

Poised for growth

VARIOUS SEGMENTS OF THE INDUSTRY WORK TO IMPROVE THE GOLF BUSINESS



Photo: Redstone Golf Management

by
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The mood about the golf industry is cautiously optimistic. Even though there were small declines in some areas and minor gains in others, the golf industry held steady in most areas of the country. Not a boom ... but not a bust.

Rounds increased 0.2 percent in November 2005 year to date, according to the National Golf Foundation. At press time, a year-end rounds report hadn't been completed. For same-store rounds played in 2005 vs. 2004, NGF projected rounds to finish flat to down one-half of 1 percent. (See a related chart on page 36.)

Weather conditions affected rounds in 2005 as hurricanes swept across the Southeast, prolonged drought opened the way for the wildfires in the Southwest plains and late-season rains washed away golf opportunities in the Pacific Northwest.

But the industry's challenges are greater than unpredictable weather. Corporate play has come under greater scrutiny from shareholders responding to economic pressures.

"The economy and reduced travel following 9/11 started an across-the-board decline impacting all types of courses in all regions," says Ricky Heine, CGCS, general manager of Golf Club Star Ranch in Hutto, Texas. "It's going to rebound equally. The golf industry is coming out of a period of flat growth and is about to see growth begin again."

The number of courses within a market is a considerable performance factor for many golf facilities.

"We've been able to hold our own business-wise, but not without a great deal of effort," says Charlie Birney, managing director for Edgewater, Md.-based Atlantic Golf and secretary of the National Golf Course Owners Association.

"When we opened our first upscale, daily-fee public golf course on the Eastern Shore in 1991, there weren't many other courses around. At that time, we didn't need to spend any money to attract players. Now, marketing is a huge part of what we do. Like many other regions, we're challenged by the influx of other courses around us."

Despite new courses in the market, play at



Heine



Birney

Golf Club Star Ranch has increased each year for the past five years, according to Heine, who also is vice president of the Golf Course Superintendents Association of America.

"We're a new course, but there were 10 new courses built in a four-year period in our region," he says. "That's a lot of competition that didn't exist four years ago. To be competitive and successful, we need to be creative and energetic in attracting golfers and encouraging them to play."

In 2005, there were 124.5 openings (18-hole equivalents), according to NGF. This continues a steady annual decline that began in 2001 following a high of 398.5 openings (18-hole equivalents) in 2000. NGF also reported 98 closings (18-hole equivalents) in 2005, which is the highest number in years.

Alan Andreasen, CGCS, at the 18-hole Los Lagos Golf Course and the nine-hole



Andreasen

Rancho del Pueblo Golf Course in the San Jose, Calif., area, says Los Lagos has been open for three years and Rancho for five, so it's hard to talk trends. But he says rounds are increasing modestly – 1 or 2 percent – at both courses.

A nearby course that served mainly older and lower-skill-level golfers closed recently, and Rancho is attracting many of its players.

Growing the game

Aside from course development, the golf industry has identified important challenges it faces: the time it takes to play the game; the demands of family time; the cost of green fees, equipment and lessons; and the difficulty for new players to feel comfortable learning the game. Birney urges people in the industry to think outside the box.

"We hold an informal, early morning nine-hole event," he says. "People come in, have coffee and network, hit the course for a couple hours, raise a little money for charity and head out by 10 a.m. so they can go back to work. It fits the time and skill level of many players. Some will thank you for getting them back into golf."

"Courses can be stodgy and unwelcoming to beginners," he adds. "We need to promote beginner-friendly course programs to encourage more play. It's all about hooking people on golf and retaining them as players."

Though much progress has been made, more work is needed to grow the game be-

yond existing core golfers.

"I'm optimistic, but we have to do an even better job to improve efforts to attract and retain juniors, women and minorities using programs such as First Tee and Grow Golf America," says Greg Muirhead, an architect at Rees Jones and v.p. of the American Society of Golf Course Architects.

People still want to be outdoors, enjoy the camaraderie and exercise of golfing and experience the thrill of hitting a great shot, Muirhead says.

"Making golf part of their lifestyle choice depends on how we target them and fill their needs," he says. "Our designs are becoming more flexible to accommodate the greater diversity of skill levels of the golfers. That can include tees for women, tees for seniors and junior tees for family play."

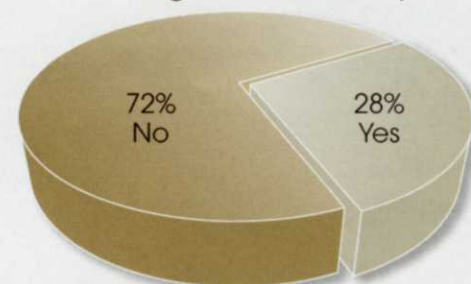
Additionally, advanced technology for balls and clubs increases the challenge to grow the game and improve the health of the industry.

"Courses are becoming longer and wider because the equipment and the ability of the player are getting better," says Tommy Sasser, v.p. of Weitz Golf International and immediate past president of the Golf Course Builders Association of America. "That requires more land and adds expense. Though the cost per acre might not be higher, there are more acres. The extra area drives up construction, development and maintenance costs."

Because those costs ultimately are passed on to the end-user, this impacts another challenge – the cost to play. To counter that, Muirhead says the ASGCA is championing the idea of building more practical facilities.

"Courses don't always have to be 18 or nine holes," he says. "A three-hole, par-3 executive course might be better received if it's in the right spot and is affordable, accessible and sustainable. The PGA tour fan base has grown

Do you plan to renovate your course during the next five years?



Source: 2005 GCN subscriber survey of 504 respondents



Muirhead

35 percent in the past few years, so we're attracting interest to the game, but we're not getting those people as players."

Maintaining golf courses has challenges of its own, as well. Superintendents are continuing to find ways to do more with less.

"Budgets are holding flat or slightly increasing," Heine says. "Fuel is one of those basic, externally fixed costs, like electricity and water, and the one fluctuating most right now. As these costs rise, they cause superintendents to be creative and save in other parts of the budget as much as we can."

And management is recognizing the important role of course maintenance and conditioning. As additional revenue is generated, some of the funds are being allocated to the superintendent's budget to enhance the course.

A look ahead

The biggest challenge in 2006 throughout the industry will be continuing to increase play and keeping the revenues flowing to meet increased demand, Andreasen says. (See related chart below.)

Also, course and clubhouse renovations will continue. (See chart on page 31.)

"Many of the older clubs, if they have a good facility, are in great locations in relation to population centers," Sasser says. "Renov-



Photo: Atlantic Golf

Atlantic Golf, which owns Queenstown (Md.) Harbor Golf Links, is holding its own businesswise, according to managing director Charlie Birney.

vation or reconstruction will enhance their competitiveness."

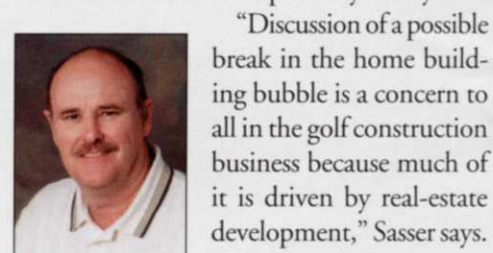
Golf courses always must strive to improve. For Heine, bunkers are a continual improvement project. The in-house staff is rebuilding about 10 bunkers a year, rotating on a five-year cycle.

Muirhead says the ASGCA has made a push to educate club managers, owners and public golf owners about master planning

with an architect on retainer to consult with annually.

"Developing a master plan will allow the course to improve in phases throughout the years to better allocate funds and remain competitive," he says.

Yet optimism about the industry's future will continue to be tempered by reality.



Sasser

"Discussion of a possible break in the home building bubble is a concern to all in the golf construction business because much of it is driven by real-estate development," Sasser says. "That would be a major hit. So we're keeping a

close eye on that real estate with the development of golf courses tied into it."

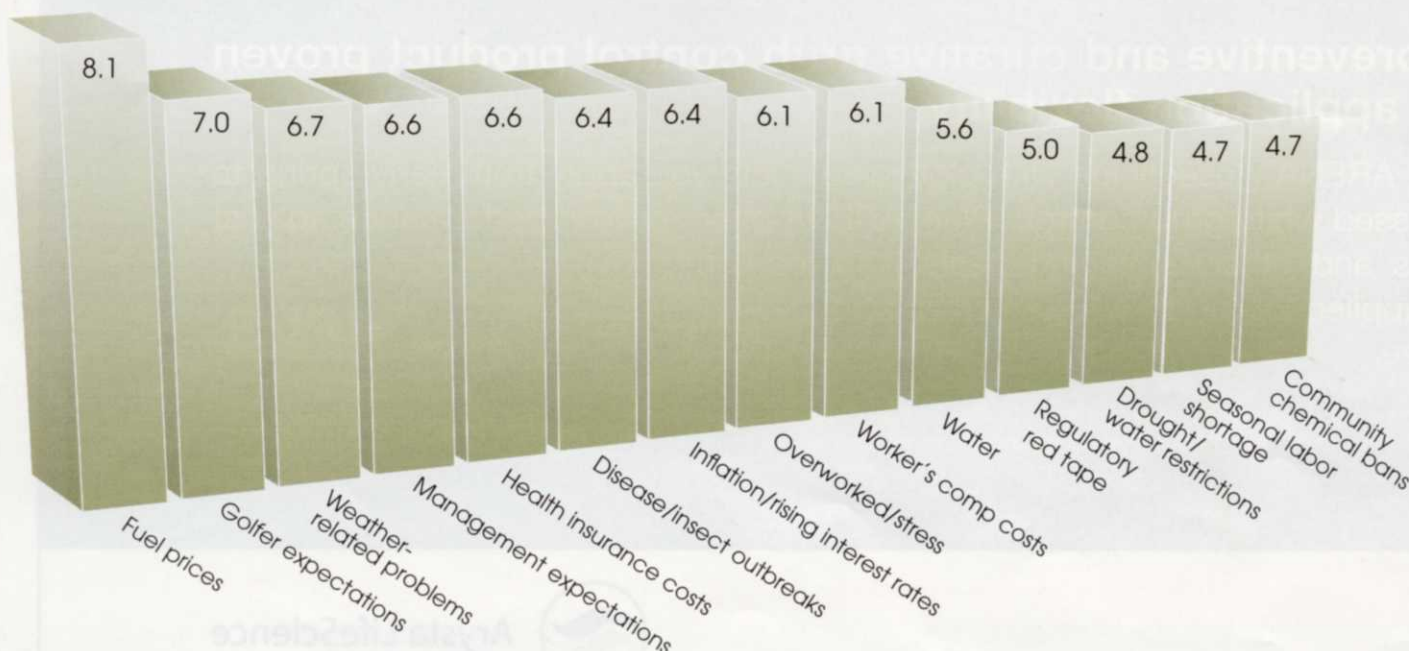
Golf also is competing with many other activities for entertainment dollars.

"It's not just the course, but the entire experience — the course, club and facility and the environment that we create," Heine says. "There needs to be a positive experience for golfers who want to commit their time and funds to it."

Older golfers have a new lifestyle attitude that's impacting the golf industry. People retiring are looking for a total package that includes greater access to those things they deem important to their quality of life. Climate isn't the only issue, they want to be closer to family and the advantages of a metro area, Birney says.

On a scale of 1 to 10 (with 1 being the lowest concern and 10 being the highest concern), please rate how much concern each of the following issues are going to be to your business successes in 2006.

Source: 2005 GCN subscriber survey of 504 respondents



Approximately, how many rounds were played at your golf course(s) in 2004 and how many were projected for 2005?

Source: 2005 GCN subscriber survey of 504 respondents



The future of the game and its progression partly lie with junior golfers.

"I see the industry continuing to move forward with programs like Play Golf America and First Tee, introducing those at younger ages into the game," Muirhead says.

Heine agrees, saying these efforts have an impact on young golfers.

"Like many other courses across the country, our course provides play and teaching opportunities for the golf team of our local high school," he says. "It just happens to be the same high school I attended. Though the student body hasn't increased in size, the current 20 team members are nearly triple the number on our team 25 years ago. That's

a positive reflection on the youth growth in golf."

There also is a stronger commitment from various organizations working together on common causes to benefit the industry. Communications and relationships might be strong, but the industry needs to continue to work on those relationships to be successful.

"In the past, we fought the same battle, but did it alone," Sasser says. "Now we're jointly fighting it together." GCN

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Unlike 10 years ago, marketing plays a significant role in improving business at Atlantic Golf's properties, one of which is Potomac Ridge Golf Links in Waldorf, Md.

Photo: Atlantic Golf

