

INSTRUCTION INDUSTRY TRENDS

Date Night Meets Player Development:

TopGolf – Does It Augur Well for Coaches?

By David Gould, Staff Editor

Alongside Interstate 35 as you head north out of Austin, a gleaming TopGolf entertainment center welcomes visitors at the rate of 40,000 per month. According to TopGolf's Justin Norvell, a full 50 percent of these folks will show up having never played any golf besides mini-golf. They get to TopGolf, learn the absolute basics, have a fun time with friends shooting for targets while receiving tons of feedback (thanks to computer chips embedded in the ball) and slowly teach themselves a swing. All the while they have nothing but fun, enjoying excellent food as they sip on their favorite beverage and glance up at sports on flat-screen TVs overhead.

Attention golf industry: Does this sound like "attract and retain" to anybody?

Is This the Big Idea We've been Waiting For?

"I'm a PGA member, I've worked at upscale clubs with shrinking rounds-played numbers, and I've heard all the ideas from the think tanks about growing our game," says Norvell, who came away with a bachelor's degree from the well-regarded PGM program at Methodist University in North Carolina. "Then I went to work for TopGolf. After a couple of days I said to myself, 'This looks like the answer to all those questions.'"

TopGolf was founded in Great Britain with a mindset of creating a superior driving range, heavily based on targets and the aforementioned feedback or "gamified" approach. The founders brought their idea to America and built several TopGolf centers—all of them located on the site of an existing range. Meanwhile, back in England, the original idea got tweaked with the concept of "TopGolf Nights."



A typical TopGolf facility will see more than 1,000 visitors per day with half of them never having played golf before visiting TopGolf. Typically a group of friends reserves a hitting area such as the one shown above where they hit balls to the range targets, order food and drink and watch sports.

In a nutshell, that meant later hours, more music, more emphasis on food-and-beverage, less of a skew toward existing golfers. Revenues cranked up notably, and soon the

growth strategy in the U.S. got overlaid with this “TG Nights” idea. Now there are nine TopGolf locations in America, with plans for dozens more in the years to come.

Fun First, Golf Second

Looking to the future and back at its roots, the company is in the quirky position, as Norvell puts it, of “figuring out how to build golf back into our brand.”

For Proponent Group members, or just about anyone in the golf teaching business, TopGolf’s eagerness to get more serious about golf has to be viewed as a positive. “Our opportunity in golf instruction is very obvious to us and it’s also very large in scale,” says Norvell. The speed at which new centers are being built is something of a distraction, but Norvell is certain that his company will find the human resources and the management focus necessary to deliver the style of golf orientation-slash-instruction appropriate for its audience.

By the end of 2014, there will be a TopGolf corporate Director of Golf Services, or some similar title, who will oversee instruction, player development, leagues, competitions and the like. Already the league signups and tournament enrollment is extremely strong, according to Norvell. As the build-out continues, it will be important that no TopGolf center lag behind the rest in delivering the golf-specific experience of fun competition and game-improvement support.

Wall Street Gets Bullish

If you doubt the upward path this company is on, just ask Wall Street researchers for an opinion. Currently, the stock of Callaway Golf is getting talked about by investment analysts in a new and intriguing way—all due to Callaway’s stake in TopGolf. Scott Hamann, an equities analyst with KeyBanc, recently authored a report to go with KeyBanc’s bumped-up price target of \$14 (from \$10) for Callaway shares, citing the “undiscovered gem” status of TopGolf, which Callaway reportedly owns a 17 percent interest in. “We believe the investment is not appreciated by the market and could represent as much as \$3 per share to Callaway by 2017 given the Company’s unique product offering, the recent acceleration in unit growth and attractive white-space opportunity,” writes Hamann.

His valuation assumes that TopGolf will open seven new facilities a year beginning in 2015. This year will end with the brand having extended itself in three markets, Tampa, Phoenix (where it was already established) and Atlanta. Groundbreaking is soon to occur in Dulles, Va., for a TopGolf center that will open in the first quarter of 2015.

An Experiment Gone Right?

In one sense TopGolf is an out-there experiment, in which people have a chance to begin hitting golf shots and over time, continue to do so, for an extended period, always in an environment that is completely skewed toward enjoyment, fun, recreation, relaxation and being with friends. Question:



Top photo: Don't be surprised to see more sandals than Softspikes in the hitting bays. For many these are their first ever golf swings. Middle photo: Each TopGolf facility has targets embedded into the range floor and all their balls have microchips that tell the golfer when he hits a target by showing points on a scoreboard. Friends can compete even if they have minimal golf skills. Bottom photo: The TopGolf lobby has the feel of a movie theater, casino and fancy hotel lobby all rolled into one space.

Is it considerably easier to become pretty good at hitting the ball under those very unusual and much more controlled circumstances?

There is no quantitative research yet that probes this question. Nor is it known quantitatively how many people who came to TopGolf as non-golfers, make many repeat visits, became decent ball-strikers and then began playing regulation courses. Certainly it happens and Norvell says there is lots of anecdotal evidence that this occurs, however. Related question: Can golf instruction of a traditional nature create a “buzz kill” effect in which the free-and-easy ball-smacking that TopGolfers experience will give way to a dull,

dutiful grind in which self-esteem sinks because new standards aren’t achieved?

Norvell finds that question mostly humorous but partly spooky. “We know there are people out there who have the ability, have the right touch and have the proper attitude to provide golf instruction at TopGolf,” he says. “We’ve got some people at some of our centers already who bring that mix.” Finding quite a few more of them is the challenge going forward for TopGolf. If the company sticks to its instincts and its high standards, the new focus on learning and player development should be good for TopGolf and good for the industry as well.



TopGolf squeezes more guests into its facilities by utilizing three hitting decks and staying open well into the night. In both of these pictures you can see clearly the complex target areas that are designed for games using TopGolf’s unique microchip embedded golf balls.