

The Cost of Golf – what are your numbers saying?

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We have been beating the annual fee payment option drum now for a while and are thrilled that many clubs (50%) are now offering some form of annual fee and joining fee payment option. Yes, it requires more administration, yes there are issues around extracting the remaining payment if a member decides to leave, and yes it means fewer upfront dollars in the bank account at the beginning of the year but in current times it remains a buyers market and until the pendulum swings back into the clubs' favour, what the potential member wants in terms of payment options, the member should generally get.

Golf is a consumable product. Like all other consumable products, its cost versus its perceived value for money is re-evaluated each time it is purchased. The bigger the amount, the bigger the likely re-evaluation period. This is one of the reasons we have been championing annual fee and joining fee options – give the consumer a smaller number to evaluate and they will find it easier to justify value. The actual decision being made here is the cost of golf and its value is different for all of us.

The Golf Advisory Group has recently completed some club operational reviews with part of the reviews focusing on the annual round patterns. With recorded competition rounds being an indicator of the frequency of use of club facilities, it is a fairly simple process to then determine the average cost of play. We looked at the cost of rounds played by two of the major variables – age and gender (membership category), with a view to enlightening the club as to the cost of golf decision that their members were facing when it came time to renew their membership.

Let's go to the numbers. We will compare two clubs who have reasonably similar positioning in the cities that they are in, both being in the top dozen or so clubs.

We have firstly looked at the cost of golf by age, with Club A numbers presented in the following table.

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%

The results from Club A indicate that a significant premium is being paid when measured on a per game basis by the members in the 25 – 45 year category, 50% above the club average. At this club, where over 50% of the members are aged 55 years or greater (well over the industry average of 44%) a large amount of social golf is played and this isn't captured in these numbers. If it was, the average cost of golf for this bracket would be significantly less.

As a comparison, Club B results are presented below.

Club B - By Age	% members	Av rounds	Av cost per round	(Disc.) /Premium to Average
65 yrs +	17%	41	\$35.79	-38%
55 - 65 yrs	27%	33	\$53.90	-6%
45 - 55 yrs	25%	26	\$64.89	13%
35 - 45 yrs	18%	20	\$87.03	52%
25 - 35 yrs	8%	18	\$91.02	59%
Sub 25	6%	18	\$34.49	-40%
Av./Total	100%	28	\$57.31	0%

The results from Club B show a similar result to Club A with the same level of premium being paid by the 25 – 45 years golfers. One noticeable difference is the far greater discount being received by the 44% of members in the 55 years plus categories. At this club there are fewer social rounds played so the costs above reflect the true cost of golf on a per game basis.

Membership Category

Comparing results by gender reveals other distinct cost of play patterns.

Club A - By Category	% members	Av rounds	Av cost per round	(Disc.) /Premium to Average
Male	49%	38	\$52.42	0%
Male W/day	12%	23	\$70.15	34%
Male – Senior	4%	60	\$28.39	-46%
Ladies	15%	31	\$58.22	11%
Ladies – Senior	2%	31	\$49.22	-6%
Other	19%	18	\$44.70	-14%
Av./Total	100%	32	\$52.24	0%

The table above reveals that the male weekday cost is well over the club average due to lower average rounds, with the male senior category receiving the biggest discount due to high average rounds. These numbers suggest that unless weekday golf is providing an extra thirds value then the renewal rate from this category could be under some pressure as there are only fixed days in which greater value can be extracted.

Let's look at Club B.

Club B - By Category	% members	Av rounds	Av cost per round	(Disc.) /Premium to Average
Male	53%	33	\$60.07	5%
Male W/day	7%	21	\$74.91	31%
Male – Senior	4%	51	\$25.93	-55%
Ladies	15%	23	\$52.09	-9%
Ladies – Senior	1%	20	\$40.81	-29%
Other	19%	17	\$59.53	4%
Av./Total	100%	28	\$57.31	0%

The data for Club B reveals a similar pattern to Club A with weekday members paying well over the averages. Despite a lower average round count, the lady members are receiving a 14% discount to the male playing cost.

So what does all of this mean?

The reason for sharing this data with you is that it clearly illustrates that significantly different assessments are being made about the value for money proposition that club membership provides. Put simply, the bigger the (money) decision, the more golf needs to be valued. The challenge to the club environment is to produce an experience that is worth the cost.

The recently completed 2005 consumer survey sheds further light on this issue. Survey results indicate that approximately 25% of club members are likely to resign their club membership within the next five years. Approximately 50% of these members are in the 25 to 44 year age bracket and it follows that the main reason for their departure is increasing family commitments.

Appreciating the cost of participation will help you identify possible ways of retaining these people and providing a product that is available for an appropriate price. If you can't provide the value on course, can it be provided in some other way?