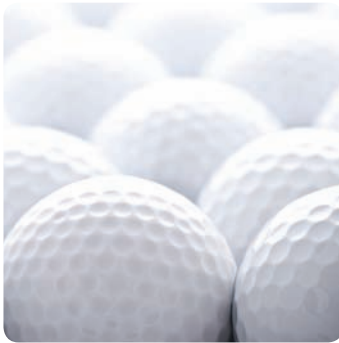
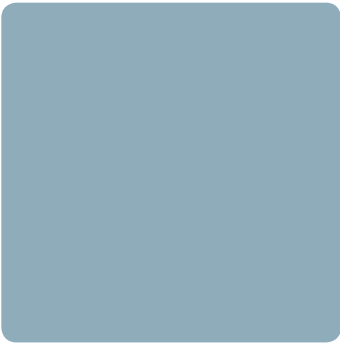


PRIVATE GOLF CLUB RETAIL OPERATIONS
A Benchmark Report

October 2010





About JBAS

JBAS is acknowledged as one of Australia's leading providers of independent golf industry advisory services. Jeff Blunden, the Director of JBAS, created and managed the Golf Advisory Business Unit for Ernst & Young from 2001 to mid 2006, before spending some time in roles with both Golf Australia and Troon Golf prior to formally creating JBAS in late 2008.

Evidencing his understanding and comprehension of key industry issues and facility operations, Jeff has authored a number of first time industry reports covering a wide range of topics that include the size of the golf economy, club operational benchmarks, membership attrition and retention, national rounds played trends, golf retail and other industry challenges including land management, the environment, cost structures, and corporate governance. This report is the first report prepared for private golf club retail operations.

For more information on JBAS please visit www.jbadvisory.com.au

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INTRODUCTION

The number of private golf club operated retail outlets around the country is growing, however retailing in such an environment is faced with a unique set of challenges.

Retail sales are dependent upon customers and in the private golf club environment these customers generally present themselves either as the club membership base or as part of the wider demand pool that fuels golf rounds. These customers also typically present themselves with heightened regularity and may offer greater levels of loyalty that might normally be present. Clubs may also willingly choose to restrict retail traffic to its members and club guests only, adopting this approach more for associated member service benefits than pure financial outcomes, further narrowing the retail opportunity.

Unlike normal retail outlets, where the cost of occupied space typically increases as it becomes bigger or is better located, the retail spaces in today's club golf shops have not necessarily been designed with today's traffic levels or typical stock mix in mind. Without a clubhouse building redevelopment many of today's shops are not able to be expanded beyond what they currently are. As space generally determines the value and amount of stock that can reasonably be held at any one time, it is therefore another challenge with regard to the retail sales potential of a golf club.

Despite these challenges and restrictions, in the past ten years a number of private golf clubs in Australia have chosen to take

full control of the retail operations of their golf club. Often as part of a wider re-organisation of the golf operations department, many of these clubs have slowly found their way with the retail operation despite little benchmarking information being readily available to them.

Given this information void, this report has been prepared based on data collected from 29 private clubs nationally currently operating their own retail shops, identifying the key retail measures and the results currently being achieved in private club managed retail operations.

This report endeavours to pick up on all of the unique structural challenges and deliver a number of first time benchmarks for club retail operations. As total sales outcomes are compared member numbers, rounds, shop size, and the level of retail visibility offered to non members and the general public along with stock and brand mix all impact the retail outcomes currently being achieved.

I trust that by measuring yourself against these benchmarks and adopting some of the measures outlined in the report you can learn something about your own operation and ultimately make it a more successful operating department of your golf club.

Jeff Blunden

“ THE REALITY IS THAT RETAIL SALES ARE DEPENDENT UPON CUSTOMERS YET CLUBS MAY WILLINGLY CHOOSE TO RESTRICT RETAIL TRAFFIC TO ITS MEMBERS AND CLUB GUESTS ONLY, ADOPTING THIS APPROACH MORE FOR ASSOCIATED MEMBER SERVICE BENEFITS THAN PURE FINANCIAL OUTCOMES... ”



INTRODUCTION (CONT)



Participating Clubs

It is presently estimated that there are approximately forty clubs nationally that operate a retail shop within a private golf club environment that has a genuine retail offer. Of these clubs, twenty nine provided data for this project. They were:

Victoria: Huntingdale, Metropolitan, Kingston Heath, Commonwealth, Kingswood, Southern, Heidelberg, Sanctuary Lakes, Sandhurst, Kingswood, Keysborough, Green Acres, Thirteenth Beach, Eastern, Box Hill and Chirnside Park.

NSW: The Australian, Bonnie Doon, The Lakes, Royal Sydney, Pennant Hills, Castle Hill and Terrey Hills.

QLD: Indooroopilly, Brisbane, Hope Island, Pelican Waters and Southport.

WA: Cottesloe.

Report Methodology

Clubs who chose to participate in this benchmark project were sent a link to a 24-question on-line survey. The most recent full year financial results or forecast year end results for the retail department were requested from participants. Data requested included annual sales by category, cost of sales, stock value, and category brand mix. Other information collected included the use of loyalty programs and buying groups, non-logo sales, and shop management structure. Key comparable measurement variables such as member numbers, annual fee levels, rounds played, and retail shop sizes were also collected.

Benchmark Measures and Club Profile

In order for clubs to accurately compare themselves against like facilities a number of benchmark categories have been

established. Survey data was cross correlated and it was found that the most appropriate benchmarks for comparison purposes were total sales, shop size and annual fee level. These variables pick up the influences provided by rounds played numbers, member numbers, sales potential and the level of public restriction evident in the private club retail environment.

Acknowledging that no two shops are the same with different combinations of the above, other measures are also provided in the report that reflect the results achieved when assessed by the level of demand and retail space available. These measures include sales per round played, sales per member, and sales per shop square metre.

The profile of the survey respondents used to establish this report and the comparative benchmarks used within the report is outlined below:

Total Sales Category

Sales Category	Number in Category	Average Annual Fee	Average Rounds	Average Members	Average Shop Size (Sqm)
Less than \$300k	6	2,081	34,807	792	124
\$300k to \$400k	8	2,972	46,878	973	122
\$400k to \$500k	6	2,535	52,411	1,232	141
\$500k to \$600k	5	3,683	44,923	905	124
Greater than \$600k	4	3,273	69,158	1,433	162
Average	29	2,861	48,262	1,041	132