SEGMENTATION RESEARCH: EXECUTIVE SUMMARY

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GOLF 20/20

VISION FOR THE FUTURE

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Consumer Research Executive Summary

CONSUMER RESEARCH OVERVIEW

Golf 20/20 conducted consumer research in 2001 of unprecedented scope. Overall, a total of 100,000 households were screened to fully understand the size of the golf participation market and the potential demand that exists for the game among non-participants.

This research was conducted to address several key questions facing the industry today:

- How many golf participants exist in the United States today?
- What is the demand for golf beyond current participants?
- Who are the best prospects and how can they be identified?
- What strategies should the industry adopt to help convert these prospects?

Nearly 70,000 households replied to the initial survey, which was designed to uncover the following:

- Number of rounds of golf played in the past 12 months.
- Percentage of play at regulation courses versus alternative facilities.
- Percentage of play at public versus private courses.
- Time spent with golf media.
- Frequency of watching and attending tournaments.
- Interest in the game of golf.
- Age of introduction to golf.
- Exposure through junior golf programs and/or college programs .

Once identified, several key groups of golfers and non-golfers with interest were interviewed more in-depth:

- 1,500 golfers
  - Core consumers
  - Women
  - Juniors
  - Minorities
  - Beginners
- 2,000 non-golfers with interest
  - Former golfers with interest
  - Never-evers with interest

THE MOST CRITICAL FINDINGS

The pages that follow in this executive summary detail all of the key findings from the consumer research conducted by Golf 20/20 in 2001. However, there are seven key findings outlined below and on the following page that represent exciting news for the industry:

The 20/80 does not apply to the golf industry.

Golf's "best customers" are 10+ million strong (40% of adult golfers in the U.S.), average 48 rounds per year (84% of all rounds played), and spend an average of $1,700 annually on fees and equipment (81% of all spending).

Golf's best customers are also easily identifiable, as most are 40-64 years of age with incomes over $75,000. Thus, potential barriers to play are limited since they have fewer family obligations and financial restrictions.

There is both the room and opportunity to grow our "best customer" base.

There are 12 million adults in the United States who are not currently best customers, yet they fit the demographic profile and are interested in learning how to play or playing more than they do now.

And, it does not take long to cultivate a best customer. Half of the game's 10+ million best customers became committed ***less than one year from the time they started playing.***

We can find adults in the U.S. who fit the best customer profile.

There are seven distinct market areas in the U. S. that have an above average proliferation of households with adults 40-64 and incomes greater than $75,000. These areas and the specific cities within each area are outlined in detail on pages 11 and 12 of this summary document.

There are two distinct keys to cultivating future best customers.

Ball striking is by far the most influential factor on enjoyment of the game. In fact, it is 3-5 times more influential than score, course conditions, competition, and exercise. This is true for best customers as well as other players and former players. Thus, every effort should be made to focus teaching and improvement programs on early victories with regard to ball striking.

Facilities and industry growth initiatives also need to focus attention on the creation of playing partnerships. The vast majority of best customers play with personal friends most often and having someone to play with is twice as influential to the enjoyment of the game as score, course conditions, competition, and exercise.

In addition, former players and non-players with interest who fit the profile of a best customer would play and or play more if they had someone to play with regularly.

Growth initiatives should have a presence at professional golf tournaments.

Nearly one in five (16%) tournament attendees across the United States are not currently playing the game, but express an interest in doing so. This suggests that promotions designed to generate awareness for learning initiatives should be present in high traffic areas at tour events. Tour events might also represent a good forum for quick, demonstration lessons if designated areas and teachers are available.

Junior programs really do pay off in the long run.

Given the limited availability of junior programs back when current best customers were young, few were exposed to a junior program. However, the differences evident among adults today who were exposed to a junior program are remarkable. Current golfers 18-34 years of age who participated in a junior program are playing 58% more rounds and spending 71% more on fees and equipment than those golfers who did not participate in a junior program.

Affordability is critical to growing the game.

Affordability/value is by far the single most important factor that influences play, a finding consistent across the entire industry.

Despite the fact that golf's best customers skew high income, a majority (58%) believe affordability is one of the three most important factors that influences play, and they believe an 18-hole round of golf is a good value at about $35. A round begins to get expensive at about $55 and is too expensive at $117.

Affordability is even more critical for less committed players, as 68% report it is one of the three most important factors. In fact, no other factor is identified by more than 30% of these less committed players. A good value for these players is closer to $25, a round is getting expensive at $45, and a round is too expensive at about $85.

GOLF PARTICIPATION IN THE UNITED STATES

Golf Participation in the United States is strong.

Golf 20/20 consumer research in 2001 identified the existence of 36 million golf participants in the United States, who can be classified as follows:

- 25.4 million adult golfers. (played at least one round on a regulation course)
  - 11.8 million occasional golfers (1-7 rounds a year)
  - 7 million core golfers (8-24 rounds a year)
  - 6.6 million avid golfers (25 or more rounds a year)
  - 4 million junior golfers (12-17 years of age)
  - 4.9 million range users (did not play on a regulation or alternative facility course)
  - 1.7 million alternative facility users (did not play on a regulation course or range)

Interest in the game is strong.

Golf 20/20 consumer research in 2001 also identified the presence of significant opportunity to grow the game in the United States:

- 17 million current golfers express a desire to play more than they do now
- 26 million adults not currently playing the game express an interest in doing so
  - In fact, over 4 million of these adults are "very interested" in playing

SHORT TERM GROWTH OPPORTUNITIES

The industry needs to focus attention on growing the game's best customers.

In order to focus on the game's best customers, they must first be defined and identified. As a first step, Golf 20/20 set out to determine if the "20/80 rule", where 20% of consumers account for 80% of consumption, exists in the golf industry.

To begin, two key behavioral characteristics were selected as the initial focus:

- Rounds played ("play")
- Money spent on fees and equipment ("spend")

In terms of rounds played, the golf industry currently groups participants as occasional, core, and avid, which suggests that avid golfers (26% of all golfers) are golf's best customers. And, when total rounds played are examined, avid golfers account for 75% of all rounds played. Thus, the "20/80 rule" seems to apply perfectly in regards to total rounds played.

In terms of money spent on fees and equipment, a consistent story emerges. It was discovered that 25% of all golfers account for 75% of all spending. When a specific annual dollar amount is ascertained, the 25% of all golfers who account for 75% of spending reported spending at least $1,000 a year on fees and equipment.

Thus, on the surface, it appears the "20/80" rule does apply to the golf industry and that avid golfers (play 25+ rounds per year) can be considered golf's best customers.

However, Golf 20/20 took this best customer analysis one step further and discovered that a more dynamic story emerges when rounds played and money spent are combined.

When the two key behavioral measures of "play" and "spend" are combined, as illustrated in the table below, it becomes apparent that the game's best customers may not be limited to the 25% of golfers who are avid players.

In fact, over one-third of avid golfers spend less than $1,000 annually on fees and equipment. This group of avid golfers is sizable (2.5 million), yet they collectively only account for 5% of total spending.

Further, there is a sizable group of non-avid golfers (3.5 million) who spend more than $1,000 annually on fees and dues. This group of non-avid golfers accounts for 29% of total spending.

As a result of these findings, it becomes apparent that 40% of all golfers account for 80% of all spending. Thus, the "20/80" rule does not apply to golf, and the industry should focus attention on the 10 million golfers who collectively account for 81% of all spending.

Golfers		Spending	Rounds
Avid, Spend < $1,000	10% (2.5 million)	5%	26%
Not Avid, Spend $1,000+	14% (3.5 million)	29%	13%
Avid, Spend $1,000+	16% (4.1 million)	47%	46%
Golf's Best Customers	**40% (10.1 million)**	**81%**	**85%**

Golf's best customers have a dramatic impact on the game, and as the analysis below illustrates, growing the base of best customers woulld be a lucrative short-term strategy for the industry.

In 2000, total golf spending and rounds played figures in the United States were estimated to be as follows:

- Spending = $21 billion
  - public and private fees and dues, clubs, balls, bags, gloves, shoes
- Rounds = 570 million rounds

And, the current financial impact of golf's best customers is dramatic:

- Best customers (10.1 million)
  - Total spend = $17 billion (avg. of $1,700 per year)
  - Total rounds played = 476 million rounds (avg. of 48 per year)
- Remaining customers (15.3 million)
  - Total spend = $4 billion (avg. of $265 per remaining customer)
  - Total rounds played = 84 million rounds (avg. of 6 per year)

Thus, industry growth can increase dramatically if best customer acquisition strategies are a main focal point. In fact, the addition of new best customers represent more than ***six times more spending and eight times more rounds played*** compared to the addition of remaining customers.

	Spending	Rounds
1,000 Additional Best Customers	$1.7 million	48,000
1,000 Additional Remaining Customers	$265,000	6,000

Golf's best customers have distinguishing demographic characteristics.

It may not be new news, but a large segment of golf's best customers fit the following demographic profile:

- 40-64 years of age

- Incomes over $75,000+
- Live in larger metropolitan areas (2 million plus)
- No longer have small children living at home

A majority are concentrated in three areas of the country:

- East North Central (Wisconsin, Michigan, Indiana, Illinois & Ohio)
- South Atlantic
- Pacific

There are millions of adults in the U.S. who mirror these distinguishing characteristics and a sizable number already have interest in the game.

Currently, 12 million adults in the United States are not currently best customers, yet fit this profile and express interest in playing golf or playing more frequently than they do now:

- 3 million are current players who want to play more
- 3 million have never played but want to
- 6 million are former players

There are an additional 30+ million adults in the United States who fit this profile, but are not actively expressing an interest in the game at this time.

Industry acquisition programs and promotional strategies are likely to be more efficient if concentrated in selected regional areas.

An analysis of the top 30 markets with the highest concentration of households that fit the distinctive characteristics of golf's best customers yields eight specific regional areas that could be targets for the initial focus of short term growth strategies for the industry. These areas are illustrated below and on the following page.

Note – this regional analysis focuses on the key best customer demographics outlined earlier – adults aged 40-64 with incomes in excess of $75,000

MARKET	*# OF HOUSEHOLDS*
Lower New England	**2+ million**
New York City	1.1 million
Philadelphia	350,000
Boston	320,000
Hartford/New Haven	140,000
Rochester	40,000

MARKET	*# OF HOUSEHOLDS*
Upper Heartland	**800,000+**
Chicago	470,000
Detroit	240,000
Milwaukee	95,000
Southern California	**750,000+**
Los Angeles	640,000
San Diego	110,000
Texas	**530,000+**
Dallas/Ft. Worth	260,000
Houston	220,000
Austin	50,000
DC	**500,000+**
Washington DC	360,000
Baltimore	130,000
Charlottesville, VA	10,000
Bay Area	**480,000+**
San Francisco/Oakland/San Jose	420,000
Monterey-Salinas	30,000
Santa Barbara	30,000
Pacific Northwest	**340,000+**
Seattle/Tacoma	220,000
Portland	120,000
Alaska	**30,000+**
Anchorage	22,000
Fairbanks	5,000
Juneau	4,000

It is ***not*** being suggested that the eight regional areas outlined on the previous two pages should be the only areas of the country that should be a focus for growth. In fact, there are six additional high penetration markets within the top 30 that have a significant number of households that mirror the distinctive characteristics of golf's best customers.

These markets are listed below in order of the highest penetration of the targeted demographics.

MARKET	# OF HOUSEHOLDS
Honolulu	55,000
Denver	168,000
Atlanta	233,000
Minneapolis/St. Paul	180,000
Cincinnati	88,000
Las Vegas	55,000

Notably absent from this list are strong golf markets such as the state of Florida and the cities of Phoenix, Richmond, Columbus, Cleveland, and Raleigh/Durham. Again, this analysis is not meant to suggest that these areas should be ignored as the industry works to grow the game.

A best customer can be cultivated fairly quickly.

Not only is there opportunity to grow golf's best customer base, it appears that this can be accomplished in a relatively short period of time.

Over three fourths of golf's best customers believe they are either very or somewhat committed to the game, and their behavior reflects this belief.

Yet, it took them less than three years on average to become committed *from the time they started playing.*

In fact, more than half of these committed golfers (40% of all best customers) report becoming committed less than one year *from the time they started playing.*

The industry's acquisition strategy for new best customers needs to center on the creation of good ball striking and aiding golfers in finding playing partners.

Current best customers, remaining customers, and former players all have a common voice when they report that ball striking is the factor that contributes the most to their enjoyment when playing a typical round of golf.

In fact, ball striking is 3-5 times more influential than score, course conditions, competition, and exercise. As a result, Link Up 2 Golf and other teaching/improvement programs should focus their message on providing quick and easy ways to strike the ball well/better.

Industry growth strategies also need to focus attention on the creation of playing partnerships. The vast majority of best customers play with personal friends most often and having someone to play with is twice as influential to the enjoyment of the game as score, course conditions, competition, and exercise. In addition, former players and non-players with interest who fit the profile of a best customer would play and or play more if they had someone to play with regularly.

Professional golf tournaments appear to be a good venue for growth

The results of this research suggest that PGA Tour events provide an excellent forum to reach both existing best customers and people who have interest in playing but are not currently doing so.

As the table below illustrates, 16% of all tournament attendees are not currently playing, but express an interest in doing so. This suggests that the presence of Link Up 2 Golf and other industry learning and improvement initiatives should be an on-sight presence at golf tournaments across the country.

Tournament Attendees	
Current golfers	72%
Former players who would like to play again	10%
Former players who have no interest in playing again	8%
Never played but express an interest in doing so	6%
Never played and have no interest in doing so	4%

In addition, 49% of tournament attendees fit the distinctive profile of golf's best customers, and almost every suggested market outlined previously has at least one, if not more, PGA Tour events each year.

LONG TERM GROWTH OPPORTUNITIES

A continued push for the proliferation of structured junior programs is needed.

Golf's "best customers" do not appear to have been exposed to a structured junior program. However, given their age skew, it is likely that junior programs were not readily available when they were growing up. Thus, younger adult golfers were examined to determine if structured junior programs are having an impact on commitment.

The answer is a resounding yes and the continued proliferation of junior golf programs should be a focal point of the industry's strategy going forward.

As the table below illustrates, 18-34 year old golfers exposed to a junior program are playing 58% more rounds of golf each year and spending 71% more than 18-34 year old golfers who were not exposed to a junior program.

18 – 34 year olds who started playing golf as a junior	Not Exposed to a Structured Program	Exposed to a Structured Program	
Average Rounds Played	12	19	(58% Increase)
Average Household Spending/Year*	$608	$1041	(71% Increase)

Link Up 2 Golf appears to be a worthwhile opportunity to grow the game.

About half of all adults who have not played but express an interest in playing respond positively to the Link Up 2 Golf proposition.

- Over half (53%) are very/somewhat likely to participate in Link Up 2 Golf
- One in five (21%) are very likely to participate

In addition, cost expectations for Link Up 2 Golf among adult non-players with interest in playing are in line with current price points.

- The average cost expectation is $244

Cost appears to drive play at alternative facilities more than any other factor.

The majority (61%) of alternative facility users play most of their golf at alternative facilities because the cost is less than that of a regulation course.

In addition, alternative facility users have less money than traditional course players, as their collective income skews lower.

The average weekend green fee at alternative facilities is reported to be less than $20, a finding consistent across all groups of golfers who have played at an alternative facility.

While the majority of alternative facility users are men, a higher percentage of alternative facility users are women compared to regulation facilities.

The 9-hole par three course appears to be the most popular alternative facility. Nearly twice as many alternative facility users play 9-hole par three courses most often compared to executive short courses with some par 4's and 18-hole par three courses.

POSITIONING OPPORTUNITIES

Affordability is critical to growing the game.

Affordability/value is by far the single most important factor among best customers, and across the entire industry. Despite the fact that golf's best customers skew high income, a majority (58%) believe affordability is one of the three most important factors that influences play.

Affordability is even more critical for less committed players, as 68% report it is one of the three most important factors. In fact, not other factor is identified by more than 30% of less committed players.

Affordable golf is valued at $25-$55 for a typical 18-hole round of golf.

Golf's best customers believe an 18-hole round of golf is a good value at about $35. They believe a round is beginning to get expensive at about $55 and is too expensive at $117.

Not surprisingly, these thresholds are lower among remaining players, former players, and non-players with interest. A good value is closer to $25, a round is getting expensive at $45, and a round is too expensive at about $85.

Ball striking ability is the single most important key to enjoyment of the game.

Promotions designed to teach and improve should focus on ball striking, as this is clearly the most influential factor impacting enjoyment in the game today. In fact, ball striking is 3-5 times more influential than score, course conditions, competition, and exercise, a finding true for best customers, remaining players, former players, and non-players with interest.

Playing partners are also an important key to enjoyment of the game.

All golfers believe a good partner or set of partners has a positive impact on their enjoyment level. This factor is twice as influential as score, course conditions, competition, and exercise and it is a good way to get people to start playing. The vast majority of best customers report they started playing with good friends. This may be why the "buy one get one free" promotional idea is the most popular of those evaluated.

Based on this finding, facilities recruiting new players to the game may want to administer a short survey about individual interests and then tout the fact that people will be paired with others who have similar interests.

BARRIERS

Time is by far the single most prominent barrier facing the industry today.

Time is an issue of all key groups of golfers and people with interest in playing. The vast majority of former golfers stopped playing because of time constraints and family obligations. In addition, most occasional golfers state they would play more if they had more time, and most non-players with interest in playing report lack of time as the one reason why they are not current players.

Given the presence of family obligations, there is opportunity to continue to promote golf as a family activity. Nearly one in four former golfers and non-golfers with interest are likely to play if their children wanted to play. In addition to promoting golf as a family activity, the industry needs to compete against other leisure activities for time. Despite the presence of the time barrier outlined above, all groups of golfers, former golfers, and non-golfers with interest spend many hours each week watching TV, reading, or participating in other recreational activities besides golf.

The issue of playing partners is also a barrier facing the industry.

Nearly half of all non-players with interest in playing would do so if they had someone to play with regularly. Thus, there is clearly an opportunity for the industry to promote golf as a way to meet people who are alike in their interest but lack of experience. It is also an opportunity for facilities to create promotions that encourage current players to introduce a beginner to the game.

Golf's best customers view themselves as athletes.

An athletic descriptor (athletic, exercise regularly, outdoor sports, etc.) is the most distinguishing characteristic of golf's best customers. While this is clearly not a current barrier for best customers as a whole, it may signal an impending barrier to future growth for the industry. This finding, coupled with the fact that the adult society in the U.S. as a whole is becoming less and less athletic signals the need for the industry to promote the ability to play and enjoy the game even if you are not athletic. This becomes an even more critical issue as the top players in the game continue to improve their physiques and reduce their body fat.

Cost concerns are minimal compared to time and the issue of playing partners.

Cost concerns are minimal with regards to enjoyment of the game, compared to time and the issue of playing partners.

Minority golfers closely mirror the overall golfer population.

Minority golfers account for about 1 million of all golf participants and closely mirror the rest of the golf population in many respects. While fewer minorities express an interest in golf, minority golfers play as frequently, consume as much golf media, and have household income levels similar to all golfers. In addition, 45% of minority golfers are best customers of the game, a finding similar to the entire golfer population (40%).

Minorities interested in playing express many of the same barriers that all golfers do: time, lack of playing ability, and proximity to affordable golf. Twice as many minorities would prefer to watch golf instead of playing it, however, they are also twice as likely to say that "better access to courses" would increase their likelihood to play.

One group clearly underrepresented in the golfer population is the Hispanic golfer. Very few golfers are of Hispanic dissent and few were represented in this research given their low interest. Further research may be warranted to fully understand this important group of people in the United States.

Women are an important part of the Best Customer base in the industry.

Over 2 million best customers are women and they represent a powerful economic force in the golf market. Most of these 2 million best customers are married, and their spouses are best customers as well. While these women tend to play fewer rounds and consumer less golf media than their male counterparts, however, they spend the same or more than men on a per round basis.

Women also represent an important part of short-term growth for the golf industry. 1/3 of latent demand in the U.S. is from women. Many women, as do men, struggle with striking the golf ball, but are more likely than men to take lessons to overcome this.

This willingness to learn, coupled with the favorable demographics distinguishable among best customers, represents a clear opportunity for the industry to target women as part of any short-term growth strategies.

Many of the barriers and interest among male and female prospects are similar, but women have a few characteristics that set them apart from men. The most striking is that 55% of female prospects regularly walk for exercise, compared to only 25% of male prospects. Promoting walking on the golf course could help encourage women to take up the game.

SUMMARY

In summary, there are many things we learned about golfers from the 2001 consumer research initiative. Among the most telling findings are the following:

- **The 20/80 Rule does not apply to golf.** 40% of all golfers comprise 80+% of all spending and rounds played. Since this group is clearly distinguishable, prospects that fit this demographic profile should be short-term targets of the industry.
- **There is both room and opportunity to grow our "Best Customer" base.** There are over 9 million adults in the United States who are not currently playing, yet they express an interest in doing so and they fit the best customer profile.
- **We can find the adults in the U. S. who fit the Best Customer Profile.** We have identified key markets that should be initial targets of short-term growth strategies.
- **Affordability is a key to future growth.** The vast majority of golf needs to be valued in the $25-$55 range to take advantage of the prominent interest for the game that exists today.
- **The development of ball striking ability and the creation of favorable playing partnerships are keys to cultivating future best customers.** Programs designed to attract new golfers should focus on these two aspects of the game.
- **The proliferation of junior programs should continue since these programs really do pay off in the long run.** Golfers exposed to golf through a junior program are far more committed to the game, spending and playing more than their counterparts who were not exposed through a junior program.
- **Link Up 2 Golf is well received and price expectations are consistent with current costs.** Thus, this initiative should continue to be positioned in the industry as a tool to teach the game. And, it can be effective in both the short-term and long-term growth of the game.