

## 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.



Andrew Overbeck, editor

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 statis-

ered 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

ways to help our readers become more informed and more successful. Our next initiative will be the launch of the *Golf Course News* Online Forum that will allow readers to sound off on issues relevant to the golf industry. Stay tuned.

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We are always eager to get feedback from our readers. If you have

Among those who have been subscribers for more than ten 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* forges ahead, we realize 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

tics 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 cov-



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

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).

### POINT

## The case for hiring a management company

By RON E. JACKSON



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 golf 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 devel-

opments, 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 eroded, 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 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

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### COUNTERPOINT

## Management companies: a necessary expense?

By MICHAEL A. KAHN



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, Fla. 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 they need to hire a management company to take over. In fact, some lenders insist on seeing a management contract in place before they approve the loan. To me that was just another loan expense, because I believe in many cases the need for a management company was entirely unnecessary. I based my thoughts on the numbers.

Personally, I don't believe a golf course with revenue under \$3 million can afford a management company. Remember there are two layers of management in most cases - the site manager and head office. If the management company takes say, five percent, or \$150,000 off the top, and they have a site manager

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single golf course.

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 econom-

ics 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.

Management companies can bring strategic relationships for services, products and equipment that serve as a continuous competitive advantage. This includes co-op advertising and extended marketing opportunities that the single course owner is not able to develop.

The golf industry today has

become totally marketing-driven. With the oversupplied environment, overall rounds have stayed constant while individual course rounds have dropped 10 to 15 percent in the last two years. To offset this competitive environment a good management company will analyze each property and develop a marketing plan that addresses

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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

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### CORRECTION

On page 21 of the June issue of *Golf Managed*, Billy Casper McCullough's Emerald Golf Links was incorrectly identified as Emerald Golf Links.



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these issues that will be executed and tracked daily.

In addition to marketing and communication support come a number of services that assist with day-to-day operations. Management companies take on the responsibility of marketing, accounting, human resources, agronomics and management through talented, trained people that a single course could not justify from an expense standpoint. Management companies 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 detailed course analysis facilitates this plan that provides:

- Sound reporting and financial practices including budget/forecast models.
- Ensured quality control at each course resulting in the best greens, tees and landscaping throughout the golfing season.
- Sophisticated technology, marketing and public relations plans to increase property awareness – neighborhood marketing.
- Timely monthly and quarterly 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 example, any course, whether it be owned, managed, leased or maintained, 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 individuals 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 manager that shares proven ideas while helping to achieve common goals. Whether it is current food and beverage developments, the latest technological advances or the most current agronomic practices, the course will be on the cutting edge and receive the benefits of the latest available practices in all areas of operation. Management companies will play an increasingly stronger role in the successful recovery future of golf operations. ■

*Ron E. Jackson is president and CEO of Champions Gate, Fla.-based Meadowbrook Golf Inc., a full-service golf management and development company that owns, leases, manages and maintains 106 golf courses nationwide.*

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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 experience 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 company.

For what it's worth, I have a bit of advice for golf course owners who hire management companies. You need to physically

review your golf course properties often. I've been privy to incidents where owners came back to find their golf courses in ruins after being entrusted to a management company. You also need to have a simple, one-page daily summary sent to you at the end of every day. It should indicate the day's weather, rounds, receipts, how the cash balanced, and the same information for the

corresponding days of the previous 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. ■

*Michael A. Kahn is a golf business consultant who operates Bradenton, Fla.-based GolfMAK Inc. and has been in the industry for more than 40 years.*

# GOLF COURSE NEWS

THE NEWSPAPER FOR THE GOLF COURSE INDUSTRY

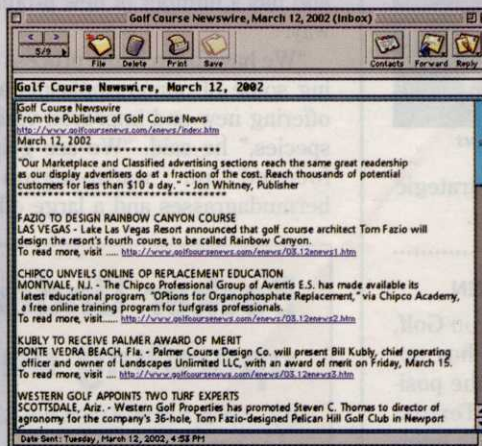
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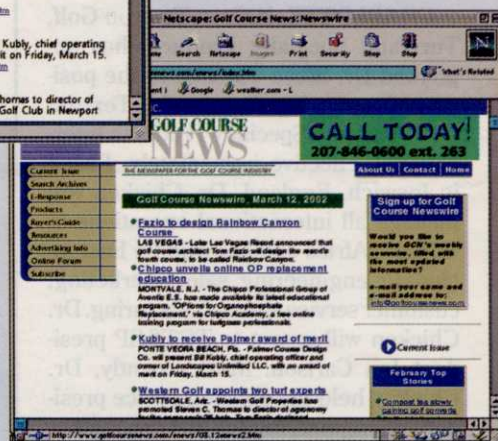
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