



**A Ph.D. Dissertation: “Can the Financial Potential of a Golf Course Be Predicated?”  
The Findings May Surprise**

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**The Dilemma**

Most golf course operators believe that their course is unique in the challenges it presents to generate a sustainable financial return. From the demographic profile of the customers, to the diverse supply of golf courses in their competitive set, to the impact of weather, to the course layout, to the diversity of the labor pool, and to the capital available to invest, no two courses offer an identical experience.

From this diversity, we pondered whether a system could be developed that would clearly measure the strategic potential of a golf course, the tactical resources required and the operational policies and procedures required for consistent execution to maximize profitability or that would clearly identify that the golf course had little chance of success.

**The Study’s Hypothesis**

For a doctoral dissertation at Clemson University, Rick Lucas conducted from May, 2013 – August, 2013, an empirical study of the effectiveness, reliability, relevancy, and development of the Golf Convergence WIN™ strategic planning methodology, templates, and tools. Golf Convergence’s system contains 7 steps illustrated below that are supported by 21 templates.



### The Participants

To test the strategic planning principals, 10 leading golf course managers representing 32 courses, enrolled to take pre- and post-tests surveys concerning their business planning process, attended a series of Webinars, and completed the various templates to provide feedback. Those participating were:

Participant	Position	Course	Type of Course	Courses Managed
Jim Roschek	PGA Professional	Cedar Creek with Alamo City Golf Trail	Municipal	7
Teri Leist	Assistant Director & Golf Administrator	Champions Golf Course with City of Columbus	Municipal	5
Brad Dean	PGA Professional	Crystal Mountain	Resort	2
Mary Pat Black, Don Berry	Asst. Director Parks & Recreation, PGA Professional	Edinburgh USA	Municipal	2
Peter Aiello	Board Member	Fernie Golf and Country Club	Resort	1
Julie Terstriep	Business Manager, Campus Recreation	Harry Mussatto @ Western Illinois	University	1
Jason Wingate	PGA Professional	Highland Park	Municipal	3
Steve Friedlander & Rob Tanaka	PGA Professionals	Oak Creek	Daily Fee	2
Kathryn Jemsek	Owner   Lessor	Pine Meadow	Daily Fee	5
Del Ratcliffe	PGA Professional	Renaissance Park	Municipal	4
				32

## The Results

The pilot study validated the 7 steps and 21 templates as a highly reliable process. Some of the key findings of each step were:

### Step 1 – Geographical Local Market Analysis

There are 6 numbers that determine the potential of a golf course within a 5 mile radius of the golf course:

- 1) The concentration of sophisticated singles, bourgeois prosperity, carrier and family, and comfortable retirement as defined by Experian's MOSAIC global profile of 12 categories.
- 2) The median household income.
- 3) The median age.

- 4) The number of African-Americans, Asian-American, and Hispanics.
- 5) The number of golfers per 18 holes.
- 6) The slope rating.

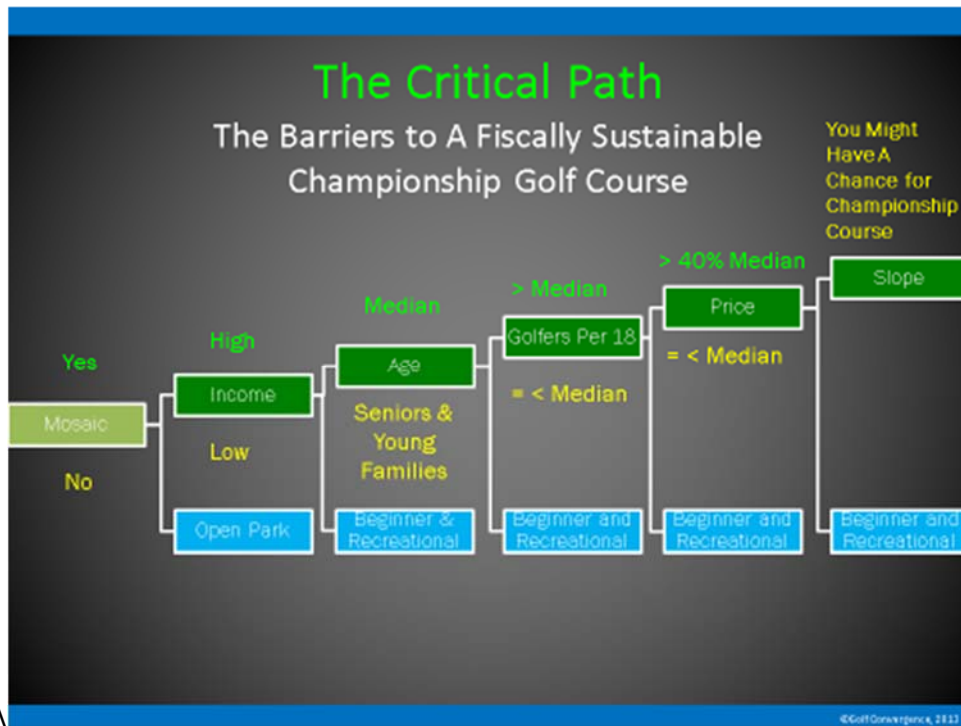
First, it was determined that 4 key Experian classifications I should exceed 20% contrasted to the general population in order to have a vibrant golf market.

Once the MOSAIC hurdle is cleared, there was a finite set of key numbers that project if the existing course is suited for the market as shown below.

Management	Course Name	Miles	MOSAIC #	Income	Age	Hispanic	Black	Asian	Golfers	Slope Rating
Alamo Trail	Cedar Creek	5	26.70%	\$76,890	31.30	41.50%	6.50%	6.50%	2,298	131
City of Brooklyn Park	Edinburgh	10	0.90%	\$63,595	36.10	5.50%	12.40%	7.30%	4,129	141
City of Charlotte	Charles T. Myers	5	-6.00%	\$49,410	34.10	17.10%	32.30%	4.20%	3,843	120
City of Chelan	Lake Chelan	10	-11.30%	\$46,900	40.70	37.70%	3.40%	6.00%	398	119
City of Columbus	Champions	5	-0.30%	\$41,655	32.90	5.70%	30.00%	4.20%	8,584	125
City of Columbus	Turnberry	5	11.00%	\$53,937	34.50	4.50%	30.40%	2.10%	4,639	124
City of Sarasota	Bobby Jones	10	7.50%	\$50,434	48.60	13.80%	7.30%	1.70%	2,350	117
Florida State University	Don Veller	10	-11.00%	\$39,789	29.10	6.40%	35.00%	2.90%	3,261	131
Irvine Company	Oak Creek	5	36.90%	\$90,186	36.00	14.30%	1.90%	32.70%	3,848	133
Irvine Company	Oak Creek	10	19.10%	\$80,752	35.60	36.60%	1.60%	15.90%	3,680	133
Jemsek Family	Pine Meadow	10	38.60%	\$87,833	40.10	13.70%	2.90%	9.20%	1,524	138
Western Illinois	Harry Mussatto	10	-5.40%	\$31,694	28.20	2.90%	6.20%	2.20%	742	133

To illustrate, where there was low income, low number of golfers per facility, and a high slope rating, the facility was consistently financially challenged. Even where the income was high, if the golfers per 18 holes was low, the course would face challenges. Also, if the income was high, the golfers per 18 stable, and ethnicity very diverse, the golf course would to meets its potential. The conclusion of the study was that the barriers to successful operate a golf course are high.

As a result of this analysis, a golf course’s potential can be measured based on the following hurdles:



### Step 2 – Measuring the Impact of Weather

Weather Trends International 10 year playable days report and the 11 month in advance forecasting tools for their region were examined. With the exception of California, the reports were rated as a useful planning tool. The ability to adjust staffing, schedule tournaments, banquets and weddings, and plan maintenance applications was substantiated as was the scheduling of fertilization and course aeration.

It was noted that Weather Trends now forecasts a very chilly November 2013 through March 2014 with higher precipitation than 2012. Temperatures rising about 50 degrees will not occur for many parts of the country until the 1<sup>st</sup> week of April, 2014.

### Step 3 – Technology

The key learning points were that few golf courses provide the opportunity to book a tee time reservation directly from the home page, and are very lax in customer database segmentation - i.e., gender, playing frequency, spending habits, etc. Seldom do golf courses precisely define their vision (the why statement for a course, such as “creating memorable moments”) on their web site home page.

It was noted that golf courses were ill-advised in placing emphasis on Facebook, Twitter, and Youtube. A far better allocation of resources is placed on email campaigns and properly constructed web sites.

### Step 4 – Financial Benchmarking

While the survey participants actively reported their financial results to Golf Datatech, PGA PerformanceTrak or Club Benchmarking, it was disappointing to note that only 25% of golf courses nationally participate in these valuable reporting services.

During the study, Russ Conde, President of Club Benchmarking, reported that the maintenance budget for private clubs, regardless of the region of the country, average between 31% and 33% of a club's gross revenue.

The study also demonstrated a correlation between a percentage of the maintenance budget and the appropriate green fee (0.0001%). If the gross revenues for a golf course were \$1.8 million, the maintenance fees were \$906,000 and the current green fee (prime time with cart) was \$63, either the green fees should be raised to \$90.60 or the maintenance budget reduced to \$594,000.

It was also observed that as few of 45 variables are necessary to accurately model the financial performance of a golf course for five years.

#### Step 5 – Architecture & Agronomy

Templates that measure the appropriate labor hours by analyzing the 38 tasks performed by the maintenance department, the 14 components of a golf course that required capital investment, and the 9 functions of equipment were analyzed. Participants were surprised to learn that the cost of renovating a golf course nears \$8 million, that annually a capital reserve of \$239,000 should be created for the golf course, and that an annual reserve of \$90,000 for equipment replacement would be appropriate.

#### Step 6 – Operations - Assembly Line of Golf

A golf course experience can consist of up to 14 different touch points. Ironically, most of these touch points are fulfilled by the lowest paid wage earners.

The pilot study participants completed a 250 question "secret shopper profile" that accurately predicated whether their facility was a steel (1 star), bronze (2 star), silver (3 star), gold (4 star), or platinum facility (5 star).

In perhaps the largest point of discussion was answering the question: how does one measure the value of a golf experience? It was postulated that a golf course has a finite number of measurable attributes, therefore it should be theoretical possible to measure and appropriately price the customer experienced. The impact of the local market and the type of facility were seen as having disproportional influence on the pricing the customer experience.

#### Step 7 – Customer Preferences and Loyalty

Customer surveys were conducted for each of the pilot study participants in which customer loyalty was uniformly ranked high.

What evolved from the survey were questions regarding “best of class” measuring 7 components: conditioning, course layout, customer service, food and beverage, merchandise, practice facilities, price and value, in addition to providing new measuring tools to determine a course’s market share among survey respondents.

### Conclusion

While each golf course is unique, the Clemson University Pilot Study validated the supposition that the outcome of measuring the potential of a golf course is highly predictable. Once the vision for the course is established, the resources required can be forecasted and the operational policies and procedures appropriate for the task are easily defined.

The challenge that the industry faces is continually citing uncontrollable factors and focusing on operational issues rather than the facility’s strategic vision.

From the pilot study participants, another valuable lesson is learned. Leaders become such because of their innate quest for knowledge and excellence. The participants who enrolled in this service are amongst the leaders in the golf industry. When the study was announced, many inquired about participating but it was very predictable as to who would enroll: those who sought excellence in their operation versus those trying to find a quick fix for their historical ills.

### About the Authors

**Rick Lucas**, Director of the PGM Program at Clemson University, received his Bachelor of Science Degree in Business Administration at Old Dominion University and his MBA at Virginia Commonwealth University. Mr. Lucas has over 20 years’ experience in the golf industry with extensive knowledge in management of golf programs and operations.

J. J. Keegan is Managing Principal of Golf Convergence and Author of *The Business of Golf – What Are You Thinking?* that has sold 3,000 copies in 16 countries and is used by 12 colleges as part of their Professional Golf Management Program. J. J. Keegan’s next book, *The Business of Golf – Why? How? What? – A Fieldbook*, is to be released in October, 2013.