



Dynamic Pricing to Benefit the Golfer and the Industry

Given the lack of expansion of the golf industry in recent years and supply that exceeds demand, golf courses must adopt a more strategic approach to increase rounds and revenue performance. Year over year growth will not occur naturally. For golf courses to be successful in this day and age, market share must be increased.

Pricing is one key marketing function that must be optimized if share among competitive sets is to improve. As online tee time reservations continue to increase coinciding with the growth of intermediary tee time providers such as GolfNow, price competition is at an industry high and optimization in the channel is imperative. The consumer has the ability to compare rates and discount percentages for all courses in a given market at once, a much different circumstance from the days of having to call around for rates or go to multiple course websites individually.

Gaining Market Share of Online Rounds while Preserving Course Value

The task at hand is clear. How do we use online channels to drive revenue and improve market share without devaluing our golf courses?

Driving online performance:

Let's first start with optimization of online performance. We believe fully in the practice of dynamic pricing of online inventory to consistently match price according to demand for the purposes of maximizing revenue. Golf course demand on any given day and tee time changes with such factors as competition, local events, weather, and pent-up demand. A successful dynamic pricing approach must account for these factors.

While driving rate during high demand times is a natural by-product of adjustable pricing, so is rate reduction during lower utilized times of the day to stimulate demand and increase revenue performance. Intermediary online channels provide a mechanism to appeal to a segment of consumers interested in playing at reduced rates, and the relationship becomes symbiotic between the golf course and the golfer.

...continued

Preserving Course Value:

But discounting due to dynamic pricing in an effort to drive rounds is extremely dangerous. Market expectations of discounts can be set, making it increasingly difficult to get reservations at the higher rates the course prefers. Additionally, discount expectations prevent advanced bookings that help to put the course in a position of pricing power in the days leading up to the day of interest. Being forced to fill tee sheets one day out will have limited effectiveness, and revenue will suffer.

Our overall pricing strategy is as much about preserving course value as it is about variable pricing strategies to drive revenue. If overall value is not maintained, variable pricing will do more harm than good.

This is accomplished using three main strategies:

Rate floors are set at all hours. Often significant price reductions are required to drive rounds during low demand times, particularly on weekdays. Across some courses and day parts, rates have to be discounted drastically in order to achieve the volume desired. This temptation is resisted by setting a maximum discount for adjusted rates across all hours. While this may inhibit round counts on a given day, this communicates to the customer our value perception of the underutilized day part without rate degrading the adjacent higher demand day parts. Both contribute to the health of long-term revenue performance.

Standard rates are chosen so that rate increases and decreases can occur equally. Optimized standard rates are critical to encouraging advanced bookings, and they must be in line with customer perception of the value of a round. If the standard rate for a given day part is consistently being discounted to sell, this is a strong indication it is priced too high. Ideally, the standard rates get raised and reduced an equal number of times to match demand. While exceptions to this will always exist, ensuring the average round price is close to the standard rate is one way to evaluate the soundness of standard rates. One benefit of dynamic pricing is that it provides a strong indication of what optimal standard rates should be.

Price differentiation using segmented email marketing. This is the single most critical component of preserving rate while driving revenue. Providing golf offers to a segmented group of customers allows for course utilization increases without exposing low rates to the entire public. In fact, the golf offer is viewed as a pricing channel that is very similar to online, call, or walkup channels. The only differences are that price points given by the offers are not available to everybody, and golf offer pricing strategy can be executed without competitive awareness.

Golf offer capability must be built into any variable pricing methodology. This requires isolating day parts of need, selecting optimal offer price points per day part, and choosing customer segmentations to maximize email effectiveness. Ultimately, the result is a highly segmented golf offer communicated to the right audience at the most opportune time.

...continued

Industry Level Help Coming

Recently major strides have been taken within the industry to protect courses against rate degradation due to the growing influence of intermediary channels. The National Golf Course Owners Association recently adopted guidelines for online distribution of tee time reservations.

While the bylaw is comprehensive across multiple topics, one key component is that the golf course owner is to set the maximum allowable discounts of barter times the online agent can sell. Using a commission-based model with intermediary tee time providers, the commission is often paid in the form of barter times the tee time provider sells at reduced rates.

As rounds booked through online intermediaries continue to increase, the quantity of barter times must increase as well. An increase of these times that comprise a course's overall online inventory can make selling rounds at regular rates more difficult. The ability for the course owner to set a barter price floor is a critical step in maintaining value in online rates.

Proper Yield Management Will Benefit Golfer and Golf Industry

As online reservations throughout the golf industry increase, more focus on yield management strategies is critical. Our approaches are extendable to any daily fee golf course and have proven successful across a broad range of course types. This allows the entire portfolio to be positively affected. Through the inclusion of segmented golf offer capability into variable pricing strategy, course utilization and revenue can be driven without devaluing rate structures.

Dynamic pricing methodologies allowing for strategically timed affordable rates will get more golfers enjoying the game more frequently. Sound approaches that ensure course value is maintained in the process will also help the industry.

