DON JONES

# CONVERGING ON CHANGE

**By Pat Jones**

**JIM KEEGAN and his associates are trying to get facilities to change their old, unprofitable paradigms.**

Everyone has a handful of sayings and axioms that they use regularly. Talk with J.J. "Jim" Keegan for 30 minutes and you're very likely to hear him say, "Status quo is a formidable foe."

In short, Keegan believes in change. His group, Golf Convengence, is trying to help facilities change their business paradigm before the status quo takes them into bankruptcy or obsolescence. Keegan is the driving force behind the group, using his background as a CPA and MBA as well as his wide experience with facilities to analyze the weaknesses and strengths of golf facilities and pull together a team to create a strategy and execute a solution.

That may sound like a lot of business-speak bull, but the way it works is usually pretty simple. A case in point is the University of Minnesota Golf Course. The facility was being transitioned from the athletic department over into university services and was losing $450,000 per year. Keegan came in, analyzed the situation and realized that tee times weren't being utilized and that the course had a reputation for being under-maintained. The school adjusted the schedule to change student and faculty access times and raised conditioning standards. The course generated $250,000 in profit the next year without any major capital investment or huge changes in the operation. They simply fixed the status quo. "Condition and price are always the top factors in perceived value," says Keegan. "We always challenge the status quo in those areas first."

Keegan grew up in the Philly area and played golf as a kid, but he also picked up on the family's entrepreneurial genes early. "I was one of those kids who got into Cub Scouts and did door-to-door sales for everything…peanut brittle and Christmas wreathes and all that…and I always had a paper route." Predictably, he started caddying at the William Flynn-designed Philmont CC in Huntingdom Valley, Pa., and the golf bug really got him.

The experience shaped the rest of his life. The Caddie Master liked him and gave him the first bags of the day, telling him: "I expect to see you again in 3 ½ hours. You set the pace of play for the entire day." Heady stuff for a 12 year old. "I still walk very quickly to this day," says Keegan.

He learned a bit about club operations and the maintenance side during his years at the 36-hole facility but never seriously considered golf as a career when he headed off to TCU to get his accounting degree. He went on to get his MBA at Michigan and put his ROTC experience to work for five years in the Air Force. He joined the accounting/consulting giant KPMG after the military but realized that the 8 – 5 corporate world wasn't for him.

In 1989, he was helping to raise capital for small firms when he saw a business plan for an early automated tee time system. He recognized the opportunity in the then-burgeoning golf market, broke off from KPMG and formed Fairway Systems. He put the financing together, got the system built and launched what was at the time the largest tee-time provider for municipalities.

The '90s were a crazy time in the golf market between unprecedented construction and growth, big money coming in and a barrage of technologies like tee-time programs and dot-com "portals"…and Keegan was always smack in the middle of it. "Everyone was launching some kind of tee-time or point-of-sale software," recalls Keegan. "Money was being thrown around like crazy, management companies were trying to sell their own software and new firms were coming to the market daily." The pinnacle of the insanity probably came when bookforgolf.com sponsored a lavish $1 million+ party at the PGA merchandise show in 2000 and hired Hootie & the Blowfish to play a gig.

In 2005, Keegan got off the

merry-go-round and formed Golf Convergence because he recognized that "someone had to start helping facilities act like businesses." For the past five years, he's worked with facilities and owners – many times municipal operations – to fix what's ailing them and return them to profitability and health. For each project, he'll assemble a team (which sometimes includes our Tim Moraghan, Armen Suny or other agronomic experts), assess the situation, create a strategy to change things and then help execute as needed.

This isn't new, but the economy and the technology are **conspiring against the average** operator right now.

In short, he is Mr. Fix-It. Keegan helps repair broken golf courses, so business should be good, because there are plenty of those in this country today.

**What things do you see facilities doing today that make your skin crawl?**

The clubhouse is such an unfriendly environment. There's this guy behind this huge desk in the pro shop who may or may not feel like welcoming you, but that's just one way the customer experience is usually screwed up. We know that there are an average of 13 customer touch points from first phone call to the parking lot. Very few of those are warm and engaging.

The other thing we've learned is that the image of the course is formed by the lowest-paid employee. What incentive do those valets and cart boys and waitresses have to excel? A perfect example is that the great Steve Lesnick says that every single person working behind the counter needs to do one simple thing: get the name and e-mail address of every single customer. That's a good and seeming simple goal but the people doing it weren't capable of it. We have to train our people to the same standards as other retail businesses routinely do.

**Talk about customer acquisition versus customer retention in a daily fee setting.**

First, never forget this: 12 percent of customers generate 60 percent of all revenue. You have to figure out who those people are, grab them and hold on for dear life. The average U.S. public course does 32,000 rounds a year and has 5,000 to 8,000 distinct customers. Half of all customers that play that average course once and don't come back. That means half of all customers annually are new.

Communication is critical. Billy Casper Golf sent a "we miss you" coupon out to customers who hadn't been back to one of their facilities. They sent the coupon to people who hadn't played in 10 days, 20 days, 90 days, etc. It definitely generated play, because it was a good customer touch, but the interesting thing was that there was no statistical difference between the results for zero days and 90 days. The touch was all that mattered.

**So just blast away with coupons and e-mails?**

Obviously not, I have a database of 12,000 names of people in the golf management business that I use to market my books and servicese. I can't bomb them with e-mails every day, but I have sent pretty much the exact same e-mail to the exact people quite a lot – just changing the tagline a little – and my book sales are pretty much identical every time. The repetitive message is what matters.

**What else offends your MBA sensibilities?**

The speed at which decisions occur is often at a byzantine pace and, partially as a result, the accuracy of decisions they eventually make is often flawed. That's true to some extent on the daily fee side, but you really see it in munis. They are hamstrung by the levels of management. They operate in this public vacuum that is very sensitive to criticism from politicians and taxpayers.

Clubs that are run by boards and committees are perhaps the most inefficient. You have to have a GM who is a benign dictator. Look at Augusta...they have a very narrow organizational structure and it works great. Jack Vickers at Castle Pines is another example. Yes, it's a club, but everything is done based on a common vision.

**So give us some examples of how Golf Convergence works.**

We're just finishing a plan for city/county of Denver. They have been investing in clubhouses and capital assets that have little return because they don't touch the course. They need to focus on golf! They have a Ross course right next to Cherry Hills. It will take about $800,000 to restore it but the return on that will be enormous. Another one of their courses has an underutilized range. We're upgrading it and rerouting it to make it more accessible. The revenues from that will help fund everything they want to do. The end result is that golfers are excited, it doesn't cost taxpayers a lot, managers are pleased and the politicians are happy. It's a rare solution that makes them feel good.

Sometimes you run into straightforward pricing issues. Contrary to what you'd think, the City of Naperville (Ill.) lost $100,000 on their facility in 2009 because their pricing and discounting strategy drove the perceived value of the course down. Something like 12 percent of residents have annual incomes of $250,000 or more. They were discounting golf for the wealthy! They actually raised or "right-sized" their fees, had fewer rounds but their revenues went up dramatically last year.

**That didn't seem hard.**

I'm actually sometimes embarrassed at the simplicity of the solutions. The course operated by the City of Ann Arbor, Mich., did not have a liquor license, had big issues with cart traffic and irrigation problems on a couple of holes. All of those were easy fixes and rounds went up 18 percent the next year.

**You work with a lot of government courses. The daily fee owners rightfully complain about government subsidized competition. How do you deal with that?**

We've studied it and the competitive advantage for a muni over a comparable daily fee is about $176,000 per year. But, even with that "head start," if you gave me the choice between a operating a muni with fixed fees, political restraints, etc., I'd take the freedom of being a private operator in a heartbeat. Golf course owners excel at blaming others for their problems and failing to focus on their own business and bring professional practices and disciplines to it.

**The online tee-time market that you helped to pioneer seems to be both booming and controversial right now. What's up?**

First, never forget that all golf is local. Will a national reservations system ever be created that books reservations for more than half

of the country? I doubt it. But, in the Dallas/ Ft. Worth market, 40 percent of bookings go through a 3rd-party system so the concept is obviously valid.

Here's the thing: when Orbitz and Hotels.com came to market with discounted fares for excess airline and hotel inventory, airlines and hotels responded with guarantees of low prices on their own sites and for walk-ups. Courses have had to do the same and that continues to depress the average gross fee for a round of golf. Also, third party systems don't give up a lot of info about the customer so the facility doesn't "own" the customer like they want to. So there's an argument about whose customer it is. They say they can't because of privacy, credit cards, etc., but it's really about owning the customer. But, as long as supply exceeds demand, they (third-party tee time companies) will be a force in the market.

**How do we fix this?**

This isn't new, but the economy and the technology are conspiring against the average operator right now. We did a study in San Francisco Bay on courses that were using various different systems to track golfers, rounds and revenue. We found the discounts may drive play but they generated very little non-golf revenue. Discounts don't really create loyalty. They primarily create bargain shoppers.

**So is discounting a death spiral?**

Discounting: There is a certain fixed cost required to create a meaningful golf experience. The business plans are prepared based on project yields and associated revenue. The expenditure a course creates is a function of its cash flow and any debt it wants to take on for additional labor or whatever. At the end of the day, that often means reduced capital expenditures. That starts the death spiral. Golf is at 52% of capacity.

**What's the most common complaint you hear from owners?**

The negative impact of Golf Channel's golfnow.com on gross course revenues is clearly the war cry of numerous owners, leadership at the National Golf Course Owner's Association and even many PGA Sections including Kansas and Colorado. These groups feel that Golf Channel is lowering the price per round across the industry and training the customer to hop from course to course based on getting the lowest price possible.

The result is that golf operators eschew marketing and spend way too little because

they think they can't track it. It's simpler to have a third party do it and essentially give away rounds. But when those companies start selling rounds below yield, it hurts you, it hurts and market and it can't be fixed. . The fee you pay to those 3rd party operators should be fixed. That way, you can really decide ROI. Most of the inventory the 3rd party

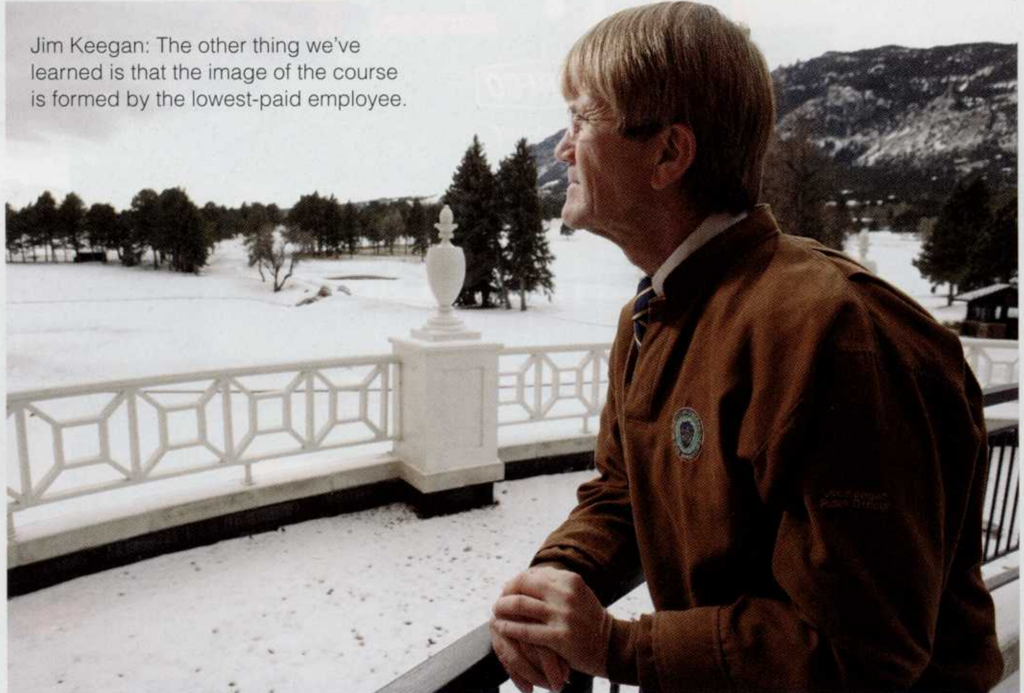
So, golf courses delegate their marketing efforts to third-party companies in exchange for bartered rounds. In turn, golf course managers get upset when these firms liquidate the bartered times earned for the marketing efforts. Nobody wins.

Give us an example of an "aha!" moment in your career that shaped your mindset today.

My mind is permanently stamped with the images that "status quo is a formidable foe" and that the golf course industry is ten years behind in adopting professional business practices. This resistance to change is often rooted in the associations who are protecting their respective turf.

I will go to my grave remembering what one association chief told me a couple of years ago. I had sent him, as I did every trade association, a copy of the final draft of my book, "The Business of Golf – What Are You Thinking." I asked him if he had any comments regarding the book and he said, "I get 166 emails a day and I am too busy to look at it. Besides, we will only support the work by individuals with PhDs from accredited universities." That blew my mind.

I have visited golf courses in over 41 countries, have flown over 2.5 million miles during the past two decades, have served as an interim GM for a private country club and, in his mind, I clearly wasn't qualified to assist any private club in America. Amazing.



Jim Keegan: The other thing we've learned is that the image of the course is formed by the lowest-paid employee.

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**What are most superintendents not doing that they should absolutely be doing every day?**

Superintendents are unfortunately viewed by many golf course owners, boards, pros and GMs as the "blue collar" work force at a golf course. That is so ironic, because certified superintendents have far greater educational backgrounds that nearly anyone else at a golf course. The college degrees they receive are based on a very difficult curriculum studying plant sciences, the genetics of grasses, chemistry and biology, use analysis, turf management, and related economics.

Perception is reality. I say it sort of in a "tongue in cheek" way, but I truly believe a superintendent's three most valuable assets might be a fine suit, a dark red tie, and a certificate from a course in public speaking. Superintendents need to don the corporate uniform of business decision making to be truly accepted. Sad but true.

**What else?**

They are often two to three steps removed from the decision makers of a golf course. That has to change. In every study we have conducted across the country as to what is important to the golfer, conditioning and price are always ranked first or second. Yet, the individuals that manage the course conditioning are often far removed from the decision-making and the allocation of financial and personnel resources. That's dumb.

I look at guys like David Gourlay (of the Colbert Course at Kansas State University). He's a classic example of a superintendent who has cross-trained himself to run the entire facility at KSU. He's the model. Staffs are being reduced across the board. Superintendents have a much better understanding of the entire business of golf. In the best situations, they're the quarterbacks of the golf course.

**Where should clubs focus their resources for ROI?**

The focus needs to be on the course and the 13 touch points where customer interaction occurs on the 'assembly line of golf." Those are the things customers value and which help create a niche for the facility.

Defining that niche in the minds of the consumer is vital. Let me illustrate. We recently completed a national labor study. Maintenance budgets ranged under $500,000 to over $5 million. Obviously, the experience at East Lake, LACC North, Merion and Pebble Beach is vastly different than that of most municipal courses. Here's the equation: value equals experience minus price. The experience that can be created is solely a factor of the cash flow available for reinvestment plus capital resources available. Defining the experience to be received is the foundation for the course's success. Most courses over promise and under deliver.

By the way, another area coming under increasing scrutiny is junior golf. Many golf courses, particularly municipalities, are investing several hundred thousand annually in programs that may serve 2,000 kids. That's nice, but they fail to reinvest in their courses that serve 50,000 unique customers annually. In today's market, it is difficult to make a short-term investment in hopes of a long-term return. **GCI**