GBAS
GOLF BUSINESS ADVISORY SERVICES

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

Rounds are booming – the future is in your hands

Earlier this week Golf Australia released its rounds update for YTD August 2020. Noting heightened restrictions in place in Victoria, there is certainly a rounds boom occurring in the rest of the country with the boom particularly evident over the last few winter months.

With Golf Australia now directly controlling the GolfLink database, and a Business Intelligence tool in place over the top, the data contained within can now be more easily mined for insight into what the underlying segment participation patterns are. The report noted since April both genders are up 21% over the same period for 2019, metropolitan areas up 27%, and the 20-49 age cohort up 44%. Some serious increases.

"…With better knowledge, we make better plans, we generate better facility by facility results, club sustainability increases, the sum of overall industry health improves.…"

We have been a proponent of getting this detail into the public domain for two reasons. The first to establish the broad industry facts – no guessing, no anecdotal, no bar talk, the real reality. Macro reference points for all industry stakeholders to refer to.

The second reason is to improve the focus of the discussion. Getting into the sub-layers of information and knowing what the trends within are allows for better tailoring of relevant marketing actions. With better knowledge, we make better plans, we generate better facility by facility results, club sustainability increases, the sum of overall industry health improves.

The long-term industry reality will be determined by the sum of all of the actions at facility level. Sure, Golf Australia and the PGA and the state bodies can deliver broader messaging but it is what is done at the coalface that will determine to what extent existing members remain satisfied and new demand remains engaged beyond this initial interest.

This article explores what can be done to ensure that the wider impacts from Covid do become positive for golf, do provide another chance to engage with a new/returning audience and indeed establish current demand levels as the industry's "new normal."

"…Demand generates revenue, revenue generates profit, profit provides for capital improvement, capital improvement enhances the member value proposition, more members join, more members stay, revenue grows even more, profit grows even more, the cycle continues having a positive impact.…"

Up until 2019, for 21 years in a row the industry had suffered from declining net falls in member demand. The highlight of net is important. Whilst the overall outcome was negative annual new demand of around 9% was still evident. It has only been due to annual attrition being higher than this number that overall demand has fallen.

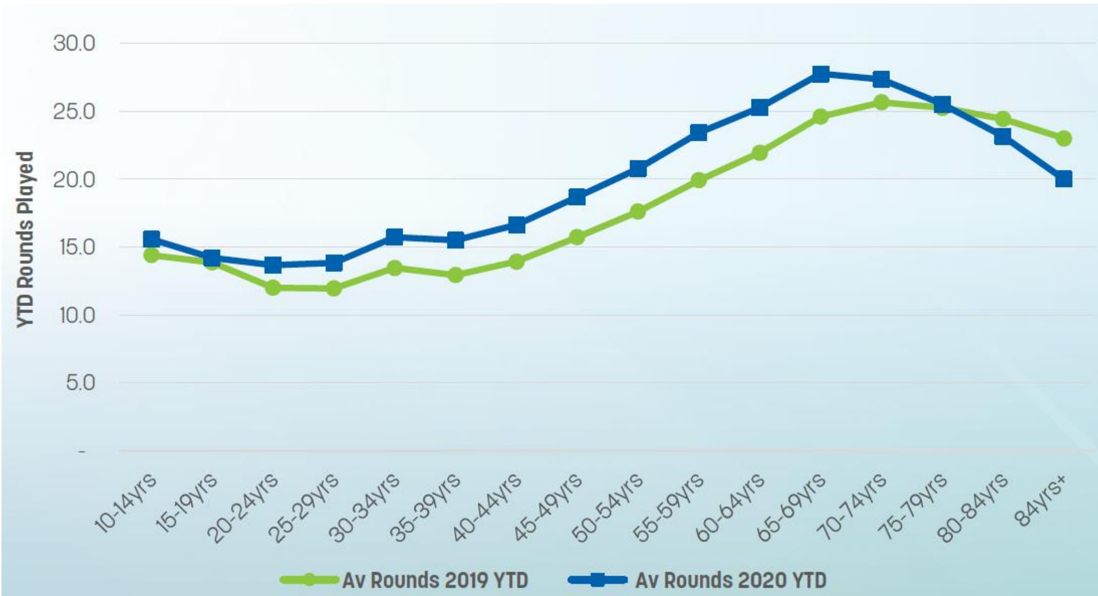
Notwithstanding the opportunity flowing from genuine new demand, it thus stands to reason that if attrition can be reduced below the new demand level, then club participation numbers will increase. This beings a very positive cycle – More demand generates revenue, revenue generates profit, profit provides for capital improvement, capital improvement enhances the member value proposition, more members join, more members stay, revenue grows even more, profit grows even more, the cycle continues having a positive impact.

To this point, the Golf Australia YTD rounds report noted the average frequencies seen by age cohort in YTD 2019 and the comparable for YTD 2020. As is evident in the chart below, save the 75+ age cohort, all age cohorts are enjoying an increase in the frequency they recorded YTD last year.

Seeing growth in the 20-49 cohort is a particularly positive outcome as this cohort has been difficult to hook with any year to year permanency. (Whilst they will never have the frequency of the 60+ cohort, golf can still be a habit for them, we just need to show them how.)

By extension, the value these members are receiving from their annual fees via their increased frequency has/is also increasing. This growth thus points to an opportunity to reduce overall annual attrition and feed the cycle as outlined above.

GA YTD August 2020 Rounds Report



As outlined in the introduction, it will be what is done at the coalface that will determine to what extent existing members remain satisfied. Less attrition doesn't, just happen. Similarly, what is done at the coalface that will also determine whether new demand remains engaged beyond this initial interest. The sum of these will determine to what degree overall industry wide health can be improved. Here are some ideas / actions to consider:

- Are you keeping track of current member rounds and frequencies? If GA can show you the national pattern, and the frequency patten evident by age and gender, then you can and should certainly be measuring your own.
- With an eye on the P&L, are you measuring the implied member value this rounds growth is delivering? If you are busier, but not making any more money, what's the point? Corrective action is required. If this frequency is indeed here to stay, be brave as you determine the next set of fees. You should have a great story to support it.
- Identify whether you can fast forward any of your planning goals/actions. Your facility is likely going to become a more regular destination for your users, get your vision out there and drive its support.
- Looking forward, consider ways in which you can seek to flatten the weekly demand peaks and troughs. For too long the industry, particularly metropolitan clubs, have been constrained by the typical Wednesday/Saturday peak days. Have the new participation patterns created an opportunity for a new membership category? Spreading demand will increase facility capacity, and this will allow for revenue growth.
- Re the spreading of weekly demand, given increased work from home realities, there is far greater opportunity for nine-hole rounds. With daylight savings on the horizon (ex Qld), 9-hole events should now have a permanent, increasing place in every club syllabus.
- Whilst average member frequency is up, don't forget those you are not seeing. Seek to identify those you aren't see and communicate. What is their situation?
- Are you collecting contact details for those playing green fee golf? Are they being incentivised to return within a certain period? Do you have a frequent player pass? Engage, engage, engage.
- Is your golf professional / golf operations team incentivised to introduce new members? They are your best sales force, activate them, make the effort and personal outcome worth their time.
- What messaging are you putting to the local community? Post pandemic living won't be the same as pre-pandemic. Several 'forced' societal changes are here to stay. Engage, be open, show enthusiasm to share the wonderful green spaces you have.
- How long are you having to go without function/corporate/visitor green fee business that you may have previously had? As you manage the P&L, know what that was worth to you as you look forward. Is it fully replaceable? That flatter day to day demand goal/outcome and returning green fee visitor may be more important than ever.

There is one other important structural point that may possibly need consideration. The rounds boom has created or is creating a capacity issue for many clubs. Whilst it might be short term for some due to 2-ball group size restrictions, where numbers were already high, it will be long term and will need addressing.

The Australian membership model has been built on an assumption that not all members play all of the time. This assumption/reality has allowed for higher member counts to be accommodated. Based on the constitutions we have seen it appears the general formula for maximum numbers in a full playing category has been approximately three times the available capacity on the historical main playing days of Wednesday and Saturday. With approximate daily capacities of 200-240 for 18-holes on these days (depending on daylight, season and tee time interval) using the 3x measure, maximum full playing category numbers typically end up being capped between 600 and 650.

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Given though that what clubs have to offer is course capacity/time, the reality is that the member count is only one part of the equation. We know that average member competition playing frequency has been slowly increasing for a number of years. This trend has been reported by GA. We also know via our own client work that member social rounds have also been increasing. The second part of the equation to be consider is overall member frequency.

It is our observation that the level of competition for day to day tee time access typically corelates to the level of fee paid. The lower the fee, the greater the level of competition for tee times, this competition being the 'cost' of the lower fee. This plays out via competition waiting lists or (still) a need to queue at a club to secure a tee time. Conversely, the higher fee, the greater expectation of unfettered course availability, and ease of booking experience – no tee time waiting list.

Therefore, unless members are prepared to accept there being greater competition for tee time access, if the now higher average frequencies are here to stay (playing out via increased peak day demand) then maximum constituted member numbers may need to be reduced. The volume to which they will need to be reduced will be determined though by what degree the day to day demand patterns can be flattened (the existing peak day constraint reduced), as noted in our list of actions above. (In the short term tee time intervals could be reduced, with increased communication on pace of play expectations.)

We appreciate this action could have an impact on the P&L. Adjustments to fees however, tracking the value being received, arms you with good intel to support your decision making and minimise this cost. One line item however not potentially fully replaceable is lower entrance fee revenue received from fewer new members (this being the mechanism to reduce demand, letting natural attrition have its impact.) If demand is strong though, this does create the potential opportunity to increase or re-introduce an entrance fee. This is supply and demand economics at work.

In closing, it is hopefully self-evident for current demand to indeed become the new normal there must be action. The overall goal of this action/s is to improve long term facility health, and thus overall industry health, by making the golf experience as sticky as possible and be one that both the newer and existing golfer will want to remain engaged with for a longer term.

About Golf Business Advisory Services (GBAS)

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 an enviable and broad client base over the past 19 years, with completed engagements spanning the full spectrum of the industry.

Specialist services offered by GBAS include:

- Strategic planning
- Operational reviews
- Member surveys
- Board presentations
- Consumer and market research
- Feasibility studies
- Asset oversight
- Due diligence
- Asset valuation
- 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 experience required to help ensure you achieve your goals.

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