

Supply outpacing demand as new courses multiply

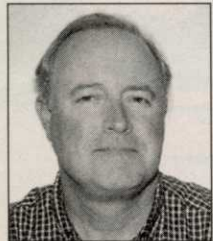
It was bound to happen sooner or later. Given the explosive growth of new U.S. golf courses – an average of 303 a year from 1991 through 1999 – it was inevitable that “supply” would eventually outstrip “demand.” And now it has, according to a study of industry trends by the National Golf Foundation (NGF).

Here are the hard numbers. In 1986, there were about 1,900 golfers for every course in the country. The ratio shot up in 1990, with 2,250 players for every “18-hole equivalent.” This was a period – ’86 to ’90 – when the golfing population was rising, but financing difficulties placed a lot of development projects on hold. Consequently, demand began to outpace supply.

When the real estate market recovered, however, course builders made up for lost time, rapidly shifting projects from “in planning” to “under construction.” By 1998, the number of courses being built hit an all-time high of 1,069. Today, there are 1,970 golfers per course, back down near the 1986 levels.

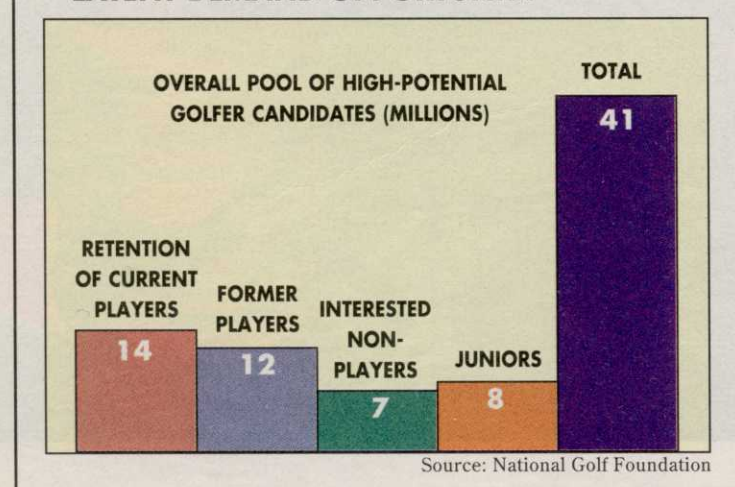
This is great news for golfers – less crowded courses – but not so great for course owners and managers.

The situation isn't likely to change anytime soon. In the NGF's new report, “Trends in the Golf Industry,” it projects that the game will experience a “natural” addition of three to four million new golfers and about 100 million more rounds over the next decade.



Jay Finegan,
editor

LATENT DEMAND OPPORTUNITY



That works out to a growth rate of one to two percent a year.

At the same time, however, the number of golf courses will likely grow at two to three percent a year, outstripping the new demand. “If this supply/demand imbalance continues,” the report concludes, “then the operating performance of the average golf facility can be expected to erode.”

And the imbalance will continue – and then some. That annual average of 303 courses openings over the past decade takes into account the early '90s, when openings were in the 350 range. Momentum has accelerated sharply since then. Last year, 509 courses opened for business, and at year-end 946 courses were under construction and 908 more were in the planning stage. Obviously, that translates into even fewer golfers per course, and it's undoubtedly one reason that course valuations are now beginning to stagnate and even decline (see story on page one).

Continued on next page

What will come of golf's e-commerce revolution?

Business-to-business (B2B) e-commerce ventures – stock market fluctuations be damned – are infiltrating every corner of American commerce, including the golf industry. In the past year, dot-coms, e-portals and cybermarkets have descended upon the golf course marketplace, all clamoring for a piece of the pie and all apparently looking to start their own “revolution.”

By accessing online catalogs, auctions and clearinghouses, superintendents can now buy commodities like chemicals, fertilizers and seed online (sorry guys, no greens mowers yet).

Why the sudden influx of online offerings?

Well, the numbers don't lie. A report by Thomas Weisel Partners, a San Francisco-based merchant bank, stated that the B2B sector “could potentially generate between \$1 to \$2 trillion worth of new market capitalization” and that in the next 10 years, B2B efforts will lead to huge operational savings for U.S. businesses. These figures, while general, have lead e-entrepreneurs to explore every niche market in sight.

While the turf and ornamental market weighs in, by industry estimates, at around \$4 billion – sizably smaller than the \$50-billion agriculture market – these numbers have undoubtedly lured the newest player, XS Inc., to the market. XS Inc. launched XSag.com two years ago and is now one of the e-commerce leaders in the agricultural input market. The company will introduce XSTurf.com later this year.

XSag has more than 50,000 users and does “several million dollars” in transactions each month, according to Harry Albert, director of the company's specialty business unit. XSTurf aims to capture superintendents who have an annual budget of at least \$100,000 for chemicals, seed and parts – a number Albert estimates at 10,000.

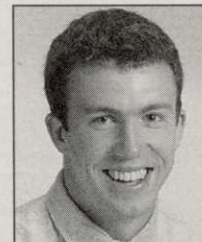
While distributors, manufacturers and dealers are starting to list products online and team up with allied websites, some are doing it just to gain visibility in a new marketplace and others are using it as a stop-gap measure while they gear up their own websites. After all, as one industry executive told me earlier this year, why should a company pay a e-commerce website a transaction fee (further diluting already thin margins) when they can build their own site?

Whether these new B2B sites will replace existing distribution channels remains to be seen, but they will surely increase competition and introduce new efficiencies to the marketplace.

However, as almost everyone in the fledgling dot-com business admits, the turf and ornamental market cannot support this many B2B sites.

Even as more sites come online, insiders are already predicting the market shakedown and consolidation of e-commerce ventures that will inevitably occur.

In the next three to five years, a wave of consolidations will begin to sweep through the field, said Kirk Sanders, who heads Professional Golf Commerce (pgc.com), an e-commerce venture that serves clubhouse, maintenance and food and beverage professionals. “Through either consolidation or questionable ventures just dying on the vine,” he said, “ultimately there will be room for only one or two exchanges or e-marketplaces for the golf industry.”



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MAILBAG

MACH 2 WORKS IN ROUGH

To the editor:

I'd like to correct some misinformation that appears in the July 2000 issue of *Golf Course News*.

In the article entitled, “Destructive beetle spreading fast through Northeast,” you reference comments by a golf course superintendent in Dover, N.H. The article says the superintendent does not use MACH 2 turf insecticide, manufactured by RohMid, on his golf course's rough because the

product “is not recommended for unirrigated areas.”

In fact, MACH 2 is an excellent grub control product to use in such areas.

Nearly all grub insecticides, whether preventives or curatives, need to be eventually watered in to be effective. The same holds true for MACH 2. But because of the product's soil stability, immediate irrigation is not required. By contrast, the label directions for Merit and

most curative products call for irrigation within 24 hours after application for optimum control. With MACH 2, we do recommend immediate irrigation when it is being used in curative applications up to the second stage.

Thank you for the opportunity to provide accurate information on MACH 2.

Sincerely,
Rich Kalik
RohMid Board

HATS OFF TO OLD BROCKWAY

To the editor:

I enjoyed the article in your August issue about the Old Brockway Course becoming certified by Audubon International. The course is a great track nestled in the Tahoe basin. As the superintendent at Old Brockway for the seasons of 1983-85, I have first-hand knowledge of the tremendous efforts Lane Lewis and his sister Leslie

Continued on page 8