

Altona North

Competitive Edge

Kew

D&F Racing Products

Seaford

Deakin University

Burwood

Diving Headquarters

Prahran East

Diving Industry of Victoria Association

Rosebud

Echuca Boat and Canoe Hire

Echuca

Elite Swimming Performance

Flemington

Fast 'N Fun

Bellbrae

Federal Department of Industry Science  
and Resources

Canberra

Freehill Hollingdale and Page

Melbourne

Full Bore Surfing Products

Torquay

Go Paddling

Anglesea

Golfer Newspapers

Highett

Hardrock Climbing

Nunawading

## 6. Summary

The sport and recreation industry in Victoria is at an important crossroads. It has an impressive track record of growth for over a decade, and developments particularly in the entertainment and events sector, have been dramatic and extensive. However maintaining that growth will require that a number of significant challenges are addressed. The main issues to address are covered below.

- (a) Although the major events and elite sport area has been one of the main sources of industry growth there is some evidence that a period of adjustment may now be occurring. Some saturation of products and events is emerging and fewer dollars are coming in from the marketing industry and media to meet this increased supply. Nonetheless major events are a significant strength for Victoria. Victoria's competitive positioning, ongoing spectator interest and flow-on benefits to regions and State Sporting Associations appear likely to be the main challenges for the medium term.
- (b) Development of industry standards, skills training, and career paths are likely to be important issues for employment growth, business profitability and for keeping pace with consumer needs. This particularly applies in the regions, and the adventure recreation and nature-based tourism market.
- (c) Marketing and promotional efforts at State and regional levels (including major events and tourist attractions) could play a significant part in generating stronger consumer interest in recreational activities and tourism.

- (d) Commercial, financial and risk management issues (eg. liability insurance, licence tenure and public access) are impacting the financial viability of SME's, particularly in the adventure recreation and nature-based tourism market.
- (e) The increasing commercialisation of sport presents challenges and opportunities for sporting bodies at community level. Balancing priorities in community-based sport while becoming equipped to profit from commercial benefits that are available appears to be the challenge for State Sporting Associations.
- (f) Collaboration within the industry is limited, but there are examples of successful collaborative activity that suggest extension of collaboration into more areas of the industry will assist it to develop.

However, despite the fact that each of these issues is complex, the expertise and competitive advantages that the Victorian sport and recreation industry has, give every reason for confidence that the future is bright for sport and recreation businesses in Victoria.

This growth in elite sport has given consumers a large array of sporting events and ways of accessing them. Interestingly, this has not been at the expense of attendances at sporting events. For instance, the total attendance for the Australian Football League (AFL) 1999 season exceeded 5 million, nearly one million more than for 1994. However in some cases diminished interest and viewer fatigue may be occurring. Anecdotally, some sports appear to be approaching this position. Elite events (like any product) can become 'too much of a good thing' if they are not carefully handled. This can also include the timing of events (eg. during the January/ February extended holiday period) which can conflict with the interests of sponsors, clients and spectators.

There appear to be other anecdotal signs of a surplus of elite sport 'product' on offer to advertisers and sponsors, that may be leading to rationalisation of events. This is evident in the fact that sponsors are becoming more discerning and demanding. Sponsorship dollars have declined in recent years, meaning that there are fewer dollars available for sport across the board. This in turn is placing greater pressure on sports management and marketing companies to find new product endorsement opportunities on behalf of their clients. Conflicts of interest and opportunity may occur between organising bodies and athletes in this environment.

Victoria undoubtedly enjoys considerable competitive advantages in major events. Many major sports management companies are located here, our facilities are world class, and we have a tradition of staging high quality events. Nonetheless, Victoria faces challenges in this market.

Firstly, the market's dynamism is likely to mean that the Government and Victorian Major Events Corporation will have to identify, assess, and bid for major events in an increasingly complex environment in coming years. Secondly, the global administration structures in many major sports require that State Sporting Associations (SSAs) have a major role in the staging of any event in Victoria. These duties (and the opportunities such events provide for promoting their sport) have proven difficult for some SSAs to combine with their role organising community sport. As a result, attention to factors such as lack of skills and other priorities that have limited the capacity of some SSAs to perform this dual role, would appear to be warranted. Thirdly, there may be a dampening effect on this market from slowing world economic growth over the next year or so, so there will be a need to monitor developments carefully.

### *Main points*

- Recognition by the media and the marketing industries of the potential of elite sport drives this market
- The global sporting economy presents significant business opportunities and possible threats to businesses in the elite sport sphere
- Victoria has a competitive strength in the major events area
- State Sporting Associations appear sometimes to struggle in handling their role as gatekeepers to their code when elite events occur in Victoria

### *Questions*

1. What should be done to maintain Victoria's competitive strength in this market?
2. What should be done regarding skills in this sector, particularly those of SSAs?
3. What opportunities might there be to export Victorian expertise?

## 2.2 Fitness and physical recreation

Whilst television coverage and major events have reshaped elite sport, the major influence on the fitness and physical recreation sector has been changing lifestyles, work habits and leisure-time preferences. This 'non-elite' sport and recreation includes both personal fitness activity (eg. gyms and aerobics) and other team and individual sports (eg. basketball, netball, squash, bowls, golf and tennis).

The change in people's preferences and habits has spurred an increasing trend away from traditional team sports to more self-directed and flexible sport and recreation activity. A greater consciousness of the benefits of personal health and fitness has also had a role, although this does not extend across the whole community.

This shift is particularly apparent in younger sections of the population. Younger people are favouring unstructured activities like skateboarding, snowboarding, and mountain-biking, in a way that they did not a generation ago. Often this activity merges with other aspects of their lives and becomes hard to distinguish in its own right. This is the basis of the commercial success of companies such as streetwear designer Globe International.

Anecdotally, many people appear to enjoy and participate in a variety of sport and recreation activities, including viewing, casual participation and competing at club level. However rather than being based on ongoing commitment to specific sports or recreations, this involvement has become more casual.

Facilities development and management in this sector has also undergone significant change. The introduction in the early 1990s of Compulsory Competitive Tendering (CCT) required competitive tendering by local government facility owners. This brought fierce private sector competition for the rights to manage local government leisure facilities, and this competition continues, although competitive tendering is no longer mandatory.

Vigorous competition has likewise been a significant influence in the fitness industry. Over the last twenty years or so there have been a great many businesses operating in this sphere. However during the 1990s the industry experienced some major difficulties at a time when the rapid growth of the 1980s was weakening. There were a range of reasons for this, but the key factors were probably poor financial management, and a low level of collaboration amongst businesses. The industry remains somewhat fragmented, with inconsistent standards and, as a result, poorer customer relations than are necessary.

It is notable that the fitness and recreation market in Victoria differs somewhat from other States. Victoria's climatic conditions and denser population have tended to produce the combination of gyms, with facilities for aerobics, basketball, squash, and swimming in the one 'community recreation centre'. This is less common in other States, giving Victoria an opportunity to sell its facilities expertise in places like Europe where population and climate make multi-purpose facilities attractive.

### *Main points*

- Lifestyle and other social changes have driven the fitness and physical recreation markets
- Service standards vary widely, which may discourage potential customers
- Cooperation between firms is low
- Victoria has expertise that is saleable in the northern hemisphere

### *Questions*

1. What should be done in terms of pursuing new markets, both here and overseas?
2. What measures could be taken in regard to collaboration between firms in the industry?
3. What measures might be appropriate in regard to the education and skills issues facing this market?

### 5.3 Organisational collaboration and planning

The degree to which businesses and sporting bodies address issues of organisational infrastructure – governance, planning and industry direction – is critical to any industry. Planning and collaboration can improve industry efficiencies, lower operating costs, increase service standards, and improve industry reputation.

Without limiting competition between firms, those industry sectors that, together with key stakeholders, identify and pursue an overall development plan appear more likely to prosper. However, within the sport and recreation industry the degree to which businesses have adopted this sort of strategy varies widely.

In the adventure recreation market, industry development is relatively immature and greater business networking and agreed industry standards are required to attract and hold new consumers and to build profitability. The fitness industry also shows the effects that minimal collaboration can have. This industry has many 'sole owner/operators' and collaboration between them on issues like industry standards has proven difficult to achieve. This means that unsound promotional practice by some industry members (eg. offers of membership at unsustainable prices) has left the industry's public image damaged. However the current entry into the market of large, successful operators from overseas may provide a significant force for rationalisation of the industry and improve standards.

In the racing industry by contrast, good governance, planning, and effective marketing have achieved improved returns from a mature market where customer and revenue increases have been relatively small. The achievements of the Australian International Maritime Export Group (AIMEG) in promoting the capabilities and expertise of its members worldwide also illustrate what a variety of related firms can achieve through collaboration.

However while many sport and recreation businesses, both small and large, have email or web-sites and thus the means to communicate more often and effectively than ever with other businesses, collaboration is not a feature of this industry.

#### *Main points*

- Collaboration can have a major impact on a market
- Cooperation is relatively uncommon in the sport and recreation industry
- Horse racing may provide an example of strategies that other sectors could use

#### *Questions*

1. What other measures would you suggest the industry could take to improve its performance?

## 5.2 Workforce skills and business systems

In the sport and recreation industry, with its rapidly growing, rapidly evolving range of opportunities, vocational training, good management and industry standards are clearly very important.

A common theme across the industry was the need to develop workforce skills, to match competence levels with consumer expectations, and to provide career paths and personal development opportunities. Such improvements could be expected to benefit both employees and consumers and enhance the overall development of the industry.

The adventure recreation market provides a good example of this. This sector seeks to provide new experiences for participants with a high degree of 'adrenalin', eg. rockclimbing. This necessitates that operators have advanced practical skills and can manage risk and maintain the high excitement factor. However, staff are sometimes inadequately trained and often transitory in employment and consequently fail to meet employer and customer needs. This increases the business risk profile and may reduce customer numbers.

Industry recognises that this lack of skills arises even although there are a large range of courses in sport and recreation. Although there are an abundance of apparently qualified people wishing to enter the sport and recreation industry, often they have insufficient practical knowledge, management experience or direct understanding of specific sectors to satisfy employers. This suggests that revamping of courses may help the industry.

The industry also recognises that it may be desirable to develop a more mature workforce as a means of strengthening its skills base. Young people see this sector as attractive, but their lack of experience, training and business understanding can prove difficult for employers. Employees with more capacity to make a long-term commitment are sometimes what businesses in the industry need.

The continual need to improve service to customers and lift the efficiency of business has also increased awareness across the industry of the role that business systems can play. Some businesses have, for example, developed IT systems to enhance their market research and customer relations (eg. in the fitness market). Others are upgrading their IT systems to integrate 'business to business' (B2B) and 'business to consumer' (B2C) internet services into their operations (eg. in retailing). These measures have helped significantly in controlling costs.

### *Main points*

- The industry understands that skills development is likely to be crucial for its future
- At present education and training appears to be out of step with industry needs
- The workforce in a number of significant sectors of the sport and industry may be more valuable if it had greater experience and an older age profile
- Well designed business systems are providing some sport and recreation businesses with a significant commercial advantage.

### *Questions*

1. What other measures would you suggest the industry could take to improve its performance?

## 2.3 Goods, equipment and professional services



*Photo: David Bryant, SEA PICS*

Of all the markets in the sport and recreation industry, goods, equipment and professional services is perhaps most fully integrated with all other markets. The goods and services it supplies are heavily shaped by developments in major events, fitness, physical recreation and adventure recreation, however businesses in those areas also need its assistance to expand. The supply chain complexities that this entails means that it is best to split examination of goods, equipment and professional services into several parts.

The retail and manufacturing markets have experienced a number of substantial changes. Retailing has continued to diversify away from the 'sports enthusiast' purchaser to a much broader market segment whereby there is rarely a 'typical customer'. Customers vary from very young to very old, from participant to spectator, and from elite athletes to casual joggers. They have generally become more sophisticated and discerning in their requirements.

Over time there has been less demand for organised sport and performance related clothes and equipment from sports retailers. Passing trade and impulse purchases have grown by comparison with specific purchase shopping behaviour. Continually broadening the product range and targeting the youth and leisure market have proven to be successful retail strategies.

Industry leaders in sport and recreation retailing have strengthened their businesses by increasing staff training, fostering staff career-planning and developing a workforce that is able to serve customers better. They have also begun to use Information Technology and E-commerce as a means of giving more choice to customers and controlling costs (via measures such as better supply logistics and warehousing). These developments parallel those in the wider retail industry.

Manufacturers in the sport and recreation industry have also evolved in similar ways to the broad manufacturing industry. Increasing exposure to competition from overseas and the perception of a growing burden that governments have placed on them, have resulted in some firms (especially larger ones such as Rip Curl) moving manufacturing offshore. Smaller operators have struggled to maintain profitability, and although some have managed to find niches at the premium end of the market (eg. in sports clothing), enforcing intellectual property in a globalised marketplace is an emerging problem.

The size of Victoria's markets, our strong manufacturing base and the presence here of institutions such as the AFL mean that there is a depth in our sport and recreation industry that is not found elsewhere in Australia. Particularly as the level of professionalism in elite sport has increased, Victoria has developed a considerable strength in new professional services like sports medicine, sports administration, sports law and sports marketing.

This diversity and depth has been instrumental in enabling the Victorian University and vocational training sector to emerge as a leading educator in a wide range of professional service disciplines. Nonetheless some industry players expressed concern about the quality of graduates in these fields. Possibly as a result of the dynamism of the professional services area, it appears that these graduates may lack key practical experience.

### *Main points*

- Changes in grass-roots physical activity and elite sport drive this sector
- Intellectual property is proving hard to protect
- Victoria has a diverse economy which is able to meet a wide range of customer needs
- Victoria has a large and diverse tertiary education sector that is active in sport and recreation
- Labour supply, especially from the tertiary sector, sometimes fails to meet industry needs

### *Questions*

1. What measures might be appropriate in regard to the education and skills issues facing this market?
2. What strategies may be effective in regard to increasing security of intellectual property?

## 5. Industry infrastructure<sup>2</sup>

While there are many challenges that the industry faces, there are a range of strategies that the industry could follow to address them. The industry is already pursuing some of these.

### 5.1 Physical infrastructure

In terms of physical infrastructure, the construction and management of sports stadiums has become more commercially focussed in recent years.

Stadiums suitable for sport have increasingly come to be built and operated as multi-faceted entertainment venues to cater for consumers in a comfortable setting. Event managers and stadium operators have greatly increased their allowance for event-related retailing and media activity. This has unlocked major revenue streams and increased the commercial return from these venues.

In the area of personal fitness and recreation, some improvement has occurred in facilities and operators have often also improved services. This reflects a growing range of consumer needs and a broader range of age groups interested in fitness and physical recreation. In some cases, venues are being refitted to attract users, and an increased range of services such as personal fitness coaching, sports medicine and physiotherapy, have been brought into these centres. Operators are also looking for new markets to develop, and are, for example, beginning to shape their centres to cater for the expanding older aged market. This seems likely to position Victoria well in export markets, as 'greying of the population' is a widespread phenomenon, and ASI has identified that Victoria is strong in the equipment manufacturing sphere.

However, additional sport and recreation facilities may be necessary if participation were to rise. Although most existing facilities are operating sustainably, they are often run at close to capacity. This suggests that new thinking could become necessary over time, particularly in local government which provides many of the current facilities.

#### Main points

- Facilities for elite sport and ordinary physical recreation are becoming increasingly sophisticated
- Facilities for fitness and physical recreation are adapting but probably less rapidly
- Facilities for fitness and physical recreation are operating at or near capacity

#### Questions

1. What other measures would you suggest the industry could take to improve its performance?

<sup>2</sup> "Infrastructure" in this report refers to physical infrastructure (eg. venues and public facilities), human infrastructure (eg. staff training and skills) and organisational infrastructure (eg. governance, and business alliances).

## 4. Issues facing individual firms

Many of the issues confronting individual firms within the sport and recreation sector appear to be symptomatic of a new industry containing many small businesses that cannot always act effectively as opportunities and challenges emerge. A number of examples of such opportunities and challenges warrant specific mention.

Risk management is shaping as a challenge across many sections of the industry. It is an issue in the area of elite sports and major events, where standards of professionalism are already high. It is likely to become more significant in this market if second-tier or satellite events become a growth area. It arises in the fitness and physical recreation industry, where skills and standards vary. It is also relevant in the adventure recreation and nature-based tourism market where risk is often integral to the service, and training and skill levels are still developing.

As indicated in sections 2.3 and 2.4, lack of appropriate training levels, industry standards, and staffing availability are restraining growth and profitability, and threatening the viability of businesses (particularly SMEs). Whilst operators are often cognisant of these issues, they require assistance with industry planning and training development to meet this challenge. National training frameworks for the recreation and fitness industries that the Australian National Training Authority has recently endorsed would seem likely to help if they are well implemented and publicised.

Finally, there is a lack of statistical and market information to inform and guide industry participants and those who provide professional and support services to the industry. Such information is required for accurate planning and decision-making for industry development. The availability of such industry information would assist many aspects of overall industry development.

### *Main points*

- The industry faces some major challenges in managing risk
- National training standards may help the industry to develop
- Lack of statistics may impede growth

### *Questions*

1. What measures could be taken that would assist the industry to manage risk and its commercial consequences?
2. What statistics are likely to be most important and useful to businesses in sport and recreation?
3. How can recent developments in training delivery (eg. new Higher Education courses and training packages) be promoted effectively?

## 2.4 Adventure recreation and nature-based tourism

Some of the same factors that drive the fitness and physical recreation market are also behind growth in the adventure recreation and nature-based tourism market. A growing interest in the environment and environmental issues is part of the explanation for growth in this market, but social change and workplace change have been influential too.

They have made Australians more determined to get maximum enjoyment from their limited leisure time, and sent them looking for novelty and excitement in the outdoors.

From small beginnings a decade ago, the search for an escape and maybe a rush of adrenalin has stimulated development of this market in all parts of the State. Businesses offering everything from indoor climbing, to caving, white-water rafting or guided bushwalking have sprung up, and have developed a track record of providing an ever increasing range of opportunities and experiences. Relatively low costs of entry to the market have been important in this regard, enabling new operators to set up in business easily (though the rising cost of insurance is testing a number of operators). But larger players have also been important innovators.

There appears to be great potential in adventure recreation and nature-based tourism to develop business activity further. The tourism industry, like many others, is always looking for new 'product' and in the Australian context, Victoria appears to have some important strengths. Firstly its transport services and infrastructure are good, and travel times within this State are small by Australian standards.



*Photo: Ron Camier*

Secondly Victoria can provide destinations and activities that tourists have not experienced before, because our landscape varies widely and is relatively unknown. There is considerable scope for growth if businesses and Government act effectively.

In developing Victoria's potential in this market, there are a number of challenges that

business must deal with, mainly stemming

from the fact that this is a young market with many small firms. Fortunately some of these have been identified by businesses and are listed below.

Firms in this market are conscious of the fact that their communication with customers is not as effective as it could be. At present, potential customers appear to be bypassing, or not responding to information about what is available, so that adventure recreation activity is modest even in regions where visitor numbers are high (eg. the Surf Coast). Individually and as a group, businesses have yet to develop strategies to overcome this barrier to growth.

They are also concerned at a variability of service standards and lack of bargaining power of businesses in this market. With so many small businesses, which are often finding their feet, it has proven difficult to counteract major increases in insurance costs that are occurring and forcing some firms to close. It has also made it difficult to address concerns in some quarters of this market that Government land access policies are reducing business certainty and impeding business activity. These challenges will also require a coordinated response from business.

Obviously the tourism oriented parts of this market will be affected by the collapse of Ansett and the attacks in the United States of 11 September. It is still unclear what those effects will be, but the Australian Tourism Commission expects the tourism industry will bounce back, and the Victorian government is monitoring developments closely.

#### *Main points*

- Rising interest in the environment, and (like the Fitness market) social and workplace change drive this market
- It is a new and fast-growing market
- Our geography offers opportunities not available elsewhere
- Potential customers are not necessarily aware of what may be on offer
- Access to public land is presenting difficulties to some businesses around Victoria

#### *Questions*

1. What measures could be taken to improve marketing in this sector?
2. What measures could be taken to improve collaboration amongst firms in this area?
3. What measures might be appropriate in regard to the education and skills issues facing this market?

### 3. Regional factors

Looking at the four major markets as a group, other strategically important issues for the industry become clear.

As noted in section 1.4 metropolitan Melbourne has a larger range of sport and recreation businesses than regional Victoria. However while this is largely a reflection of the strength of major events and elite sport in the Melbourne area there appears to be strong potential for development of such firms outside Melbourne as second-tier events become more common in regional Victoria.

Some flow-on from major events already occurs (and more is planned) particularly for major regional cities such as Geelong, Bendigo and Ballarat. This occurs where



Photo: David Bryant, SEA PICS

second-tier events are staged (eg. basketball and shooting) and where the regional environments are particularly suitable for certain events such as ballooning, gliding and surfing. The economic benefits can be particularly potent as regional audiences are recognised as being highly participatory and can provide a strong 'captive' audience for such events.

By contrast, regional Victoria already has big advantages in the adventure recreation and nature-based tourism sphere. However a number of challenges confront businesses in this market.

Some business people in the regions put the view to the Audit team that major advances could be achieved through more effective marketing. In some parts of the State, collaboration between businesses, government and chambers of commerce has proven that it is possible for regional areas to identify and attract tourists from metropolitan Melbourne and beyond (eg. the Port Fairy Folk Festival). However the view in nature-based tourism and in the regions generally, is that promotion of the regions to potential visitors could improve, and that user-

friendly information tends not to be accessible to actual visitors.

In addition to these issues in regional marketing, problems with certainty of access to the natural estate (ie. Crown Land in most cases) confront nature-based tourism operators in some parts of the State. They argue that environmental authorities and commercial users can reach win-win solutions, but for this to occur on a broad scale further work will be necessary.

#### Main points

- The nature and needs of the sport and recreation industry in metropolitan Melbourne differ from those of the industry in regional Victoria
- In general terms marketing by regional Victoria can improve
- Opportunities for improving linkages between arms of Government need investigation

#### Questions

1. How can links between the regional industry and the metropolitan industry be improved?
2. How can marketing of regional Victoria be improved?

