STRATEGIC PERSPECTIVES ASSOCIATED WITH THE GOLF INDUSTRY

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ABSTRACT

As for the golf industry, although the focal point of growth is the actual golf course, the industry needs to take advantage of the management of intangible assets as well. Strategic partnerships must be made with associations as well as with industry stakeholders. These industry stakeholders can be any company that is involved in the golf experience, from golf equipment production companies to the advertisers that the facility uses. In addition, a development of advertising cooperatives with industry stakeholders is very important to keep costs low. Also, being able to collect and disseminate data on successful player development programs could help the industry work together to increase the number of committed players.

INTRODUCTION

Strategic Management: Resource-based View of the Firm

Michalisin, Kline, and Smith [1] [2] demonstrated the ideas relative to the Resource-Based View by showing how intangible assets can create a sustainable competitive advantage and superior profits. Intangibles, such as employee know-how, reputation, and organizational culture are considered strategic assets because they are rare, immutable, and valuable. Companies who own strategic assets achieve superior profits because they control valuable resources that are hard to replicate. Michalisin, Kline, and Smith reference to intangibles in the workplace and say that managers should select, retain, and manage their rare resources in order to outperform their competitors. The reputation of a firm is how the public views the firm in relation to its products and services and can highly impact its competitive advantage and superior profits, especially in the golf industry. In the highly competitive business world, image can make or break a company and its control of a market share. Reputation is important because it takes a long period to develop and is formed based on relationships that are hard to imitate or substitute. Companies like Firestone, Enron, and WorldCom have seen what a poor reputation can do to customers demand for that product. Customers are the driver of sales and profits and base their decisions on the reputation of a company. Thus, companies need to preserve their reputations because they are intangible strategic assets that drive profits and determine competitive advantage.

Personal relationships are the most ambiguous relationships to try to replicate because they are all so unique. Even if other companies steal away the people from an organization, they rarely are able to imitate all of their relations. For this reason, companies should actively preserve their organizational culture because it is such a rare and valuable resource that can produce superior profits. Intangibles are strategic assets because they are rare, imitable, valuable and non-substitutable. Intangibles such as reputation, employee know-how, and organizational culture have the ability to produce superior profits and competitive advantage because they are all requires such unique dynamics to occur. The author's cite a great argument showing examples of how each intangible creates an advantage and generates extraordinary profits using two of Hall's studies. Overall, the argument is solid and could be used as a guide for companies to help them establish a competitive advantage.

REDEFINING NATURE OF THE GOLF INDUSTRY

In order to form a strategic perspective on the golfing industry; one must first take a look at the last half-century of the industry - in order to gain an accurate historical perspective. Since 1950, the number of American golfers has grown from 3.5 million to roughly 26 million. In percentages this figure would detail 3.5% of the population that had played the game in 1950 to 12% of the current population. Not only has the figure been raised, but also the average American golfer looks more and more like the average American - with more juniors, seniors, and minorities playing than ever before. As the game has more than tripled its penetration into the American public, it has shifted from being a sport played mostly by wealthy men to one enjoyed by a significant and diverse cross-section of society.   A detailed analysis has been done by the National Golf Foundation on the percent of golfers participating in 1986 through 1998. During that time, the industry had realized a 20% participation gain in the 30 to 50 year old groups, and 55% gains in the 12 to 17 year old groups.

To accommodate this rise in golfers, the number of golf facilities has tripled, with 5,000 facilities in U.S. in 1950 to more than 15,000 facilities currently. With the rise of new investment into the industry, the increase in professional tournament television coverage, and the volume of new golf companies -- one might wonder if golf has peaked itself out. The purpose of this paper is to take the best information possible, and to begin a collective reasoning process as to what action it will take to secure the future of golf at the same or better prosperity levels of the past. As stated previously, the number of facilities has increased from about 5,000 in 1950 to 15,000 today. When golf was primarily a private game, the ratio of golfers to golf courses was only about 400. Today, due to the widespread increase in golfing popularity and golfing as a more public sport - that ratio has increased to 1,950 golfers per course. Golfers and golf facilities are not perfectly distributed, but the investment sides represented by golf course development and operations have grown along with demand. In 1986, the average number of golfers per course was estimated at 1,900. This figure grew to a high of 2,250 in 1990, and has declined back into the 1,950 range today. Since the peak of participation in the early 1990s, additions to supply have been outpacing the growth in demand. The industry is facing a potentially difficult problem from this growth of supply and flattening of demand. Strategically, golf courses must increase utilization levels at existing golf courses in order to impact profitability.

Annual consumer surveys indicate that playing frequency among golfers has remained around 21 rounds per year. One of the keys to increasing this future growth is to motivate existing players to play more golf. In 1950, private golf facilities represented over 60% of the total of 5,000 courses. Currently, they account for less than 30% of the total. Since the early 1960's, the golf industry experienced a dramatic shift in the nature of golf course development, and due to golf's ability to absorb the demand for middle income players coming into the game, daily fee courses (privately owned publicly accessible facilities) now represent half of all facilities. Government-owned courses (municipals) also grew during that time, from 900 to 3,000 in the fifty-year period.

Overall revenue growth in the industry over the past 10-15 years is measured by a compound annual growth rate, and is detailed as the combined spending on equipment, fees, and apparel. The fifteen-year growth rate is 7.5, and has reached that level due to a strong mix of favorable population trends, including the increase of participation and an increased spending per golfer. This implies that the industry was able to get customers to increase their spending velocity. This means that equipment technology and better marketing have shortened the purchase cycle of golf equipment. Manufacturers have shortened the replacement cycles of their products and, at the same time, they have been able to increase price. The result has been double-digit revenue growth for the sector. But this trend could be coming to an end, as equipment sales have begun to slow while retail inventories have risen. Assuming current growth trends and the golf industry is able to grow participation rates at or around the level it has over the past 10-15 years, its effects would be expected to generate a 1.5% annual growth rate. These expected changes in the U.S. Population should continue to drive the 1.5% annual growth rate in golfers over the next 10-15 years. As golfers age they tend to play more frequently and that is expected to drive the growth of frequency of rounds to nearly twice the rate of participation. This creates a problem for the industry, as the rate of these new golf courses will more than likely result in a rate of growth of 2.6%. Both growth figures are highly accurate as the growth of demand has remained constant over the last 12 years, and the supply side (golf course openings) also is very accurate given that the courses to be opened are currently in the construction phase. So it is a reasonable expectation to expect a 2.6% demand versus a 1.5% annual growth in the golf course industry.

GENERAL CONCLUSION AND IMPLICATIONS

There is a very large strategic opportunity for the golf industry at this time. There are over 40 million people that either want to golf, or want to golf more. Awareness of golf is at an all time high. Unfortunately, without creating a better golfing experience for more people, the golf industry will be hard pressed to convert interest into commitment. A large demand gap is emerging, and as stated throughout – barriers to growth exist. Since the golf industry tends to be very fragmented, it has been very difficult to motivate. The golf industry must build demand while the individual facilities must motivate themselves into improving player development efforts, and industry stakeholders must get involved with the golf facilities. A tremendous amount can be done by simply segmenting products and services to bring out a broader range of customers – so that the industry can address the barriers to building more committed golfers.

REFERENCES

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