

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

Establishing the Starting Line for the Path to Operational Improvement

I often get asked if one club's challenges are any different to those being experienced at other clubs. The answer is typically no, it is just the weight of the issue/challenge mix that might vary. The difficulty for many is that in the current environment, the size of the issue/challenge list just continues to grow. In short, it is battles on all fronts.

As these battles play out and some big decisions reach board room tables, another challenge is raising its head, this being the level of member support required for major change to occur - in most cases 75% approval via a special resolution. In an environment which is harder than it has ever been and is probably as diverse as it has ever been in terms of member mix and self-interest, when crucial decisions need to be made, this level of agreement is a high hurdle for what may be the right proposal, one that may never be able to be achieved.

A strong statement? Perhaps it is, but the reality is that when major change is proposed to a membership body there will always be those who say no simply because of the sheer size of the proposal. Add this to an environment where re-election of entire Boards can be as frequent as yearly, a difficult decision making environment ensues, preventing or hindering hard decisions from being made in a timeframe that reflects the actual urgency of the issue.

The time required to potentially make multiple attempts at securing member agreement therefore becomes another factor. Not only causing additional process and operational cost, an allowance for time then also requires directors/management who are committed for the period required and are willing to possibly endure some personal criticism in driving an outcome. Want to be a Club Director?

Data from the 2013 National Participation Report published by Golf Australia indicated that one in two clubs are experiencing financial distress. The ability to generate surplus cash is under pressure. For many this means that no major capital project will ever be affordable without either a major call on members or taking on some decent debt. The first is a member turn-off and the second needs a level of repayment certainty that might not be available or even approved. So as big infrastructure assets such as clubhouses and irrigation systems continue to age, as the world outside the gates continues to modernise/renovate/refresh, facilities become stuck.

Does improvement come from investment in amenities or does investment in amenities come from improvement in outcomes? If you can't afford the latter then you have no choice. Operational improvement **MUST** be your focus.

"...Does improvement come from investment in amenities or does investment in amenities come from improvement in outcomes?..."

Whilst the national and state bodies have begun to offer more direct assistance, moving forward most of the heavy lifting will still need to be done at the coal face, by the coal face. That means management and boards. With facility management never having been more challenged than it currently is, the reality is that club sustainability is only going to get harder.

Where does one start?

In seeking to deliver continued insight to the industry GBAS subscribes to a number of daily/weekly newsletters from all parts of the world. An article that recently caught my eye was one coming out of the US hotel industry titled “learning to love the data”. The journalist started out by saying that he’d never been much of a data person, and had leaned towards other issues such as people, and bigger trends and challenges. The journalist had recently attended a conference and realised that his view needed to change as he was clearly shown how data actually “shapes those big-picture ideas I like to write about.”

“...What is increasingly apparent is there is now, more than ever before, an opportunity, and really no excuse, for not using actual data and known behaviours to develop requisite strategies...”

He concluded, that “clearly, the day of the data geek has arrived.” What is increasingly apparent is there is now, more than ever before, an opportunity, and really no excuse, for not using actual data and known behaviours to develop requisite strategies. So it is our view that to succeed in the current market, a market reality which isn’t going away, you will need to become more geeky as you seek to better understand your current business, gain insight, plan and prioritise what can deliver you the biggest acceptable outcomes, then (just) do it.

An example of an industry that gets the importance of insight, achieved via extensive measurement, is the AFL. As they seek to improve team performance there is a real focus on statistics. Up to 20 different stats are in the public domain for each team including everything from the basic kicks, handballs and marks to those that I find more interesting, these being the stats that are derived from two or more static measures, such as percentage conversions and inside 50’s per goal.

If you had to think of yourself as a football team, and wanting to improve team performance, what stats are your tracking? And more importantly what are they saying?

[As I wrote in 2012, the key mindset to actionable analytics](#) is that a business decision should be able to be made based on what you are tracking. If it can’t, or there is no problem that can be solved, then you aren’t tracking what you should be.

The GMA benchmark tool can help you make a start with this and now gives you guidance as to what the key analytics actually are in club land. In the Reports component of the tool, available to those that subscribe to the premium level of the tool (an absolute no brainer if you have any interest at all in improving your club’s performance), the “Key Indicator Report” contains 12 slides which detail 16 key measures. In the other seven reports available there are over 90 more numbers and metrics that give further detailed insight into specific departments.

As these measures are presented, I guarantee you that if you:

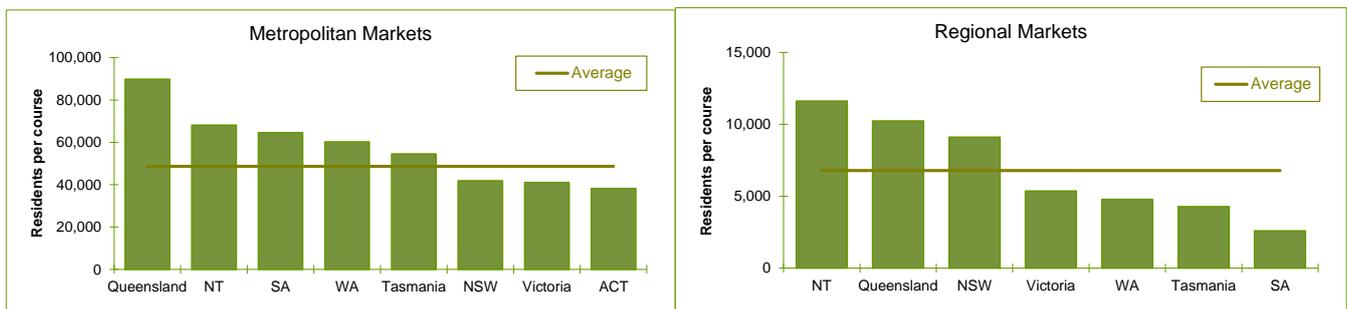
- a). establish what your challenges are;
- b). establish where you fall on the relevant curve of the slide that best reflects the challenge; then
- c). determine why you fall where you do; you will
- d). be able to develop a clear path to operational improvement.

The Relationship between Population and Membership

The underlying premise of club membership is that there is an established population base that it draws from. Add to this other competing golf courses and this is where the supply versus demand dance begins as clubs seek sustainability.

Presently GBAS databases indicate that nationally we have one course per every 14,000 residents. With approximately 60% of Australia's national population located in metropolitan areas serviced with only 20% of our total courses, the supply balance between metropolitan and regional areas varies significantly.

Across all the metropolitan markets the national average is one course per 49,000 people, ranging from a high of 90,000 in Brisbane to low of 38,000 in the ACT. Across all the regional markets the national average is one course per 6,800 people, ranging from a high of 11,600 in the Northern Territory to a low of 2,600 in SA.



Source: ABS / GBAS Database

As becomes evident, particularly those in regional areas, the level of membership demand is literally beholden to the local population level.

What are the current ratios being seen?

The table below summarises club participation rates as a % of the total population. Membership participation in regional clubs averages 2% of the population, from a low of 1.3% in WA to a high of 2.8% in NSW.

State/Region	Metro	Regional	Total
ACT			2.7%
NSW	1.6%	2.8%	2.8%
NT			0.9%
QLD	2.0%	1.3%	1.3%
SA	1.1%	1.6%	1.6%
TAS			2.4%
VIC	1.1%	2.5%	2.5%
WA	1.0%	1.3%	1.3%
Total	1.3%	2.0%	2.0%

Source: ABS / GBAS Database

Presently, population growth is averaging 1.3% per year in regional areas and 1.8% per year in metropolitan centres.

"...the level of membership demand is literally beholden to the local population level...."

Increasing Member Rounds Frequency

There is another interesting phenomenon occurring at the moment, this being increasing member rounds frequency. For the past four years, via the AGIC quarterly competition rounds reports, total competition rounds being played have been reported as increasing by an average of 3.5% per year. Whilst there are a few other reasons for this, such as less disruptive weather and conversion of historical four ball competitions (not recorded) to single competitions (recorded), there is a genuine increase in the level of golf being played by members.

It is my view that the average member now is more conscious than ever about a return on this annual investment and the equivalent cost per round is what is driving enhanced member participation and rounds growth.

With permission from Golf Australia, the following table summarises member frequency data, with the Melbourne metropolitan market used as the sample set. What it shows is that since 2007 the average number of competition rounds played per member have grown by 8% over the period to now average 35 rounds per year.

Year	Average Male	Average Female	Average Total
2014	35.9	31.4	35.1
2012	34.8	31.0	34.1
2009	34.7	30.1	33.8
2007	33.2	28.7	32.3
% change	8%	10%	9%

Source: Golf Australia

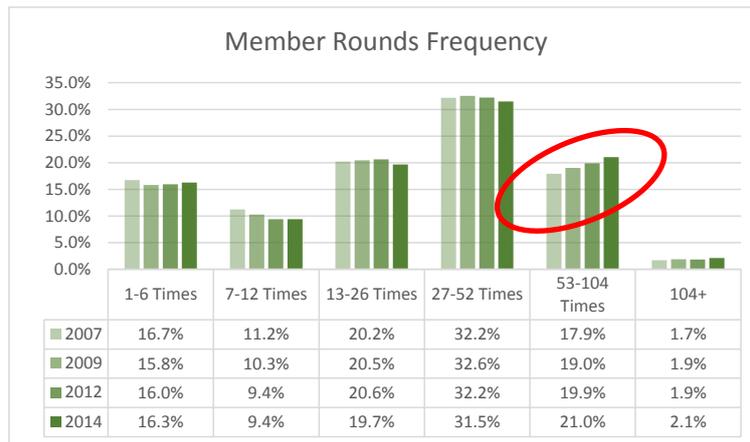
“...since 2007 the average number of competition rounds played per member have grown by 8% over the period to now average 35 rounds per year.....”

Looking a bit deeper into 2014 data, from an annual fee category perspective, those clubs at sub \$3,000 have a higher average level of member participation that those at above \$3,000, with even lower average participation at those clubs above \$4,000 annually.

Annual Fee Category	Average Male	Average Female	Average
<\$2000	37.5	32.1	36.6
\$2,000-\$3,000	37.9	33.3	37.2
\$3,000-\$4,000	34.1	31.7	33.7
\$4,000 +	29.7	25.7	28.7
Average	35.9	31.4	35.1

Source: Golf Australia / GBAS

The interesting trend within this information is where the rounds growth is coming from. As illustrated below, what is happening is that more club members, both current and new, are pushing upward into the higher frequency categories. There are now fewer members playing less than 12 times per year, which to me suggests more people are now seeking value or better value from their membership. The outcome of this is that more members have pushed up into the “at least weekly” category with small growth also evident in the twice weekly category. Is this the baby boomer impact finally materialising?



Source: Golf Australia

Whilst all of the above is positive news for those who retain some level of margin from competition fees and ancillary spending such as F&B, golf carts etc, there are flow on effects that lead to other challenges materialising, such as how to adjust course preparation practices, restrictive start times for machinery, increasing frequency of slow play, course presentation challenges, and how to best organise member demand, all of these to be dealt with an eye on member satisfaction and the value proposition of membership, the original reason for this rounds growth.

Reasons for Joining a Club

Before we finish, with membership the hot topic everywhere right now, I wanted to add some insight into the reasons for members joining clubs. The 2013 Golf Australia National Participation Report published earlier this year outlined that there is genuine annual interest in new club memberships, with more than 20% of clubs growing membership by more than 5% per year in the last reporting period. The reason for the overall national decline is that attrition has outstripped this new demand. It is our view that moving forward attrition rates need to be the focus for everyone and this is a planned focus of the 2014 Golf Australia report.

Right now however we formally know much more about why people joined as opposed to leaving a club. Knowledge that can be enhanced in that area helps the overall attrition challenge. GBAS has undertaken a considerable amount of member research over the last ten years and this question is always included in our member surveys.

As an interesting exercise we went back and merged all of the collected data into one data set to create a wider picture. What we found was that regardless of state, club size, club quality, the main three reasons for joining a club are very consistent. Knowing people at the club, is the clear leader as the main reason for joining a club. Club location and course quality were always ranked in at least the top four reasons for joining.

Of the more limited data available from resignation surveys, approximately 60% of reasons were due to physical movement away from a club or age/health. These reasons cannot be controlled in any way, suggesting that the attrition battle is against the 40% that the club can have some impact on.

Might this change in the future? I suspect not but in case it does two questions regarding reasons for joining and leaving have recently been added to the GMA benchmarking tool allowing any change that might occur to be recorded and be available for all to measure against.

I hope you have found this edition of the *Back of Cup* of interest and welcome any feedback.

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About Golf Business Advisory Services (GBAS)



Jeff Blunden
Managing Director of GBAS

GBAS is an independent advisory company offering dedicated, professional advice to the golf industry. 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.

Specialist services offered by GBAS include:

- Strategic planning
- Operational reviews
- Financial health check
- Member surveys
- Board presentations
- Technology reviews
- Insource / outsource strategy
- Executive recruitment
- Consumer research
- Market research
- 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.

Contact Details

24 Bay Rd, Sandringham, Victoria

M: +61 412 989 222

E: jeff@golfbas.com

W: www.golfbas.com