Barron's Article: Sad But True

BY PAT JONES

I received several excited phone calls and e-mails from folks toward the end of July about a "terrible" article that *Barron's* had published about the golf business. I went to the local newsstand and picked up a copy of the July 28 edition.

I dreaded opening the pub because I fully expected to find the usual misinformed junk about pesticides, racism or sexism jumbled up with outdated statistics and poor sources. I located the article ("A Rough Round: Why Golf's Prospects are Dimming" by Jonathan R. Laing) and began to read with some trepidation.

But to my great shock, I found myself nodding along in agreement with the article. In a nutshell, Laing suggests that the rosy investment picture of golf painted in the mid-'90s has not panned out the way anyone on Wall Street expected. Rounds are down, player development is flat, new course openings are half of what they were a few years ago and more courses than ever have "For Sale" signs out front because of overbuilding, overfinancing and over-the-top wishful thinking by dot-com millionaire developers.

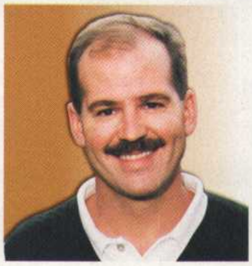
OK ... duh.

Laing goes on to cite the dismal performance of Callaway and other previously high-flying golf equipment stocks as well as the problems of publicly held companies like National Golf Properties and Golf Trust of America. He shows that public courses are slashing green fees, and privates are having fire sales on membership initiations. Corporations are cutting back on ritzy outings, and job insecurity makes it harder for Joe Middle-Manager to sneak off for a quick 18 holes once or twice a week.

Yup, yup and yup.

Laing, on ego-driven owners, perfectly describes their mentality: "The glamour of building and owning your own golf course can lead to the same suspension of sound business practices as financing a Hollywood movie."

And, on the 2001 article that started the hullabaloo on overbuilding, he nails it: "Many in the golf industry blame the bank credit freeze on a front-page story in the *New York Times*. It described a wave of course bankruptcies in golf-crazy Myrtle Beach. But the article was only the proverbial messenger of bad news. It's the wave of golf course loan defaults that has since spooked many investors."



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Check.

Finally, the piece contained one really interesting observation that struck home solidly with me. It quotes Professor John Rooney, an Oklahoma State University brainiac on the demographics of sports, on why an economic recovery may not be enough to restart golf's money machine. Rooney suggests that yesterday's Golf Nut Dad has evolved into today's Soccer Dad, and that cultural shift "saps as much as 25 percent of adult recreational time that might otherwise be devoted to golf." He concludes that, "These days ... time-stressed parents are increasing devoting their weekends to their children, which doesn't bode well for golf."

Gulp! Guilty as charged. I was just whining to a friend the other day about how I spend far more of my "free" time shivering on the sidelines of a soccer field or baking in little-league bleachers than I do playing the game that pays the bills at my house. Don't you hate it when someone pins down your demographic so neatly?

You can go out and find a copy of the article and judge for yourself if you like, but in my humble opinion, this guy nailed it. The point is that golf — to borrow from the investment terminology of *Barron's* — needs to undergo a market correction. Like the tech stock market, golf's brief period of "irrational exuberance" is over.

At the risk of mixing financial and nautical metaphors, I think our business is now on a Shakedown Cruise. The ships are overloaded and undermanned and we're plowing through some heavy waters. The most seaworthy vessels guided by the craftiest captains will survive. Others will founder or sink.

It's sad but true that, ultimately, the fleet will be stronger for it.

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