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2012: HEDGE YOUR BETS

As many in the golf industry head to Las Vegas this month for the Golf Industry Show, it's probably wise to recall the words of real estate developer, hotelier and gaming magnate Steve Wynn, who advises: "If you want to make money in a casino, own one." Similarly, in a fragile economy that teeters between promise and despair, golf facilities would be wise in 2012 to hedge their bets: equal money on revenue and expense management.

Prioritize and focus on revenue growth by following these suggestions:

Personalize revenue-building programs. Revenues are growing where facilities are personalizing programs for dues, access fees and services so customers and members feel recognized and valued. The success of customized club-fitting, special-order apparel and one-on-one instruction programs is proof this strategy works.

Focus on revenues that directly influence the bottom-line. Revenues attached to dues and access fees (such as green fees and range use) contribute more to the bottom line than revenues derived from retail merchandise and food and beverage, whose imputed costs of sales lessen the profit contribution.

Reward loyalty with the greatest benefits. Any number of affinity programs has taught us that loyalty points and preferred access influence consumers' choices. They also make sense for the business owner or operator since loyalty rewards and recognition are less costly than up-front discounts. If you're willing to discount rounds 25 percent, why not reward your best customers with that same discount after 10 rounds instead of advertising 25 percent off a player's first round.

Invite them back for more. Thank every golfer for his and her patronage and invite every player to come back and play your course again. Spend a few hours a week alongside the 18th green doing that, and watch retention go up.

Expense management will be tougher in 2012 because of the inflationary impact on petroleum products and overhead items. Here are several tactics that will help contain costs:

Ask for freight-free delivery. When negotiating 2012 purchases, look for opportunities to eliminate freight charges by combining purchases and reducing the number of deliveries. Bulk buying also can lower costs if there's adequate storage space, and you're certain the entire purchase will be used before it spoils or otherwise loses value. When applying this strategy, calculate the bulk price value against the cost of deploying precious capital ahead of need.

Emphasize loyalty in procurement. Be bold in asking for increased value and reciprocate by purchasing from vendors that provide the best and most reliable goods and services. The best customers – those who are consistent, informed and dependable – receive the best deals.

Identify offsets against expense growth. Insurance premiums are up 18 to 20 percent over 2011's. Evaluate deductibles, co-pays and other savings opportunities. Make the club a safe place to work and encourage healthy living for staff. Carefully monitor on-the-job injuries. Ask your insurance agent or broker for a safety audit to identify potential risk factors, and take action to mitigate risk in order to reduce insurance costs.

Evaluate business risk. Secure all books and records. If the club allows online payments through direct payments or credit cards, double-check that the online connectivity and information processing capabilities are secure. Make sure you've renewed all permits – water-taking and pesticide application permits, for example) and licenses (such as liquor and occupancy-related licenses).

Clear inventories at the end of the season. Convert golf equipment into cash through return privileges negotiated at the time of purchase. Sell down food and supplies to see that the walk-in freezers are clear during the off-season; winnow down beer and liquor inventories as the season comes to a close. The stacks of retail inventory, frozen food and drams are simply cash that will collect dust through the slow season. Drain fuel storage tanks at the end of the season.

Insurance premiums are up 18 to 20 percent over 2011's. Evaluate deductibles, co-pays and other savings opportunities.

Calculate the price of preventative maintenance. Know how much you're paying for anything that runs on a motor and your mechanical systems such as HVAC and walk-in refrigeration. Compare that cost to the price to react to a potential breakdown. Hoping to make it through the 2012 season without problems is like whistling through the graveyard. You could get lucky and avoid a major scare, but knowing that you're protected is more prudent – and it helps you sleep at night.

There is every sign that 2012 will challenge club leaders. The challenges may be different – more subtle and less urgent than we have seen in recent years – but they still will reveal those who are unprepared. Prior planning prevents poor performance. **GCI**