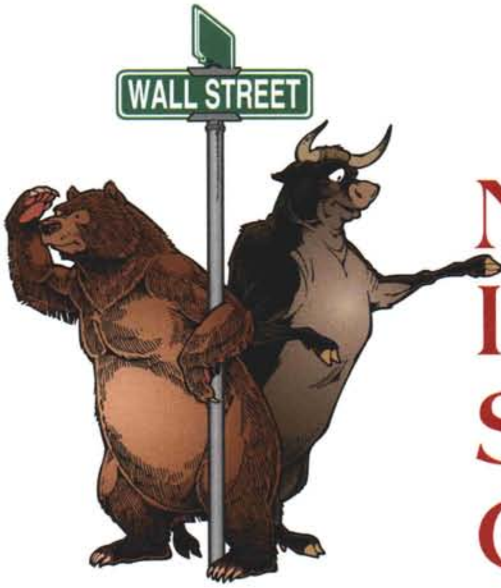

No Bull! It's a Bearish Summer for the Golf Business

Even before last September's terrorist attacks, the U.S. economy was in decline. Now, the stock market is fluctuating wildly but for the most part, flat or trending down. Unemployment is at the highest rate we've seen in more than a decade. It's not a stretch to surmise that fewer recreation dollars in the pool might mean a decrease in rounds of golf played. National Golf Foundation statistics suggest that while new courses (especially high-end public courses) continue to enter the market, the number of golfers nationwide has held steady between 24 and 27 million. As of late June, industry sources were estimating rounds in Illinois to be down between 20 and 22%.

Then figure in our fickle Chicagoland weather. Last year's disappointing fall (especially in light of recent warm autumns), then a chilly, wet spring, then several strings of scorching, humid days this summer all took a toll on rounds—and revenues. The anecdotal evidence is there; just peruse the Message Board on the MAGCS Web site. The following are the musings of several Midwest member superintendents.

Fred Behnke
Mount Prospect G.C.

If there's an issue at the forefront this year, it's will we recover from 2001, and how?

Our head pro here used a "Perfect Storm" analogy for last year. The stock market was down, the weather was marginal and then came the events of September 11. People hunkered down in a sort of bunker mentality and didn't want to go out anywhere. 2001 was a bad year, one of the worst we've had.

All the same, at Mount Prospect to date we are about $35,000 behind 2001. We started out slowly with the weather and perhaps the economy being factors. I say "perhaps the economy" because we're not really taking that hit. Our fee structure offers golfers a lot of options. If you need to get out there in prime time, you'll pay full fare, but we have a lot of gradations in our rates. This concept of demand pricing is actually taking hold even at places where previously it was one rate, whether you are man, woman, child, senior, whether it's morning, noon or night. Managers are going the extra mile to make their rates palatable, to get golfers to come out. Even so, I think the economy is affecting the high-end public courses.

On nice days here at Mount Prospect, we are busy from dawn to dusk. Give us the weather and we'll put the players on the course. We can expect to creep closer to making up our present deficit if the weather holds up. Any time it gets over 90, even into the high 80s, you can count on people disappearing.

Jules Peuvion, CGCS
Arlington Lakes G.C.

I think we are feeling the effects of golf being somewhat overbuilt right now. Too many courses are competing for a limited amount of dollars. With the economic conditions, the people who have jobs are afraid to leave the office because they feel insecure; with the way things are, you don't know when your number's going to come up. And it seems that the people who are out there and into golf do not have the discretionary dollars to play right now, especially at the high-end courses. When you look around, people are holding their money, especially with stock invested in companies like World Com! Another factor: people today have so many options for recreation that they're not playing golf.

Sure, weather is an issue too. The fortunate courses this summer are the ones that have leagues guaranteed because then you've got that booked time and the golfers are going to play. You don't lose the discretionary or fair-weather golfer where leagues are involved.

The question in our field is, where is the bottom line? We can all do a better job as superintendents. Maybe we have to give up a piece of machinery or an application of chemical that perhaps we were spraying preventatively —now, we might hold back. Perhaps this was a luxury in the past. What we as

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superintendents are doing is getting smarter with our dollars.

Dan Sterr
Stonebridge C.C.

I think the economy's impact goes all the way back to last year when we were budgeting for this year. We were told to hold expenses, watch this and watch that. We've been trying to do that and on the expense side, we're doing a pretty good job.

On the revenue side, though, the income just hasn't been there from our guest play, outings and things of that nature. We will do 11 outings this year, which is down from previous years. We've done as many as 17 here. We even had a couple outings cancel this year because of the price, which tells you that maybe they'd rather go somewhere else and pay less or not do it at all. Numbers are down in the pro shop. If numbers are down in the pro shop, then food and beverage is going to be affected too because it means people aren't here.

The members just bought this club a year ago, on May 4, 2001. The membership is now trying to establish a baseline for us to work off of financially. We are still in the process of figuring out what our numbers should be.

As far as hosting the [LPGA Tour's] Kellogg-Keebler Classic, I don't know that we can put a finger on anything that puts it in the category of financial success or failure. Overall, the tournament was a success with very positive exposure for our club, but to what degree, we're not sure. I know that even during the tournament, people approached our membership director about applying for membership. If the event brings in even two or three members, we're that much ahead.

Luke Strojny, CGCS
Poplar Creek C.C.

At Poplar Creek, we have typically had a lot of outing business, and that has fallen off considerably this year. On the corporate side, for instance, we used to do a lot with Motorola—anything from golf outings of varying sizes to Christmas parties—and we aren't now. As for the regular outings, such as the charitable events, participation might be down about 15 to 20%. They're not getting the play they used to. An outing that used to be 144 golfers might be down to 120 or less, a double shotgun might now be a single shotgun.

If you look in the sports section of the newspaper, you see a lot of courses advertising special deals, more so than ever before. In my 18 years here, before this we maybe had one coupon in the paper. We've done it three times this year.

The weather has contributed, too. This spring was so bad. We probably lost 10 out of 12 weekends where it was just awful. We're about 20% down in revenues right now. Since June, all the way through now (mid-July), we're packed. Prior to this, though, it was awful. A decent fall could lessen the impact, but you can't count on that.

The good news is, the leagues are a steady cash flow and our leagues—ranging from homeowners' associations to corporate—are pretty much full. If we lose somebody, somebody is waiting to come in. Plus, we redid our learning center this year and just opened it in the beginning of June. We have a 50-station driving range, putting green and chipping green, and practice bunker. That's bringing in a lot of money.

As superintendents, we are striving to be smarter with our money. I'll do everything possible to avoid cutting staff, but I can look at a certain chemical and say, maybe we won't spray this right now, as long as it doesn't impact the integrity of the golf course.

R. Brian Green, CGCS
Sunset Valley G.C.

We have just completed our monthly budget meeting with many concerns left to be answered. Last year's numbers were not good—at that time, we pointed to weather, September 11 and the economy. This 2002 season has been much slower than anticipated. The words "weather" and "economy" are falling on deaf ears and serious cuts are in the offing. I know things have picked up considerably the last few weeks, but those numbers weren't crunched yet. Everyone has cut expenses or held the line but the revenue side of the equation is serious. We are 2,400 rounds down YTD as of July 1. That would represent a 20% decline from anticipated revenue. Our driving range is having far greater concerns. This facility is five years old and separate (one mile) from the course. Its revenues are off greater than 30%.

Many plans are in place, including more advertising (something we never before had to do), cutting staff, winter golf, continuous cart path, deleting pro shop merchandising, offering specials immediately at the driving range.

We have always had more business than we could manage. That seems to be something in the past. Another painful note is all other programs in our park district revenues are way up—i.e., all other athletics, camps, classes. Golf will continue to be under a magnifying glass for awhile.

John Gurke, CGCS
Aurora C.C.

At a private club, the economy part is somewhat factored out of the equation. Our membership is still full (barely), our rounds are about the same, but outings on Mondays have drastically decreased (therefore, we ARE somewhat affected by the economy, but most here would say it's a good thing for the clubhouse and pro-shop staff to get one day a week off). I guess we see more transition in membership during hard economic times—more leave, but others who are not affected seem to take their place.

As for the weather, the main thing it affects is course conditioning and my budget (i.e., more heat and humidity equals more money spent on irrigation water treatments, electricity to run pumps, repairs to irrigation components, labor for afternoon watering and chemicals for turf diseases). It also affects morale and the personal lives of those who spend all their waking hours at the course (me and my assistant). We are tired, and our wives are tired of not having any help around the house.

Mike Bavier, CGCS
Inverness C.C.

Among our peers (private clubs), we are unique because so many of our members live close by. Still, play was down in April and May. Over the 4th of July weekend it was so crowded here it was unbelievable. Our membership is still up; we have 20-plus associate members waiting to get in as regular members. All in all, we've done well. Even though the economy has slowed down things a bit, we have yet to feel the ripple effect at our club. Getting the weather straightened out would help us, along with helping everybody else in this crazy business.

Kerry Satterwhite, CGCS
City of Bloomington, IL

Our play has declined over the past two seasons. Our rounds and revenues were down significantly last year, and this year we are continuing to see a downward trend. I think there are several contributing factors. The economy is certainly one but I don't think that has had the greatest impact. The weather extremes are part of the reason. We had a very cool, wet spring that segued into this latest heat wave and drought and our numbers have fluctuated because of that. I think that the growth of the game has flatlined or declined slightly but the number of new courses has continued to grow. The golfer has more options now and is taking the opportunity to play at all these new facilities, rather than play his weekly round(s) at his local course. I think the total number of rounds is still being played, they are just being played at several different courses rather than just one or two. The combination of these three factors has had a definite impact on the daily-fee courses.

Larry Flament
Stonewall Orchard G.C.

This spring was terrible—cold and damp—and any decline in rounds I blame more on the weather than anything. Since the 1st of June, when the weather cleared up, we've been packing them in. It's actually helped that the rain has been missing us north or south, so we haven't lost days to rain. Rounds before June 1 were down, since June 1 our numbers are back up, so overall we are just a little bit below projections.

I think we're all feeling the effects of the economy some, but within our market niche our green fees are very competitive. The weather has had much more of an impact on us than the economy. I think people still want to get out and play golf. On the other hand, I don't think we'll see any spike in rounds this year.

Kerry Blateau, CGCS

The weather and the economy both contributed to my leaving a grow-in project for the Village of Bensenville. They were faced with dwindling tax revenues and were hesitant to commit additional funding needed to finish the grow-in. Of course, they wanted to open as soon as possible this season to generate revenue. With the poor spring weather, the grow-in development was slow and opening this season was doubtful.

When all of that was put together . . . unreasonable expectations with poor budgetary support . . . I decided to leave before I got an ulcer.

I think this is becoming more common . . . facilities still have high expectations but due to the economy, budgetary support is reduced. Add in the weather this year, and it is a challenge to provide a facility equal to expectations.

Tony Kalina
Prairie Landing

I actually think the downtrend started last year, prior to 9-11. We had a cool wet spring and rounds were down. It seemed like there was no time for golf. The buzz was, people were busy doing a lot of other things . . . graduations, birthday parties, family vacations. Then, of course, came September 11 and the economic downturn associated with the volatility in the market . . . and another chilly, damp spring.

Through June 30, we were running about 17% below budget for rounds and 12% down from budgeted revenues. Profit-wise, we're offsetting some of the decline in rounds with increased sales in the pro shop, food-and-beverage and banquets, and good cost-controlling management.

At our club, we entered the market during an economic boom period, and what we have noticed among our clientele is they are comprised of mainly successful young professionals who have decided not to join a private club but travel to play the wide variety of premier golf venues Chicago has to offer. Obviously, with the tightening of belts on the corporate end, we have seen a decline in the number of rounds coming in that could be classified as corporate business. Still, this speaks to the state of the Chicago-area golf market. I think we've probably reached or are approaching saturation in the five counties that make up Chicagoland. There are a lot of great places to play golf and a lot of competition between the outstanding facilities in our market.

Arguably, our market niche may be more recession-proof than others. We do see many of the same gentlemen and ladies coming in on the weekend mornings, Friday afternoons, etc. No doubt, though, discretionary income is down. Spending is too. We're marketing the golf course more aggressively and implementing new rate structures to attract new customers, offer new incentives to repeat customers and enhance our appeal to families. We're offering specials like two-for-one and three pay, four play. After all, the tee time is our commodity. We are looking to increase our profitability and you only get that by having someone filling your tee times. If nobody is on the tee at twilight, you've got to look for ways to get people to want to come play at that time. And discounting is one way to attract more. Look at things as if you were the course owner. As an owner, you'd rather have a foursome paying $40 each in greens fees after 4:00 p.m. than have that tee time empty because the normal fees are $68. Our profitability revolves around customers filling tee times. I believe the "added value" our customers perceive at PLGC is enhanced by our course conditioning, customer service and positive attitude standards.