

# Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

## The demand boom continues, are you making hay?

Channelling the famous phrase ‘make hay whilst the sun shines’, this article details the results from our June 2021 industry survey that explored how clubs are managing current increased rounds demand.

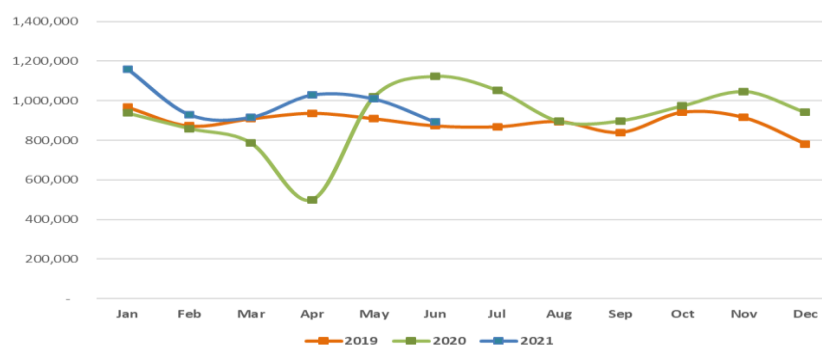
Given the sustained growth being experienced, and hearing both positive and negative stories from the coal face about how this demand was being accommodated, and its impact, we sought to survey the industry to quantify and understand the whole rounds picture. We probed what the current (new?) normal looks like in terms of member and visitor demand, member and visitor pricing, course capacities, tee sheet management adjustments, member satisfaction, new demand retention and both the short and long-term impacts of the pandemic.

First a recap ...

In our last *Back of the Cup* article ([Rounds Booming – what are you doing about it?](#)), we wrote about the surge in demand being experienced immediately after the first Covid-19 shock in April 2020. At the time we reported total competition rounds being up by 21% over the same period for 2019.

Noting current lockdown realities in metropolitan NSW and Victoria, the trend has largely continued with strong rounds demand remains evident through to June 2021, rounds up by 12% over the prior comparable 12-month period, and up by 10% YTD over 2020.

*National Competition Rounds – 2019, 2020, YTD 2021*



Source: Golf Australia, GolfLink

Our 2020 article made a number of points about rounds demand:

- We foresaw the need to seek to flatten the weekly demand peaks and troughs typically evident in the weekly syllabus, this spreading of demand to increase facility capacity and allow for revenue growth.
- We pointed out that via increased frequency, the ‘value’ members were receiving from their annual fees was increasing. As lost function/ corporate/ visitor green fee business also had to be dealt with, we anticipated a re-organisation of the P&L and we thus wondered how brave clubs would be when subscription renewal time rolled around again.
- Should attrition be able to be reduced below the level of new demand, a potentially positive cycle begins – More demand generates more revenue, more revenue generates more profit, more 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.

We closed the article by also making an observation about member capacity. It was noted that if member playing frequencies remained at these heightened levels, unless members are prepared to accept there being greater competition for tee time access, then constituted member capacities may indeed need to be reduced.

Naturally, this action would have an impact on the P&L and or those with entrance fees potentially lower sums from this source. If demand is strong though, this would create the potential opportunity to increase or re-introduce an entrance fee. This is supply and demand economics at work.

Finally, as we looked forward, the point was made that the long-term industry realities will be determined by the sum of all of the actions at facility level.

As rounds have continued to grow, what have clubs done and how are clubs dealing with such growth? Are they indeed making hay? Read on ....

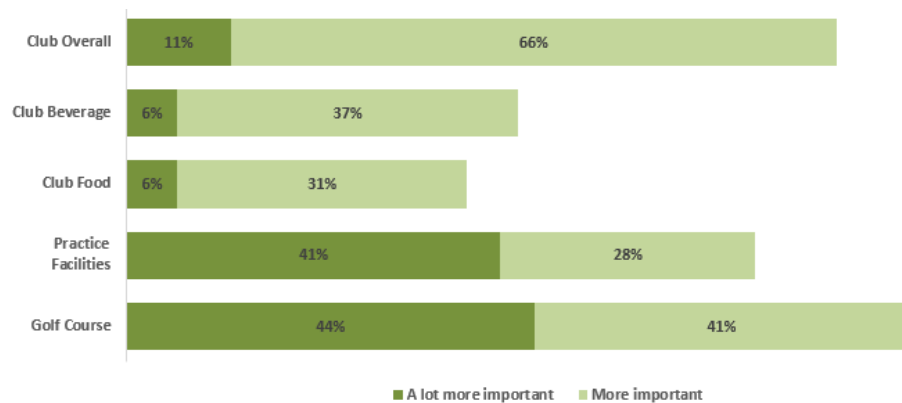


## June 2021 Industry Survey Results

**Q: Have any of the key spaces at your club, and the club itself as a place to be, seemingly become more or less important to your members over the past 12 months?**

Reflecting patterns evident in reported demand, survey respondents indicated that their golf club generally had become more important to their members.

Specifically, the golf course, but importantly also club practice facilities. The increasing importance of practice facilities is something that GBAS has been observing in our member research projects, and such realities should be feeding into all thinking around future capital planning.



**Q: Prior to the pandemic, how many rounds (competition + social) were played at your club by members and visitors? What has been the trend in these numbers over the past 12 months?**

Survey respondents indicated that whilst there has indeed been growth in competition rounds (+16% average over the year), it is member social rounds where most growth has been experienced, these rounds doubling the increase seen in competition golf.

Materially opposite outcomes are evident across the fee spectrum regarding visitor golf, this reflecting both changes to access and markets served.

% Change Post Covid v Pre-Covid					
Annual Fee	Competition rounds	Member Social rounds	Total Member rounds	Visitor rounds	All Rounds
<\$2,000	15%	50%	<b>23%</b>	34%	<b>25%</b>
\$2,000 - \$4,000	16%	20%	<b>18%</b>	-3%	<b>14%</b>
\$4,000 +	18%	37%	<b>21%</b>	-42%	<b>11%</b>
<b>Total</b>	<b>16%</b>	<b>34%</b>	<b>20%</b>	<b>-2%</b>	<b>17%</b>

**Q: Is member rounds demand now at a point where you are experiencing daily capacity issues, members missing out on a tee time?**

Noting the growth in total rounds played, 58% of survey respondents reported that capacity issues are now being experienced on some days of the week, 11% reporting capacity issues on most days of the week.

Capacity issues are evidently greater at clubs with higher annual fees.

Annual Fee	Capacity Issues		
	No	Yes - some days of the week	Yes - most days of the week
<\$2,000	53%	42%	5%
\$2,000 - \$4,000	27%	64%	9%
\$4,000 +	13%	69%	19%
<b>Total</b>	<b>32%</b>	<b>58%</b>	<b>11%</b>

**Q: Is new member demand at a point that you now have a waiting list with certain categories being full?**

Reflecting the rounds reality, driven by existing and new member demand, 79% of respondents indicated that their member lists are either full or nearly full. Remaining available space increases as annual fee level reduces.

Annual Fee	Waiting List			
	Still plenty of space	Still reasonable space	Nearly full	Full
<\$2,000	32%	11%	37%	21%
\$2,000 - \$4,000	9%	9%	36%	45%
\$4,000 +	0%	0%	38%	63%
<b>Total</b>	<b>14%</b>	<b>7%</b>	<b>37%</b>	<b>42%</b>

**Q: How would you assess current levels of member satisfaction at your club regarding their ability to secure a preferred tee time on the days they wish to play?**

Survey respondents (pleasingly) reported that member satisfaction in the majority is at least reasonable, with only a small share being unhappy.

Annual Fee	Member Satisfaction			
	Unhappy	Somewhat happy	Reasonably happy	Very happy
<\$2,000	0%	16%	68%	16%
\$2,000 - \$4,000	5%	18%	68%	9%
\$4,000 +	6%	38%	56%	0%
<b>Total</b>	<b>4%</b>	<b>23%</b>	<b>65%</b>	<b>9%</b>

**Q: Please identify what adjustments you have made (or are contemplating) to course access to better accommodate member demand.**

The major methods utilised by clubs to better accommodate demand include restrictions on level of visitor access and better policing of tee time booking/cancellation policies.

In some cases, more competitions have been added to the weekly syllabus to expand capacity with some clubs exploring restrictions on maximum rounds playable.



Annual Fee	Removal of previously blocked booking times for certain member sub-groups	Restriction on the maximum number of rounds members can play each week	Restriction on the number of tee time bookings allowed per week	Restrictions on the level of visitor access	Better policing of tee time booking/cancellation policies	Added more competitions to the weekly syllabus	Added two-tee starts to expand capacity
<\$2,000	14%	0%	4%	32%	25%	18%	7%
\$2,000 - \$4,000	5%	8%	8%	35%	19%	19%	5%
\$4,000 +	13%	0%	0%	50%	23%	10%	3%
<b>Total</b>	<b>11%</b>	<b>3%</b>	<b>4%</b>	<b>39%</b>	<b>22%</b>	<b>16%</b>	<b>5%</b>

Given the capacity focus of this question, respondent data has also been analysed by rounds played. Similar findings are evident as to the methods used to accommodate demand.

Rounds	Removal of previously blocked booking times for certain member sub-groups	Restriction on the maximum number of rounds members can play each week	Restriction on the number of tee time bookings allowed per week	Restrictions on the level of visitor access	Better policing of tee time booking/cancellation policies	Added more competitions to the weekly syllabus	Added two-tee starts to expand capacity
<60,000	7%	5%	5%	48%	17%	14%	5%
60,000 +	8%	6%	6%	44%	19%	11%	6%
<b>Total</b>	<b>10%</b>	<b>3%</b>	<b>4%</b>	<b>39%</b>	<b>22%</b>	<b>16%</b>	<b>5%</b>

**Q: Looking forward, how much of the new member demand that you have received in the past 12 months do you reasonably expect to retain?**

On average, survey respondents indicated that they expect to retain two thirds of new demand received. Expected retention increases with presence of an entrance fee.

Annual Fee	% of new demand to be retained
<\$2,000	62%
\$2,000 - \$4,000	59%
\$4,000 +	80%
<b>Total</b>	<b>66%</b>

**Q: What decision regarding annual fee pricing changes did your club take (or is currently considering) as it renews member subscriptions?**

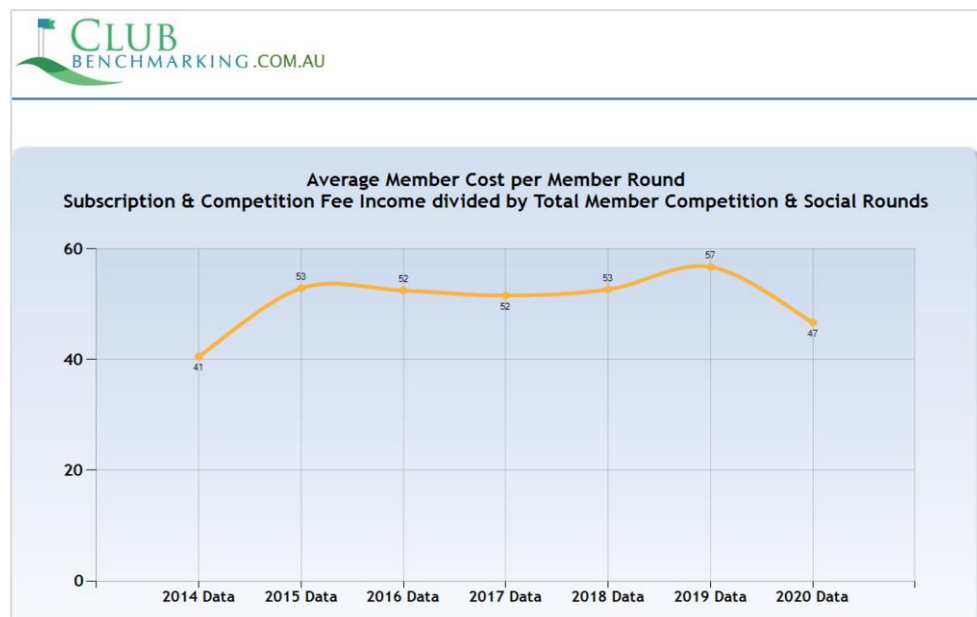
Noting demand increases and impacts to the P&L from changing revenue streams, 74% of survey respondents indicated that they had or were planning to increase annual fees.

Despite the material increase in member rounds frequency, increases only average 3.5% across all fee categories.

Annual Fee	Increased Annual Fees?		
	No	Yes	Av % Increase
<\$2,000	28%	72%	2.7%
\$2,000 - \$4,000	47%	53%	4.1%
\$4,000 +	0%	100%	3.9%
<b>Total</b>	<b>26%</b>	<b>74%</b>	<b>3.5%</b>

For further reference to this question and to illustrate the impact of a higher increase in member rounds played than achieved in total member subscription revenue, we share with you the relevant extract from [www.clubbenchmarking.com.au](http://www.clubbenchmarking.com.au) that plots this relationship and its historical trend.

Focusing on the 2020 result, it is apparent that the average member cost per round has fallen by 18% over the prior year. Certainly great value for the member but not an outcome, or direction, you'd want to see continued.



**Q: Has your club made (or is it currently considering) any adjustment to visitor green fee pricing?**

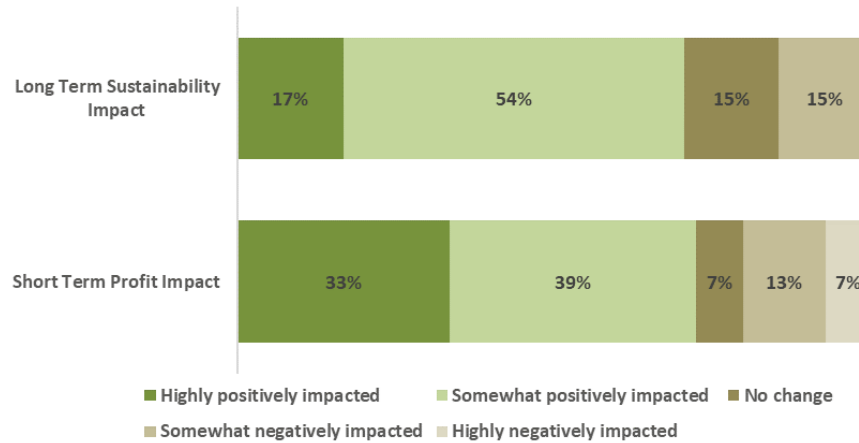
56% of survey respondents indicated that they had or were planning to increase public green fee pricing. Whilst some of these increases were no doubt designed to capitalise on increased visitor rounds demand and thus grow green fee revenue, pricing increases were also evident at clubs that had experienced a decrease in visitor demand. These price increases designed to help claw back some of the lost revenues from decreased rounds from the visitor demand segment.

The average in visitor green fees pricing increases was also consistent regardless of sum of total visitor rounds, with price increases ranging from +15% to +10% for clubs with less than 5,000 visitor rounds and 10,000 + visitor rounds respectively.

<b>Increased Public Green Fees?</b>				
<b>Annual Fee</b>	<b>No</b>	<b>Yes</b>	<b>Av % Increase</b>	<b>% Av Visitor Rounds Increase</b>
<\$2,000	61%	39%	8%	29%
\$2,000 - \$4,000	43%	57%	12%	-7%
\$4,000 +	25%	75%	16%	-38%
<b>Total</b>	<b>44%</b>	<b>56%</b>	<b>13%</b>	<b>-12%</b>

**Q: Thinking about your own challenges regarding course access and the resultant combination of member subscriptions and green fees, to what degree has your club’s current profitability been impacted by this pandemic? To what degree has your club’s long-term sustainability been impacted?**

Overall, survey respondents indicated that short term profitability and longer-term sustainability have both been, equally, at least somewhat positively impacted. Short term profitability has been more highly positively impacted. For approximately 15% to 20% of respondents, the reported impact has been at least somewhat negative.



Greater shorter term profitability impacts are more evident at clubs with fees less than \$4,000, this cohort having experienced an overall average decline in visitor rounds and associated revenue.

<b>Annual Fee</b>	<b>Short Term Profitability - % Somewhat/Highly positively impacted</b>	<b>Long Term Sustainability - % Somewhat/Highly positively impacted</b>
<\$2,000	76%	65%
\$2,000 - \$4,000	81%	76%
\$4,000 +	56%	69%
<b>Total</b>	<b>72%</b>	<b>70%</b>

## Report Comments

A number of insightful comments were made by survey respondents. A selection of the comments made are provided below.

- *In terms of long-term sustainability, we see increasing demand for member play on the course as a challenge with the average member now playing 50 rounds per year compared to 35 only 5 years ago. The number has been trending upwards year on year for 5 years, so Committee have decided to reduce the number of playing members to improve member access and reduce wear and tear on the course. Subscription fees have increased to offset the reduction in members and Committee is investigating additional income sources to reduce reliance on unsustainable annual subscription fee increases whilst maintaining the course and facilities to the highest possible standard.*
- *We have found operations from a golf perspective to be fairly steady pre, during and post COVID. The killer for us was closure of Gaming.*
- *Visitor access has been limited for much of the 12 months due to border closures. Challenge now is visitor numbers increasing and trying to find time sheet access for the increasing demand. Increased visitors and no times!*
- *We are receiving what is considered the worst in business - a double knock. Costs are increasing because of increased member play, while revenue has declined from other sources (greens fees), with member fee increases reducing as a result of the pandemic. One of the few industries where customers can consume more of a finite amount of product, without paying extra.*
- *Pandemic has caused uncertainty preventing people from taking 12-month memberships - possibility of lock down and no play has impacted our membership renewals. The Club did offer an optional 10% credit on fees for renewal at 1st March 2021 - we had an 80% take up of this offer - our membership attrition rate was also higher than normal but the impact was not high due to larger base when renewals sent.*
- *Due to high demand of members wanting to play new members haven't been able to be introduced to the club, once travel opens up this will be beneficial as new members can join and get back to levels post covid.*
- *Our focus is now on retention, investment of our improving profit position back into the golf course maintenance, capital projects, increasing our staffing levels to generate greater output (on and off course) and as possible increasing our internal events to provide more reasons to stay a member with our Club.*
- *Negative impact in terms of staffing (course and hosp.) and what the long term prospects of that and the resultant additional costs to retain good staff. will be i.e. probably paying 10% more to retain.... Has the industry learnt? is the pandemic really another name for the second coming of the Shark and in a decade or two back to same bleak outlook? The pandemic has showed that we can easily trade well with no F&B and let members dial in uber eats and byo.*



- *Member demand has necessitated that we reduce new member intake- negative impact on entrance fees. Limited guest play has also reduced green fee revenue substantially. The 5% increase in subscriptions merely reduces the green fee shortfall and doesn't supplement operations. Increased member participation of >20% requires additional staffing as the service expectation has not reduced, putting major pressure on our resources. Annual increases may need to be greater than 5% going forward to sustain the demand for play.*
- *Increased playing rounds has reduced grounds staff access to complete maintenance tasks and greens in particular are negatively impacted. Driving range usage has also increased and maintaining quality turf is becoming more difficult. The Club has agreed to close the golf course on Monday mornings up until 12 noon. Also agreed to close the golf course for one week to complete all major renovations.*
- *Even though Clubs have seen increased rounds and possible revenue they don't seem to be increasing staff numbers to deal with the increase pressure on the course or clubhouse environment. This for me is a disconnect and Clubs will have a risk of burning out staff with a high volume of member play or member guest play aka the daily grind.*
- *In answering the questions about short term profitability and long-term sustainability, there could be various ways to look at this. Perhaps the impact of reduced green fee revenue provides an opportunity to revisit the model which is very reliant on external green fee income? Additionally, the trend (over 10+ years) of members playing more frequent golf has been accelerated in the past 15 months which may provide opportunities to adjust the membership model, for example pay for play, total cap on annual rounds etc. These opportunities may have been more difficult to arrive at if the pandemic had not impacted the Club Operations the way it has.*

### **Report Conclusions**

Member rounds are up, there is no doubt, though very different outcomes are however evident across the fee spectrum regarding visitor golf. These realities are driving respective revenue outcomes. Capacity issues are now beginning to be experienced on some days of the week by most clubs and new member demand is now at a point where waiting lists are developing, certain categories being full. Entrance fees may be back on the table for some.

To better accommodate member demand adjustments are being made to course management / tee sheet processes. Weekly demand peaks and troughs typically evident in the weekly syllabus are being addressed, spreading demand, increasing facility capacity and creating revenue growth. Such changes will stall, at least in the short term, any bigger re-think of member capacities. As demand is being accommodated there is awareness of the increasing importance of club practice facilities.

Increases in annual fees averaging 3.5% are planned by the vast majority, though 25% are not moving fees in the coming year. With limited fee increases against material frequency increases, member value, measured as a cost per round, has increased by

near 20% post pandemic. This is a great outcome for the member but not one that can be sustained by the club. To optimise visitor demand (or help balance the rounds downside), the majority are also planning increased public green fee pricing.

On the whole however, both short term profitability and longer-term sustainability have both been equally positively impacted and with hopeful retention targets, a potentially positive cycle awaits.

This cycle is not without on-going challenges and is one that will certainly require vision, informed planning, and wise financial management. Get it right though and it certainly will be one that could indeed see more hay being made.

## About Golf Business Advisory Services (GBAS)

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Specialist services offered by GBAS include:

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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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