What *Forbes* magazine didn't tell its readers

Ed. — What follows is the National Golf Foundation's response to an article by Carolyn Geer in the Aug. 12 issue of Forbes *magazine that strongly suggested the game and business of golf have peaked in the United States. NGF President and Chief Executive Officer Joe Beditz is the author.*

Dear Ms. Geer:

I am compelled to respond to your recent article concerning the golf industry, "Gold Mine or Sand Trap," *Forbes*, Aug. 12, 1996. With all due respect, I believe you have done your readers, and the golf industry, a great disservice by presenting such a one-sided, negative perspective on the business of golf. Let me share with you some additional facts, along with a different perspective.

Golf Participation

Citing NGF data, you pointed out that the number of golfers is down from the peak year of 1990, from 27.8 million to 25 million last year. You also noted that rounds played "slipped to 490 million last year, down from 505 million in 1992." From these data you reach the conclusion that golf has peaked in popularity, and will not experience any further growth.

Let me share some additional facts. Over the past 10 years golf participation has risen 26 percent and rounds played have increased 22 percent. Last year, our research showed that the number of golfers and rounds were both up over the preceding year, by 2.8 percent and 5.5 percent, respectively. Core golfers, the bedrock of the business of golf, have increased in numbers by 20 percent over the past decade. While representing just under half of all golfers, they account for close to 90 percent of all golf activity. Our research shows no signs of wavering commitment from these, our most important customers and, in fact, indicates that they will continue to grow in numbers in the years ahead.

Joseph Beditz

Golf Equipment Sales

In your article, you cite data obtained from the National Sporting Goods Association (NSGA) indicating that golf equipment sales were flat last year at $1.37 billion. You say that "as Americans' participation in the game has leveled off, so too has their spending on it."

First, let me point out that there are several sources of corroborative research indicating that the golf equipment industry is two to three times as large as NSGA research shows it to be. These sources include the Sporting Goods Manufacturers Association, *Golf Pro* magazine and the National Golf Foundation. Furthermore, these sources have all been reporting sales increases over the past several years. Actual wholesale sales data supplied to the NGF by manufacturers show that the dollar volume of shipments of golf equipment (clubs, balls, bags and gloves) grew 52 percent from 1991 to 1995. Hardly flat, as the data you chose to report would lead the reader to believe.

The fact is, consumer spending on golf has risen sharply over the past four years, even though participation has remained fairly level. Further investigation reveals that this is true not only in golf, but in the rest of the recreational market as well.

Research by *American Demographics* magazine shows that, although available leisure hours have remained constant over this period, overall recreation spending — even when adjusted for inflation — has increased by 35 percent.

The Golf Course Business

In reading your story one gets the impression that golf courses are not economically viable. To support your case you point to a municipal course in Leander, Texas, that went into technical default on its revenue bond. Your implication is that this problem is the rule, not the exception.

According to Patricia Lytle of the Bond Investors Association, one of your sources for the story, the number of golf course bond defaults is insignificant compared to all other municipal bond defaults. Since 1993 there have been only six such defaults (all technical) amounting to $36 million. Over the same period total municipal defaults have totaled $4.8 **billion**.

The golf course business is healthy and profitable. Failure rates are extremely low among properly planned and managed new facilities. While some may run into difficulties in their early years due to poor planning, mismanagement or other circumstances, the courses virtually always survive these difficulties, even if ownership changes.

Did you consider putting the golf course business in context? The Small Business Administration reports that 21 percent of all new businesses with more than five employees fail within six years; 30 percent are gone in eight years. Against this yardstick, the golf course business looks very good. Our data show that less than one percent of all golf courses have closed within the last five years. And the leading reason for closure was that the land upon which the course was built became too valuable to continue the operation of the golf course. In other words, the economic principle of highest and best use came into play and the owners simply sold their

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CIRCLE #109

Phillips comment

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And lest we forget the marketing and plain ol' cultural clout wielded by noted golfaholic Michael Jordan, whose shoe manufacturer has taken to Tiger Woods in a big way (I wonder when he'll sign his first "design" deal). Many credit Woods with golf's emerging popularity with "the kids." However, at this stage of the game, only the golf community hails Tiger as the greatest thing since sliced bread. The public at-large and, more specifically, the minorities over whom Woods is supposed to hold sway, haven't had time to be impressed. I believe Tiger's impact won't be felt for some time.

It's Nike's influence that is becoming more evident every day. Where Nike goes, so go the fashion lemmings: Golf lines have already been introduced by Armani, Tommy Hilfiger and Ralph Lauren, and Italian designer Mossimo Giannulli plans to come out with a golf accessory line. Of course, Woods will have his own line of clothing (stripes, perhaps?).

More substantively, golf appears to have made real headway with its elitist image. Public-access golf has carried the day in development circles for some time. Seventy percent of the nation's golf facilities are now open to the public, and nine of every 10 courses under construction can make the same claim.

The icing on the cake is the recent announcement from the U.S. Golf Association that the 2002 U.S. Open will be held at Bethpage State Park on Long Island, marking the first time the championship will be held at a publicly owned course in the century-long history of the event (see story page 3).

Healthy signs, all.

Now, if we can only get the NBC affiliate here in Portland, Maine, to stop blacking out the U.S. Amateur to show "Cannonball Run II" or "Francis the Talking Mule"...

NGF to Forbes

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and and cashed out. Frequently those sellers go on to build another course in another location.

The Prospects for Growth

Anyone knowledgeable about the golf business comes away from reading your article wondering how (and why) you could paint such an unrealistically negative picture of the current state of, and future prospects for, the game and business of golf.

Consider the fact that as golfers get older they tend to play more and spend more ... significantly more. The first baby boomer golfers turned 50 this year. They represent the leading edge of an 18-year-long population bubble that will swell the ranks of over 50-year-old golfers. This demographic trend will undoubtedly create a rising tide for golf. And what about after that?

These 78 million baby boomers had 72 million children who, as the last of their parents pass 50, will be passing through their 20s and 30s, which our research shows are the prime years during which most people take up golf. Again, a demographic trend with very positive implications for the golf industry.

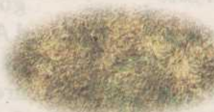
Golf, already very accessible, is becoming even more so. At present, 70 percent of America's 15,000-plus golf courses are open to the public... and these numbers are growing.

Almost 90 percent of all new facilities being built today are accessible to any and all golfers. Add to this the progress that has been made by the golf industry in creating a more open environment in the game for women, minorities and those with physical disabilities, as well as the great number of golf learning and family centers that have opened in recent years, and the elements are in place to facilitate the entry into the game of many, many new participants in the years ahead.

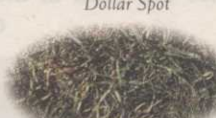
In closing, and on behalf of all those who have been equally disturbed by the distorted picture painted by your article, let me say that, in the future, I sincerely hope that anyone at Forbes doing a story on the business of golf will take the time to obtain all the facts and thereby present a better informed view of golf's overall health and growth potential.

Sincerely, Joe Beditz

Summer Patch



Dollar Spot



Anthracnose