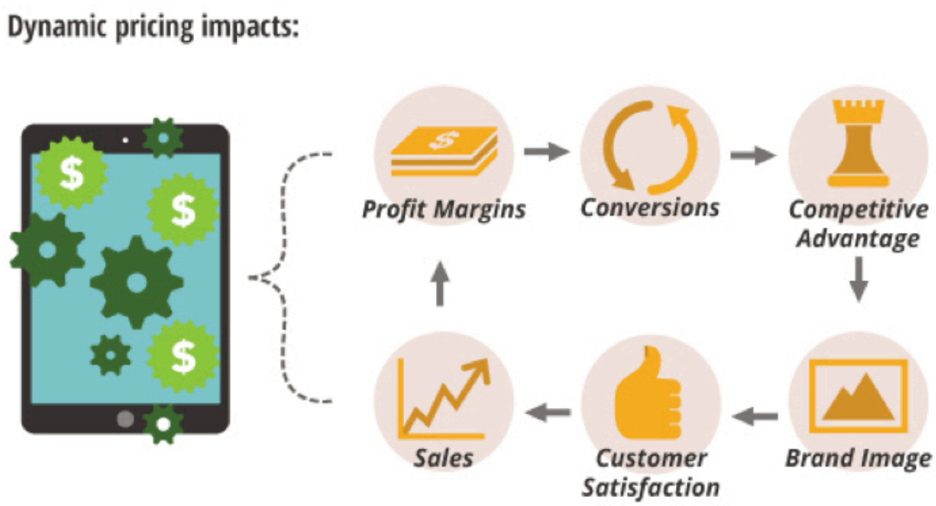
IF IT'S GOOD ENOUGH FOR AIRLINES AND HOTELS…

THE CASE FOR DYNAMIC PRICING IN GOLF INSTRUCTION

By ***David Gould****, Staff Editor*



Golf instruction has shown signs of moving toward a new service concept that features an altered delivery model. Instead of "trading time for dollars," the golf coach will charge students a menu of fees to help them achieve pre-set goals for performance improvement.

The names we most associate with this dramatic shift are Henry Brunton, Dr. Rick Jensen and Will Robins. When California-based Robins spoke to fellow Proponent members during our 2017 PGA Show presentations, he offered further nuanced guidance on how to transition to the "coaching model," one in which you are creating and selling improvement programs that require considerable practice time on the student's part even as the programs guarantee lower scores.

No organization supports this shift toward the coaching model more than Proponent Group. That said, it's hard to imagine the disappearance, anytime soon, of traditional lesson books filled with golfers' names plugged into date/time blocks.

Given that reality, can teaching professionals do the unthinkable and price their services "dynamically," the way most all other sellers of so-called perishable products—hotel nights, hockey tickets, airplane seats, etc.—set prices? It's a subject that bears serious investigation, given how rarely the golf instructor comes upon an operational change that costs almost nothing to institute, requires no further work and could potentially boost revenue by five or 10 percent annually.

"The average annual revenue produced by a Proponent member is $133,000," observes company president Lorin Anderson. "I stare at that number wondering if members could switch to time-based pricing and instantly turn it into another $5,000-$10,000 for working about the same number of hours." In Lorin's view, Proponent members could ease into this pricing practice by testing it selectively and by comparing notes with each other for optimal feedback in an efficient manner. "What it comes down to," he says, "is a supply-demand dynamic that our members haven't been able to leverage, despite the fact that their services are considerably more in-demand than the competition."

Dynamic pricing, a.k.a. surge pricing or time-based pricing, is a profitability miracle for airlines and hotels but is still resisted by the golf industry. That's not for no good reason. Air travel and hotel stays are necessities in many instances, while rounds of golf are always discretionary—thus price-sensitivity is naturally higher. It's pretty much that way with instruction, as well.

Morton Golf, the renowned Sacramento management company that oversees the Haggin Oaks, Bing Maloney and Bartley Cavanaugh golf complexes, has made a move to fully-dynamic tee-time pricing, trumpeting the consumer benefits of this approach at every turn. The company is right now looking to institute dynamic pricing of buckets of balls at the Haggin Oaks driving range, a cash-producing juggernaut that stays open 24/7. Mike Woods, director of golf for all Morton Golf operations, was asked about dynamic pricing of instruction and replied that it was next in line for consideration.

"It makes all the sense in the world, just as much sense as pricing tee times dynamically," says Woods. "There are people who want that premium time on the lesson tee, regardless of cost, and there are people who not only feel a need to price-compare and bargain-hunt, they actually enjoy it—dynamic pricing serves both those customers in pretty much an ideal way."

One tricky problem with making a switch from static to dynamic is knowing for sure if it boosted your total revenues, and particularly by how much. "Committed as we are to dynamic pricing, we find it difficult to measure with precision how well it's paying off," says Woods. "You can't do both forms

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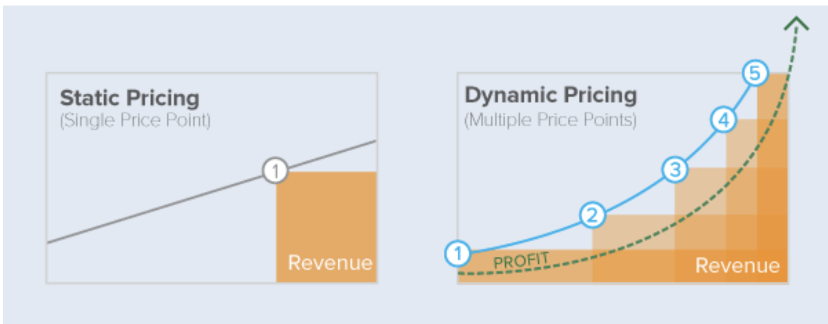
of pricing at once and compare apples to apples."

As Proponent Group seeks to explore new pricing models on behalf of its members, the company has begun a conversation with Chris Hendrick, a PGA professional who years ago did a career pivot out of the golf shop to launch Summit Golf Services, known for its sharp work in data-driven revenue-management services. Hendrick is on retainer with the Myrtle Beach Golf Course Owners Association (MBGCOA), which taps his skills in the area of rounds-and-revenue tracking, capturing and analysis.

Having lived the life of a PGA pro, Hendrick understands how interested a teacher might be in breaking through the revenue limitations built into the structure of a work week, i.e., the busy periods and the quiet periods. An individual instructor may have more pricing power than an individual course, in his view, because the teacher-student interaction is so personal and non-generic. "Any individual instructor could try time-based pricing on their own," says Hendrick, contrasting coaches with golf courses, which are best off banding together to dynamic-price.



If this pricing model were to work for a teaching pro, how would that happen? "You may be talking about the rich guys in effect subsidizing the more bargain-conscious lesson-taker," says Hendrick. Picture 10 students paying $40 over rack rate for peak-time lessons, and 10 students paying $15 under rack for slow-period lessons. The net is $250 extra for the instructor, that week. Wouldn't the peak-time people feel gouged? That question is probably the go/no-go of the entire notion.

But imagine this: All of the golfers you've worked with over the past two years suddenly vanish, and just as suddenly they are replaced by an equal number of new students, representing the same demographics, income levels and playing experience as your old clientele. Wouldn't you feel pretty comfortable presenting this new crop with a digital lesson book—using USchedule or some similar platform—that was pre-coded to price the time blocks dynamically, the way hotels price room-nights and Uber prices rideshares?

Psychologically, the appeal of the below-rack times in the off hours has to be signficant. Consider Steve Student, who has taken lessons from you in the past, usually scheduling times on Friday afternoon or Saturday morning and paying your standard rate of $100 an hour. Steve calls asking to work with you again and inquires about available slots in his customary prime-time periods. You tell him there are indeed some Friday p.m. slots, but the price for these is $120. Meanwhile for $90 an hour—less than the rate he's paid in the past—he could work with you on Wednesdays, any time up until 4 p.m. If your average Steve found that offer reasonable and fair-sounding, there's your consumer acceptance of the idea.

There of course is the issue of lesson-package sales, in which a customary volume discount—say, 6 lessons for $500—would knock your $100/hour rate down to $83.33/hour. On prior occasions when Steve Student bought that package, he usually stuck to his pattern of Friday-Saturday lesson times, but he would also mix in a Tuesday morning or afternoon time. Under the old system that didn't matter, but with time-based pricing some creative problem-solving might be in order.

Of all the light Hendrick is able to shed on this question, his thoughts about work-life balance may be the most compelling. The golf instructor, unlike the 18-hole course or the airplane seat—has a life. If a hotel room isn't occupied, it won't go spend time with its kids or run errands. The teacher is different, so if he or she had the ultimate algorithm and analytics for managing their lesson schedule, it would show very big dollar figures in one section of the grid, shrinking gradually down to lesser dollar amounts as you get farther from weekend mornings and closer to those truly dead weekday blocks.

"At that point," says Hendrick, "you would use your personal life as a competing value, and it would be easier to do that because you would know that you were harvesting the most possible revenue from your peak-period times." With his background and skill set, Hendrick is particularly qualified to author some type of calculation or modeling tool that golf instructors could use to digitally support and guide their foray into dynamic pricing. If and when such a tool becomes available, or goes into a test phase, Proponent members would be first to know about it. Stay tuned. PG