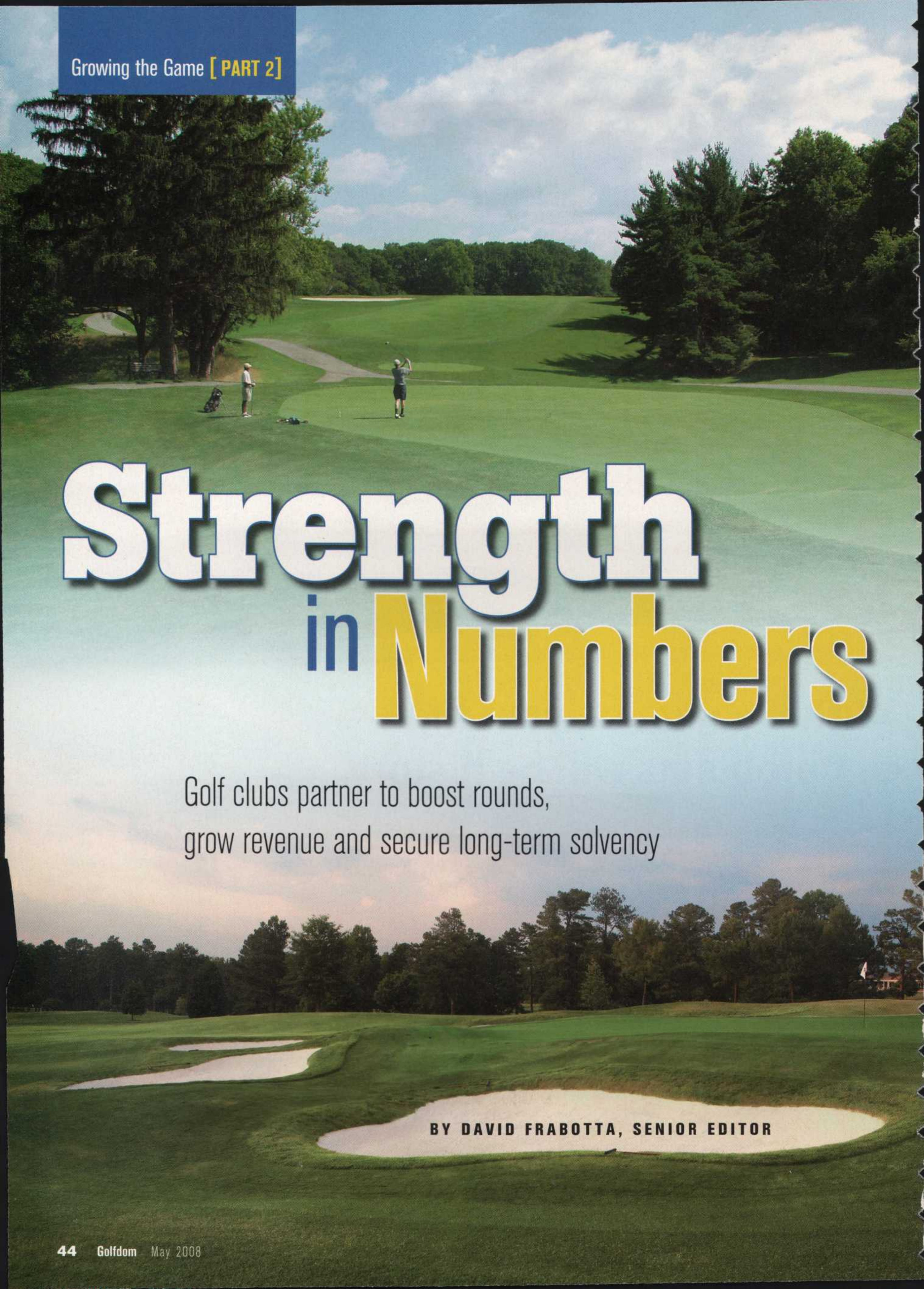

Strength in Numbers

Golf clubs partner to boost rounds, grow revenue and secure long-term solvency

BY DAVID FRABOTTA, SENIOR EDITOR

Stock market slumps, housing halts and a manufacturing exodus have foiled traditional urban prosperity, and golf clubs are on the list of industries taking a hit. Many golf clubs are losing more from attrition than they are gaining in new members.

That trend is troublesome for golf, which already has seen eroding rounds, fewer golf courses being built and heightened competition from existing layouts.

The building boom of the 1990s left an unprecedented challenge on the doorstep of many clubs: local competition. Suddenly, clubs needed to compete for members as never before as swanky, new links designed by superstar architects rivaled the stripped-down pure golf clubs of years past.

One of those pure golf clubs is Sand Ridge, a Tom Fazio layout, that opened in 1998 as an Audubon Certified Cooperative Sanctuary amid wetlands and rolling hills in Chardon, Ohio, about 30 miles from downtown Cleveland. Its grow-in superintendent was John Zimmers Jr., now the superintendent of Oakmont Country Club in Pennsylvania. It stretches more than 7,100 yards from the tips, and it slopes at 138.

It's a serious golf course for serious golfers. Problem was, just like many golf clubs around the country, members were leaving faster than they were signing on. Its competitive disadvantage resided in the fact that it didn't have a swimming pool or other activities for an active family. So if you wanted to belong to Sand Ridge, odds are you had to belong to another area club for family amenities.

"There was a time when people used to be able to belong to multiple clubs in the Cleveland area, and that is a market that has really eroded," says Peter Conway, president of Sand Ridge Golf Club from 1998 to 2006. "We decided to do something about it before it became a crisis and sought a partner that would help us down the road."

Luckily, the executive team at Sand Ridge saw the writing on the wall. It experienced normal attrition rates in the late 1990s of about 7 percent to 10 percent. But new members were joining the club in fewer numbers than those who were leaving, many of whom were cashing in some of their memberships in Northern states to bask in mild Florida winters. The result was a steady loss of about 1 percent to 2 percent of membership.

Sand Ridge started looking for a partner. It needed a reputable layout with traditional country club amenities to recruit families. It found Mayfield Country Club, a historic, inner-ring property where John D. Rockefeller enthusiastically watched Tommy Vardon shatter the course record in 1913 with a 67, and then again the next day with a 66.

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Above, the historic Mayfield Country Club merged with the Tom Fazio-designed Sand Ridge in 2006.

Below, the Raleigh Country Club welcomes members that belong to any club managed by McConnell Golf.

[ABOUT THIS SERIES] "Growing the Game" is *Golfdom's* quarterly series – now in its third year – that focuses on how the golf industry can attract more players to create more rounds. In addition to this installment on golf club mergers, we've also explored the impact women, minorities, disabled golfers and baby boomers could have on increasing play. We've talked to golf course architects about ways they can make the game more friendly for beginners and average golfers, highlighted creative marketing programs that golf courses use to attract new golfers, and explored initiatives aimed to quicken the pace of play and shake the game from its six-hour obligation.

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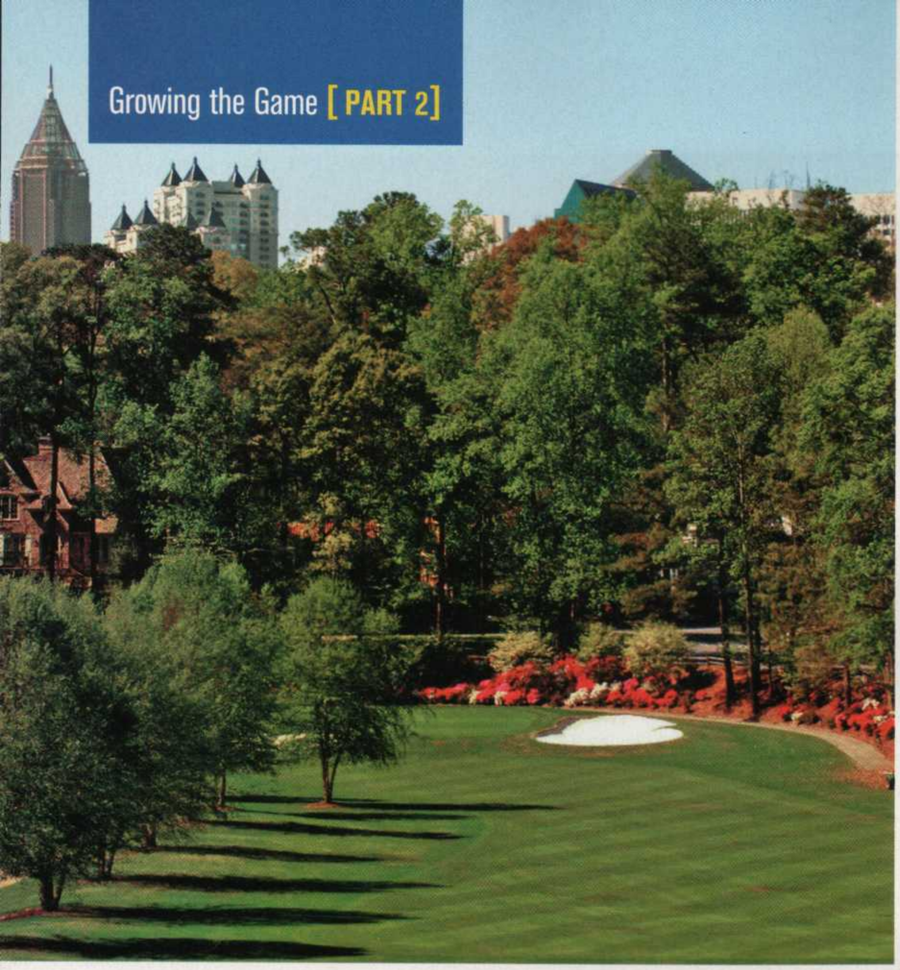

The nine-hole Ansley Golf Club in midtown Atlanta has always been a neighborhood facility, and now its members also enjoy the Bob Cupp-designed Settindown Creek (opposite page).

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Founders of Mayfield developed the property after Rockefeller refused to allow Sunday play on the nine holes that he owned at The Euclid Club because of religious reasons (nine holes were owned by another entity).

It could be a perfect marriage: a historic course (designed by Bertie Way and bunkered by Donald Ross) complete with family facilities combined with a new Golf Digest Top-100 golf club. The two clubs merged in May 2006 as the Mayfield Sand Ridge Club.

"We thought that offering Cleveland golfers a 36-hole club would make us hard to ignore if you were a prospective member," Conway says. "We also hoped that it might lead to more golf rounds because there would be fewer times that you couldn't get on the course because of outings, ladies days and the like."

So far, the merger has been good for business. "It's not only a value-added; it's a revenue addition for each club," Conway says.

Although a true merger is far from the norm, the two clubs had some precedent from two clubs that merged in Atlanta. In 1999, the Bob Cupp-designed Settindown Creek Golf Club was feeling the crunch of a declining stock market and dot-com blowout. It is a low-handicap course developed by former members of the Atlanta Athletic Club.

Settindown Creek, much like Sand Ridge, was a pure golf club measuring 7,100 yards from the tips with a slope rating of 145. And it has the prestige of hosting U.S. Open qualifiers, the Nike Championship, the 2005 Women's Amateur Championship and NCAA events.

But its low-handicap policy and lack of traditional country club amenities was making it hard to compete in an environment where workers and corporations alike were tightening their belts.

The club sought several partners, but none seemed to fit until it talked with Ansley Golf Club in midtown Atlanta. As an inner-ring club, Ansley was riding the wave of escalating real-estate in the area. Membership was stable, especially because the club had always been a neighborhood swim, tennis and social club for its 1,000-plus members, says David Sheppard, general manager for the merged facilities. But its nine holes (played twice from different tees makes it a 6,900-yard layout) were perceived as a recruiting obstacle because prospective members often favored traditional 18-hole courses.

"Ansley was solvent at the time, but neither club was doing great," Sheppard says. "The more we talked, the more we realized that we needed each other."

Ansley had just borrowed $10 million to renovate its pool, tennis facilities and clubhouse, and it went to the board for another $7 million to buy out Settindown's members.

"We were $17 million in debt, and back then we had about $6.5 million in revenue, so we were taking some risk," Sheppard says.

That risk has paid off in dividends less than a decade later, and the combined club looks to be growing despite today's difficult macroeconomic environment.

Prior to the merger, the combined club had about 1,300 members. Today it has 1,530, and many of them are new. Sheppard says 900 of its current members have signed on since the merger, and the club has seen a net gain of 26 members for the past two years. That's about 1.7 percent annual membership growth at a time when many clubs are experiencing declines in that range.

But where Ansley might be the envy of the industry is in its club usage rates. Growing the game and burgeoning business depends on usage rates and revenue. Since the merger, the combined club has grown from $6.5 million in revenues to about $15 million last year, including dues, which have more than doubled since the merger. It has curbed its operating deficit more than 86 percent from five years ago.

The largest financial benefit realized when merging clubs has been consolidating management teams, sources say, which allows the merged club to realize operational efficiencies and economies of scale. The Mayfield Sand Ridge Club saves more than $350,000 each year due to operational efficiencies, including a slimmer management team and shared marketing and accounting departments, according to Ned Welc, general manager of Mayfield Sand Ridge. The club decided to keep both superintendents, obviously to maintain the same level of conditioning at both clubs. But Conway, then president of Sand Ridge, is now self-employed with no administrative ties to the new club.

Conway took a voluntary layoff, but determining who should stay and who should go wasn't easy. Conway says it's important for clubs to merge with the perception of equality, which mean giving the appearance that staffs merge instead of one club taking over the other.

"You have to be prepared to see a reduction in management, and you have to be careful that one club doesn't seem to have all their folks survive and the others all go," he says. "So it's very political, and it's hard to determine who should stay and who should go."

Part of this process ensures that the membership will be comfortable with each other as two different cultures merge into one, including policies about dress, staff expectations and personal behavior, especially when it comes to using cell phones around the clubs.

"You have to think long and hard about whether the cultures of the clubs are compatible," Conway says. "There are going to be differences because they are two different clubs. But are they similar enough to avoid drama? Sometimes it's simple things, which shows you how this culture thing really gets down to the nitty gritty."

And the most essential thing is to

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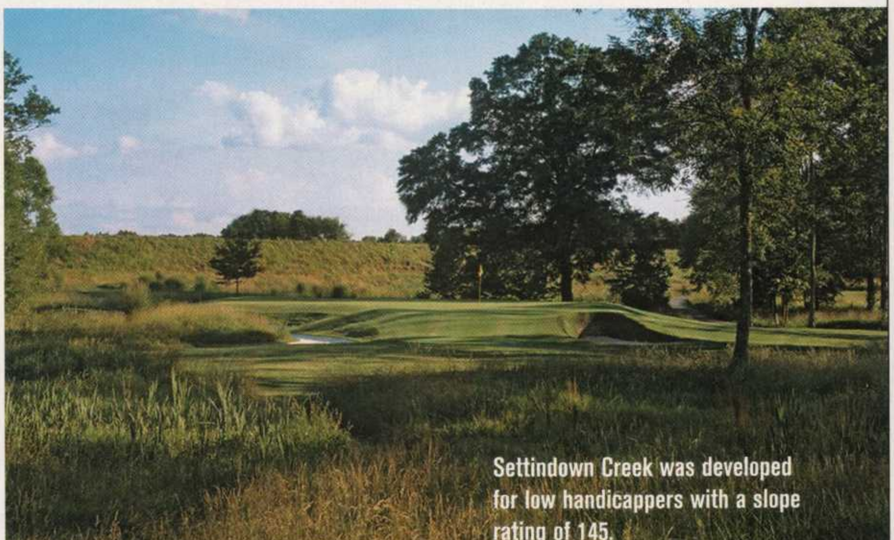

Settindown Creek was developed for low handicappers with a slope rating of 145.

"We're seeing membership at the other courses grow as a result of golfers being able to play other courses."

RAY McDONALD, VP OF MARKETING, McCONNELL GOLF

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merge while both clubs are still financially viable.

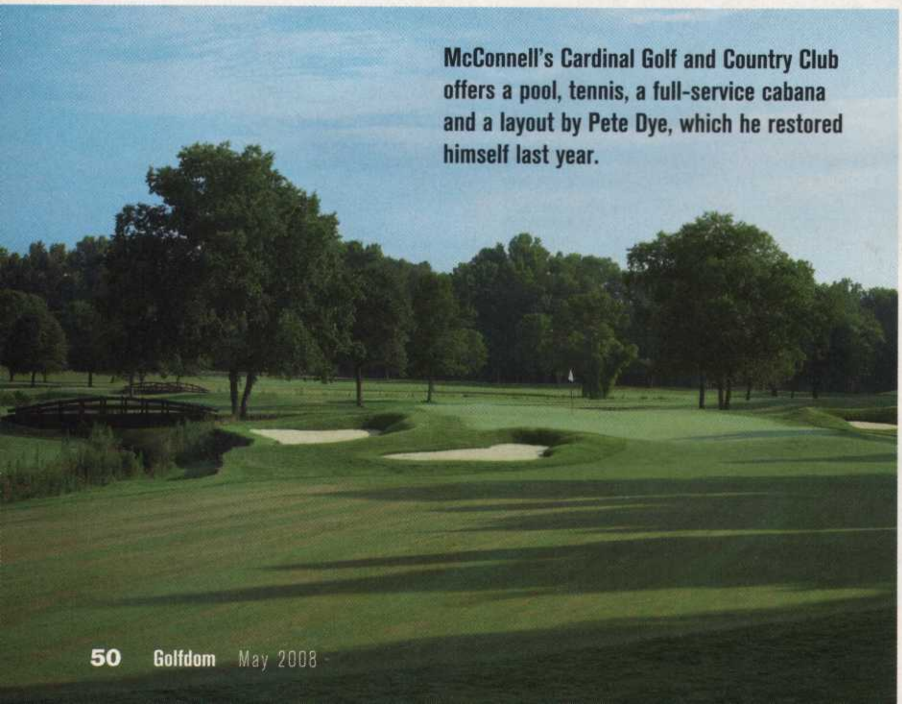
"We wanted to see how healthy both clubs are, or was one club going to drag the other down," Conway says. "We knew we would still need to weather a tough market, and a merger wasn't going to be the magic wand that eliminates those conditions, and if one club was shaky then all you have is a larger club that's shaky."

Although the merger has helped weather the brewing membership storm, it hasn't counterbalanced the trend entirely.

"We've done better than we would have if we had stayed separate, but there just aren't enough new members to go around," Conway says. "The value added of another golf course has resulted in a slight uptick of the number of rounds played, but not as much as hoped."

The continuing downward spiral of rounds and revenue have forced many clubs to take drastic measures, like sell, close or merge. But for years, many clubs have been courting customers by lending their facilities to other partner clubs, either ones in the area or sister clubs in the North and South that cater to migrating snowbirds.

That trend continues to develop, especially at facilities owned or managed by multi-property managers.



McConnell's Cardinal Golf and Country Club offers a pool, tennis, a full-service cabana and a layout by Pete Dye, which he restored himself last year.

ClubCorp, Troon and American Golf are good examples of how large management companies can leverage their portfolios to offer additional amenities and playing venues for members of a system.

At McConnell Golf, they've gone one step further by offering a membership option for its four clubs. McConnell Golf's national membership program allows golfers to join all of its clubs with a $10,000 initiation fee and $3,000 annual dues. The only caveat is that the closest club must be at least 100 miles away from a member's residence. McConnell manages the Raleigh Country Club, Cardinal Golf and Country Club in Greensboro, N.C., Treyburn Country Club in Durham, N.C., and Musgrove Mill Golf Club in South Carolina.

The management company's facilities are in close proximity to popular golf destinations, including Augusta, Ga., and Pinehurst, N.C. So McConnell figured it could cater to the built-in demand of destination traffic, especially because its Musgrove Mill property already had a significant number of members who lived in the Northeast.

"We think it will bring people who are accustomed to coming here to play golf to our facilities on a more frequent basis, and we think they will stay longer when they have more courses to play," says Ray McDonald, vice president of marketing for McConnell Golf.

While its national membership program has been successful, its membership growth at its other clubs is partly a result of reciprocal playing privileges. Club members within the McConnell system can play the company's other clubs 10 times like it's their home club. After that, they can still use the other clubs for normal guest fees.

"We're seeing membership at the other courses grow as a result of golfers being able to play other courses, so there is a niche market that we're looking for obviously," McDonald says.

Subsequently, members are not hard to find, even in an area with so many heralded layouts. There's even a waiting list to join Raleigh. How many clubs can say that these days? ■