

# GOLF WEEK

It's down to survival of golf's fittest

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An underlying theme of the 2009 PGA Merchandise Show is that a concern for equipment and the Coefficient of Restitution is giving way to a need for Return on Investment and Net Operating Income. Think of it as COR giving way to ROI and NOI. The golf industry, like the economy as a whole, is in a downturn, if not an outright tailspin. Courses are scrambling to operate on a sound business basis.

"I have been at my facility for 50 years," said Ken Morton Sr., golf professional and general manager of Haggin Oaks Golf Complex in Sacramento, Calif. "And this is the scariest time I have seen."

On the surface, the indicators were not all doom. Golf Datatech reports that rounds were down 1.8 percent through November 2008 compared with the same period the year before – not bad, given the economic turbulence in late '08. But the real concern for golf operators is that there was heavy discounting in the last quarter; otherwise, losses would have been worse. The PGA of America's PerformanceTrak report indicates rounds down 0.8 percent for the year and golf fee revenue per round up 1.7 percent. But those data are from 2,500 self-reporting facilities, about 1 in 6 in the country. And they don't indicate total revenue per round – including equipment sales, meals, dues and other facility spending.

Cyclical fluctuations are nothing new. But this time, it's not clear whether facility operators are dealing with a temporary decline or a transformation whereby golf simply is less of a priority. One thing is clear: After years of dramatic build-up in inventory, there are too many courses chasing too few golfers. Something's got to give, and it's likely to be a number of courses – perhaps as many as 500 over the next two years, compared with 227.5 in the past two years.

The prospects of a 3 percent decline in supply would be calamitous to the golf professionals, maintenance crews, food-and-beverage staff and owners of those courses. But the dilemma facing golf-course operators isn't just one of supply and demand; it's compounded by a downturn in the real-estate market. A widespread credit freeze has made it difficult for golf operators to borrow funds for capital improvement or to cover shortfalls in operational income.

"You hate to see people go out of business," said Tom Stine of Golf Datatech. "Nobody likes to see that. But some of those courses were created as real-

estate development amenities to sell houses and have nothing to do with the need for golf."

With the value of stock portfolios and other investments down, members are being forced to make tough decisions about discretionary spending. It's not uncommon to hear of clubs losing 40 or 50 members at year's end.

Squaring expenses with income will require extraordinary measures in the new golf economy. "These are not deficits that can be recouped by normal means of expense management," said industry analyst Jim Koppenhaver of Pellucid Corp. The trick is to hold down expenses, but the only way for facilities to survive is by increasing their revenue stream. And that means going into more-active competition, in some cases with neighboring and regional courses where not everyone is going to survive. It means, among other things, doing more with less.

"If you have to go from eight to five golf staff," Koppenhaver said, "make sure that four of those five are doing a much better job." Koppenhaver emphasizes staff training and better technology so that facilities can track usage and private clubs can monitor how frequently members are making use of the amenities. "You want to get to them before they decide they can leave."

Player retention and recruitment remains a focus of the PGA of America and other leading industry associations.

The latest initiative, Get Golf Ready, relies heavily upon individual courses to bear the cost of intensified training programs to draw people into the game. But analysts such as Jon Last, of the newly formed Sports & Leisure Research Group, cautioned in a presentation about the 2009 golf market that the game confronts a transformed cultural world, one defined increasingly by a search for value, for community, for more-immediate forms of informed decision-making through Web-based technologies, and for more-healthy forms of leisure.

In characterizing the newfound awareness of health, Last said that senior-citizenship status has changed dramatically; in his words, "60 is the new 40."

The comment prompted Scott Evans, golf professional at Milwaukee's municipally owned and operated Brown Deer Park Golf Course, to question discounted green fees for seniors. "If 60 is the new 40," asked Evans, "shouldn't senior rates now start at 80?"