GBAS
GOLF BUSINESS ADVISORY SERVICES

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

In a nod to the upcoming GMA conference next week we thought we'd publish this newsletter in advance, sharing some current data and thoughts that are in line with the conference theme… *it is more than a game...*

It is a very appropriate theme for the current environment we find ourselves in. The 2013 GA National Participation Report noted that 50% of clubs are in some form of financial distress. With many unfunded infrastructure renewals looming this distress won't disappear overnight.

The reality for all is that there are no easy wins readily available to materially improve outcomes. Improved overall performance is going to come from little wins across a number of areas of business with the separate improvements collectively adding up to a larger, material number.

I'll outline an example by using a number of the median outcomes currently emanating from the GMA Benchmark tool and the impact improvement they would have on overall profit.

- A 1% decrease in member turnover would increase subscription income by 22,000
- A 2% improvement in retail cost of sales would grow retail profit by $12,500
- A 2% increase in per round F&B spend would grow F&B profit by $10,000
- A 2% improvement in F&B cost of sales would grow F&B profit by $18,500
- A 1% improvement in overall wage cost would deliver $47,000 savings in wages

"…Improved overall performance is going to come from little wins across a number of areas of business with the separate improvements collectively adding up to a larger, material number…."

Whilst only small percentage improvements, collectively the above adds up to just shy of $100,000. Who doesn't need that type of money to re-invest in their assets and firm up the club value proposition? These are the cards we have been dealt at the moment and that is the challenge of golf club operations. Understanding all of your micro drivers, and then being able to impact them, has never been more important.

For those with an interest in golf operations, a quick plug for our most recent research initiative. We are deep into our analysis for our *2015 Golf Operations Retail Benchmark Report*, a follow on from our 2013 and 2010 reports. Our 2015 report will be available to those who participated in the research by mid-September. Our analysis thus far has found that retail revenues are trending upward, driven by a combination of increased rounds and an increase in average spend per member. Slightly lower spends on a per round have materialised with retail gross profit percentages being steady.

Knowledge and benchmarking get appropriate billing at the conference and we are to be there for the whole event. If you'd like to book some time to review/discuss your current benchmark results (or any other questions you might have) please let me know.

We trust you enjoy this edition of *the Back of the Cup* and as always welcome any feedback you may have.

What questions are you trying to answer today?

Every day in our working lives we are asked questions. These questions come either directly, or indirectly, from another person, or sometimes from ourselves. The success we have is typically determined by how well we answer them.

In the industry that we are all involved in, these questions come in all shapes and sizes. Some are important, some less important. Some are simple, others more complex. In today's digital, data driven age though there is one increasing reality – when answering questions and determining strategy, without data you are simply another person with an opinion.

Unfortunately I can't take the credit for making up that quote, but in an industry where people management, both from a customer and customer service perspective, has a large bearing on the outcomes achieved, along with maintenance of member satisfaction, the more you relate to that statement the more success you'll likely have.

"…without data you are simply another person with an opinion …."

There is no doubt that a lot of great gut decisions have been made in past years without data. The question is will any major decision ever be made by gut again? Such an approach almost goes against proper corporate governance. As one astute CEO recently noted in an article I read, "…whilst there will always be a place for those in the world who can see in a flash what it might become" the increasing reality is that "data based analysis can make us better at seeing the world as it is.."

The other day a job posting popped up in my LinkedIn feed - Marketing Technologist (Data Scientist - Marketing). I was fascinated by the inclusion of the words Marketing, Data, Scientist and Technologist in a job title. Needless to say I read on.

Here's a summary of the job description:

The Marketing Technologist is a role pivotal to growth, informing marketing strategy. The role undertakes complex analysis into customer behavioural patterns to construct a holistic view of the customer. The outcome of all of this work is the continual improvement of marketing strategy, identification of customer groups to target, and to shape marketing campaigns that aim to provide appropriate messages and offers to customers at the right time, to optimise business revenue growth.

Now you might be wondering who it was that was seeking to fill this role? It was Crown Casino in Melbourne, the ultimate of all persuasion industries and entertainment venues. What the job spec shows is just how scientific customer analysis and targeting processes are now becoming. They clearly believe that with

data comes insight and from insight better outcomes materialise as they impact consumer behaviour.

Whilst I cut out a few of the technical terms used, the above job description could almost equally fit into a club environment. We have always pursued a data-driven approach to our consulting work, knowing that from the process we employ there are nuggets of information to be found that can help determine/direct strategy. But what data are we acting on?

There was a great article in the AFR Boss Magazine from early July that talked about big and medium data. (http://www.afr.com/brand/boss/if-you-dont-really-understand-big-data-how-about-tackling-medium-data-first-20150619-ghsgu4) It began by saying "…The lifeblood of the information age is data and the prevailing wisdom is that the companies that can extract insights from data have an advantage over those that don't…"

The article references a survey by the University of Sydney Business School and also suggested that those who aren't using big data are doing so because of cost and lack of understanding about its nature and benefits. But the article also importantly pointed out that "…Most organisations have more than enough data to get started, but more need to know how to use it to drive commercial value. The challenge for companies is to develop their internal capabilities with their own data…"

GBAS is aware of two specific tools being developed for club land – Golf Insight and MPower - that are now joining numerous pieces of information together and highlighting outcomes/trends that would not have been otherwise readily visible in day-to-day data. Whilst in their early days of take-up, and true appreciation of the benefits and knowledge that flow, these tools reflect business progress and are bringing to surface information that can better inform decision making.

Like at Crown though, the subsequent outcomes achieved will depend on what you do with the information now available.

"…Most organisations have more than enough data to get started, but more need to know how to use it to drive commercial value. The challenge for companies is to develop their internal capabilities with their own data…"

Let's look at one story.

Whilst clubs have historically been built on the "all you can eat" take it or leave it membership structure and thus had limited focus on frequency of facility use, many years ago we started talking about the importance of measuring demand and the resultant knowledge that comes from better understanding customer frequency. As membership structures are forced to adopt to changing customer wants, frequency becomes the number 1 insight required.

In recent times you would have read press releases from the Australian Golf Industry Council ("AGIC") that have highlighted an increase in competition rounds played. We do this analysis on behalf of the AGIC, which notes the absolute number and trend evident in member competition rounds across a constant data set.

The AGIC has reported average year-on-year growth of just under 4% in this area since 2008/09. Whilst overall rounds have benefitted in recent years from a number of factors - more favourable weather, a conversion of not handicapped 4-ball events

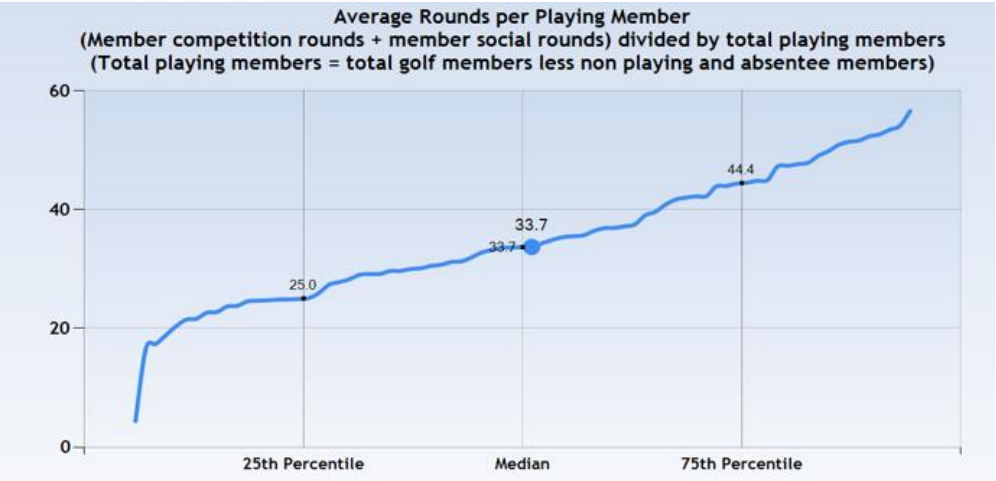
to handicapped aggregate events, driving the outcome has also been a trend within member frequency.

We dug a bit further into the micro data and here's what we found. Across the past 5 year period, average member frequency has been growing by 2.4% per year, with the average increasing from 28 rounds per year to just over 31 at year end July 2015. By categorising clubs into total annual rounds brackets, we can see that for Club's with 25,000 + rounds, whilst smaller annual growth has been seen, in the 12 months to July 2015 member frequencies averaged 36 rounds per year.

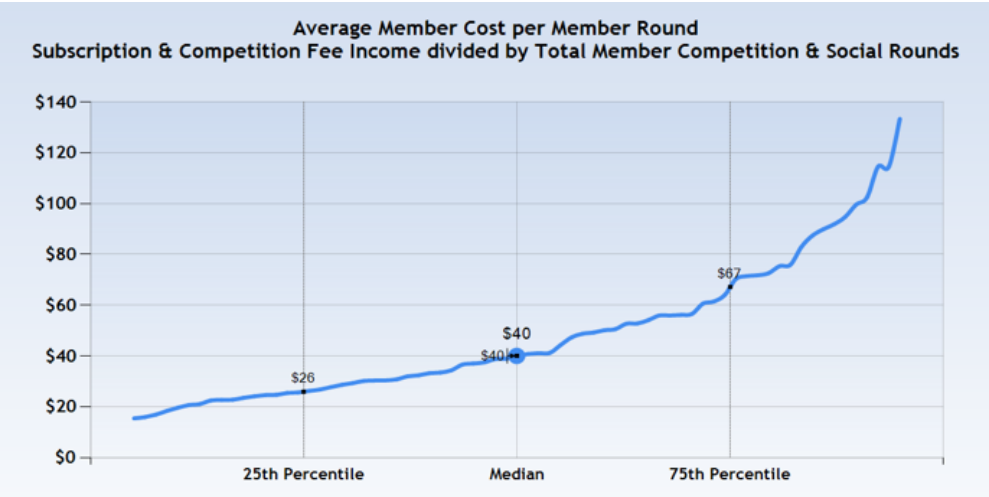
Rounds Category	2011 Per Member Average	2012 Per Member Average	2013 Per Member Average	2014 Per Member Average	2015 Per Member Average	CAAG
< 10,000	18.7	19.8	20.4	20.4	21.4	3.3%
10,000 to 14,999	29.4	30.5	31.4	31.9	32.4	2.5%
15,000 to 19,999	30.1	31.7	32.5	33.1	33.4	2.7%
20,000 to 24,999	30.3	31.4	32.3	32.8	33.0	2.1%
25,000+	33.3	34.2	35.4	36.0	35.8	1.8%
Average	**28.4**	**29.5**	**30.4**	**30.8**	**31.2**	**2.4%**

"…What is happening by age, by membership category? What is the profile of the newer member? How does it compare?…"

If we look at the same data from GMA's Benchmarking tool current results indicate a median point of just under 34 rounds across all clubs in the database, reflecting the typically larger sized GMA club.



A great new slide just added into the Golf Operations Report slide deck (below) outlines the member cost to participate when measured on a per-round basis.



Adding these two pieces of information allows you to start to understand the value proposition, gain some insight, impact future outcomes.

These slides are just two examples of the highly valuable information available in GMA's benchmarking tool, information that starts to tell a story. But this is just the introduction. What is happening by age, by membership category? What is the profile of the newer member? How does it compare?

As you note what others are doing to grow their business, it is clear that data is now driving decision making. To quote an Amazon executive in a recent article "data creates a lot of clarity around decision making."

This is the new world in which we live in. What story is your data telling and what questions are you answering?

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
- Member surveys
- Board presentations
- 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