Rays of Hope in a Stormy Economy

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Despite difficult financial times, superintendents are optimistic about the future, according to reader survey

BY LARRY AYLWARD
EDITOR IN CHIEF

Maybe they think the economy has bottomed out like John Daly's golf game? Maybe they think the economy, like Daly's career, has nowhere to go but up?

Whatever the reason, 34 percent of golf course superintendents expect the national economy to improve in 2009, according to *Golfdom's* recent annual reader survey, which includes more than 650 responses. The survey is part of our ninth-annual *Golfdom* Report, a detailed analysis on the state of the profession and the industry.

Yes, we find the 34 percent ratio rather high because only 26 percent of superintendents said the economy would improve in 2008 when we asked them this question more than a year ago. At that time, the country was only teetering on a recession, and few people expected the economy to tank as much as it did in the last few months of 2008.

At the time we contacted readers for this year's survey, some economists suggested we were teetering on … gulp … a depression! We were witnessing meltdowns in the financial and automobile sectors. The stock market was up and down like a Duncan yo-yo. And the topic of "government bailout" dominated discussion among armchair politicians everywhere.

For sure, the 26 percent of superintendents who predicted the economy would improve in 2008 were wrong. But let's hope that most of the 34 percent of superintendents making the prediction for 2009 are better prognosticators. We *want* them to be right, after all.

OK, enough optimism about the national economy improving. Let's bring it back home to the golf facility, where superintendents — not surprisingly — aren't as optimistic as they've been in the past.

In this year's survey, as in years past, we asked superintendents: How optimistic are you about the economic health of your facility in 2009?

Twenty-two percent said they are "very optimistic" and 34 percent said they are "kind of optimistic," which equals 56 percent on the glass-is-half-full side. However, that 56 percent is down from 66 percent when we asked superintendents the same question for 2008. At that time, 30 percent said they were "very optimistic" and 36 percent said they were "kind of optimistic."

Not surprisingly, the pessimism meter jumped a tad this year. Fourteen percent said they are "kind of pessimistic" about the economic health of their facilities, and 3 percent said they are "very pessimistic." Those numbers are up from 10 percent ("kind of pessimistic") and 1 percent ("very pessimistic") from a year ago.

It should also be noted that 27 percent of superintendents said they are "neutral" in their views for 2009 compared to 23 percent for 2008. That's not bad news.

Let's move on to the golf course maintenance budget, which was whacked mercilessly in 2008 thanks to high fuel and fertilizer prices that many superintendents didn't see coming. As for 2009, as in many industries across America, superintendents will be asked to do more with less. That's because their maintenance budgets, while not shrinking as fast as our 401(k) funds, are not necessarily increasing and remain flat in most cases.

According to our survey, 4 percent of superintendents say their maintenance budgets increased 15 percent or more from the previous year, a number that's down from 6 percent the previous year. But there was a big decrease in the number of superintendents who said their maintenance budgets are up 5 percent or more in 2009 compared to 2008. Thirty percent said their budgets are up that much this year, down from 43 percent last year.

The number of superintendents reporting their budgets remain the same in 2009 when compared to 2008 is similar — 42 percent this year compared to 40 percent last year. However, 17 percent of superintendents report their budgets are down 5 percent or more this year compared to only 9 percent in 2008. The num-

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A Cautious Man

Who would know best about the state of the golf industry? The National Golf Foundation's Joe Beditz, of course. I sought him to obtain answers about the game's future in this tough economy

By Larry Aylward, Editor in Chief

Heading into 2008, Joe Beditz said he was "cautiously optimistic" about the state of the golf industry. Going into 2009, the president and CEO of the National Golf Foundation said he was just plain "cautious" because of these tumultuous economic times.

"We're going into 2009 with great uncertainty," says Beditz, who lives and breathes the golf industry as the head of the Jupiter, Fla.-based firm that has been tracking statistics and trends in the golf industry since 1936.

Last year, when the country was on the eve of this nasty recession, Beditz said he was optimistic about the golf industry's health because rounds were down only a half percent in 2007 when compared to 2006. "It's surprising [rounds] are holding under these economic conditions," he said at the time.

Of course, not many people predicted the economic demise that occurred in 2008 and has continued into 2009. Despite a worsening housing market, as well as financial and automotive market meltdowns (among other things), rounds dipped only 1.6 percent through the first 11 months of 2008 when compared to the same time period in 2007.

"That's not bad," Beditz says.

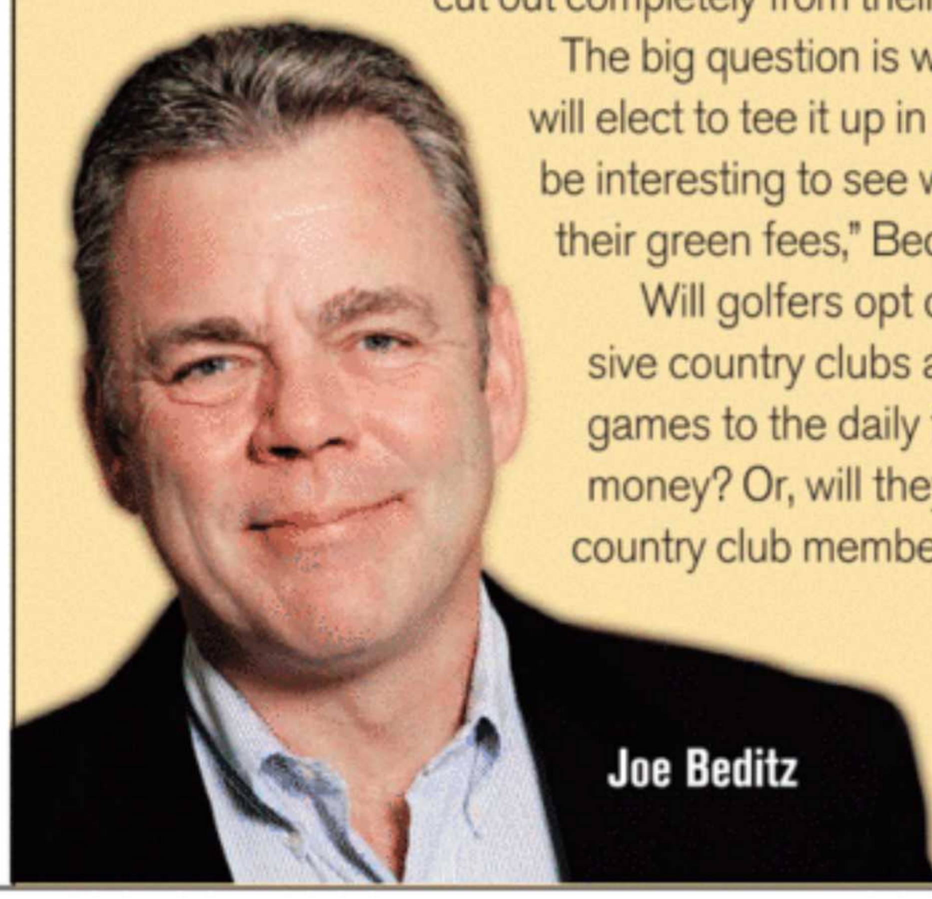
But the statistic is not good enough for Beditz to be as optimistic about the industry as he was a year ago. "This is not a time to put rose-colored glasses on and say everything is going to be fine," he says.

But Beditz does not doubt people will continue to play golf.

"The golf business is not drying up like the auto business," he says. "Golf is not the kind of expenditure that people must cut out completely from their spending."

The big question is where golfers will elect to tee it up in 2009. "It will be interesting to see where they take their green fees," Beditz notes.

Will golfers opt out of expensive country clubs and take their games to the daily fees to save money? Or, will they keep their country club memberships but play ►►►


Joe Beditz

more public golf? Beditz says courses in the mid-price market range are reportedly doing fewer rounds because premium-priced courses are discounting rounds to attract more mid-market golfers.

"But I'm not so sure the mid-priced facilities might not start looking better to people than a discounted premium facility that still costs more than the mid-priced facility," Beditz says. "If you and I normally play at a place that costs $40, but we get an offer to play for $60 at a place that normally charges $90, we might say that $60 looks pretty good because it's normally a $90 place. But the $60 fee still may not look as good when compared to the $40. Some people might say the difference is only $20. Others might view it as being able to play three rounds at the [mid-priced] place compared to only two rounds at the [premium] place."

The bottom line is more golfers are managing their costs per round just like they're managing their other household costs.

Of the nation's 4,415 private clubs, memberships are down an average of 23 percent from their peak with money as the reason why, according to a recent report by NGF, "The Future of Private Golf Clubs in America." Beditz says NGF research also reveals that 15 percent to 20 percent of private clubs are struggling. While he's not worried about them closing, Beditz says those clubs need to make smart business decisions.

"I think you'll see that more clubs will be forced to open their doors a little or a lot [to non-members] to generate revenue, which will provide additional opportunity for golfers to play these venues at certain times and at certain prices," he says.

While golf is often criticized as too expensive to play, Beditz disputes the notion. He compares golf courses to restaurants, where some are upscale and expensive and others are casual and less pricey. "People still eat out; they're just being careful with their choices," Beditz says. "We have plenty of affordable golf courses."

Like most people, Beditz anxiously awaits how the first quarter will shake out economically. "The bad news continues to pile up, but things will ultimately turn the corner," he says. "But 2009 is not a year to think about being aggressive [to grow]. It's about being defensive and careful. It's a year of caution."

Beditz says the golf industry is "only a little cog" in the big economic machine. "We're one of the least-affected industries, but we're still affected," he says. "But we have nothing to do with the causes of the recession. We're on the sidelines watching."

Beditz stresses that customer service is more important than ever for every segment of the golf industry. "All businesses in golf, be it a turf supplier or a golf course, need to be extremely focused on retaining their existing customers and keeping service levels as high as possible," he says. "In times like this, customer retention is incredibly important."

Beditz says he has been through recessions before, but this one is deeper and longer than the others. "But I'm optimistic that recessions don't last forever," he says. "I'm also optimistic that golf and the entire economy will come through this down cycle. And, I'm optimistic the vast majority of golf businesses in all sectors are strong enough to withstand it." ■

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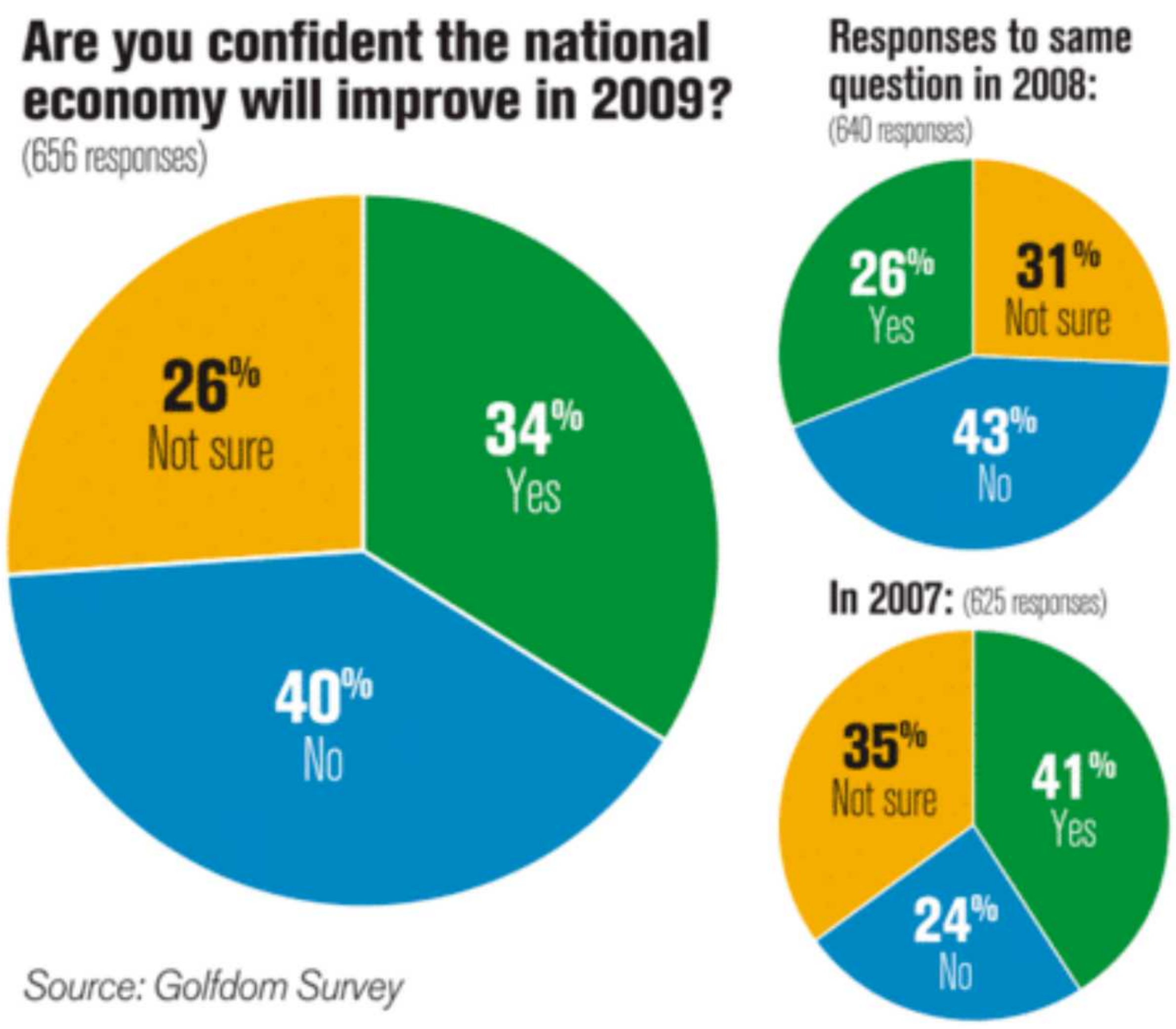
ber of those reporting that their budgets are down 15 percent or more also doubled in 2009 from 2008 — to 6 percent from 3 percent.

It's not uncommon in an unsettled economy for superintendents to be forced to cut items in their budgets. 2008 was one of those years. When fuel prices soared last spring, many superintendents found they had to make cuts in other areas to make ends meet. For instance, some superintendents reduced their mowing frequency to stay within their fuel budgets.

According to our survey, 48 percent of superintendents say they are most likely to reduce labor in 2009 if they must cut their maintenance budgets. That's up from 42 percent of superintendents who were asked the same question about reducing their 2008 budgets.

Are you confident the national economy will improve in 2009?
(656 responses)



Source: Golfdom Survey

But a telltale sign about how superintendents feel about their budgets came with the answers to the question: What is your biggest professional concern? The leading answer to the question has been the same the past three years: finding and retaining good employees. However, the percentage providing that answer dropped to 33 percent this year from 42 percent last year. And coming in a solid second place this year, which has not been the case in previous years, is that 23 percent of superintendents said their "budget" was their biggest professional concern. That number is up from 15 percent in 2008 and 16 percent in 2007.

Clearly, more superintendents are taking their budget issues more seriously. They're worried they won't have enough money to maintain their courses at the high

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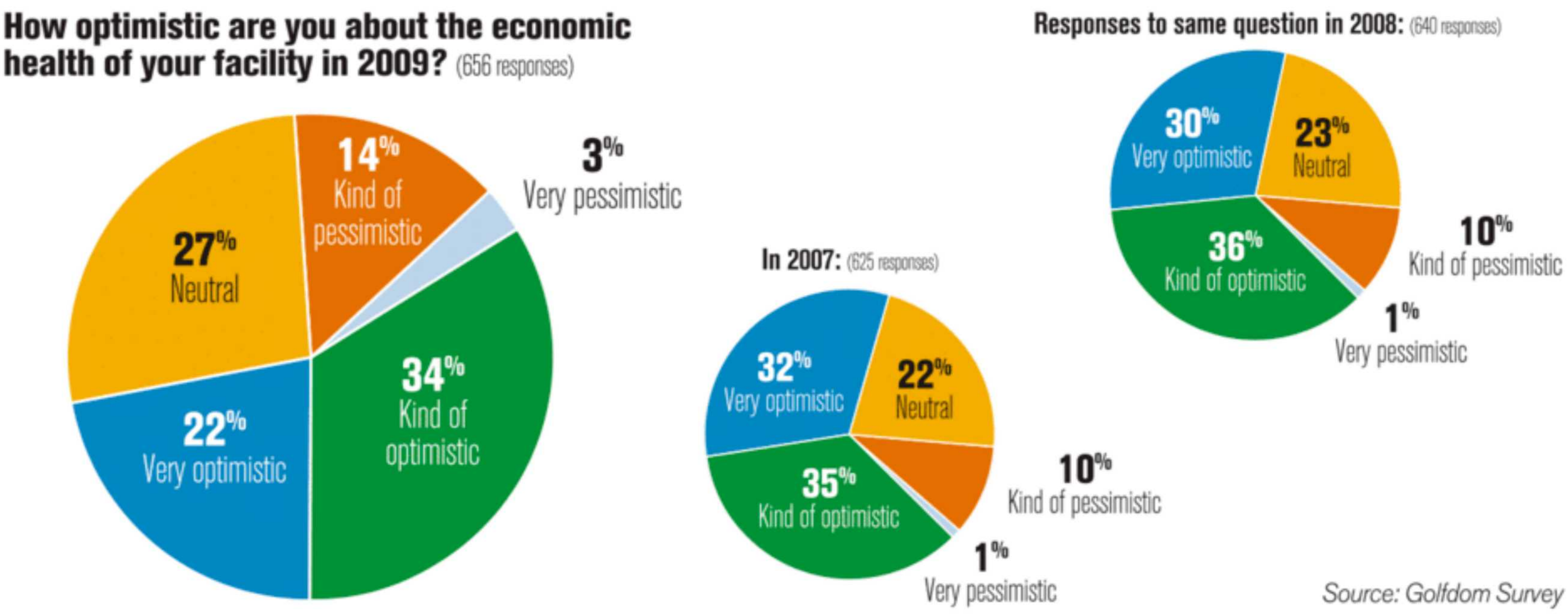

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levels to which they are accustomed. And if the courses look a little shaggy and the members/golfers complain about that, who do you think will take the fall? Indeed, it's a "professional concern" that makes sense.

It's interesting to note that golf rounds were down only 1.6 percent through November in 2008, according to Golf Datatech. Chalk that up to a victory considering sales in other industries plummeted much further, some accruing double digits.

Of course, there are fewer golf courses to play. The National Golf Foundation reports that U.S. golf course developers posted the lowest number of openings in two decades. Measured in 18-hole equivalents, 72 courses opened in 2008.

On the other side of the spectrum, the NGF reports 106 golf course closures in 2008. The NGF says most of those courses were "disproportionately public, stand-alone nine-hole facilities or short courses (executive or par-3 length) with a value price point."

That's a net loss of 28 courses in 2008. This golf course "correction" has been going on for a few years — it's the third straight year of closures outnumbering openings. The industry was overbuilt in the 1990s and early 2000s, and play has been flat. Something had to give — and it's giving.

However, with fewer golf courses and rounds not being down as much as they could be, could it be that competition for golfers and their rounds will be greater this year than ever before, especially in this economic climate? And considering that golfers place a premium on golf course conditions, maybe it's not a good time to make drastic cuts to the maintenance budget.

The catch phrase these days is, "I just want to make it through 2009." But the phrase has a hunker-down-and-stick-your-head-in-the-sand-and-let-these-bad-times-pass mentality. While it may sound like the safe route to take, is it the right route? Considering the battle for consumers' tightly grasped dollars, this is not a good time to offer less of a product to your customers.

Maybe all golf courses — private, public and municipal — should take a hard look at their game plans for this year. And if those game plans are only about "just making it through the year," maybe they should be revamped to say, "We're going to do everything in our power this year to have the best dang year possible."

A little optimism could go a long way. ■

For construction outlook, turn to page 22