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ANALYZING DEMAND FOR ROUNDS

In my last column (GCI, February, page 20), I explained how to calculate golf rounds demand for a marketplace. The column left some readers with questions about the demand formula: Where do I find that number? Why do I add or subtract a percentage for age or income differences. What does it tell me?

The demand analysis is just a snapshot of what your marketplace should be producing (golf rounds) based on state averages. Variances will exist based on your region within the state, but state averages don't necessarily pertain to all regions of a state. As an extreme example, golf demand in Manhattan won't compare to North Salem, N.Y., because of population density. Another variation factor in this example is that North Salem is located on the border of Connecticut, and therefore, you would have to blend the participation rates and average rounds of New York and Connecticut to get an average of those for this city. Additionally, there are many statistical market adjustments that need to be considered when preparing an accurate demand analysis (e.g., the percentage of core golfers versus occasional golfers, ethnicity, gender, etc.). For a simple demand analysis, you need to adjust for the two most significant demographics: age and income. That's why it's a snapshot.

But the more important question is, "What does the demand analysis tell me?" First, you need to know how your course's performance compares to the average range you projected for your market. Is it higher, lower or within the range? Is it good, bad or average? If your rounds are lower, that suggests you're not getting your fair share of market rounds. That alone will be cause for you to critically review why. Curb appeal, price, maintenance, service, location and advertising exposure could be several reasons.

Your next step would be to evaluate, objectively and critically, the courses in your market area that compete directly against you for golfers' time and money. Part of your competitor analysis will require you to segment what business they're getting compared to you. How many rounds were generated from outings, hotel stays, seniors, leagues, etc. Are they getting compared to you? Knowing this will provide you an opportunity to target certain segments with your promotions. This becomes the basis for marketing planning.

On a more sophisticated level, a simple demand analysis compared to market demographics can reveal opportunities that might not be observed readily. For example, I was hired by a client who purchased a golf course solely to control the land for other business reasons. He didn't care about the golf course, per se, but he wanted to know if the operation could be profitable (it hadn't been to date). If it were going to be a financial drain operating it, he would be satisfied with just the land. From the simple demand analysis, we knew the course was underperforming.

After all the aforementioned market research was completed, I analyzed the income demographics and future income growth projections. The fastest growing and most substantial income segment was the $75,000 to $150,000 range. In 2000, it was 6.8 percent of the market, but by 2005, it was registering 13.3 percent of the market and projected to more than double (26.8 percent) again by 2010.

My report provided information the client requested. My added observations about this income growth segment drew the attention of several board members, and the strategic planning discussions changed to creating an upscale public facility catering to this growing income demographic. This opportunity proved more successful than allowing the club to compete in an oversaturated medium-level golf market and more profitable than letting the golf course go to seed. The initial demand analysis told us there was a serious positioning problem for the course as is. Then it was a matter of research to determine the most opportunistic positioning.

Now, what if your demand analysis reveals population-based rounds, but after your market research, you calculate facility reported rounds are 25- or 30-percent higher? It means the courses in your market are being played by golfers from outside your market area. Most likely, it means tourism or visitor demand. I discovered this after conducting market research for a client. The employees, pros and g.m.s didn't recognize any tourism play. It took extra time and a few interviews with those in the hospitality industry, but I was able to identify the sources of tourism pressure. Not surprisingly, no course was marketing to this demand. No course until then, at least. Owning that opportunity segment of business will generate significant rounds and revenue.

A simple demand analysis can tell you if you're faring poorly or barely average and will help point you in the right direction to increase your course's slow or stagnant rounds and revenue growth. GCI

A demand analysis example

250,000	Market population in a XX-mile radius
10.0	Golfer participation rate in your state
25,000	Number of golfers in the market
25	Average frequency of play in your state
625,000	Rounds of golf projected for the market
610,000 - 640,000	In this hypothetical example, adjust rounds for age (slightly lower than the state average) and income (slightly higher) and create a range of demand.
20.5	Number of 18-hole equivalents in market radius
29,756 - 31,220	Average rounds per 18-hole course in XX-mile radius