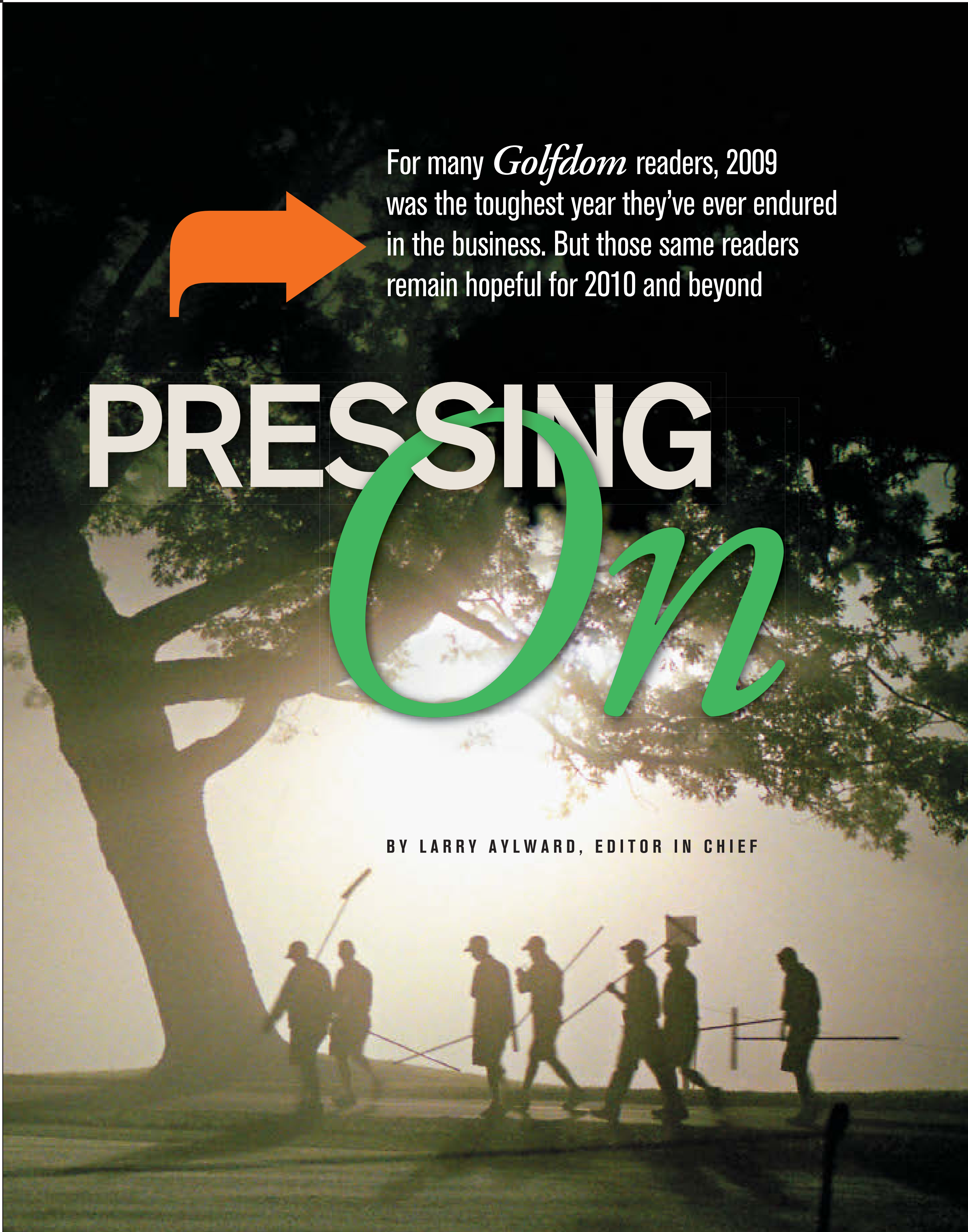

For many *Golfdom* readers, 2009 was the toughest year they've ever endured in the business. But those same readers remain hopeful for 2010 and beyond

PRESSING *On*

BY LARRY AYLWARD, EDITOR IN CHIEF

So how many times were you ready to push the panic button in 2009? How many times were you ready to pack it in on this lousy economy and pack a light suitcase to head to some remote island in the South Pacific and live off the land for a few years?

I don't know about you, but Tom Hanks in "Castaway" didn't sound so bad at certain dreadful points last year, like on March 8 when the Dow Jones industrial average tumbled to 6,547, its lowest point since April 15, 1997. That day, my finger came about the length of a golf tee from pushing the panic button.

But I refrained from pressing it. So did many of you. At times in 2009, we all found ourselves in a frenzy over the financial state of our world, including, closer to home, the golf course industry economy.

I'm sure most of us are happy that 2009 is in our rearview mirror. We're flooring the gas pedal to get away from it as fast as we can.

Which brings us to 2010. According to a recent survey of nearly 600 *Golfdom* readers, mostly golf course superintendents, many of you are optimistic about 2010, despite 53 percent of you saying 2009 was "the most difficult year your course has been through from an economic standpoint."

We asked you: How optimistic are you about the economic health of your facility in 2010? Twenty-seven percent of you answered "very optimistic" and 37 percent answered "kind of pessimistic." Last year, when we asked the same question for 2009, the numbers were 22 percent for "very optimistic" and 34 percent for "kind of pessimistic." That's an 8 percent increase on the optimistic side.

Only 2 percent of readers answered "very pessimistic" and 10 percent "kind of pessimistic" when asked the question. Those numbers are also down from last year. It should be noted that 24 percent of respondents answered "neutral" to the question.

This is good news — I'd say *exceedingly* good news — when you consider the economic debacle we've been through, harshly known as the Great Recession. Ask most any veteran golf industry insider, and he or she will tell you that 2009 was the worst state they've ever seen the economy.

But despite increased optimism, nobody is singing "Happy Days Are Here Again" in the golf industry. There's still concern about 2010. But from a general standpoint, the golf industry hasn't been pummeled economically like some industries have.

Rounds were down only 0.6 percent in 2009 when compared to 2008, according to Golf Datatech. Revenues were down anywhere from 5 percent to 7 percent, according to various sources, which isn't bad when you consider some enterprises were down 20 percent to 30 percent.

Of course, we've heard time and again that

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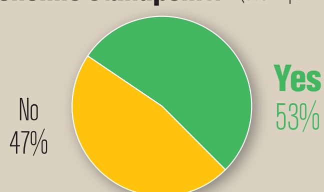
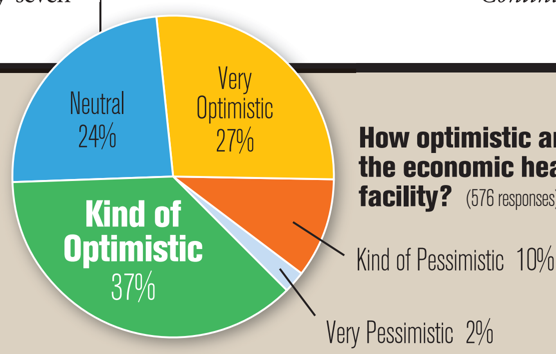
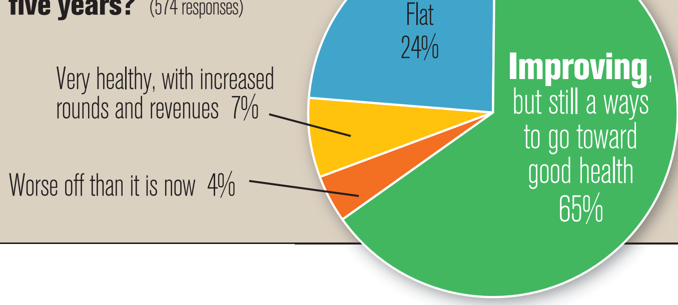
Was 2009 the most difficult year your course has ever been through from an economic standpoint? (568 responses)



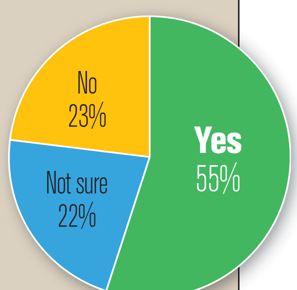
How optimistic are you about the economic health of your facility? (576 responses)



Where do you think the golf course industry will be in five years? (574 responses)



Are you worried that negative consumer confidence will continue to hamper golf course rounds and revenue in 2009? (577 responses)



Source: Golfdom Survey

PHOTO BY: MARY CORCORAN

Debunking the Chicken Little Mentality

The sky is not falling on the golf industry, NGF's Nathan says

By John Walsh, Contributing Editor

Everyone knows the golf business is suffering. It's a difficult time, to say the least. However, Greg Nathan, vice president of the National Golf Foundation, said it's not as drastic as many say. He gave a presentation about the state of the industry on the trade show floor at the Golf Industry Show in San Diego last month. The numbers he cited backed a more tempered message.

In general, golf market intelligence, which NGF provides its members, helps keep operators ahead of the curve.

"We measure what matters," Nathan says. "Operators use this information to make smarter decisions about their business."

That information starts with the basics. There are 28.6 million golfers, 16.6 million of which are core golfers, who are defined as those playing eight rounds or more a year. And the number of core golfers, who play 80 percent of the rounds and spend 80 percent of the money in the market, has been stable since 2000, according to Nathan. Yet, with the overall population growth, NGF hopes the number of core golfers will increase, too.

The number of rounds per golfer hasn't changed that much, Nathan says, citing 578.4 million rounds played in 2000 and 488.1 million (estimated) played in 2009.

"It's a great time to be a golfer because there are a number of quality options for a good price," he says.

There are about 16,000 golf courses in the United States, one-quarter of which were built during the 1990s. But the building boom is over. In 2009, there were 49.5 openings (18-hole equivalents) and 139.5 closings. Closings tallied 106 in 2008, 121.5 in 2007 and 146 in 2006. There also were 30 conversions from public to private, and 96 from private to public, adding 66 more golf courses to the public supply. During the past four years, net growth has been negative: minus 90 in 2009, minus 34 in 2008, minus 8.5 in 2007 and minus 26.5 in 2006.

Interestingly, there are about the same number of private clubs now as there were in the late 1920s. And since 1990, supply grew 34 percent while demand grew only 8 percent, which is causing stress as a result of the supply/demand imbalance. ■

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consumer spending, which helped get us into these dark times, will help get us out of them. That said, 55 percent of our readers are worried that negative consumer confidence will continue to hamper golf rounds and revenue in 2010.

In such difficult times, I like to speak to the golf industry veterans — the people who have been through the economic downturns and have refrained from pushing the panic buttons — to get their views on the subject and how to cope with it. One of those people is certified superintendent Dennis Lyon, manager of golf for the City of Aurora's (Colo.) Golf Division, who overseas seven courses and has been a superintendent since 1973. Lyon has seen good times and bad.

Dennis Lyon MANAGER OF GOLF, CITY OF AURORA'S (COLO.) GOLF DIVISION

"We've always managed on the edge to be as efficient as possible. But when you cut beyond that, you have impacts on the other side."

"The pendulum swings back and forth," he says matter of factly.

But Lyon says the Great Recession was the deepest economic hole he has ever seen the country get itself in. "And it may take longer to come out of, but we will come out of it," he adds.

While Lyon didn't push the panic button, he did hit the brakes when it came to maintenance spending. Lyon usually buys 60 new golf cars a year for his seven courses. He didn't buy any in 2009. He also advised the superintendents of the city's courses to cut back on fall fertilization to save money.

"We hunkered down a little bit," Lyon says.

Lyon, of course, was not alone. Forty-one percent of superintendents cut their budgets 5 percent to 10 percent in 2009, and 19 percent cut them 10 percent to 20 percent, according to our survey. Thirty-five percent said they didn't cut their maintenance budgets at all.

Interestingly, Lyon, despite his accrued wisdom, learned that he shouldn't have made some of the cuts he made. He regrets not purchasing the new golf cars because some of the old golf cars died on the course. Lyon not only had to spend

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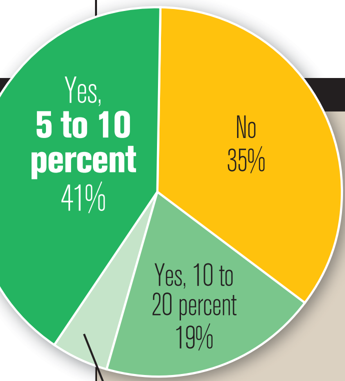
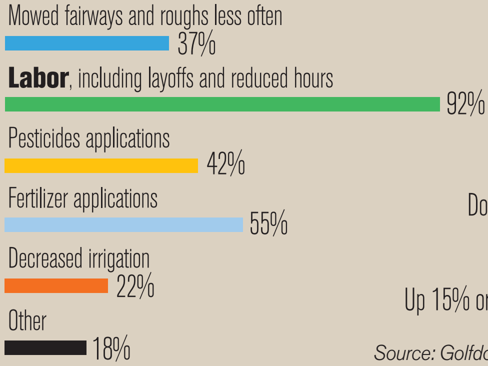
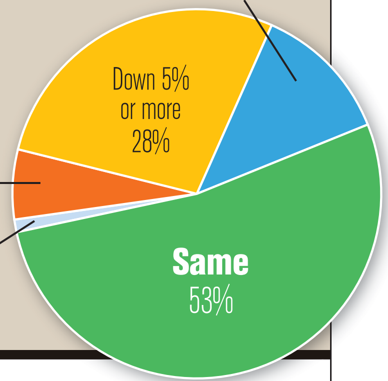


Did you cut your maintenance budget in 2009? (577 responses)

If your maintenance budget was cut, in what areas did you reduce maintenance? (577 responses)



Do you think your 2010 maintenance budget will be ... (577 responses)



Source: Golfdom Survey

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money to repair them, but his courses' employees had to deal with irate golfers who rented the cars destined to break down. The money saved on not purchasing the golf cars wasn't worth it, he adds.

"We've always managed on the edge to be as efficient as possible," Lyon says. "But when you cut beyond that, you have impacts on the other side."

Another veteran, Sandy Clark, the certified golf course superintendent for Barona Creek Golf Club in Lakeside, Calif., says 2009 was a year of unknowns and challenges in California, including the recession, the severely collapsed California real estate market and water-shortage issues.

"This is probably the most challenging period for the golf industry that I've experienced in my lifetime," says the 63-year-old Clark, who grew up in the industry (his father was a superintendent) and has worked in it his entire career.

"Several of the top private clubs in California have lost members, but the daily-fee courses that focus on lower green fees are holding their own," Clark says. "All of the resort courses have experienced drops in hotel guests and tee times."

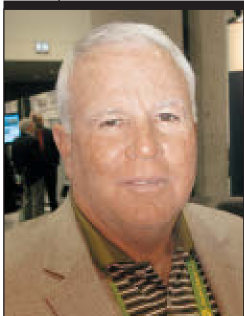
Seventy-five percent of readers from resort and semi-private 18-hole facilities nationwide said rounds were flat or down, according to our survey. Forty-two percent of readers from resort and semi-private 18-hole facilities said their rounds dropped 5 percent to 10 percent in 2009.

Clark says the golf boom of the 1990s has come back to haunt the golf industry in California and nationwide. "Most every developer wanted to build a fantastic, top-100 golf course," he says.

Problem was, many of those developers didn't consider how the high cost of course maintenance could impact their operations — translation: high green fees. Then they wondered why nobody was paying $200 to play their courses, and they weren't making any money.

"They didn't look down the road," Clark says.

Another veteran, World Golf Foundation CEO Steve Mona, is looking down the road and he sees better days for the golf course industry.



Sandy Clark
CERTIFIED GOLF COURSE SUPERINTENDENT, BARONA CREEK GOLF CLUB

"This is probably the most challenging period for the golf industry that I've experienced in my lifetime."

"I'm no economist, but my sense is we certainly have bottomed out," says Mona, who served the golf course maintenance industry for 14 years as CEO of the GCSAA from 1994 through 2008. "Being an optimist, I think we're moving back in the northerly direction, although not at a great rate of speed."

Mona also gets the vibe that people are more optimistic about the golf industry than they've been in the past two years. "But it's not wild optimism," he's quick to add.

Now more than ever, more clubs and courses, many
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of which are hurting from departed players, are open to embracing programs to help grow their businesses, Mona says. For instance, Get Ready Golf, a nationally branded program rolled out in 2009 to bring new and former golfers back to the sport, has exceeded expectations. The WGF projected that 700 facilities would sign up for the program, but more than 1,000 did. Mona expects 1,000 facilities to sign up this year.

The fact that golf course closures continue to outpace golf course openings continues to be a good thing for the industry from a pure market standpoint, Mona says. In 2009, for the fourth straight year, course closings outpaced course openings. "Supply and demand are coming into a better balance," Mona adds.

But Mona sympathizes with the golf course architects and builders who have been painfully stricken from doing business in the United States, even if a correction must occur.

However, Mona doesn't deny that all of the course closings are also hurting golf on the demand end. He knows there are cases of golfers who quit the game because courses they played near their homes were closed.

"For the sport to continue to grow and for more people to participate in it, you have to have supply," Mona says. "And when courses close, you reduce supply. It's not good for the supply to diminish on a macro basis because you need places for people to play that are convenient and offer a way to enter the game in a convenient and cost-effective manner."

Like Mona, Mike Hughes, executive director of the National Golf Course Owners Association, is optimistic to a point about the golf economy. Hughes says he's "upbeat" but not "crazy upbeat."

"I try to see opportunity where I can see it," he says. "There have been some positive stories in the midst of this downturn."

Most of us have heard only the negative stories, especially about the rash of struggling private clubs. But Hughes says the golf industry can't be painted with a broad brush. There are major differences in club and course types, which are relevant to their success. Some clubs and courses have weathered the recession better than others.

Hughes cites Billy Casper Golf, which operates 100 mostly public facilities, as a management company that has endured these hard times.

"Billy Casper Golf has a lot of middle-of-the-road courses and has come through this well," Hughes says. "[The company] is managing costs with great discipline."

On the other hand, to nobody's surprise, high-end destination resort courses have suffered because of the diminished corporate outing business. Some wonder

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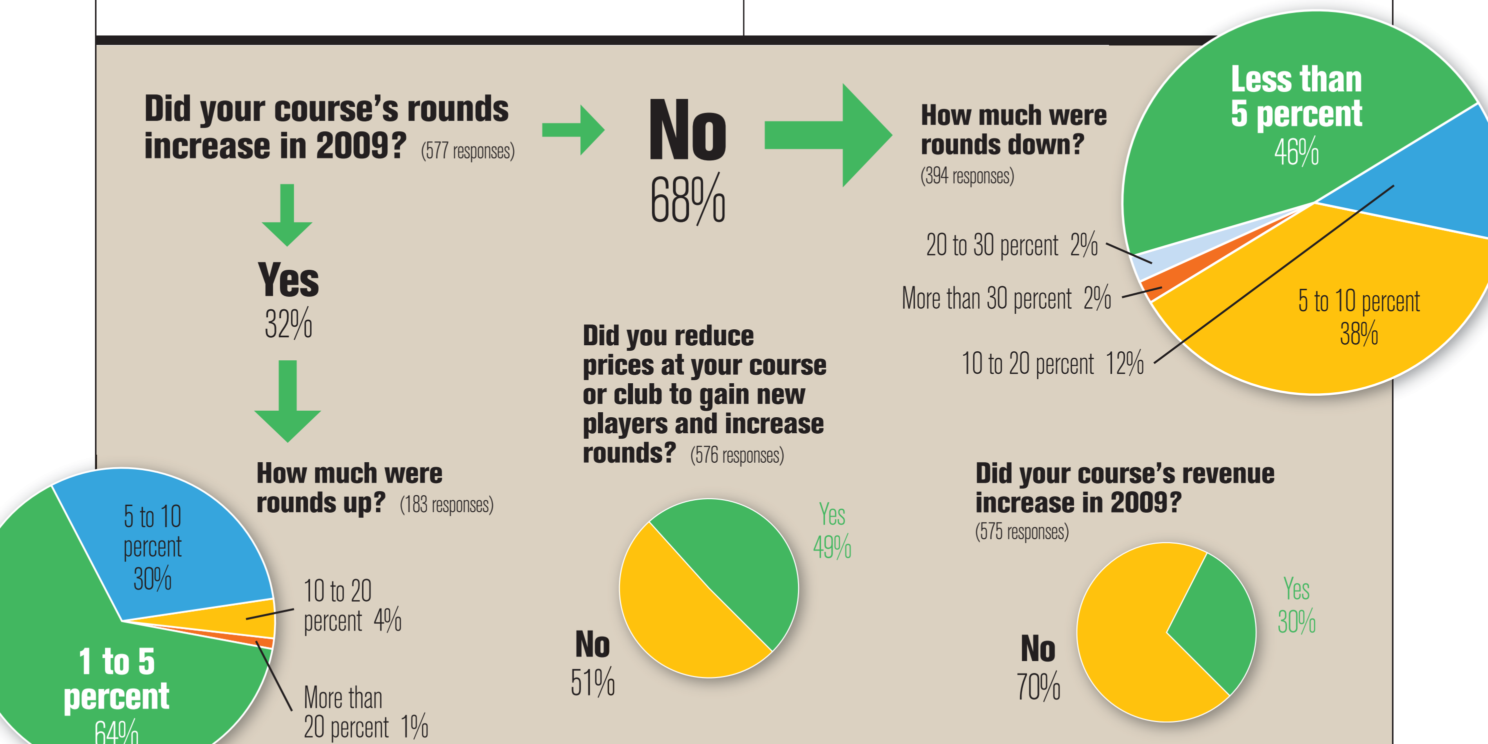
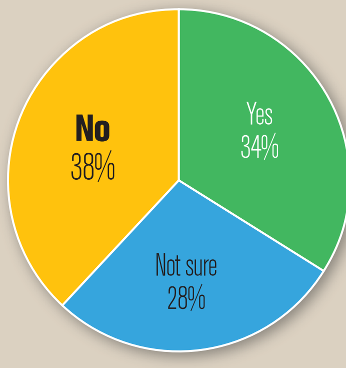


Source: Golfdom Survey

Are you confident the national economy will improve in 2010?
(576 responses)



Source: Golfdom Survey

Continued from page 24

if the corporate golf business will ever come back? Not Hughes. "Why would that not be the case?" he asks.

Hughes answers his own question by saying it's human nature for people to think that things like economic downturns and upturns are the be-all, which they're not. Hence, Hughes believes corporate golf will begin to rebound as early as the spring.

"I don't think it's going to come roaring back in the spring, but we'll start seeing an uptick," he adds.

Some of that uptick will occur because many business people no longer consider it taboo to play golf on a company's dime, which wasn't the case a year ago when they didn't want to be seen on golf courses and perceived as frivolous spenders. But that thinking is fading, Hughes says.

"We're not hearing criticism from Congress people that it's an evil thing to go on a corporate golf outing," he adds.

Another reason Hughes is optimistic is because owners have become accustomed to operating in the recession. "They've gotten used to grinding it out," Hughes says.

Hughes predicts the golf industry will improve as the general economy improves.

"We weren't exempt on the downside, and we won't be exempt on the upside," he says.

While Keith Smith doesn't have the golf industry experience of some veterans, the former superintendent turned financial consultant for MorganStanley Smith-Barney knows something about the X's and O's that drive the economics of the golf course industry.

Smith expects further consolidation of private clubs. He also says golf rounds will continue to increase at public facilities at the expense of private clubs.

"More public courses' rounds will increase and a lot of lower- or middle-tier country clubs will struggle because people won't renew their memberships," he says.

Smith says even more golf courses need to close than open for the industry to gain economic strength. And as long as new housing starts are slow, golf course construction will be slow.

"Many golf courses that were getting financed were getting financed because there were housing developments next to them," he says.

It's always fun (or not so fun, depending on the answers) to ask readers the proverbial crystal-ball question. So in our survey, we asked them: Where do you think the golf course industry will be in five years? Most respondents (65 percent) answered, "Improving, but still a ways to go toward good health."

At least most people aren't pushing the panic button when they look into the future. It's a good sign that most people are pressing on and hoping for better days.

"Golf will be in a better place in five years," Mona predicts.

Here's hoping Mona's right. ■

For **2010 OUTLOOK**, *turn to page 28*