



Golf 2050

Will It Be an Industry of Dead White Men Walking?

by J. J. Keegan, Managing Principal of Golf Convergence
and Author of *The Business of Golf – What Are You Thinking?*

In 1899, when 307 golf courses existed in the United States, Thorstein Veblen, the author of *The Theory of the Leisure Class*, expressed his opinion that golf was a game in which individuals participated to demonstrate their conspicuous consumption of leisure.¹ In essence, individuals were attracted to the sport to demonstrate their superior financial position and to flaunt their lack of need for work as America transitioned from an agrarian to an industrial society.

From that meager beginning, golf in the United States has grown to a \$24.8 billion industry in which 26 million golfers play 460 million rounds while frequenting 15,882 facilities.

Despite that growth, more than 110 years later, golf has not lost its elitist brand. Two-thirds of the rounds are played are by those with a household income of at least \$85,500, and their median age is 41.9.² The national median household income is \$51,618, with a median age of 37.1.³ For every round played in America by someone who is Hispanic or African American, Caucasians play seven rounds. For every round played by a female, men play 5.1 rounds. With Generation Y playing 58% less than baby boomers, this is hardly the foundation for an industry hoping for dynamic growth.

Why is golf challenged? Our time-crunched society is an antithesis to leisure. With the cultural changes stimulated by the evolution of technology and our quest to be constantly updated in this experience-based economy of endless choices, we have witnessed a lifestyle integration of work and play. We have become a child-centered society in which status is now earned by demonstrating how busy we are.

The harsh economic environment combined with adverse weather during the past several years, golf is a struggling industry in which the supply of facilities exceeds demand. Over the past six years, 257 more U.S. courses have closed than opened. To balance the industry, we forecast 1,659 facilities should close in the United States.

Considering these multiple factors, we need to ask, “What does the future hold for the golf industry?”

At the national level, a crystal ball isn’t needed. What is needed is an understanding of the motivations of those who influence the game and the business of golf.

1 Thorstein Veblen, *Theory of the Leisure Class* (Oxford, Oxford University Press), 1899. http://en.wikipedia.org/wiki/TheTheory_of_the_Leisure_Class.

2 National Golf Foundation, “Golf Participation in the United States,” 2011 Edition.

3 Tactician, “National Golf Foundation Demand Report,” February, 2012.

The United States Golf Association is steadfast in its adherence to maintaining tradition by applying a single set of rules and uniform equipment to level the playing field for national championships. In 2000, at the PGA Merchandise Show, then Executive Director David Fey stated, "It is from the innate difficulty of the game that enjoyment emanates and that the rules needed to be consistently applied." Current Executive Director, Mike Davis, reiterated that philosophy at the USGA Annual Meeting in February, 2012.

In contrast, Arnold Palmer stated in his book, *Playing by the Rules*, "I'm sure that I could watch the golfers at one of my clubs for a while on any given day and be able to disqualify half of them for this or that infraction. But why would I want to? Golf should be fun. And those of us who love the game should be encouraging fun and recreation, not building roadblocks for future golfing generations. The USGA would be well served by adopting that attitude."⁴

Golf will remain, for the foreseeable future, the only major sport that doesn't have a bifurcation of its rules or its equipment, like baseball, football, and basketball, to encourage the beginner to learn or the less skilled to play more frequently.

Golf is expensive to play and difficult to learn. It can be very time-consuming, as evidenced by the six-hour round during the 2012 Pebble Beach Pro-Am. And frankly, if one isn't skilled, it isn't a lot of fun. For the individual not focused on score or championships, golf's only socially redeeming value is that the golf course is a fabulous nature preserve to enjoy and share the fellowship of family and friends.

Thus, the USGA, and in turn, what I perceive to be their licensed franchisees performing sales and administrative duties, State Golf Associations, will continue to be an impediment to the economic success of the golf industry and irrelevant to 85% of the golfers in America who lack a USGA Handicap – the benchmark of a frequent player.

While the USGA's focus will remain on the game of golf, the focus of the 7,000 members of the National Golf Course Owners Association, the 28,000 members of the PGA, and the 1,377 members of the LPGA will become increasingly focused on the business of golf, for it provides each their living.








Translated, recruiting new players to the game by emphasizing youth, woman and minorities, and motivating former players to return with greater urgency will be the hallmarks of new golf industry initiatives such as Golf 2.0, Golf Ready, Tee It Forward, Family Golf Monthly, and Play Golf America.

These programs will redefine golf and shatter the hallowed traditions on which the industry's brand image has been formed. In Colorado, bastions like Castle Pines Golf Club, with its properly reserved reverence from Mr. Vickers; Cherry Hills, with its championship pedigree; and Denver Country Club, with its blue-blood orientation of Denver's finest, will be unaffected as a small segment of society will seek to preserve an aristocratic lifestyle. The remaining 90% of facilities will undergo massive changes.

To open the entry door to the game in order to compete for the entertainment dollar, the industry will adapt to the cultural changes in our society. Denim, tee shirts, and golf hats worn backwards will be accepted. Cell phones will be welcomed. Roaming beverage carts will disappear as golfers will use their mobile devices to place food and beverage orders while playing.

Tee markers will be based on ability, not gender or age, similar to the signage used on ski slopes. For example, a standard practice at course will include signage already developed and adopted by Del Ratcliffe, PGA, at Ratcliffe Golf services in North Carolina:

⁴ Arnold Palmer, *Playing by the Rules* (New York, Pocket Books, 2002), p. 240.

Tee It Forward Distances			RGS Tee Marker System				
		Recommended 18 Hole					
Driver Distance		Yardage		Driver Distance	Symbol	Symbol Name	Course Yardage
275		6,700 to	6,900	275+		Double Diamond	6,900 & UP
250		6,200 to	6,400	240-274		Black Diamond	6,300 to 6,899
225		5,800 to	6,000	200-239		Blue Triangle	5,200 to 6,299
200		5,200 to	5,400	165-199		White Square	4,000 to 5,199
175		4,400 to	4,600	130-164		Green Circle	3,200 to 3,999
150		3,500 to	3,700	100-129		Purple Star	2,100 to 3,199
125		2,800 to	3,000	Up to 100		Yellow Half Moon	UP to 2,099
100		2,100 to	2,300				

Courses will become easier and the slope rating, currently at 127, will probably decrease as renovations will make the courses more player-friendly. New course construction, at an average cost of nearly \$8 million, will grind to a halt. Since the average life of a golf course's infrastructure is 20 years, renovations will become in vogue as the median course in the United States was built in 1969. Those difficult golf courses in the remote areas, such as the Sand Hills of Nebraska, are targets for closing.

As they do for skiing, customers will be able to rent the latest equipment rather than being required to make an investment exceeding \$1,000 for golf clubs.

At private clubs, high-equity initiation fees will be replaced by low non-refundable initiation fees and monthly membership fees for not only golf but for a wide range of activities. Memberships in multiple clubs will subside. Clubhouses will be transformed to sports bars, fitness facilities, and day care centers. The recently renovated Midland County Club, in Midland, MI being a case in point. The fixed orientation of an 18-hole course will lessen, and golfers will be encouraged to play merely the number of holes they desire, whether 3, 6, 9, 12 or 15, with flexible rate schedules introduced.

At all golf courses, the number of women professionally employed in the business of golf, currently 5%, will dramatically and fortunately rise. The LPGA and the PGA will consolidate their educational programs and raise the certification bar significantly based on expertise in business practices. Those organizations could downsize by 25% without jeopardizing the supply of required business professionals. The conflicting forces of sexism and feminism, so prevalent today, will abate, but unfortunately will not be eliminated.

Yield management, customer segmentation, and CRM marketing that leverage social media will become standard business practices, introduced by Golf Channel (NBC/Comcast), an entity that is likely to become the leading technology supplier in the golf industry. To the extent that it is possible to develop software that runs the course on "auto-pilot," the industry would be well-served.

Counters will be eliminated as golf shops will be transformed into retail stores like Apple and Microsoft. GPS will become a feature on every cart, with adapters for IPODS and music systems. Golf shoes will resemble sneakers and will have GPS and Nike+ Fuel Band embedded within. New clean bathrooms, rather than party-potties, will be the primary capital improvement at golf courses to render them more woman-friendly.

What do these changes mean? For those who have pondered about learning the sport, it is a great time to walk through the entry door to the game. Golf course owners and PGA Professionals will be striving to provide value based entertainment for you, your family and your friends in a warm and welcoming environment. For the avid and core golfer, equipment manufacturers will continue to introduce fabulous new designs to make your round more competitive. All will benefit from third parties consolidators placing downward pressure on green fees so that cost of playing golf will become affordable.

Are these predictions likely to occur? The theory as to what should occur is well documented. Thus, in an industry known for firmly preserving the status quo, the only thing known for sure is that capitalism creates and capitalism destroys. Golf is a business in the entertainment sector of the nation's economy. In spite of all that is financially negative about the golf industry as it exists today, I believe it can successfully adapt to the changes in our society. In that case, if the golf industry were a common stock, it would make for a wise long-term investment.

Note: These opinions of J. J. Keegan, a *Golf Magazine* panelist, were formed from flying over 2.7 million miles during the past two decades visiting over 4,000 golf courses in 46 countries as a strategist counseling golf course owners and managers how to maximize their investment return. As his few friends often say, "he is often in error, but never in doubt." ☺