

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

Welcome to the 9th edition of the Back of the Cup. In this edition we detail how to go about the strategic planning process and being a keen follower of the level of national interest in golf, the recently released 2009 national participation data is reviewed.

As the services that JBAS offers are essentially all key pieces of the strategic planning map, over the past year I have naturally had many discussions about planning. As the need to be working through such a process has almost become a necessity in the current age, the lead article in this edition details what the strategic planning process really is and provides a logical process map that is appropriate for the uniqueness of the stakeholder structure that golf operates by.

In the second article in this edition the recently published national participation data for golf extracted from the annual Australian Sports Commission's (ASC) Exercise, Recreation and Sport Survey (ERASS) is examined. With this annual data having now been available since 2001 some genuine positive and negative long term trends are becoming evident at both ends of the age spectrum. The age shape of Australia's golf industry is slowly changing.

Since the last edition of the BOTC the Federal Government has released its official response to the Crawford Report, a report detailing the future of Australian sport released in October 2009 (and reviewed in detail in the BOTC Edition #5). This report and its recommendations, whilst incurring the wrath of John Coates and the Australian Olympic Committee, promised so much for golf IF its recommendations were to be implemented in full. This was unfortunately unlikely from the outset (if as much for its Olympic recommendations), so whilst therefore likely being a 'nirvana' in terms of sports structure and outcomes, there was certainly much to be learned from it and there is/was no reason why a progressive National Sports Organisation (NSO) couldn't voluntarily move in some of the directions it suggested.

Perhaps wanting less press or fanfare that what Crawford received, buried within the Federal Government's budget papers in late May was the government's response to the Crawford Report, titled 'Australian Sport, the Pathway to Success' (found at www.health.gov.au/internet/main/publishing.nsf/Content/pathway-to-success). It outlined what the government was prepared to move forward with, positioning its decisions as "a long overdue reform of our sporting system and putting in place the foundations to deliver a strategic, whole-of-sport approach to sports policy."

This report is very relevant to this edition's topic, as one of the stated reforms is that all NSOs are to now have an increased focus on the participation outcomes they generate as part of their funding agreements with the ASC.

"...some genuine positive and negative long term trends are becoming evident at both ends of the age spectrum with the age shape of Australia's golf industry slowly changing.."

For this very reason alone, future annual ERASS reports will likely now have more meaning, as they will be the measurement of the success of these required sports participation plans. The layman's interpretation is that if NSOs produce outcomes then funding will materialise, if they don't then it won't.

Growing participation means more golfers but Golf Australia (GA), golf's NSO, currently has no direct relationship or conduit to them. Social golfers aren't attached to anyone, whilst club golfers belong to local clubs (who in turn (in regional areas) are members of district golf associations (DGAs) who in turn, along with local metropolitan clubs, are members of the respective male/female or amalgamated state body who in turn are GA's members.)

So GA will actually be reliant on others being able to directly impact the golf coal face with its funding appearing to be dependent on the outcomes they achieve. This reality suggests to me that a national participation plan from the coal face to the NSO needs to be developed and agreed by all ASAP. Otherwise there is a real chance that the increased funding that is in the ASC's tap won't be reaching golf. And as outlined in the participation summary in this edition, funding will be key for golf to continue to hold its place in the sporting spectrum, especially, as you will see, on the junior front.

I welcome feedback and I trust you enjoy this edition of the *Back of the Cup*.

Regards,

Jeff Blunden
Director, JBAS

"...for this very reason alone, future annual ERASS reports will likely now have more meaning, as they will be the measurement of the success of these required sports participation plans.."

How to Prepare a Strategic Plan

Given we use maps all the time in our everyday lives, why is it that a strategic plan, which is essentially a map, is still not commonplace within the golf club industry? Given it is an industry full of many twists and turns, with governance structures that can sometimes cripple the effectiveness of long term planning, one would think that the sooner a plan exists the better.

That is not the currently reality however many are now realising the importance of such a document. As many facilities start down this path and seek help and the answer to “how to” this article outlines a process that works for golf facilities. One of the motivations for this article is that I have seen very few strategic planning templates that deliver outcomes. The plans I have seen have generally suffered from one (or more) of four main problems. They have either 1). been adopted from other industries by well meaning directors but don’t really fit golf, or 2). haven’t differentiate between goals and strategy, or 3). haven’t included the actual actions that are required to see a plan achieved, or 4). have also been far too long.

As an example, I recently I saw an 81 page document from a club that they called a strategic plan. Whilst containing some very detailed background information, it really should have been referred to as background research for the strategic plan. At such a size it would firstly have never encouraged anyone to regularly read it or importantly consult it. The document, after feedback about its size was received, was then subsequently reviewed back to nine pages. Whilst then containing well supported strategies and goals, it lacked one of the key requirements of a strategic plan – Actions!

There were 32 “we will” or “we intend” statements but no specified actions as to how these statements would actually be achieved. For example, it stated “In 2010 dollar terms, the club aims to generate between \$xx0,000 and \$xx0,000 in cash from operating activities.” This is a strong statement but my question was ok, sounds good, but how are you going to do that? more members? more green fees?, reduced expenses?

The point being made here is that it is the actions behind the strategy that will determine whether a plan can be achieved. If there are no actions then all you’ll have is goals and no measurable outcomes. With reference to the club above, despite not getting its first attempt right, at least they have started the process. They have realised that only having a general idea of where they are going is not sufficient in the current environment.

A strategic plan essentially is the identification of specific, realistic and measurable business goals that then have all subsequent activities directed towards their realisation. At the heart of the process is the question “what are you trying to achieve?” In following such a process the development of a strategic plan will help you become outcome driven, and forward thinking. It will also enhance the likelihood of continuity in planning even as board directors come and go. Protecting against individual desires and decision making wthat become short term focused, running in parallel with board election cycles.

A strategic plan will give all stakeholders a clear understanding of what your facility is trying to achieve over the coming (at least three) years. It will always be necessary to respond to changing circumstances but with a plan in place any such short term decisions considered necessary won’t be made in isolation and will consider the ultimate bigger and longer term picture.

Here’s a guide how to do it.

The Strategic Planning Process

This strategic planning process, originally created by Tony Golsby-Smith from Second Road Thinking, is essentially a four step process that asks four following questions, as illustrated below:



Each of these steps, and what should be done at each stage, is now explained.

Question 1: Where are we now?

The first step in building the plan is to establish where you are currently at with your facility. To guide subsequent decisions, and to ensure that they are made in context, you need to have a detailed understanding of your current position, the market you are operating in, the industry generally and about any economic and social trends which may impact on the future performance.

What you are seeking to understand is:

- The current strengths and weaknesses of your facility as compared to the market;
- The dynamics of the markets you operate in;
- The overall trends in the industry; and
- The general economic and social trends which may impact your facility, either in the short or long term.

Research is not everyone's favourite pastime, but the effort will be worthwhile because the effectiveness of the future decisions made will be made in context to the market around you - the answers to these questions.

These answers then feed into your SWOT analysis. Developing a SWOT analysis based solely on opinions is of no value at all. You need facts, so it is research first then the SWOT.

Tasks Required

To effectively complete this stage of the process the following tasks should be undertaken:

- **Market Review**
 - Membership trends
 - Male/female mix
 - Attrition rate
 - Junior membership
 - Ranking comparison / market preference
- **Financial/Operational Review**
 - Financial assessment, departmental strengths, weaknesses, peer club benchmarking
- **SWOT Analysis**
 - Identifying the current internal strengths and weaknesses of your facility helps you to answer the question - where are we now?
 - The opportunities and threats you face in the external operating environment will later influence how you answer the next question - where do we want to be?

Question 2 - Where do we want to be?



The second step in the creation of the plan requires an answer to the question 'Where do we want to be?' To answer this question there are two key statements that are required:

1. Vision statement (the destination) - what you ultimately want to achieve at your facility.
2. Mission statement (the journey) - describes what type of facility you will operate as you work towards that vision

There is no point in having these statements unless you are prepared to live by them every day. Defining what you want to achieve is a key step in this process as it forces you to stand back from the day to day operations of your facility and in broad terms think about what your ultimate goal/s are.

The more people in your facility that you include in the development of these statements the better they will be as it will ensure they do truly reflect the wider view.

The Vision Statement

Begin by thinking about what you want your facility to achieve. What are its aspirations? These should serve as the overall guiding force to your statement.

Vision SAMPLE

To become the leading golf facility in XXXXX providing excellent products and services at reasonable prices to every member and customer, every time.

The Mission Statement

The Mission statement should describe what you propose to deliver as you work towards your vision. They should be challenging to achieve, but they also need to be founded in realism.

Mission SAMPLES:

Membership: Our members are our priority and we will provide them with a quality experience that is of a consistently high standard.

Governance: The Board will strive to be responsible custodians of the Club and will undertake all our club activities in an honest and ethical manner, always seeking to strengthen the Club's long term future.

(In order for your plan to cover everything that your facility does, ideally there should be a Mission statement for each key part of the business – eg. membership, golf course and environment, food and beverage, administration, governance, employees etc.)

Finally, parts of your plan will overlap or impact other departments. This must be recognised as you prepare each department's mission statement and then consequent desired goals and actions.

Turning Vision & Mission into Goals

It is what you actually do with these statements that actually matters most. If you don't actually live by them each day then there is no point in having them. How do you live by them? For these statements to become a driving force within your facility they need to be translated into tangible, measurable goals. This is the engine room of the plan. To demonstrate how this works, the sample Vision and Mission statements are used:

| | | |
|--|--|---|
| <p>Vision</p> <p>To become the leading golf facility in XXXXX providing excellent products and services at reasonable prices to every customer, every time.</p> | <p style="text-align: center;">→ Translation →</p> <p style="text-align: center;"><i>What does 'leading' mean? How can this be achieved in practice?</i></p> | <p>Sample Goal/s</p> <ul style="list-style-type: none"> • To win the Club of the Year award presented by Clubs QLD • To be the highest ranked course in our area. |
| <p>Mission - Members</p> <p>Our members are our priority and we will provide them with a quality experience that is of a consistently high standard.</p> | <p style="text-align: center;">→ Translation →</p> <p style="text-align: center;"><i>What does 'quality experience' mean? Goals would be required re overall number of members, member satisfaction levels etc</i></p> | <p>Sample Goal/s</p> <ul style="list-style-type: none"> • To increase member retention to 90% within 3 years. • To maintain a level of member satisfaction over 7.0. |
| <p>Mission – Governance/Finance</p> <p>The Board will strive to be responsible custodians of the Club and will undertake all our club activities in an honest and ethical manner, always seeking to strengthen the Club's long term future.</p> | <p style="text-align: center;">→ Translation →</p> <p style="text-align: center;"><i>What does "responsible custodians" actually mean? What does 'strengthen the Club's long term future' mean? Defined financial targets need to be developed such as profitability and cash reserve targets.</i></p> | <p>Sample Goal/s</p> <ul style="list-style-type: none"> • To increase net profit to 15% of within two years. • To increase cash reserves by 20% annually. |

What these goals now do is provide focus and direction for the facility. They are something to aim for and will ensure (if achieved) that the Mission statements are actually lived and that the facility is moving towards achieving its Vision.

Tasks Required

To effectively complete this stage of the process the following tasks should be undertaken:

- Strategy planning session
 - Board members, key management, other key stakeholders

Q3: How will we get there?



But having goals is great but still meaningless unless something is done to actually make them a reality. This is the part of the plan where goals are linked to strategies via actions. In defining the strategies, you need to ask yourself what needs to be done to actually make it happen.

Lets look at how this applies to the Vision and Mission statements.

| Vision Statement | Sample Goal/s | Strategy |
|---|--|---|
| To become the leading golf facility in XXXXX providing excellent products and services at reasonable prices to every customer, every time. | <ul style="list-style-type: none"> ● To win the Club of the Year award as presented by Clubs NSW. | What is actually needed to make this happen? |
| Mission Statements | Sample Goal/s | Strategy |
| <u>Members:</u> Our members are our priority and we will provide them with a quality experience that is of a consistently high standard. | <ul style="list-style-type: none"> ● To increase member retention to 90% within 3 years ● To maintain a level of member satisfaction over 7.0. | What needs to be done to achieve this? How will you define members' expectations? How will you actually measure satisfaction in future? |
| <u>Governance/Finance:</u> The Board will strive to be responsible custodians of the Club and will undertake all our club activities in an honest and ethical manner, always seeking to strengthen the Club's long term future. | <ul style="list-style-type: none"> ● To increase net profit to 15% within two years. ● To increase cash reserves by 20% annually. | What financial and marketing strategies are required to achieve these specific goals? |

By answering these questions, the facility will arrive at a number of required operational strategies. This is where the Annual Business Plan fits in.

How the Annual Plan fits into the Strategy

Whatever goals and strategies are ultimately determined, they will almost certainly take more than one year to achieve. That is why an annual business plan is needed as it assists in the implementation of the longer term strategy. Annual plans are focused on doing the things that assist with strategy implementation. They outline the range of departmental actions necessary to implement your strategies in any given year.

An example of the activity in the Annual Business Plan for the sample golf facility that shows the tie in from strategy to action re membership is outlined below:

| | | |
|---|---|---|
| <p>Membership Strategy</p> <ul style="list-style-type: none"> To increase member retention to 90% within 3 years. To maintain a level of member satisfaction over 7.0. | <p>→</p> <p><i>What has to happen to achieve this? By when?</i></p> | <p>Actions & Timeline</p> <ul style="list-style-type: none"> Undertake member survey to establish current level of satisfaction. – by mid year. Prepare resigned member survey – for next Board meeting. |
|---|---|---|

Tasks Required

To effectively complete this stage of the process the following tasks should be undertaken:

- Member surveys
 - Establish or re-assess current levels of satisfaction, key areas of concern.
 - Establish member priorities and any resigned member trends.

Q4: How will you know when you are getting there?



The fourth step in the strategic planning process is a key one as it is here that progress is measured. The parameters you have developed that are to indicate success are actually reviewed. Via this review you can analyse the implications of the results achieved and adjust strategy or actions as necessary.

In measuring progress you are looking at both implementation and impact. You must have taken action to achieve the results you want and if you don't implement your strategies through your annual plan within an agreed timeframe, then measuring impact is pointless as there will be no relevant results. Measuring impact is more complicated but will tell you more about how you are progressing towards your goals and ultimately achieving your vision and mission.

Tasks Required

To effectively complete this stage of the process the following tasks should be undertaken:

- Reviewing of measurements determined that indicate success - financial ratios, other KPIs etc.

Note: Without the availability of consistent data, measured at the same regular intervals, inaccurate conclusions may be made.

Analyse the results and make improvements

The final process in the strategic planning process is the most important component and is the key to a successful strategic plan. Remember that this process is a fluid one and that the plan should be continuously revised based on internal and external feedback. Depending on the actual results that materialise you may need to make decisions about alternative strategies. You may even conclude that the goals you set at the beginning were too ambitious in the first place. However even when forced to make adjustments, at least you will do so in light of your plan – a far more logical approach than random, impulsive decision making.

Conclusion

The creation and execution of a strategic plan is not a short term project. They take time, research, and commitment. The reality is that all good golf facilities, be they well resourced or not, succeed in part because they know what they want to achieve, they implement a range of integrated actions to make that happen, they track their progress and they continuously improve based on the results they achieve.

Note:

In wishing to provide a complete solution to my clients, JBAS has now designed a template that follows the process and flow as outlined above. If you would like to receive a blank copy please contact JBAS.

Golf Participation in 2009

The Participation in Exercise, Recreation and Sport Report – 2009 is the 9th such report published by the ASC. Released last week and with nine years of history, some clear trends are now becoming apparent. The ASC reports that in 2009 Australia was home to 1.1 million golfers aged 15 years or over. This is a 6% decline to the 2008 number but is 3% above the 4 year average of the numbers reported since 2006. (The 4 year average is used to smooth out any one year survey irregularities, like those reported in 2007.)

The percentage of the population participating in golf has slipped to just below 7% as the total population increased by approximately 384,000 people to 17.7 million. In short, golf participation numbers are steady, but as population numbers continue to grow, golf is slowly slipping. Top line numbers are summarised below.

| | 2009 | 2008 | 2007 | 2006 | 4 year average* | 2009 % difference to 4 year average |
|--------------|-----------|-----------|---------|-----------|-----------------|-------------------------------------|
| Participants | 1,103,000 | 1,178,000 | 915,000 | 1,091,000 | 1,086,000 | +3% |
| % of pop. | 6.4% | 7.1% | 5.6% | 7.0% | 6.6% | |

Source: ASC

“... , golf participation numbers are steady, but as population numbers continue to grow, golf is slowly slipping...”

Let's take a look at these numbers in more detail, revealing what is happening by state, gender, frequency of play and age.

State

As noted above, golf participation numbers are holding steady when compared to the four year average, with all states bar Victoria recording increases in 2009 over the longer term trend. Given the small base numbers the growth in numbers in SA, NT & Tasmania appear large but in reality only account for 1.5% of the total national playing base. These numbers are summarised in the table below.

| State | 2009 | 4 year average | 2009 % difference to 4 year average |
|-----------------|------------------|------------------|-------------------------------------|
| Vic | 278,100 | 287,000 | -3% |
| NSW & ACT | 407,900 | 393,000 | +4% |
| Qld | 196,200 | 192,000 | +2% |
| SA & NT | 84,700 | 73,000 | +16% |
| WA | 109,800 | 106,000 | +4% |
| TAS | 26,300 | 21,000 | +25% |
| Total | 1,103,000 | 1,072,000 | +3% |
| % of population | 6.4% | 6.6% | |

Source: ASC

Gender

Golf has always traditionally been a male dominated sport. Total participation numbers reflect this with 81% of the 1.1 million playing base being male with this number having been steady over the entire period since 2001.

2009 saw growth in male numbers in all states except Victoria when compared to the four year average with 805 of the growth sourced from NSW and QLD as male participation nationally settled at 10.5% of the population.

Growing female numbers have long been seen as an opportunity for the industry as they account for only 1 in 5 players, yet 50% of the wider population. The gains recorded in male numbers have been offset by a reported 4% fall in female demand of 4% against the average over the period, with sizeable declines in NSW & QLD.

These numbers are summarised in the table below.

| | 2009 Male | % difference to 4 year average Male | 2009 Female | % difference to 4 year average female |
|-----------------|----------------|-------------------------------------|----------------|---------------------------------------|
| VIC | 213,200 | -4% | 64,900 | 1% |
| NSW | 319,700 | 7% | 71,200 | -8% |
| QLD | 165,600 | 6% | 30,600 | -15% |
| SA | 62,100 | 13% | 12,200 | 22% |
| WA | 90,800 | 7% | 19,000 | -5% |
| ACT | 13,600 | -9% | 3,400 | 13% |
| NT | 9,000 | 29% | 1,400 | 40% |
| TAS | 21,100 | 24% | 5,200 | 30% |
| Total | 895,100 | 4% | 207,900 | -4% |
| % of population | 10.5% | | 2.4% | |

Source: ASC

Frequency of play

The 2009 data shows an increase in the number of people participating at the Infrequent and Occasional level. Are these people new to the game or are they coming back from a higher historical frequency? It is the results at this level, 40% at less than 13 times a year and 50% at less than 27 times per year which will drive real growth in numbers as they hopefully progress up the frequency scale.

These numbers are summarised in the table below.

| Frequency | 2009 | 2009 % | % difference to 4 year average |
|-------------------------|------------------|-------------|--------------------------------|
| 1-6 times (Infrequent) | 251,000 | 23% | +10% |
| 7-12 times (Occasional) | 176,700 | 16% | +2% |
| 13-26 times (Core) | 128,200 | 12% | -8% |
| 27-52 times (Keen) | 265,400 | 24% | 2% |
| 53-104 times (Avid) | 179,300 | 16% | -4% |
| 104+ times (Avid) | 102,500 | 9% | +21% |
| Total | 1,103,000 | 100% | +3% |

Source: ASC

Age

You can't go far these days without hearing the term "baby boomer". As predicted back toward s the beginning of this century, the 2009 numbers indicate that this group continue to be a key market for golf as golf's age profile is showing signs of change..

The 55 to 64 market in both genders provides the highest level of participation as it steadily grows through the age cycle, peaking at 10%, with this group and the 65 year plus market now accounting for 43% of the total market, up from 37% just four years ago.

Perhaps the most worrying reality illustrated in the table below is the movement evident in the age mix at the younger end of the scale. In 2006 it was estimated that approximately 275,000 golfers were aged 15 to 34, with 110,000 of these being sub 24. At this time, as a whole, this market accounted for 24% of total golf participants. In the 3 year period since, this market has fallen by 70,000 to approximate 203,000, a decline of 24% and a fall in market share to 18%.

"...the 55 to 64 market in both genders provides the highest level of participation as it steadily grows through the age cycle, peaking at 10%, with this group and the 65 year plus market now accounting for 43% of the total market..."

| Age | % Participation rate | 2009 | 2009 % | % difference to 4 year average |
|--------------|----------------------|------------------|-------------|--------------------------------|
| 15-24 years | 2.3 | 67,000 | 6% | -19% |
| 25-34 years | 4.5 | 135,600 | 12% | -4% |
| 35-44 years | 6.3 | 194,800 | 18% | -2% |
| 45-54 years | 7.4 | 221,900 | 20% | +4% |
| 55-64 years | 10.1 | 247,900 | 22% | +6% |
| 65+ years | 8.7 | 236,000 | 21% | +11% |
| Total | 6.4 | 1,103,000 | 100% | +3% |

Source: ASC

Given the results above, look out for an article that looks at just what is happening to junior golf numbers in the next edition of the BOTC.

About JBAS



Jeff Blunden, Director of JBAS

JBAS is an independent advisory company offering dedicated, professional advice to the golf and leisure industries. Over the past seven years Jeff Blunden, the Principal of JBAS, has provided specialised advisory services to over 70 different clients in the Australasian region.

Invaluable assistance has been provided in most aspects of the golf industry, including club operations, new developments, project and membership structuring, strategic planning and market and consumer research.

As the author of most of the major reports produced for the industry, the resultant knowledge held by the company is significant and with an on-going commitment to research, the beneficiary of this knowledge will be the clients of JBAS.

Specialist services offered by JBAS include:

- Operational analysis and financial reviews
- Asset oversight services
- Business strategic planning
- Competitive market reviews
- Board presentations
- Equipment brand/market share studies
- Member survey studies
- Consumer research projects
- Pro shop/retail operations reviews
- New development/market feasibility studies
- Expert witness services
- Asset due diligence
- Asset valuation assistance
- Clubhouse development and spatial needs studies

If you have a need in the golf industry JBAS 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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