**On The Green (OTG)**

In 2012, four years after the first screen golf cafe opened in South Korea, Sehyun Lee transformed his golf equipment store, *On The Green (OTG)* located in a suburb of Seoul into a screen golf cafe. Revenue and profits grew rapidly. Within a year he had hired three part-time employees to help customers use the systems, serve drinks and provide golf tips.

Many entrepreneurs were opening screen golf cafe in South Korea. Soon there were 2500 Screen golf cafe. Facing strong competition, in 2015, Sehyun lowered his price per round of access from 30,000 Won to 25,000 Won. Revenue fell, and, despite cutting costs by making one employee redundant, profits were lower than before. Moreover, in late 2015, following a decade of economic growth, South Korea’s economy went into recession.

When *OTG* first opened, there were no government restrictions on Screen golf cafe in South Korea. The national government was actually encouraging their use in order to encourage young people to be healthier, by combining physical activity with computer games. As a result, sales of golf clubs increased by 10% per year between 2005 and 2013. However, the cafe proved more popular with adult men, who would consume alcohol in the cafe and play for the social experience. Screen golf cafe were asked to reduce the quantity of alcohol sold to players and open up more timeslots to families and young people. Many South Koreans believe that the cost to play real golf outside is too restrictive, and the cafe are important to find and nurture young golf talent. South Korea has 9 of the top 20 female golfers in the world.

Screen golf cafe customers, increasingly knowledgeable about innovation in technologies, have begun to demand newer, faster and more accurate golf experiences. As *OTGs* computers are five years old, Sehyun is considering purchasing 8 new devices at a cost of 40,000,000 Won. His wife Jiwoo, however, thinks that the first generation Screen golf cafe sector will soon not be financially viable. Rather than buying new machinery, she recommends modernizing the décor (at a cost of 10,000,000 Won), selling more golf equipment and allowing qualified golf-instructors to rent the space for golf lessons.

To what extent have changes in the external environment impacted the strategic direction of OTG [10 marks]