Rounds: Up or down?

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I've been asked frequently by clients, potential clients and golf publications if rounds are really declining in the United States. From 2002 through mid-2005, it's been reported by the National Golf Foundation and Golf Datatech that rounds in almost every region of the country have declined consistently, and in many regions, have declined significantly from the previous year.

If we compare total rounds played in the United States, we'd see a decline – to 505 million rounds – shortly after 1992. But by the end of 2002, U.S. rounds were almost back to 1992 levels. However, a significant increase (23.9 percent from 1992 to 2002) of new course openings during the same period caused the "average" number of rounds per course to decrease.

So why are many reporting a decrease of rounds in markets since 2002? I don't see it in my research. Owners and operators seem to accept U.S. rounds are declining because it's reportedly so. It's a rare circumstance when I come across a market in which aggregate rounds have decreased. It's more likely these agencies are reporting average rounds per course are down or stagnant in a market but not total (aggregate) rounds.

I posed a few question about rounds to Stuart Lindsay, president of Milwaukee-based Edgehill Consulting Group.

Jack Brennan: How can owners and operators access relevant rounds data to compare the health of their facility to their market?

Stuart Lindsay: There are several research issues that have discrepancies. Several important factors about market research are:

a) Market research generally provides trend guidance and has a margin of error based on sample size and balance.

b) Because of the nature of available data, NGF and Golf Datatech are using a same-store approach to report golf rounds. But what methodology do NGF and Golf Datatech use to adjust for new courses added to supply?

c) Even on a regional basis, local markets can have different characteristics of growth, income levels and age within a region.

d) Weather always will have an impact on rounds on all levels.

JB: So the rounds demand reported by NGF or Golf Datatech aren't a true indicator of aggregate, or accurate, rounds demand in a region of the country? Explain your same-store research concept.

SL: Let's say Wal-Mart reports their overall sales increased 5 percent in 2005, and it opened 7 percent more stores in 2005. Simplistically, this means its same-store sales declined 2 percent.

Translating to golf, same-store rounds in a region could have declined 0.8 percent while 1.5 percent of new supply was added. If rounds are divided evenly, this means the number of rounds played (demand) increased in the region.

JB: Therefore, it's possible golf demand in a market is stable, possibly growing, even though individual courses might be experiencing a reported rounds decline?

SL: Correct. Any local market analysis should include supply dilution data. For example, if the dilution factor is 10 percent and rounds declined 5 percent, a course has increased its share of market demand. Operators also have to be careful when using only rounds data because the third leg of the supply/demand stool is price elasticity. If the same course also experienced a 5-percent decline of revenues, it was treading water in economic terms of market share.

JB: Elaborate on other research adjustment factors related to market demand.

SL: Historically, golf demand generally has been a function of population, along with the age and income mix of the population. Data suggests the number of rounds played in the United States increased during the past five years. Unfortunately, this increase hasn't been as great as the supply increase of the past 15 years and is only rising at one-fifth the rate of overall population growth. An operator still needs to understand the demographic fundamentals in a market. This calculation changes when one gets into tourist markets and also can be affected by racial and ethnicity issues; but it basically means if golf course supply growth and overall demographic growth are balanced in a local market, the market shouldn't have a decline of rounds per course.

JB: I've been trying to convey this research insight with operators for years. Can you give me some specific examples.

SL: Kansas City has had 75 percent more courses (sharply above the national 53 percent) added since 1980 and population has increased by only 36 percent. As a partial offset, income growth in Kansas City has exceeded the Consumer Price Index by 22 percent during that period. But that still indicates a negative price elasticity of about 17 percent in the market.

On the other hand, Denver has had about equal growth of golf and population since 1990. There are some other nuances in Denver, such as Hispanic population growth, so there's been some negative pricing pressures, but not nearly as great as those in Kansas City.

JB: The market research key is to try and calculate these factors to determine how a course is performing in its local market. And using national and regional data is only a guide in the process. How does a golf course acquire all the necessary information available to them?

SL: We are an advisor to Pellucid Corp., an information and insight provider in the golf industry that attempts to weigh all market factors influencing golf demand in its research. We're also members of NGF and use NGF and Golf Datatech for valuable research. We encourage any operator to participate in benchmarking programs being developed, along with providing data to support initiatives by any agency collecting this data.

IT'S A RARE CIRCUMSTANCE WHEN I COME ACROSS A MARKET WHERE AGGREGATE ROUNDS HAVE DECREASED.

JB: I agree. Accurate rounds information input should be the industry's next collective goal.

We have outlined a simplistic look at a complex set of marketing research issues to assist operators with their marketing planning. There are other factors – course quality, comparative pricing and relative operational expenses – that also are important. In the final analysis, local knowledge is the most important ingredient to effective market evaluation of how well a golf course can perform in its market.

How well is your course performing relative to your market? GCN