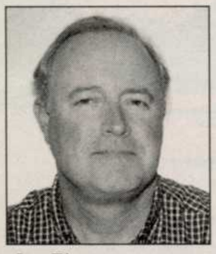
Supply outpacing demand as new courses multiply

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.



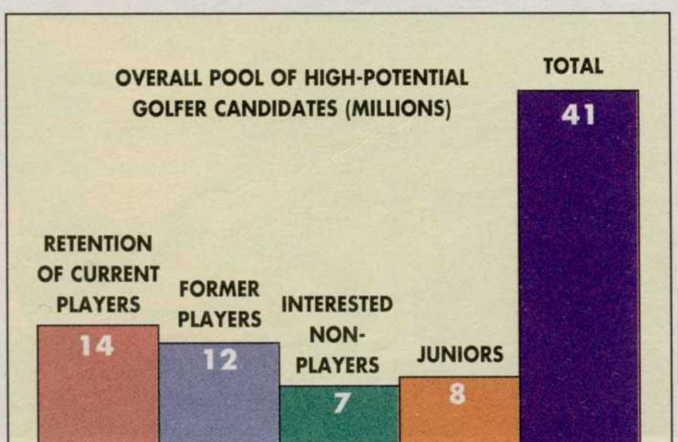
Jay Finegan, editor

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).

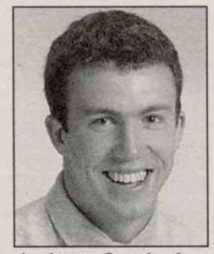
Continued on next page

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).

Why the sudden influx of online offerings?



Andrew Overbeck, managing editor

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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Coping with consolidation

Continued from page 7

will greatly influence a management company's perception of you and your crew. Ask for all mission statements and policy manuals to be made available to your entire staff. Make any changes necessary to align your current procedures to the information provided. Although this is not an easy task, it is necessary to help calm any fears you or your staff may have about the new operating procedures.

NEW OPPORTUNITIES

We have all heard stories of superintendents being dismissed without having an opportunity to change, but in most cases a well-educated, hard working superintendent is a valuable asset. The accomplishments of a professional golf course superintendent are always the result of dedication and perseverance. If you know what is expected and deliver quality results, your services will always be in demand.

Golf management companies are a growing force in the industry, and superintendents must adapt to the unique challenges this trend will bring. A golf management company can offer the superintendent structure, promotions and increased recognition.

I have been fortunate to work at the same property for 14 years under three different owners, six general managers and three directors of golf. As director of grounds for the Renaissance Pineisle Resort, I have been exposed to tremendous professional opportunities within the Marriott Golf family. I have great compassion for those who have had negative experiences with golf management companies, and I hope the strategies I have suggested will help others find success in their own situations. ■

Anthony L. Williams is superintendent at Renaissance PineIsle Resort. This article first appeared in "Through the Green," published by the Georgia Golf Course Superintendents Association.

MAILBAG

Old Brockway

Continued from page 6

have gone through to get their course certified. This is a feather in their cap. The Tahoe basin has a short season, and environmental restrictions that few other superintendent's have to adhere to.

I take my hat off to the whole staff at Old Brockway for their efforts. It took a great amount of work by a lot of people and agencies to get them their certification requirements fulfilled. Again, to Lane and his staff, keep Tahoe blue, and the greens true.

Sincerely,
Gary M. Puckett
Golf operations manager
Brevard County, Fla.

We want to hear from you

Letters to the editor are an integral part of *GCN*, so let your voice be heard. Send all correspondence to:

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Anderson in GCSAA's chairman's club

LAWRENCE, Kan. — Golf course developer and real estate investor Lyle Anderson has pledged to the Golf Course Superintendents Association of America (GCSAA) Foundation. The pledge is earmarked for the fundation's $5-million "Investing in the Beauty of Golf" endowment campaign and puts Anderson in the "chairman's club," which recognizes contributions of $25,000 to $50,000.

"The success I've enjoyed in developing golf course properties has been supported in many ways by golf course superintendents," Anderson said. "The association and its foundation are valued partners to the game and business of golf."

The GCSAA Foundation enhances golf by funding applied research and advanced education in course management. Since its inception in 1955, the foundation has provided more than $1 million in research support, and has funded more than 1,000 scholarships.