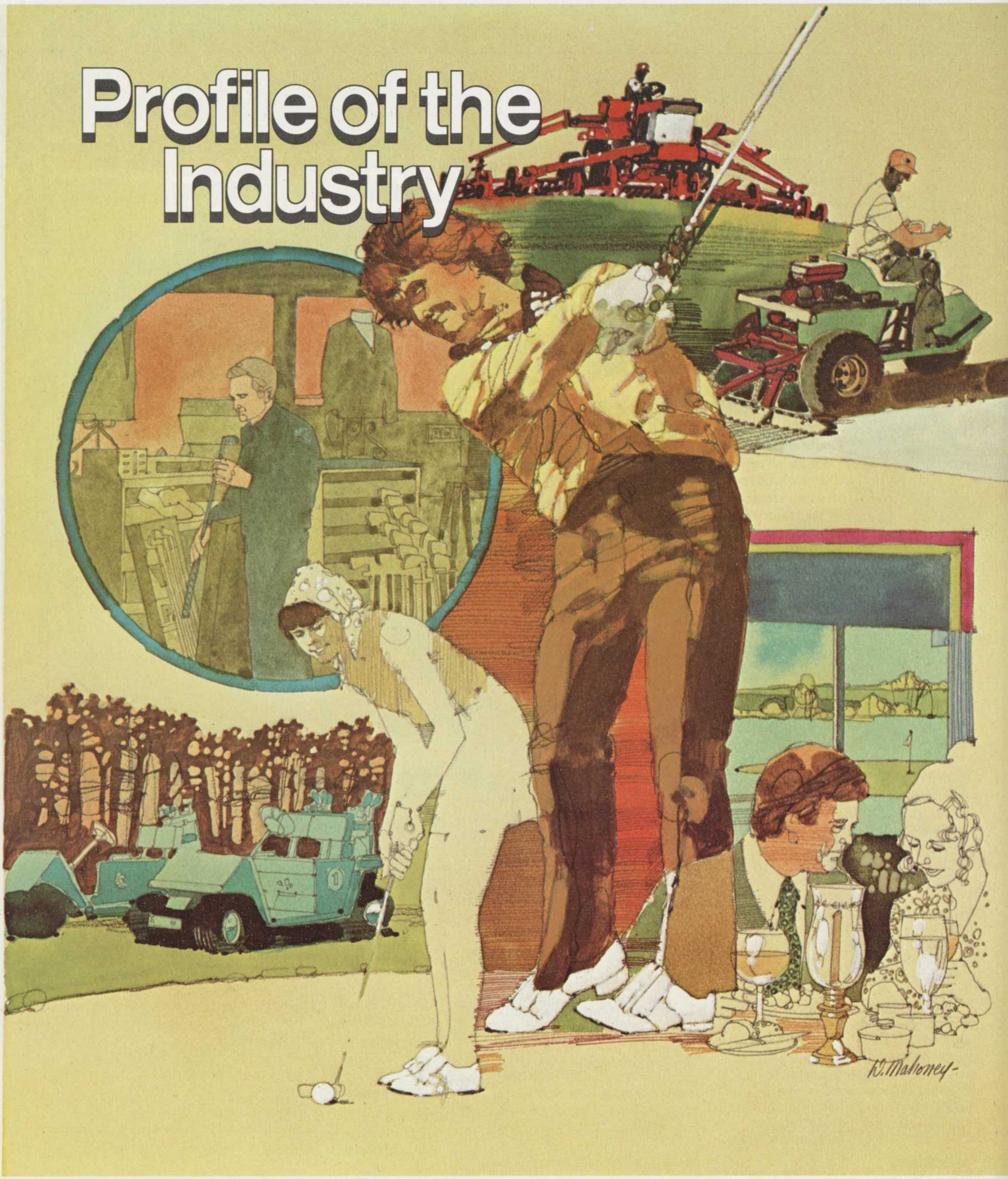
golf business

Profile of the Industry



by David J. Slaybaugh, editor

Bill Fitch, coach of the Cleveland Cavaliers professional basketball team, said recently after his team had almost (but not quite) come from behind to win a close game, "We played a good game, with some great individual efforts, but the clock ran out before we could catch up."

One could also say that was the story of the golf business in 1976: not a bad effort overall, with some fine individual performances, but not quite good enough to pull ahead. The results of the 1977 GOLF BUSINESS survey show that although the average course increased its revenue in 1976 in comparison to 1975, the gremlins of inflation, taxes, increasing costs, and higher wages caused expenditures to cut short any gains that were made.

For example, 69.5 percent of the courses we surveyed reported that revenues were up from 1975, but 74.3 percent reported expenditures were up. Only 2.4 percent of the courses reported a decrease in expenditures, while 11.4 percent experienced a decline in revenues. In other words, a majority of golf courses took in more money last year than the year before, but even more of them spent more than they did the previous year. And, a good number of courses took in less, while very few spent less.

The figures we will report on the following pages should tell the story themselves, however, and point out the bright spots as well as the dark.

Basic information

The 1977 GOLF BUSINESS survey actually comprises four parts: a "master" questionnaire, to be filled out by the facility's owner, general manager, or other top brass, plus individual questionnaires to be completed by the club manager, superintendent, and head professional. The data requested was, for the sake of accuracy, distributed on the forms so it would be provided by the person responsible for it at that facility.

The "master" questionnaire provided basic information about the more than 500 facilities responding to the survey. Some 46 percent of the facilities responding were private clubs, 31 percent were daily fee courses, 20 percent were municipal operations, and less than 4 percent were resorts. About 35 percent had nine holes of golf, 56 percent had 18 holes, and a little over 9 percent totaled 27 or more holes.

Nearly 37 percent of the courses responding are open for play year-round. The majority (54 percent) are open from 6 to 9 months of the year, while less than 4 percent have a golf season of less than 6 months. About 6 percent are open 10 or 11 months.

The seasonal breakout above follows the geographic distribution of respondents: 36 percent were from the South, Southwest, and Pacific regions where 87, 95, and 81 percent (respectively) of the courses stay open 12 months a year.

An average of 25,818 rounds of golf were played last year at each of the responding facilities (slightly below the 1975 average of 26,385 rounds per facility derived from National Golf Foundation statistics), which created an average gross revenue from green fees of $73,746 per facility. Average green fees reported to us were just over $8 for nine holes and $16 for 18. We do not have comparable data for the previous year, but according to this year's respondents, 42.5 percent of them increased their green fees in the past year and 57.5 percent did not.

A dramatic increase was shown, though, in the data on private clubs, where an 18 percent (average) increase was reported for both dues and initiation fees. The average club surveyed had 375 members, 285 of whom were golfing members.

The clubs and courses responding on our master questionnaire reported total facility expenditures, on the average, of $115,902. This was offset by average facility revenues of $255,-775. The average club paid $46,182 in real estate taxes in 1976, although the average in the Midwest was nearly twice that, while the rest of the country averaged less than $20,000.

Aside from food and beverage service, which will be discussed in detail later, the usual avenues of income, golf car rentals and the pro shop, were taken by more than 80 percent of the courses reporting. Only 11 percent still have caddies, but 47 percent offer club repairs.

Other sports facilities used to attract members and customers by many courses were outdoor swimming pools (33 percent have them) and outdoor tennis courts (30 percent). Only 2 percent have indoor swimming; only 1.3 percent, indoor tennis. A few more (1.6 percent) offer platform tennis, one of the most rapidly growing sports in the country. Another 4 percent offer other miscellaneous sports facilities at their golf courses, including such diverse things as fishing, hunting, bowling, boating, and horseback riding.

"A dramatic increase was shown in the data on private clubs, where an 18 percent average increase was reported for both dues and initiation fees."

Golf cars

Some 83 percent of the courses surveyed rent golf cars; 17 percent do not. Of those that do, 63 percent own their own, 32 percent lease them, and 5 percent do both.

About 34 percent of the respondents have gasoline-powered golf cars, while 49 percent have electric cars and 17 percent have some of each. The average golf course has a fleet of 44 cars which are, on the average, 4 years old. Average gross revenue from rentals last year was $40,588, the profit from which usually goes either back into the club or company's coffers or to the owner, general manager, or other top man. At 27 percent of the courses reporting, the pro collects the profits — although he operates the golf car concession at almost 44 percent of the courses.

The data immediately above was reported by the owners and general managers on the master questionnaire. On their own questionnaire, however, the pros told us this: they manage the golf car rentals at 54 percent of the courses; they collect all the profits 25 percent of the time and share the profits 29 percent. Of those pros, the average man receives 27 percent of the profits for an average annual income of $10,756.

Other pro profits

The 311 golf professionals responding to the 1977 GOLF BUSINESS survey reported a variety of management and profit-making responsibilities. About 81 percent of them have a pro shop at their club or course, which they manage themselves in 61 percent of the cases. At 54 percent of the pro shops, the pro collects all of the profits; he shares them at 15 percent of the shops. Presumably, he works for salary at the remaining courses.

Club repairs are done for members or customers at 65 percent of the responding pros' courses. Forty percent of the repair services are managed by the pro himself, and he gets all of the profits at 47 percent; he shares profits at another 14 percent. Lessons are, of course, very popular: offered by 73 percent of the pros and run by 40 percent. Here, 55 percent of the teaching pros keep all the money; only 9 percent share it.

Driving ranges are offered at 54 percent of the pros' courses; 39 percent of the responding pros manage them. A third keep the profits, 10 percent share them.

Exactly half of the pros questioned have an assistant pro. Those responding also manage an additional four full-time and four part-time employees.

Average gross sales per reporting pro shop was $37,989 for 1976 — down very slightly from the previous year. As the table on page 27 shows, there was a minute increase in the average gross sales of woods and irons in pro shops, which barely offset a minute decrease in sales of putters and utility clubs. This resulted in a 1 percent upturn in the overall sales average of golf equipment through pro shops.

Golf ball sales fared somewhat better, though, increasing an average of 6 percent. Sales of golf bags through pro shops were virtually the same as the year before.

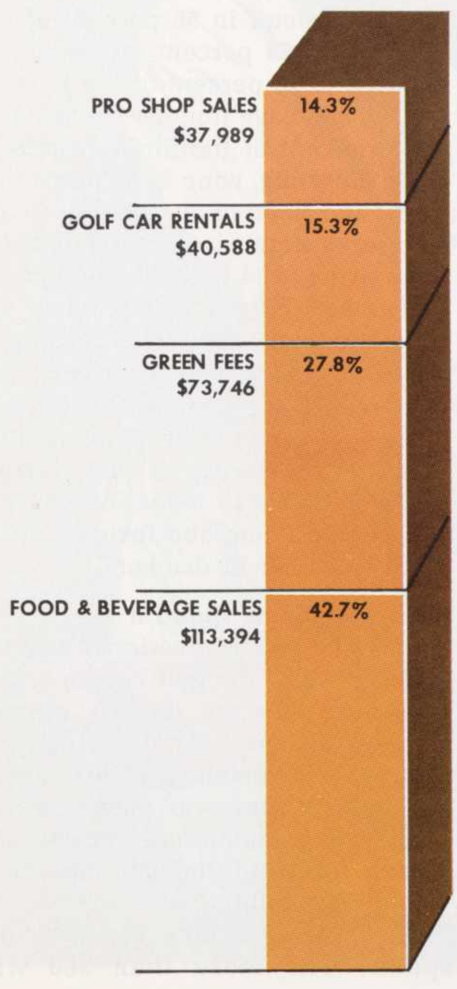
Surprisingly, survey results showed a slight decrease in sales of golf shoes and a marked decrease in sales of men's apparel. Women's apparel and golf gloves made small gains, but the overall softgoods picture was not as good as expected after talking to pros during the past few months, especially at the PGA Merchandise Show in January. These figures will have to be watched very closely during the coming year.

Club repairs added an average of $1,860 to the pro shop coffers.

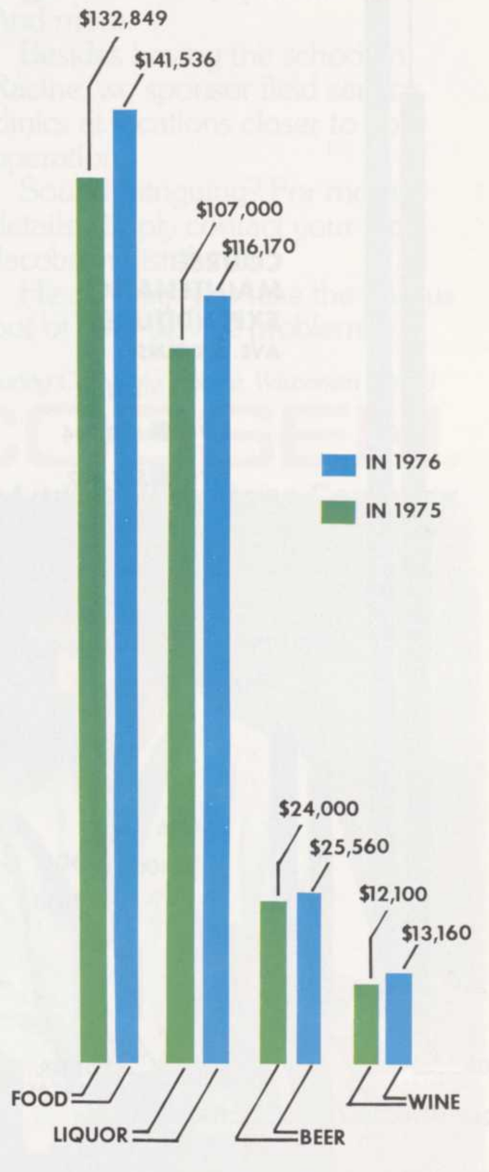
Professional salaries

Quite a few pros collect, or at least share in, the profits from the various

INCOME REPORTED BY OWNERS AND GENERAL MANAGERS / 1976



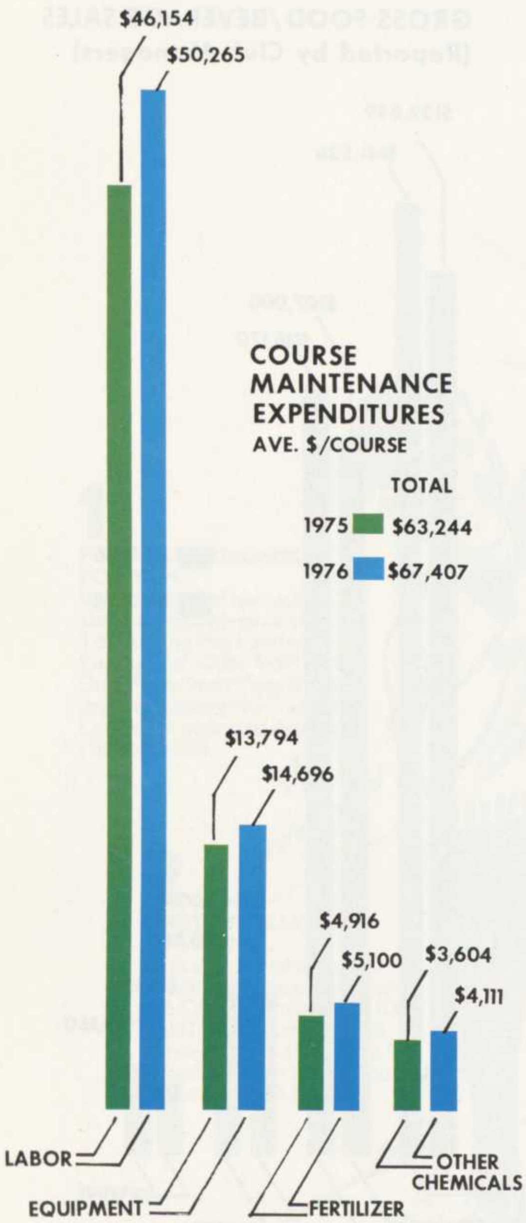
GROSS FOOD/BEVERAGE SALES (Reported by Club Managers)



LIQUOR POPULARITY

(IN ORDER RANKED BY CLUB MANAGERS)

1. Vodka
2. >tie< Scotch
3. Bourbon
4. Canadian/Blended
5. Gin
6. Rum
7. Tequila



operations they manage at their clubs and courses, but most also collect a salary as part of their income. Of those responding, 34 percent of the pros said they received an annual salary in excess of $10,000; another 34 percent said they receive from $5,000 to $9,999; and 19 percent get less than $5,000. More than 12 percent receive no salary whatsoever, relying entirely on "commissions," lesson fees, golf winnings, and so on to make a living.

And of those pros whose course is not open year-round, 21 percent find it necessary to work elsewhere during the off-season.

Food/beverage profits

Another big producer of income for golf facilities — even bigger than the pro shop — is the foodservice and beverage sales operation. This, at least, was one bright spot in the profit picture for 1976. The categories of food, liquor, beer, and wine all manifested increases over 1975 figures, as shown in the chart on page 23.

Setting up and operating a club foodservice operation does, of course, require a substantial investment and outlay of money. Aside from the initial cost of the physical facility, improvements must be made periodically to keep it in shape and attractive to members and customers. More than half of the 223 club managers who responded to the GOLF BUSINESS survey made clubhouse improvements last year, averaging $48,500 per club. Half also indicated they planned to make improvements to their clubhouses this year.

Improvements made last year at our respondents' clubs amounted to an average of $15,000 in the dining room, $10,800 in the snack bar, $7,700 in the bar, $3,700 in the kitchen, and $10,800 in additional miscellaneous areas of the clubhouse.

This year, the club managers said, they plan to improve their clubhouses to the tune of an average $31,400. They will spend an average of $10,000 on the dining room, $7,900 on the bar, $7,000 on the kitchen, and $4,700 on the snack bar.

Over and above the cost of the facility itself is the investment in furnishings and supplies. Responding club managers reported an average inventory value of $59,000 in kitchen equipment alone. Add to that an average of $15,200 invested in dining room furnishings and another $9,600 in linen, china, flatware, and other dining room supplies, and you have a substantial amount of money.

Our club managers indicated that, for those who have them, they could seat an average of 30 people in the bar, 75 persons in the dining room, and 24 in the snack bar. They employed, on the average, three full-time employees in the bar, six in the dining room, two in the snack bar, and four to five in the kitchen — plus an additional three part-time employees in the bar, six in the dining room, three in the snack bar, and three in the kitchen. This resulted in average labor costs in 1976 of $53,700 per facility.

About 32 percent of the club managers said they offer a full dinner menu in the dining room, and 14 percent serve dinner in the bar. A full luncheon menu is available in the dining room at a third of the responding clubs, in the bar at 22 percent, or in the snack bar at 10 percent. Members and customers can order from a sandwich menu in 56 percent of the snack bars, 29 percent of the dining rooms, and 40 percent of the bars.

One can have liquor with his meal in 35 percent of the dining rooms in clubs reporting, wine in 36 percent of them, and beer in 39 percent. Snack bars serve liquor in 15 percent of the cases, wine in 14 percent, and beer in 39 percent. Fifty-five percent of the club bars serve liquor, according to the survey, 61 percent offer beer, and 48 percent have wine available.

The chart on page 23 shows the relative popularity of the various types of liquor in clubs. As you can see, vodka is now the favorite of the largest number of drinkers.

Superintendents spend it

Unlike the golf professional and the club manager, the golf course superintendent does not directly account for any income — only for expenditures. Without him and his care of the facility, however, none of the other, more glamorous, income-producing facets of the golf operation would be possible.

Just how much do superintendents spend? The more than 300 who

PRO SHOP SALES

	AVE. GROSS/SHOP IN 1976	IN 1975
MEN'S APPAREL	$ 4,692	$ 6,095
WOMEN'S APPAREL	4,952	4,913
TOTAL APPAREL	9,644	11,008
MEN'S GOLF SHOES	2,136	2,338
WOMEN'S GOLF SHOES	759	761
TOTAL GOLF SHOES	2,895	3,099
GOLF GLOVES	2,086	2,017
TOTAL SOFTGOODS	14,625	16,124
WOODS	3,977	3,902
IRONS	5,685	5,645
PUTTERS	599	607
UTILITY CLUBS	374	375
TOTAL HARDGOODS	10,635	10,529
GOLF BALLS	6,472	6,095
GOLF BAGS	2,011	2,035
OTHER MERCHANDISE	5,883	4,886
TOTAL SALES	$37,989	$38,385

responded to our survey reported average expenditures last year of $77,492. Better than 67 percent of them said their expenditures were up from 1975, and some 27 percent said they spent about the same. Only 5 percent reported spending less in 1976 than in the previous year.

The largest single area of expenditure for superintendents was, not unexpectedly, labor. The average was for 1976 $50,300 per facility, up from $46,200 in 1975. On the average, superintendents employed six full-time and four part-time workers during the golf season, retaining five full-time and two part-time over the winter.

The next largest average expenditure was $14,700 for new and replacement equipment, augmented by another $5,900 for repairs to equipment. The superintendents reported being billed an average $11,300 for water last year.

Only 51 out of 300 superintendents said they bought sod last year, but they paid an average of $10,200 for what they did buy. By comparison, 155 bought grass seed, but spent an average of $4,200 for it. Virtually everyone purchased fertilizer, averaging $5,100 in costs for the year. Respondents spent an additional $4,100 on other chemicals such as herbicides, fungicides, and pesticides.

Just as in club foodservice, an investment before the fact is necessary to operate the course maintenance side of the business. One of the most important investments a superintendent makes is in watering systems for his course. Almost 52 percent of the responding superintendents now have automatic irrigation of greens; 47 percent have it for tees, and 44 percent for fairways. Hose and/or quick coupler systems are used by 42 percent for greens and by 48 percent for tees and fairways. Practically no one (0.8 percent) used sod cup irrigation for greens last year. Semiautomatic, manual, and other miscellaneous watering methods were used by remaining superintendents.

A few respondents indicated plans to buy new automatic watering systems this year. Sixteen plan to buy for their tees, with an average planned expenditure of $31,200. Another 21 plan to purchase automatic irrigation for their fairways, averaging $28,200 per planned expenditure, and 22 will get automatic greens irrigation at an average cost of $19,700.

For the total value of their current inventory of turf care equipment, the superintendents gave us an average figure of $46,800 per facility. Tractors and gang mowers are the most ubiquitous types of equipment, owned by 91 and 90 percent of the responding facilities respectively. The average course has two or three tractors and four gang mowers.

The next most popular piece of equipment is the aerator, owned by 85 percent of the respondents, followed closely by rotary mowers at 83 percent. The average course has three rotaries and three walk-behind greens mowers. Last year 73 percent of the superintendents used walk-behind greens mowers, but 77 percent have one or two riding mowers for greens work. Only 40 percent were using flail mowers on their courses.

Chemical applicators are owned by most of the keepers of the greens: granular types by 74 percent and liquid types by 48 percent. The average facility had three granular and/or two liquid applicators. In addition, 76 percent reported ownership of some kind of sprayer. Other types of equipment listed by superintendents included dethatchers (by 74 percent), chain saws (70 percent), sod cutters (63 percent), and seeders (59 percent). A third of the responding superintendents now have power trap rakes, and nearly a fourth of them have a backhoe.

Vehicles, of course, are also necessary for course maintenance operations, and 73 percent of the respondents indicated ownership of pickup trucks. Furthermore, 31 percent listed dump trucks as a write-in entry on the questionnaire. For smaller maintenance vehicles, 68 percent of the superintendents have gasoline-powered carts and 21 percent own ones that are electric.

Some superintendents also indicated plans to purchase additional turf care equipment in 1977. Rotary mowers, gasoline-powered maintenance carts, riding greens mowers, gang mowers, aerators, sprayers, granular chemical applicators, and pickup trucks were listed the most often, in that order. □