Discount Golf

By David Brandenburg, Golf Course Manager, Rolling Meadows Golf Course

Editor's note: The Business of Golf is a new feature that we hope will occur on a regular basis. For a long time, golf has been driven by the enjoyment of the game for owners, members and daily fee players. As golf evolves and becomes driven by revenue and profits, we as course managers need to expand our horizons and our interest in the overall facility bottom line. I invite any WGCSA members or readers of The Grass Roots to contribute articles to The Business of Golf feature.

Empty fairways are common in today's golf market.

I am blessed and cursed to wear two hats at our facility as I am the superintendent and the general manager. Neither hat is getting easier to wear as daily fee golf becomes more competitive and profits are tough to find. With budget cuts and rising prices we are forced to do more with less as we try to offer great conditions on a daily basis to attract players to our courses.

I do not claim to be an expert in tee time yield management or the golf economy but I see first hand some key problems to the world of daily fee golf.

Time may be the biggest factor the golf industry faces today. An 18-hole round of golf without travel takes 4 to 5 hours to play and in today's rush rush world that kind of time is hard to find. For men, the days of leaving the kids and wife at home while we go play 18 holes on Saturday and Sunday are gone. We willingly spend more time at home doing family activities and chores.

The golf industry is not the only industry seeing cuts to budgets and staff. Every sector of industry and business needs to maximize profits so many golfers are also finding themselves spending more time at work. More time at work plus more time with the family equals little time for golf.

This time factor and the fact you can play 18 holes on an X-Box or Wii in your living room in less than an hour has reduced golf rounds every year since 2000. Most troubling is a statistic from the National Golf Foundation that shows the number of players who play 25 times or more a year fell by 1/3 between 2000 and 2005 (6.9 million to 4.6 million).

Many struggling operators were pleased in 2006 when more golf courses closed than opened. Unfortunately, there is still an abundance of places for golfers to play and there will be for some time. When you couple an overabundance of available tee times with less rounds being played, golf course owners and manager are in panic mode. I believe we are seeing the results of that panic and the domino effect it has on the overall golf economy.

Golf Discounting! Golf discounting is a lot like a national politician being asked if they will run for Vice President. No one says they want the job, but no one ever turns it down. Golf operators talk constantly about the evils of discounting and how it is ruining the industry, but most, if not all of them are doing it.

It is a great time to be a daily fee golfer, as discounts are found in the paper, magazines, call in radio shows and websites. The problem for the industry is golfers are being trained to only play when golf is on sale. Often the first question our golf shop staff receives when they answer the phone is, "what deals do you have"! At some golf courses spring discounts end in late June and I have seen fall discounts that start in August which should be the peak season. Discounts of 50% off are not hard to find even in June and July.

There is no way a course will increase rounds by 50% to make up for the loss in revenue. All courses have slow times and busy times, if you offer a discount during your slow time you are just shifting your peak time golfers to play at a different time.

Golf operators are focusing too much on golf rounds rather than looking at golf revenue. For the past few years overall rounds played have decreased and for the next few years we can expect rounds to continue to decrease because of overbuilding, the time factor and the economy. Green fee discounting compounds the problem because the industry is selling fewer rounds at a lower price. If a lower price would bring more rounds to the industry that would be an easy solution, but time and time again we see it does not.

For an example let's look at Bogeyville, a nice community with two similar golf courses called Course A and Club B. Overall golf rounds have been declining in Bogeyville as well as profit. Course A decides to reduce fees from $25 to $20 to attract more play. It sounds like a good idea but in reality that 20% discount means the club will need to increase rounds by 20% to break even. Course A sees an immediate increase in play of 17% as customers from Club B come over to play at a discount. Course A just lost another 3% of revenue because of the discount they offered not to mention the increased wear and tear on the golf course only attracted 17% more play, not enough to match the discount. However, short-term Course A is satisfied because they have more players and the bar is full of happy customers.

Club B sees their rounds reducing and their players heading over to Course A. With their backs against the wall Club B gets nervous and lowers their fees to match Course A. Within a few weeks things level out and Course A and Club B have their customers back. Now customers at Course A and Club B are saving $5 per round so they are overjoyed. Everyone wins right? No. Only the golfers win, and even that is short-term. Both clubs are losing 20% of their revenue while rounds have stayed the same because there are only so many golfers living in Bogeyville.

Why do the golfers only win short-term? They are getting a deal and saving money at all the courses right? What can be wrong with that? When a club sells less rounds or memberships at a lower price it reduces revenue. Less revenue leads to budget cuts, staff reductions and an overall reduction in course quality. The reduction in course quality leads to customer complaints and dissatisfaction. In reality the customer cannot have his cake and eat it too.

This short-term thinking is killing the long-term health of our industry. Golf is considered a non-elastic commodity. Because of the time factor, most players do not play more because it is on sale. They may change where they play because golf is on sale, but the majority of golfers play because they like the game and they have the time. Price drops do not give golfers more time, and most golfers do not consume more golf because it is on sale.

Not only have many courses dropped prices but they are using third party tee time marketers to bring new customers by selling selected tee times at discounts of up to 50%. The deal is sold to clubs as a way to get new customers in at a few select tee times so they keep coming back. In this relationship the golfer wins by saving up to 50% on golf fees, the third party tee time provider wins and makes a living selling someone else's product. However the golf clubs are double losers because they receive little to no revenue from these "free" tee times. And you know what? There is no proof the customers come back at full price.

There is no such thing as free tee times. If a golfer can play your course for 50% off at 2:07 on Tuesday why would they ever pay full price at 2:00 or even noon? Why would they ever pay full price again? The discount seekers will just go to the next course until your fees are on sale again and the cycle continues.

Right now many daily fee courses are hanging on and planning for better times, while hoping their neighboring course folds before they do. That is not a sign of a healthy industry.

What is the solution to this growing problem, and is it too late for the golf industry to stand up and say "this is what golf costs"? No one knows the answer to that question. Times are tough, people are busy and in result there is going to be fewer rounds played for the near term. Operators need to decide what type of course they want to operate and stick with it. Resorts and destination courses are run different than local courses. High end conditioned clubs are operated differently than low end.

Regardless of your course type and customer base, operators need to set prices based on the customer you hope to attract. If you want high end customers, offer a high end product and charge a high end price. If you want a low end customer offer a low end product and charge a low price. Most of us are in the middle, trying to offer an above average course on an ever decreasing budget and it seems like we are just treading water hoping not to sink.

Collusion among owners and operators is never going to happen, and is illegal. However a general agreement to hold prices at a fair level to allow the operator to pay the bills will keep clubs profitable and open for golf. In that scenario, everyone wins! Pricing should reflect the clubs overall strategy in customer attraction and retention. Offer a price that matches your level of course and the customers that are looking for that product will choose you for their golfing needs.