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Price Perceptions in the Selection of Golf Courses: A Case Study of Municipal Golf Courses in the City of Albuquerque

by

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Abstract

The golf industry in the United States has grown tremendously over the last fifteen years, due primarily to the surging economy during the 1990s and the rise of Tiger Woods with his record-setting win at the 1997 Masters. The National Golf Foundation's (NGF) latest report, however, showed that, the number of rounds played, a key barometer of golf industry growth, has been declining since 2008 and the number of core golfers has also declined (Rudy, 2008). Municipal golf courses, "Munis," are coping with a myriad of challenges such as declining number of rounds played, budget cuts, escalating benefits expenses for city employees, the increased cost of turf management, and so on.

For example, the city of Albuquerque has increased their green fees to cover costs of maintaining their three municipal courses; however, no data exists to analyze the impact of this decision. Therefore, the purpose of this study is to analyze factors affecting consumers' preferences in selecting golf courses, their perceptions about the prices of products being sold at the golf courses, and to analyze the differences in price perceptions among different groups of golfers such as avid golfers, core golfers, and casual golfers. A questionnaire was developed based on literature available in the golf industry and reviewed by an expert panel. The findings show that there were no significant differences among golfers using municipal golf courses about price perceptions being sold at the pro shop including green fees, cart rentals, golf equipment, etc. Golfers perceived green fees as "reasonable" but the results of this research suggest that golf course authorities should keep green fees competitive, and find other innovative ways to manage their course assets to increase participation in the future.

Introduction

Golf is one of the major individual sports in US, along with tennis. The surging economy during the 1990s and the rise of Tiger Woods with his record setting win at the 1997 Masters contributed to tremendous growth in the golf industry. During this period, many cities joined the rush to build golf courses to meet the demands of a "golf boom" (Lilduff, 2007). According to NGF, however, the number of rounds played has been basically flat since 2005 and was down 3.5% for the first quarter of 2008. The number of core golfers also declined (Rudy, 2008) due in part to soaring fuel costs and a sluggish economy.

According to the National Golf Foundation, there are nearly 2,500 Munis in the U.S. and an estimated 30 percent or more of all US Munis are losing money from their operations (Yasuda, 2008) and are confronting unprecedented challenges such as flat participation or declining number of rounds played, budget cuts, escalating benefits expenses for city employees, and increased turf

management. To make it worse, peak green fees have gone up at the same rate as inflation, but off-peak rates – which account for a majority of the rounds played—increased 33% more than the Consumer Price Index (CPI) (Rudy, 2008). In other words, green fees have risen even in the face of flat or reduced demand, and Munis are no exception to these pressures.

The city of Albuquerque, the largest city in New Mexico, runs three 27-hole courses, one 9-hole course and one golf training center with a lighted driving range and a 6-hole executive course. The city is in charge of course management, but leases the pro shop and club house to independent contractors. The green fees vary, but the regular green fees for 18-holes have increased tremendously. The city currently charges \$22.00 (including tax) for weekdays, and \$28.50 for weekends, including holidays, to the walkers. With a golf cart, the total price of green fees are \$36 for weekdays and \$42.50 for weekends, which are almost the same prices that other daily-fee public courses offer that include amenities such

as free range balls, tees, water, and so on. These pricing structures may be a major barrier to the long term success of the Albuquerque municipal golf courses.

For example, both the number of core golfers and the number of rounds played have been declining recently. The majority of golfers (almost 97 %) using municipal golf courses at the city of Albuquerque are locals, and the number of rounds played decreased from more than 400,000 in 2000 to 289,642 in 2008, a decrease of more than 27%. The price of green fees at the municipal golf course in Albuquerque was \$17.00 for weekdays and \$18.25 for weekends in 2000; but has risen more than 29% and 54%, respectively, to \$22.00 and \$28.50 each, despite a significant decrease in the rounds played at all municipal golf courses. Table 1, below, depicts the decline in the number of rounds played between 1998 and 2008.

Literature Review

The green fees at municipal golf courses may be one of the most important factors affecting golfers' selection of municipal golf courses. Petrick (2001) showed the cost of the green fees and cart rental as one of the major barriers for golfers, constraining their golfing activity. However, the city sets the price of green fees slightly lower than the least expensive green fees available at other competing public courses in the community, and

justifies the fees to cover the operating costs. The pricing decision emanates from cost information primarily, and suffers from lack of information about the pricing perceptions of golfers who use Munis. There exists little research targeted towards golfers who use Munis regarding their perceptions of prices for golf-related expenses. This lack of available information can result in a significant discrepancy between the perceptions of golf course managers and their target markets: participants of municipal golf courses. Specific research examining golfer's preferences in the selection of courses is sparse.

Price, one of the 5 Ps in sport marketing (Mullin, Hardy, and Sutton, 2007), is a critical element in choosing sports participation because it is the most visible component. Price changes are easily communicated, resulting in possible changes in consumer perceptions. And it is never far from consumer's mind (Mullin et al, 2007).

Early pricing theory proposed that consumer preferences were grounded primarily in economics, and that consumers prefer one product to another based on their consumption needs and wants, and the prices of competing products in a category (Plott, 1996). Other researchers think that consumers construct a set of preferences for consumption based on their experiences with the consumption situation (Slovic, Griffin, & Tversky, 1990). Hoffer and Arielly (2001) agreed, and proposed that over time, as consumers continue to

Table 1: Rounds played at City of Albuquerque Golf Courses Fiscal years 1998-2008

Year	Arroyo Del Oso	Los Altos	LaDera	Puerto Del Sol	Total
1998	140,972	99,898	86,850	63,450	391,170
1999	137,383	99,812	91,894	61,340	390,429
2000	141,839	105,273	91,849	62,821	401,782
2001	127,274	96,054	78,286	57,068	358,682
2002	124,713	96,532	78,636	58,905	358,786
2003	116,255	90,569	69,267	55,138	331,229
2004	114,896	82,526	64,964	51,278	313,664
2005	116,180	76,401	69,198	49,468	311,247
2006	123,766	86,424	65,766	52,481	328,437
2007	109,131	79,877	45,490	49,106	283,604
2008	107,146	75,363	59,771	47,362	289,642

(Sources: Annual Information Statement, City of Albuquerque (2003, 2005, 2008, and 2009))

experience consumption of particular products, stable preferences can emerge. This ‘experience’ hypothesis seems to be a logical way to examine the nature of consumer decisions to use municipal golf courses for their recreational golf play. For example, changes in green fees and prices of associated products at municipal courses may alter the experience for the consumer and change their preferences for the course over time. The current research attempts to analyze the impact of price changes on the preferences of typical consumers in Munis, and their subsequent decision of which course to use.

Methodology

Two hundred eighty-two golfers took part in the survey at three different municipal golf courses at City of Albuquerque golf courses of Arroyo Del Oso, Los Altos, and Ladera for three weeks. The permission from the Golf Division Director was acquired in advance and the golfers were asked to participate voluntarily in this study. They were given a brief explanation of the purpose of this study. Small incentives (promotional gifts from New Mexico Highlands University such as electric scales, mouse pads, ball point pens, and so on) were given to the participants.

The questionnaire was developed based on the literature review by an expert panel including college professors in the field of sport administration/marketing, golf course management/golf professionals, and marketing. The categories of golfers are based on those developed by the National Golf Foundation consisting of four groups: avid golfers, core golfers, and casual golfers (junior golfers were excluded from this study due to lack of participation). The pilot study was performed with several golfers and the questionnaire was revised thereafter in order to examine the characteristics of these golfers, their perceptions of the price of the products being sold at the pro shop, and their preferences.

The contents of the questionnaire include questions regarding price perceptions, golf participation levels, factors affecting one's decision to play at the municipal golf courses, and characteristics of golfers using municipal golf courses. The research was approved by New Mexico Highlands University's Institutional Review Board.

The total number of rounds played per year categorized by National Golf Foundation (NGF) was used as a variable for this study and these categories were based on the number of rounds played per year:

1. Casual golfer: golfers who play less than eight (8) rounds per year
2. Core golfers: golfers who play eight to twenty four (24) rounds per year
3. Avid players: golfers who play more than twenty four (24) rounds per year

Price perceptions of items sold at the pro shops were assessed using 5 point Likert scales anchored by 1 “very cheap” and 5 “very expensive.” Data collected were analyzed by SPSS version 14. Descriptive statistics and ANOVA were used for this study.

Findings

1. *What are the characteristics of golfers using municipal golf courses?*

Tables 2-8 show the characteristics of golfers using municipal golf courses. Eighty-five (85) percent (241) of the participants were male and 10 percent (29) were female. The largest age group was age 56 to 65, which was 23 percent (65); the age group 36 to 45 was 18 percent (52), which was the second largest. With respect to education level, BA degree holders were 29 percent (81) and post-BA were 22 percent (62). Twenty-five (25) percent (69) of the respondents answered that they have high school diploma. More than half of the respondents are married (62%). Fewer than half of the respondents (46%) are full time employees and 26 percent (73) are retired. Income levels varied considerably, but the highest percentage of respondents (22%) reported making \$40,000 to less than \$60,000; 20 percent (54) reported making less than \$40,000, and the rest of the respondents (166 – more than 60%) who answered this question reported making more than \$60,000 per year. For the casual and core golfers, “lack of time” was the most important factor constraining their participation in golf.

2. *Perceptions of the price of the products being sold at the pro shop*

There were no significant differences among groups of golfers (Casual, Core, and Avid golfers) for the perceptions of the price of the products being sold at the pro shop (see Table 12). Golfers think the green fees for weekdays are priced reasonably (Mean = 2.94), even though the green fees for weekdays (Mean = 3.30) were slightly higher than the average weekday green fees. Cart rental fees was perceived as the highest (Mean = 3.43). Table 9 shows the descriptive statistics of three types of golfers and Table 10 shows the result from the ANOVA,

Table 2: Gender

Gender	Frequency	Percentage
Male	241	85.46
Female	29	10.28
Missing	12	4.26
	282	100.00

Table 3: Ethnicity

Gender	Frequency	Percentage
Asian	37	13.12
Native American	2	.71
African American	8	2.84
White	149	52.84
Hispanic	69	24.47
Other	9	3.19
Missing	8	2.84
	282	100

Table 4: Age

	Frequency	Percentage
Under 18	16	5.67
18 to 25	12	4.26
26 to 35	42	14.89
36 to 45	52	18.84
46 to 55	45	15.96
56 to 65	65	23.05
66 to 75	32	11.35
Over 75	6	2.13
Missing	12	4.26
	282	100

Table 5: Education

	Frequency	Percentage
Less than high school	19	6.74
High school diploma	69	24.47
Associate degree	40	14.18
Bachelor's degree	81	28.72
Master's degree	52	18.44
Doctoral Degree	10	3.55
Missing	11	3.90
	282	100

Table 6: Employment Status

	Frequency	Percentage
Full time student	26	9.22
Part time student/homemaker	1	.35
Part time student/employee	12	4.26
Part time employee	16	5.67
Full time employee	129	45.74
Retired	73	25.89
Full time homemaker	5	1.77
Unemployed	10	3.55
Missing	10	3.55
	282	100

Table 8: Marital Status

	Frequency	Percentage
Single	70	24.82
Married	175	62.06
Divorced/separated	18	6.38
Widowed	6	2.13
Missing	13	4.61
	282	100

Table 7: Income

	Frequency	Percentage
Less than \$20,000	24	8.51
\$20,000 to less than \$40,000	30	10.64
\$40,000 to less than \$60,000	62	21.99
\$60,000 to less than \$80,000	45	15.96
\$80,000 to less than \$100,000	44	15.60
\$100,000 to less than \$120,000	21	7.45
More than \$120,000	25	8.87
Missing	31	10.99
	282	100

which analyzed the difference among these golfers; no significant differences were revealed. The mean scores of price perceived by all three types of golfers are shown at Table 10. As you can see on Table 12, the price of golf equipment including iron sets, woods, putters, golf balls (new) and golf shoes were assessed as more than average of 3.70, which is close to the scale of “4 = expensive.”

Results of the ANOVA were insignificant. However, price perceptions for Weekend Green Fees differed significantly between Core and Avid Golfers at ($p=.002$). Significantly different means are in bold.

3. Where do golfers buy golf related products?

Golfers purchase golf equipment at golf specialty stores most frequently. They purchase at golf course pro shops and golf equipment company websites least frequently (See Table 12). However, the commitment level of golfers affect where they choose to purchase equipment. Casual golfers purchase golf equipment at local sport retail stores (55.6 %), while only 1.7 percent of casual golfers purchase golf equipment at a golf company's website. Core golfers purchase at local sport retail stores about as frequently as casual golfers, but avid golfers are more likely to purchase golf equipment at local golf specialty stores. Local golf specialty stores are the most popular stores for golfers. The pro shop at the golf course was the second least popular golf store.

Discussion

The findings from this study indicate that golfers consider the price of green fees for weekdays and weekends including holidays to be reasonable. This result is in line with the study by Petrick, Backman, Bixler, and Norman (2001), which also studied golfers using municipal golf courses. Petric et al. (2001) reported that golfers who are most loyal to the local course are likely to be content with the price. However, increasing competition with other upscale daily-fee golf courses is likely to affect the number of rounds played in municipal golf courses severely. One of the good examples is the Twin Warrior golf course near Albuquerque, which hosted the 42nd PGA National Championship in 2009. This club is now aggressively attacking the local market (Albuquerque residents) with discounted promotional green fees of \$39 (after 12:30 any day) which includes a cart, unlimited range balls, and free bottled water. How can municipal golf courses compete with golf courses such as this, which offer a better deal? Increasing green fees is contrary to the primary objective of municipal golf courses, which is to increase participation by providing affordable green fees. Therefore, to make their services more attractive and increase golf participation, municipal golf course managers should maintain low green fees and keep an eye on the changing market environment and golf participation at other competitive courses around the city.

Table 9: Three types of golfers by the number of rounds played

	Frequency	Percentage
Casual Golfer (less than 8 rounds per year)	29	10.28
Core Golfer (8 to 24 rounds per year)	66	23.40
Avid Golfer (25 rounds or more per year)	179	63.48
Missing	8	2.84
	282	100

Table 10: Mean scores of price perception of the products (green fees, cart rental, and range balls) being sold at pro shop by commitment level

	Green Fees (Weekdays)	Green Fees (Weekends)	Cart Rental Fees	Range balls
Casual Golfers	2.82	3.19	3.38	2.96
Core Golfers	3.00	3.40	3.48	3.03
Avid Golfers	2.93	3.30	3.43	3.23
Average mean	2.94	3.30	3.43	3.16

Table 11: Mean scores of price perceptions of the products (except green fees, cart rental, and range balls) being sold at pro shop by commitment level

	Iron sets	Woods	Putters	Push Cart	Ball (new)	Ball (used)	Tees	Ball marks	Apparel	Shoes
Casual Golfers	3.64	3.58	3.58	3.36	3.60	3.08	2.68	2.79	3.37	3.63
Core Golfers	3.67	3.79	3.71	3.48	3.64	2.93	2.76	2.77	3.51	3.86
Avid Golfers	3.80	3.82	3.80	3.43	3.75	3.01	2.94	2.96	3.38	3.78
Total	3.75	3.78	3.75	3.43	3.71	3.00	2.87	2.90	3.41	3.78

Table 12: Percentage of purchase store for golf clubs by commitment level

	Pro shop at golf course	Local sport retail stores	Local golf specialty stores	Golf equipment company website	Internet discount store	Total
Casual Golfers	3.7	55.60	22.22	3.70	14.80	100.0
Core Golfers	8.50	40.7	27.10	1.70	22.00	100.0
Avid Golfers	12.30	17.80	35.00	11.70	23.30	100.0
Average Mean	10.40	27.30	31.70	8.40	22.10	100.0

The price of perceptions of golf related products being sold at the pro shop can affect the sale of those products at the pro shops of the municipal golf courses. According to NSGA Sport goods Market Report (2007), a significant number of golfers are buying their clubs from internet retailers. Among those who bought clubs during the past year, more than 20% went online to make their purchase, making the internet more popular for purchasing than any individual retailers in the U.S. It means that pro shop operators need to cope with these current trends, finding alternative ways of selling golf equipment. For example, the pro shop is the best place to provide potential customers an opportunity to try out new clubs.

Despite the significant drop in the number of rounds played, the city authorities are planning to increase the green fees every year, to cover total costs. This may not be the best way to cope with continued cost pressure. There may be some good news for the future of golf, since it was added to the current list of core sports for the 2016 Olympic Games. However, this cannot be depended upon to be the single factor that can boost golf participation back to its previous peak.

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