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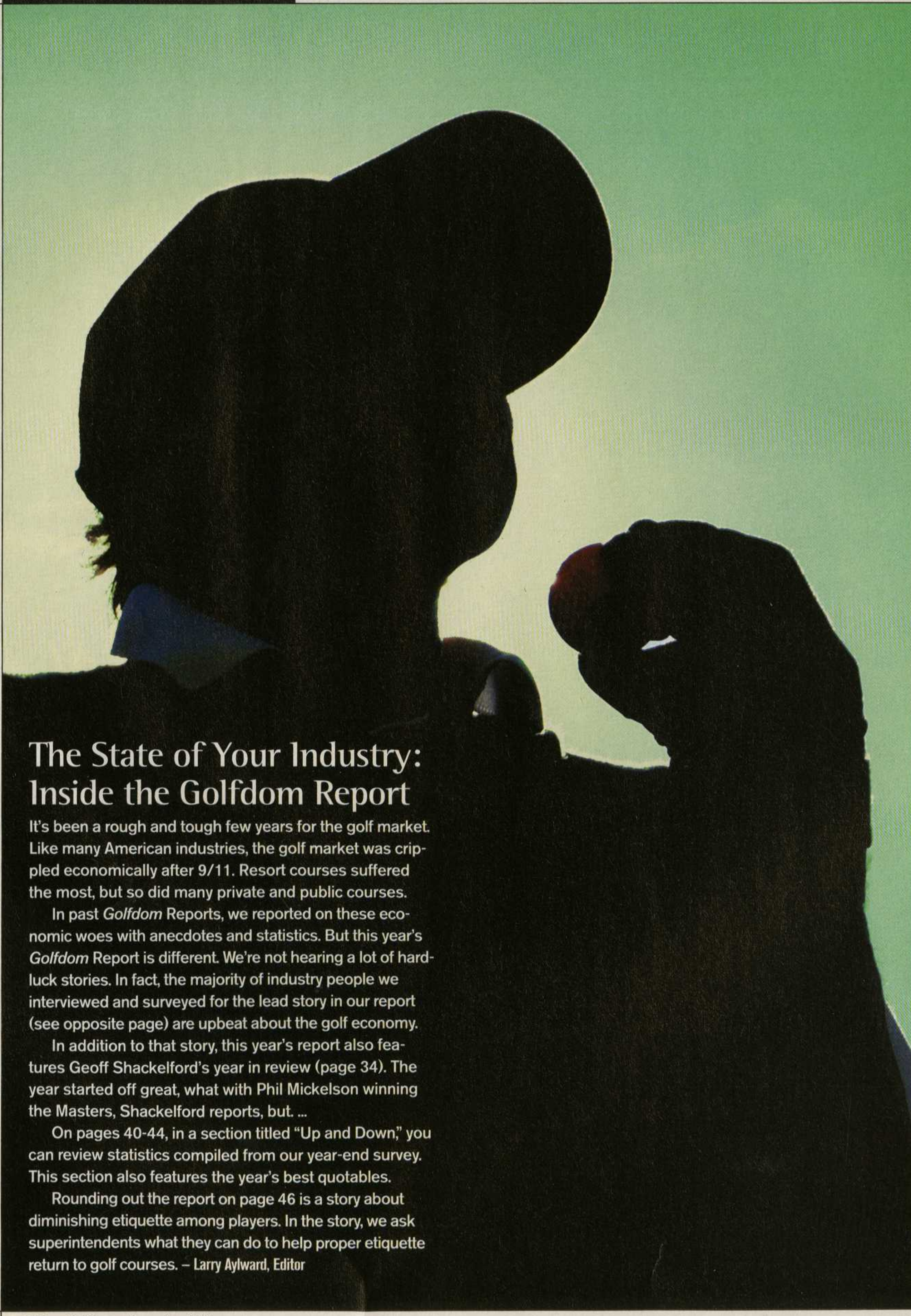


MEDIOIMAGES/TOM JOHNSON

The State of Your Industry: Inside the Golfdom Report

It's been a rough and tough few years for the golf market. Like many American industries, the golf market was crippled economically after 9/11. Resort courses suffered the most, but so did many private and public courses.

In past *Golfdom* Reports, we reported on these economic woes with anecdotes and statistics. But this year's *Golfdom* Report is different. We're not hearing a lot of hard-luck stories. In fact, the majority of industry people we interviewed and surveyed for the lead story in our report (see opposite page) are upbeat about the golf economy.

In addition to that story, this year's report also features Geoff Shackelford's year in review (page 34). The year started off great, what with Phil Mickelson winning the Masters, Shackelford reports, but. ...

On pages 40-44, in a section titled "Up and Down," you can review statistics compiled from our year-end survey. This section also features the year's best quotables.

Rounding out the report on page 46 is a story about diminishing etiquette among players. In the story, we ask superintendents what they can do to help proper etiquette return to golf courses. – **Larry Aylward, Editor**

Better Days, But ...

There are signs the golf industry is pulling itself out of the economic doldrums. But the financial slump isn't over yet, experts say

By Larry Aylward, Editor

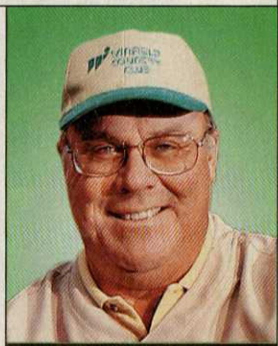
It's a glorious October day in Pinehurst, N.C., and Matt Massei sits in his office at the famed Pinehurst Resort, where he's director of golf. It's early afternoon, and Massei sounds like he's ready to take a page from Ferris Bueller's book.

"My favorite time of the year in Pinehurst is now," Massei says enthusiastically. "It's cool in the morning, and in the mid-70s during the day with blue skies. It just makes you want to get out there and hit it."

The good news at Pinehurst is that people lined up to "hit it" more this year than in the past few years. Massei estimates golf rounds increased 6 percent to 8 percent in 2004 when compared to 2003. "We had a solid year," he adds. "We saw some nice growth."

Yes, Massei did say "growth." And get this — other golf industry number crunchers from throughout the country also mention the "G" word when asked about their courses' performances in 2004.

Business at Shenvalee Golf Resort was as brisk as a Burger King at lunchtime, says Charlie Fultz, superintendent of the New Market, Va.-based 27-hole daily-fee and resort facility. Fultz, a member of *Golfdom's* Advisory Staff, reported in October that overall rounds for the year were pushing 60,000, an increase of almost 12 percent. "We're extremely pleased," Fultz says with a spark in his voice.



Steve Hollembeak says business didn't get any better in 2004, but it didn't get any worse – and that's a good thing.

Last year at this time, Steve Hollembeak, certified superintendent of Winfield (Kan.) Country Club, lamented about the economic troubles his golf course faced as a result of his small town's dismal economy. Winfield's membership had declined dramatically, and Hollembeak had been asked by members to cut his maintenance budget for the third year in a row.

But Hollembeak is upbeat about the course's business a year later. While business didn't get any better in 2004, it didn't get any worse.

"That's a good thing," Hollembeak announces. "It's a sign things are getting better."

Indeed, things *are* getting better, albeit slowly. The National Golf Foundation (NGF) recently reported that rounds in the United States were up 1.3 percent for the first three quarters of the year when compared to the same period in 2003. Golf Datatech, a Florida-based market research firm, estimated that rounds increased 0.4 percent

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nationally for the first eight months of the year when compared to last year.

But while business has improved statistically and anecdotally, it's not as good as most owners would like it, says Mike Hughes, executive director of the National Golf Course Owners Association (NGCOA).

"It hasn't rebounded to the levels that it was before we had the downturn," Hughes says. "The best way to describe it is that things are marginally better. It's certainly not going gangbusters like it did in the mid- to late 1990s. Individual play is lagging a bit in some markets. There's also a lot of price competition in many markets."

Lee Hetrick, executive director of the Golf Course Builders Association of America, says business was "lean" for the organization's roughly 100 members this year. But that's better than being "really lean" like business was in 2002 and 2003.

"There seems to be enough activity to keep them occupied for the time," Hetrick says, adding that builders are operating at "peak efficiency" and competition is sharp.

The bottom line is that nobody in the golf industry is jumping up and down and acting like they won the World

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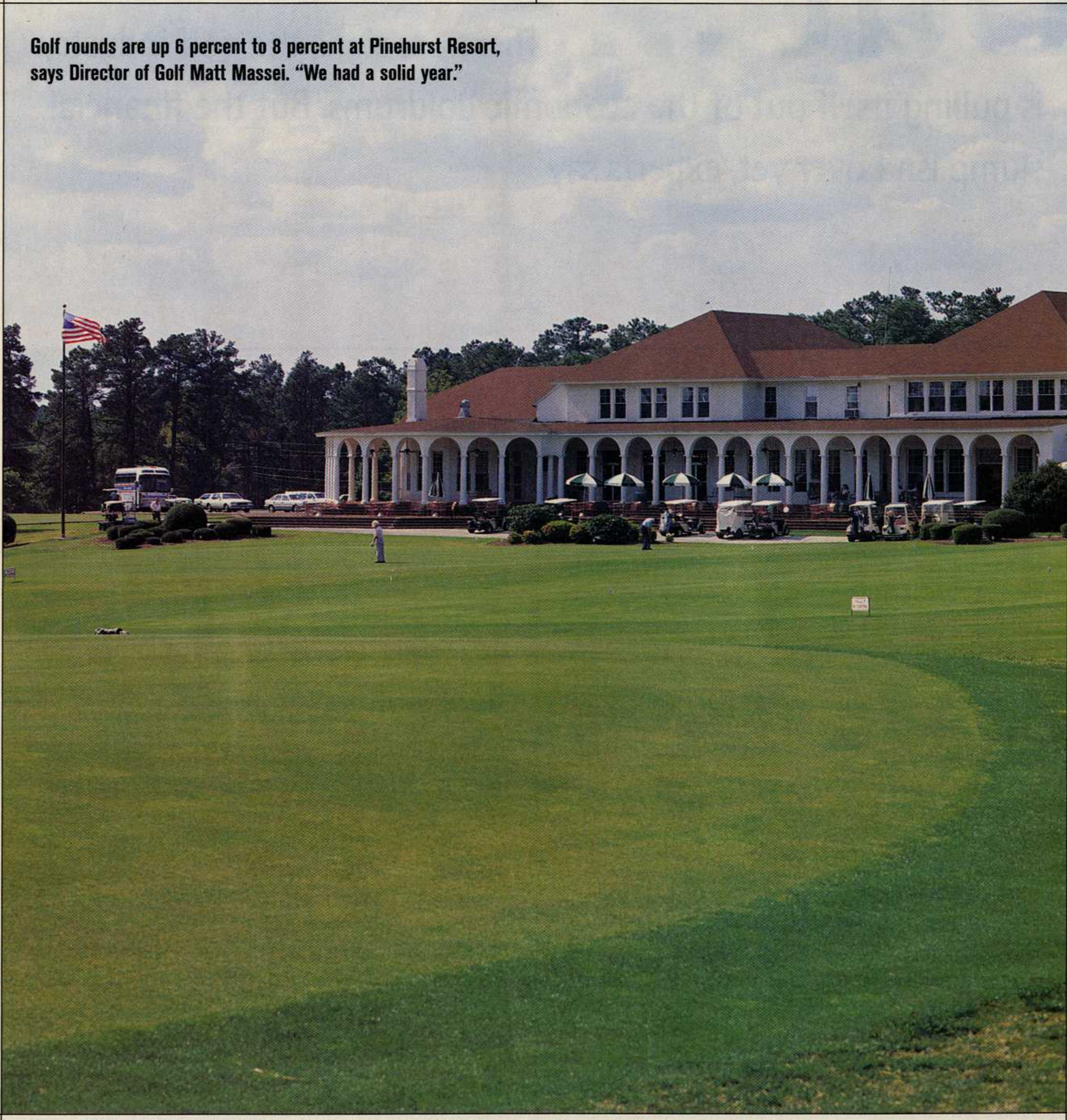


Golf rounds are up 6 percent to 8 percent at Pinehurst Resort, says Director of Golf Matt Massei. "We had a solid year."

MIKE KLEMME

Sure Thing #1:

THE SUN WILL RISE TOMORROW.

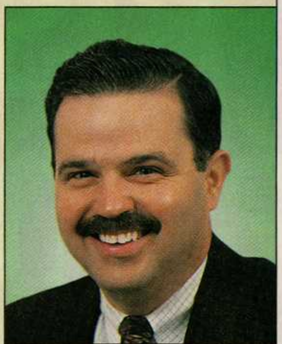
Continued from page 24

Series despite the decent economic news. They remember that yesterday's headlines — "Feeling the Economic Pinch" and "Still Struggling," among others — aren't exactly dated.

DiPaola: Clear Winners and Losers in Chemical Market

Joseph M. DiPaola, golf market manager of Syngenta Professional Products in Greensboro, N.C., knows all about global warming. He just hasn't experienced the phenomenon first-hand in almost a decade.

"Where was the hot summer?" he asks of 2004. "We haven't really had very hot, humid summer conditions that favor a lot of insects and disease in quite some time. In the heart of the population centers in the United States, you'd probably have go to back to 1995 when that last happened."



Joseph DiPaola says the lack of a hot, humid summer led to less outbreaks of insects and disease.

Despite the turf-friendly weather patterns, some chemical companies prospered. "From a generalized standpoint, I think there are clear winners and losers, if you will, from a business standpoint in '04," DiPaola says.

As for Syngenta, "we're having a good year," he said in October. "Things got very busy in '04. Good busy. Things seem to be moving at an even faster pace than they used to. I don't know what that's all about, but maybe it's because there's been kind of a turning of the corner in the golf market. Not for everybody, and not everywhere, but in general, the turning of the corner overall."

Companies that succeeded did so because of various intangibles, DiPaola says, citing customer service, sales and marketing expertise, and personnel expertise. "All of that makes a difference in the marketplace, and some folks do that better than others," he adds.

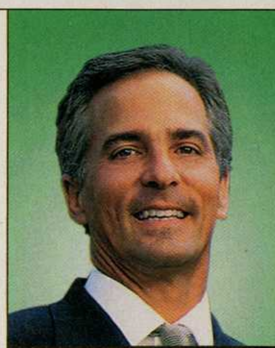
Dollar spot remained the top foe for superintendents. "With the cool, wet pattern, particularly in the Midwest and Northeast, dollar spot was once again a very large issue for folks," DiPaola says. "The problem is that it is persistent when the weather pattern stays in that mode for long periods of time. It's a manageable problem, but it's also the No. 1 disease problem for golf turf."

As for 2005, DiPaola says it's difficult to make predictions because technology allows scenarios to change far more quickly than in the past.

"Today if something very positive or negative happens in the marketplace, it's literally hours until 10 or 12 superintendents in the United States are already aware, regardless of where they're located," DiPaola says. "That's a large dynamic in either capturing something positive or dealing with something negative."

– Thomas Skernivitz, Managing Editor

They also realize that it's wise to answer any how-do-you-think-the-industry-will-perform-in-2005 questions with the guarded phrase, "We're cautiously optimistic."



Mike Hughes says individual play continues to lag in some markets.

Looking back

Hollembeak began his career at Winfield, which opened in 1917, in 1979. "This is the toughest economic time I've seen since my tenure here," he says of the past several years.

Hollembeak's work force has been slashed from eight to four full-time employees the past two years. In 2001 his maintenance budget was a tad under $300,000. Now it's about $220,000.

To make matters worse, a new golf course was built in Derby, Kan., about 30 miles from Winfield. "We've lost a few members to the course, but the jury is still out on how it's going to affect our business," Hollembeak says.

Nevertheless, Hollembeak is upbeat about 2005. He says the town's economy has already hit bottom and has nowhere to go but up. "I think we'll gain some numbers," he says of the course's business in 2005.

Hollembeak is not alone in his optimism. According to a recent *Golfdom* online survey of about 350 superintendents, nearly 70 percent of them expect the economy to improve in 2005. About 40 percent of respondents said they were "kind of optimistic" about the economic health of their facilities, and 31 percent said they were "very optimistic."

However, 41 percent of respondents said they don't think the golf industry's economic slump is over compared to the 20.5 percent who believe it has ended.

While Pinehurst's Massei is pleased with the resort's growth, he says, "We haven't had a breakthrough year by any stretch of the imagination." He adds that group business has rebounded well, although not to the extent that it was before Sept. 11, 2001.

"But I don't think there's anything we're seeing for that trend not to continue," Massei says of the recovery.

He admits that Pinehurst's upturn in business could be attributed partly to the excitement surrounding the 2005 U.S. Open, which Pinehurst No. 2 hosts in June. But Massei also says competing golf resorts saw a spurt of business this year.

"It's not a marked improvement, but we're out of the trough we were in," he says of resort clubs. "People are more

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Sure Thing #2:

WATER ROLLS OFF A DUCK'S BACK.

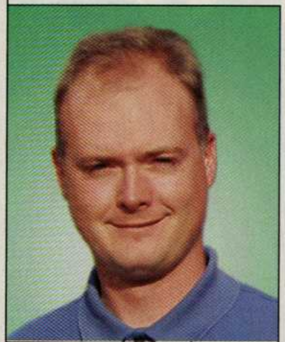
Continued from page 26

confident to go out and take vacations and spend some of their hard-earned money that they were holding so close to the vest the past two years."

Despite the whopping increase in rounds at Shenvalee, Fultz says resort business still hasn't come back from the numbers it posted before 9/11. Fultz also isn't ready to declare that the golf business is back on its feet. That's because he's heard from other area superintendents that their courses' rounds were flat in 2004.

Rounds at Bunker Hill Golf Course in Brunswick, Ohio, have also been down since 9/11, but not as much as rounds at other courses in the area, says Todd Ingraham, the course's director of golf.

Bunker Hill is doing well because the 18-hole course has adopted a business strategy that focuses on continuous improvement. In the past several years, Bunker Hill, which opened as a nine-hole course in 1927, has added two new holes, renovated its greens, put in cart paths and added a new irrigation system, among other things.



Todd Ingraham says Bunker Hill's course improvements led to increased rounds.

"We're drawing more customers because of the improvements we've made," Ingraham says, noting the course also didn't break the bank to make the improvements. "We've weathered the storm by being the type of business that focuses on constant improvement."

In action

During his address to owners at the NGCOA's annual meeting earlier this year, Hughes urged owners to try and find new means to get more players on their golf courses. Specifically, Hughes says owners must cater to time-starved golfers with programs that fit into their busy schedules.

Hughes says some owners took his message to heart and have implemented such programs with success. "In fact, one owner told me his business was up 15 percent because he made such adjustments at this course," Hughes says.

Ingraham says Bunker Hill implemented an early-bird special this past summer for golfers who wanted to play during the week between 6 a.m. and 8 a.m. Prices were slashed during the time slot from $36 for 18 holes with a golf car to $25.

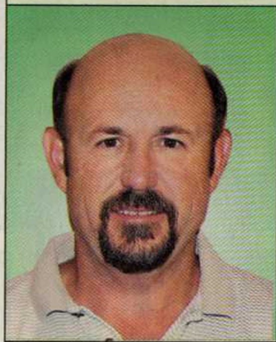
"It doesn't help anybody if the course goes unused," Ingraham says. "We thought if we could sell it at a

Continued on page 30

Naumann: Successful Distributors Got Down and Dirty

When Don Naumann, president of Sierra Pacific Turf Supply in Campbell, Calif., recaps 2004, he uses nitty-gritty action verbs like "hustle" and "scramble." And having seen his independent distributor employees come home sporting a few grass stains over the year, he couldn't be happier knowing they held their own in a dog-eat-dog economy.

"For the most part, after talking with other distributors, it was a very competitive year," Naumann says. "Volumes were down for a couple of reasons: No. 1, the weather nationwide wasn't what it could have been, so there wasn't as much disease. And there seemed to be a lot of scrambling in the marketplace because a lot of the major distributors were in a state of flux, so a lot of the independent distributors were scrambling after their business."



Don Naumann says more buy-in groups will form to help keep costs down.

Sierra Pacific Turf performed well in 2004, Naumann says, thanks to upbeat fertilizer and chemical sales that offset a "way down" irrigation market attributable to sparse new construction, he adds. "I guess we hustled more," he says. "We didn't take any customer for granted."

As a whole, distributors continued to adapt to ever-tight budgets, Naumann says.

"I would say that sales were slightly up, but profit was way up – not double-digit (up), but it was up," he adds. "And the reason is because people became used to some of these budgets, and they trimmed some of their own overhead, making it a little more efficient."

"Golf is still not growing at the huge rate that we thought," he notes. "So, as a whole, we've learned to be a lot more frugal. I guess we're picking and choosing who we go to."

Going into 2005, Naumann says the rising cost of natural gas remains a concern, affecting both the production of fertilizer and the delivery of products.

"Fuel cost is a major increase," Naumann says. "More and more people are charging for delivery. There are no longer free deliveries."

Yet another strategy in reducing costs, Naumann adds, is the prospect of buy-in groups.

"You're going to see more and more buy-in groups getting started to help keep the costs down," he says. "I'm a member of a buy-in group that has been advantageous in helping the profitability of the distributors. As there are buy-in groups with the golf courses, you're seeing more and more of the buy-in groups with distributors, too."

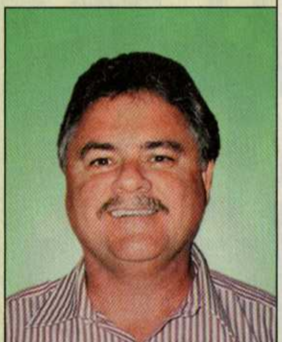
– Thomas Skernivitz, Managing Editor

Continued from page 28
discount and encourage people to come out early, we'd still make some money. Some people came early to get in nine or 18 holes before going to work."

McWhirter: Architects' Optimism Buoys Irrigators

Rod McWhirter, national specification manager for Rain Bird's golf division in Tucson, Ariz., keeps a wary eye on golf course architects. And realizing that's often the best way to gauge the future of the irrigation industry, he likes what he sees as 2004 comes to a close.

"I don't have any predictions (for 2005), but architects seem to be more optimistic and their plates seem to be a little fuller," McWhirter says. "Their pipelines are getting a little fuller than they have been the last three or four years. I don't know how significant, but I see optimism at their level. And that's about all I can go by because they're at the top of the pyramid and that usually filters down to the rest of us."


Rod McWhirter says he likes what he sees as the year comes to a close.

New golf course construction remained stagnant in 2004, with the National Golf Federation reporting that the year will end with about 150 new courses.

"The new golf course construction business has not picked up much," McWhirter says. "It's still slow compared to the really robust years of the late 1990s."

Once again, that leaves the irrigation industry reliant on the burgeoning renovation market.

"For (Rain Bird) and irrigation companies in general and probably a lot of irrigation contractors, the renovation market is still a high priority for them," McWhirter says. "Year after year, it's going to continue to grow, because all those courses that were built in the '80s are now in the general vicinity of 20 years old and need either updating or total replacement of irrigation systems. That is a growing market, although it slows down, too, when the economy is slow. It's a base that we built early on that is now coming around for renovation and upgrades."

McWhirter says Rain Bird, by necessity, has fine-tuned its approach in the renovation market, offering, for instance, financing programs.

"And I'm sure everyone else has, too. You almost have to," he says. "It's very competitive. When the market retracts and all the same people are still in it that were in it when it was as big as it was throughout the '90s, obviously the competition kicks up a higher notch. And it's been very competitive for everybody — the contractors, the manufacturers, the distributors — which is good for the end-user."

– Thomas Skernivitz, Managing Editor

Bunker Hill, which was named the 2004 Ohio Course of the Year by NGCOA, also offers a late-day special, which includes nine holes and dinner at the club's sports bar and grill for $25 a person.

The bottom line for both programs is that golfers can get on and off the course quickly, not to mention the value they receive for their money.

Fultz says Shenvalee slashed daily prices on Mondays, Tuesdays and Wednesdays at the course this summer to attract late-afternoon golfers.

"A lot of people getting off work were looking for deals in the afternoon," Fultz says. "So we offered them an all-the-golf-you-can-play-for-$25 deal."

The normal green fee is $50, and the promotion was a hit. The number of late-afternoon golfers more than tripled from 40 to about 130 on those days. By the way, the $25 green didn't include a golf car so the course made more money off rentals.

Golf course architects also realize they must get time on their sides, says Bobby Weed, president of Weed Golf Course Design in Ponte Vedra Beach, Fla. Weed says more architects are cognizant to design golf courses that play faster.

Cannon Ridge Golf, a new course that Weed designed in Fredericksburg, Va., features greens, cart paths and other elements that were created in unison to speed up play. Weed says statistics show that a round of golf at Cannon Ridge takes less time than the national average.

Everyone agrees that a big plus for the industry has been the return of corporate spending on golf courses. At least one course didn't wait for that business to return, however. Bunker Hill embarked on the offensive to regain lost corporate outing business. The course launched an aggressive marketing effort to regain lost corporate business.

"People would call us in the good ol' days, and we'd just sit back and answer the phone and say, 'Yes, we've got that date open for an outing,' " Ingraham says. "But it's not like that anymore. We're calling them, and asking them what we can do to get them to come back. It's working."

Ingraham also believes the business has remained steady the past few years because of the course's acute focus on customer service. Bunker Hill's employees, from clubhouse workers to the maintenance staff, are instructed to be as courteous to golfers as Wal-Mart greeters are to the store's shoppers.

"We hear all kinds of complements on how nice and friendly our people are," Ingraham says.

Looking ahead

Hughes is certain that most U.S. regions don't need more golf courses. About 150 new courses were built this year, most driven by real-estate development, Hughes says. The