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NATIONAL
DIVERSITY
SOLUTIONS

ECONOMIC INCLUSION IN THE GOLF INDUSTRY

The Business Case | Dennis Skidmore

\$76 BILLION INDUSTRY

According to a comprehensive study released on January 17, 2008 by SRI International, commissioned by the World Golf Foundation's GOLF 20/20 initiative, golf in the United States generated \$76 billion in direct economic impact in 2005. This is up from \$62 billion identified by a similar study conducted by SRI in 2000.

2005 Golf Industry



The five-year growth of approximately \$14 billion represents an average annual growth rate of 4.1 percent. The increase primarily reflects growth in golf facility revenues, real estate and golf-related tourism.

	FY2000	FY2005
Golf Facility Operations	\$20.50	\$28.05
Golf Course Capital Investment	\$7.80	\$3.58
Golfer Supplies	\$5.90	\$6.15
Tournaments, Golf Associations, and Endorsements	\$4.50	\$1.68
Charities	\$0	\$3.50
Hospitality/Tourism	\$13.40	\$18.00
Real Estate	\$9.90	\$14.97
Total (\$ in billions)	\$ 62.00	\$ 75.93

(Note: Charities were included in Tournaments, Golf Associations, and Endorsements in 2000 report)

The report also confirmed that, as first determined in the 2002 study, golf remains a very significant segment of the U.S. economy. At \$76 billion in 2005 direct revenues, the U.S. golf economy is larger than the motion picture and video industries. At \$28 billion, revenues from golf facility operations exceed facility revenues from all professional and semi-professional spectator sports combined.

In addition to golf's direct revenues, the 2005 Golf Economy Report presents the direct, indirect, induced and total economic impact of golf on the U.S. economy (Table 1). The report indicates that golf generated a total economic impact of \$195 billion in 2005, creating approximately 2 million jobs with wage income of \$61 billion.

	Output	Jobs	Wages
Golf Facility Operations	\$81.23	913,161	\$25.93
Golf Course Capital Investment	\$4.87	38,749	\$1.50
Golfer Supplies	\$7.13	71,149	\$2.16
Tournaments, Golf Associations, and Endorsements	\$5.40	57,656	\$1.87
Charities	0	0	0
Hospitality/Tourism	\$56.55	668,120	\$17.44
Real Estate	\$39.93	317,570	\$12.28
Total (\$ in billions)	\$ 195.11	2,066,405	\$ 61.18

TABLE 1

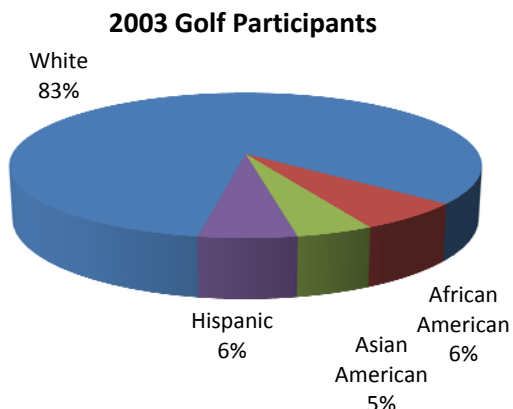
While the \$195 billion industry output is staggering in comparison to many other industries, it also serves as a wake-up call to businesses of all sizes to find ways to get involved in the business of golf.

PARTICIPATION

GOLF 20/20 and The First Tee commissioned the National Golf Foundation to conduct a study of Minority Golf Participation in the US in 2003 to establish baselines to measure future growth and the impact of various diversity inclusion programs provided by the golf industry.

The study provided excellent insight into the growth opportunities that existed in the golf industry. The number of golf participants in 2003 were 36.7

million and 83% of them were white. Minorities accounted for the remaining 17% as shown below:



A participant is an individual who is over 5 years old and played one or more rounds of golf or visited a golf practice facility in the past year. The study estimated the participation rate of white golfers at 14.5% of their population or 34.9 million golfers according to 2007 census estimates.

The only minority group to participate at a level close to the Caucasian rate is the Asian-American group at 13.7%. Hispanic¹ and African Americans participate at much lower levels, 5.7% and 7.0% respectively. As shown in Table 2, interest in the game among the three minority groups is high.

TABLE 2

(in Millions)	African-American	Asian-American	Hispanic-American
Current Population	38.8	13.9	45.1
% of Population	11.4%	4.1%	13.1%
Golf Participants	2.7	1.9	2.4
% of Participants	7.0%	13.7%	5.4%
Total Interested	7.8	3.3	6.8
% of Population Interested	20%	24%	15%

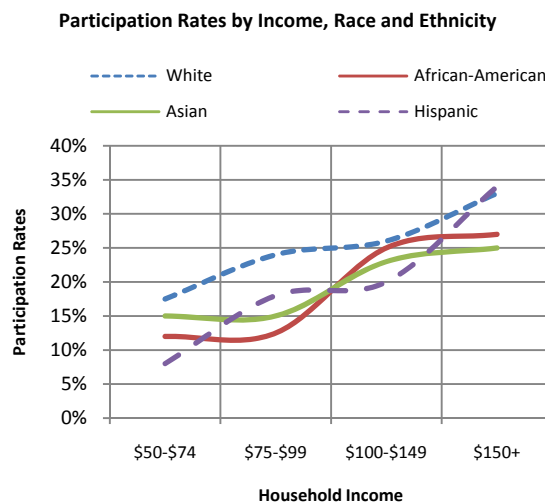
¹ The term "Hispanic" refers to persons who trace their origin or descent to Mexico, Puerto Rico, Cuba, Central and South America, and other Spanish cultures, it is considered an ethnic category and not a racial group. Hispanic persons may be of any race.

BARRIERS

Most golf courses have abandoned their policies of prohibiting the play of non-white males. People of color and women are now allowed in the clubhouse and on the course and the Golf Industry is actively seeking to achieve greater diversity in the game and business which will produce a more welcoming and friendly environment.

The National Golf Foundation study highlights the correlation between household income and participation in the game of golf – regardless of ethnicity.

CHART 1



As Chart 1 shows, participation rates with household incomes over \$100,000 are between 20% and 30% for both minorities and whites. However, at incomes between \$50,000 and \$75,000, participation rates for minorities drop off dramatically.

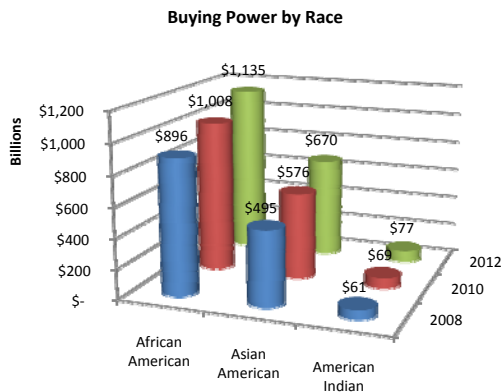
This data suggests that in order to increase participation, minority household incomes must increase. Household income increases when the members take advantage of afforded opportunities. Opportunities progress from safety, primary educational, secondary education, income generation, home ownership, business ownership, wealth accumulation and community stewardship.

BUYING POWER

Disposable consumer income is critical to the economic success of the golf industry. The Selig Center for Economic Growth at the University of Georgia's Terry College of Business is the nationally recognized source for studying and projecting the buying power of U.S. consumers. Their comprehensive 2007 report *The Multicultural Economy* projects the nation's total buying power will increase from \$10 trillion in 2007 to \$13 trillion in 2012.

The combined buying power of African Americans, Asians and Native Americans was \$1.4 trillion or 13.6% of the nation's total in 2007. As Chart 2 below depicts, the buying power of these three groups will control nearly \$2 trillion of the \$13 trillion by 2012.

CHART 2



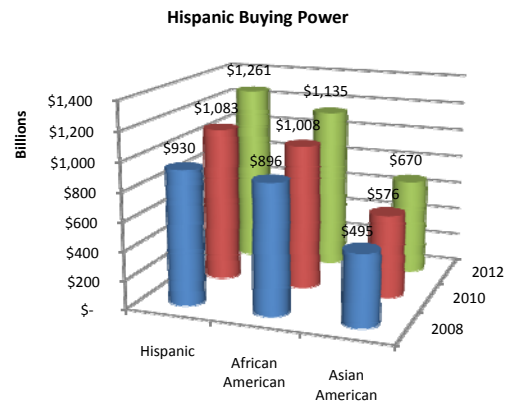
Key among this increase buying power is the entrepreneurial activity in these groups. According to *The 2002 Survey of Business Owners*, from 1997 to 2002, the number of all U.S. business grew by 10%. During this same period, Asian-owned firms grew by 24%, African American businesses increased by 45%, and American Indian firms grew by 67%.

African-American buying power is also increasing because of education. Census data shows that the number of blacks with high school diplomas increased to 80% in 2003, an increase of 10% over the previous ten years. The group still lags whites

and Asian-Americans who are at 80% and 85.1% respectively.

Transcending to a comparable view for Golf Industry data, in Chart 3 we look at Hispanic buying power in comparison to African and Asian-Americans. The Hispanic ethnic group is the fastest growing consumer group and their buying power will outpace all other consumer groups through 2012.

CHART 3



As with the other groups, business ownership among Hispanics is fueling the growth of the segments buying power. Census data shows a 31% growth in the number of Hispanic businesses between 1997 and 2002 compared to the 10% growth for all other U.S. based firms.

Having enough disposable income to participate in the game of golf remains a challenge for these consumer groups. According to a 2005 Consumer Expenditure Survey conducted by the Department of Labor, Bureau of Labor Statistics, basic needs consume the majority of their respective household incomes shown in Table 3.

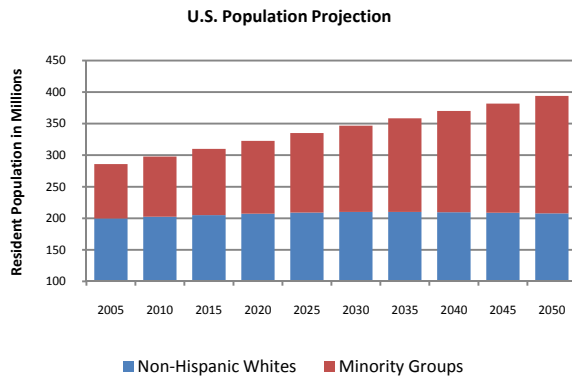
TABLE 3

Rank	Blacks	Asians	Hispanics
1	utilities	shelter	shelter
2	shelter	personal insurance	transportation
3	apparel	education	apparel
4	telephone	major appliances	groceries
5	groceries	eating out	utilities

DEMOGRAPHICS

Population growth studies are projecting flat to no growth for the non-Hispanic white group through the year 2050. Contrast this projection with the growth rate for minority groups shown in Chart 4, which will double during the same period.

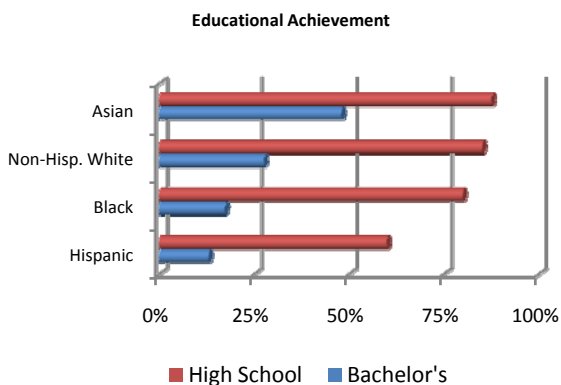
CHART 4



Inside these numbers, we also see younger median ages for the minority population. The U.S. Census Bureau places the median age of non-Hispanic whites at 40.1 years compared to 31.2 years for blacks, 34.8 for Asian and 28 for Native Americans.

Chart 5 illustrates the current state of educational attainment by group. Asian-Americans are currently the best-educated group in the United States.

CHART 5



African-American's and Hispanics are experiencing double-digit growth in high school graduation rates

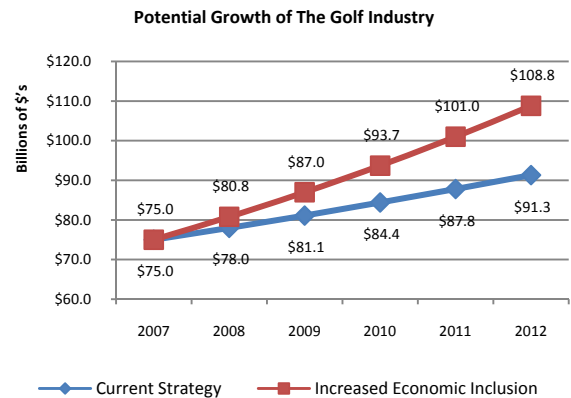
and closing the gap between them and non-Hispanic whites in secondary education degrees.

As a younger, highly educated minority population enters the workforce, advances in their careers and generates incremental buying power, the Golf Industry must stand ready to compete for their share of that disposable income to achieve its desired growth rates.

THE OPPORTUNITY

National Diversity Solutions and The PGA of America joined forces in August 2007 to develop a long-term strategy to grow the game of golf. Following a thorough review of the current state of the Golf Industry along with the aforementioned facts and projections, we explored ways to grow the industry.

CHART 6



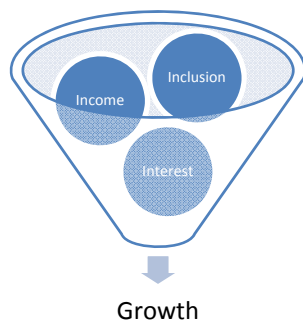
We determined the current growth path would take the industry to \$91.3 billion by 2012 but, as Chart 6 shows, *with a focus centered on increasing the minority participation rates by 6% year over year, the Golf Industry would experience incremental growth of \$17.5 billion during the same time.*

The population growth of the minority groups would provide the numbers needed to achieve scale. Previous studies indicate that minorities have a high level of *Interest* in golf – as many as 18 Million people – but those same studies also proved that participation in the game of golf is directly correlated

to household *income* – regardless of race or ethnicity.

Our experience has shown that spending with diverse suppliers actually increases household incomes in the minority community. We have also observed entrepreneurs supporting businesses that support them so our expectation is that minority and women-owned businesses will conduct more golf outings and play golf as it is an investment in an industry that supports them, as well as a leisure time activity.

Therefore, *inclusion* of minority-owned businesses in the supply side economics of the Golf Industry would provide incremental disposable *income* in the households of *interested* minority golfers, which we believe, will grow minority participation and the Golf Industry.



On January 18, 2008, The PGA of America established a goal for the Golf Industry to spend \$1.3 billion with diverse suppliers by the end of 2014.

THE STRATEGY

The PGA of America has implemented excellent strategies to make the game more accessible through the First Tee program and Play Golf America. They have made a commitment to create access and opportunity for all individuals interested in helping fulfill their mission of growing the game of golf.

Being the world's largest working sports organization, comprised of 28,000 professionals who are experts in growing, teaching and managing the game, it was a natural fit for The PGA of America to

take a leadership role for the Golf Industry and make the game accessible to everyone, everywhere.

National Diversity Solutions is working with The PGA of America to develop and implement the strategy for achieving the Golf Industry's goals. Our first milestone was to conduct the initial Golf Industry Supplier Diversity Forum on January 18, 2008. The forum was a great success and primed the industry for growth from the inclusion of qualified diversity suppliers.

We will continue working together to create the critical components of the strategy for growing the game of golf through economic inclusion. To that end, National Diversity Solutions will provide the following services in support of The PGA of America's Supplier Diversity Initiative:

DEVELOP AND MANAGE THE PGA OF AMERICA'S PREFERRED SUPPLIER QUALIFICATION PROGRAM

- Create a standardized process for qualifying potential M/WBE suppliers for designation as a "PGA Preferred Supplier".
- Recruit, register, assess and qualify minority and women-owned businesses to become PGA Preferred Suppliers using the NDS supplier collaboration portal.

DEVELOP AND MANAGE THE WEB-BASED PREFERRED SUPPLIER INFORMATION CENTER

- Create, publish and maintain the PGA Preferred Supplier profiles for public viewing on www.pga.com.

ESTABLISH THE COMMON PROCESSES, SYSTEMS AND REPORTING FOR TRACKING PERFORMANCE

- Establish a dashboard in the Preferred Supplier Information Center on www.pga.com to track contract awards and levels of spending with PGA Preferred Suppliers.
- Generate quarterly progress reports to The PGA of America on contracts awarded from golf industry companies.

- Track and report on the rounds played and money spent in the golf industry by PGA Preferred Suppliers and their employees on a quarterly basis to measure progress from the baseline.

CREATE A COALITION OF GOLF INDUSTRY EXECUTIVES TO CHAMPION THE INITIATIVE

- Prepare the initial communication for The PGA of America’s approval for dissemination to the PGA Partners announcing the Golf Industry Supplier Diversity Initiative goals and objectives.
- Collaborate with The PGA of America to facilitate the Supplier Diversity Forum during the annual PGA Merchandise Show.
- Provide a progress report for presentation at the annual PGA Fall Expo in Las Vegas.

GOALS

The long-term goals for the Golf Industry Supplier Diversity Initiative are as follows:

1. Expand the Golf Industry Supplier Diversity Initiative to achieve an annual spend of \$1.3 billion among 130 PGA Preferred Suppliers by the end of 2014.
2. Increase minority participation by 6% year over year to achieve the following participation levels by the end of 2014:
 - a. Asian American – 20.6%
 - b. African American – 10.5%
 - c. Hispanic – 8.1%
 - d. White – 17.8%
3. Achieve incremental annual revenue growth in the Golf Industry resulting from this initiative by the end of 2014.

National Diversity Solutions will track the progress against these goals and provide periodic status updates to the industry and suppliers.

Successful execution of our strategy and achievement of these goals will change the face of the Golf Industry and position it for years of successful expansion.

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