

Finances all at Sea?

Try a Round of Golf

by David Berliner

The nation's current economic storm has affected nearly every industry. From real estate to banking to Wall Street—no one is exempt from the storm's fallout. Unfortunately, the recreation industry has also experienced a serious financial decline. It seems that the golf industry, in particular, has hit a hook shot right into a water hazard.

Where'd everybody go?

National statistics show that golf rounds played in the U.S. fell 1.8% last year, the biggest decline since 2002, the year following the 9/11 tragedy.¹ The decline can be attributed to numerous factors, chief among them being the number of courses closing their doors. For the second straight year, more courses closed than opened. Many of the closed courses were tied to residential developments, and we all know what's happened to the housing market in the past couple of years.

The same problems that have pummeled the real estate business—recession, tight credit and plunging prices—have hurt the market in golf communities, leaving many developers unable to meet payments on their loans.² Members of these clubs find themselves in an unenviable position, as initiation dues and club equity are all but washed away. If a developer files for bankruptcy, it's almost certainly "curtains" for the club, not to mention the value of the members' homes on the course, which take a significant hit in property value. That million dollar home overlooking the seventh green becomes much less attractive with a now-defunct golf course in the backyard.

To mow or not to mow?

Another area of concern for daily-fee courses and private clubs is maintenance costs. Traditionally, the superintendent has the largest budget of anyone involved in the facility. Volatile gas prices and rising fertilizer costs can adversely impact this aspect of a club's operation. As courses continue to struggle and revenues decrease, club owners and

managers have to make difficult decisions regarding budget plans for the superintendent and maintenance crews. For public facilities, especially, if the condition of the course suffers, so will the tee sheet. Private clubs may be somewhat more patient regarding grounds issues, but if course condition declines, the members aren't happy—and keeping dues-paying members happy can be an ongoing challenge.

It's not just greens fees...

The economy has taken its toll on golf retailers, as well. FootJoy, a golf footwear manufacturer, will close one of its U.S. manufacturing plants this spring. This plant produces only specific models of footwear; however, the plant's closure will eliminate 103 manufacturing and support positions.³ When one of the most popular and successful brands in golf decreases production and shuts down part of its operation, other industry stalwarts will take notice.

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It will be interesting to follow what may prove to be a trickle-down effect, beginning with apparel and moving on to golf club manufacturers, many of which are domiciled here in the United States. TaylorMade, a Carlsbad, California-based equipment manufacturer, will take a more aggressive stance with its retailers to offer competitive pricing on recently introduced products. A larger share of its marketing dollars



will be spent on demo events and various point-of-sale activities rather than on traditional media advertising.⁴ Golf is a worldwide industry, and it's no secret that Americans and American companies have an enormous effect on its overall success.

Sponsorships called due to rain (on the financial course)

Even the PGA Tour isn't exempt from the current financial downturn, where difficulties can be directly attributed to the number of sponsors who have fallen on hard times and no longer have the resources available to underwrite tour stops. Eight of the PGA Tour's 2009 events feature primary corporate partners that collectively received \$105.2 billion in federal bailout funds tied to the Troubled Assets Relief Program benefiting reeling banks and automotive manufacturers.⁵ The financial challenges these organizations face will almost certainly have an immediate impact on their ability to sponsor tournaments.

Gone golfin'...be back around dark-thirty

The golf industry has dealt with down cycles before, most notably after 9/11, which hampered travel to destination golf locales such as Arizona and Florida. Without the revenue from snowbirds flying significant distances to tee it up, many courses experienced severe financial difficulties. Resort courses are beginning to see a similar trend this year, as the public chooses to stay closer to home to spend their golfing dollars—if they spend at all.

It's difficult to predict what's on the horizon. The industry is not recession proof, but there's a certain innate resiliency in every golfer—the hope that the next opportunity will create a triumphant outcome. The bottom line is this: for virtually all of us, golf is an activity fueled by disposable income. Fewer dollars to go around translates into fewer occasions to go a “round.” Until then, we'll continue to ride out the storm in these uncharted waters.

¹ “U.S. rounds show biggest drop in six years,” *Golf Inc.* website, February 2009, accessed at www.golfincmagazine.com/content/us-rounds-show-biggest-drop-six-years

² “The Course That Got Away,” by Kristina Shevory, *New York Times*, January 8, 2009, accessed at www.nytimes.com/2009/01/09/greathomesanddestinations/09golfhomes.html?_r=1&scp=3&sq=Kristina%20Shevory&st=cse

³ FootJoy Press Release, GolfClubAtlas Discussion Group, “OT: FootJoy Classics Discontinued,” by Stephen Britton, March 9, 2009, accessed at <http://golfclubatlas.com/forum/index.php?action=printpage;topic=38924.0>

⁴ “TaylorMade plans aggressive approach in '09,” *Golf Inc.* website, January 2009, accessed at www.golfincmagazine.com/content/taylormade-plans-aggressive-approach-%E2%80%9909

⁵ “Economy has major golf scrambling to keep sponsors,” by Carl Prine, *Pittsburgh Tribune*, 2/22/09, accessed at www.pittsburghlive.com/x/pittsburghtrib/sports/golf/s_612898.html – February 22, 2009