

NEWS OF THE MIDWEST CHAPTER Winter-Spring, 2009-10  
MINNESOTA, NEBRASKA, NORTH DAKOTA, SOUTH DAKOTA

**LOOK WHO'S PIMPING THE GOLF COURSE BUSINESS NOW**

by Curt Walker

Barter agreements (pledging a few tee times a day to a third-party marketing organization) have been likened to "building" another golf course in your own market area. The terrible results of a market capitulation can be seen in the experiences of Phoenix and Orlando. Under the guise of freedom to withdraw from an agreement, owners are sometimes told **no contract is necessary between parties**-----**Nuts!** An "opt out" clause is common in contracts and provides plenty of flexibility if either party wishes to leave.

"Save and hold harmless" clauses are also common, and necessary protection in contracts. Most barter tee time providers should hold owners harmless from a sales tax audit the state later claims must be paid. Can yours? In the absence of a save and hold harmless clause in a contract, as well as **a written understanding of deliverables**, owners could be STUCK. Some new companies have decided to help themselves to the already scant earnings of hard working and customer oriented course owners. Maybe we should just turn off the TV's in our clubhouses.

At the beginning it seems so simple; only a few weak tee times in exchange for nationally recognized exposure and promotion. As course after course is coerced into cooperating, the strength of the third-party marketing organization tightens its grip on policies and marketing for your course and others. Many owners are forced to accept this re-marketing or face the prospect of slower demand. It's been likened to building another course in a market area to compete with your own. **This just doesn't have to happen in Minnesota**

Since Phoenix and Orlando are seasonal destinations, they may be more susceptible to barter marketing. Thankfully, Minnesota can depend on its own indigenous golfing market, often cited as one of the strongest in America. In Minnesota most owners don't have to suffer from the **delusion of profitless volume** by trying to attract customers who claim price is their only consideration; ***It isn't!***

Airlines used to promote friendliness, perception of comfort, quality of their food service, or on-time record, and even the glamour of their flight attendants. So often **consensus is regression to the mean**, and airlines and hotels regressed in a vain pursuit of market share when faced with the decision to persevere or conform.

Unlike airline or hotel "commodities", golf course owners are still able to "sell the difference"; golf is not a commoditized experience, unless we allow it to become one through pricing. We shouldn't vacate our right to price this experience fairly, **and be willing to forgo those who choose not to pay it**. There is no perfect **need** to play golf as is the case with travel or lodging. Golf is a **want**. ALL the barter advertising in the world can't bring ALL the business to our doorstep. The value of such collaboration diminishes with each additional course, while the main benefit accrues to the third-party promoter.

Enlightened self-interest is one of the most powerful motivating forces in commerce. Once informed, golfing customers can conclude that at a fair price, they're going to be happier with a "value experience" instead of a cheap one. As a Japanese gentleman visitor to Minneapolis once said to me as he bowed when leaving my course: "Thank you; you have made our visits a beautiful memory." They didn't **need** to come back three days in a row, they **wanted** to!

I loved the recent big-box office supply ad about a barber suddenly faced with a cut-rate barber shop opening across the street pricing haircuts at only \$6.00. Instead of folding, he went to the big-box store to save money and came up with a sign above his shop saying "We Fix \$6.00 Haircuts". The discounter closed their doors shortly thereafter. **Sell the differences, or sell what your competition doesn't have! That difference does not have to be price alone.**

C/W

*This information is supplied through the courtesy, and with the permission, of the Michigan Golf Course Owners Association and is considered reliable. As always, an owner should check with CPA and or legal and payroll advisors to determine whether this information is appropriate for their use.*

### **Federal Hire Act**

On March 19, 2010, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act, which is focused on accelerating the hiring of unemployed workers.

The \$17 billion HIRE Act has provisions that will provide employers with financial incentives for hiring unemployed workers and retaining those workers for at least one year. Specifically, the bill contains two provisions that impact employers: a Social Security "holiday" on FICA tax and a Business Tax Credit.

Social Security Tax Exemption: Under the HIRE Act, an employer would be exempt from paying its share of the FICA Social Security taxes on any new hire who has been without full-time employment for at least 60 days.

The maximum tax break an employer could gain per employee under this provision would be \$6,621, or 6.2% of total wages paid in 2010 up to the \$106,800 FICA wage cap.

Employers will withhold the employee's share (6.2%) of Social Security taxes as well as any other applicable taxes; however the exemption will not impact the employee's future Social Security benefits.

Employers are required to get a statement from each eligible new hire certifying that he/she was unemployed during the previous 60 days OR worked fewer than 40 hours total for someone else during that 60-day period (the IRS is developing a form for employees to use to make this statement which I will forward to you when completed).

Business Tax Credit: In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns.

Businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for eligible newly-hired employees. Household employers cannot claim the new tax benefit.

Employers will claim the payroll tax benefit on the federal employment tax return they file, usually quarterly, with the IRS. Eligible employers will be able to claim the new tax incentive on their revised employment tax form for the second quarter of 2010.

### **5<sup>th</sup> ANNUAL OWNERS OUTING AT RIDGES AT SAND CREEK**

**Wednesday July 7, 2010**

Thanks to the generous support of our major sponsors, Club Car and The TORO Company, and Entegra, as well as the many individual hole sponsors, this 5<sup>th</sup> Annual Owners Outing will be held at one of Minnesota's premier golf clubs, and the winner of our 2009 Chapter Course of the Year Award **Ridges at Sand Creek Jordan, MN July 7, 2010**

The major sponsors, and individual hole sponsors, mean you as an owner can bring your whole team to represent your course for a continental breakfast, driving range, gourmet box lunch, 18 holes of golf with a cart, lavish hors d'oeuvres, prize awards, and a raffle of merchandise.

The very economical price of \$90 per owner (\$85 for your spouse) is the best golf deal in town. Add to that, the networking and relationship-building that goes with a good time, and you should have a wonderful day in Minnesota's sunshine. You'll soon be receiving a registration form, and **mark your calendar now** to play in this great **5<sup>th</sup> Annual Owners Outing at Ridges at Sand Creek.**

**SAVE THE DATE--- TAKE YOUR DAUGHTER TO THE COURSE WEEK**

**July 5-11, 2010**

**You can register for this nationally promoted and advertised special event by going to [www.ngcoa.org](http://www.ngcoa.org) and signing up your course. This is a business-building event that can bring you great publicity in your market area. Alert your local press and harvest the publicity that can go with your participation.**

*This information is provided by Mike Tinkey, Deputy CEO of the National Golf Course Owners Association. In summary Mike urges owners entering into third-party contracts to 1) Insist on a written contract with a “hold harmless” clause. 2) Require e-mail information to be shared with you, and 3) Have a “best price guarantee” policy at your course.*

### **Elements to Consider in Negotiating With a Third Party Tee Time Provider**

#### **Legal:**

Have a contract agreement. Hold harmless clause could be vital if your state attempts to enforce sales tax on green fees. No exclusivity, i.e., you can use other third party providers. You want to control who you do business not a third party. List responsibilities of each party with services that are to be provided.

**Costs.** Turnkey costs detailed, inclusive of fees, service agreements, and maintenance.

#### **Implementation Schedule.**

Guarantee protection of the data and database outlined and guaranteed, i.e., you will receive electronically the contact information of the golfer booking at your course through the third party. Ask how the data will be used.

No transferability of your contract from the vendor to another party. Since access to tee time inventory is one of the lifelines of business for the third party you are doing business with and you make up a portion of the overall inventory of the third party, you would like to be in the negotiating seat if the third party sells to another entity.

No confidentiality clause, i.e., facility owner is not precluded from sharing the terms of the agreement. Owners fare better on this issue sharing information than being precluded from talking to each other.

#### **Economic:**

**Establish a purpose.** Acquiring new/incremental business, lower operating costs, wherever possible, while maintaining service and/or improving service levels. Provider to provide evidence that their service will provide new/incremental rounds and revenue, not cannibalize existing business.

**Retain control.** Course/facility always has the lowest price guaranteed, i.e., best rate guaranteed for any tee times. Course/facility sets all prices for tee times sold.

**Membership Programs:** Prohibition of third party vendor creating membership program on golf course web site. The golf course has full rights and title to all names, addresses, phone numbers and email addresses of golfer’s booked onto the golf course tee sheet.

**Pre-approval** of how your brand is utilized. Require that you are provided links the third party will have to other sites and delete those that you do not want. Any use of images, logos, and copy related to your brand must be pre-approved.

**Commission only.** You pay a commission for paid rounds delivered along with the contact information.

**Barter:** Preferably do not barter (see my article below). If you do barter, then barter rounds are sold at agreed percentage of the rack rate in return for services rendered. Barter rounds will not be sold for less than the best rate guaranteed at the facility. If you choose to provide barter rounds select them from non-peak times to avoid cannibalizing your revenue.

**Sale of Tee Times:** Understand the process of selling your tee times. If sold online, specify the transfer of funds by the 3<sup>rd</sup> party within 24 hours. Outline how “no shows” are handled.

**Facility/company web address (url).** Ownership of “url” must be retained by golf course.

**Database of customers.** Stipulate that you will receive complete contact information electronically, including email addresses from customers that book at your facility through third parties.

**Search engine optimization (SEO).** Third parties cannot use your course or facility names for search engine optimization of their sites as this will divert customers from your site to the third party site. Reach agreement on who your inventory can be distributed to otherwise you may end up on places you don’t want your brand/company associated with. Go to [www.wholinkstome.com](http://www.wholinkstome.com) to find out who you link to.

**Indemnification from regulatory and legal disputes on taxation of tee times.** Many suits are being fought with cities/municipalities and states on taxes for accommodations with third parties involving the accommodations provider. Sales Tax liability after-the-fact could be a significant risk for the course owner. A “hold harmless” clause in a written contract is your insurance against this happening to you!

## **OFFICERS CHOSEN TO LEAD MWGCOA IN 2009-10**

**Officers elected** at the 13<sup>th</sup> Annual Conference and Trade Show at Prom October 26-27, 2009 from among Association Directors were: **Janice Arcand** owner Oneka Ridge Golf Course White Bear Lake, MN, President; **Mike Malone**, Owner Ridges at Sand Creek Vice President and **Greg Stang**, General Manager Wilson Golf Group, Secretary-Treasurer.

**A New Director Robert Brownawell** Owner Pheasant Acres Golf Club, Farmington, MN, was elected. **Holdover Directors** re-elected were: **Tom Smith** Owner Brackett's Crossing Country Club, Lakeville, MN, **Mike Tozier** Owner The Links at Northfork, Ramsey, MN, Dan **Raskob** Owner Bellwood Oaks Golf Course, Hastings MN, **Mike Regan** Owner The Wilds Golf Course, Shakopee and Indian Hills Golf Club, Stillwater, MN, **Steve Whillock** President WP Golf, Oakdale, MN, and **Chris Lemam** Owner Pomme de Terre Golf Club, Morris, MN.

President **Arcand** reappointed longtime Director-at-Large **Darrell Boyd** former owner of Mt. Frontenac Golf Course in Frontenac, MN. **Greg Stang**, General Manager of the Wilson Golf Group Woodbury, MN, will continue to serve the Board as Past President.

## **NGCOA ANNOUNCES EFFORT TO ENHANCE OUR IMAGE AS THE ECONOMIC ENGINE WE ARE**

**WE ARE GOLF**, a coalition of four of the game's leading associations, was announced today as an initiative to change the face of golf and to represent the economic, human and environmental benefits of the industry at federal, state and local levels of government.

Founded by the Club Managers Association of America, Golf Course Superintendents Association of America, National Golf Course Owners Association, and The PGA of America, **WE ARE GOLF** was created as a broad-based coalition to maximize the industry's synergy and reduce redundancy. The membership will include participation from association members, multi-course owners, manufacturers and golf facilities.

"The solidarity the industry has shown by creating **WE ARE GOLF** is not only encouraging, but critically important," said Mike Hughes, CEO of the National Golf Course Owners Association. "Together, golf represents billions of dollars in economic impact; and, together, we will benefit from an even stronger industry that has the recognition and respect it deserves in Washington and throughout the country."

**WE ARE GOLF** builds on the momentum of the past two National Golf Day events conducted in Washington, D.C., and collaborative efforts in executing numerous state economic impact studies. The 2 million jobs generated by the multi-billion-dollar industry, and the industry's vast economic impact, are at the core of the coalition's message.

"Golf is a stable, healthy industry with substantive impact on our local, state and national economies, but there are lingering, sometimes damaging misperceptions of our sport," said PGA of America CEO Joe Steranka. "Golf must have a voice in aligning its perception with its real values. **WE ARE GOLF** engages our industry in an unprecedented collaboration to achieve legislative goals on small business, as well as labor, tax and environmental matters."

The coalition has engaged The Podesta Group, a Washington, D.C.-based government and public affairs firm, which brings an experienced team to address the golf industry's legislative challenges and help with advocacy efforts.

"We have learned that even though we have made some progress, the audiences that we are targeting do not know enough about our industry and how it has been affected by past legislation," said Mark Woodward, CEO of the Golf Course Superintendents Association of America. "Take the environment, for example. Golf courses provide the infrastructure to help communities manage runoff and the green space provides a variety of benefits. **WE ARE GOLF** will intensify our efforts to inform and educate on issues such as this."

**WE ARE GOLF** will work to share information, case studies and articles with media, elected officials, regulators and other key constituents to inform them on issues of concern. The coalition will also coordinate messaging to the industry's vast infrastructure. "For decades, golf facilities have remained one of the most sustainable small businesses in each local community," said Jim Singerling, CEO of the Club Managers Association of America. "Golf facilities are good neighbors, providing resources that impact both individuals and other small businesses. **WE ARE GOLF** looks forward to working with The Podesta Group and engaging their expertise to share golf's great stories."

To learn more about this important initiative go to [www.ngcoa.org](http://www.ngcoa.org) for ways you can participate.