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May 23, 2020 **Getting back to work after COVID-19: what to do about excess capacity under the “new normal”**

Investopedia defines **excess capacity** as: “a condition that occurs when demand for a product is less than the amount of product that a business could potentially supply to the market...This inefficiency indicates that the venue can accommodate more guests, but that the demand for that restaurant is not equal to its capacity. “

<https://www.investopedia.com/terms/e/excesscapacity.asp>

As we emerge from COVID-19 crisis, one thing is certain, excess capacity concerns have reached into the very heart and soul of millions of businesses around the world.

China which has spent hundreds of billions creating robotic factories to supply 80% of autos worldwide is facing unprecedented excess capacity concerns. Oil producers have, for the first time in history, paid investors to take their oil, having nowhere to store the excess capacity. The forecasts for air travel and cruise ship travel are the lowest they have been in decades.

Certainly golf is among the hardest hit industries as well. Zero revenue for courses in some markets for two solid months and counting... Expenses to maintain golf courses go on, mortgages go on, employee wages go on...equipment leases go on, whether anyone is playing there or eating there or drinking there or not.

Certain parts of the country, such as Florida and South Carolina were already reeling in recent years from an excess supply of courses relative to demand in those market areas.

Thousands of golf courses in recent years have leveraged services such as Golf Now and Group Golfer to attract new customers to their facilities in an effort to allocate the fixed cost expenses of operating a golf course across a broader stream of revenue, albeit, some at heavily discounted and/or marginalized rates.

Part of the problem is of course that these services such as Golf Now and Group Golfer take a non-trivial portion of the revenue for themselves, thereby lowering even further the actual revenue received by the course from the already heavily discounted rate to a “mere pittance.”

The thought of course behind these services has always been that even if these heavily reduced green fees are marginally profitable, those reduced green “*free*” revenues (emphasis added) obtained through these services are additional incremental revenue obtained through a different channel that does help cover fixed costs, and the hope has always been that the customer who was attracted there by the discounted green fees spends more money during their visit in the pro shop, the restaurant, the range, the bar.

Theme parks like Disneyland and Six Flags have made the same calculated bet for years, getting customers through their doors by offering substantially reduced to near-free ticket prices, knowing that after arriving they are going to be spending several hours there, to have the exclusive opportunity to sell outrageously priced souvenirs, food, drinks, and other tasty treats from restaurants, food stands, and gift shops throughout the property while they are there.

Under the “new normal,” Disney has already seen the handwriting on the wall...Social distancing, reduced capacity in restaurants there as well as the park itself, reduced potential food, drink, snack items to sell, (not all can be sold in the “new normal”) to a dramatically reduced visitor population, who are themselves practicing social distancing....while standing in ride lines...imagine how long these lines could be for popular rides like Indiana Jones....

<https://www.cnbc.com/2020/05/13/disney-could-take-a-1-billion-hit-each-month-that-parks-remain-closed.html>

To make matters worse, no one is expecting a rapid return of tourism by air travel. Businesses that are heavily reliant on foreign tourism are expecting extended downturns of revenue. No one is expecting a rapid return to restaurants or bars either, so we have to be realistic in our expectations.

As the rapid spread of the disease has demonstrated, “no touch” policies and business practices are here to stay. Some golf courses have already gone to the equivalent of a no touch “honor system” box where people either put the money in a box when they arrive (hopefully wearing gloves) or require that customers pay in advance of arriving at the course, thus eliminating need for staff and the need for handling money in a pro shop, range, or restaurant. A course marshal or starter or attendant can simply verify they have their printed receipt.

But if expectations are low for dining, and bar, and pro shop, and driving range, AND green fees are more heavily discounted to attract more players to the property, then it becomes even MORE CRITICAL for golf courses to NOT give up a substantial piece of that revenue to another business who is bringing new customers. Online tools that enable golf courses to 1) offer and book their own online tee times, 2) offer their own customized promotions, and 3) attract additional players without spending substantial revenue are **ESSENTIAL** for golf courses to retain the revenue for themselves.

Every course should have its own web page enabling players to find and book tee times. Course website webpages where customers book their tee times AND the course is not giving up revenue are obviously preferable to external site pages that keep a portion of that revenue. Of course, if other businesses want to provide links to such pages to course pages for free or near-free prices then those can and SHOULD be used by golf courses as a means to drive additional customers to the business as well.

Examples of those websites providing visibility for free or near free are of course, Facebook and YouTube. Google provides that visibility but they also charge for ad words campaigns for high placement in their paid search results.

The golftraxx zip code targeted ad campaign feature enables golf courses to enhance their online presence and is FREE for a single zip code, and includes a link to the courses website where customers/prospects can book tee times, take advantage of current promotions, as well as view hole-by-hole flyovers for the course, view the actual course scorecard, and obtain the correct phone number and receive driving directions from their phone while driving to reach the course, AND now under

development a link to place a food/beverage order. Golf courses can create and manage their own booking and promotion web pages. The link should be displayed prominently for customers at the course and added to external sites that offer.

<https://golfraxx.com/advertising.htm>

To assist golf courses worldwide, GolfTraxx is now offering the first zip code campaign for FREE, and to assist all golf courses in their COVID-19 recovery, GolfTraxx has just reduced the price on 5 zip code campaigns to just \$39.95/year. This means that just ONE additional tee time booked in the entire upcoming year will make the \$39.95 investment pay for itself. If after a year you tell us that it did not pay for itself, we're offering a 100% money back guarantee. You just need to show us that you kept the booking page active and made it known to your customers as the guaranteed page to receive the lowest green fees.

Of courses, courses can have 100% control and taylor-fit promotions on their booking own page that in a way that fits their circumstances and individual needs the best. Promotions that “fit well” with excess capacity (and offer a higher propensity for on-premise consumption of food, snacks, beverages by those customers) include unlimited golf, range balls, cart, drink tickets, perhaps even an at-the-turn snack, sandwich, or sack lunch. Why? Because the players will be at the facility for longer periods of time.

Printed QR codes can be used to identify purchasers when they arrive and keep automated track of who has and has not received the items for each promotion, simply by scanning the code on the printed receipt or their own QR code.

Many courses are already adopting a “no touch” strategy and still providing many services. A range card can be inserted directly from the players wallet into the machine eliminating need to handle tokens. Some are utilizing golf carts (in ample supply) as mini-Door Dash vehicles, but for there on the course, such that whatever has been ordered by a player and was prepaid, and can be delivered right to the players group and dropped off. A single “ordering” phone number and/or food and beverage “ordering” webpage, and/or order desk, and/or app, all of which are managed by the course. Courses enclosed by housing developments have started making “delivery” available for residents as well.

The example promotion below from Group Golfer for Coral Mountain Golf Club in southern California's Coachella Valley offers unlimited range balls, and 18 in a cart of just \$45. But since the promotion is through Group Golfer, the course isn't receiving the full \$45. That's a great deal for players. If the course keeps all the revenue thats a great deal for the course as well.

https://www.groupgolfer.com/deals.php?id=1014739&utm_source=alert&utm_medium=email&utm_campaign=coral-mountain-ca-1014739&utm_content=baseline

The notion is simple. 100% of the revenue goes to the course. The course and no one else is in full control of the promotion, and the course can change it as it deems fit.

Make the “new normal” at your course tailored promotions from your own website offering exactly what you want to offer to best reduce excess capacity at your facility and facilitate no touch policies.

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