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FIVE PROJECTION POINTS TO PONDER

There's a long-held financial precept pertaining to business models that has always made sense to me. It goes like this: "You can cut costs only to zero. After that, you must actually make money." We're rapidly reaching that point in the golf business. Operators, managers, superintendents and their staffs have cut costs until their pencils were worn to the nub. Now, with the annual budgeting process underway at many facilities, the focus must turn to revenues.

Planning for revenue growth is more difficult than expense reduction, even if it does not involve some of the agonizing decisions that come with cost-cutting. But as a number of clubs are proving, it's possible to grow revenues even in the current economic climate. In fact, the number of clubs and courses reporting revenue growth has increased from 7 percent in 2009 to more than 23 percent this year, according to a recent study by Global Golf Advisors. Revenue is growing by following five strategies that are right for our times:

PRIORITIZE REVENUES. While many facilities have not increased dues in several years, fearing a loss of members, others are creating organic growth. They're doing it by slightly increasing the price of incidentals such as club storage and lockers and high-volume consumables such as coffee, salads and draft beer. If you've fished all of the nickels and dimes from the sofas in the men's and ladies' locker rooms, it's time to get creative. Most clubs and courses offer a wide range of goods and services for sale. Ones you might not have considered include generational memberships, family-focused tee times and bundled packages for golf and entertainment. Top-performing management teams monitor all sources of revenue and constantly make adjustments to increase revenue without unfavorably impacting utilization. Just as it's not smart to increase prices too much or too often, it's equally ill-advised to ignore discreet price increases.

MONITOR UTILIZATION. This sounds like an expense-reduction strategy, but utilization also affects revenues. While many facilities cling to outdated and inefficient operating models that require staff even during low-demand periods, savvy operators and managers are monitoring utilization and comparing utilization rates to revenues generated. Where utilization is low, consider closure, right-sizing or other cost efficiencies. Better yet, look at ways to make the amenity or service more profitable. You could start by surveying members and customers to find out what would make them want to take advantage of under-performing profit centers.

MAKE VALUE A NO-BRAINER. Once members start to question the club's or course's value – what they get for what they pay – the facility is on a slippery slope to nowhere. Every management team must objectively evaluate the value they offer, understanding that revenues can be easily increased only when value is widely acknowledged. In this scenario, value is a function of relevancy to as many segments of members and customers as possible. When executing this exercise, make women and families a top priority. Facilities today underestimate the importance of women's opinions relative to lifestyle value at their own peril.

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EVERYONE SELLS. Effective salesmanship is highly valued in tough economic cycles. Top-performing clubs have invested in sales training programs to help their staffs be more effective when asking for the order. When the golf pro or starter asks what time you want to book for next week, or when the retail sales team packages a souvenir cap with a right-priced golf shirt, revenue grows. Sales skills are important and require constant cultivation. Not everyone is a born salesperson, but everyone can improve with focused effort.

THINK DIFFERENTLY ABOUT MEMBERSHIPS. There are two aspects to club membership expense: the cost of joining – usually an initiation fee; and the cost of belonging – usually periodic dues. Clubs that have reinvigorated revenues have introduced new membership categories that offer fewer benefits as an offset against higher initiation fees. If you're debating reducing or waiving initiation fees as a membership incentive, think of it this way: An initiation fee is one-time revenue; dues are an annuity.

Before you submit a budget that projects another year of flat growth, consider ways to prime the revenue pump. Remember, you can't just keep cutting costs; eventually you have to make money in this business. **GCI**