GOLF CLUB ANALYSIS AND PLANNING 2013

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA
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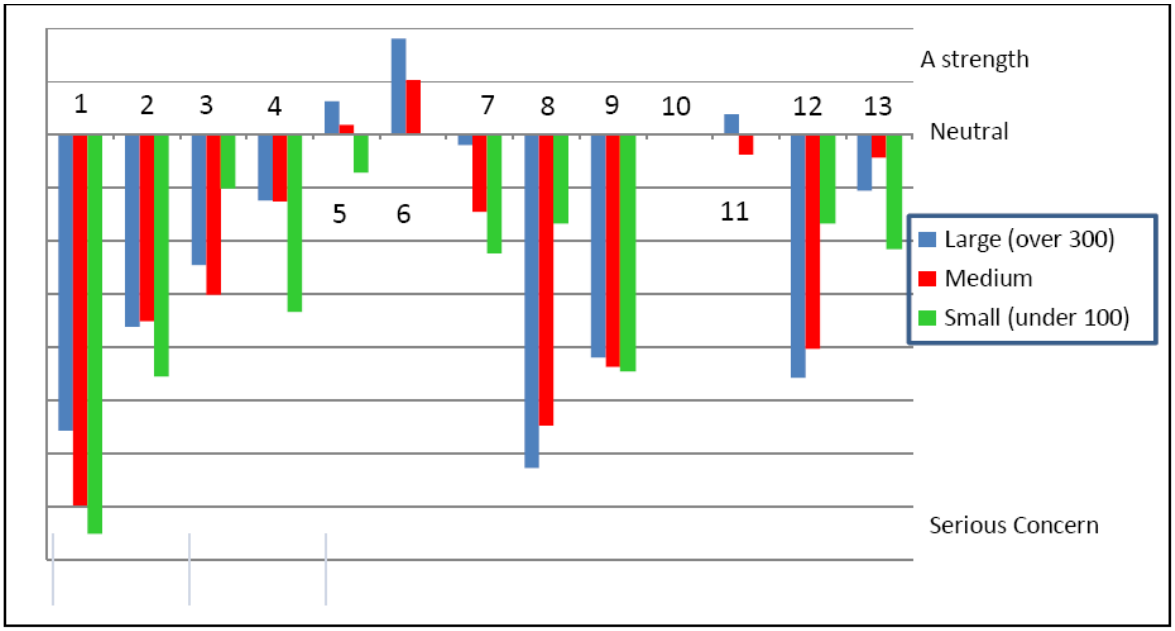
Cash, sinkholes and sources.

How are community sport and recreation organisations funded and what are the implications for their future viability?

Despite the many millions of dollars sports clubs receive annually from memberships, grants and sponsorships, many struggle financially at grass roots level, making deficits or only just breaking even. Financial vulnerability appears to be a very real issue.

The objective of this research was to analyse golf clubs' capacity, specifically their key sources of funding and their financial sustainability.

Strengths and challenges faced by golf clubs



The numbers in the figure represent the following strengths or challenges:

1. **Attracting new members**
2. **Retaining existing members**
3. Attracting and retaining volunteers
4. Training volunteers
5. Recruiting paid staff
6. Retaining paid staff
7. Finding a treasurer
8. **Obtaining sufficient income**
9. **Being an attractive alternative in a competitive market**
10. Reporting to funders
11. Reporting to government
12. **Maintaining financial viability**
13. Funders

Key Findings
Financial vulnerability.

Utilising a series of financial ratios we ascertained whether clubs could finance the achievement of their goals, their financial sustainability and maintenance of inter-generational equity. We found:

- Members are the main source of golf clubs' funding (69.3%), although this percentage is higher in urban clubs and lower in rural clubs.

- A substantial percentage (41.9%) of clubs reported declining revenue. To supplement funding, 84.2% of clubs applied for at least one grant in the last year. Few clubs have highly diversified funding sources.

- Golf clubs' greatest expenditure is on property (45.6%) followed by administration (43%). Administration costs are increasing, indicating a need to make savings and/or share services and suppliers.

- A number of clubs are technically insolvent. Clubs' solvency was measured using the quick (acid) ratio. On average this was 2.56, but there was wide variation in this measure. Clubs will find it challenging to ensure that they have liquid assets sufficient to pay their bills.

- Clubs also had varying levels of reserves, from negative to more than seven years worth, with a mean of four months.

- Clubs' finances lack inter-generational equity with 48% of clubs being financially worse off after 4 years' trading (i.e. more debt as a proportion of assets). The average surplus/revenue calculation is negative, suggesting long term sustainability is threatened.

- According to the model we developed, only 26.4% of golf clubs were financially strong.

Infrastructural capacity (membership, facilities, human resources)

- Almost half (49.6%) of clubs reported that their adult and junior membership numbers had declined, with only 24% reporting growth. These declines affect revenue and financial sustainability.

- On average clubs stated that their facilities are: always available, that members find them generally to be of good quality, and that they are neither too expensive nor cost effective.

- Larger golf clubs employed more staff. In the average club, 63% of staff are employed in bar/catering and cleaning. Staffing issues were generally not a problem for any clubs.

- Volunteers in all clubs assist cost effectiveness, but more volunteers are active in small clubs than large ones.

Strategic capacity (business planning, satisfaction with the board, attitudes)

- Only slightly more than half (55.8%) of clubs had a business plan beyond the annual budget. Large clubs were more likely to have a plan than small and medium-sized clubs. This links to the poor financial sustainability of clubs

- The relative lack of strategic planning appeared to be mirrored at regional level.

- Generally clubs perceived their governing bodies to be effective, efficient and responsive but the 'annual churn' can be disruptive to planning.

- Almost half (44.5%) of clubs listed more challenges then opportunities. Recruitment and retention of players was the largest challenge.

- Obtaining sufficient income was a significant challenge for large and medium-sized clubs as was maintaining financial viability.

- Small clubs found training volunteers to be a significant challenge as well as recruiting paid staff and dealing with funders.

- Golf clubs source advice from New Zealand Golf, and other local sources. Very few access assistance from their Regional Sports Trust or Sport New Zealand, nor do they interact positively with local authorities for joint benefit.

Overall capacity

- There is a relatively strong linkage between financial capacity and infrastructural capacity, as declining membership directly impacts the club's revenues.

- Further, due to a focus on the near term, negative sentiments about facilities and the board (infrastructural issues) are likely to be directly related to calls for higher fees or more fundraising (financial capacity issue).

- Small clubs appeared to be the strongest financially, but admitted to the highest number of challenges, and no small clubs had growing membership. Their greatest strength is the involvement of high number of volunteers.

- The greatest risk facing golf which was highlighted by all aspects of this research was the declining membership base across small and large clubs specifically but all clubs generally. The lack of members affects not only clubs' income, but also the ability to attract board members and staff and to maintain the assets at an acceptable level.

Next Steps

A number of recommendations could be made from these findings. We encourage New Zealand Golf and its affiliated clubs to reflect on the findings and the potential opportunities that could be progressed for the benefit of clubs and the sport as a whole.

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National Golf Facility Strategy 2013 critical issues

- Lack of income diversity
- Untapped target markets
- Increasing operational costs
- Lack of genuine differentiation
- Majority are “not for profit” organisations with member governance
- Creates an inward facing culture with reluctance to change

Is Golf Relevant in 2013?

What purpose does it serve?

What challenges hold people back from participating?

Why are people leaving the game?

How do you think the industry will change in the next 5 – 10 years and what do you need to do to adapt?

Is your club sustainable in its current form?

Top 10 Health Benefits of golf

1) REDUCES STRESS

Playing a round of golf has been proven to release powerful natural, mood enhancing drugs from our brains called endorphins.

2) TEACHES CREATIVITY

Depending on where your golf ball lies, you may need to use your imagination to make your next shot. Depending on your game, you may need to be creative and lie on your scorecard.

3) POWERS YOUR BRAIN

Golf may delay the onset of dementia by stimulating blood circulation in the brain along with improving connections between nerve cells. Swinging the clubs also challenges the mind in terms of strategy, coordination, concentration along with adding up a series of large numbers.

4) LIVE LONGER

A Swedish study on the health benefits of golf has found that people who play the game on a regular basis have a 40% decreased mortality rate among their peers which equals a 5 year increase in life expectancy.

5) SLEEP BETTER

Getting regular daytime exercise such as playing golf often means a person will fall asleep faster and remain in a deep sleep for a longer period of time.

6) GOOD WAY TO GET YOUR EXERCISE

The game of golf is great for your cardiovascular health since it involves walking about 6 miles and can burn off around 1400 calories. However, if you choose to ride in a power cart so you can take advantage of the handy beer holders, your lifetime membership at the club may be shortened.

7) CHANCE TO USE LEARN A NEW LANGUAGE

Learning the unique lingo of the game is as vital as learning the proper grip and swing mechanics. A skilled golfer is one who can use terms like bogey, Big Bertha and mulligan in a single sentence.

8) SOCIALIZATION IN GROUPS

It is often said that the worst day of golf is still better than the best day of work especially when you are hanging out with your buddies on the course.

9) TESTS YOUR VISION

Every time you strike the little round white ball, it is an opportunity to evaluate your visual acuity when attempting to locate where it landed.

10) TRAINS YOUR BLADDER

Taking a nice 4 ½ hour stroll interspersed by visits from the beer cart girl is a unique way to test your bladder capacity.

Competing for members?

In a competitive marketplace, are you an attractive sporting/recreational activity in your local area?

List the other activities that are available in your local area?

Why should people play golf rather than doing something else?

What is your club's point of difference?

What are the barriers to joining your club? Cost, Perception, Time, Ability, Equipment

What do you do to help people get started in the game?

The Third space

The term *Third Space* or *Third Place* was coined by the sociologist Ray Oldenburg in the early 90s in his book *The Great Good Place*.

- It's a space where people meet to unwind, discuss and talk about things that matter to them, where they can relax, be themselves, develop new friendships and deepen existing ones.
- It's a space distinct both from the work environment where communication and interaction can be functional, stereotyped and superficial and distinct from the domestic space of home and family life.
- Third spaces have been ways "a community develops and retains a sense of cohesion and identity". They are about sociability, not isolation.
- To achieve this there are several essential ingredients:
    - Reasonably priced food and drink;
    - Open, welcoming and accessible to the neighbourhood.
    - An ambiance that can promote both conversation and quiet relaxation.

First impressions count

- What does your website say about your club?
- Are staff welcoming and friendly?
- Do your members welcome new people?
- Do members like to stay after the game to socialise?
- Would people go for a drink or to socialise even if they are not playing?

Troon's Mission

To create extraordinary guest and member experiences by delivering superior service, amenities and playing surfaces.

GUIDING PRINCIPLES

- We have a passionate dedication to quality, financial performance and the development of our associates.
- We provide an unparalleled experience to our guests and members through personalized service, consistency, and uncompromising attention to detail.
- We constantly strive to exceed the expectations of our guests, members and owners.
- We continuously redefine superior service and operational excellence through the implementation of best practices, and by embracing guest and associate feedback.
- We provide a positive work environment, training and career opportunities for our associates.
- We deliver optimal financial results for our owners and partners.
- We conduct all of our business dealings with integrity and respect.
- We embrace and respect differences among our associates, members, guests, and owners.

Creating Advocacy

Do the basics right and your customers will only be satisfied - Exceed expectations if you want advocates

What do your customers expect from you?

Do you always meet those expectations?

Is there anything that you can do to improve?

What can you do to exceed those expectations and develop loyalty?

How would people describe your members experience with your club?

What can you do to welcome new players into the club and introduce them to other players?

Market Research - Acquisition strategy

Your biggest competitor is probably the nearest club

- Is the market saturated?
- 393 clubs in New Zealand, 88% traditional mid level
- Estimated 27,092,700 18 hole rounds played each year
- Average utilisation 14% urban (Auckland 23%), 8% rural

What is the population and demographic breakdown of your catchment area?

What percentage are members?

Who are your target customers?

Do you offer what they want?

How much competition do you face?

Are you really competing for the same people?

What options are available for beginners?

Market Research - Retention strategy

Key things you MUST know about your members

Who they are? (Age and gender)

What are the playing habits of your members? (frequency and preferred playing times)

What motivates them?

How can you keep them interested in the game?

What percentage use the bar, or catering facilities?

How many support the professional?

Who buys equipment from the pro shop?

Why do members not renew? Do you send out exit surveys?

What percentage of players are casual?

How many casuals come back?

Attracting and Retaining Members

- Conduct market research to identify market size and demographic. Census statistics will be available at the end of 2013.
- Establish a customer database, segmented into age groups and location.
- Identify how frequently members play.
- Conduct a customer satisfaction survey to assess quality of service and facilities.
- Find out what level of customer service your customers expect.
- Establish a staff training program to ensure consistency of service standards.
- Identify how frequently people: -
    - Play golf
    - Bring friends
    - Take golf lessons
    - Use the club house
    - Buy from the pro shop
- Create an email newsletter and don't restrict it to members.
- Add casual players to your database and include in surveys.
- Develop a loyalty program to encourage members to refer friends and family.
- Identify why people would want to join your club, rather than another.
- Conduct competitor analysis of direct and indirect competitors.
- Do you have a point of difference? How can you promote it?
- Can you offer additional products or service that would benefit your members?
- Can you offer group lessons to get beginners started?
- Can you offer lessons to help them tackle difficult shots and advance their game?
- Identify and remove barriers to joining the club. Are your staff and customers friendly? Do they welcome new people?
- Do you have a complaints handling process?
- Complete a website health check.
    - Where do you rank in a Google search?
    - How professional does the website look?
    - How easy is it to navigate?
- Have a social media strategy
- Identify websites and online directories that promote activities in your local area.
- Ask people how they heard about you to test which marketing media people use. Focus on the things that work for you.

Maintaining Financial Viability

How do you test viability and sustainability in your club? Can you tell if you are on or off course?

It is important to establish a performance level that your club must meet to be sustainable and set systems in place so that you can track performance and implement corrective action where necessary.

Measures for success may be both financial and non financial, but it is critical to agree a standard across every aspect of the club.

- How do you measure financial and business performance? E.g.
    - Gross profit to sales ratio
    - Net profit to sales ratio
    - Conversion rate (% of customers that join)
    - % of members that use the clubhouse
    - Average clubhouse spend
    - % of members that take lessons
    - Average spend on lessons
    - % of members that buy from the pro shop
    - Average pro shop spend
- Is membership on an upswing, level or on a decline?
- What is your break even point for each of the following?
    - Course
    - Pro Shop
    - Club house (bar and food)
- Do you have a system in place to monitor financial performance
- What cashflow assumptions have you made?
- Have you allowed for seasonal variations and potential cash flow shortfalls?
- Have you made an allowance for the repair and replacement of vital equipment?
- Have you made provision for the future refurbishments of club facilities.

Pathways and Roadblocks to success

It has been said that the SWOT analysis is one of the most underutilised business planning tool. The SWOT analysis helps you to identify your key strengths, so that you can leverage off them to compete for business. It also helps you identify any weaknesses your business may have, giving you the opportunity to work on them or mitigate them.

In identifying new opportunities in your business or industry, you can start to think about the goals that you need to put in place to take advantage of them. Identifying potential threats keeps you ahead of the game and enables you to anticipate and deal with potential problems before they can damage your business.

Complete the SWOT analysis below.

STRENGTHS **(leverage)**	**WEAKNESSES** **(mitigate)**
OPPORTUNITIES **(take advantage)**	**THREATS** **(anticipate and take action)**

When setting your goals, check that they are achievable within the timeframe. If not, break them down into a series of more achievable goals. Decide what actions will be required, the timeframe that it will be completed, who will take responsibility and how you will measure success.

GOALS / OBJECTIVES	ACTIONS REQUIRED	MEASURE	BY WHO	BY WHEN

GOALS / OBJECTIVES	ACTIONS REQUIRED	MEASURE	BY WHO	BY WHEN

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