

COMMENTARY

Japanese golf economy in transition

By TOM JOHNSON

Golf is undergoing dramatic changes in Japan, for the better.

The changes have developed over the past decade as the "post bubble" economy is finding its footing. During the 1980s, golf clubs in Japan could sell memberships, pay for construction costs, and cover operating costs with high green fees to members and guests. The only market that was developed over the past 30 years was the executive male, age 30 and up, who played on weekends and occasionally on weekdays. Ladies, juniors, seniors, factory workers, afternoon or nine-hole players and driving-range devotees, were all neglected. Golf courses only had to cater to one market sector and all of the 2,000-plus courses in Japan capitalized on that market.

Then the stock market dove, followed by the banks, and as a result the golf industry is searching for ways to rebuild its clientele with new players. Interest in golf is still very high. It remains a game that a wide variety of people can play and enjoy. However, the 13 million golfers need more access to the courses in Japan at a lower cost, and to do that the courses are undertaking a painful transition.

Daily green fees have been lowered at most all courses and each course has to decide how many annual rounds at a certain level of revenue are required to stay healthy. Instead of relying solely on the weekend corporate executive, courses need to promote their other times to local players.

Savvy golf course operators will begin to promote play at off-peak tee times. Many courses will start league play, where a local company may have employees playing nine or 18 holes on afternoons.

Tournaments can also help draw new players to a course and also draw attention to the facility through publicity in the local papers. Inexpensive teach-

ing clinics can bring new players to a course, then over time turn that new golfer into a returning customer.

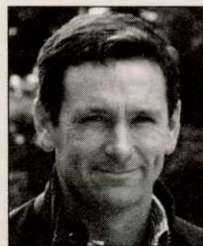
Other new directions golf operations will focus on in Japan are revenues from carts and merchandise. Golf carts are rapidly replacing caddies as the bag carrier around 18 holes. The reduction in employees is a plus to the facility, and direct revenue

from cart rental is vital to the course. Merchandise, or pro shop sales, is another neglected item in Japanese golf operations. Many courses have a small area dedicated to sales for hats, balls, gloves and a few other items. The good operator will use the space available in the clubhouse and turn the pro shop into a new profit center. The on-course pro shop has another advantage, a

lower cost per square meter than retail shops and a long line of customers looking for a bargain.

Cost reductions will also be a major factor in the rebirth of the golf economy. Staff reductions at many of the clubs will happen out of necessity. Clubhouse staffs of 25 to 40 people will be lowered by 30 percent or more. Service will be required, but from a more efficient staff. All of these

difficult decisions will be borne out of the need to compete with other courses taking the same strong measures to make their facilities profitable. The result is that golf will become accessible to more people in the country at a more affordable price. The decade of hard economic times will cause changes that lead to new horizons for golf and golfers in Japan.



Tom Johnson

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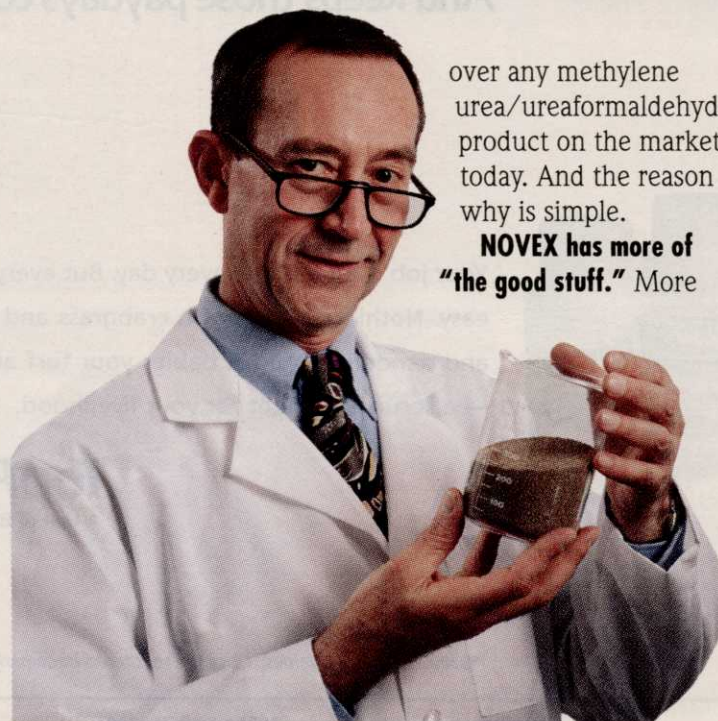
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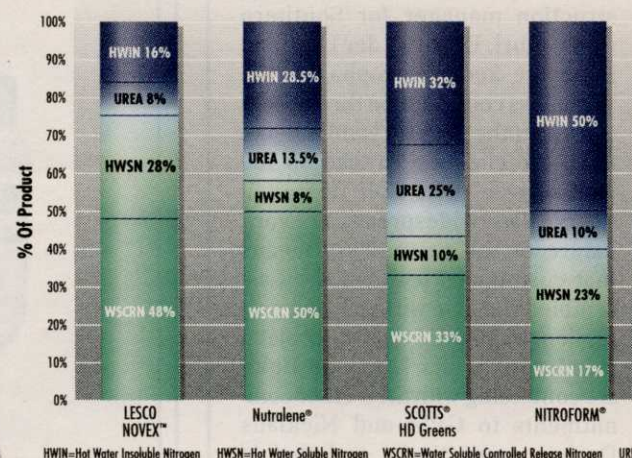
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