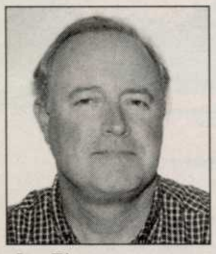
Supply outpacing demand as new courses multiply

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.



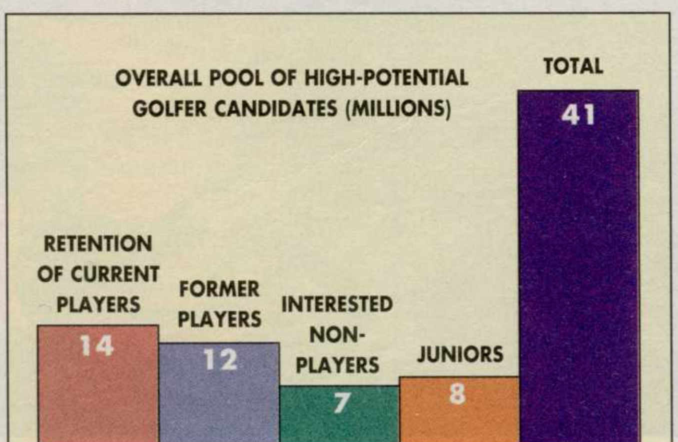
Jay Finegan, editor

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.

LATENT DEMAND OPPORTUNITY



Source: National Golf Foundation

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."

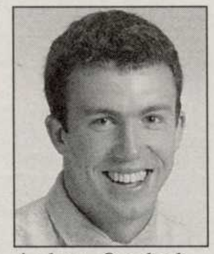
And the imbalance will continue – and then some. That annual average of 303 courses openings over the past decade takes into account the early '90s, when openings were in the 350 range. Momentum has accelerated sharply since then. Last year, 509 courses opened for business, and at year-end 946 courses 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).



Andrew Overbeck, managing editor

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."

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

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GOLF COURSE NEWS
THE NEWSPAPER FOR THE GOLF COURSE INDUSTRY

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Subscription Information
Golf Course News, P.O. Box 3047
Langhorne, PA 19047
215-788-7112

For quality article reprints of 100 or more, including electronic reprints, please contact Reprint Management Services at (717) 399-1900.

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New courses outpace demand

Continued from previous page

It's not all gloom and doom for course owners, however. The macro-trends are favorable. Collectively, inflation-adjusted course revenues have doubled over the last 11 years from $7 billion to $14 billion. According to the NGF, one third of the increase ($2.4 billion) came from new players, and two thirds ($4.7 billion) have come from higher greens fees.

"Thus," the report says, "the growth in greens fees revenue has come mostly from real pricing increases on a per-round basis, and only to a much less extent from new players." But then comes the bad news: "The per capita spending increases experienced in the 1990s are likely not sustainable indefinitely."

The solution, of course, is to attract more new players to the game, and the good folks at NGF are ready with a plan.

To ensure a more prosperous future, the report states, the industry needs to see 100 million more rounds over the next decade – beyond the "natural" growth. Where will they come from? From the 41 million "high potential" people who would like to golf or who would like to play more often.

Working with the international management consulting firm McKinsey & Company, the NGF has come up with a five-step action plan that can be implemented at the individual course level. To wit:

• **Targeted programs**. Create a wider variety of programs designed to ease the entry and development of high-potential target groups (e.g., programs for women, mixed singles, parent/child and married couples.)

• **Tailored products**. Develop products that appeal to a broader spectrum of golfers and that ease the transition from ranges to courses (e.g., better utilization and marketing of existing par-3, executive, and nine-hole courses, and more and better practice facilities.)

• **Dynamic pricing**. Provide special pricing in much the same way as an airline. The golf product can be priced in many ways (e.g., by time of day, day of week, group discounts and frequent player programs) to create value for both customer and owner.

• **Skills training**. Make learning the game more fun and inviting. Golfers want to learn in a friendly, non-intimidating environment. Golf instruction must become more than just swing mechanics. It should encompass strategy, course management, short game, and other important aspects that a golfer must learn to become a genuinely committed player.

• **Enriched understanding of golf**. Provide a stronger connection to the game's traditions and values. An important part of the golf experience involves the history, traditions, etiquette and other nuances of the game about which committed players are so passionate.

"The golf industry is at a crossroads," the NGF report concludes. "We may continue to grow at a slow but steady rate, or we may take advantage of a very large and addressable opportunity to increase participation." ■

Coping with consolidation: a superintendent's strategy for success

Anthony L. Williams, CGCS

In the beginning, golf was simple. There was only one golf course. Therefore golf management was simple. There was only one way to do things, so no comparisons could be made.

After the success of the first golf course, many new courses were built that were similar in function but had very different goals. Some courses focused only on financial results, for example, while others focused more on playability and scenic design. The competition for players and ratings grew at a sizzling pace. The growth of the golf industry created an opportunity for corporations to begin operating groups of courses with unifying standards and goals. This strategy uses the synergy of bulk buying and standardized procedures to increase efficiency.

Anthony Williams

Many golf management companies use these concepts successfully. However, the superintendent of a newly acquired property often faces unfamiliar challenges. The fear of replacement, budget reviews and lengthy policy manuals all create stress. The superintendent must overcome this stress by aligning his goals with those of the management company. Succeeding in this situation is difficult, but can be very rewarding.

There are two primary goals a superintendent should focus upon during a management change at his property. The first is to fully understand the objectives of the new management company, and the second is to adjust the operations to best meet these new objectives.

TAKE PROACTIVE APPROACH

As superintendent, you must become proactive and accept the process of change. Soon after acquiring a property, representatives from the management company will arrive to assess the course and its management. These operational meetings are critical to the superintendent's future at the property. The superintendent must obtain the company's objectives for the property in these meetings and demonstrate the organization, work ethic and communication skills needed to achieve these objectives.

The 356-yard par-4 18th hole at PineIsle with the Renaissance PineIsle Resort Hotel in the background

As superintendent, you should meet as many representatives from the management company as possible. Use the telephone, fax and e-mail to share your property's needs with all levels of new management. Remember to present a professional image in all areas of contact. Ask direct questions about your role in the company. You must be willing to accept any criticism as a direct opportunity for improvement. If possible, acquire an action list that will note items that are of highest priority for completion and work on those items. The new owner will notice any self-directed shift towards their priorities. This will demonstrate a shared vision, which is the cornerstone of successful change.

Documentation and communication of your early efforts

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