

Playing the Lie

Golf Is Booming— Except That It Isn't, Unless You Count TV

Tigermania Wins Spectators, But Player Numbers Stay Flat in a Roaring Decade

Club Stocks in the Rough

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ORLANDO, Fla. - The Masters last weekend was more than the year's first major golf tournament: It was the opening bell of a new season, time up North for golfers to dust off their clubs, tune up at practice ranges, drool over new drivers at pro shops, and marvel at the many signs of their game's prosperity across the land.

New golf courses are sprouting like dandelions. Golf has never been more popular on television. The nation's economic boom was made for a game so associated with luxury. And Tiger Woods, the 24-year-old Thai-African-American playing sensation, has come along to make golf cool for a new, diverse generation. Hundreds of millions of investor dollars are counting on it.

There's just one problem: Golf isn't booming. Golf boomed in the 1980s, when baby boomers came of age and flocked to the fairways. Since then, the industry has managed to ride the biggest, longest wave of economic prosperity in American history to almost nowhere. And so far, Tigermania has created far more spectators than golfers.

"Golf's tremendous exposure has created the impression of a boom," says Joseph F. Beditz, president of the National Golf Foundation, an industry-funded research group. Even golf insiders come to his talks believing it. "Then I give them the statistics," he says.

The Unboom

Those statistics show that the game's key indicators - the number of golfers and the amount they play - have stagnated for a decade. The latest figures, says Mr. Beditz, reveal another net year in 1999. About 26 million American golfers played around 530 million rounds of golf last year - not much more than in 1988. To be sure, visits to practice ranges have increased, and about three million people take

up the game annually. But each year, nearly three million golfers also drop out. Why? Golf is too expensive, too time consuming, too intimidating and too difficult, say dropouts. So what, say traditionalists. What do you expect from a game invented by dour Scots? But golf has become much more than a humbling game for country-club elites. It's a \$30 billion-a-year industry in America alone—but one smugly resistant to the growth many think it needs to thrive in the new century.

"If we can't capitalize on this moment in history, we might as well forget about it," says Ruffin Beckwith, senior vice president of the World Golf Foundation and organizer of an industry summit this November to do just that. Yet, people don't react until they bleed."

The bloodletting began three years ago for club makers. Massive marketing campaigns persuaded golfers to buy up every new "revolutionary" high-tech club that came along. It worked for a while, even though clubs that sold for \$500 cost less than \$60 to produce. Then golfers rebelled, the weather turned bad, and a recession hit Asia (home to 15 million golfers). Retail equipment sales dropped \$400 million to \$6.5 billion in 1998, according to Golf Data-tech, a private research firm. And club makers are still digging out from under a heap of bankruptcies, fire sales, layoffs and share-price nose dives.

Take Callaway Golf Co., which introduced the Big Bertha oversize driver in 1991, went public a year later, and quickly became the biggest, most-profitable club maker in the world. Competitors rapped its mantra saying "bigger isn't better" and "oversized is overrated." Two years ago, sales nose-dived, bringing Callaway to its knees; its share price plummeted from a peak of \$38.50 in June 1997 to \$9.31 by August 1999. It's now around \$16. It restructured, eliminating 700 full-time and 300 part-time jobs, and branched-along with other club makers-into a more stable commodity: golf balls. They cost 40 cents to make and can sell for \$4 or more.

Meanwhile, golf-course construction continues to boom. Investments in golf courses soared to \$2 billion in 1997 from only \$250 million in 1987. A record 509 new or expanded courses opened last year, upping the national total to 16,747. And 936 more are under construction. But industry insiders warn of a shake-out. Courses are opening faster than new golfers are coming along to fill them. Despite mob scenes on weekends at many courses, the average number of golfers per course has been declining nationally since 1990.

Of Airwaves and Fairways

The big problem is that two-thirds of the new courses are of a type that is hugely costly to build and maintain—some cost \$10 million or more and require green fees of \$60 to \$100 or more to make them viable. Courses that look like the ones on TV do help sell the housing developments around them. But the big green fees attract only avid golfers, not beginners. The average municipal course fee is \$30, and commercial public courses average \$36. (To attract new golfers, some courses deeply discount fees during off-peak times, charging as little as \$5 to play five holes after 5 p.m.)

When Eldrick "Tiger" Woods turned pro in 1996 and then won the 1997 Masters with a record 12 shots, the consensus was: Golf is about to be transformed. As a Fortune magazine headline put it: "Tiger! Now the Sky's the Limit for Golf—The Game and the Business."

Entrepreneurs plunged into golf with new lines of clubs, clothes, balls and gadgetry. Magazines for golf's new hip-hop multitudes flowered overnight. Companies paid Mr. Woods tens of millions of dollars to sell their products. But Nike's first line of Tiger clothes and shoes bombed: They were too flashy for traditional golfers and too expensive for the hip-hop youngsters who liked them. Nike quickly about-faced, producing a new line of Tiger gear aimed squarely—who would have guessed—at avid golfers.

Tigermania, the creation of an international superstar mobbed on golf courses, avidly watched on television, and worth tens of millions of dollars in endorsement deals, happened big time—at least on television. TV networks bet big bucks that Mr. Woods could sell commercial time, and they were right. Golf's TV audience grew. The Golf Channel, the only 24-hour cable channel devoted to one sport, became profitable. And because of Mr. Woods, golf has been outdrawing professional basketball audiences in head-to-head competition on network television. One problem: This audience is basically interested *only* in Mr. Woods and a handful of up-and-comers such as 20-year-old Spaniard Sergio Garcia. They see the rest of the PGA tour as a robotic bunch of white what's-their-names.

The other Tigermania—the infusion of fresh, young, diverse hordes of new golfers into the game—has yet to happen. Somewhere between watching their hero on TV and becoming golfers, many of them stumble into a thicket of intimidation, cost and access. **The Minority Golf Association of America, founded in 1991, conducts golf clinics for more than 125,000 so-called at-risk kids in inner cities in 25 states. "After we teach them to play, the big problem is, where do they play?" says David Press, 184**

In a Roaring Decade, Some Stagnant Numbers for Golf

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its marketing director. Efforts to find and develop such places, even those pushed by the Tiger Woods Foundation, have been slow getting started.

Announced with great fanfare three years ago by former President George Bush, the First Tee, an industry initiative to create golf facilities for poor and minority kids, vowed to build 100 new affordable courses near inner cities by the year 2000. So far, it has 13 facilities in operation, most of them existing courses spruced up, and 45 more under construction.

Slow starts are nothing new. Although the Professional Golfers Association dropped its "Caucasian only" membership rule in 1961, it took until 1975 for black golfer Lee Elder to break the color barrier at the Masters. Not until 1990 did the game's governing bodies resolve not to hold tournaments at clubs that excluded minorities (Augusta National got its first black member that year, and lots of other clubs desegregated.) Still, more blacks (19) played in the National Hockey League last year than in the top four professional golf circuits—the PGA Tour (1), the Senior Tour (7), the LPGA Tour (1) and the Nike Tour (1)—combined.

As for other up-and-coming African American players?

"I really don't see any on the horizon," says Mr. Elder. "I've been to quite a few colleges around the country, and I don't see any."

Long-Term Improvement?

To be sure, Mr. Woods's goal of making golf "more like America" is long term, says Tim Finchem, PGA Tour commissioner. And golf has already come a long way beyond the country-club elites historically associated with the game—although they're still around to give golf the luster of luxury so appealing to marketing gurus. The National Golf Federation says only 3.5% of Americans played golf in the 1960s. Today, 11.7% play. Back then, 60% of courses were private. Now, more than 70% are public. The number of women golfers grew 24% in the last decade to 5.7 million. The number of African-American golfers has nearly doubled to 870,000 since 1988. "Interest has never been higher, access has never been greater, and

golf has never been more affordable," says Mr. Pillsbury of American Golf Corp. "But unfortunately, as an industry, we're not effective in breaking down the perceived barriers for people interested in playing."

One reason to do so is that there's plenty of competition for the recreational time and money of young people. (The National Sporting Goods Association ranks golf 10th in participation sports among the total population. It lags walking, swimming, camping, fitness, fishing, bicycling, bowling, billiards and basketball.)

Mr. Baugh, of Wilson, sees a lesson for golf in tennis. Manufacturers watched tennis plummet from 30 million players in the 1970s to 16 million, its low point, by 1994. "When tennis was getting all its visibility, it was declining," he says, "because people got caught up in the commercial part of the industry and forgot about participation."

Nobody expects golf to tank like tennis. Overall, the number of annual rounds played is growing at no more than 1.5% to 2% a year—not exactly an industry on the move, but by no means a disaster, says Mr. Beditz. Moreover, golfers play more as they get older (because they have more time), and there are scads of aging baby boomers coming along.

Significantly, last year, a National Golf Federation study reported "latent demand" in 41 million Americans: 14 million golfers who wanted to play more, 12 million former golfers who want to get back into the game; seven million nongolfers who wanted to play, and eight million young people who wanted to play or play more. Why wasn't this demand catered to? No need. "There exists a pervasive perception of growth and prosperity in golf. This perception has masked the flatness that the industry has experienced in number of players and rounds," the study said.

Widening the pool of players? Nope, the study said, "almost every golf business is chasing that one segment, the high income, avid golfer," while hardly anyone was addressing "real and significant barriers" to women, minorities and kids.

"These barriers make the game so intimidating that people say I don't need to go out and feel ignorant—why should I bother," says Mr. Pillsbury of American Golf Corp. Too much is taken for granted, he says. Example: A woman new to golf signs up to play and is handed the keys to an electric golf cart. She's scared, having received no instruction on how to drive it. Golf-course workers assume people know.

American Golf's antidote for that, says Mr. Pillsbury, is to assume nothing at its courses. "The first thing we do is give new players a tour: Here's the pro shop, here's the pro. Here is the first tee. Make people feel comfortable. Make it fun. We show a video on the history of golf."

American Golf's aggressive recruiting program includes paying its instructors \$10 bonuses each time their pupils play, and opening 100 user-friendly Nike Golf Learning Centers in three years.

"There are still a lot of clubs out there that people don't feel comfortable walking into," says Mr. Baugh, of Wilson. "Open doors for women aren't really there yet. There are too many high fees average customers can't afford. The fun factor is huge with today's Americans, and golf has to be a total fun experience." Kent Mauney is a good example of "latent demand." He's an enthusiastic 33 year-old golfer and high-school golf coach who would love to play more. But he can't afford it. He lives in West Palm Beach, Fla., with his wife and two young children and teaches science. But in the peak winter season, with area greens fees ranging from \$40 to the moon, he plays less than once a month.

As for the high-school golfers he coaches, they've been squeezed out of peak season. Golf used to be a spring sport for high-school teams in Florida, and spring was January to April. But Florida golf courses shooed away charity school rounds to capitalize on peak-season players, including wintering "snowbirds" from the North and vacationers. So last year, high schools moved the golf season to begin in sweltering August, long before the snowbirds arrive.