SURVIVE THE DOWNTURN

Robert Clive talks with Scott MacCallum about how golf clubs can survive the recession

FEATURE

Golf, indeed the world, is going through some tough times. The recession is biting, our houses are probably worth less than they were a few months ago and our pension could be compared to a ball bounced around on a roulette wheel. In golf, where there were once waiting lists there are now places available immediately and often without a joining fee – it's a buyers market. Indeed why join a club? Golfers can pick and choose where they play and by using the various 'two for one' schemes, which can include breakfast, lunch, free sleeve of balls, or buggy etc etc, it doesn't eat into the pay packet too much.

As sure as night follows day this affects revenue streams at clubs and the knock-on of it all can only be detrimental. How then can clubs best protect themselves against the economic downturn and ensure they are well placed to take advantage when the good times roll round again?

Surrey-based 360 Golf specialises in the business of golf and one of the services the company offers is a "business health check". This is a private, independent audit of the club's business performance and can range from just reviewing financial performance, through to more specifics like membership sales, marketing, budgeting, management structure, personnel training and sourcing. Most instructions of 360 Golf are made by clubs with a view to improve efficiency and service ultimately to maximise profit and minimise loss. The company also works with proprietors to develop golf facilities from scratch in UK, Europe and further a field – current and recent projects for 360 Golf include a new project in Morocco, feasibility work in Grenada, a major development in India and the construction of a new Peter McEvoy designed "play-golf" course in East Kilbride is near completion.

"My take on it is that we are definitely in a recession and I'm sure there are going to be some casualties," said Joint Managing Director, Robert Clive.

Robert believes that the struggling courses will need to evolve and be more imaginative or some will end up in receivership/administration, or worst still, cease to operate. With agricultural prices and yields per acre going up steadily at the moment, it could be argued that from a pure business perspective, a few loss making courses would be worth more as "sites" and produce better returns if returned to farmland rather than remain as a golf course – a complete turn around from the '80s and early 90s when so much farm land was turned into golf courses.

"There is no escaping the fact that there is too much supply. Too many golf courses in some areas all chasing the same business – a far cry from the heady days when golfers were queuing up at clubs and absolutely delighted to be able to give you money for a green fee or to become a member. Now all the power is in the hands of the golfer," said Robert.

"Although there will be some casualties, I think the golf market place will stabilise in the medium to long term and those clubs which come through it, will be stronger better businesses for the experience," he added.

"However, management, opinions and attitudes need to change; those that survive for the long term will have to set creative and imaginative policies to win business from competitors".

This economic uncertainty has also affected the new build market place for golf. Robert says that there are no identifiable reasons why a stand alone golf facility would justify be conceived and funded in the UK today.

"Nowadays virtually every new golf development we see is tied into a resort or housing development. In this country, if a house has a golf course view there is a minimum 30% premium on the price, in some parts of the world it's 100% so it's easy to understand what the drivers are for new golf course are!"

Robert also feels that there will be a good number of courses being sold in the UK over next few years for the usual variety of reasons but with more pressure being "exercised" by the owners bank/financiers.

"Banks are nervous and want some of their money back from the market place. If golf continues to suffer and the Bank has concerns over the management of the facility and therefore their debt, then it is inevitable some sales will be forced".

"At 360 Golf, we are receiving more enquiries from Banks this year looking for us to carry out audits on golf customers' performance. Although this is good business for 360 Golf, we would much prefer to be working with the owner or committees before the Bank take charge of the situation".

So what is Robert seeing when he looks out on the British golf market?

"Some clubs are open and honest about the problems they have, albeit because their Banks are telling them they have no choice but to face up to the facts, but there are others who are sticking their heads in the sand and hoping that the problems will just go away – these are the ones who are at greatest risk."

FEATURE

"It is not right to generalise, but loosely, proprietary clubs tend to have a little more business savvy because they have commercial ambitions, while traditional members clubs have relied too much on financial reserves to get them through, perhaps bequeathed to the club by a grateful ex-member or built up over years of joining fee income. Traditional members clubs are not finding these reserves reliable today and get found out as soon as something like the roof needs to be repaired."

One of the problems that Robert comes across is the ineffectiveness of the conventional club committee structure.

"When things are tough it is vital to make brave and quick decisions and turn these into actions. In our experience, this often doesn't happen given the set up of a club committee".

"A club's biggest dilemma is the conflict between the members being used to paying low annual subscriptions with limited numbers of visitors or societies and the challenge of making the books balance. This becomes nigh on impossible when there ceases to be a waiting list," said Robert, painting a picture many will recognise.

"Until recently the normal churn of members wasn't a huge issue as if 40 left the club they would be replaced by 40 new members who would each pay their joining fee in addition to replacing the annual subs paid by the departed members.

"The joining fee would often become part of the annual capital expenditure budget for the following year. But if you have 40 leaving and, say, 20 coming in you are now 20 joining fees down, 20 subs down as well as the lost expenditure at the bar. Suddenly it gets into a spiral."

Another common failing for members clubs is not being realistic and therefore honest about a waiting list.

"We come across many clubs that say they've got a five year waiting list, which sounds great until you actually analysis it. Are people prepared to wait five years for membership? The answer is almost always no because there are now other clubs within easy range which people can join in the same day. We ask how recent the people on the list have been contacted. I often suggest writing to them all to confirm that they still want a place. You usually find the response is people are not prepared to wait that long and many of them have forgotten they were even on the list and have joined another club."

Although solutions to financial concerns will vary from club to club, Robert offered some insight into how 360 Golf improves the financial performance of a facility, by identifying one key element of an overall strategy - that is to make the golf course work harder in filling the tee times which are not generally used by the membership.

"The senior roll up on a Monday might see the course busy in the early morning and then utterly empty by the afternoon while the old boys are having their cup of tea in the clubhouse. Everyone knows no-one will be going out in the afternoon and those tee times could be marketed to generate much needed additional revenues."

Robert is also adamant that golf clubs that go down the "Slash and burn budget cutting route" are on the wrong track. Overstaffing is a mistake for obvious reasons but so is the opposite, when times get tough a well motivated, efficient greenkeeping team is essential.

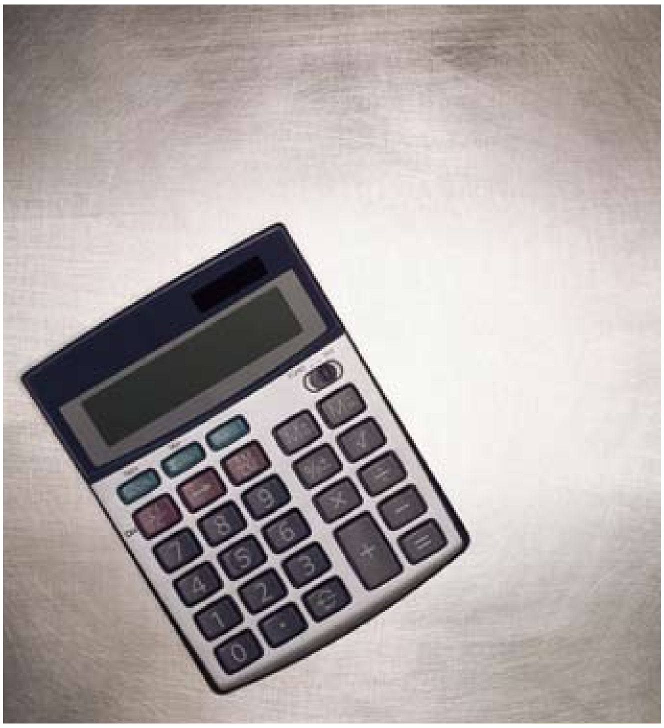
"Your biggest asset is your golf course so arguably your most important employee is the guy who keeps it in good shape. If you let your best asset deteriorate so does the club's reputation and appeal. Then you really are in trouble."

"My take on it is that if you compromise on quality then you put the entire business at risk. However, you must look at the budgets of each department to make sure that the money is being spent as wisely as possible. When things get tight all staff and kit need to work even harder to get through it, "A Course Manager needs to be flexible. For example, he may be a real advocate of one make of machinery - 'I've always been an "X" man' or 'I only use "X" and no other make will do.' That's not true. It may be the best piece of kit but it's not correct to say it's the only piece of kit. Sourcing from another company may ensure that you actually get a new fairway mower as opposed to being asked to keep the existing one going for another year because you were insisting on the more expensive, favourite brand."

Another area where money can be made to work harder is in service agreements.

"When a service or leasing agreement runs out it's amazing how many people immediately throw the machine away and get a new one. However, if well maintained, many machines can go on providing great value for many more years," said Robert, who recommends that even clubs with a relatively small staff should retain a mechanic, even if he doubles up as a greenkeeper.

So the message is to examine your budgets, rather than slashing them and never compromise on quality.



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