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Thoughts from the beach

What technology start-ups can teach golf courses about growth and problem solving

By Damon Devito

It was nice to decompress in Puerto Rico last week with my family, but as I sat on the beach I reflected on the trends that plague golf. Pellucid readers know the data – since 2008 costs escalate annually 3-4%, rounds are flat to off 2% per year, supply is essentially fixed so golf revenue declines faster than unit volume on an inflation adjusted basis, because price cutting is the favorite tool of the desperate. The parts of the population that are growing don't golf, and the segments that golf are shrinking (relatively). Courses rarely close, and most that do re-open with lower prices. Clever people are trying new things, but the needle isn't moving.

Those thoughts weren't relaxing so I went back to reading Peter Thiel's excellent book Zero to One about the Paypal Founder's playbook for start-up success. I realized that what I had just done to preserve my vacation sanctuary is what most of the industry regularly does to maintain its sanity. Even large golf course operations are small businesses so we get busy with operations. We try harder and tread water or eke out small gains. In some cases we work harder and lose ground. We hope the trends reverse. Otherwise, we risk becoming the proverbial frog in a beaker.

Lately I've been advising start-up technology companies at the incubator of the University of Virginia's Darden School of Business. It's energizing and eye opening. I am learning at least as much as I am imparting. The environment manufactures optimism. There is a sense that anything is possible. The most authentic companies are on a quest to solve problems or improve lives, and of course make money. Rapid growth is the measure of success.

Over the week I found myself considering what aspects of start-up success we might borrow to boost golf course returns. Here are some of my initial thoughts and I welcome yours:

Mission – Because technology moves fast, ideas need to be proven without delay. That requires money. Funding can be obtained in a one hour meeting when the conditions are right. Venture capital and the surrounding ecosystem have evolved. Clear standards have replaced mystery. VCs, and even lawyers, publish free tools to reduce guesswork. However, nothing gets funded that cannot convey vision and address key questions with data. If you've seen Shark Tank, imagine Mark Cuban asking what makes your golf course different. If you say "tradition" he scowls, replies "wrong answer" and you leave empty handed. What customer are we serving? "Golfers" feels too general. What makes our facility unique to that customer? "Good service and conditions" seems too general and common. Targeting niche customer segments with unique differentiators creates subsets of supply and demand and less price pressure.

Growth – VC's take risks rewarded by rapid growth and exit. If both aren't likely they don't invest. Consequently, founders strive to create companies that can meet those growth expectations. Growing fast in golf is impossible though, right? Like running the four minute mile until Roger Bannister did it in 1954. Two months later someone else did it. Then it became commonplace. Expectations about growth enable growth, and necessity to grow provides the determination to figure out how to grow. It might be golf rounds or it might be other revenue. VC's don't care where cash flow comes from and neither does your golf course's owner.

Driverless Cars – Google and others are investing considerably to create driverless cars. Whether or not you think it will become reality, it is hard not to be inspired by the bold vision - what could have seemed less likely a few years ago. Technologists look at things wondering if there is a better way and I recently found myself wondering the same about our operations. In three separate conversations with start-up investors recently, I explained golf course industry dynamics and each replied: "There must be an opportunity there somewhere." I'm finding myself challenging assumptions about what is possible at golf courses.

Customer Metrics – Every founder pitching an idea will have metrics in the presentation that include Customer Acquisition Cost (CAC), Churn and Lifetime Customer Value (LCV). Compare CAC and LCV to overhead costs and assess your business in minutes. If you need help figuring these out, email dd@affinitymanagement.com.

Love - Do you fear providing great service and then one bad apple leaves a negative online review? Start ups generate many reviews, knowing the good ones will prevail. Facilitate public displays of affection from your customers.

Friction – Technology start-ups covet scalability. Coders are suspicious of sales professionals, so they want the customer to adopt the product and spread the word. They constantly eliminate friction for customers. Working with start-ups has opened my eyes to the data we request that we don't use and hoops that we put customers through for well intended reasons. Why do most daily fee courses churn such a high percentage of their golfers? Why is 15% a good percentage of rounds booked online…why can't it be 100%?

Pivot – Start-ups only have 6-18 months of working capital and lose money in their early days. Frogs in beakers get boiled in shorter periods of time so the frogs are more sensitive to warming water and jump out faster. When something isn't working they pivot rather than simply trying harder.

Golf courses are up against real challenges. Drawing from the playbook of the most solution-minded and optimistic sector of American business has reenergized me to seek ways to turbocharge our operations. Here's hoping it inspires you. ■

Damon DeVito is the Managing Director of Affinity Management, which has advised golf courses in 26 states and outside the US since 1997 and a Board Member of the NGCOA Mid-Atlantic.