Jackson

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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 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.

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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Kahn

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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 *GCN*, Billy Casper Golf-managed McCullough's Emerald Golf Links was incorrectly identified as Emerald Golf Links.