Poised for growth

VARIOUS SEGMENTS OF THE INDUSTRY WORK TO IMPROVE THE GOLF BUSINESS
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 businesswise, 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 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 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 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.

“People come in, have coffee and network, hit the course for a nine-hole event,” 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...”
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. "Renovation 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.

"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 is 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

31,338 2004
32,144 2005

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

Steve and Suz Trusty are freelance writers based in Council Bluffs, Iowa. They can be reached at sus@trusty.be.