1. How Golf Got Stuck in the Rough

An article in Bloomberg Business Week entitled "How Golf Got Stuck In the Rough"[5] states "(n)ot long ago, golf was considered the activity of choice for corporate bonding and the upwardly mobile aiming to look successful. Today companies are relying less on glad handing on the links, and many young people are cool to a pursuit viewed as time-intensive and elitst".

According to Pellucid,[6] a consulting company that specializes in the business of golf, golf is suffering from an exodus of players and courses are closing.[7] It found that the number of golfers has dropped 24% from its peak of 30,300,000(r) in 2002 to about 23 million players last year for a loss of 7,300,000(r) golfers. It found that in 2013 alone, the game lost 1.1 million players.[8]

Jim Koppenhaver, president of Pellucid, said that "(t)he baby boomers were supposed to be the salvation of golf" but they have yet to take up the slack. He says his company's research shows the number of golfers today is lower than in 1990, even though the U.S. population is 27% greater.[9]

"Kopenhaver calls the traditional 18-hole round 'an anachronism,' requiring about six hours 'door-to-door, including more than four on the courses.[10]" Nor does the pastime have the social currency it once held. Explains Gerald Celente, publisher of marketing magazine *Trends*

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[5] Dated: June 23-29, 2014 by Lindsey Rupp and Lauren Coleman-Lochner at 23-24.

[6] Pellucid Corp. 680 Mayfair Lane, Buffalo Grove, ILL 60089. Ph. (847) 808-7651; email: info@pellucidcorp.com Its website states that "Pellucid corp. is the recognized leader for key issue identification, intelligent analysis and actionable insight. We apply our proven approach to every problem, its Golf Local Market Analyzer (GLMA). "It (p)rovides clients with a fast multi-dimensional evaluation of the health of the local market for existing facilities, acquisition candidates and new developments. . ."

Synopsis

Provides a 9-dimensional view of any location in the US and multiple "draw areas" (mile radii or minute drivetime) integrating consumer, facility and demographic database:

- Population characteristic (size, composition, growth trends, density etc.)
- Golfer base (number of participants, average frequency and Play Rate or Round-per Capita)
- Consumer rounds projections (weighted to local population by Income, Age & Ethnicity distribution)
- Supply equilibrium state (too many courses [dilution], population growth [absorption]
- Supply mix by facility type and balance relative to US distribution
- Facility-reported round demand and velocity (throughput of facilities, comparisons to US by type)
- Facility percent Utilization levels (demand vs. weather), Capacity Rounds by month and day-of-week graphs
- Facility listing (location, pricing, price classification, distance from location), current & future
- Mapping of supply level and mix against income distribution for up to 3 draw areas (miles or minutes)

[7] *Id.* at 23.

[8] *Id.* at 23.

[9] *Id.* at 24.

[10] *Id.* at 24.

Journal: "Everybody's hooked up to their handhelds, so [today] it's social networking instead of sports."[11]

Those sticking with the sport are playing fewer rounds. U.S. golfers played a total of 462 million rounds in 2013, according to researcher Golf Datatech. That was the fewest since 1995. According to the National Golf Foundation, overbuilding in the 1990's led to an excess of golf courses as the growth that operators anticipated never materialized. Only 14 new courses were built in the U.S. in 2013, while almost 160 shut down. 2013 marked the eighth straight year that more courses closed than opened.[12]

According to McRedmond Morelli, founder of Boxgroove in Bellevue Washington,[13] "(a)ll the people under 35 are leaving the game,"[14] and those staying with the sport are playing fewer rounds".[15]

The golf industry is suffering from structural problems which are causing the freefall. No one has been able to predict when it will bottom out and at what number of golfers and rounds played.

David B. Hueber wrote a Dissertation Presented to the Graduate School of Clemson University entitled *The Changing Face of the Game and Golf's Built Environment* dated August, 2012.[16] His dissertation is very instructive as to the causes of golf's decline in popularity. Dr. Hueber will be quoted at length:

a. **[Three "Boom: Periods]**

> During the 20th century, there were three "boom" periods of accelerated golf course development that peaked in 1930, 1970 and 2000. The first boom in the 1920s built private golf courses for the upper class. The second boom in the 1960s built public golf courses for the burgeoning middle class. And, the third boom in the 1990s built golf courses in anticipation of the latent demand from the huge "Baby Boomer" generation who were expected to play more often as they aged, entered the prime of their working lives and later retired. While the first two golf course development booms were driven in response to actual socio-cultural and economic phenomena, the third boom was anticipatory in nature and driven more by the real estate speculation on the part of both the real estate developers and buyers.

[11] *Id.* at 24.
[12] *Id.* at 24.
[13] *Id.* at 24, Boxgroove gives its 50,000 members access to a network of private golf clubs.
[14] *Id.* at 24.
[15] *Id.* at 24 source: Golf Datatech.
[16] In partial fulfillment of the requirements for the degree of Doctor of Philosophy, Design and the Built Environment. About David Hueber, Ph.D. is the son of a former PGA professional and grew up in the golf business, starting out as a caddy, to mowing green's to being a former vice President of the PGA Tour; President and CEO of the Nation Golf Foundation, the Ben Hogan Company, Pebble Beach, and Cosmos World Group (privately held Japanese conglomerate of golf companies). The inventor of hybrid woods, he is the author of *The Business Game of Golf*, 2016 – is available from TCU Press – (from his website).

b. **[Conventional Wisdom]**

According to the National Golf Foundation (NGF), more than 40% of the golf courses built in the 1990s were tied to master planned communities; therefore, real estate developers played an influential role in promulgating the development of upscale golf courses that served as an amenity in selling real estate at premium prices. Typically, the golf courses' operations were subsidized, because developers were interested primarily in selling real estate. The conventional wisdom was that golf courses that had "big name" architects and that were famous for their difficulty led to higher property values. This real estate development strategy led to the development of longer golf courses, which maximized the number of premium priced golf course frontage lots.

The consensus among the developers was that master planned communities that had a high profile golf course as a featured community amenity were able to command premium real estate lot prices and to increase sales turnover. In addition, the architects were motivated to design difficult golf courses that would enhance their reputation and, therefore, increase their professional fees. This financial incentive led to the development of golf courses that were more costly, more difficult and took longer for the average golfer to play.[17]

c. **[Impact on Daily Fee Courses]**

Ironically, this real estate development strategy also indirectly inspired many existing golf courses as well as many entrepreneurial developers of public golf courses that did not have a real estate tie-in, to build more costly, longer and more difficult golf courses, because they wanted to offer a "country club for a day" golf experience that was competitive with the real estate developers' golf course product. Unfortunately, when the U.S. economy and real estate market soured, the golf industry inherited a large inventory of golf courses that were not economically sustainable. Too many golf courses were built where they were not needed; too much was spent on developing these golf courses and these golf courses were too costly to maintain. As a result, the cost for playing a round of golf increased.

d. **[The Perfect Storm of Unintended Consequences]**

Furthermore, these golf courses were too difficult for the average golfer; and it took more time to play a round of golf on these longer

[17] *Id*. Abstract at iii.