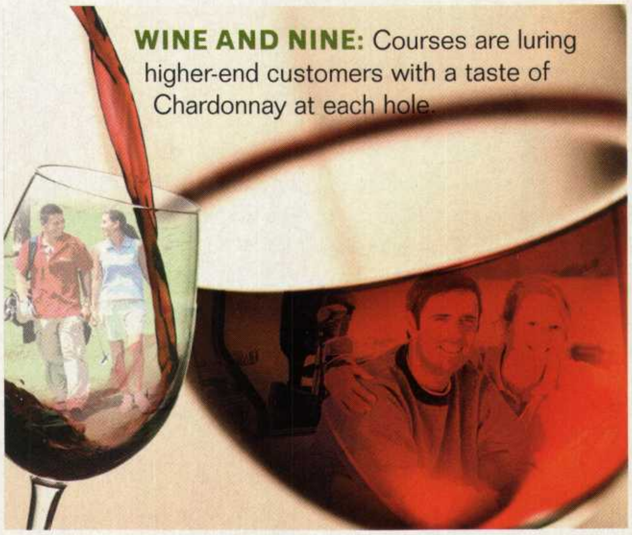
Business Record

Beyond the Green

Profile

Discouraging Discounting

There are other ways to battle overbuilt golf markets rather than just cutting prices, experts say BY ANTHONY PIOPPI, CONTRIBUTING EDITOR



WINE AND NINE: Courses are luring higher-end customers with a taste of Chardonnay at each hole.

For the past three years, certified golf course superintendent John Miller has been reaping the unwanted penalties of the overbuilt golf market in the Toledo, Ohio, area.

Competition increased with the addition of golf courses while the number of players stayed the same. The course with which Miller is employed, The Golf Club at Yankee Trace, lowered prices to remain competitive with other layouts in the area that did the same. The result for Yankee Trace was an increase in number of rounds at the 27-hole facility but a decrease in revenue. According to Miller, the average green fee three years ago — combining 18-hole rounds, nine-hole rounds, leagues and twilight rates — was $31. In 2005 it was $24.56. This season the top price for 18 holes will be $61.

"It's a golfer's market," Miller said. "Not too far back when the golf industry was touting the building of a course a day, this area of the country bought into the hype. We went a little overboard."

The lower revenues have forced cost cutting at courses and that means the reduction in maintenance budgets.

"We can't keep maintaining courses the way we have been with less money coming in," Miller said, adding that many of his contemporaries have lowered their hourly wage rates for seasonal help, resulting in a poorer quality of candidates who apply for the jobs.

Mike Tinkey, the deputy executive director of the National Golf Course Owners Association, calls discounting green fees a "death spiral."

He said once a course in a crowded market cuts prices, others follow and a cycle begins. "Owners start to see parking lots filling up, but that may not translate to the bottom line," Tinkey said.

He said that some areas of the country are reporting a glimmer of hope with play rising a small amount. Many of those courses have taken aggressive marketing approaches to bring in customers. "It's all about creating a compelling experience," Tinkey said.

For instance, to encourage beginners, children and shorter hitters to take up the game, some facilities create a short course that has tee markers in the fairways.

Tinkey also tells owners to take part in such national programs as the PGA of America's Free Lesson Month. He said one of the most popular events for facilities looking to attract the higher-end customer is called Wine and Nine. It combines a wine tasting with nine holes of golf. Tinkey said some places do the tasting before golf, some after and others even have a

Continued on page 47

DISCOURAGING DISCOUNTING

DON'T DISCOUNT: Judy Hutt says she has seen people trip over dollars to try and save a penny.

Continued from page 43

tasting on every tee.

The Web site, *www.playgolfamerica.com*, is a good tool for courses to find ways to promote themselves, according to Tinkey.

Judy Hutt is general manager of the family-owned and -run Shadow Valley Golf Course in Boise, Idaho. She has long been against discounting, arguing that it fails to foster loyalty in golfers.

"You have to make yourself special. Don't look at what everyone else is doing, look at what they aren't doing," she said.

Shadow Valley is not a destination course, Hutt said, noting that 90 percent of its players are regulars. A year ago Shadow Valley pulled all of its print advertisement and cut back on its phonebook advertising. Those ad dollars have since been used to provide golfers with free amenities such as coffee, cider, bottled water and divot repair tools in order to create a friendlier atmosphere.

Shadow Valley has also successfully courted the corporate outing market.

Hutt said the change in strategy for the 33-year-old course came after a building boom in which six courses were added to the Boise area since 2000, the same year Hutt was last a member of the National Golf Foundation (NGF). It was about that time the NGF was calling for the construction industry to build a course a day. Hutt said that attitude could have ended up putting her out of business. As it looks now, Shadow Valley, thanks to its special attention to its customers, will most likely survive. Others that have done nothing more than lower prices to attract golfers may not.

Hutt is baffled by the errors her competitors have made. "I've seen people trip over dollars trying to save a penny," she said.

Innovative methods to get and keep golfers aren't just the purview of the daily-fee courses. Private facilities are also finding ways to be successful in the competitive market.

At Rolling Hills Country Club in Newburgh, Ind., near Evansville, general manager Michael Bastin said the club has become proactive. "We're looking to create more opportunities by emphasizing the programs we have," Bastin said of the club that also has tennis, swimming and a restaurant for its 570 members.

One method is the recruitment of former members called the Old Buddy plan. They are allowed to rejoin without paying an initiation fee; an amnesty program, as Bastin termed it.

When he arrived 15 months ago the club did not have a legacy program; it does now. In an innovative foray, club members invited local real estate agents for a group lunch and tour of the facilities. In a follow-up, agents and prospective home buyers in the area were treated to complimentary lunch and given a tour. Members are encouraged to remain at the club through various enticements. On Kids Night, babysitters and entertainment for children are provided in one room while parents dine in peace in another.

"You have to change with the flow and go with the flow," Bastin said.

On the east coast of Florida, Weston Hills Country Club is doing its best to keep up membership. According to general manager Robert Holzman, the club isn't in competition with other courses but rather other outlets for disposable income such as a new swimming pool. "Our approach has been we are trying to provide entertainment for all members of the family," Holzman said. "Trying to sign daddy up for golf isn't enough."

The 36-hole Weston Hills has hosted the PGA Tour's Honda Classic and the LPGA's Chrysler Tournament of Champions. There are 750 golfing members and 1,400 total members, including tennis, executive (weekday golf privileges only) and social memberships.

To help new members with the financial burden, Weston Hills works with a company that lends money to those wishing to join a country club but can't come up with the entire initiation fee, in this case about $30,000. Those taking part must put down 25 percent of the total. Much like new car dealers, the club can buy down the points on the loan so the interest rate for the member can be zero percent.

"That's an expense we're willing to bear," Holzman said.

Another new way for clubs to protect themselves is to take out insurance against members leaving. Once a member is vested, the club would be reimbursed for the initiation fee if the member moved beyond a set distance from the club such as 100 miles.

"You've got to be more aware of everything you're doing," Holzman said. ■