Loads of Money

Ian Henderson gives some sound advice for ensuring your club's financial survival

As recently as two years ago, funding for golf clubs was easy. Golf was considered a very good risk, and while some of the more recently established proprietary clubs were scrutinised more closely than a 100 year old members club, the business was generally arranged without too much difficulty.

How things have changed. With golf clubs considered part of the leisure industry, the clearing banks and finance houses have lost most of their appetite for our business.

Without doubt life has become more difficult for many golf clubs.

There have been casualties, and there will be more. Golf clubs however, are resilient beasts, and the well established members' golf clubs will continue to survive, and indeed some will thrive albeit at the expense of others.

What the lenders fail to address is that golf clubs which have graced our land for 100 years and more have witnessed several crisis. Two world wars, depressions, fashion swings and they are still here to tell the tale.

As you would expect at a time like this, there has been a downturn in machinery replacement, with many clubs making do for another year or two. The quality of the machines

ABOVE: Photography by Dean McMenemy

available today, combined with regular maintenance means, in many cases a fairway mower scheduled for replacement after five years will last seven or eight years. The only thing a club must be aware of is the cost of hanging onto a machine for too long.

Where a five year old mower may be worth £5,000, if it requires a major repair, which could cost between £3,000 and £6,000 it will still only be worth £5,000. So it is true to say there will come a point where you can start throwing good money after bad.

The repair costs would go along way to covering the annual lease cost for a new replacement mower.

Machinery finance is generally still readily available, and while fixed interest rates do not reflect the current bank base rate of 0.5%, rates are generally favourable and finance offers great flexibility.

For larger projects such as clubhouse renovation or course improvements, the rules have changed dramatically. In years gone by projects under a cost of £50,000 were regularly funded simply with an unsecured loan.

In today's market any project where we are looking at longer term, large value funding, without doubt the funder will look for tangible security, normally by way of a first charge over the course and clubhouse.

According to a respected golf club specialist, values of golf clubs have fallen between 5% and 15% over the last two years.

Once the project has been agreed and costed, there is no certainty funding will be available. Over the past two years the funders have become very adept at finding reasons not to agree facilities.

which have seen huge changes in attitudes toward money. Many golf clubs who considered themselves cash purchasers, are now looking to utilise machinery finance and spread their cost.

The current situation has also spurred many clubs to look at the way they conduct their business. It is always difficult to carry out major changes, but because it has always been done this way, does not mean it is right.

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In addition to making funding difficult, most of the lending houses have taken advantage of the lack of funding to significantly increase their margins and fees.

In 2005 it would be reasonable to assume a facility of say, £500,000 could be secured at around bank base rate + 1.5% - 2% but in today's market you could be nearer bank base rate +3.5% - 4%

The fee structure has also increased with arrangement fees of 2% quite common.

We are in fairly difficult times,

Traditional systems and methods are no longer suitable in today's marketplace and more efficient management is being implemented in many golf clubs.

More than ever careful planning is required for all aspects of the golf club business.

- **Machinery Finance**
- **Long term projects**
- **Overhead controls**
- **Staffing costs**

With proper management and planning, and a sustainable flexible finance programme, there is no reason why all golf clubs cannot ride out this difficult period, and come out the other end stronger than ever.

It is vital that golf clubs have a long hard look at the way they do business. It is no longer enough to look at the bottom line when the annual accounts are lodged at the AGM. Each department must be isolated and assessed on its own merits. It is all very well having a fantastic bar turnover, but what do you do if the catering is dragging it down? It is all very well having a waiting list and good members' income, what do you do if visitors are turned away and made to fell less than welcome.

A few clubs are in the envious position where money is of secondary importance, for the rest of us we need to make sure all parts of the jigsaw fit together to give a complete picture.

Hard decisions may need to be taken; many of them will prove unpopular, but not as unpopular as standing up at an EGM to explain the need for £150 levy per member for the next five years!

Successful clubs are now looking at ways of generating income from alternative sources. If you have 500 members and 5,000 visitor rounds per year that is how much revenue you will generate in 12 months.

If you have the facilities to accommodate members' functions, such as weddings, anniversaries, birthday etc exponential additional income can be raised with out altering the basic golf income streams available.

Simple things like offering 10% discount for visitors if they book lunch or dinner at the same time as booking golf or reduced buggy fees if the buggy is reserved at the time of booking can make a big difference to the overall profit at the end of the year.

If your club charge £25 per person per round. You only need one fourball per day, Monday to Friday, April to October and you will generate an additional £16,000 income per year!

The demographics of golf clubs are changing significantly. We are seeing the average age of existing members increasing and a huge number of junior members leaving clubs as the turn 18 and transfer to the adult section. This coupled with the general exodus from many clubs, means there are several important issues needing addressed.

Senior discounts: Many clubs operate schemes where senior members, with a specific number of year continuous membership are entitled to up to 50% reduction in their annual subs.

The problem is the number who qualify for this has increased dramatically to almost 35% of the entire membership in some cases. In truth many of these members have taken early retirement, play at least five times a week, and have more expendable income than a 40 year old man, with a large mortgage, and a family to support. It is vital clubs redefine the rules. While there is mammoth resistance to any sort of increase aimed at the seniors, and bearing in mind they make up the majority of members and turn out en masse at any AGM or EGM, it important new rules are set going forward. It may be possible, for example to restrict the reduced fee seniors to five day memberships, which would free up valuable tee times at weekends.

Junior retention: Years ago, 75% - 80% of boys and girls turning 18 found a job within 10 miles of where they were brought up. Today 80% plus will leave their home town and travel all over the world to universities and colleges to gain knowledge in their chosen subject. The chances of them returning home is fairly limited, so we need to face the fact it is nigh on impossible to keep the juniors, as their subscriptions increase to senior rate.

If it were possible to charge a nominal fee to "keep them in the fold" and allow them to play for, say a visitors' guest fee, it would be a start.

Second club membership: In the past people who were fortunate enough to belong to two clubs have made a choice of one club or the other. Geography will often dictate if they stay or go, but flexibility in fees and restricted access can often encourage them to stay, in one shape or form. To retain a member, even if that includes changing categories means there is still income potential from that person.

The dropping of joining fees has also contributed to the "Nomadic Golfer" who club hops from year to year.

By providing the best course in the area along with a welcome and good value for money catering can ensure your club is where the club hopper lays down his roots.

Family Inclusion: With your average medal round taking just over four hours, an hour's travel time to and from the golf course, and diet coke and a sandwich with your playing partners, it's not just a Saturday morning.

It is important that golf clubs today offer more than just golf. If there are activities where the whole family can become involved, the entire day becomes much more inclusive and less contentious. Mixed competitions including Gents, Ladies, Seniors and Juniors, with a buffet and prize giving at the end can be very successful and rewarding. It is also worth considering awarding the spouse of a full member automatic social membership of the club, and encourage them to make use the facilities on offer.

While money may not be as readily available as before, it is not all doom and gloom.

With a positive sustainable programme and a properly thought future, it is still possible to secure the funding required for you and club to survive and thrive.

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