Rose Park Golf Course: Marketing Vs Renovations to best Increase Rounds

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Final Report

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# Introduction

One of the most important aspects of any golf course is the quality of the course. The improvement of any golf course will improve the rounds needed to sustain the golf course. Sale Lake City has closed down two golf courses due to budget constraints. Salt Lake City appears to have looked at the Supply vs. demand and realized that there is more Supply (golf courses) verse demand (Golfers). By closing down those two courses, it has forced the golfers to play within the other courses. Rose Park Golf course is on the verge of closing or remolding (Goldsmth 2001). This report will conduct the solutions to gather the necessary golfers to sustain the current state. The report will discuss the use of marketing versus renovating and repairing the out of dated irrigation system.

# Background (Problem)

Salt Lake City lacks the golfers needed to sustain the golf course and has led the city council to close 2 courses. The SLC has struggled to keep its golf courses running. Currently, the golf courses are losing money and have been losing money at a steady rate. According to the Salt Lake City council, golf rounds played at the SLC courses have dropped 18.4 percent since 2001.

# Business of Golf

The business can be made very complicated. The permutations of operating a successful golf course increase quickly when one considers the factors that shape Supply or those factors that influence demand(course condition, price, playable days, service, and customer demographics such as the People, Age, Ethnicity, and Population density. In this report, only the course condition and playable days will be evaluated. A brief explanation of the people, age, ethnicity, and population density will be discussed but not implemented within the report (Keegan 2012).

## People

To have a successful golf course and like any business, Supply and demand must be met. If there is too much Supply, the course struggles to get the golfers to play. On the other hand, having too much demand and not enough Supply would be a good thing.

### *Age*

In 2012 68% of all golfer was played by those older than 43 years old. In economic surveys conducted throughout the world, golf thrives in cities where the population is aging. Although, the concerning for golf courses, the statistics show a significant decrease in pay among young and mid-range adults as noted in table 1

Table 1: age vs. average round per year (Keegan 2012)

|  |  |
| --- | --- |
| Age | Average round/yr. |
| 18-29 | 18.+6 |
| 30-39 | 18.2 |
| 40-49 | 20.3 |
| 50-59 | 25.9 |
| 60-69 | 40.2 |
| 70+ | 47.6 |

### *Income*

The most significant predictor of a person's participation in golf is household income. Table 2 reflects that using a baseline index of 100; the upper class constitutes a more generous portion of golf's participants. The relative frequency of participating in the middle class and working class has been decreasing. The fact that golf is an elitist game is demonstrated by a statistic indicating that those with less than 34,999 play only 3.45 rounds per year while those with incomes were greater than $75,000 play 431% more 14.89 rounds per year.

Table 2: Golfers vs. Household income (Keegan 2012)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Income Groups | 2000 % Golfers | 2000 % HHs | Index | 2005 % Golfers | 2005 % HHs | Index |
| Upper Class $75K+ | 27 | 23 | 115 | 49 | 34 | 144 |
| Middle Class $35-74.9K | 43 | 36 | 119 | 35 | 35 | 100 |
| Working Class <$35K | 30 | 41 | 73 | 16 | 31 | 52 |

### *Ethnicity and population density*

While determining the ethnic composition within a 10-mile radius of the golf course is essential for determining the demand potential for golf rounds. As seen in table 3, the golfer ethnicity demographics. It should be noted that this model doesn't implement any changes due to the surrounding area. Meaning, the Ethnicity of the surrounding Rose Park Golf Course was not taken into effect but is placed within this report to show that further evaluation could be used for further modeling of Rose Park Golf Course

Table 3: golfer ethnicity demographics (Keegan 2012)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Ethnic/nationally group | Part. Rate | Frequently rate (rounds/golfer) | play rate (rounds/capita) | 07'-12' population growth rates |
| White | 11% | 21 | 2.3 | 4.1% |
| Black | 5% | 14 | 0.7 | 3.4% |
| Asian | 9% | 17 | 1.6 | 17.9% |
| Hispanic | 4% | 18 | 0.7 | 15.5% |

## Playable times

Due to the hours' constraints within the given day, golf can only be played during the daylight. It must also be said that it takes 2 hours to play 9 holes. Therefore, the last tee time a golfer can play is 2 hours before dark. Table 4 shows the rounds played in 2016 and the max available rounds considering the month's playable average hours.

Table 4: Max rounds versus 2016 Monthly Rounds

# Problem

In 2016, Rose Park Golf Course had an operating expense of $1,054,794.00 with an income of $684,770.00. A loss of $370,024.00. The rounds played in 2016 were 44,535, and the income per round was $15.38. From a breakeven standpoint, 22,450 extra rounded needed to be played. This section discusses the benefits of renovating and irrigating updates verse marketing will be explained. It will also explore the amount of $50,000, $100,000, $300,000

## Course Conditions: Renovating and irrigation updates

The need for golf courses to provide the best possible playing conditions for golfers drives them to look at all turf management aspects (Saunders, 2005). The newly built courses' enhanced conditions have put a strain on the courses that don't have the improved irrigation systems to stay competitive due to loss of water, water cost, and not being able to maintain the course.

According to the "thengfq.com," a renovation of Poppy hills completed a drainage and irrigation update with new systems that minimized water use and maximized distribution with the changes. The course saw an increase of rounds played were up 40% from the previous full year of play. The short pain of a course closed and renovation can indeed pay off in other significant ways in terms of golf experience as well as the atmosphere (Croley, 2018).

The suggested amount to spend on renovating and irrigation update are 1 Million (Saunders, 2005). Within the model, we will use a base of 1 million dollars as the max amount spent on renovating and irrigation update. By estimating for 2016 of the 40% increase in rounds due to the full renovation, it would increase 17,600 rounds. It should be noted that the investment of renovating and irrigating updates would be a long-lasting improvement, and the suggested 40% would carry over in the upcoming years.

## Marketing

Most golf courses spend about 2% of revenues on marketing. Most businesses spend about 5% on revenues on marketing. An estimated marketing budget should be $75,000 (source). It should be noted that discounting price is not marketing (Keegan 2012). Within the last decade, technology has evolved. The ability to create a dynamic website, create a customer database, and communicate a consistent message to the target groups listed in the chart is the formula for success. The essence, marketing comprises of three elements: advertising, public relations, and promotion. Advertising is the foundation of the marketing campaign, and it has two components: awareness and recall. According to webstrategiesinc.com, a ratio over 5:1 is considered strong for most businesses. The assumed 20% of the return on investment (ROI) would be used within the model. Equation 1 demist rats the ROI. It should be noted that investment in marketing would be a one-time deal. The number of people that are captured within the marketing would only be for that year.

(Eq.3)

The longevity of renovating and irrigating updates versus marketing is not shown within this report.

# Uncertainty: Challenges of the future

The business of golf has the basic forces of capitalism and Supply and demand; it is unclear if golf course owners are unwitting accomplices to the industry's woes. We live in a world bombarded by pessimism and bad news. It is easy to be consumed by the disaster of short publicity. Every day is slightly uncertain. The weather can be predicted, and courses and foresee open or closes dates. The population within the playable radius is constantly changing. Who is moving out, who is moving in, age, income, ethnicity, etc.?

# Model Formulation

This problem's decision variables will be x rounds for renovating irrigating updates and y for marketing. With a total round of 44,000 rounds in 2016, the irrigation limitation would be a ratio of the cost put into renovating divided by the estimated full irrigation amount. For example, if Rose Park Golf Course wanted to spend 1 million dollars on renovation and irrigating upgrades, that max return they would see is 40% or 17,600 rounds. Suppose Rose Park Golf Course wanted to spend $50,000 dollars on renovating and irrigating the ratio of 50,000/1,000,000 = 0.05 or 5%. By multiplying the percent increased by the max, an estimated increase of rounds would be 880. The strategy for calculating the estimated renovating and irrigation rounds will be used through the model

By understanding the ROI to be no greater than 20%, the formula of Eq. 1 can be converted to

(Eq.1)

Setting ROI to 20%, the rounds needed for the 20% were rounds based on the segment of how much the cost of the marketing was used

## Objective Function

The objective function for this model will be based on the total income for 2016 divided by the total number of rounds in 2016. It should be noted that some months were higher than $15.38/round and lower; please refer to the excel file with the raspatory. Equation 2 shows that the model will be solving for the maximum amount based on the given constraints within each dollar amount suggested.

(Eq.2)

## Constraint and Objective Function Value

each model that was running, a new constraint was changed due to the number of dollars and rounds associated with the problem. By limiting the number of rounds that can be placed due to the amount of money that could be spent. By using the constraints discussed under the Marketing and renovation/Irrigating, the max constraints for each limited amount of money can be seen in Figures 1, 2, and 3.

In Figure 1, the $50,000 spent would be most useful to be spent on marketing to gain a $9,997.38 net return. In Figure 2, the $100,000 spent would be most useful to be spent on marketing to gain a $19,997.94 net return. In Figure 3, the $300,000 spent would be most useful to be spent on marketing to gain a $909.70 net return.

Figure 1: Objective Function: $50,000 Allowed



Figure 2: Objective Function: $100,000 Allowed



Figure 3: Objective Function: $300,000 Allowed



# Recommendations

Golf courses within the Salt Lake City area are closing due to the courses not bringing in enough golfers. By evaluating the available playable days due to time, and the cost to renovate and replace the irrigation system by suggesting spending $50,000, $100,000, $300,000 on either one. It has been found that spending $100,000 on Marketing would yield a better return of $119,995.94 with a net benefit of $19,995.94.

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(Saunders, 2005)

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