GCN initiatives keep pace with changing industry

When Golf Course News was launched in 1989, it broke new ground by providing business news to the golf industry. In the ensuing 14 years, GCN has become and continues to be the most trusted news source in the golf course industry. Among those who have been subscribers for more than 10 years include industry notables such as Pinehurst superintendent Brad Kocher, Salem Country Club’s Kip Tyler, golf great Arnold Palmer and architect Geoffrey Cornish. As Golf Course News forged ahead, we realized that the only constant in the golf course industry is change. We also recognize that in the last three years the volume of publications focusing on the golf industry has increased. With these facts in mind, we at GCN are continually striving to help our readers cut through the clutter and make it easier for them to get the news they are looking for. While our editorial mission remains unchanged, we have made several additions in recent months to improve our coverage of this evolving industry.

- In February we added the online News Poll that tackles a new industry issue each month and allows readers to weigh in with their opinions (see page 9).
- GCN’s Data Bank section debuted in March and has become a one-stop source for the golf industry’s vital statistics including course construction activity, rounds played information and industry stocks (see page 23).
- To better reflect the trend of increasing renovation projects in the industry, we unveiled a revamped Development & Renovation section in May. We will continue to cover new course development but have refocused our efforts to include more news about renovation projects, both large and small, that are proliferating across the country (see page 11).
- Also in May, GCN brought back the Point/Counterpoint forum, which presents monthly debates between industry heavyweights on issues affecting the golf industry. So far we have covered organic golf, the impact of golf ball and club technology on golf course design, and this month we discuss the value management companies provide to course owners (see below).
- In order to help readers navigate through each issue we created the Quoted column in June that provides a quick look at the industry leaders who have been interviewed each month (see page 20). Are we done? Of course not. Golf Course News will continue to evolve as the industry evolves and we will continue to look for ways to help our readers become more informed and more successful. Our next initiative will be the launch of the Golf Courses Near Online Forum that will allow readers to sound off on issues relevant to the golf industry. Stay tuned...

We are always eager to get feedback from our readers. If you have a question that you would like to see in our News Poll or have an issue you would like to see debated in our Point/Counterpoint forum, let us know (see contact information at right).

The case for hiring a management company

By Ron E. Jackson

Golf Management companies are an increasingly needed resource for the success of many golf operations. The golf industry has changed dramatically in the last five years and particularly the last two years. Many courses have been built without attention to a focused business model, supply exceeds demand in many markets, and courses have been opened as amenities to residential developments, office parks or as a personal investment for individuals who had success in other industries. Today, with intense competition for players’ participation, cash flows are strained, expenses reduced and the golfer experience is eroding, resulting in a downward spiral of a failing business.

The future of golf will be driven 100 percent by factors such as first quality course conditions, marketing, packaging, innovative services and attention to hospitality. Historically, many golf course management people grew in the industry from the golfing side, as a player or instructor with an absence of focused marketing and business system training. Business suicide is doing things the way you always did them and expecting different results. Future golf operational success is a very sophisticated business requiring disciplined and well-developed management systems. A focus on yield management, technology driven marketing, human resource management and business systems training are critical and mandatory. The golf management company is the ideal solution for many golf courses, as they provide a resource base and complexity that is very difficult to create at a management companies: a necessary expense?

By Michael A. Kahn

I’ve been in golf for over 45 years and it has been my observation that golf course management companies are a recent phenomenon in the business. I used to joke that anyone who could break 80 was considered qualified to manage a golf course. Course owners were often people from other fields who had never broken 90, and to them, anyone who can shoot par must know all about golf.

Over the past ten years I have assisted golf course borrowers with their loan applications for a golf course mortgage broker in Tampa, Fl. I would review the subject and its competitive neighborhood for the material I needed to prepare cash flow forecasts and business plans. In preparing pro formas, we needed to show lenders a management contingency of five percent of gross receipts on the expense side of the spreadsheet. Lenders want this cushion in case the borrower defaults and head office. If the management company takes say, five percent, or $150,000 off the top, and they have a site manager...
Jackson
Continued from previous page

Every golf course is not a candidate for a management company. There are a number of well-run, financially successful courses that have developed effective management systems and leadership. The fact is an increasing number of owners feel that they are ill-equipped to effectively compete in the current aggressive, oversupplied golf marketplace. Recent changes in the golf industry drive golf course owners to seek outside management partners to help a course capitalize on strengths, while mitigating and eliminating weaknesses. The cost for a management company solution is an ongoing fee structure tied to the economics of the course and the competitive market. However, a fee should include two components: a set fee and a performance driven incentive, both the management company and owner must be in the same canoe with shared risk. A good management company will base their fee on the course’s performance while working with the owner to evaluate the objectives and design an array of services that fit the business needs and owners’ goals.

Kahn
Continued from previous page

at maybe $65,000, total management costs for the course tops $215,000. Not only is this expensive, but this layer can have a negative affect on the operation – especially if the site manager needs approval for every decision from the head office. Anyone in this business knows that many site decisions need to be made immediately – like $3,000 to fix a broken compressor with tomorrow’s 300-person wedding feast ready to spoil. It’s Friday night and head office is closed.

You might see where I’m going with this, because I believe many golf course owners who need third party management should bypass the management company and pay a top-notch manager $90,000 instead. The math is easy. You’re up $125,000. Sure, you screen the manager to be sure he/she knows what a green is, how to assemble a corned beef sandwich, and can turn on a computer. The key is to give the manager a high level of authority to make decisions. Hey, you’ve got $125,000 extra available in case the general manager screws up anyway.

I also point out that management fee contingencies are usually based on gross receipts, not earnings. I don’t see much sense in that approach. Where’s the incentive for the management company to perform? Here’s the $3 million revenue golf course, throwing off $750,000 paying 25 percent of that to a management company that runs the place from a thousand miles away. Is that smart business?

I think we’re seeing that realization taking place with one of the largest golf course management companies in the country. They appear to be disposing all of their golf properties that earn less than $1 million a year. (I was involved in one). Their accountants have figured that sub-million courses can’t afford the

**CORRECTION**

On page 21 of the June issue of GCN, Billy Casper Golf-managed McCullough’s Emerald Golf Links was incorrectly identified as Emerald Golf Links.
Jackson
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these issues that will be executed
In addition to marketing and
communication support come a
number of services that assist with
day-to-day operations. Manage-
ment companies take on the re-
sponsibility of marketing, account-
ing, human resources, agronomics
and management through talented,
tired people that a single course
could not justify from an expense
standpoint. Management compa-
ies equip owners with the tools
needed to make sound business
decisions and ensure that the right
person is in place to execute the
most efficient business plan. A de-
tailed course analysis facilitates this
plan that provides:
- Sound reporting and finan-
cial practices including budget/
forecast models.
- Ensured quality control at
each course resulting in the best
greens, tees and landscaping through-
out the golfing season.
- Sophisticated technology,
marketing and public relations
plans to increase property aware-
ness—neighborhood marketing.
- Timely monthly and quar-
terly business reviews of course
operations.
- Profitability reports, trend
analysis, competitive set review.
A management company will offer
consistent and personal on-
site visitation and consultation in
order to be effective.
At Meadowbrook Golf, for ex-
ample, any course, whether it be
owned, managed, leased or main-
tained, receives monthly visits
from marketing and operations
executives and weekly visits from
regional managers. In addition,
the company works closely with
the owner to assure that the
course is staffed with professional
and knowledgeable local individu-
als that understand the market.
Hiring a management company
should be about partnership, not
about relinquishing control. In the
end, a good management partner
will be a valuable tool that is part
consultant and part onsite man-
ger that shares proven ideas while
helping to achieve common goals.
Whether it is current food and bev-
dage developments, the latest
agronomic practices, the
average developments, the latest
forecast models.
Jackson Kahn
Continued from page 5
additional layer of management.
With all the little earners gone,
the statements will be far more
impressive.
I'm not knocking management
companies in general, I truly
believe they are needed in cases
where owners have no experi-
ence in operating a golf course.
However, that layer of expense
needs to be justified by earnings
performance and not simply
a percentage of revenue. In
my opinion, that's the only way
a sub-$3 million golf course
can afford a management com-
pny.
For what it's worth, I have a
bit of advice for golf course own-
ers who hire management com-
panies. You need to physically
review your golf course proper-
ties often, I've been privy to inci-
dents where owners came back
to find their golf courses in ruins
after being entrusted to a man-
gement company. You also
need to have a simple, one-page
daily summary sent to you at the
end of every day. It should indi-
cate the day's weather, rounds,
receipts, how the cash balanced,
and the same information for the
 corresponding days of the previ-
ous two years. It should include
a brief note about incidents of
the day and a signature. Then
keep these reports in a safe place
for a long time.
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ness consultant who operates
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