

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

Welcome to the latest edition of the Back of the Cup.

It's been too long since our last edition, but we are glad to finally get this out. You'll see another couple of editions in the coming weeks as we catch up on the frequency we want to have.

Client work has taken us away from our writing for the past few months. Projects completed include two club strategic plans, three member research surveys, an asset due diligence project, research work for GA, a number of Council related course assessments, a clubhouse feasibility study and a development feasibility study. There has been a number of learnings from each of these as we strive to improve our knowledge and deliver insightful work to our clients.

In an upcoming edition of the *Back of the Cup* we will deliver a special report concerning club governance. The response to our survey of GM's that underpins this report was one of the strongest we've ever seen, demonstrating just how much of a hot issue club governance is at the moment. Based on our analysis so far, it is apparent that there is material overlap occurring between Boards/Committees and club management.

Another edition to follow shortly thereafter will take a look at what really drives member satisfaction. Like most numbers the absolute tells you something but for it to be truly understood it needs some context. With more than 20 club member surveys now undertaken by our firm (two more currently in development mode) and over 10,000 individual opinions provided, we've had great insight when seeking to understand what specific areas of club operations ultimately drive satisfaction.

Flowing from this are some revealing satisfaction benchmarks that give great context to overall results achieved. We have taken a detailed look at the aggregated data we have and look forward to sharing our views around member satisfaction, also referencing some trends in satisfaction beginning to emerge as wider consumer expectations reach all time high levels.

There has been an increasing level of debate in some of the national newspapers recently around the general availability of golf. What has been lacking from this debate however has been the current facts around supply and demand.

We've read recently that population increases combined with a migration of people back to regional areas from the cities could help prop up the fortunes of the golf industry. Membership demand however is a function of both population and the resultant member capture rate that is evident across individual markets.

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Consistent with our aim of delivering information to better inform industry conversations, in this edition of the *Back of the Cup* we take a look at what is actually happening from a supply and demand perspective across the country.

We trust you enjoy this edition of the *Back of the Cup*.

The current lay of the land...

Golf demand, like any other sport or activity, is a factor of population. Therefore the trends evident within the wider population are the starting point for any discussion. Combine this with the course distribution realities presently evident around the country and actual membership data and you have the ability to create a complete picture of the supply / demand dynamic. Both the supply and demand patterns certainly do not reflect a lineal relationship to population, and thus suggest that the debate must be more micro than it currently is.

To help inform all sides we have developed a tool that allows for the analysis of every Local Government Area (LGA) in Australia, with all key supply and demand information about that LGA presented in an interactive map. This map is available for all to use. Click on the image at the end of this article or type the following into your browser <http://www.golfbas.com/population-demand-by-lga> and you'll go straight to it.

Let's explore the back story. Released three months ago was Golf Australia's 2015 National Club Participation Report. We were pleased to play a role in shaping its content, believing that an established source of facts for the industry keeps everyone on the same page and aware of the key trends evident across the industry. The report aggregates all of the data emanating from the state golf associations and when combined and analysed on a consistent basis, some key insights into the make-up of Australian golf reveal themselves.

The area of the report that we want to focus on (and which is most relevant to this article) outlines some of the higher level pieces of information, but one which gives some great insight into the current shape of Australian club golf.

For those of you not familiar with the 2015 report or the two previous editions, one of the first sobering reality checks contained within the report are the tables that detail the shape of the industry in terms of the number of facilities with members and the number of members they have.

Here are a few quick takeaways:

- 84% of clubs (excluding social clubs) are in regional areas
- In these regional areas, 71% of clubs have less than 200 members, just above the overall regional average of 195 members.
- In metropolitan areas, accounting for only 16% of clubs, the average club size is 730 members
- Only 51 clubs have greater than 1,000 members

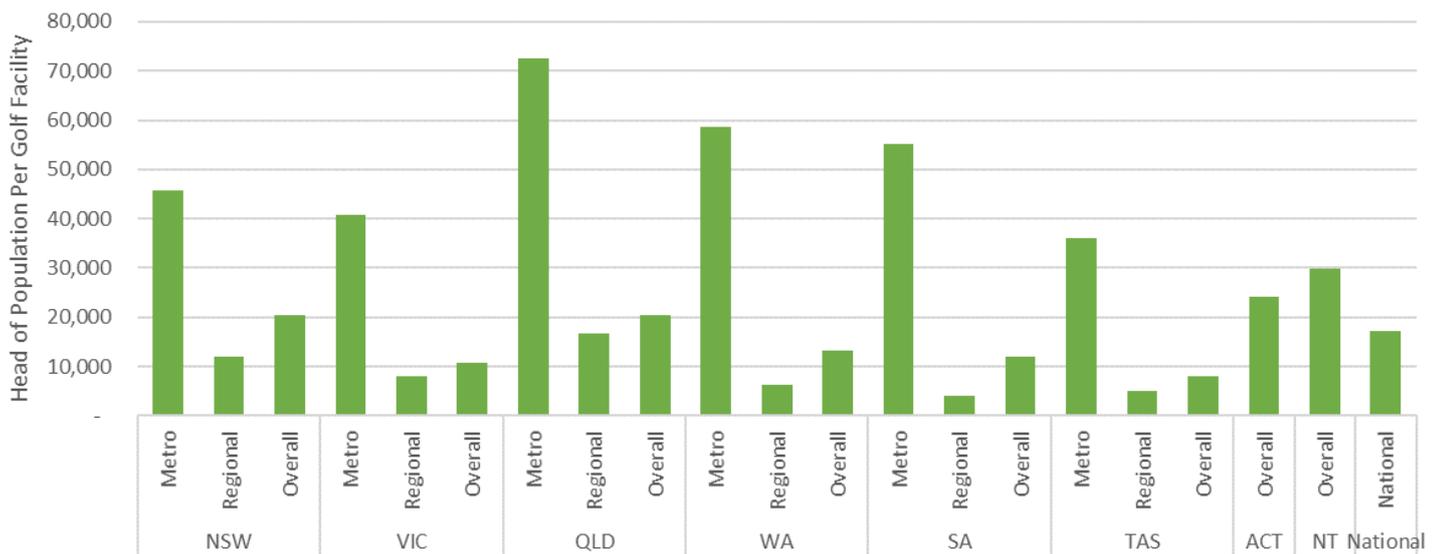
"...A high level assessment of course supply indicates that across the country, there are approximately 17,000 people per golf course..."

- Approximately half of the total metropolitan membership base comes from only one third of the total metropolitan clubs.

As noted in our introduction, participation however is only part of the story and further layers of information – population and course supply data – need to be added to get the complete picture.

A high level assessment of course supply across the country indicates that there are approximately 17,000 people per golf course in Australia. Of the top 20 markets globally, this places Australia in fourth place behind New Zealand, Ireland, and Canada, which all have less than 15,000 people per golf course.

As you'd expect, this figure varies significantly based on population density, with the average number of people per golf course increasing to 47,000 in metropolitan areas and decreasing to 10,000 people in regional areas. Material differences are seen when assessed on a state basis, with just under 21,000 people per golf course in New South Wales and Queensland decreasing to 8,000 people per course in Tasmania. State numbers, separating metropolitan and regional markets are summarised in the chart below.



Source: ABS, GBAS Supply Database

“...this figure varies significantly based on population density, decreasing to 10,000 people in regional areas...”

With an understanding at the higher level, we can now take a deeper, more visual look at this supply information. Data available from the ABS gives us population numbers down to the LGA level. With defined geographic boundaries (down to the street level), these areas are all able to be accurately mapped. Geocoding and plotting each of our courses then allows us to analyse known membership numbers at these courses and course distribution by LGA. Adding population data for these areas gives us a golf club membership capture rate.

As background, Australia is broken into 567 LGA's. 104 or 18% of these LGA's are located in metropolitan areas, housing approximately 46% of Australia's 23.8 million population (projected 2015). The remaining 82% of LGA's (463) cover regional areas, housing the remaining 54% of the population.

Not all LGA's are created equal. Driven by population, when assessed by size, there is material differences evident in their geographic size. The average size of metropolitan LGAs is 207 square kilometres, compared to an average of 16,557 square kilometres for regional LGAs. Whilst the averages show material variance, even within the sub market, further variance is evident with thousands of square kilometres difference between the largest and smallest areas in both metropolitan and regional areas. Key LGA size statistics are summarised in the table below.

Area	Count	Av Size Sq kms	Max Sq kms	Min Sq kms
Metropolitan	104	207	2,466	3.1
Regional	463	16,557	371,000	5.6

When mapping our facilities it becomes evident that there are 116 LGA's across Australia that do not contain a golf course. 96 of these LGA's are in regional areas. Given the size of many regional LGAs and the distances between, for some golf is not a regular recreation/leisure option. For the others, a large range of supply exists. One third of LGA's have at least one course, with the average being three courses per LGA. 5% of LGA's have 8 or more courses with the highest being 27 courses in one LGA, that being the Gold Coast.

Given the non-uniform distribution of golf supply in metropolitan areas, and the generally smaller areas covered, movement across LGAs to participate is much more frequent (strangely the Brisbane metropolitan area and the ACT are separately mapped as only one LGA). With regard to travel, what we have found however as we map addresses and determine the typical draw areas for our clients is that the draw area consistently reflects that 80% of members are drawn from within a 20-kilometre radius of the club. Whilst possibly across an LGA boundary, this indicates that demand in most cases is still reasonably local.

Turning our attention to population, average annual growth rates over the past five-year period from 2010 to 2015 show that population levels in metropolitan areas are growing at an average rate of 1.5% per annum; just ahead of the 1.4% growth experienced in regional areas. There is no difference in these rates if we exclude the LGA's that don't have any golf courses. 137 LGA's recorded negative growth, 20 didn't change and the rest recorded growth, with the range being -6% to 7%.

This leads to capture rates, being the percentage of the population that are members of golf clubs. In the LGA's where golf does exist, the overall golf member capture rate as a weighted percentage of the total population was 2.0% in 2010. By 2015 this capture rate had fallen to 1.8%, consistent across all levels of population. This fall is the result of population numbers growing by an average of 1.4% per year and total member numbers declining by an average of 1.4% per year and continues a distinct trend of declining capture rates since a high of just under 3% in 1998.

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“...it suggests that supply does possibly drive demand – a slightly higher capture rate at the LGA level is evident where there are more facilities available...”

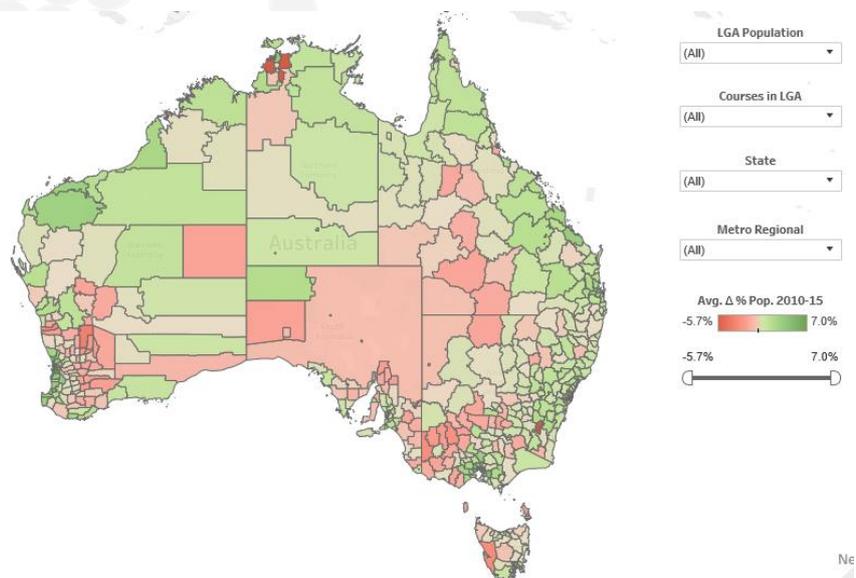
Interestingly there is a distinct difference in capture rates in metropolitan and regional markets. The average member capture rate in regional areas of 2% of total population in 2015 is nearly double the 1.2% seen in metropolitan areas (2.3% and 1.4% in 2010 respectively). On a state basis, regional SA is tracking at 3.3%, with regional NSW at 2.8%.

So the recent proposition that future population increases combined with a migration of people back to regional areas from the cities could help prop up the fortunes of the golf industry is an interesting one. If those migrating are golfers moving to an area with golf then one would have to think that the proposition would be right. If they aren't a golfer, would a higher capture rate evident in regional areas suggest they could be converted? Maybe, but the capture rate is declining.

So what does all of this mean? Firstly, golf is very local. Given the distribution of supply and demand each market has different characteristics. In other words whilst a national overview and discussion sets the scene, it is the micro analysis that tells the story. Secondly, our analysis has found that supply does possibly drive demand – a slightly higher capture rate at the LGA level is evident where there are more facilities available.

There is a greater, more pressing need however and that is the economic one. Whatever the demand, it must be sufficient enough to provide the necessary scale required to ensure financial sustainability. Sustainability isn't a future requirement for many, it is a present, immediate requirement. In regions where the collection of golf facilities are not able to achieve the scale that they require to remain financially viable, scale may only be achieved by a rationalisation of facilities. How many? That will be an LGA-by-LGA discussion.

Click on the image below to be taken to the interactive version that details key, filterable information for each LGA in Australia.



To see more interactive tables and maps, please sign up to our industry data portal at www.golfbas.com/industry-data

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:

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- Board presentations
- 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.

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