

Impact of the 2022 PGA Tour Elevation Changes on Purses, Player Participation, and Earnings

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ABSTRACT

A whirlwind of changes forever altered the course of golf. In 2021, LIV Golf decided to start a golf tour to compete with the established PGA Tour. In response, the PGA tour altered its structure by elevating certain tournaments, increasing purse sizes, and limiting player entry. In this paper, I examine the impact of this change on tournament purses, player entry decisions, and seasonal earnings. I found that the effects of the change were heterogeneous. Highly ranked players entered more elevated tournaments and earned much larger seasonal earnings. Meanwhile, lower-ranked players were not able to enter these tournaments, but they still had an increase in seasonal earnings by playing in non-elevated tournaments.

Introduction

The PGA Tour, the most elite and premier golf tour in the world, has controlled the professional golf landscape over the last century. But then LIV Golf, a rival golf tour, emerged and tried to challenge the monopoly the PGA had on golfers. This uprooted longstanding practices within the PGA and caused many new changes. These changes, most notably the formation of elevated tournaments, increased purse sizes, and smaller player fields, prompted many other player and tournament outcomes to deviate from long-standing normalcy.

In this paper, I examine how this change impacted not only tournament purse sizes, but also player participation in tournaments and player seasonal earnings. I separate PGA tournaments into four different buckets, depending on whether they were always elevated (i.e., the Majors), elevated in 2022, elevated in 2023, or never elevated, and hypothesize that purse sizes increased dramatically across all four buckets, but especially in tournament buckets 2 and 3 the most. Additionally, I hypothesize that better players began to specialize and only played in the best tournaments as some became elevated while players with lower rankings played in more low-purse events as the more desirable tournaments became too competitive for them to qualify for. These two hypotheses combine to suggest that the top-ranked players should make much more money than in years past, but that the lowly ranked players' earnings may drop or remain the same which would widen income inequality between golfers. In order to test these hypotheses, I collected over 40,000 cells of Excel Data with variables including purse size, earnings, participation, season, and more to calculate the necessary data to draw conclusions on the effects of the PGA Tour changes in response to LIV Golf.

My results indicate that my hypotheses were mostly as predicted. The average purse size did increase dramatically, by an average of 80% across the four tournament buckets. The data indicate that many players had to change their participation habits as predicted given the change to field size and tournament elevation: higher-ranked players entered more elevated tournaments, while lower-ranked ones entered more non-elevated tournaments. However, the impacts on seasonal earnings were similar across the four buckets: players earned on average 70% more in 2023 than in 2021 prior to the change.

Overall, my results indicate that the changes made by the PGA Tour are beneficial for golf in the long run; they allowed the best golfers to compete together more often which enhanced the fan experience and they allowed for all golfers to make a better living for themselves. This did come at a cost to some major corporations which had to

dole out more cash to finance the larger purses, but most of the increasing costs came from the PGA Tour Reserves and the increasing TV Revenue. Meanwhile, the lower-ranked golfers were still able to increase their seasonal earnings, though by playing in non-elevated tournaments.

Theory

Golf, the most popular sport globally, has over 80 million players worldwide. Most of these people play recreationally, but the best golfers in the world make up the PGA Tour, the premier league the best 175 golfers in the world play on. Founded in 1929, the PGA is a very established entity with a rich history. Currently led by Jay Monahan, the tour has grown to become a 3 billion dollar entertainment league drawing millions of viewers worldwide every week.

This paper concerns a recent change to the structure of the PGA tour. In 2021, LIV Golf decided to try and break up the monopoly on professional golf the PGA had and found its own tour to compete with the PGA. To do so, LIV, backed by Saudi oil money and led by commissioner Greg Norman, paid golfers hundreds of millions of dollars to switch to their tour along with offering larger purse sizes and better quality of life. In response to this, the PGA Tour made changes to its structure by creating elevated tournaments and by raising purse sizes, depending on the tournament, by 20% to 175% in order to compete with the new LIV Tour. Also, the PGA Tour required golfers to play in 5 more tournaments than in previous years, a jump from a 15-event minimum to a 20-event minimum. This coincided with an unprecedented reduction in field sizes across many tournaments. These changes, the most dramatic changes any major sport has seen ever, created new opportunities for pro golfers everywhere to earn a better living, but might come at a cost to some.

In this paper, I examine how the changes to the PGA tour structure impacted player participation and seasonal earnings. I theorize that the change had differential impacts depending on the ranking of the golfer prior to the 2022 changes. Highly ranked players were able to enter these elevated tournaments, which had higher purse sizes and a fewer number of competitors, which would increase their seasonal earnings. As the field moves to lower-ranked players, however, they are less able to enter these elevated tournaments. Instead, they shifted their effort to non-elevated tournaments. Although these tournaments had smaller purse sizes than elevated tournaments, higher-ranked players were less likely to enter into these tournaments, potentially increasing the lower-ranked players' performance at these tournaments, and therefore their seasonal earnings.

Data

Using Microsoft Excel, I compiled data from all PGA tournament events from the 2021 season through the 2023 season. I then grouped tournaments into four “buckets” and chose to work with data from 16 of the 44 tournaments with 4 tournaments representing each bucket. These buckets (majors, elevated in 2022, elevated in 2023, and never elevated) were used to track the changes the PGA implemented in response to LIV Golf. The tournaments in the Majors bucket– The U.S. Open, The PGA Championship, The British Open, and The Masters– and the tournaments in the never elevated categories– The Sanderson Farms Championship, The AT&T Byron Nelson, The Honda Classic, and The John Deere Classic– experienced the smallest amount of purse growth which ranged from 20% to 40%. Contrastingly, the tournaments elevated in 2022– The Players Championship, The FedEx St Jude Classic, The Genesis Invitational, and The Memorial– and tournaments elevated in 2023– The Waste Management Open, The RBC Heritage, The Wells Fargo Championship, and The Travelers Championship– experienced the greatest purse growth which ranged from 90% to 170%.

In order to study the differential impacts of the tour change on golfer outcomes, I also grouped golfers into four different buckets. I selected 16 players and divided them into buckets as well: the top 20 players, players ranked 21-75, players ranked 76-125, and players ranked 126+ according to the FedEx Cup Standings at the completion of the 2021 season. Players in Bucket 1– John Rahm, Colin Morikawa, Billy Horschel, and Tyrell Hatton– players in

Bucket 2– SungJae Im, Sam Burns, Jason Day, and Matt Wallace– players in Bucket 3– Brendon Todd, Joel Dahmen, Harry Higgs, and Tom Hoge– and players in Bucket 4– Adam Hadwin, Keith Mitchell, Ryan Moore, and Scott Piercy– all had substantial increases in their yearly earnings ranging from 55% increases to 80% increases. These increases were similar among all four groups because each bucket employed a different strategy in order to take advantage of the new purse sizes.

In order to track the myriad of changes that occurred I compiled many raw variables: Tournament name, player name, year, purse size, participation, and position, among them.

Table 1 below displays summary statistics of the key variables in the dataset. The average tournament in my dataset had a purse of 12.6 million US dollars, and this ranged from 6.2 million to 25 million dollars. Also, the players in my sample played in, on average, 62% of the tournaments in the sample set. Additionally, the average golfer across all buckets earned 3.43 million dollars annually across all 3 years in tournament income (this does not include sponsorships nor special bonuses). This annual income ranged from .28 to 16.52 million dollars.

Table 1: Summary Statistics

	Mean	Standard Deviation	Minimum	Maximum
Purse (millions)	12.60	5.20	6.20	25.00
Participation	0.62	0.49	0.00	1.00
Earnings (millions)	3.43	2.99	0.28	16.52

Results

I first examine the impact of the PGA tour change on tournament purse sizes. In Figure 1, I graph out the average purse size (in millions of US dollars) for each year and by each tournament bucket. In 2021, the year prior to the change, Major tournaments had the largest purse size, which averaged 11.75 million USD per tournament. Meanwhile, the other tournaments had a purse size of 8.49 million USD per tournament.

Figure 1 shows that when a tournament becomes elevated, there is a large increase in its purse size. Tournaments that were elevated in 2022 had an average purse of 11.03 in 2021, and this grew to 14.75 in 2022 and 21.25 in 2023, representing a 93 percent increase in average purse sizes. Meanwhile, the tournaments that were elevated in 2023 went from an average purse size of 8.38 in 2022 to 20 in 2023, representing a 167.56 percent increase. Meanwhile, the non-elevated tournaments saw a much smaller increase in average purse size. For these tournaments, the purse went from 6.98 in 2021 to 8.45 in 2023, only a 21.15 percent increase over the three years. Similarly, the majors went from 11.75 to 16.35, a 39.15 percent increase.

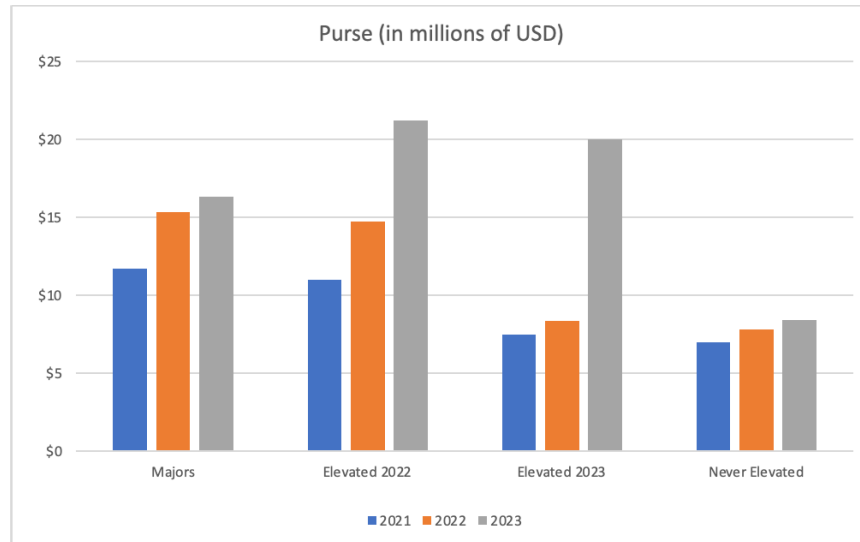


Figure 1: Tournament purse (in millions of USD), by year and tournament type

Next, I examined how the PGA tour change affected player participation in various tournaments. In Figure 2, I graph out which tournament type players in Bucket 1 (the highest-ranked golfers) played in across the years 2021-2023. As shown, the top players played in 100% of the majors across all of the years surveyed. Large purse sizes coupled with the opportunity to leave a legacy as one of the greats of all time made it impossible for any top player to turn down an invite to play in. As for the tournaments elevated in 2022, Bucket 1 players played in most of them in all years but were more likely to play in these big tournaments as the purse size increased in 2022 and then increased in 2023. The tournaments elevated in 2023 best showed the impact of the PGA decision: a boom in golf. The top players were unlikely to play in these tournaments in the years 2021 and 2022, but when the purse size increased by over 150% these top players were 131% more likely to play in this tournament category. This shows that with purse sizes growing rapidly, so does player participation. Unfortunately for the tournaments that were never elevated, the top player participation rate remained in the single digits to teens throughout the sample size.

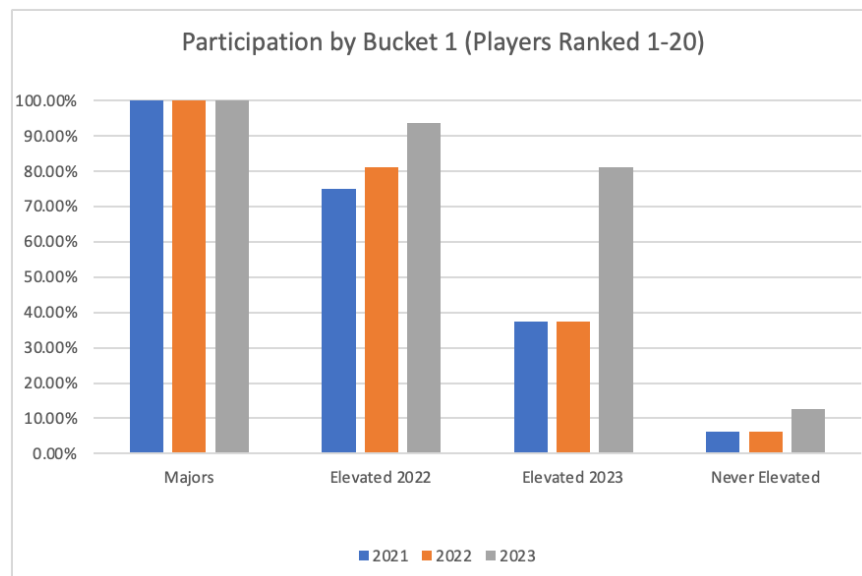


Figure 2: Tournament participation for Bucket 1 golfers, by year and tournament type

In Figure 3, I graphed out the participation of players in Bucket 2 over the years 2021-2023. These golfers exhibited similar trends as the players in Bucket 1 with minor differences. These golfers played in all the majors they could qualify for because they have large purse sizes and offer all golfers the opportunity to leave a large legacy. These golfers also played in most of the Elevated in 2022 tournaments and played in more and more as their purse sizes continued to increase. Similar trends were also observed in tournaments Elevated in 2023. Most of the golfers played in these tournaments before the change, but during the first year after the change they played in far fewer events in this category because the newly elevated tournaments were a far better use of these golfers' time. Then in 2023 when these tournaments became elevated again, Bucket 2 players played in as many of these tournaments as possible. Lastly, they played in less than half of the never elevated tournaments across all the years observed.

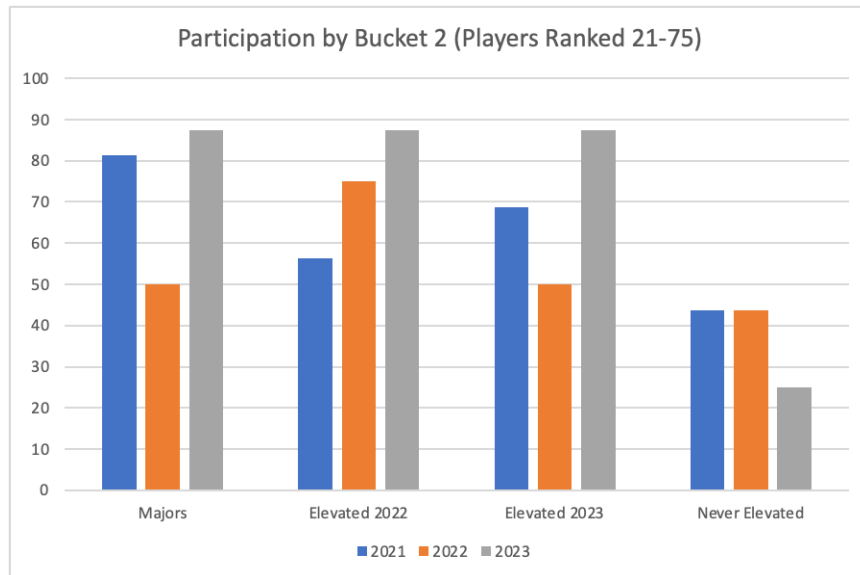


Figure 3: Tournament participation for Bucket 2 golfers, by year and tournament type

In Figures 4 and 5, I graphed participation by players in Buckets 3 and 4, across all 4 tournament types over the years 2021-2023. Here, these graphs show how the impact of decreasing field sizes impacted the lower ranked players, as many struggled to play in the tournaments they were able to before the new changes. Players in Bucket 3, played in over half of the majors before the change, but played in fewer in the next couple of years because it got much more difficult to qualify for the best tournaments. Meanwhile, those in Bucket 4 were most likely to enter non-elevated tournaments, and the tournaments that were elevated in 2023.

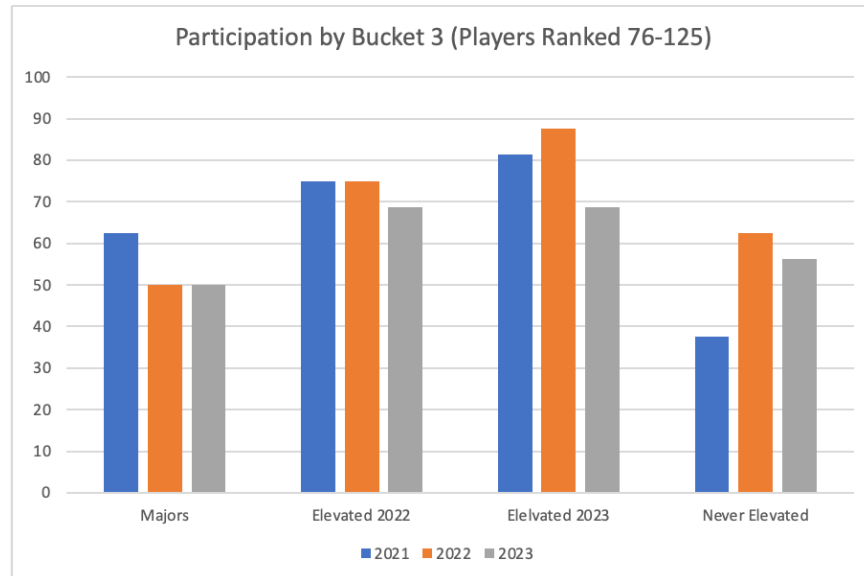


Figure 4: Tournament participation for Bucket 3 golfers, by year and tournament type

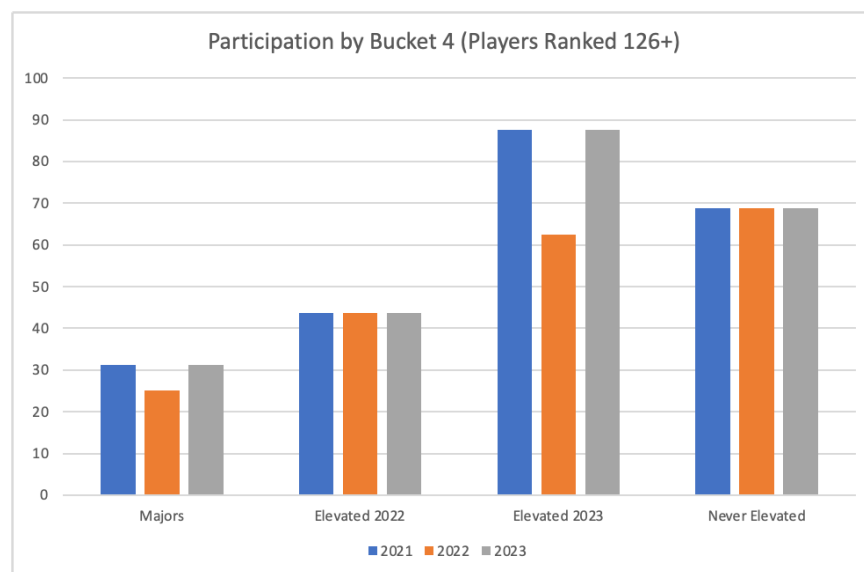


Figure 5: Tournament participation for Bucket 4 golfers, by year and tournament type

Conclusion

In this paper, I examined the impact of the PGA Golf Tour change on purse sizes, player participation, and player earnings. I found that these changes in the years observed ignited positive change in the golf industry for both players and spectators alike. Highly ranked players shifted their participation to elevated tournaments, while lower-ranked ones played in more non-elevated tournaments. However, players across the four buckets saw increases in seasonal earnings, suggesting the change was positive for golfers across the skill distribution.

While this paper examined the impact of the change on golfer participation, future research can examine the impact of this change on other important outcomes. For example, how did the change impact ticket sales across the 4 tournament buckets as well as whether or not the increasing purse sizes negatively impacted each individual

tournament's ability to raise charitable donations for their local partnering charity? Also, given golfers were required to play in more tournaments in 2023 than in years prior, another potential future direction is to examine whether the change had a negative effect on player health and caused injury among golfers. Finally, future research can be conducted on an even larger sample size, including all tournaments and golfers, to get the truest reflection on how the 2022 PGA Tour changes forever impacted the game of golf.

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