Why golf isn’t price sensitive

Before you read any further, check out our new feature — “Manager on the Street” — which can be found on page 42. Go ahead; I’ll wait.

Well, several managers indicated they felt that, 20 years down the road, the golf industry would most resemble the hotel industry. This is interesting because these sentiments echoed several ideas I heard during my research for the customer service story that starts on page 1. What’s even more interesting? Everyone uses the Westin, Hyatt, Doubletree example.

However, the hotel business has learned that money can be made by developing modest chains like Motel 6, Hampton Inn and Super 8. Here’s hoping golf developers and managers will see the same opportunities and build some truly affordable golf courses, where service is still king but golfers don’t necessarily need to plunk down 100 bucks for a round.

Problem is, of course, developers are often forced to develop the big-budget courses and charge the gigantic green fees because their debts services dictate it. Through we’ve dissected this issue time and again in Golf Course News, it took a story in Forbes to begin to focus the golf industry’s attention on this serious matter.

As Neil Miller, associate general counsel at National Golf Properties, explained to Forbes: “It costs at least $6 million to build a 20,000-square-foot golf course. Operating margins are typically 30 percent; so to earn even 15 percent on the $6 million investment, the course would need to gross $3 million. Assuming an optimistic 50,000 rounds are played each year, the course would have to charge $60 a round to make its nuts.

New and second-hand golf courses are sold for things like the $3 million figure, but that assessment is basically right on the money. It further illustrates two points: First, the reason a majority of new developments falls into the “upscale daily-fee” category is necessity; they must charge $90 to make back their investment. And second, the National Golf Properties/American Golf Corp. strategy of buying what are essentially “used” courses is beginning to work. New golfers are buying old golf courses and are taking advantage of a large expansion in golf course construction and the profitability for the developers.

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