

## PRICING YOUR SERVICES

### Cost of Coaching: No Simple Matter

# What You're Selling, and What You Charge For It

Setting rates that let you maximize profits from your talent, experience and effort is one of teaching's main challenges. Here's the best current thinking on the topic.

**By John Torsiello**  
Contributing Writer

Every summer Fred Griffin and his staff at Grand Cypress Resort's Academy of Golf conduct a competitive analysis of what area golf schools and instructors are charging for their services. This exercise helps the landmark Orlando academy fine-tune pricing and programming for the upcoming season. "There have been years when we've had no price increase," reports Griffin, the academy's longtime director, "and typically when we do raise rates it will be 3 to 5 percent based on the results of our analysis of market conditions."

When to raise rates and how to structure pricing for players of varying skill levels is an ongoing, at times challenging question. The rate you charge a beginner may vary from what an accomplished—or even professional—player might pay. And rightly so, as the better player will demand more focused instruction and often seek off-hours accessibility, especially as they prepare for tournaments and compete in them.

Whomever you are teaching, creating a rate schedule and periodically adjusting it upwards is a task that takes thought and some research. Golf instructors, manning the tee all day, can feel isolated from the world at large and may lack context for what their services are worth. One remedy is to keep in touch with other professionals and service industries to track the trends in pricing of specialized services.

Paul Hunt, president of Pricing Solutions, an international pricing strategy consultancy, is adamant on that point. His view of coaches and their rate schedules is nuanced: The service provided is basically an intangible product, which makes value and costs more difficult to estimate. That said, he sees the golf instructor as "very similar" to business consultants and other independent contrac-



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tors when it comes to determining how they should price their talent and knowledge.

"Teaching professionals must always set prices according to the '3 C's...Customer, Competition and Cost," says Hunt. That starts, in his view, with understanding your customer in terms of income, skill level, goals and objectives. "This is critical to being able to price for value that's delivered to customers, whether it be better scores, creating a fun environment, or whatever you are packaging and selling." The second 'C' he would have coaches consider is the competition.

"Who are you competing against," Hunt asks. "Where are they located, and what is your value proposition in relation to theirs?" As for the third 'C,' that's cost in the form of your own fixed expenses to operate.

Hunt reminds clients that supply and demand is still the golden rule of business and economics. He adds, "Differentiation can put you on a demand curve. Focusing on a particular segment of the market, for example the high-income customer, can create opportunities to premium-price your talents."

Of course, as with any other professional charging for his or her time, experience plays a key role in determining compensation for services rendered. "We have a two-tier structure," says Griffin, "one rate for a head instructor and my rate as director. I don't allow a less experienced teacher to teach alone until that person is completely ready. Until then, he or she works alongside me or head staff."

Jay Lipe, a senior lecturer in the Carlson School of Management at the University of Minnesota, sees a segmented market out there for golf lessons. "You have two basic categories of pricing," says Lipe, "the serious golfer and the not-yet-serious."

Research and timing have been good guides for Proponent Group

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member Megan Padua, a teaching professional at Belfair Plantation in Bluffton, S.C. She keeps up to date on area demographics and rates charged by local professionals before setting or adjusting hers. "I've also found that the timing of any rate change is important. Instructors that have a full lesson book will receive the most benefit from raising rates," says Padua. To date she has received no pushback from her membership based on a rate increase, which for her generally happens every three years. "The logic of doing it every three years is that by then I will have more knowledge and specializations to augment my students' learning," Padua says. "That makes the value better for the price. I don't want to nickel and dime my students."

Peter Popovich, director of instruction for The Golf Paradigm, says the potential to raise rates is often determined by several variables. One is basic supply, another is the reputation of the instructor for helping students improve and enjoy themselves. Competition factors in, as well, but he avoids paying heavy attention to what others are doing, so as to keep the focus on his own academy's creativity and innovation. "The important thing to remember about raising rates," says Popovich, "is not raise them so high or so often that you alienate your students. People are loyal, especially to a culture you create, but loyal doesn't mean ignorant. If they sense they're no longer getting value for what they pay you will lose them."

Add-ons can be used to create or improve value in your pricing structure. For example, allowing students to send videos for quick analysis as a tune-up while they are away may be done without extra charge (it can be included in their upfront fee). Says Padua, "It doesn't take but a few minutes of time, yet the value to them is immeasurable. It shows them you care about their game and their improvement."

She favors giving more time over discounting rates. "I am a believer in group lessons and other activities that will help grow participation," she says.

Fred Griffin keeps a database of all of his students and sends a monthly email out with certain specials his school is

offering depending upon the time of the year. "In our slow season we have offered a BOGO (buy one, get one) for golf schools, and we have offered a two-day school that comes with a nine-hole playing lesson for free," says Griffin. "We will also offer a discount off the fitting fee if you buy a set of irons."

In the off-season, the Grand Cypress Academy offers its Summer Score lesson package—five sessions for the price of four that includes two hours on the range with swing model analysis, a SAM PuttLab session, plus a nine-hole playing lesson. "We have a local lessons program for two or three students who can sign up and share the time, which gives them a fairly

significant discount over a regular rates," Griffin says. "In our normal lesson rates we offer an add-on of \$35 for a shared lesson."

David LaPour, director of instruction at the Colleton River Golf Academy, also in Bluffton, S.C., has raised lesson rates by 20 percent over the past seven years, by 10 percent at two different junctures, "with no problems." Only during the month of December does he offer a lesson series, the rest of the year his teaching is priced at a flat hourly rate. "We just charge for our time during a lesson, not the amount of people. I feel this is a good strategy and a good deal for the student or students," says LaPour.

Your students are not all made equal, which is another factor that may play into your pricing strategy. Jay Lipe, a golf lesson-taker himself, believes focused golfers will gladly pay extra to get more intense, more technology-driven instruction. He also feels a low student-teacher ratio strongly enhances the value of your service. "I haven't enjoyed group lessons, but I've really enjoyed one-on-ones," says Lipe. "That's probably a function of my personality and my need for more dynamic interaction when I'm learning something new. For me I would only consider a one-to-one ratio."

### Some Tips From an Expert on Pricing

1. Price for profit: This is an internal consideration. After all expenses are deducted, what hourly rate generates enough margin for you to thrive, given X amount of lessons a week?
2. Price versus competitors: Obviously, you must know what your competition is charging. If you don't know exactly, find out.
3. Price as a positioning tool: If you charge \$25 an hour this positions you in one pricing tier (low-end). If you charge \$200 an hour this positions you in the high-end tier. If your rates are in the middle then that will dictate that you must work harder to differentiate yourself, because you won't be able to position yourself as the low-ball leader or high-end pro.
4. Err on the high side: Small businesses are notorious for leaving out cost considerations. In the event this happens, if you've priced on the high side you will be able to absorb some of these inevitable, unexpected costs.
5. Never say "We'll start lower to gain business and then raise our prices as demand builds." You will immediately position yourself as low-end and any price increases will alienate much of your initial clients. Instead, price a bit higher to start and "special discount" for a limited time, to get down to an acceptable net price.

— Jay Lipe, Senior Lecturer in the Carlson School of Management at the University of Minnesota.



A number of Proponent Group members work with tour pros, and that can be time-consuming. A Proponent survey of members showed that the average time spent working with a tour player ranges from 20 to 250 hours a year, with the median be-

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ing 60 hours. Pricing for these specialized clients varies. Some teachers will receive a percentage of a player's earnings, with 2 percent being the average. Others charge for time plus travel expenses, and others agree to a "bonus" structure for tournament wins that range from 7 to 10 percent of winnings. Interestingly, 57 percent responding said there is no formal agreement with the tour pro, and 12 percent said the player pays them whatever they feel the teaching professional's time was worth to them. About 40 percent said they offer discounted rates for mini-tour players whom they work with on a regular basis.

Popovich says that for tour players and high-ranking amateurs, his compensation structure is based on the level they are at, the higher that level is, the higher the compensation. "For example, college golfers might get a lower rate depending on their ability to pay now, yet it would increase once they have the means to do so," he says. "The same with professionals. As a player improves from one level to the next they enjoy the fruits of their labor as should their instructor or coach." LaPour, in coaching tournament professionals, says simply: "I am fair with them." He says all outside golf professionals are charged at 50 percent "as are any non-golf related employees at the club."

So-called "dynamic pricing" is in vogue these days across many industries. For a teaching professional this would mean offering lower rates at off-peak or slow times, higher rates at the most in-demand times. Hunt believes the strategy can be applied effectively by golf teaching professionals and at academies. "Dynamic pricing is increasingly being used in a variety of industries but can be tricky because people don't always consider it to be fair," he states. "You need to communicate well on this subject. If you are going to use it then use it judiciously." He adds: "We call this your 'lakefront property' strategy. Lakefront property is the best location a developer or realtor has in stock. The day of the week or hour of the day could present similar situations for a golf teacher to take advantage of."

Lipe is wary of the concept. "To me, dynamic pricing as a strategy has no place in a golf coach's arsenal," offers Lipe.

"Pros are geared toward relationship-building. Dynamic pricing would likely attract the price-sensitive person, which in turn could cause misunderstandings with current clients who see prices jumping around. I don't recommend it."

Going above and beyond the lesson tee can also enhance your worth. Padua allows all her students to contact her anytime through email, text, Facebook, Twitter, Instagram, and phone calls. "It certainly takes more time, however, it helps build a relationship of trust." For LaPour, it's an extra demand to have students contacting him off-hours, but still worth it. It gives them access to me," he says, "which is a perk for them and usually helps both parties in the long run."

Says Popovich, "Keeping in touch with students in today's world is much easier than five, 10 or 20 years ago. A quick phone call or text while driving home or back from lunch could be the vote of confidence a student needs to play well. It may only be a phone call to you, but to them it's much more." Griffin encourages his students to stay in touch via email or text, "whatever their preference is, and we offer the V1 analysis, which we charge \$40 for. It is important to keep in touch with your students to help encourage and track their progress."

Lipe believes that technology can only enhance a teaching professional's overall worth. "More video-based lessons, more simulators to show students their swing mechanics are valuable," he says. "As professors we're moving towards online learning, and golf can do the same."

For instructors, lesson pricing is still about what the student believes is just compensation for your time and talent. Know the lay of the land so you can set that fair price, and certainly don't undersell yourself. Improvement, enjoyment and problem-solving are the inventory you are selling, and when all that clicks the value to the

buyer can be off the charts.

*For additional information on pricing, visit the Business Guides section of the members website at [proponent-group.com](http://proponent-group.com) to download *The Instructor's Guide to Pricing*.*

### What Is Dynamic Pricing?

Dynamic pricing sets flexible prices for products or services based on current market demands. Businesses are able to change prices based on algorithms that take into account



competitor pricing, supply and demand, and other external factors in the market. Dynamic pricing is a common practice in industries such as hospitality, travel, entertainment, and retail. Each takes a slightly different approach to re-pricing based on its needs and the demand for the product.

Hotels and other players in the hospitality industry use dynamic pricing to adjust the cost of rooms and packages based on the supply and demand needs at a particular moment. The goal of dynamic pricing in this industry is to find the highest price that consumers are willing to pay.

Airlines change prices often depending on the day of the week, time of day, and number of days before the flight. For airlines, dynamic pricing factors in different components such as: how many seats a flight has, departure time, and average cancellations on similar flights. Businesses that want to price competitively will monitor their competitors' prices and adjust accordingly. Competitor-based dynamic pricing can increase sales, especially if they take advantage when other retailers run out of stock. Raising prices during the morning and afternoon and lowering prices during the evening is a common practice within dynamic pricing. – J.T.