

Third Party Tee Time Brokers: Bandits or Allies? - 10 Lessons learned that will guide your success

Dear Golf Course Operator, Owner or PGA Professional,

Are you tired of discounting? Frazzled from lower revenue in a market that is oversupplied? Have you lost control of your operation? Have you run out of expense to cut? Most of us have been there. Because of the importance of the subject matter to the golf industry and the success of all golf course owners, this case study of what has been discovered might be of value to you. I am an owner operator of a series of daily fee golf facilities, a former Section Executive Director of the PGA of America and a 25-year veteran in the golf industry. I am college educated with a marketing background and have overseen as many as 800 employees and 20+ golf courses through both turn key management and consulting. The longer we watched the third party tee time controversy, the more amazing it became. Third Party tee time providers have been vilified in the industry and those using them successfully struggle to completely understand why. These providers have a product and distribution that would be difficult for a stand-alone golf facility to amass. The allied associations have weighed in on the issue, but have yet to produce a viable alternative, yet the debate goes on. Our issue was we did not have time to engage in the debate, we had to find a way to raise our revenue. We could NOT sustain another year of cutting the expense budget in order to improve our bottom line.

For the last several years we have listened to the market and studied a great deal of information. It never has ceased to amaze our team how many people have weighed in on the subject with either little practical experience as an operator or a complete lack of understanding about how this all actually works. There was skepticism here when the entire trade model was introduced and we wondered how long it would take for the players in our markets to be willing to book online. It must be said that we were incredibly surprised at how short that window would be. Buyer behavior and its relationship to pricing have long been studied and there is a plethora of information for anyone willing to look. The only scenario we have found where these third party provider opportunities are unfavorable to a golf facility is when a property signs up and then does absolutely nothing with the tools provided. In this scenario, a case can be made that the only one benefitting is the third party provider. Ask yourself the question, could the same be said if you purchased an Apple Computer and never turned it on or bought a car yet did not learn to drive. Our industry must be willing to learn new things that often may challenge our assumed constraints. The question was once asked to a senior manager in reference to this subject, "Are you asking me to forget 50% of what I have learned in my career?" His response to me was, "only if it allows us to get better, produce more players and become more profitable". As difficult as it was and the more they convinced me, the better we became. We continue to improve everyday and are producing more play, more revenue and are ultimately becoming more profitable in down trending markets.

The most important thing learned through the process is that the data does not lie. You must maintain contact with what is really happening at your facility opposed to what you think is happening. What does this really mean? What this means is, one will often times draw conclusions on what you see, based on your experience or what you have seen before and to be brutally frank, what one believes is happening. What may be unveiled is much of this is actually wrong. When we actually put the results on paper and analyzed the data, it told a different story. The other key methodology is that you must utilize the proper metrics and might need outside assistance to do so. Example: For years we tracked our average rate per player and if it went up we were happy and if it went down we looked for someone or something to blame. The weather and the Golf Professional were two of the most common scapegoats used. The problem with average rate per player is that it in no way takes into account utilization. Would you rather have 50 players at \$50 or 75 players at \$40? If you picked the latter, you just produced 20% more revenue in green fees and carts alone. Utilization is a significant priority in the world of perishable inventory and we now use a metric referred to as Revenue Per Available Tee Time (rev-patt). Our experience was not only did our volume go up, but concentrating on rev-patt versus average rate, actually has resulted in our average rate going up as well. Be prepared for your rev-patt number to be lower than your average rate, because you are taking into account every salable time each and every day.

What is all this talk about Dynamic Pricing? Dynamic pricing is defined as a pricing structure that is constantly changing. Wow, do you mean everyday could be a different price? Yes that is the exact message and it is not that hard to understand why. Is golf at your property worth the same on a rainy Tuesday morning as it is on a bluebird Friday afternoon or even a rainy Saturday June morning versus a perfectly sunny one? Of course it's not and it is clearly reflected in your tee

sheet utilization. You can indeed drive play by matching the price to the utilization. This also means at times of high utilization you can indeed charge more. There are no longer rack rates on our web sites or behind the counter. There are quotable rates, which are provided over the phone, but another focus is to always inform every customer, “our best rates will always be found on our website”. We also have defined that our staff is not best prepared to neither monitor nor price our golf on a day-to-day basis. This was a lesson learned the hard way. Other priorities in the course of a day pulled the staff in other directions and the inventory on our tee sheet at our daily fee properties had to be ownership’s number one priority, while servicing our patrons had to be the staff’s number one priority. The success of this model was so significant, that we helped create, Dynamic Revenue Services to service our facilities and others throughout the industry. The entity is operated by a PGA Golf Professional and employs several ex Golf Now employees to provide this service. The cost is pennies compared to what they are producing. The DRS team has three different payment models to chose from and provide seasonal rates as well. Another lesson learned was that the human factor, rather than just utilization triggers provides both higher yields and better golf shop employee satisfaction. An aside, a meeting with the Vice President of Ticketing for the St. Louis Cardinals opened my eyes. He explained that he too was a skeptic, but I its first year they sold 200,000 less tickets and produced \$800,000 more dollars utilizing Dynamic Pricing he was convinced. This year more sales and higher yields produced record results for the Cardinals. This mid market consistently outperforms much larger markets in ticket sales.

The thought of modifying price on an ongoing basis is one of the most difficult hurdles for most operators. The long-standing tradition of setting price at the beginning of the season has become almost a ceremonial event. Price is often defined by the assertion that our facility is better than the one down, not as good as the other one down the other street so our price should be x. The truth is, a round of golf at your facility is worth exactly what someone is willing to pay for it and that may change based on weather, time of day, time of year, other events in town, course condition and many other factors. We hear the words pricing integrity thrown around like a law that all sellers are entitled to for some reason. There are times a consumer will pay less and other times they will pay a premium. This isn’t dependent on the integrity of your pricing but on supply and demand, period. Think about Southwest Airlines and the cost of a flight. When you book a flight you never feel like you got a discounted flight, you paid less because you were willing to fly at a certain time, make a stop or guarantee a non-refundable fare. If you leave the day before Christmas the flight will cost more than if you fly Christmas morning. Southwest Airlines, like the St. Louis Cardinals are examples of business utilizing dynamic pricing and are two of the most successful brands in their respective businesses today. You will never hear that the lack of pricing integrity has hurt their brand, what you will hear is Southwest Airlines is the most profitable airline and the Cardinals are one of the top three in attendance annually even though they are not in one of the top ten cities by population.

The one thing that overwhelmed our team in the process was how fast our customer base took to the idea and how few complaints were received about the new structure. In our first year, we booked over 100,000 online rounds that were dynamically priced. The concept was explained at the counter, flyers were on the carts and in the restrooms, on table tents in the food and beverage area and explained through e-mails and by cart staff. The complaints concerning our dynamic pricing strategy that came through our office could be counted on one hand. What this said was that the idea of price modification in the market today, especially the sports market is highly accepted.

Another valuable lesson is, “don’t put all of your eggs in one basket”. We utilize two different third party providers for our online booking engines. We utilize the GolfNow service on their web site and provide them with one time a day. The distribution provided by this company is unparalleled and we need those eyeballs on our tee sheet everyday. The second provider utilized is the Dynamic Revenue Services/Konvert engine on our own web sites. The diversity of these two products is allowing us to maximize our opportunities and when there are technology issues on one we still have the other. Today we are booking as much as 60% of all of our golf through our own websites. This did not happen overnight, but constant attention to growing our own database and educating our customers has produced these results in less than two years.

This is a mere sampling of what we are doing. The concept feeds on itself and we have team members in every department contributing new and innovative ideas. It has rapidly become part of the culture of our business. We are in a constant state of learning and have figured out that as a company we must be willing to change and adapt to new ideas and technology. As an industry we should not be so fearful of third party tee sheet providers, but should fear our industry’s fear of change or inability to move with the speed necessary to aid many struggling golf courses. We need to have a way to better educate those who have a single golf course and may not have the resources to learn or even the information necessary to succeed. Remember, Steve Jobs went from being kicked out of his own company, to being known as a technology pioneer by changing the way we listen to music and communicate every day. Get out of your box and be one of the leaders in your market. You will not only improve your business, but you just might have an impact on the industry in you market.

Sincerely,

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PS. Call me or contact me by email if you are interested in how this worked for us. I enjoy telling the story and helping others. When it really started to work for us I could not believe it was so obvious and simple. Like me, don't get caught in that cycle of repeating the same routine year after year that is so common in our industry.