features

Segmentation of Golf Course Markets

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abstract

Golf courses have many submarkets within the same geographic area. This means the market segment that a golf course can serve must be known in order to estimate value, forecast feasibility, or complete a market study for a specific course or the general market. The segmentation analysis starts with the premise that a golf course submarket is grounded in the customers it serves. Thus, a submarket is defined by two predominant factors. First, who are the demanders for the specific course under study? Second, where is the competition for this demand? This article presents a description of the basic characteristics of the golf course submarkets.

Many golf course assignments are commissioned to address questions regarding the feasibility of a new golf course, the current market value of an existing course, how a course may increase market penetration, or whether a market is oversupplied. To begin a study for any of these types of assignments first requires a determination of which golf market to study.

Golf courses, like other real estate categories, have many submarkets within the same geographic area. This article presents some basic concepts for identifying the segments of the golf market.[1]

Importance of Segmenting Golf Course Markets

A central part of any study is the market/marketability analysis. Market segmentation[2] becomes critical since it focuses the remainder of the study, as shown in the following outline of the study process. An incorrect conclusion of the golf market segmentation in this first step would make the remainder of the study meaningless because the study would be measuring the wrong demand and competition group.

Evolving Nature of Golf Market Segmentation

Golf is consumer driven, and has changed over the years because of changes in consumer demand. Consumers change over time in terms of location, preferences, income, and general demographics. Golf courses, like other real estate types, are affected by these changing trends.

For many years, the golf market for the most part was divided into two segments: low-budget courses (usually owned and operated by municipalities) and private country clubs. The private country clubs provided higher quality design and course maintenance, with more facilities and better services than the public, low-

This article is an updated version of an article that appeared in the Society of Golf Appraisers (SGA) *Leaderboard* newsletter, volume 6, 2001. An earlier version of this article also tentatively is set for publication in the *Canadian Appraisal Journal*.

1. A golf submarket has its own unique demand sources and competition. The primary market area is usually the geographic area from which the golf course will draw most of its customers. However, in some cases a geographic area cannot be defined because the primary member/users are a specific social/economic group who are dispersed in many locations.
2. Part of the property productivity analysis is defined as an "analysis of the capacity of a property to house economic activities, supply services, and provide amenities to meet human needs." Fanning, Grissom, and Pearson, *Market Analysis for Valuation Appraisals* (Chicago: Appraisal Institute, 1994): 35.

Golf Course Market/Marketability Study Process[3]

1. What golf market segment(s) does the subject golf course have the ability to serve? (property productivity analysis)

   Factors that determine market segment:

   - Course design and quality
   - Facilities design and quality
   - Legal requirements (deed restrictions, club bylaws, etc.)
   - Social and economic characteristics of the club and community
   - Location, including how the golf course fits with the community growth structure and with competitive courses

2. What are the characteristics of the consumers for this golf market segment?
   - Market area delineation
   - Consumer profile of most likely users
     - Type
       - Tourist
       - Second home residents
       - White collar executives
       - Corporate outing groups
       - Local residents
     - Characteristics
       - Income
       - Age
       - Social and family structure
       - Employment categories (e.g., high tech, service)

3. What is the competition for this market segment?
   - Current competitive courses
   - Planned competitive courses

4. What is the future golf course demand for this market segment?
   - Inferred methods
     - Current market conditions
     - General growth trends of city and subject submarket
   - Fundamental methods
     - Actual current demand forecast methods
     - Potential new demand forecast methods

5. What is the market condition for this market segment? (comparing supply with current and future demand)

6. How much of this market segment can the subject golf property capture?
   - Current capture analysis methods
   - Competitive course rating methods

7. What are the financial implications of the property?
   - Is it a good investment? (investment value to an individual or specific groups)
   - Is the property's value more than its cost? (feasibility)
   - Does this market segment produce a higher net income than another segment? (highest and best use)
   - What is the golf course's market value? (appraisal)
   - Can redirected management or marketing increase income? (management practices)

3. The outline is based on Fanning & Associates' study process. Others may have different styles and content, but segmentation should be required near the start of the study process.

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budget courses. In the 1980s, a trend started called "A Country Club for a Day." This was the slogan for a new course type called "daily fee." These courses were usually privately owned, but open to the public and provided high-quality design and higher maintenance with better services than low-budget public courses.

These three categories—municipal, daily fee, and private courses—have been the focus of demand studies and national data for the past 15 to 20 years.

The reality is that the golf course market has evolved at an increasing rate over the past 20 years. There are many more market segments, and in turn, different demand generators for each segment. Because of this, many groups are addressing the need to upgrade the method for analyzing golf markets.[4]

The competitive market for a specific golf course is defined by two predominant factors. First, who and where are the demanders for the course under study? Second, where is the competition for this demand? The following outlines some fundamental ingredients to identifying the golf market segments and then describes the twelve major golf market segments proposed by this article.

Segmenting the Golf Market by Sources of Demand

The segmentation of golf markets begins with identifying the source of demand for each course type based on the course's productivity analysis. The major sources of demand for golf courses can be one or more of the following groups.

Golf Course Demand Sources

1. Local residents
   - Recreational golfers
   - Social
   - Family recreational
2. Corporate
   - Local employees
   - Out-of-town business clientele
3. Out-of-town visitors (tourists)
   - Upscale individuals
   - Families
   - Second home residents
   - Convention visitors

The potential customer sources above are further stratified by such things as the group's income, age, family status, social status, and business status.

When considering demand it is important to remember, a golf course cannot generate new golf rounds, but only shares the golfers or club members in the market. A golf course can realize new business only by:

1) capturing rounds from another course that has become obsolete or less attractive;
2) fulfilling a market need that has not been provided by other courses in the market; or
3) capturing an increase in rounds or members when the population of a demand group increases.

Golf market segments are based on several interrelated factors, with the focus on the customers served. For example, a private club may serve local residents in a certain income bracket, while a similar, private club down the street may be structured to serve the corporate market. The design and quality of the golf courses may be comparable, both may be private, but each may serve an entirely different market segment.

Similarly, daily fee courses in the same general area, with similar course design and quality, can serve different segments. One may serve primarily nearby residents, while other courses may serve primarily corporate outings or tourists.

Description of Major Golf Market Segments

Public Daily Fee—Resident Based

Low- and Mid-Budget, Daily Fee Segment

The first broad segment is the public, daily fee courses. These low- and mid-budget courses usually serve local resident markets in the economic strata that cannot afford more upscale courses or private courses. The primary market areas for this type of course are determined in large part by drive time

4. This was the topic of the Society of Golf Appraisers (SGA) spring 2000 meeting. Others have raised this issue, including David Lenniger of Economic Research Associates (ERA) and James Koppenhaver of Pellucid, Inc.

and location of competition. Surveys have shown that a drive time of 15 to 20 minutes is considered standard for most local resident golf courses. Competition is stratified by course price level and course design. Competition tends to set the geographic boundary since golf courses, like retail, typically, cannot draw a customer beyond the location of an equally desirable course closer to a customer's residence. Thus, in large metropolitan areas with many low and moderate public courses, the primary trade area for those courses is usually 5 to 10 miles.[5] On the other hand, moderate-sized cities with limited competition usually draw from a citywide area. In more rural areas, most of the golfers originate from a countywide area or beyond.

High-End, Daily Fee Segment

The high-end, daily fee courses usually are geared to the higher income, local resident base as the primary market, as well as corporate outings or tourists. Also, this type of course is based on the premise that increased quality and service will draw from a larger area for the residential part of demand and attract the special outing market and tourists. Many studies require consideration of both demand segments.

The primary market area of the residential base is usually constrained by the location of the competition and drive time. Typically, the market area for the high-end course is larger than that of the low- and mid-range courses. However, the residential base must be in close proximity, even though the trade area is larger. The lack of a nearby residential base is the reason many high-end, daily fee courses on the outskirts of cities are in financial trouble. Thus, key factors in this category are population density, income (segmented by affordability), and location of the competition.

Private Clubs—Resident Based

This segment is based primarily on population characteristics—proximity to the club being the defining factor. In many urban settings, 80% of the members live within five miles of the club. The population characteristics of age, family status and income are other key determinants of demand. The demand determinants are analyzed in the "private club triangle of demand"—golf, social, and family entertainment. Higher-end clubs also can have business and social implications, as well as the residential social factors.

Private Specialty Segment

Private courses also can serve a specialty market. Examples are the destination private course and super high-end county club.

The destination private course is usually in second home and tourist areas. The demand for these courses comes from the inflow of temporary residents or tourists. The numbers of these potential golf customers entering the market are identified and then analyzed for their demand characteristics, which are primarily income and age.

The super high-end country club has a very limited number of members, and the fees are set significantly higher than those of a typical high-end club in the area. Many times, these are "one-of-a-kind" clubs in a market area. These clubs usually target corporate clients, and in some cases are also destination-type clubs. Since most members come from out of town, some overlap with second-home clubs is possible.

Public Specialty Course Segment—Theme Course

Theme courses are regulation courses with a specialty theme, such as Tour 18 in Dallas, which has holes similar in design to famous golf holes around the country. The theme courses usually target corporate outings and tourists as their primary market. The secondary market for specialty courses is the local-market golfer who says, "I have to play that course at least one time." This type of local market customer is higher income and commonly travels a long distance to the course.

Resort Segment (Golf Course with Lodging)

The resort category can be divided, at minimum, into two segments—urban and non-urban. Each segment usually derives its demand from different sources.

Urban resorts can be subdivided into resorts that cater to the business market (corporate meetings, etc.) and resorts that cater to the upscale, nonbusiness market. The non-business customer is typically upscale and non-family. The non-urban, leisure resort is usually set in a tourist destination and can be family and non-family oriented; the major demand source for these resorts is tourist golfers.

Other Marketing Variations of the Basic Golf Demand Segments

Table 1 identifies twelve different segments of the golf course market. Each segment represents a type of

5. Note that the primary trade area is where 80% of the rounds are generated, not necessarily where 80% of the golfers reside. For example, if there are no nearby courses in a golfer's price range, that golfer will drive further to play golf, but the frequency of play for the golfer will usually be less compared to a nearby golfer in the same economic range.

Table 1 Golf Market Segments: Course Types and Demand Sources

Golf Market Segments	Typical Demand Sources	Comment on Operation Characteristics
Public Daily Fee—Resident Based		
Low-Budget Daily Fee	Low-income residents in close proximity	Low maintenance budgets and limited services
Mid-Budget Daily Fee	Moderate-income residents in close proximity	Moderate maintenance, course design, and services
High-End Daily Fee	High-income residents from moderate distance and secondarily, corporate outings from the local business area.	High-end services, course design, and course maintenance
Private—Resident Based		
Low-End Country Club	Local residents in close proximity desiring private facilities. Incomes in lowest part of upper- income ranges for community.	Limited services and moderate course maintenance. Usually more oriented to individual golfer vs. family/social.
Mid-Range Country Club	Local residents with moderate, second-level incomes who live in close proximity and desire private facilities, typically with family reasons as major motivation.	Operations and facilities usually more family oriented than lower or higher income clubs.
High-End Country Club	Local residents from large trade area desiring private facilities for family, business, and social reasons. Incomes in highest ranges.	Facilities and operations oriented more to social activities.
Private—Specialty		
Destination Clubs	Higher-income, second-home residents. Demand is usually from long distances and/or out of state.	Usually in vacation area and targeted toward second home communities. Can be further segmented by ownership type.
Super High-End Country Club	Corporate, major company executives—usually local major corporation with out-of-town members tied to local economic activity.	Highly limited number of members. Best quality course, clubhouse and social activities. Usually targeted toward corporate clientele.
Public—Specialty		
Theme Course	Higher-income residents, tourist, and corporate from a very large trade area. Demand overlaps traditional high-end, daily fee, but tends to draw from a larger market area than high-end daily fee course.	Courses like Tour 18, The Cowboy Club, and The Tribute in Dallas, Texas.
Resort (Golf Course with Lodging)		
Urban Resort	Corporate and upscale tourist	A private course tied to business hotel with resort amenities. Can be further segmented by corporation meeting type and upscale noncorporate clientele.
Leisure Resort—Non-Urban	Upper-income tourist families and corporations	Vacation resort is primary emphasis, with meetings secondary. Can be further segmented by upscale and moderate (family-oriented).

course with its own unique source of demand. From these basic golf demand segments can come many marketing variations. A marketing variation is a different marketing technique, but not a different demand source for the course. The following outlines some of the more typical marketing variations.

Semi-Private Marketing Concept

The semi-private course is more of a marketing segment than separate course demand type. The semi-private course typically competes in either the daily fee or private market segments. These courses usually serve the same clientele of local residents in the moderate-income brackets. Semi-private courses with few auxiliary facilities (such as tennis, swimming, restaurant) typically compete in the daily fee market, while semi-private courses with more facilities usually compete in the low-to-moderate range of the private market segment.

Co-Purpose Private\Resort

The co-purpose private\resort is a concept of combining an urban resort with the local resident, upscale country club market segment. Thus, the primary demanders for this type facility are split, and any market study should consider both.

Conclusion

The value or feasibility of a golf course is grounded in the customers it serves. Thus, the goal of a golf course study is to assess demand verses competition, and this can be measured only if the golf course product is first identified. In other words, the market segment the course can serve must be known in order to estimate value, forecast feasibility, target the marketing effort, or to answer the question—Is this market oversupplied?

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Table 2 Marketing Variations for Basic Golf Market Segments

Marketing Variation	Typical Demand Sources	Comment on Operation Characteristics
Co-Purpose Private/Public	Demand source overlaps high-end, daily fee and low-end, private, both in close proximity to course.	Memberships and daily fee (daily fee usually during off peak times).
Interim Private	Usually in growing area. Primary demand overlaps high-end, daily fee and moderate-income, private segment of nearby local residents.	Daily fee as interim until full membership number reached.
Executive\Par 3\ Abbreviated Courses	Low-to-moderate income local residents in close proximity who have time or ability constraints. Typically, overlaps low-end, daily fee courses.	Courses designed for less time on course. Can be further segmented by urban/ suburban and high-, mid- and low-price range.
Co-Purpose Private\Resort	Corporate and upper-income local residents desiring private club. Overlaps traditional urban resort and private club market segments.	Adjacent hotel and resort and local membership variation; also includes university-sponsored clubs with local members and out-of-town alumni.