Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

Jeff Blunden Advisory Services

Welcome to the 11th edition of the *Back of the Cup*.

The work that JBAS is completing around the country is providing great insight into what is currently happening in golf club land and what operational adjustments are being made in the current environment. As flagged in the last edition, I therefore though it appropriate that the changes that golf clubs are faced with making as they head toward 2020 be shared with you in this edition. The declining role of a golf club as a provider of social satisfaction is also discussed and introduced to you is a new definition that many will need to accept in 2020, that being the “golf playing facility.”

The last newsletter concerning Junior participation generated some encouraging feedback. One industry senior exec wrote asking “how can we get people to see the urgency of the junior situation?” Hopefully by documenting the facts the ball is now rolling, and with the starting point identified progess can be measured. To me, from this point on, no measurement will suggest that no accountability is either wanted or being taken and if that is the case then we only have ourselves to blame.

In the last month JBAS has also published the first ever report detailing benchmarks for retail operations for private clubs. Detailing sales, sales mix, CoS, GP, brands, stock turn, loyalty and numerous other measures the report provides invaluable insight into this area of club operations. Should you have an interest you can click here to download the first 4 pages of the report and contact JBAS should you want to purchase a copy.

Finally if there are any issues you think relevant and worthy of investigation then please let me know. I welcome feedback and I trust you enjoy this edition of the *Back of the Cup.*

Regards,

Jeff Blunden
Director, JBAS

Golf in 2020 and the uncomfortable transformation to a Golf Playing Facility

In mid 2007 an edition of the BOTC offered a glimpse of what golf might look like in 2020 and as some of these predictions made begin to materialise, I thought it was appropriate to re-visit them and in the process also introduce to you what many clubs have or are now somewhat uncomfortably becoming – a golf playing facility. The following realities were forecast to be in store for club operations as they tracked towards 2020:

- Increased membership flexibility, playing passes
- Weekend yield management
- More midweek golf
- More associated member benefits, local reciprocal playing opportunities
- More cost effective marketing
- Fewer golf clubs
- Greater involvement of committees
- Less reliance on entrance fee income

"…annual playing passes and user pays pricing are both options that will materialise and it is a little surprising that more have not already moved down this path …"

Many of these predictions are indeed beginning to play out across Australia's clubs and are briefly discussed below.

Increased membership flexibility

The centre of most challenges right now, greater flexibility in club membership structures is already occurring. Whilst proving hard for some to accept (hanging on to the old), most clubs are becoming increasingly aware of what is now needed to keep current members satisfied and what benefits are most likely to attract new members and importantly, keep them happy. As an example of membership flexibility, annual playing passes and user pays pricing are both options that will materialise and it is a little surprising that more have not already moved down this path. To do this successfully however one needs to plan for it, first collecting data to ensure that the pricing and access offer is right. The tracking of retention and attrition statistics is also becoming more commonplace and from this better informed decisions can only be made.

Weekend yield management

In 2007 it was proffered that a concept such as Premium Weekend membership category (where members are not only guaranteed prime Saturday morning (or afternoon) tee-times and/or play in three-ball rather than four-ball formats (to reduce round time) was an opportunity for some clubs in the future. Somewhat surprisingly, I am not aware of anyone who has ventured down this path yet, but I suspect it is only a matter of time. If the time available for new members to play is to be on weekends, it is only logical that consideration should be given to the opportunity to successfully extract fee premiums for play in that time period. Whether or not clubs can extract a better yield for weekend play and in the process attract new members willing to pay for the privilege of such access becomes a simple mathematical formula.

More midweek golf

It was expected that there would be an increased demand for midweek golf, being a direct reflection of wider society flexibility around typical work week. What is proving to be the case however is not new demand into this area for membership, but transfered interest in mid week golf due to a lower price point than weekend golf. If weekend golf demand isn't growing and this demand originates from weekend play, revenue implications are being faced. Pricing differentials are therefore being considered and in some cases, rightly or wrongly, the entire category is being temporarily closed.

More associated member benefits and reciprocal playing opportunities

As the Club value proposition is being questioned and promoted, this is one area where progress has been made, particularly on the playing opportunities as variety becomes an accepted desire. With regard to benefits, we are yet to see any national loyalty purchase schemes being rolled out by the administration (marketing) bodies, or the availability of preferred pricing on products and services from other sector 'partners' across the industry but this is an opportunity for the national bodies as they seek to add additional benefit to club membership packages and provide mutually beneficial purchasing and marketing opportunities.

"…what is proving to be the case however at the moment is not new demand into this area, but increased interest in mid week golf due to a lower price point that weekend golf …"

More cost effective marketing required

More effective member communication through email or website platforms is now forming the basis of club marketing activities with newer social networking tools being trialled by some. The opportunities available from greater, 'post-match' communication with corporate and social green-fee players is still to be fully recognised and harnessed by most. Those that do will have far more relationships to turn to as they promote their product in the coming years.

Possibility of fewer golf clubs as clubs seek strength in numbers

Perhaps the ultimate challenge for some is to recognise their lifetime is limited. This is proving to be so with regard to amalgamation opportunities as despite many club's economic strength is slowly diminishing, few have had an amalgamation vision that has been supported. The longer that this occurs for, when economic necessity does finally win out, sadly it will not likely deliver the benefits that could have been gained were clubs to have merged with strength.

Greater committee involvement

It was thought back in 2007 as club board positions are gradually filled by younger age retirees, slowly but surely the quality of boards will improve. With the flow of baby boomers into retirement now slowing or being postponed as we and superannuation funding recover from the GFC, so too for the time being will the boomer interest in club affairs. As some financial positions worsen and risk increases, interest may also wane. What is now likely to come first is a reduction in board sizes with these boards working more closely with and offering welcome assistance to management in tackling the current challenges being faced.

Less reliance on entrance fees

Entrance fees have typically been seen as a way for new members to contribute to the past and future development capital base of the club, keeping somewhat equal everyone's financial interest. When income from entrance fees is taken into general revenue and not set aside for capital investment, the above defence for having an entrance fee however rings very hollow.

By taking entrance fee income into general revenues the bottom line of club operating performance has been artificially improved and has allowed many to be less efficient and commercial through parts of its operation. Non commercial food and beverage pricing and profitability would be an example of this. As entrance fees at many clubs have either disappeared forever or are reducing as a genuine source of annual revenues, the true operational performance of our golf facilities is now becoming fully exposed and the performance of the non commercial parts of club operations are being quickly questioned. The challenge now being faced is how to navigate this path (largely by increasing prices) whilst containing member fallout.

"…the historical presence of entrance fees has given a number of clubs a false sense of security as to how it needs to be structured to be operationally profitable without new member demand …"

In summary, the historical presence of entrance fees has given a number of clubs a false sense of security as to how it needs to be structured to be operationally profitable without new member demand. This is to become even more of a challenge on the way to 2020.

The Golf Playing Facility

So as these realities are being faced, many clubs are now finding themselves caught between what they once were, what they know and feel comfortable with being (and selling), and what the consumer is now asking of them or looking to them for. The question being asked is "What are we?"

The answer is that a somewhat uncomfortable transformation to a 'golf playing facility' ("GPF") has occured.

Look up the words "club" or "golf club" in any dictionary and you'll find a definition like "a group of people with a like interest in mind," "an organisation owning a golf course for the benefit of its members," and "a group of people associated for a common purpose or mutual advantage."

As society has changed through the 70's, 80's, and 90's the role that a golf club plays within society has also changed. With many clubs no longer commanding the social draw they once had and with the like interest, benefit and common purpose of many rapidly becoming just golf, what was once defined as a "golf club" is now perhaps more accurately defined as simply a place where one plays golf, aka "a golf playing facility" .

So just what is a GPF?

Ask yourself the following questions:

- Does your club have little non golf social activity?
- Do your members show little interest in major club events and end of day competition event presentations?
- Is your external food and beverage offering becoming more important to your P&L and bottom line?
- Do you have a compulsory food/beverage or house levy?

"…The transformation to a GPF can be traced directly to why members are members and how satisfaction is typically obtained at a golf club …"

- Is non member green fee revenue becoming more important to your annual operating performance?
- Do your members typically play in the same groups at the same times week in week out?
- Do your members have a poor attitude towards repairing divots and slow play?
- Are most of your tee times booked over the internet?
- Do you have a number of "carpark" members?
- In order to attract new members has your Club's entrance fee been significantly reduced or removed altogether?
- Do those interested in joining your club struggle to see the value offered in your annual fee?
- Do you have multiple payment plans on offer?
- Is your Club's annual attrition rate increasing?

In one way or another all of these question give an indication of a changing club environment. If you answered yes to more than 50% of these questions then the reality is that you already are, or are fast becoming, a GPF.

Why has this happened?

The transformation to a GPF can be traced directly to why members are members and how satisfaction is typically obtained at a golf club. In some recent research completed for Golf Australia, a question was put to a number of club golfers as to why they are members of a club. In order, the top 5 responses were:

1. Playing in regular formal competitions
2. Member camaraderie
3. Playing on a good quality golf course
4. The overall social experience
5. A golf handicap

In other words they are members for a number of reasons, not just golf. So if the social element identified above diminishes or is less sought after, and golf becomes the only real benefit derived from being a member, then membership becomes vulnerable as the value of the only benefit being obtained becomes acutely measurable. Club membership then becomes a true golf cost/golf value proposition and for some it won't work out.

This is the reality many are now facing as the customer is asking certain questions with more and more regularity – What am I getting? Is it worth it? How am I being asked to pay? Does it suit me? What flexibility is there?

Has the evolution of club technology played a role in exacerbating this problem? As much as the practice of turning up to a club a week prior to book a game for the following week didn't cater that well for those who wanted to play but couldn't be a Friday night regular, at least this old practice created social activity outside of golf and in doing so created other value to being a club member. Electronic timesheets now cater for the person that can't attend the club, but at what detriment to social activity? Another downside of electronic time sheets is that they encourage consistent group booking patterns – same foursome, same tee time and this practice also reduces member interaction. Does technology bring benefits? Yes, it has. Can it also have repercussions? Perhaps it has.

"…The reality will be that many places now known as "golf clubs" will, in 2020, be a place where one only plays golf and this is what many will need to quickly accept and adapt to …"

Could the move toward becoming a GPF have been avoided? I don't think so. With only 7% of the wider population being golf participants and with less than 3% being a golf club member, the industry really is at the mercy of what happens in wider society and it is up to all to ensure we continue to "fit".

The reality will be that many places now known as "golf clubs" will, in 2020, be a place where one only plays golf and this is what many will need to quickly accept and adapt to. The whole way in which a club operates - entrance fees, membership classes, pricing, income streams and departmental performance – all require a revised view.

Ultimately the goal has always been to offer a product that people want whilst managing the P&L behind the offer, delivering an outcome at the bottom that is profitable and which ensures continued longevity. As we track towards 2020, as the desired product changes, then so too will the P&L structure, its management and the delivery of the bottom line result.

For assistance with issue recognition, structure, new strategy and its execution, JBAS is here to help.

About JBAS

Jeff Blunden, Director of JBAS

JBAS is an independent advisory company offering dedicated, professional advice to the golf and leisure industries. Over the past seven years Jeff Blunden, the Principal of JBAS, has provided specialised advisory services to over 80 different clients in the Australasian region.

Invaluable assistance has been provided in most aspects of the golf industry, including club operations, new developments, project and membership structuring, strategic planning and market and consumer research.

As the author of most of the major reports produced for the industry, the resultant knowledge held by the company is significant and with an on-going commitment to research, the beneficiary of this knowledge will be the clients of JBAS.

Specialist services offered by JBAS include:

- Operational analysis and financial reviews
- Asset oversight services
- Business strategic planning
- Competitive market reviews
- Board presentations
- Equipment brand/market share studies
- Member survey studies
- Consumer research projects
- Pro shop/retail operations reviews
- New development/market feasibility studies
- Expert witness services
- Asset due diligence
- Asset valuation assistance
- Clubhouse development and spatial needs studies

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

Contact Details

Suite 1, Level 11, 56 Berry St North Sydney, 2060

P: 02 9455 0442

M: 0412 989 222

E: jeff@jbadvisory.com.au

W: www.jbadvisory.com.au