

Buddy, Can You Spare a Million?

E-commerce companies face financial challenges if they want to enter the golf market

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The dust has settled after a rush of e-commerce companies flocked to the golf industry over the last 18 months. Companies have come and gone, and superintendents wonder which companies will exist tomorrow. With the landscape changing almost daily, it's sometimes hard to follow what's going on. Here's an update:

Fewer new companies are coming online because the venture capital that had fueled the boom in e-commerce sites for the golf industry has dried up.

Several companies ran into financial difficulties last spring when venture capitalists pulled back on funding when the NASDAQ dropped. For now, it will be difficult to find funding for new projects.

"If you're not already in the market, you'll have a tough time getting in," says Mike Scott, CEO of golfsat.com. "You could have a great idea today, but it's going to stay just an idea until the money markets open back up."

Scott says that once lenders are willing to fund new e-commerce sites again, companies hoping to take advantage of the golf course maintenance market must show business plans that include profits in the first 12 months to 18 months. Still, the lack of new capital hasn't stopped plans for new companies, such as Professional Golf Commerce (*pgcgolf.com*), from entering the market. Professional Golf Commerce had plans in place before funding evaporated.

Older companies (which in green industry e-commerce means they've been around for a year) are forming new al-



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liances to boost their standing. E-greenbiz.com joined forces with growzone.com in an effort to become a stronger player on the business-to-business stage. As the market continues to constrict, look for more mergers.

Superintendents still haven't committed to buying online.

According to a recent *Golfdom* survey, superintendents are still ambivalent about e-commerce as a way of doing business. Forty-two percent still insist they won't do business online in the next 12 months. Jim Bailey, vice president of golfbusiness.com, a Web site created in conjunction with the National Golf Course Owners Association, says e-commerce companies hoping to sell to this market will have to be patient.

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"You have to take a realistic and conservative approach," Bailey says. "Superintendents have been doing things through salespeople for years. You're not going to change those patterns overnight."

Scott says he's skeptical about surveys concerning superintendents' participation in e-commerce because he believes such survey questions aren't always clear.

"Most superintendents think people are talking about buying equipment when they hear the word e-commerce," Scott says. "Of course, they're not going to make purchases like that over the Web. But they might be willing to buy chemicals or replacement parts for their machines online."

Greg Benton, superintendent at Grove Park Resort & GC in Asheville, N.C., says he buys replacement parts and items such as safety glasses online. But he says the uncertainty of what sites will be there for the long haul make him wary of buying bigger items online. He's unwilling to invest his course's money on larger purchases because of possible financial liability if the site goes out of business.

"From one month to the next, you don't know which e-commerce sites will be there," Benton says. "Eventually, more superintendents are going to buy online, but the companies are going to have to build reputations for stability first."

Companies will have to overcome the perception that they're driving local dealers out of business.

Brian Comiskey, superintendent at Pinecrest CC, in Huntley, Ill., says he believes e-commerce is the wave of the future — but he doesn't sound happy about it.

"There are some family-run businesses that my course has been buying from for years," Comiskey says. "I've always been loyal to the local vendors because they've been loyal to us. Still, their numbers are dwindling and there are more corporate-owned vendors. The old loyalties are breaking down."

Bailey says those loyalties are why companies that depend on 100 percent of their business coming from the Web will fail. He says companies will have to offer a number of options.

"You have to be able to sell over the Web while still al-



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lowing [superintendents] to order over the phone if they'd like," Bailey says. "You need to form alliances with the distributors that superintendents have known for years, at least for now."

Companies with strong business plans will survive.

Kirk Sanders, CEO of Professional Golf Commerce, believes companies with strong business plans will be around longer.

"To survive in this competitive market, you can't have a business plan that's changing at the drop of a hat," Sanders says. "If you have a flawed business model and you execute to the flawed plan, you're going to fail."

Tom Walker, superintendent at the Inverness Club in Toledo, Ohio, agrees. He says companies that have business plans that include ideas about how to create an online community for superintendents have the best chance for survival (Walker is on the advisory committee for golfsat.com.)

"You're going to have to make it easy to use, reliable and cost-effective, but you're also going to have to give superintendents a reason to keep coming back," Walker says. "You can do that through having a site where you can do research, post to a bulletin board and check the weather. I see e-commerce becoming an industry standard within five years." ■