



Covid-19
Australian Golf Club Impact Study
May 2020

Introduction



Dear Reader,

The times we find ourselves in are unprecedented and are nothing we would have ever wished for. For many generations this pandemic is the first experience of a major disruption to our lives and society as we know it.

Whilst the worst of times may soon be past us, golf club boards and management are now looking at a very disrupted future. Our research has found that the disruption for some is very significant and something from which some will not recover.

Thankfully club operations have resumed, in at least a restricted manner, for most clubs. By mid-May we are hopeful that all clubs in all states will have begun their journey back toward normal operations.

As clubs and the industry address the challenges now faced, we believe that the collective views of the market can provide a much needed reference point and genuine guidance for the journey ahead.

We are therefore pleased to present the findings of our study, detailing the impacts of the current Covid-19 pandemic on Australian golf clubs. The report provides insight into current market views around a number of key operating issues, quantifies the forecasted impacts of the pandemic, and outlines how clubs are reacting to it.

We trust the report assists you plan for, and action, your club's recovery.

Yours sincerely,

Jeff Blunden

Director

Golf Business Advisory Services

Respondent Profile

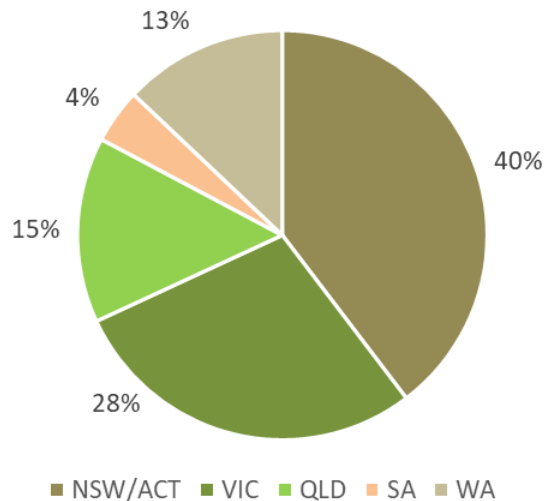


This study was undertaken over the period 23 April to 6 May 2020. Our survey was sent to 250 clubs across the country, this selection of clubs home to approximately 60% of total national club members.

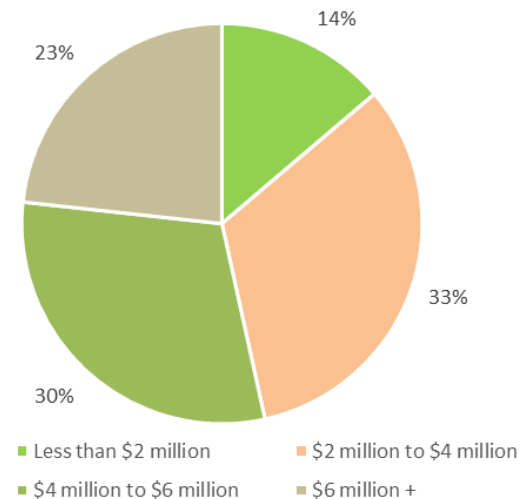
A response rate of 48% was achieved. Responses were provided on an anonymous basis, save for profile questions regarding state and annual revenues.

- The response profile is one that reasonably reflects the national distribution on clubs, with NSW & Victorian clubs accounting for near 70% of responses.
- Assessment by revenue category indicates a well balanced sample with over 50% of responses sourced from clubs with revenues between \$2 million and \$6 million.
- Larger clubs with revenues greater than \$4 million are well represented reflecting near two thirds of the survey sample.

State



Total Revenues



Key Study Findings



The following key findings were established in our study, all further detailed in this report:

- Nearly 50% of clubs are electing to make no change to annual fees for the coming year. In addition, nearly 60% of clubs are also offering some form of fee relief. This relief is being equally offered regardless of the direction of fee movement.
- Despite the decisions made regarding fees, and the offer of fee relief, 75% of clubs are still expecting member numbers to negatively change after subscription renewal. Member numbers are forecasted to decline by an average of 9%.
- As a result, 92% of responding clubs indicated that total club revenues will be impacted by more than 20% due to the pandemic. 84% of clubs are forecasting revenue declines of more than 30%.
- Despite possible expense adjustments, approximately two thirds of clubs are forecasting club profit levels to decrease by more than 20%. 54% are forecasting declines of more than 30%. These levels of forecasted declines are consistent across all revenue cohorts.
- With declining profit forecast, necessary adjustments to future capital spending has been flagged by approximately 80% of clubs. For these clubs, capital budgets are to be reduced by an average of 64%.
- Whilst there will be short term impacts to endure, two thirds of clubs are very confident of recovery, one third being extremely confident of recovery.
- There is generally more doubt held toward full industry recovery than club recovery. Whilst two thirds of clubs are very confident of their own recovery, only 25% of clubs are very confident of industry recovery.

In providing responses to survey questions, respondents were reminded that present market conditions are very fluid. Respondents were therefore asked to adopt a number of assumptions. The assumptions adopted were:

- *Golf is being, or is to be, played with social distancing measures in place by mid-May.*
- *Clubhouse re-openings will occur by at least the end of the winter months and social gatherings of larger groups will be possible.*
- *There will be no “2nd wave” of infections and normal club operations will resume by 1 January 2021.*

Subscription Fee Renewal

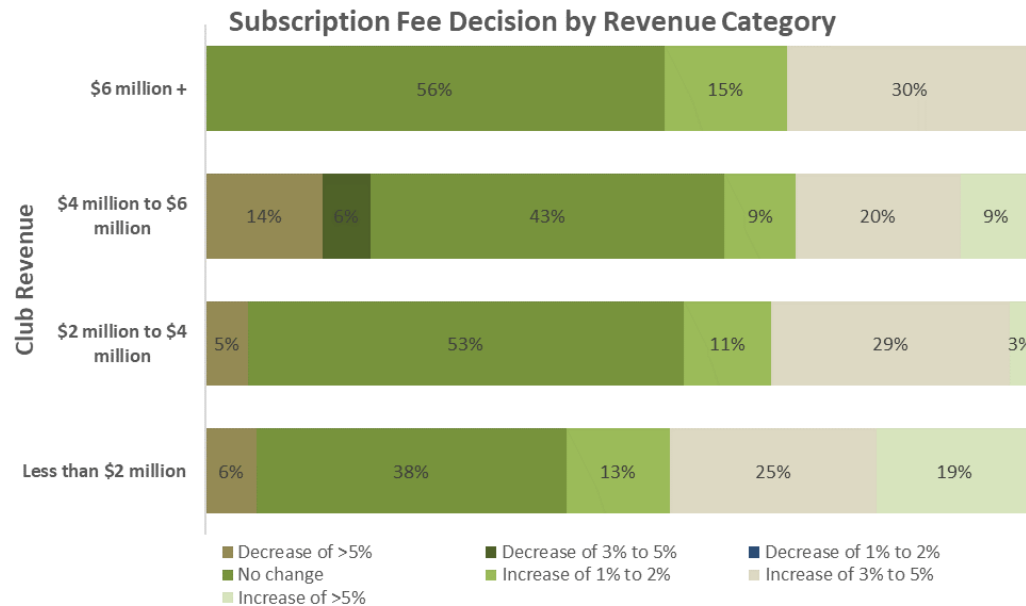


Q: What decision regarding annual fees is your club currently considering, or will be likely to take in the coming months, regarding renewal pricing of member subscriptions? Are you offering any other fee relief?

With an overall average of a +1.1% increase in subscription fees, nearly 50% of clubs have elected to make no change to annual fees for the coming year. 11% have chosen to reduce by at least 3%. One third have chosen to increase by at least 3%.

Overall, nearly 60% of clubs are offering some form of fee relief. Relief is being equally offered with all fee decisions, regardless of direction of fee movement.

The most common forms of relief being offered are house credit, increased periodical payment options, and a credit to 2021/22 fees.



Subscription Fee Decision	% Respondents	% Offering Other Fee Relief
Decrease of >5%	7%	88%
Decrease of 3% to 5%	2%	0%
Decrease of 1% to 2%	0%	-
No change	48%	64%
Increase of 1% to 2%	11%	62%
Increase of 3% to 5%	26%	43%
Increase of >5%	6%	43%
Total	100%	58%

Member Numbers



Q: Are you expecting any net change to your total member numbers after your subscription renewal?

Despite the decisions made regarding fees, and the offer of fee relief, 72% of clubs are still expecting member numbers to negatively change after subscription renewal.

Member numbers are forecast to decline by an average of 9%. This projected change is also consistent across all revenue categories.

Further, this change is also forecast irrespective of the level of fee decision taken, with the forecast decline consistent across all fee movement decisions and revenue categories.

For some clubs therefore, despite offering fee reductions, falls in member demand are not expected to be prevented.

Subscription Fee Decision	% Respondents	% Offering Other Fee Relief	% Forecast Member Movement
Decrease of >5%	7%	88%	-11%
Decrease of 3% to 5%	2%	0%	-5%
Decrease of 1% to 2%	0%	-	-
No change	48%	64%	-9%
Increase of 1% to 2%	11%	62%	-7%
Increase of 3% to 5%	26%	43%	-9%
Increase of >5%	6%	43%	-11%
Total	100%	58%	-9%

Member Transfers



Q: Have you or are you experiencing a higher than normal level of members wanting to transfer to a non-playing category?

Nearly 30% of clubs are or are expecting to experience increased interest in category movement. With entrance fees typically not in place at clubs with lower revenues (and thus fewer barriers to movement/exit), higher levels of movement to a Non-playing category are being requested at clubs with higher revenues, reaching nearly 50% of clubs with revenues above \$6 million.

With minimal increase in fees being sought, these findings indicate that there are external causes impacting member decisions, with club pricing decisions not the sole determinant.

Q: How are you accommodating this movement?

Clubs are dealing with these enquiries in a number of different ways. For those with no limits on transfer, movement is generally being allowed. Other clubs advised that they are not changing the normal conditions of entry to the category, are considering applications on a case by case basis or have closed transfers to the category entirely.

Revenue Category	Av. Fee Movement Decision	% Forecast Member Movement	% Offering Other Fee Relief	% Seeing Higher Movement to Non-Playing
Less than \$2 million	+1.8%	-10%	44%	13%
\$2 million to \$4 million	+1.2%	-9%	55%	18%
\$4 million to \$6 million	+0.4%	-11%	60%	17%
\$6 million +	+1.4%	-7%	67%	48%
Total	+1.1%	-9%	58%	24%

Staff Management



Q: When the pandemic first set in and clubs closed, what decision did you take with regard to your staff upon this initial closure?

Whilst all states except Victoria have thus far enjoyed restricted re-opening, the decision made re staff management was one of the first major decisions required when clubs were advised to close.

Unsurprisingly, our survey found different decisions were made for each department. In the majority of cases the retention of staff prioritised the golf course staff. Higher instances of staff moving to reduced schedules or being formally stand down occurred (in order) in House, Golf Operations and Administration.

With little to no clubhouse activity, near 60% of clubs stood down staff in this department. One quarter retained staff on reduced schedules.

Other arrangements included selective stand downs, encouraged use of leave, and inter-department shuffling.

Staff Decision	Club Decision by Department			
	Course	Golf Operations	House	Administration
Retained	55%	28%	11%	31%
Reduced schedules	31%	30%	26%	47%
Stood down	3%	29%	55%	11%
Other	11%	13%	7%	11%
Total	100%	100%	100%	100%

Financial Results



Q: What do you guess/estimate the total cost of this pandemic will be to your club in terms of total revenue and club profit..?

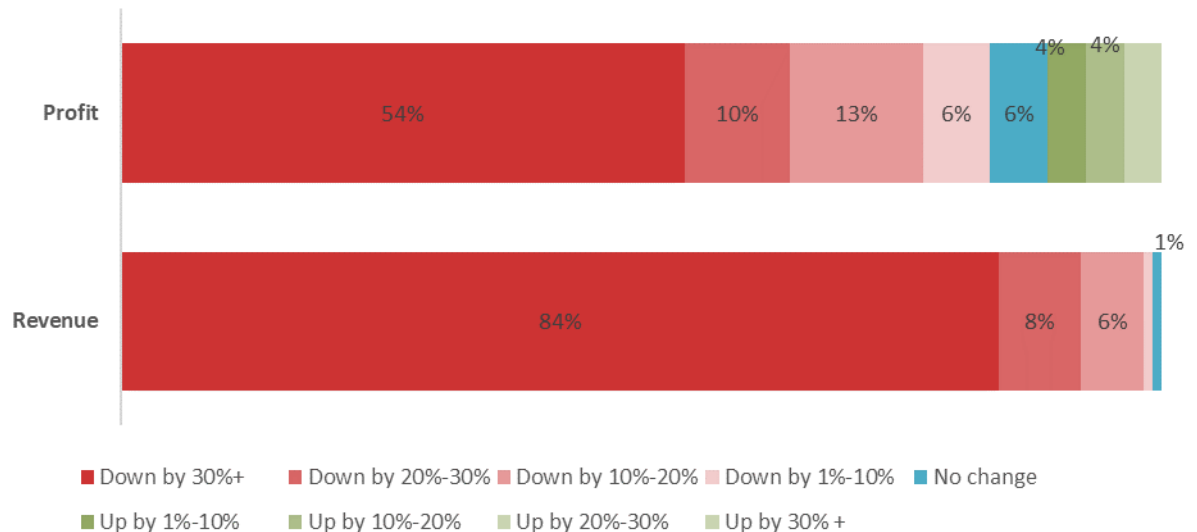
Evidencing the day to day sales environment that many clubs operate in and the variety of income streams present in club operations, regardless of the position being taken on annual fee pricing, 80+% of survey respondents indicated that club revenues will be impacted by more than 30% due to the pandemic.

The impact on club profit is however not expected to be as severe across all clubs. With expense management processes to be enacted, approximately 55% of clubs are forecasting club profit levels to decrease by more than 30%, with this decline in profit also being consistent across all revenue categories.

Approximately 80% of respondents are forecasting at least a decline in profit of more than 10%.

11% of clubs are forecasting an improvement in club profit.

Noting an assumption about how quickly 'normality' will be reached again, in providing projections, a number of survey respondents commented on the favourable impact that the PAYG tax relief, payroll tax credits and Jobkeeper subsidies will have on profitability.



Capital Spending

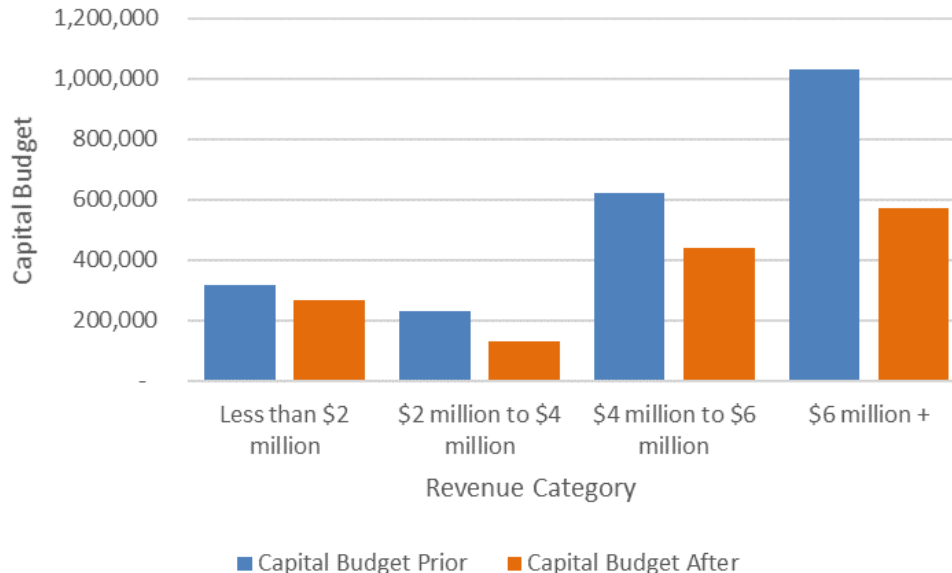


Q: Prior to this pandemic, what level of capital spend was planned or was likely to be incurred in the next 12 months? Will this now change?

With club profits under severe pressure due to revenue declines, necessary adjustments to future capital spending have been flagged by 78% of clubs.

Based on survey responses, planned capital spending in the coming 12 months was to average \$550,000 per club, ranging from \$250,000 for clubs with revenues less than \$4 million to over \$1,000,000 for clubs with revenues greater than \$6 million.

Survey respondents indicated that these budgets are to be reduced by an average of 64%.



Club Long Term Sustainability

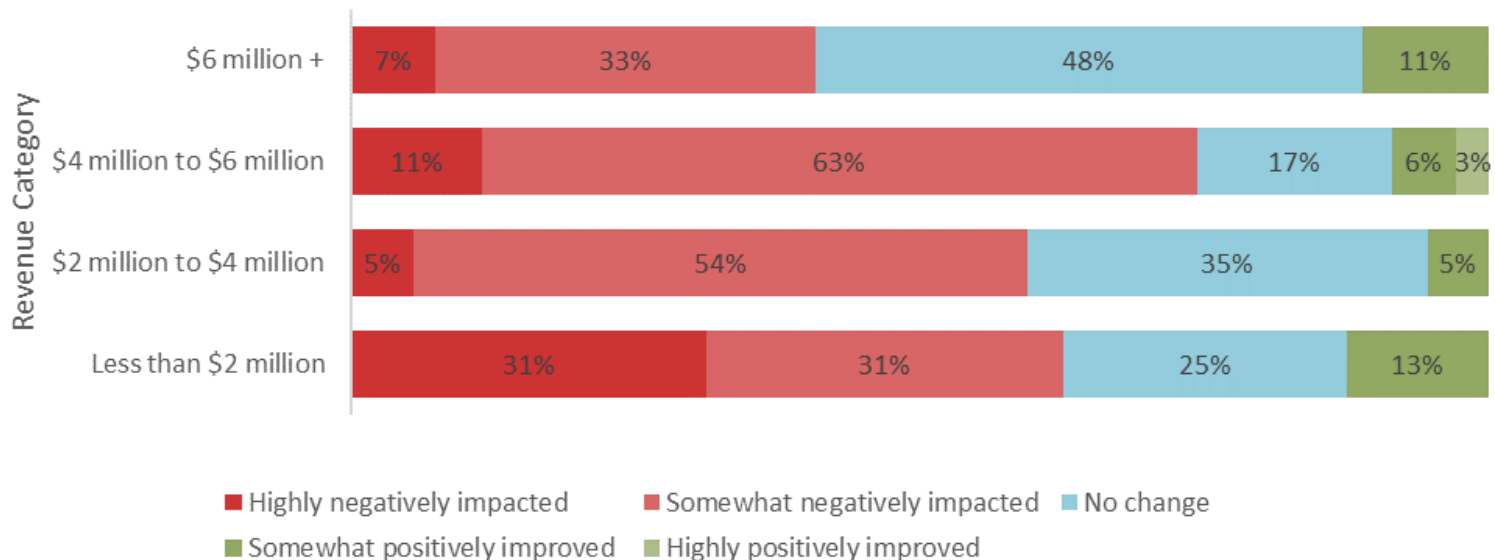


Q: To what degree do you think your club's long term sustainability will be impacted by this pandemic??

Survey responses have found that the pandemic has impacted perceptions about long term club sustainability with 60% of respondents indicating some level of negative impact, 11% being highly impacted.

The level of high impact is most felt at clubs with revenues less than \$2 million, though impact is near equally felt across all revenue cohorts except clubs with revenues exceeding \$6 million.

Approximately 1/3 of clubs have indicated that there will be no change to long term sustainability. This belief is more widely held by clubs with revenues of greater than \$6 million.



Club and Industry Recovery



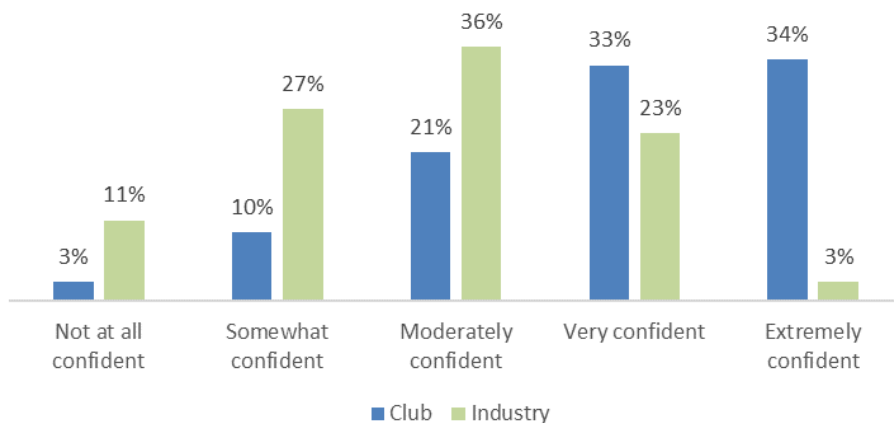
Q: Please indicate how confident you are that your club and the industry will fully recover from this pandemic.

Whilst survey responses have found that the pandemic has had an impact on short term fee decisions, club revenues, club profit, future capital spending, and increases the challenge of long term sustainability, there is general optimism with regard to club recovery.

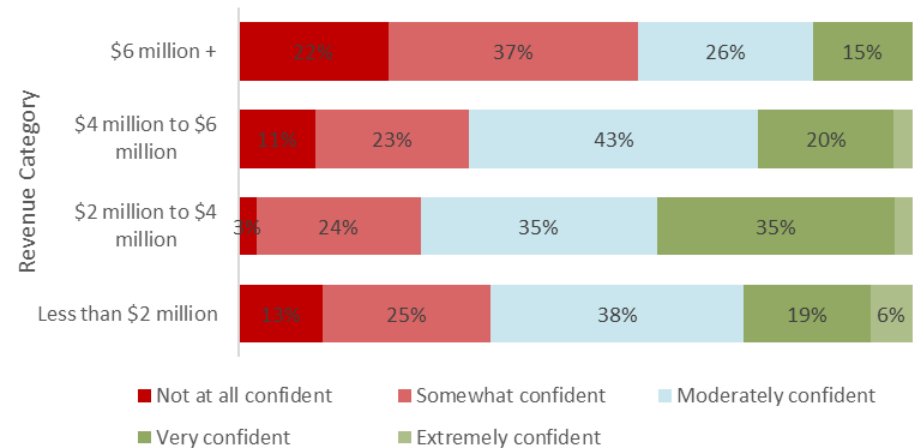
Two thirds of clubs are very confident of recovery, 1/3 extremely confident. Only 11% have low levels of confidence in their own club recovery. This lower confidence was found in clubs with lower revenues.

There is more cautiousness held regarding full industry recovery than club recovery. Only 25% of clubs are very confident with the level of confidence held being lower at clubs with higher revenues.

Club & Industry Recovery Confidence



Confidence in Industry Recovery



Survey Comments



Many survey respondents chose to also provide additional comments upon completion of the survey. Below are a sample of comments that reflected the views provided.

- *Our cutbacks have made us leaner and will come out of this wiser.*
- *We can't continue to operate like this forever but it has allowed us the opportunity to diversify and explore other revenue streams that we can continue post-pandemic.*
- *We have had great support from our members through this difficult period and have had very little negativity other than frustrations in not playing under normal conditions.*
- *Our Club is in a very strong financial position and we do have a very good product. I do feel for the clubs that are not so strong as this may be very difficult for them to trade out of.*
- *This pandemic may see a speed up of the inevitable attrition of golf clubs. Good operators will survive, poor operators with weak balance sheets will fail. This may seem harsh but this will be good for the long term health of the golf industry.*
- *Golf clubs who come through this strongly, I believe, will have new markets and opportunities to tap into once we return to normal as a community.*
- *In a crisis, innovation over hibernation is essential for the industry to survive and grow.*
- *For those clubs successful in accepting change the outcome could prove positive. Opportunities arise from adversities.*
- *The industry as a whole will recover but it will look very different and there is little doubt that some clubs will fold. Clubs will defer Capex spend and use these resources to prop up the operations, thus further delaying necessary reinvestment in facilities. If ever there was a time to reassess a Club's ability to save funds for not only ongoing facility reinvestment but a rainy day, it is now.*
- *The response from Golf Australia as our leading body recommending courses to close was seen by many in Club land as a huge blow, considering we feel this was not in our best interests.*
- *This is an opportunity for our governing bodies to work together and grow the game. For many states golf is the only sport being played, rather than fighting for relevance against each other, they should be seizing this opportunity.*
- *The governance model of the sport has been challenged & several strengths & weaknesses highlighted, particularly in regards to the strength & depth of State Level, Government Relations across the country.*

About Golf Business Advisory Services



Golf Business Advisory Services (GBAS) is a specialist independent advisory company providing dedicated, professional advice around the business of golf within the Asia Pacific region. Offering unrivalled experience and industry insight, our approach is grounded in research with a belief that data analysis always reveals the insights required to drive your business.

With unrivalled depth and breadth of experience, GBAS has serviced a broad client base over the past 16 years, with completed engagements spanning the full spectrum of the industry. Specialist services offered by GBAS include:

- Strategic planning
- Operational reviews
- Member research
- Board presentations
- Consumer and market research
- Feasibility studies
- Asset oversight
- Due diligence
- Expert witness services

If you have a need in the golf industry GBAS is able to provide you with all of the necessary knowledge and guidance required to help ensure you achieve your goals.

Contact

Suite 2, 24 Bay Rd, Sandringham, Victoria

M: +61 412 989 222

E: jeff@golfbas.com

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