

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

Welcome to the 3rd edition of the Back of the Cup. In this edition we tackle a topic that outlines the value of tracking one of the key statistics that emanates from a golf operation that being the number of rounds played. This article is now particularly relevant given the recent announcement by the Australian Golf Industry Council (AGIC) that a national project focusing on the collection of monthly rounds data from all facilities is scheduled to commence in July 2009.

(Click [here](#) or go to www.agic.org.au for a copy of the AGIC announcement.)

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The goal of the AGIC project is to collect rounds data on a monthly basis from all facilities across the country so that industry trends can be tracked and reported on regularly for the benefit of the entire industry. For this initiative to be a success the individual facility obviously needs to firstly collect and value their own rounds information. The article in this edition of the BOTC therefore outlines exactly what you can learn by tracking this information and how it can lead to more informed decision making, a position we all like to be in.

Before we get to the article the JBAS website now has full copies of all previously authored editions of the BOTC. These took a little while to get in place but are finally there. As we head towards 2010, the article about [what golf clubs will likely look like in 2020?](#) is particularly interesting. Visit www.jbadvisory.com.au to download your copy and see all of the other topics already covered.

For those of you based at clubs in Queensland, a vitally important study concerning membership attrition is currently being undertaken by JBAS for Golf Queensland. By now you would have seen an electronic survey that has been designed to capture the current trends in the market and I would encourage you all to complete it and have your say about attrition and retention.

Results of this study and key attrition and retention strategies are to be delivered by JBAS at the recently announced Golf Queensland Club Forum to be held in Brisbane in late July (see the following link for more details: <http://golfqueensland.org.au/2009-club-forum>.) The good news is that a similar project is soon to also start in NSW and is proof that the industry is realising the demand opportunity that exists should annual club member attrition rates be able to be slowed in the coming years.

One final point of interest is the equipment finance project that JBAS is running in conjunction with the AGCSA. 130 course superintendents completed the on-line survey, results of which will be presented at the AGCSA conference in Hobart in July.

Preliminary responses reveal that facility annual equipment replacement programs have been reduced by an average of 30% at over 50% of clubs around the country, proof that in the current and mid-term environment annual capital expenditure budgets are coming under increasing pressure as the availability of ready cash dries up. Look out for more on this after the presentation is delivered.

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It has been a few months since the last edition of BOTC as client work has been keeping us busy. Regional NSW, metropolitan Melbourne, and south east Queensland have all been markets visited during this time as JBAS has been engaged to help clubs in these regions tackle issues that are arising given the current challenging environment.

With regard to one of these projects the following testimonial was kindly provided by a club in Metropolitan Melbourne, and was immensely satisfying to receive.

“Jeff recently conducted a Strategic Planning seminar at our Club. The Board found the session invaluable in assisting to shape our future strategic decision making process. Jeff undoubtedly has wide ranging industry knowledge and is able to convey that knowledge in a highly professional and organised manner. We would have no hesitation in recommending the utilisation of JBAS Advisory Services.”

Finally if you know someone who hasn't received this BOTC and may wish to receive future editions please pass on an email address and they will be added to the mailing list or point them to the website where they can sign up directly.

We trust you enjoy this edition of the *Back of the Cup*.

Regards,

Jeff Blunden,

Director, JBAS

Rounds played – why track them and what can you learn?

The number of rounds played at a golf facility sheds significant light on its likely operating health. If properly and consistently recorded, they can also be inputs into a number of key measures and ratios which in turn help to identify the strong and not so strong parts of any golf operation. These measures turn results you might normally see in a P&L statement into relevant and meaningful statistics as revenues and expenses are measured against the actions that typically generate them.

This article will outline what the key measures concerning rounds played at a typical facility are and will hopefully encourage all, at least from this moment forward, to become acutely aware of their rounds played numbers and as a result be in a position to make more informed decisions regarding its business.

In late 2004 it was reported in the Australian Golf Industry Report - 2004 that 30% of clubs at that time did not report annual rounds played. For these folk getting to the start line of the measures that will be outlined shortly was then (is still?) not even possible. The 2004 report went on to say that *“...for clubs to make more informed decisions about future operations, it is imperative that all clubs put in place systems to track rounds played as significant knowledge can be extracted from this information.”*

The good news is that Golf Australia have recently advised that in their recently completed 2008 Club Survey there has been a significant increase in the number of clubs who are now able to report rounds data so it is very pleasing to see that the original message is obviously getting through.

The AGIC press release of last week also stated that *“...The AGIC is aware that many golf clubs across Australia already collect information regarding rounds played at the club and this is analysed at management and Board levels regularly.”* Based on this statement and the 2008 GA survey finding it appears that more Clubs now do track their rounds and are now at the start line or are already running in the rounds reporting and subsequent key information race.

The questions are how can they apply this information and what will they learn?

Why track rounds?

For some years I battled with a Treasurer of a club about the value of tracking rounds data. As a bit of background, this club had a strong membership element but also a growing 3rd party income stream via non member related events. His view was ‘we are a members club, rounds are irrelevant, I know how much revenue we will make.’

My opposing view was ‘no, rounds are very relevant. Firstly they are a proxy for member frequency, give a guide toward likely satisfaction, help to establish spending patterns, and aside from member subscriptions, all other income can be directly attributed to them as it is a function of visitation frequency (rounds). Secondly, the collection of rounds data also enables the separation of member/non member income streams, thus allowing the strength of each to be measured. Finally they also help to better understand the reasons for movement in reported revenues and expenses on a week/month/year basis, provide checks and balances on reported revenues against pricing, highlight possible revenue leakages and provide for more accurate budget inputs.’ I did eventually win the argument, the club has a new Treasurer and they now track rounds religiously.

Golf facilities are (or should be) essentially about strategy – strategy to attract and retain members, strategy to generate rounds, strategy to generate F&B sales, strategy to ensure member satisfaction, strategy to create a profit.

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What tracking rounds will do, when applied against other key information, is tell you whether or not these strategies are actually proving to be successful.

As managers and Boards look at their facility and try to figure out how they can make more (some) money from it they typically overlook that there are actually two general ways to make this happen. Two key drivers exist – demand (people) and the spend they make (revenue). What needs to be determined is which one are you actually trying to influence. This will determine how you'll set up your strategy and then execute and measure its success. There are three simple ways to make money.

- Get the same amount of people to spend more;
- Get more people to spend the same amount (or more); or
- Get less people to spend more.

So if your strategy is to increase the spend side of the equation, then to determine spending patterns you require a common denominator that reflects visitation. In golf's case it is rounds played.

Granted, many people visit golf clubs without playing golf. However in order to obtain some consistent spending measures, rounds played data is currently the best available and measureable proxy for visitation. This will be the case until the time that club IT systems get to level where all social visit frequencies are also captured. Until then social frequency is a reason for movement and is not included in the calculation of the common denominator – rounds played.

How should rounds be categorised?

So hopefully we agree thus far that there appears to be some value in tracking rounds. How should this be done? At the clubs JBAS works with I encourage them to track rounds in as much detail as possible. I am not suggesting 20 plus categories of every single round type, but categories that represent current significant and possible future significant markets. Markets which likely have different strategies to reach them. As an example, if female social club rounds are a key demand source for your club, then track them separately to the wider category which they generally might fall into. Depending on your mix of rounds, 'significant' could be as little as 10% of your rounds mix.

The second key with category setup is to give yourself the ability to roll up these rounds into a more summarised format, but have the detail available for separate analysis if required. If they are too summarised to begin with, the ability to analyse this extra layer of data (and to possibly identifying it as an opportunity) is lost. As a minimum I suggest the following seven categories:

- Member competition rounds
- Member social rounds
- Member guest rounds
- Visitor rounds (could be further split into Open day/Interstate/Overseas etc)
- Reciprocal club rounds
- Corporate/Group rounds
- Other

The AGIC project calls for the reporting of this information (more summarised than above) on a monthly basis. JBAS understands that by providing such information you will be able to access aggregated peer data that will enable comparison of rounds trends by state, region, and produce such statistics as course occupancy numbers, average rounds played by members, and rounds mix and the movement in these numbers over time will be produced.

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This information will allow facilities to benchmark themselves against their peers, understand how they might differ and identify potential areas of opportunity. Great data for any monthly board meeting.

Whilst this is valuable information for all clubs, I want to take you a step further and show you what you can then do with rounds data at your micro level. It is when you combine rounds data with P&L information that you really get some insight into a facility, its operation, the success of any strategies being pursued and subsequent financial performance.

At Club Level

Movement in revenues is not just caused by changes in demand. A change in spend has as much impact on revenue. The basic premise therefore is that if you understand spending (revenue) trends and spending (expense) trends in light of what causes them then you will better understand the reasons for their movement and thus be able to more effectively impact them.

A typical club P&L includes the following basic revenue lines. Member Subscriptions, Food and Beverage, Green Fees, Competition Fees, Cart Fees, Gaming, Retail, and Hire Equipment.

Outlined below is how to analyse each of them by using rounds data and what can be learnt from it.

Member Subscriptions

This is often one of the biggest revenue categories in most club P&L's and thankfully I have already written a whole article about how the combination of subscriptions and rounds played come together into a meaningful number. Back in October 2005 I wrote an article about the cost of golf and the resultant value proposition to the member. (Click [here](#) for a copy of the original article.)

In the example in the article the indicative cost of member golf was measured by dividing the annual subscriptions paid by number of competition rounds played, reproduced below.

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Club A - By Age	% members	Av rounds	Av cost per round	(Disc.) /Premium to Average
65 yrs +	27%	38	\$43.82	-16%
55 - 65 yrs	26%	37	\$48.85	-6%
45 - 55 yrs	19%	32	\$57.57	10%
35 - 45 yrs	15%	22	\$77.74	49%
25 - 35 yrs	8%	22	\$78.38	50%
Sub 25	6%	25	\$24.77	-53%
Av./Total	100%	32	\$52.24	0%

To have been possibly more representative, social rounds and the cost of competition fees could arguably have been included in the average cost per round calculation. At the time there were no reliable member social round estimates available at this Club and a standard report that used competition rounds was readily available from within the club's Micropower Golf module. This made the calculation of the numbers a relatively quick, simple process whilst also producing some timely numbers that provided real insight.

Further, there is an argument that it is the subscription fee that gives you the chance to play competition golf so it is the true measure of member cost, with the competition fee being a minor pay as you play cost.

That said I have seen clubs with \$15 comp fees so the decision to include or exclude this cost in measurement will be made at club level. Finally, whilst the resultant dollar number is/was important, of equal importance is the % difference between each of the categories measured (in the case above it is age) so whilst inclusion of social rounds and competition fees would have equally increased the cost for all categories, the key percentage measure would not have changed.

What is to be learnt from it? As luck would have it there is a full previously written article available on this topic as well. In October 2006 I wrote an article on the importance of measuring member rounds frequency and its link to satisfaction. ([Click this link](#) for the full article on the jbadvisory.com.au website.)

As further proof of the point of view offered in 2006, summarised below is some real data from the 2008 calendar year from a club that I have recently done some work for. This data highlights the link between frequency and likely retention.

Sample Club Rounds Data – 2008

Category	Av Rounds
Playing Member (renewed)	29.3
Playing Member (resigned)	15.4
Other Member (resigned)	0.9
Total Members (resigned)	7.8

It shows that those members who resigned their membership at the end of 2008 were playing, on average only 8 times a year, some 200% less than those members who chose to renew their membership. Those in the full playing category who chose to resign were playing 50% less rounds of golf than the playing members who renewed. Impact frequency and I reckon you can impact retention but you can't do so in a targeted manner until you've followed the steps outlined above. [Click this link](#) to a JBAS article about the communication required.

Food & Beverage (F&B)

I prefer these categories to be reported separately but for the sake of being concise I have added them together as how they combine with rounds played data and what can be learned from it is essentially the same. F&B (particularly the F) is one of the areas that create the most amount of member angst (aside from bunkers, the universal #1 complaint!) in clubs around the country. It is also an area that has significant fixed cost to it, high levels of labour, and if not done well easily creates plenty of red ink.

As managers and Boards look at F&B and try to figure out how they can make more (some) money from it they typically overlook what they really need to do to make this happen. There are 3 ways to make money out of F&B. Firstly, the same amount of people can simply spend more money, more people can spend the same amount or more money, or less people can spend more money. What we have here is two key drivers – demand (people) and spend. What needs to be determined is which one are you actually trying to influence as this will determine how you'll set up and measure the success of your plan.

Measuring rounds against F&B revenues will, in its simplest form, give you an average spend per round played. This is the starting point to the above exercise. This is the number that you should be trying to exceed if you are trying to increase spend and measuring it will tell you how successful your strategy has been. Increase demand and spend and you'll get double the impact.

The more detailed the revenue lines and the more detailed the rounds information, the more detailed the analysis can be that relates to both. An example of this would be corporate/group golf, a potential key demand segment.

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Separating out what they spend (as opposed to members) will also further prove up their clubhouse value. If your club has significant food and beverage income that is non member, non golf generated, it is important that this number is separated from any spend per round measure otherwise the resultant calculation will be meaningless.

Other Income streams

The remaining income streams are commented on together as the application process and what can be learnt is reasonably consistent for all of them.

Green Fees –applying visitor rounds data against green fee income will tell you your average green fee achieved. (Obviously this can be worked out by demand category if the rounds are tracked to category detail.) It is highly unlikely that this will be the same as your posted rate as it will take into account complimentary rounds played, diluting this number.

The various price categories for different demand segments also create further dilution. About 20% below the posted rate is often the outcome from this analysis. If there is a significant difference however it suggests that there could be a problem – either revenues are not being received or incorrect rounds are being recorded.

Competition Fees – much the same as green fees, applying rounds data (member's competition rounds) against comp fee income will tell you your average competition fee achieved. This number should be really close to your posted rate, with the same concerns above held if significant differences emerge.

Gaming – much of what is relevant in F&B is relevant for gaming as gaming revenue is a function of the number of visits.

Golf Cart Fees – applying rounds data (all rounds) against cart fee income gives you the average cart fee per round and if cart rounds are tracked, then the average cart fee sale. Where 3rd party relationships exist this information provides support to the calculation of correct commission payments.

Retail Sales and Hire Equipment – in a high labour area, retail sales are key to providing sufficient other revenue coverage. Average retail spend per round and hire equipment per round is a key input into any budget, particularly if demand is changing.

Expenses

Just like revenues, measuring expenses on a per round basis can help you understand the cost of delivery. This is particularly useful in areas where there is a large labour component and there is an extra physical cost to service extra demand. The breakeven rounds point on the delivery of any service can be easily established.

I trust that this provides some valuable guidance and convinces you of the value of and what can be learnt from tracking rounds played data. As you hopefully tackle this task please remember however that numbers in isolation do not tell you much, but they do provide the base from which you can start from. It is when they are compared, on a like for like basis, over a period of time, against a consistent denominator, that the story is slowly revealed.

In closing, here's hoping that the AGIC rounds project is a very successful one, that it results in more information and knowledge being available about the wider industry rounds trends and importantly that it leads to greater understanding of what movement is happening, and why, at the golf facility coal face. Those who understand the 'why' and can react to it are those that will be enjoying future long term success.

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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 65 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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