

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

“...how can one make a decision or form a strategy for their business without knowing what the market is doing and how it is performing?..”

A Market Analysis - What is happening outside your gate?

The principals of GBAS have recently assisted a number of clubs in their planning processes, with work ranging from member satisfaction research, public golfer attitudes, facilitation of Board planning sessions, membership product development and financial operations reviews. In almost all cases what quickly became apparent, is that at most of these facilities little was formally known about what was happening at other clubs or facilities in the area. A lot of anecdotal information was available (I heard this, I've heard that..) but no formal assessment had been completed as to the health of the golf market in which they were located.

If you accept that we are all impacted to some degree by general economic conditions, and that impacts filter all the way down to immediate club micro conditions, then how can one make a decision or form a strategy for their business without knowing what the market is doing and how it is performing? Not knowing what the market and your immediate competitors are doing puts you at risk of setting goals, budgets, and expectations that, in the face of the market, may well be totally unrealistic (or too pessimistic). It also doesn't put the results achieved into any market context whatsoever, not identifying how good (or bad) they might be given what is actually happening outside the gate.

Where are the numbers?

As clubs communicate their performance to their members they should all first be referencing the market they operate in. An accepted hurdle however in doing this is accessing the necessary data. Unfortunately this isn't as easy as it should be.

The State administration bodies, as collectors of member capitation fees and annual member numbers from each and every club, don't do anything of real value with the data collected. Where state bodies aren't merged the male and female member numbers of the same clubs also remain separate, meaning that there is actually no complete club market picture in these states. Also, these bodies do not provide any useful formal market commentary about these numbers in their annual reports, views which could be referenced by clubs when referring to the wider market or when forming their own views on the movements recorded. For some, Junior numbers are separated from Adult numbers, but for most they aren't. Junior trends are therefore very difficult to formally identify. For some, annual member numbers are not even included in the State annual reports, meaning there is no immediate source of this base data. Given the above, perhaps one shouldn't be surprised that little is formally known within clubs about the health of the market around them.

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It should be noted that the above presumes that the numbers reported annually by clubs, from which others do draw conclusions from, are actually correct. Having just completed a detailed analysis of member numbers for Golf Queensland as part of the

Club Membership and Attrition Report ([click here for a copy](#)) and currently doing the same for the NSWGA, as well as recently presenting reported annual numbers to the managers in WA so they could understand what is “officially” happening in their market, I can assure you, unfortunately, that there are “errors” being made in reporting. Based on what has been seen to date the estimated annual error (mainly under reporting) is around 5%. This might seem small but if you apply this to total Golf Queensland numbers as an example, 5% of 75,000 members is just over 3,500. Multiply that by the annual capitation fee of \$15 (the amount GQ get) and you get just over \$50k, certainly enough money to fund something valuable to the state.

The problem with under reporting is that it only really becomes apparent the following year when reported member numbers rebound to the level they were close to two years prior. Should the State body question these numbers from the outset? Honest errors do occur. Should they be billed based on what is contained in GolfLink? (ie, if they have a handicap and have been playing they can’t just disappear around reporting time). There is certainly a leak of decent value occurring and a solution needs to be found.

The alternative to seeking market data from the State bodies is to either collect it from the club annual reports that get shared by many in the market or to do an annual ring around to competing/peer club at a common time each year to source these numbers. The weakness of this method is that if calls or frequency is inconsistent, then clubs will get inconsistent results. Also the exact numbers might not be available or be readily forthcoming. However some data is better than no data and you could also get some other useful information from this method including membership category data which isn’t reported to the state bodies as well as current/proposed fee structures - resulting membership numbers are always a factor of cost versus value.

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What is my market?

Before progressing, it should be pointed out that a market could/will contain a number of sub markets. It is the performance of these sub markets which will likely be most relevant at club level and it will be what clubs measure themselves by. This is particularly relevant for markets which have a broad range of facilities.

The overall goal is to understand what is happening at a high market level, then drop down to the level where it is like club versus like club. A “like” club is defined as one which is in a similar geographic location and which has a similar product value proposition. The major geographic draw area for most clubs typically ranges out to a 20 minute drive time.

At a club in Sydney that JBAS recently completed some work for, within the market analysis component of the work it was found that approximately 44% of its members lived within five kms of the club, almost three quarters lived within 10 kms of the club (20 minutes drive in Sydney traffic) and all but 4% lived within a 20 km radius. The best way to determine this is to consider what other clubs your new members might contemplate joining (ask them) as this process takes into account geographic location, the value proposition and traffic!

So what are you looking for?

Lets assume you have the information. Now what? In the market analysis that JBAS undertakes we look for the short term movement trends (say 3-4 years) and the long term movement trends (say 5-7 years), measuring how the individual club has performed against the market. Areas typically analysed are:

- Total members
- Total male and female members
- Male/Female member ratio
- Total Junior members and Junior member ratio

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As well as the market trend in these areas, what you are also trying to identify is areas of club strength and areas of weakness. What are others seemingly doing better than you? Have they got stronger female and junior ratios, better retention strategies? What can you potentially learn from that and adapt for your club? There will always be something, you just need to find it.

As clubs prepare to enter a new year, all annual plans should contain some market analysis and commentary. Knowing what the market and your immediate competitors are doing gives you a greater chance of setting goals, budgets, and expectations that will be realistic and will allow the subsequent results achieved to be put into market context.

Knowing what is happening outside the gate is good for business. What is happening in your market?



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 and is Australia's leading provider of golf industry advisory services.

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
- Facility design
- 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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