# The First Tee

Message From The Publisher • Jeff Calderwood

The majority of Canadian golf courses have not yet taken full advantage of yield management pricing to maximize their bottom line, but they will in the future. I would want to be leading, not following this trend. It can be the difference between success and failure.

This issue of Golf Business Canada focuses on the emerging strategy of yield management, with our feature story by Don Holmstrom. I have known Don for many years and his expertise in this field is highly credible, so I encourage you to give full consideration to his advice and how to scale it appropriately for the scope of your golf operation. Yield management is the practice of dynamic pricing for your greens fee rates, so you charge various rates for various circumstances. It has proven successful in

## YOU DO THE MATH

other industries and has been gaining momentum in golf, partly out of necessity, and partly due to the technology solutions that are now available to support this strategy.

The airline industry was the first to realize the advantages of yield management, over 20 years ago. The price of flights became structured to match whatever the variable demand dictated at any given point in time. In such a competitive industry, those who effectively implemented this dynamic pricing gained the distinct advantage of being able to better align rates with various customers' perceived value. American Airlines, for example, put some others out of business by excelling at this strategy before the competition caught on. The CEO of People Express directly attributed his airline's failure to the competitive advantage of American Airlines' successful yield management.

Other industries that sell services based upon limited space and time soon followed, including hotels, car rentals, vacation packages, the advertising industry, and some pro sports events. Hotels are probably the most relevant analogy to our industry, and their sophisticated yield management pricing has now become the standard practice. Golf is next.

At the end of the day, your average rate per round should become higher through this strategy. That does not necessarily mean you are avoiding discounting as much, and it may actually include higher rates for certain tee times or for some marketing channels. In addition, your average utilization of available tee time inventory should increase which, in turn, ought to drive further incremental revenues though F&B, retail, golf car, and range sales.

You will notice that Holmstrom quotes Harvard and Cornell statistical proof that effective yield management generates 7% higher overall revenues. You can do your own math to factor in the impact on your operation, but the net impact on your business is substantial, as most of that incremental revenue will drop to your bottom line.

Hopefully this feature story will help you generate additional success next golf season. To further build upon that strategic momentum, I highly recommend that you attend the upcoming Golf Business Canada Conference & Trade Show, November 21-23, in beautiful Victoria, BC. The Conference features many speakers, including Holmstrom, with topics that focus on all aspects of your operation. Please visit www.ngcoa.ca/conference for more information.

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