

Hamilton Municipal Golf Courses

Market Analysis – Update Based on 2023 Season
Summary for Council



Hamilton

February 2024



Overview

In October 2015, the City of Hamilton (“the City”), which owns and operates three 18-hole golf courses (Chedoke – Beddoe, Chedoke – Martin and King’s Forest, herein referred to as “the Courses” or “the Hamilton Municipal Courses”) engaged Global Golf Advisors (“GGA”) to perform a Market Study which would analyze trends for the golfing industry from a local, regional and national perspective. The Market Study focused on the quality and service standards of competitors in the market area, as well as price points and population demographics, to better understand gaps and opportunity segments. The results of this analysis were leveraged to develop a Revenue Plan for the courses based on the recommended pricing and packaging strategy.

During the first quarters of 2017 and 2018, GGA completed an update on the original analysis based on the results of the 2016 and 2017 seasons respectively, to highlight performance and provide guidance regarding new strategies and tactics the City should consider.

GGA Partners (formerly ‘Global Golf Advisors’) has now been tasked with a similar exercise to review the performance and revenue changes that occurred based upon the previous report recommendations and the 2023 season. This report will also provide new considerations for the 2024 season related to changing market conditions and advise on the appropriate pricing/programming structure for the upcoming 2024 season.

GGA’s analysis and related conclusions contained herein were based on the economic and industry trends prevailing and information available as at the date of report issuance. No responsibility is taken for changes in market conditions subsequent to this date.





Key Observations and Insights

- ❖ **Strong performance from a demand and usage perspective, and still with available capacity for growth** – As of 2023, total rounds played have risen significantly to more than 90.2k, representing a 76% increase in overall rounds demand since 2017. At 36k rounds in 2023, King's Forest is likely approaching capacity for total usage, while there remains available capacity for growth at Chedoke (approximately 26k rounds at each course). Based on the historical average for available playing days in the Hamilton climate and the industry average for tee time intervals and group size, we estimate 38.4k rounds as a realistic capacity for golf courses in the market.
- ❖ **Significant financial improvement driven primarily by usage growth, not rate growth** – Since the last evaluation of fiscal year 2017, internal golf related revenue for the City courses has increased by \$1.63M, an 85% increase. However, the overall net rate per round generated for the City (membership / green fee plus cart fee) has only increased from \$37.22 in 2017 to \$39.25 in 2023. This growth is well below the comparable growth in inflation since that time.
- ❖ **Similar price positioning in the market for the City of Hamilton, with a discounting structure that remains highly attractive** – 18-hole peak rates across the competitive set increased at a 3.5% annual growth rate on average since the previous market update, while the City of Hamilton courses have averaged a 2.4% annual growth rate for peak rates. This is well below the inflationary/CPI growth that has occurred since the last update and lower than the market average growth rate, which suggests the value proposition has strengthened for the City courses.
 - ❖ Cart fees and the discounting structure for off-peak rates are also well aligned to market averages.
- ❖ **Market trend of moving from traditional unrestricted memberships to controlled volume discounts** – Interesting to note that several prominent courses priced at the high end of the competitive set are no longer offering a traditional membership package since the last analysis and have shifted strategy to offer volume rounds discounts or restricted time memberships. In the current industry state of high demand, it appears that facilities are recognizing that an oversubscribed membership program (playing at discounted rates) is leading to money left on the table given the public demand for pay-per-use peak rate golf. Flex programs or volume rounds packs also allow facilities to be assured of the minimum net revenue per round they will generate from these customers.
- ❖ **Significant membership growth for City courses, particularly at King's Forest** – Since 2017, annual pass memberships have increased significantly from 182 to 476 total memberships sold in 2023, after reaching a peak of 555 members during the pandemic period of 2021. The number of King's Forest and City Wide members has increased from 104 to 312. Understanding that revenue per round for members is typically less than public paid rounds, the success of the membership program likely also means that the City may be over-incentivizing membership revenue and rounds rather than the higher 'net rate' paid green fee rounds.
 - ❖ The net rate per round (cart excluded) for paid rounds in 2023 was \$33.04, compared to \$29.18 for member rounds.





Key Observations and Insights

- ❖ **Membership program favorably attracting a wider range of golf users** – In 2023, the average rounds played per member was 51, down from 60 rounds in 2017. A significant contributor to the decrease came from King's Forest membership, where membership count increased 150%, while the average round played per member declined ~22%. This insight infers that the value proposition of the membership price point has strengthened, with the assumption that the current membership offering is appealing to more than just the 'heavy users'.
- ❖ **Demographic outlook remains favorable for sustained demand** – Population and income levels for the drive able market radials surrounding the City courses have slightly outperformed the national trend over the past five years, and the projections for the next five years remains attractive. Overall, the macro-demographic indicators suggest no threats to future customer demand for the City courses, with the extended radial band (20-40 minute drive) slightly more attractive in terms of future opportunity for the City courses to attract new golfer customers.





Key Metrics Performance and Targets

Based on recent utilization performance and current market demand, the following table summarizes the performance trend of key metrics since the last report, as well as targets we believe to be achievable for the City portfolio courses in 2024:

Course	2017	2023	2024 (Target)	Notes
Rounds				
King's Forest	22,261	35,986	36,000	
Beddoe	15,991	27,872	29,000	
Martin	13,093	26,396	29,000	
Total Rounds	51,345	90,254	94,000	
Golf Related Revenue per Round¹				
King's Forest	\$42.19	\$42.52	\$45.00	
Beddoe ²	\$31.59	\$37.98	\$40.00	
Martin ²	\$35.63	\$36.15	\$38.00	
Total Golf Related Revenue per Round	\$37.22	\$39.25	\$41.30	
Paid Revenue per Paid Round (cart revenue excluded)				
King's Forest	\$38.07	\$43.52	\$45.00	
Beddoe	\$27.49	\$29.93	\$32.00	
Martin	\$21.42	\$26.81	\$30.00	
Total Paid Revenue per Paid Round	\$29.67	\$33.04		
Membership Revenue per Member Round (cart revenue excluded)				
King's Forest	\$22.94	\$28.93	\$32.00	
Beddoe/Martin	\$29.55	\$28.88	\$30.00	
Martin	\$27.46	\$29.03	\$30.00	
City Wide	**	\$30.89	\$32.00	
Total Membership Revenue per Member Round	\$25.34	\$29.18		
Cart Utilization %				
King's Forest	52%	40%	42%	
Chedoke	49%	50%	50%	
Total Cart Utilization %	50%	46%	47%	





2024 Recommendations

- ❖ **Peak green fee rates increasing by CPI/inflation at a minimum** – While we understand that a primary goal for the City courses is to provide affordable golf and strong value for citizens, the historical rate growth for the facilities has not kept pace with the corresponding inflationary costs or cost of labour to support the operations of the courses. Based on market price-position and perceived quality, all three courses have elasticity for rate growth.
- ❖ **Addition of a weekend 9-hole rate at King's Forest** - Currently, the 9-hole rate at King's Forest on the weekend (\$37 tax included) is priced at 46% of the peak 18-hole rate of \$80. As a general rule, the 9-hole rate should never be priced at less than half of the prevailing 18-hole rate so that customers are incentivized for greater usage (and a higher fee). The City should consider implementing a separate weekend 9-hole rate priced at 55-60% of the peak weekend rate, similar to the rate structure at the Chedoke courses.
- ❖ **Cart fees are priced appropriately and should continue to be increased moving forward at a similar percentage to peak green fee rates.**
- ❖ **Reduce the spousal discount on City-Wide membership** – The current spousal membership is priced at 68% of a single, which is below the competitive market average (77%) and City individual course memberships (76-80%).
- ❖ **Consider adjusting the 'advantage pack' offering to simply offer a consistent discount off of the peak rate at the time of redemption, rather than a fixed fee upfront with no restriction on when the rounds can be used** – By offering the same rates during the weekday and weekend pass, there is a variably different impact for the City between customers who use the advantage pack primarily during peak periods (weekend mornings) versus weekday or balanced users.
- ❖ **Separate the internal revenue reporting capabilities of the Chedoke courses within the GolfNow platform to ensure accurate reporting of the operational data for each specific course** – Accurate golf metrics are essential for evaluating the true performance of each course and truly understanding the operational composition. For example, separation of the courses within the system would enable the City to analyze the cart usage at each course – a metric currently unavailable by course – and be able to further understand golfer usage trends.
- ❖ **Consider a tee sheet utilization analysis at King's Forest** – It was noted that King's Forest is likely approaching capacity for rounds played after it reached a high of 36k rounds in 2023 (compared to 26k at each Chedoke course). It would benefit the City to evaluate rounds played at King's Forest in greater detail, to determine available capacity for increased usage at a more granular level (time of day and day of the week). This will help to inform future decisions on price point and potentially restricting discounted play (memberships and advantage packs) during periods of peak usage.



Golf Industry Trends



- ❖ Other areas of technology that are growing in adoption include technology infused practice facilities, automated mowers, EV charging stations and F&B ordering and payment processing.





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