

Back of the Cup

A NEWSLETTER CONCERNING THE BUSINESS OF GOLF

It has been a busy start to the year at GBAS and we are very pleased to finally get this newsletter out to the market. We have completed a number of different engagements this year including three golf operations reviews, a council clubhouse feasibility study, a Council operational review, a repeat member research engagement and a development feasibility assessment for a new course in regional NSW. Also completed for Golf Australia were the 2014 National Participation Report ([click here for the report](#)) and the GA Pace of Play report released in late April ([available here](#)). We continue to take away a lot from this work with the breadth and depth of this work giving us great insight into the current state of the industry.

As we enter the back half of the year asset oversight services are currently being provided for a resort club in regional NSW, an operational model is being developed to sit along-side a residential model for a Victorian club. We are investigating public golf sustainability on behalf of Parks Leisure Australia, and are deep into a strategic planning engagement with the AGCSA and salary survey for GMA.

An interesting statistic from our preparation work for the latter of those projects is the 40% turnover rate evident in GM roles since 2010 at GMA member clubs. These clubs collectively represent nearly 50% of the total national membership mix. This, combined with the fact that 50% of boards face re-election on an annual basis, highlights decision maker turnover as one of the industry's most significant challenges.

In this edition we provide two articles for your consumption. The first looks at the Governments 2015 Intergenerational Report (IGR). Did you know that by 2050 the number of people aged over 55 years is to grow by 80% of today's number? Already showing the highest level of participation in golf, what impacts might this have on future playing numbers? Read on to find out.

The second article takes a look at recent membership numbers finalised for 2014. With GA's 2014 National Participation Report to be released later this month, we have taken a different look at how you might assess the numbers, categorising the market into four differently performing quadrants. An excelling performer, cautious performer, turnaround underperformer or declining underperformer, which one are you in?

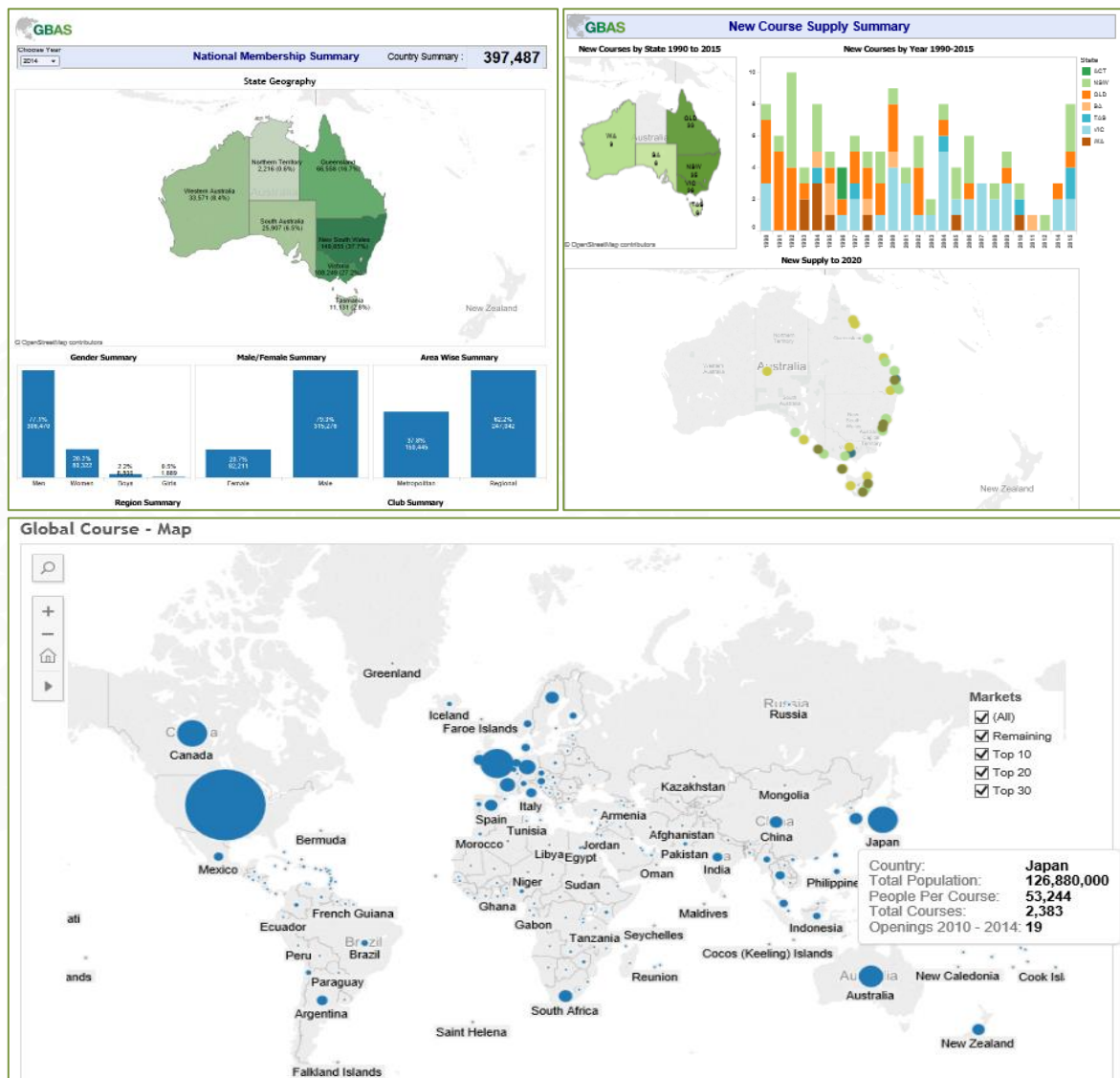
The edition also marks the launch of a refreshed [GBAS website](#). All of our publicly released reports are now conveniently in one place, along with [past newsletters](#) and our [social media history](#).

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A key feature of the new site is the creation of an interactive industry data portal. As a main menu option we provide a number of interactive maps, tables and graphs that provide insight into the following areas:

- National membership outcomes
- Our top 100 courses, including top 100 public courses
- The relationship between population and membership, measured by Local Government Area (LGA).
- New course supply since 1990 and forecast through to 2020
- Global golf course distribution.

Some images from these pages are provided below.



We trust you enjoy this edition of the Back of the Cup and these new features on our website and as always welcome any feedback you may have.

What does the Intergenerational Report mean for Golf?

In March this year the Federal government released the fourth update of its Intergenerational Report (IGR) ([Report link](#)). This report is published every five and in the government's words, it "assesses the long-term sustainability of current Government policies and how changes to Australia's population size and age profile may impact economic growth, workforce and public finances over the following 40 years."

What is unique about this report is that it uses a 'point-in-time' format—that is, based on recent outcomes, what will happen over the next 40 years if current policy isn't to change. Looking at the forecasts generated, this method helps to determine what policy change may be required going forward.

Why are we interested in this? The report is presented in a number of sections which consider different aspects of the outlook—population, the labour force, the economy, the budget, the environment and what governments can do to address the challenges.

What we are most interested in within this report is the population component. As most recently illustrated in the Golf Australia 2014 National Participation Report, the current age mix of the Australian golfer is skewed towards the aged golfer, with 55% of the club playing member mix being 55 years or older. Whilst the aggregated percentage age mix of this group is a lower 42% across all golf participants, it remains a dominant sector of the golf participation market.

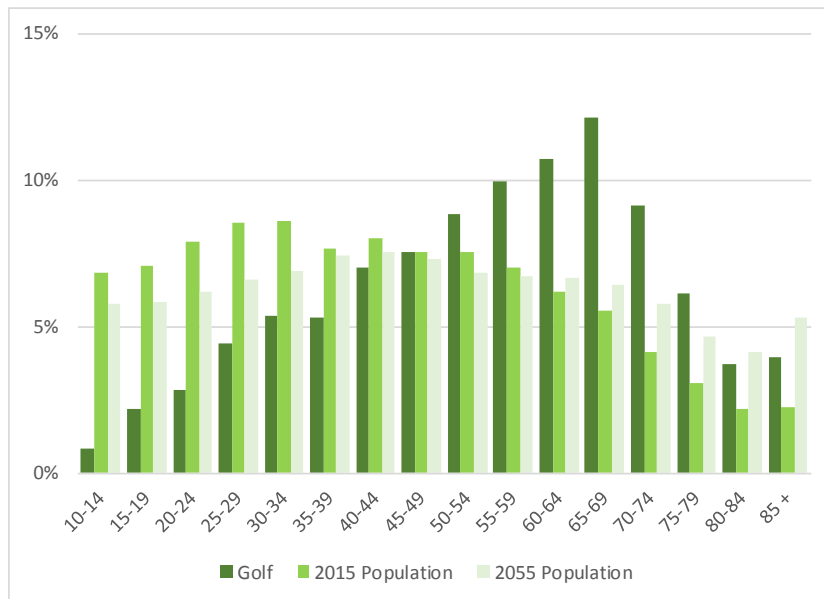
So what does the future hold? First some headline takeaways as quoted in the IGR:

- The number of Australians aged 65 and over is projected to more than double by 2054-55.
- In 2054-55, life expectancy at birth is projected to be 95.1 years for men and 96.6 years for women, compared with 91.5 and 93.6 years today.
- The average annual rate of growth in the population is projected to slow to 1.3 per cent, compared with 1.4 per cent over the past 40 years.
- The number of people aged 15 to 64 for every person aged 65 and over has fallen from 7.3 people in 1975 to an estimated 4.5 people today. By 2054-55, this is projected to nearly halve again to 2.7 people.
- Female employment is projected to continue to increase, following on from strong growth over the past 40 years. In 1974-75, only 46 per cent of women aged 15 to 64 had a job. Today around 66 per cent of women aged 15 to 64 are employed. By 2054-55, this is projected to increase to around 70 per cent.

What is essentially being highlighted is that the structure of Australia's population is projected to change significantly over the next 40 years.

This change is best illustrated as a picture of the population pyramid. To best illustrate the difference between golf and the wider market, the bright green bars represents the wider population mix at 2015, with the light green bars the forecast population mix at 2055.

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Source: ABS 3222.0 & GA Report

As illustrated, by 2055 the number of people aged 65 to 84 will have increased substantially, growing by 134% and representing 26% of the total population aged over 10 years, up from 17% in 2015. The dark green bars represent the current club age mix, one that is far more incremental in its trend.

What are the implications for golf?

Is the market to grow beyond the 1.1m to 1.2m mark that it has held steady at for the past few years? At a glance, one would think that if participation rates held steady, then more people in the age cohort that has the highest level of participation in golf should translate to more golfers. So what is the participation rate trend in the age cohorts? Has it been holding steady?

The last available participation document published by the Australian Sports Commission pegged average participation rates at 9.5% of the population aged over 55 years, accounting for 42% of all golfers nationally. (In club land this age cohort account for 55% of members.)

Importantly, over the last five year period, this is the only age cohort to be showing growth, with a weighted 0.8% annual average growth rate recorded over period, as summarised below.

Age	% Participation Rate	% of Participants	% change over last 5 years
15 to 24	1.8%	5%	-11.2%
25 to 34	5.5%	14%	-2.0%
35 to 44	7.1%	19%	-1.3%
45 to 54	7.6%	20%	-2.2%
55 to 64	9.5%	20%	-0.3%
65 and over	9.4%	22%	1.9%
Total	6.7%	100%	-1.1%

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So what do future golf participation numbers look like if we utilise the participation rates by age, acknowledge the five year trend evident in each and then apply them to national population forecasts? What you'd get is an overall participation number that stays within the 6% to 7% range, with growth in the 55+ market offset by declining participation in the younger age cohorts.

The trouble with all of this is that you don't just arrive at 55 years. You get there over time – 55 years to be exact. So the key question that is relevant to this journey is at what stage did participation in golf begin?

To get some guidance on this we need to go back to 2005 and look at a consumer survey I conducted whilst at E&Y. In this survey we captured the then age of 13,000 golfers and the age when they started playing.

Here's what we found at the time for golfers aged over 55 years

- 9% started playing aged 15 or less
- 27% had started playing by age 24
- 48% had started playing by age 34
- 65% had started playing by age 44
- 84% had started playing by age 54
- **Only 16% started playing after 55 years**

I am sure you see the issue that is playing out. If participation rates are to continue to trickle downward through all of the other younger age cohorts, and fewer are participating in golf through these years, then despite a larger forecast 55 year plus market to be available, you can't expect current participation rates in the 55 yr + cohort to hold in future years. Further, with other sports such as cycling starting to grab the older person and drag them into lycra, there is likely an even lower percentage of the market starting at the 55 year age point.

What does this tell us?

Whilst the IGR tells us that the number of Australians aged 55 and over is projected to grow by 80% by 2054-55, this growing older age cohort is not going to be, on its own, an immediate source of new golfer demand. Participation in later life is heavily impacted by participation in golf in the earlier years. It is today's X, Y and millennial generations that will form the basis of future demand.

The question we therefore have is what are we all doing now to help secure tomorrow's demand?

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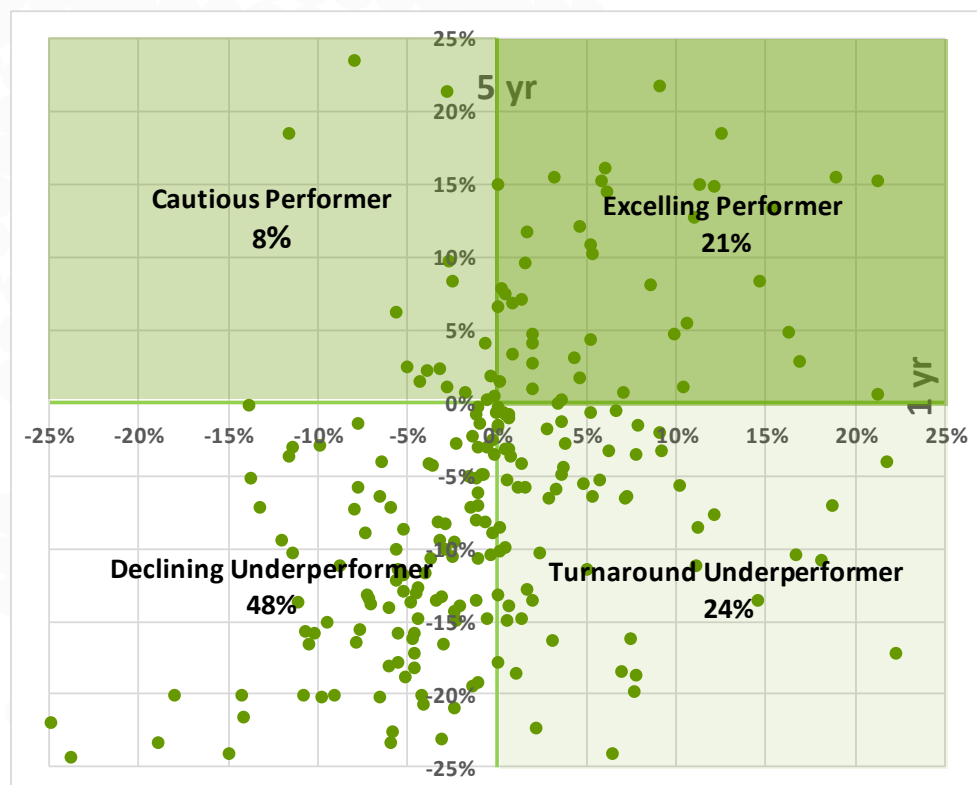
Where do your Membership trends place you?

At the end of this month Golf Australia (GA) releases to the public its 2014 National Participation Report. GBAS was asked to author this report again by GA and whilst not wanting to reveal all here today we thought we'd share with you a couple of the key findings. The report focuses on membership trends for the year with findings this year supported by over 250,000 lines of data from Golfink. Key findings include:

- A cumulative loss of 7.2% has been recorded across the membership base since 2010, which equates to an average annual reduction of 1.9%.
- The overall 2014 outcome saw a continuation of the pattern evident over the prior three years, albeit the rate of decline slowed compared to the 2011, 2012 and 2013 outcomes.
- The national attraction and attrition rates for the past year are 11.7% and 12.5% respectively, although attraction and attrition rates vary significantly according to club size.

Whilst not included in the GA report we thought it would be interesting to plot on a scatter chart the trend evident in membership based on short and long term membership outcomes. While it is acknowledged that membership is only one part of club health (albeit a very key one), it is a useful way of getting a feel for club performance trends across the industry.

So we could get some detail within the % change ranges used we plotted those clubs with more than 500 members (275 clubs representing 60% of total club membership in 2014) and then removed some of the outliers that sprung up.



The chart depicts two metrics. On the y axis is each club's five year membership performance, with clubs above the horizontal half way line experiencing overall growth over the period while clubs below the line experiencing an overall decline.

A five year time period was chosen as it is the usual medium-term period used for club strategic planning purposes. As such, the club's membership performance over this period of time should be a sound indicator of the success or otherwise of its membership strategy, assuming a stable strategy has been adopted.

The x axis on the other hand depicts the club's short term membership performance over one year, with results being indicative of the membership trend from the most recent financial year.

We have categorised the four quadrants as:

- Excelling Performer
- Cautious Performer
- Turnaround Underperformer
- Declining Underperformer

Excelling Performer – representing 21% of the clubs plotted, these clubs have a productive membership strategy and strong annual membership performance. Positive growth in both the five year and one year periods.

Cautious Performer – representing 8% of the clubs plotted, these clubs have shown evidence of a productive membership strategy to date, though declines in the last year are a possible early warning sign.

Turnaround Underperformer – representing 24% of the clubs plotted, these clubs have had an unproductive membership strategy (declines over five years) though have shown a sign of a possible turnaround with growth in the last year.

Declining Underperformer representing 48% of the clubs plotted, these clubs have had an unproductive membership strategy with short term results not providing any visible signs of a turnaround.

Plotting outcomes achieved on a scatter chart is an informative way of visualising current trends. 20% charging ahead, a third stuck in a low gear and 50% firmly in a reverse gear.

GBAS would welcome a discussion with you as to how we can help change your result.

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About Golf Business Advisory Services (GBAS)



Jeff Blunden
Managing Director of GBAS

GBAS is an independent advisory company offering dedicated, professional advice to the golf industry. Offering unrivalled experience and industry insight, our approach is grounded in research with a belief that data analysis always reveals the insights required to drive your business.

Specialist services offered by GBAS include:

- Strategic planning
- Operational reviews
- Member surveys
- Board presentations
- Executive recruitment
- Consumer research
- Market research
- Asset oversight
- Due diligence
- Asset valuation
- Expert witness services

If you have a need in the golf industry GBAS is able to provide you with all of the necessary knowledge and experience required to help ensure you achieve your goals.

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