

Date: August 28, 2007



TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: Golf Marketing Plan

RECOMMENDATIONS

- A. THAT the Board receive for information the Golf Marketing Plan Review as attached in Appendix A*
- B. THAT the Board approve the Vision and Positioning of the Park Board's three major courses as outlined in the Plan*
- C. That the Board direct staff to hire a consultant, for a two year period to implement the Golf Marketing Plan and carry out other related tasks*
- D. THAT the Board approve the financial strategies outlined in this report which impact both operating and capital budgets.*

POLICY

The mandate of the Board is to set direction and develop policies to provide parks and recreation services in Vancouver. Significant changes to these services require Board approval.

BACKGROUND

The Park Board operates three major golf courses in the City of Vancouver – Fraserview, Langara and McCleery. The courses have historically helped support other parks and recreation programs. In 1992, the Park Board approved the golf course redevelopment project which involved completely rebuilding the three courses at a cost of \$28.6 million. The project was financed with a loan from the City of Vancouver which is to be repaid by 2010.

In 2001, a golf course financial plan was approved by the Board. This included a loan repayment plan that involved green fee increases and escalating loan payments. Since that time, generating sufficient revenue has been a challenge due to a reduction in the number of rounds played. Many factors such as green fee increases and market

competition have resulted in green fee revenue remaining stagnant since 2002 and revenue targets not being met.

When golf revenue budgets were not met, the Park Board has reallocated funds from within its operating budget to ensure that scheduled loan payments were made. The final loan payment is scheduled to be made in 2009.

In July 2006, a committee comprised of Senior Management, Golf Operations staff, Park Board Commissioners and the contracted Golf Professionals met to discuss options for revenue enhancements. Short and long term strategies were developed and included improving course conditions, booking options, customer service and marketing. One of the specific short term strategies to be implemented was a Marketing Plan

In October 2006, Global Golf Advisors (GGA) was hired to prepare a Course Marketing Plan to improve customer service and to increase rounds and resulting revenue.

DISCUSSION

The final Golf Marketing Plan report was completed in January 2007. It includes a detailed market study, an evaluation of our current golf product and marketing strategies designed to increase rounds and revenue.

Summary of Market Conditions

Demand for golf is currently at equilibrium with the supply of golf courses in our market area, suggesting the marketplace is relatively stable but competitive. An analysis of green fee rate increases indicates the marketplace is price sensitive. This suggests if green fee rates were to experience significant growth, rounds played would likely be negatively impacted, especially if price increases are not supported by an increase in the golf experience and value proposition offered.

Analysis of Current Golf Operation

Strengths

- Layout – courses are playable and enjoyable.
- Location – centrally located.
- Long established with good reputation.
- Demonstrated rounds in excess of normal operating capacities.
- Largely immune to other competitors entering the market.

Weaknesses

- Market area has become increasingly price sensitive.
- Capital reinvestment and upkeep at the courses has been below industry standards, resulting in erosion of market position.

- Identical maintenance levels at the three courses do not support differential green fee pricing.
- Dissatisfaction with current booking system has caused some patrons to look elsewhere.
- Poor drainage at Langara decreases rounds played.

Opportunities

- Given the favourable location of our courses and overall strong product, suggested enhancements to the courses (maintenance & drainage) would help regain previously diminished rounds and increase revenue.
- Demand for golf is anticipated to increase.
- The use of information systems provides an opportunity to create loyalty programs and proactive marketing campaigns.
- Vancouver is expected to continue to experience favourable population growth trends.

Threats

- Fraserview and McCleery are more prone to experience decline in rounds due to course closures and extreme weather.
- The market area is highly competitive, with competitors' green fees increasing at below inflation.
- Due to our courses being located in Vancouver, the economy of Vancouver will have a great effect on the market area.

Strategic Positioning and Vision

Current Status

The courses are not systematically dysfunctional in their current form. In 2006, rounds played at our courses were between 18% and 36% above normal operating capacities for courses in the market area. Continued price increases above inflation, in addition to lack of capital upkeep and reinvestment, have acted to erode the perceived value of playing our courses. The current booking system, although improved in 2004, is still not seen as easy to use and does not facilitate booking desired times. The drainage issue at Langara is hampering that course from maximizing its revenue potential.

Recent Improvements and Initiatives

Staff have implemented a number of revenue enhancement initiatives to improve customer service, marketing and set future direction.

Course Maintenance

- Greens rollers were purchased for all three courses.
- Improved bunker maintenance program for Fraserview.

- Divot replacement or repair program at all courses.
- Aeration and topdressing of fairways completed in 2007.

Booking and Revenue Collection

- New user friendly integrated tee time booking system and POS system to be implemented in 2008.
- Green fee collection was moved to the Proshop at Langara in 2007 on a pilot basis. The pilot will be evaluated which will include discussions with CUPE 15.
- Cancellation policy is now being enforced, with a \$10 penalty for no-shows if tee times are not cancelled.

Marketing and Promotion

- Our third Customer Satisfaction Survey was completed in 2006.
- An E-newsletter was sent out in late 2006.
- “First-Tee” program to encourage youth golf is moving ahead.

Proposed Vision and Positioning

As a long term goal, the Marketing Plan proposes to further differentiate our courses by placing a course in each price point spectrum:

- Fraserview \$65 - \$70
- McCleery \$55 - \$65
- Langara \$45 - \$55

Being the flagship property in our portfolio, Fraserview should be used as a catalyst for driving the success of the portfolio. An appropriate increase in maintenance and capital investment gives Fraserview the ability to become a \$70 golf product over a 5 to 7 year period.

An increase in price at Fraserview will provide some opportunity for an increase to green fees at McCleery, provided the course is maintained at an appropriate level. As Fraserview green fees increase to \$70, it is believed that McCleery could sustain a rate \$10 lower.

Drainage improvements and a slow, measured approach to improving greens at Langara have the potential to significantly increase volumes of rounds played, as well as net revenue per round.

Marketing Plan Components

- Strategy for Frequent Patrons - Personalized loyalty programs
- Strategy for Market Forces and Competition

- Capital reinvestment and operating budgets must be geared to appropriate quality.
- Once perceived value of our courses improves, ongoing in-depth market research is critical to maintain market share – rack rates, loyalty programs, discount programs and timing.
- Pricing and Yield Maximization Strategy
 - Implement an integrated management information software system.
 - Proactively market tee times and openings electronically.
 - Implement an effective single golfer program, same day bookings and walk-ons.
- Advertising Plan
 - Utilize print media, with an emphasis on online booking.
 - Heavy focus on electronic communication (e-mail, website).
 - Monthly or quarterly newsletter.
 - Electronic follow-up with customers who do not return.
 - Professionally created content and messaging to ensure consistency
 - Customized on-line surveys.
 - Electronic communication for sales of merchandise or promotions.
- Promotions Plan
 - Use print media, website and e-mail to promote ability to host tournaments and special events.
 - Offer online registration for events and tournaments.
- Partnership Strategies
 - Enhanced relationship with head professionals.
- Contingency Plan
 - Slow measured approach to pricing changes and product repositioning.
- Other Issues of Note
 - The Men's and Ladies Clubs dominate prime weekend tee times – a new relationship should be negotiated to reverse negative public perception and maximize revenue.
 - Enforcement of Cancellation and No-show Policy.

Long Term Strategies and Their Impacts

In order to attain the results laid out in the Marketing Plan, long term strategies must be implemented. These strategies focus on improved customer service, appropriate maintenance levels, capital upkeep and reinvesting in the courses. Implementation of these strategies is recommended to start in 2008, to be supported by both short and long term funding strategies as detailed below.

Financial Strategies

Funding is required for a number of revenue enhancement items from the marketing plan:

Initiatives requiring operating budget adjustment

- Implementation of an annual fairway aerating and topdressing program is required at all courses to ensure that drainage systems continue to function.
Cost: \$180,000 annually
- Fraserview Golf Course requires additional grounds staff to increase maintenance levels and an additional ranger/greeter to improve customer service and pace of play. These enhancements will enable Fraserview to become our flagship property, as recommended in the vision and positioning statement.
Cost: \$100,000 annually
- On a pilot basis, engage a consultant for two years. This position will have responsibility for reviewing the organizational structure, operating efficiency and profitability of the golf course operation and implementing the marketing plan components (advertising, promotion, development of loyalty program, e-newsletter, etc.)
Cost: \$120,000 annually

The additional operating budget required to fund the above items is \$400,000. Staff recommend to fund the increase in operating costs by rescheduling the planned 2008 and 2009 loan payments. Currently, the 2008 planned payment is \$3.8 million and 2009 planned payment is \$2.9 million. Staff are proposing to adjust the 2008 loan payment down by \$400,000 and increase the 2009 loan payment by \$400,000. This will provide additional funds in 2008 for the implementation of the golf marketing plan. The 2009 loan payment will be increased to \$3.3 million which is within our operating budget.

Initiative requiring one-time funds in 2008

- The computerized irrigation computers and software at Fraserview and McCleery are obsolete and no longer supported. These are vital to control the complex systems.
One-time costs: \$50,000

Staff recommend that this initiative be funded from the 2008 NNR budget.

Initiatives requiring capital funding

- Improving the drainage at Langara Golf Course has been identified by staff and Global Golf Advisors as a top priority that will improve the profitability of the golf operation. It involves the installation of an extensive network of drainage lines that will greatly improve playability in the shoulder and winter seasons. The investment is expected to have a relatively short payback period of 4 years.
Cost: \$1,200,000

- The netting and poles on the east side and south end at Fraserview Golf Course Driving Range are at the end of their life cycle and must be replaced.
Cost: \$120,000
- The old wood stave culvert under the land bridge beside #18 green at Fraserview is in need of replacement. It is similar to the culvert that recently collapsed under #1 fairway.
Cost: \$80,000

The total capital budget required to fund the above items is \$1,400,000. Staff recommend that these capital adjustments be included in the 2009-2011 Capital Plan submission.

Golf Course Capital Reserve Fund

This reserve fund is intended to finance current and future major maintenance, capital replacement of golf course structures and course improvements in order to sustain the golf capital assets and operations. Staff propose an annual contribution of \$550,000 be made from the operating budget to establish a Golf Course Capital Reserve Fund. This should commence in 2010, after the redevelopment loan has been repaid.

SUMMARY

Vancouver's municipal golf courses are an asset that has served golfers across the lower mainland for many years, while helping to support other parks and recreation programs. The Golf Marketing Plan is intended to ensure that our courses retain or improve their market position, while continuing to offer an excellent golf experience.

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