2016 Pace and Innovation Symposium

Pace of Play - Financial Impact Study

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USGA®

Financial Impact Study

Goal

To measure the value patrons place on pace of play and related impact to a Club's profitability and overall value.

Scope of Work

1. Global Golf Advisors ("GGA") conducted interviews and surveys with owners/managers at both private and public courses across the United States. The selection of courses was based upon location, green fee rate and related quality of the facility.

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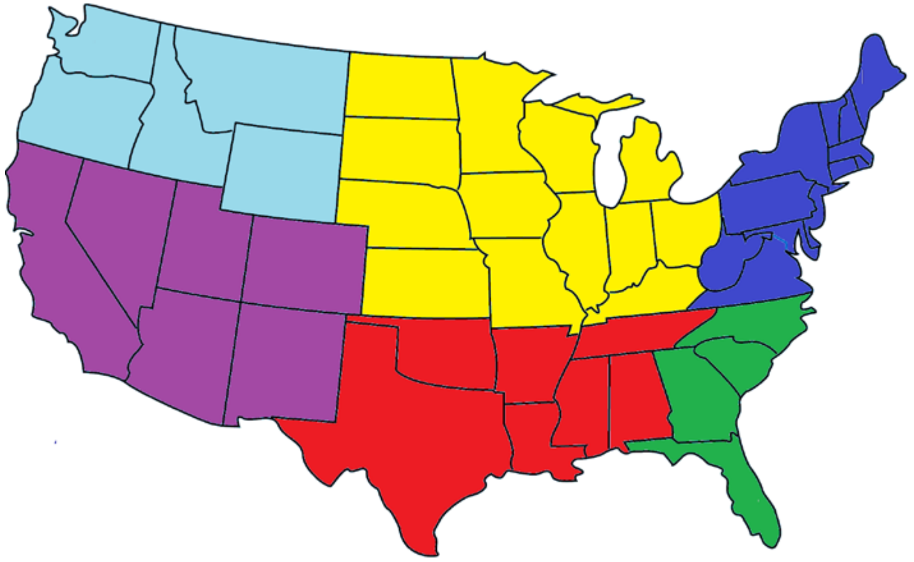

Scope of Work

2. The regions selected were:
   East Coast North, East Coast South, Midwest North, Midwest South, West Coast North and West Coast South.

3. The sample size was four public courses and two private clubs per region. The overall sample of public courses was stratified based on green fees of $100 or more, $50 to $100 and less than $50. Private clubs were stratified based upon entrance fee and annual dues.

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Scope of Work

4. Surveys were sent to public course operators in each region, asking for input on:
   - Length of time to play 18 holes at various times of the day;
   - Total rounds played over the past three years;
   - Their opinion on how pace of play impacts a patron to choose their facility;
   - How much more, in their opinion, a patron would pay for a significantly improved pace of play; and
   - Input on controlling start times by the Starter.

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Scope of Work

5. Surveys were sent to public course patrons asking:
   - Amount of money they typically spend for a round of golf;
   - To rank the following elements of their golf experience by importance:
     - Speed of play
     - Course conditioning
     - Course design and layout
     - Clubhouse facilities

Scope of Work

5. (continued)
   - How much more they would pay for a round of golf if the pace of play was significantly improved;
   - Gender, age and handicap;

   Over 12,000 survey responses were received.

6. GGA and the USGA have completed additional studies, especially with the City of Los Angeles and their golf courses. This study also surveyed patrons and over 4,500 survey responses were received.

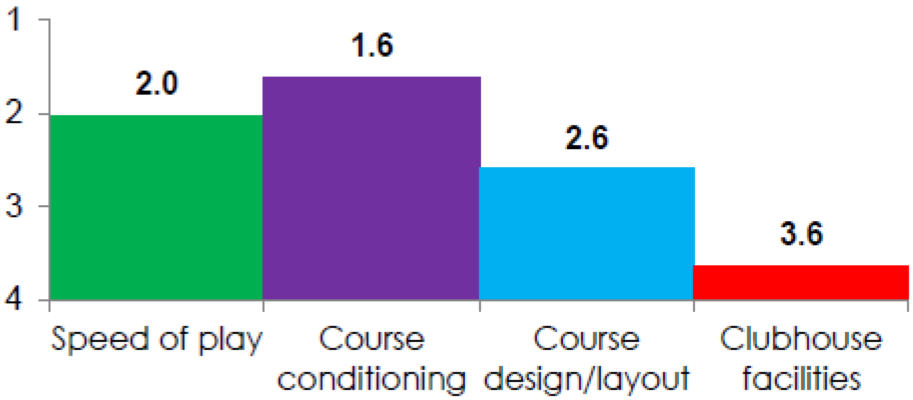
Findings:

Pace of Play Matters and Golfers Will Pay a Premium

Patrons were asked to rank speed of play, course conditioning, course design and clubhouse in the order of importance to their golf experience, with “1” representing highest importance and “4” representing lowest priority.

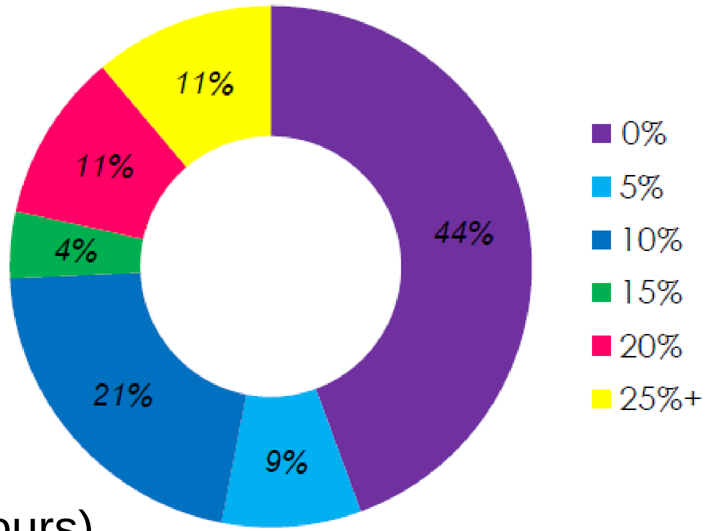
Ranking Order:

1. Course conditioning	**1.6**
2. Speed of play	**2.0**
3. Course design	**2.6**
4. Clubhouse facility	**3.6**



Findings:

Pace of Play Matters and Golfers Will Pay a Premium



- Average increase for all ages and regions – **9.1%**
- 56% of survey respondents would pay more

(Note: In the City of LA study, 77% would pay more; however, tee time interval in some cases was below 7 minutes and the 18-hole round was in excess of 5 hours)

There Is a Correlation In Patrons' Round Duration and Willingness to Pay a Premium

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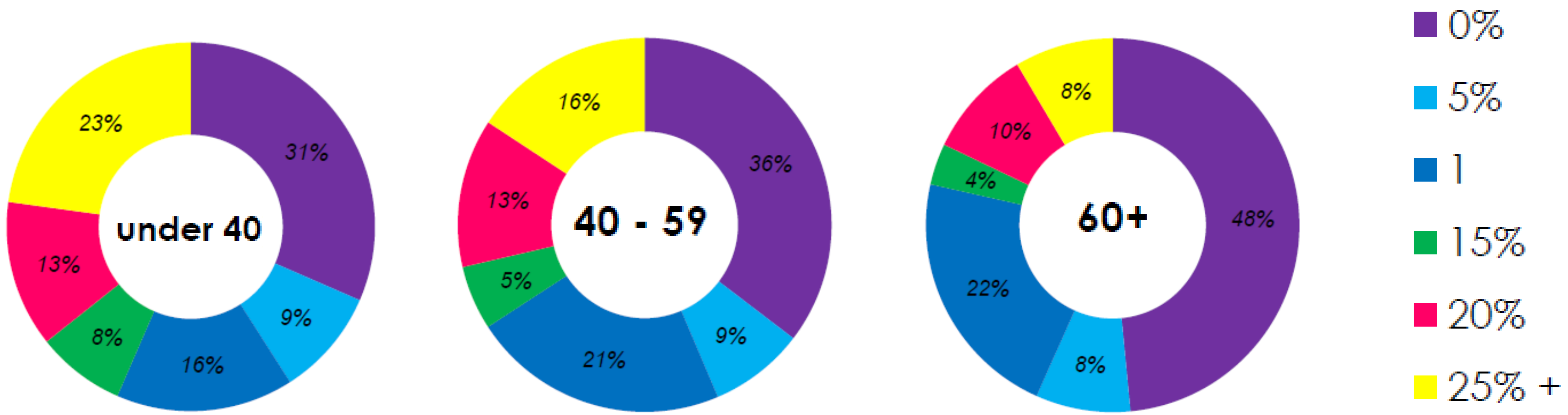
Findings:

Pace of Play Matters and Golfers Will Pay a Premium

Low Variance In Responses Based on Gender and Handicap; However, There is a High Variance In Age

- Golfers under the age of 40 would pay **14.2%** more
- Golfers between the ages of 40 to 59 would pay **11.5%** more
- Golfers over the age of 60 would pay **7.8%** more

  (Note: 48% of this age group would not pay any more).



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Findings:

Tee Time Intervals Are Key Economically

Average Peak Utilization of Sample Facilities Is Below 70%

Time of the day	Peak Season		Non-Peak Season	
	Weekday	Weekend	Weekday	Weekend
Before Noon	58%	**69%**	39%	50%
Afternoon	49%	55%	30%	35%

Tee Time Interval	Time of the day	Peak Season		Non-Peak Season	
		Weekday	Weekend	Weekday	Weekend
7 Minutes	Before Noon	50%	**61%**	45%	55%
	Afternoon	47%	50%	35%	41%
8 Minutes	Before Noon	53%	**61%**	32%	43%
	Afternoon	45%	52%	28%	33%
9 Minutes	Before Noon	61%	**73%**	48%	53%
	Afternoon	60%	63%	25%	31%
10 Minutes	Before Noon	77%	**89%**	54%	67%
	Afternoon	42%	48%	27%	32%

Findings:

Tee Time Intervals Are Key Economically

Tee Time Reductions Generally Will Not Impact The Bottom Line – Based on average utilization, reduction in rounds capacity will not cause a significant loss of rounds played at the average facility

		Reduction in inventory per interval increase		
Current Interval		**8**	**9**	**10**
7	»	13%	22%	30%
8	»	»	11%	20%
9	»	»	»	10%

- Utilization dictates the opportunity to increase tee time interval.

Impact of Starting Interval on LPGA Tour

USGA recommendation: Tee-time intervals must balance realistic cycle times for your golf course and your golfers, and they must be controlled.

Threesomes		
Starting Interval	Round Times	
	Average	Longest (Avg.)
10	4:54	5:12
11	4:40	4:54

CASE STUDY

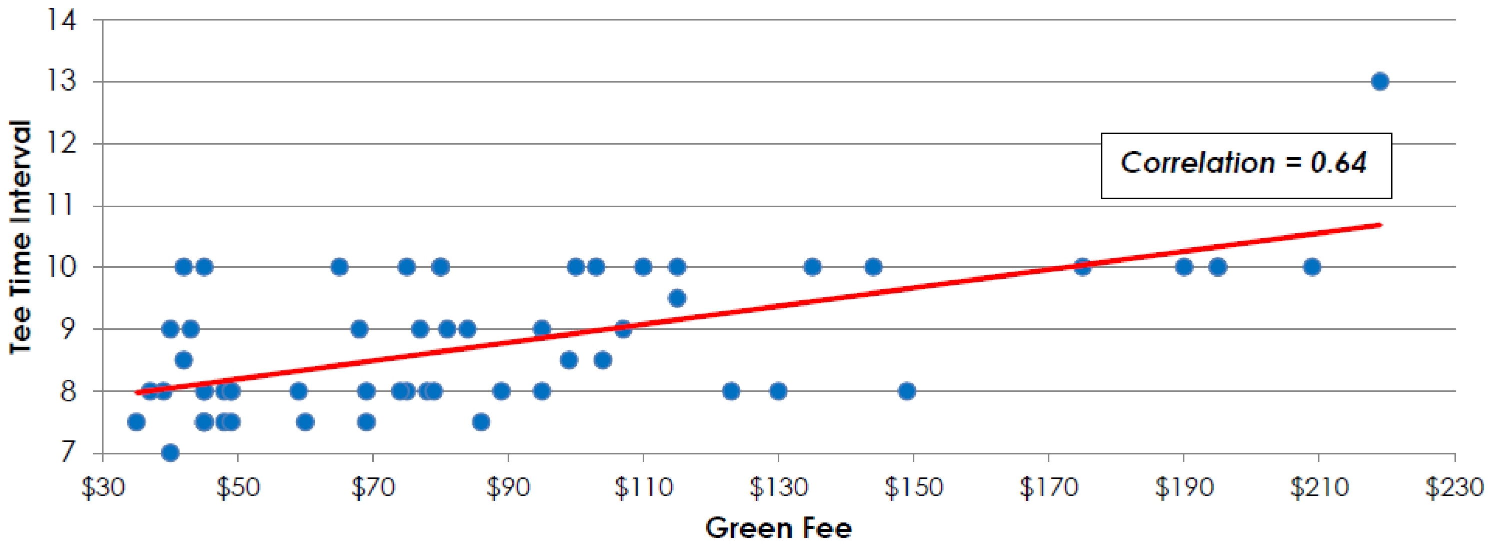
Impact of Starting Interval on LPGA Tour

USGA recommendation: Tee-time intervals must balance realistic cycle times for your golf course and your golfers, and they must be controlled.

Twosomes		
Starting Interval	Round Times	
	Average	Longest (Avg.)
8	4:05	4:23
9	3:54	4:12
10	3:47	4:04

Findings:
Pace of Play Premiums Track Current Earning Power

Green Fees and Tee Time Intervals Are Correlated - The Study demonstrated a correlation between green fee rate and tee time interval. The higher the green fee, the higher the interval. This makes sense, as the higher the green fee (in all likelihood), the more challenging the course.



Findings:
Private Facilities

Tee Time Interval

- 46% use 10 minutes
- 36% use 8 minutes
- 9% use 11 minutes
- 9% use 7 minutes

No correlation between location or dues.

Average round duration

- Public Rounds – 4.5 hours
- Private Rounds – 4.0 hours

Findings:

Private Facilities

Other Notable Information

Pace of Play Is Important For Member Attraction And Retention - 58% of clubs stated that pace of play plays an important role in attracting and maintaining new and existing members.

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Findings:

Pace of Play Improvement Increases Revenues for Operators

Price Is NOT Elastic with Older Golfers - The older the patronage of your public facility, the less an individual is willing to pay for improved pace of play.

Increased Tee-Time Interval Does Not Reduce Rounds Played Typically
If you are currently operating at an 8-minute tee time interval and changed to a 9-minute interval, your inventory of rounds would decrease by 11% and by 20% if increased to a 10-minute interval. As such, if your utilization at the various times of the day is (say) 70% or less, a 10-minute tee time interval increase would have minimal impact to rounds played.

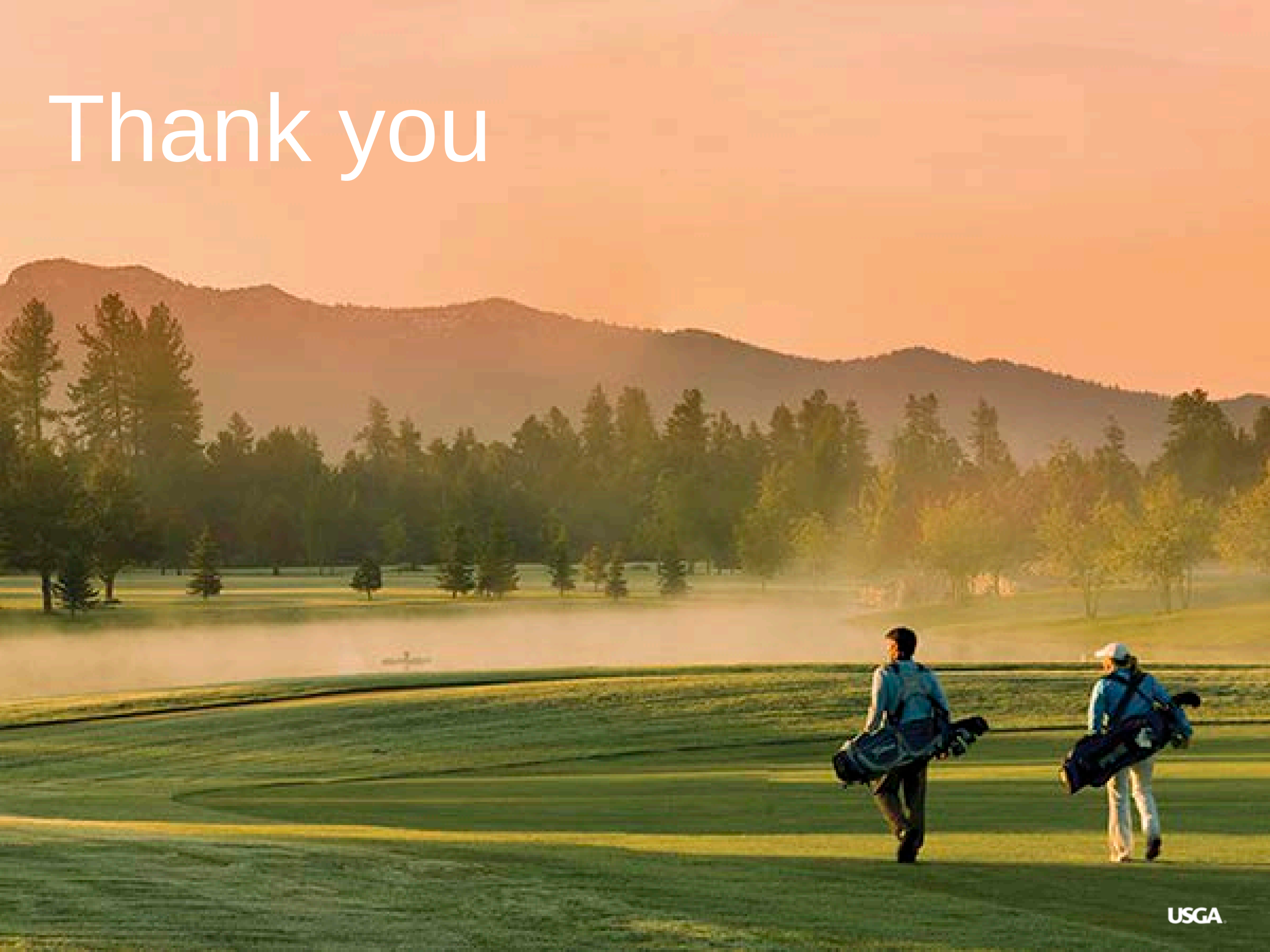
Price Elasticity Is Achievable - Based upon age of patronage, the green fees could be increased by 7.8% for over 60 and 14.2% for under 40, with an average increase of 9.1%.

Findings:
Pace of Play Improvement Increases Revenues for Operators

Value Proposition (Macro Analysis)

- Total rounds – less impact of tee time interval increase multiplied by increase in green fee (average 9%) less revenue from lost rounds
- Assume – 40,000 total rounds – 5% decrease in rounds (from increased tee intervals) – average rate increase at $4.50 (on $50)
- Potential increase in green fees – (40,000 – 2,000) x 4.50 = $171,000 (less lost rounds at $50) 2,000 x 50 = 100,000 - $71,000.
- Typically, $71,000 has no additional cost and therefore a direct increase to profit – resulting in an increase in golf course value of $710,000 at a valuation multiple of 10.

Note: If the utilization of inventory is less than (say) 60% - 70%, typically no adjustment for loss in rounds, or the impact is minimal.


Thank you
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