

# 1. EXECUTIVE SUMMARY

New Zealand Golf Inc. (NZ Golf) is the governing body for golf in New Zealand, responsible for fostering and developing the sport. The aim of this project was to create a platform from which NZ Golf can lead the regions, golf clubs and related entities to make informed decisions about their future investments and priorities in the sport. The key aims of this study were to:

Build a landscape profile of the golf assets/facilities within New Zealand;

Gain insights into the key trends, practices and products (i.e. asset/course design trends, golf experiences) nationally and internationally;

Form conclusions as to the sustainability (or otherwise) of the current golf assets/facilities profile within New Zealand;

Present a potentially sustainable golf assets/facilities profile model within New Zealand;

Develop a framework for assisting NZ Golf and stakeholders in making effective decisions.

The information analysed to develop the National Facility Strategy included national and international research, consultation with several key stakeholders and a National Survey among 358 golf clubs (of a total 393 golf clubs), of which 219 clubs responded. The data from the survey formed the basis of the analysis of the golf environment in New Zealand.

## 1.1 CRITICAL ISSUES IN NEW ZEALAND FOR GOLF FACILITIES

There are a number of critical issues which NZ Golf needs to address to sustain golf facilities and grow the game of golf. The general issues identified fall within the following six main categories:

1. Lack of income diversity;
2. Untapped target markets;
3. Increasing operational costs;
4. Lack of genuine differentiation;
5. Critical issues specific to urban golf facilities;
6. Critical issues specific to rural golf facilities.

Overall, it is the lack of responsiveness to the changing environment that prevents golf and golf facilities from achieving their potential.

**Income Diversity** - The survey of New Zealand golf clubs revealed the two most commonly perceived threats to clubs' viability were declining membership rates (9.3% between 2007 and 2011<sup>1</sup>) and the age of the clubs' current members. The primary opportunities that clubs wished to pursue were to increase their numbers of casual or "greens fee" golfers and increasing golf memberships.

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<sup>1</sup> Calculated from NZ Golf membership data.

The predominant user group and therefore income source is Members at 88% of utilisation as seen in Figure 1. This shows that income generated at golf courses is not diverse and is significantly reliant on Members.

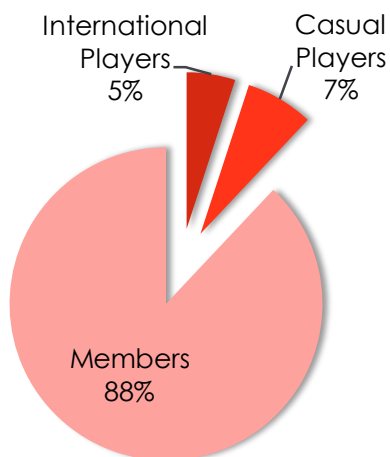


Figure 1: Predominant User Groups of New Zealand Golf Facilities

**Untapped market segments** – Global trends indicate that membership is declining and customers through their actions are showing decreased propensity to commit to and buy memberships. Yet golf clubs continue to focus upon trying to drive membership uptake including promoting derivatives of traditional membership options.

The Active New Zealand Survey by Sport and Recreation New Zealand highlights the prominence of golf as a participation activity; with nearly 13% of adults aged 16 and over having played at least once in the period covered by the Active New Zealand Survey. European ethnic groups represent 78% of golf participants in New Zealand.

Golf was not identified as one of the top 20 sports participated in by New Zealand boys and girls in the Young People's Survey by Sport New Zealand. Golf is either ignoring this market, or is not effective in serving this market while many other sports place significant emphasis on young people and tailor programs, competitions and club structures to attract young people to their sport.

Females are a significant potential market for golf membership and tuition as they comprise 10% of casual golfers yet 25% of members and will more readily seek golf tuition compared to men.

***Golf is currently meeting the needs of a relatively narrow part of the market and there is considerable opportunity for participation growth in new market segments for example casual players, non-Europeans, young people and females.***

Golf tourism in many countries is a significant contributor to the country's GDP. New Zealand does not feature amongst the most popular golf tourism destinations.

**New Zealand's profile should be raised as an international golf destination, attracting high net worth tourists to New Zealand, aligned with NZ Tourism strategy, greatly increasing New Zealand's tourism revenue and the revenue of high end, international destination golf courses in New Zealand.**

**Increasing Operational Costs** - One of the main costs to golf clubs is the operational cost of the green assets and these costs are significantly impacted by climate conditions.

**Scarcity of water is expected to become an issue in several parts of New Zealand, greatly increasing operational costs of golf courses.**

**Lack of genuine differentiation** - Throughout New Zealand, 80% of golf facilities have traditional mid-level courses shown in Figure 2 below and 88% of courses are used predominantly by members, as shown in Figure 1.

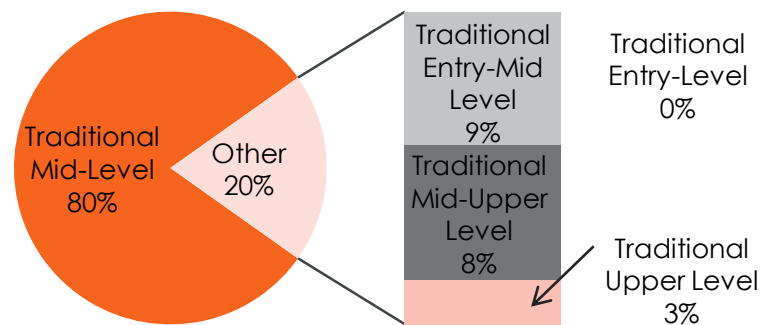


Figure 2: Current Distribution of Course Classifications among New Zealand Golf Facilities

**There is an oversupply of the same type of golf facilities in New Zealand which focus on a very narrow target market – taking a 'one size fits all' approach.**

**Low utilisation** – there is an oversupply of golf rounds, with facilities providing relatively homogenous golf courses and services, the outcome of which is very low utilisation (12%) across the country (total rounds played/total rounds supplied).

The 358 golf facilities in New Zealand supply an estimated total of 30,842,350 18 hole rounds of golf in a year. The average golf course utilisation in New Zealand based on the estimated number of rounds played is 12%, with courses averaging 14% utilisation in urban areas and 8% utilisation in rural areas.

Utilisation varies significantly and strongly correlates with population. For example the average utilisation in Auckland is 23% with 38,085 residents per golf facility compared to Southland which has an average utilisation of 6% and 3,954 residents per golf facility.

**Utilisation of golf facilities in New Zealand is low and in order to improve sustainability, particularly at rural facilities, utilisation must be increased.**

**Golf must adapt to changing societal and market needs if it is to survive long term.**

## 1.2 CRITICAL ISSUES – URBAN GOLF FACILITIES

There are three main issues which impact the sustainability of golf facilities more so in urban areas.

**Lack of diversity in golf experiences and player pathways** – as stated above, the current provision of golf services and facilities is relatively homogenous with the majority of clubs offering traditional mid-level 18 hole courses at membership based clubs. Golf facilities need to evolve with societal and technological trends and diversify the golf experience enough to attract new participants.

**80% of golf courses are traditional mid-level 18 hole courses, this is taking a ‘one size fits all’ approach. There is not a pathway for people entering the sport, there are no facilities that reflect their communities or specific target markets.**

Several international golf trends were identified, among them offering new golf products and experiences including snag golf, urban golf, 60/60 golf and executive 6, 9 or 12 hole formats.

**Time is the critical barrier that influences casual golfers playing more golf and committing to membership. Diversifying the product offering/golfing experience and providing a pathway into and progressing through the sport of golf, could increase participation and increase diversification of income.**

**Quality of Service** – golf participants have increasing expectations of the quality of service provided at golf facilities and clubs are experiencing increasing operational costs. As Victoria University reports, there is poor inter-generational equity with 56% of clubs being financially worse off after 4 years’ trading suggesting long term sustainability is threatened and reinvestment into assets would potentially decrease, further decreasing the current quality of service offered. Seventeen percent of golf clubs rated their main built assets as “old condition (requires significant future investment; has not had on-going maintenance)”.

The average quality of service offered in New Zealand is 4.9 (out of 10), ranging from 2 to 8.2.

**There is a considerable range in quality of service offered at New Zealand golf facilities. The average quality of service will be further impacted as golf clubs become increasingly financially unsustainable.**

### Issue

Golf facilities in urban areas are providing relatively similar golf facilities and services - targeting a narrow segment of the market and missing the opportunity to increase participation, revenue and sustainability through targeting and attracting new golf participants.

### Implications to Golf

Urban golf facilities must differentiate themselves from surrounding clubs and target new market segments or else face declining participation and revenue as clubs continue to struggle for a piece of the current narrow market.

### 1.3 CRITICAL ISSUES – RURAL GOLF FACILITIES

There are two main issues which impact the sustainability of golf facilities in rural areas.

**Lack of population due to urbanisation** - The percentage of the national golf facilities in rural areas, compared to in urban areas, has increased over the past century while the population has significantly migrated towards urban areas, shown below in Figure 3.

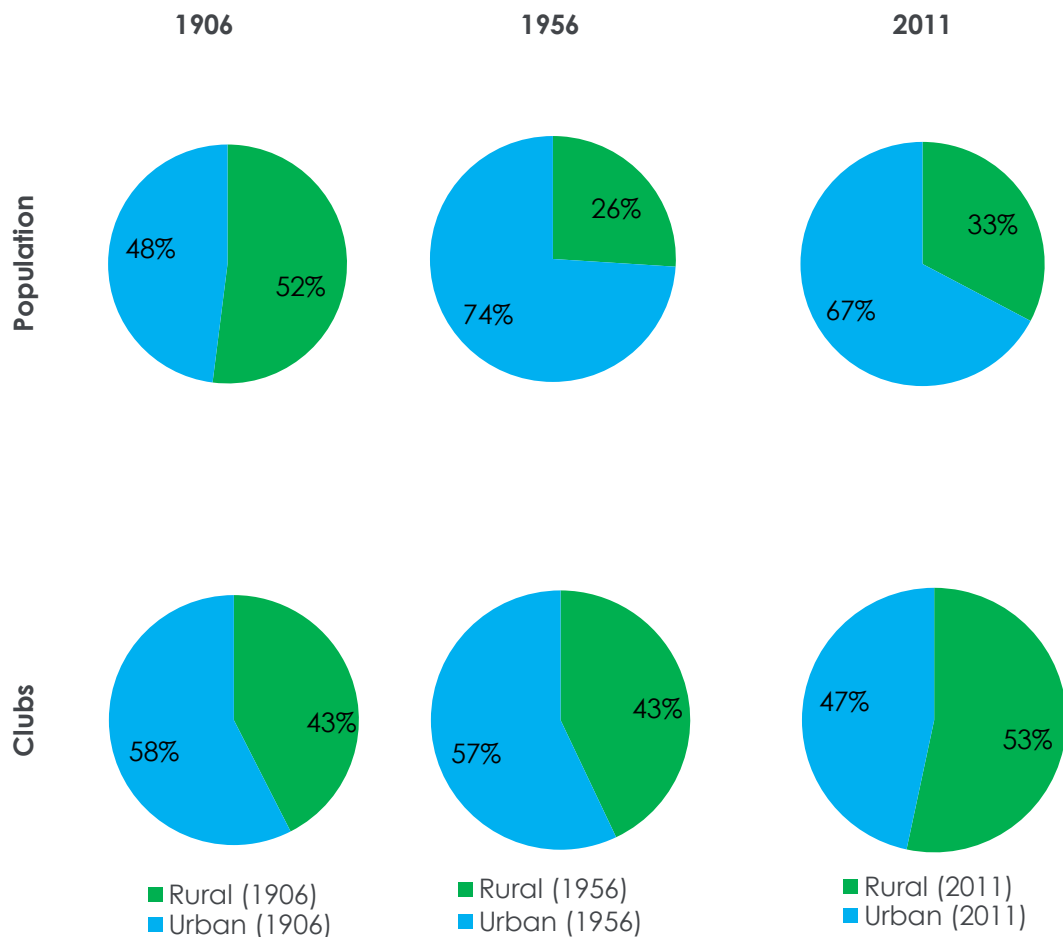


Figure 3: Establishment of Golf Courses in New Zealand in Rural and Urban Areas Compared to the Urbanisation of the New Zealand Population

**There is an oversupply of golf facilities in rural areas. Many golf facilities over the last century have been established in low population rural areas, ignoring the population migration towards urban centres.**

Population is further explored below in Figure 4, comparing operating income by region. There is a strong relationship between the regional population and operating income.

Golf facilities were analysed in their 13 national regions<sup>2</sup> and, within each region, were further broken down into rural and urban facilities. Of all golf courses in New Zealand:

- 167 are urban clubs, of which 76% responded to the survey;
- 191 are rural clubs of which 48% responded to the survey.

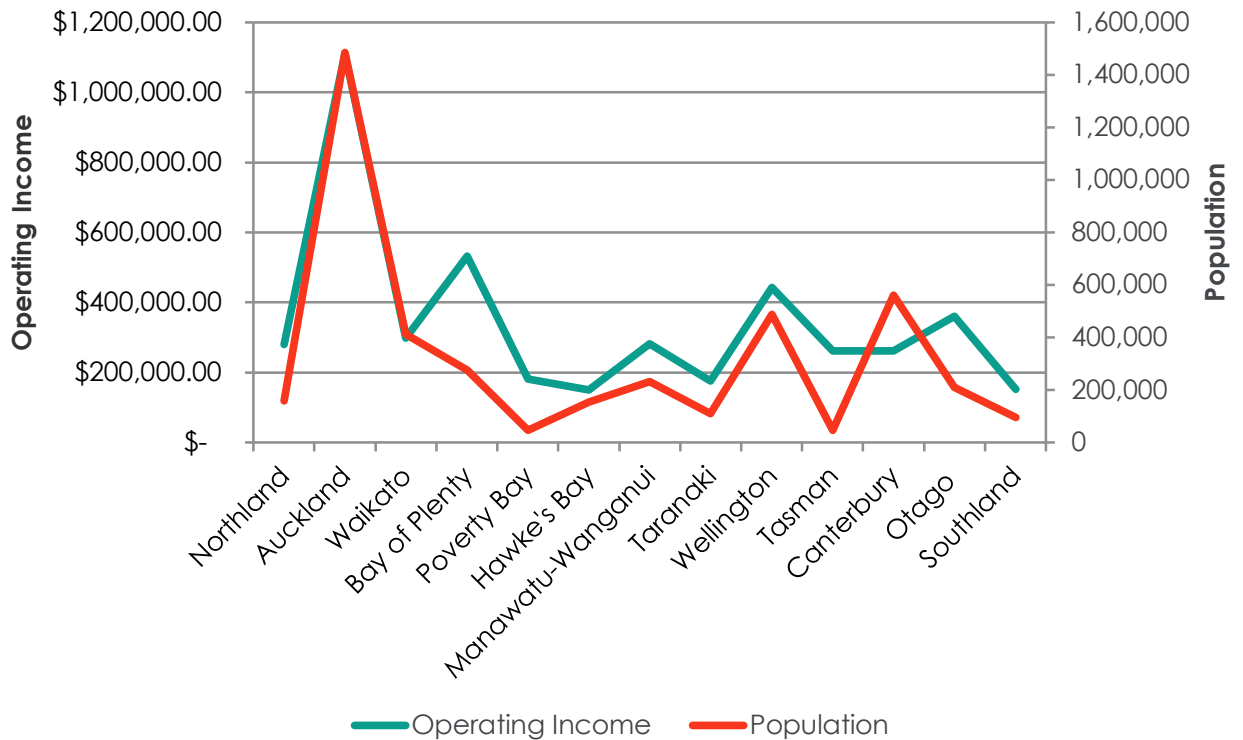


Figure 4: Operating Income Compared to the Regional Populations Across New Zealand

**Error! Reference source not found.** highlights the observed critical issue for rural and low population density regions in New Zealand. That is lack of population significantly impacts operating income.

**Dispersed population and isolation** – the number of golf courses in a region is not proportional to the population density of the region. For example, Otago and Auckland both have 39 golf facilities yet Otago has 6.7 residents/km<sup>2</sup> while Auckland has 304 residents/km<sup>2</sup>.

<sup>2</sup> Thirteen regions have been analysed. Auckland includes both North Harbour District and Auckland District. Canterbury includes both Canterbury District and Aorangi South Canterbury.

### Issue

All rural areas in New Zealand suffer from a unsustainable low population per golf facility ratio. In particular there is an oversupply of golf facilities in the following rural areas:

- Southland;
- Tasman/Marlborough/Nelson
- Otago
- Taranaki;
- Northland;
- Poverty Bay.

These areas have a significantly lower population (less than 7,000 residents per golf facility) per golf facility than other rural areas and all urban areas.

### Implications to Golf

If these rural golf facilities do not merge or change, they will not be financially sustainable in the long term.

## 1.4 BARRIERS TO CHANGE

The resolution of the majority of the issues listed above is subject to the following barriers to change.

Golf facilities are mainly governed by members, for members. This represents a significant potential barrier to change.

Long term sustainability requires 'market facing' structures and culture. We put forward the view that under member driven governance structures Golf clubs are inherently 'inward facing'.

The lack of diversity in club governance and drivers based on member interests inhibits the capacity to consider the Golf club business as a whole. Given the size and inherent value of golf assets and the trends evident in the game, diversity of 'thinking' on boards needs to be addressed in order to create long term sustainability of the sport and the facilities.

We note also that most golf clubs are legally structured as Not-for-Profits (NFPs). The New Zealand Charities Commission defines NFPs as: "any organisation that is not carried out for the profit or gain of any member, and whose rules prevent money, property or any other benefits being distributed to any of its members."

There will be valid reasons for golf clubs adopting NFP legal structures, including the ability to apply for grant funding. However, our concern is that the culture and operational focus of golf clubs, where governance is member-representation based and the legal structure is NFP, is predominantly concerned with stakeholders and not concerned enough with generating financial surpluses from operations and long term sustainability.

## 1.5 RATIONALE, PERFORMANCE, SUSTAINABILITY (RPS) PROCESS

If change is being explored, the RPS process enables the assessment of golf asset opportunities including course development, current club course development, club

course closure, club merger and re-scope of club purpose. The assessment considers the following:

- Regional portfolio of existing golf assets;
- Current and future needs of golfers;
- Expected performance outcomes.

The RPS process involves a disciplined assessment and establishment of a platform for informed, rational decision making. It precedes commissioning of concept drawings and funding strategy.



Figure 5: Overview of RPS Framework

The RPS process is not designed to produce a specific decision. It is designed to promote informed and rational assessment and decision making, backed by contextual insights and objective analysis.

## 1.6 STRATEGIC RECOMMENDATION 1 - HIERARCHY OF GOLF FACILITIES

The Hierarchy of Golf Facilities model, summarised in Figure 6 below, will enable NZ Golf to aide golf clubs, councils and golf facility owners to develop a sustainable and diverse portfolio of golf assets which will then encourage a greater number of golf customers attracted to, engaged with and immersed in the game of golf in New Zealand.



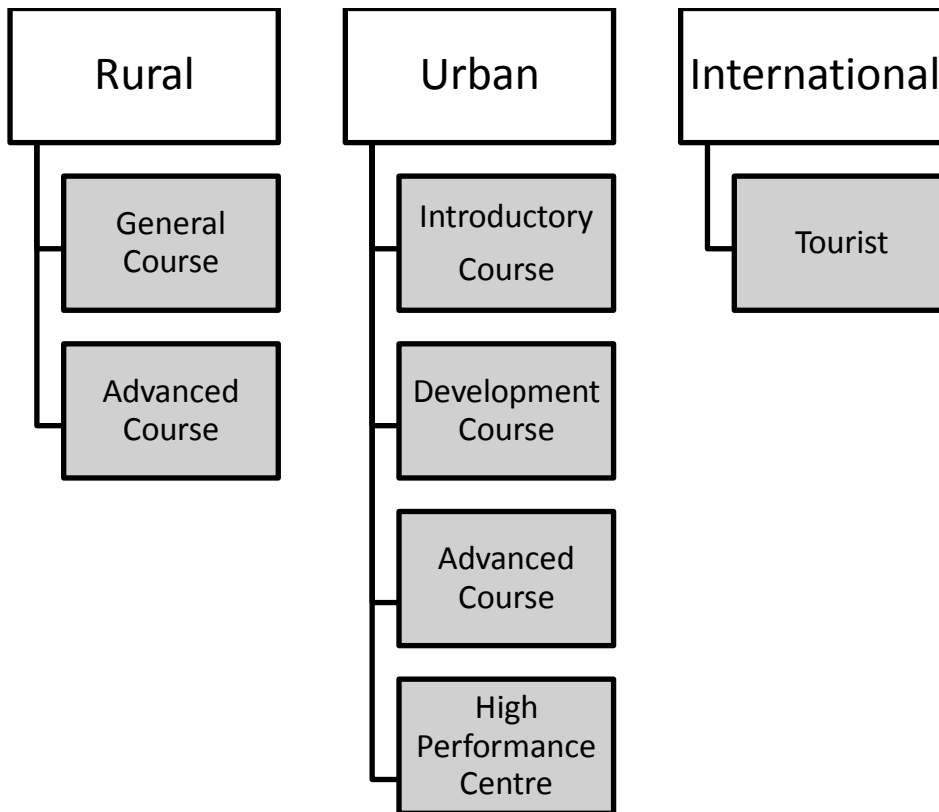


Figure 6: National Hierarchy of Golf Facilities

The Hierarchy of Golf Model should be utilised in conjunction with the Rationale Performance Sustainability (RPS) framework described above.

We recommend that NZ Golf deploys the National Hierarchy of Golf Facilities model over time as opportunities arise to influence and lead, as appropriate, decisions regarding capital investment, market segment prioritisation, facility role in the greater network of facilities and facility services provision.

### Rural Golf Hierarchy

Rural clubs are subject to a different environment than urban golf facilities including variations in:

- Low population density;
- Household demographics;
- Minimal corporate opportunities and less income diversity opportunities;
- High levels of volunteerism compared to urban golf clubs.

We recommend that NZ Golf implement a hierarchy for rural golf facilities consisting of General Courses and Advanced Courses. Detailed requirements for each of these course types are provided in Section **Error! Reference source not found.**

The purpose of a General Course is to familiarise new players to the game of golf by creating an inclusive atmosphere throughout the facilities that supports learning the

fundamentals of golf as well as to improve and expand the skills of development level golfers. The General Course has the opportunity to become a community sports hub and to provide shared services.

The purpose of an Advanced Course is to provide a high-end championship level course which attracts the local community but also markets to the domestic golf tourist market. The Advanced Course is a domestic destination course.

### **Urban Golf Hierarchy**

Compared to rural areas, the urban environment includes variations in:

- Higher population density;
- Increased corporate opportunities and greater opportunities for income diversity;
- Lower levels of volunteerism compared to rural golf clubs;
- Greater density of golf facilities and thus greater competition with other urban clubs creating opportunities to differentiate and innovate;
- Greater competition with other sport and recreation activities;
- A more varied demographic.

We recommend that NZ Golf implement a hierarchy for urban golf facilities consisting of Introductory, Development and Advanced Courses as well as a High performance centre. Detailed requirements for each of these facility types are provided in Section 10.

The purpose of an Introductory Course is to familiarise new players to the game of golf by creating an inclusive atmosphere throughout the facilities that supports learning the fundamentals of golf. The Introductory course will have an affiliation with a Development Course to allow new golfers to progress and be challenged appropriately as they gain experience and to help sustain participation numbers at the Development Course.

The purpose of a Development Course is to improve and expand the skills of golfers in an environment tailored to the demographic needs of the target market that retains golfer interest and commitment to the game. Development courses will also introduce friendly competition and may be used as a place to spot talent for the High Performance pathway.

The purpose of an Advanced Course is to provide a high-end championship level course. National and regional competitions will be a defining feature of Advanced Courses. Advanced courses will also have an affiliation or relationship with the NZ Golf High Performance Centre. High performance Golf athletes will train both at the High Performance Centre and at Advanced Courses.

There will be one NZ Golf High Performance Training Centre (HPTC) in New Zealand that will provide facilities appropriate to train New Zealand's High Performance Golf athletes. The HPTC will provide several training facilities but does not include a full golf course for athletes to train on. Therefore, High Performance Centre will have affiliations and relationships with several Advanced Courses.

## **International Golf Hierarchy**

The International Golf Hierarchy consists of solely International Courses. The purpose of an international course is to provide a high-end championship level destination course, primarily for international visitors. An international course will provide an experience that differentiates it from International Courses in other countries. The International Course will be accessible from either an airport or cruise ship terminal, will have relationships with other International Courses in New Zealand, will provide or be near resort/luxury accommodation and will target high net worth tourists, aligned with NZ Golf Tourism strategy.

### **1.7 STRATEGIC RECOMMENDATION 2 – SUSTAINABLE FACILITIES IN URBAN AREAS**

The primary source of playing income is currently from members. Members are the predominant user group of golf facilities throughout the country and are already well catered for with the majority of courses being traditional mid-level courses.

Current golfing revenue should be retained by providing Development and Advanced Courses for the current golf club members at traditional mid-level courses as well as current golfing competitors. These courses should have welcoming and social golf facilities to encourage members to play more often and to encourage membership by the next generation golfer.

While current golfing revenue needs to be retained, there is an oversupply of traditional mid-level courses that cater for current member golfers. Sustainability will be achieved by retaining these existing members as well as by increasing and broadening the revenue base through diversification. Revenue can be increased and diversified by:

- Offering new golfing experiences and products at existing courses such as 6060 Golf and Executive length course options.
- Attracting new customers/consumers to the sport of golf with, for example, Introductory Courses.
- Designing built facilities so that they can be utilised for a variety of community, well-being and social activities and so that they reflect the target market of the golf facility, e.g. a café and games room for Introductory and Development Courses that target youth versus a high-end restaurant and bar for an advanced course targeting the corporate market.
- Designing green assets so that they reflect the target market and the classification of the course as described in the hierarchy of facilities as well as consider shared spaces for non-golf activities such as cycling paths.

We recommend that NZ Golf, as an NSO, aims to ensure the retention of the current network of golf facilities in many of the urban areas. However NZ Golf also needs to lead and influence the transformation of some golf facilities into facilities that meet new and emerging market needs for new golf customers seeking non-traditional golf experiences.

This can be achieved by using the Hierarchy of Golf Facilities model above, the RPS model (refer Appendix 1) and by working in collaboration with Clubs.

### 1.8 STRATEGIC RECOMMENDATION 3 – RURAL

There is an oversupply of golf facilities in rural areas and we recommend that certain regions, with particularly low population relative to the number of golf clubs, consider merging golf clubs and operating them out of one facility. The sustainability of the facility will be increased with a greater number of players at the course and reduced competition for the relatively small market (i.e. low population). The regions with particularly low population per golf facility are:

- Southland
- Taranaki
- Northland
- Poverty Bay.

For all remaining golf facilities in these regions and all rural facilities in other regions; NZ Golf, needs to lead the transformation of these facilities to ensure they are more financially sustainable in the long term despite the low population. One mechanism which could be implemented, depending on the specific local rural community, is to create a sports and recreation hub. Creating a hub could benefit the golf club by creating operating efficiencies and increasing utilisation of the existing facilities as well as potentially increasing the market segments for the golf club. A hub could be achieved through:

- Partnering with local schools and providing additional recreation facilities that the schools would not otherwise have;
- Providing programmes or services which the local community lacks;
- Relocating other sports codes (for example Bowls) to the golf course;
- Provide community amenities;
- Creating a community focal point and a family environment.

For the Advanced Rural Course, the Club has the opportunity to attract people from outside of that local population. This could be achieved through:

- Partnering within local businesses including for example vineyards, hotels and touring companies;
- Innovative differentiation which attracts domestic players to pay a premium and travel to play at this golf course.

We recommend that NZ Golf, as an NSO, aims to aide rural golf facilities in becoming more financially sustainable. This may involve merging clubs in low population per club regions, transforming clubs into facilities that better meet community needs by acting as a social and sports hub for the entire family and transforming particular clubs into Advanced domestic destination courses, attracting participation from outside of the rural area.

This can be achieved by using the Hierarchy of Golf Facilities model above, the RPS model (refer Appendix 1) and by working in collaboration with Clubs.

## 1.9 RECOMMENDED NEXT STEPS

NZ Golf's role, in respect of the National Facilities Strategy, is to lead Golf Clubs to become sustainable by promoting, supporting and facilitating. The Golf Clubs own their facilities and therefore need to own their decision making process and become internally motivated to change. We recommend the following next steps:

### 1. **Communication to Clubs**

NZ Golf needs to communicate the key findings of this report to golf clubs across the country. This will assist clubs to understand the wider issues which are impacting not just their clubs but all clubs nationally. Communication of the report will also help Golf Clubs to realise the potential opportunities which surround them.

### 2. **Support / Resource**

NZ Golf needs to support the Golf Clubs with resources that help them advance their business, with a team of professionals that can advise clubs on achieving diversity on boards, examining the market and identifying opportunities, promoting their club to their target market effectively and how all this change can be implemented.

### 3. **Diversity in Governance**

The National Facilities Strategy identifies current governance structures as the fundamental barrier to change. Under member driven governance structures Golf clubs are inherently 'inward facing' and constrained in recognising and responding to market changes and inhibit their capacity to consider the Golf club business as a whole.

In order for the National Facilities Strategy to be realised NZ Golf must lead Golf Clubs to understand the impact of this barrier to progress and to help Golf Clubs to diversify their boards. Diversity on boards, over time, will be a catalyst to significant change.

### 4. **Promote RPS**

Realisation of the issues and diversification of boards will encourage Golf Clubs to consider potential progressive opportunities for their clubs. NZ Golf should promote the RPS to Golf Clubs to assist clubs in evaluating if their 'potential opportunity' is feasible.

## **5. Data & Designation**

NZ Golf needs to own the hierarchy of golf facilities and the designations. NZ Golf will maintain a database with information that supports the RPS tool and Golf Clubs should apply to NZ Golf for their specific hierarchy designation. NZ Golf will then help promote these Clubs.

## **6. Staged Implementation**

NZ Golf should look to implement the recommendations in a staged manner with clusters of proactive Golf Clubs, thereby 'leading by example'.