

Case Study

Setting Value, Not Price

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Introduction

Value is one of the most important aspects of the offer to get right. How much is something worth? What is a fair price for the product or service relative to the benefits on offer? There is a tendency among golf clubs to look to others, the competition, members, or boards to

dictate pricing policy with limited thought as to the long-term effects of these decisions. Few golf clubs take the time to determine exactly what their products and services are, what they potentially could be, and what they intend to charge for them.

Understanding Customer Value

Customers do not buy based solely on low price. They buy according to customer value, that is, the difference between the benefits that a product or service offers and the price charged. The higher the perceived benefit and/or the lower the price, the higher the customer value and the greater the likelihood that customers will choose that product or service. To create value, you need to understand what a customer perceives as value, and how a customer's value needs change over time during the customer journey.

Adding Value

The conventional wisdom holds that in a competitive marketplace the seller that offers the lowest price will always beat out its competitors. With supply exceeding current demand in many regions, some golf clubs have turned to this approach with low cost membership offers and cheap green fee rates. Yet when you examine this closely, you find that low pricing is not all that it's cracked up to be and ultimately revenue at golf clubs which follow this strategy has continued to fall. When dealing with the price of memberships or green fees, golf clubs need to understand that there will always be a cheaper option in the market and therefore a low-cost strategy is unlikely to engender customer loyalty. The alternative is to offer something better than the competition by creating value.

Let's look at some ways that you can improve customer value to grow your club.

1. Understand your customer

Talk to them, survey them, and watch their actions and reactions. In short, capture information to understand what is important to your members and visitors, and what opportunities you have to deliver on those wants and needs. Speak to your local Club Capability Manager about a range of templates available for surveying your members and visitors.

2. Offer premiums over discounts

Bundling is common in several markets. Think about Microsoft which bundles computer software, including Word, Excel and PowerPoint, into the Microsoft Office package. Research has shown that while customers more often than not take advantage of the value offered when products are bundled together they also want the option to buy the same products separately.

How can golf clubs take advantage of bundling? Golf clubs are multifaceted operations with a golf course, café, bar, golf shop, practice range, coaching services and so on, yet they tend to sell memberships and green fees independently of other products and services rather than packaging them. Researching the purchasing patterns of your customers will allow you to develop packages which meet the needs of your members and visitors and deliver greater value. Offering premiums over discounting retains price integrity and avoids getting caught in the downward spiral of offering cheap deals. Once packages are established, track their sales performance and see what works best.

3. Look after your customer

People are predominantly emotional. They are greatly impacted by the warmth, friendliness, cheerfulness and helpfulness of others. Many businesses are using customer service as a primary source of competitive advantage in a fast-changing marketplace. Good service can continually create value for others, and it doesn't necessarily have to cost a cent. Club leaders and managers should always be asking "How can we do it more, better, faster, different?"

4. Reward customer loyalty

Membership is an imperative part of the golfing landscape. While traditional members are enjoying membership as it currently stands, there is a contrasting group of golfers who share values with the 'instant gratification' lifestyle. Can loyalty programmes serve both the traditional member and the newer member? The answer to this is dependent on your club and what you are trying to achieve. Three key indicators will let you know you're on the right track with any loyalty programme:

Reinforcing

It must drive the behaviours that create or protect value. What behaviours are you trying to reinforce? Playing more regularly? Purchasing more from the pro shop?

Ubiquitous

It must be relevant to everyone. There is no point offering a reward to someone if it isn't relevant to them.

Contextual

It must be delivered to a customer when it's most relevant to them. Can your customer/member redeem the reward immediately?

5. Give your customer a little something extra

Good hotels know how to look after their guests and surprise them with simple, low-cost gestures that add value and personalise the guest experience. Golf clubs can use this same concept to delight their members and visitors, and if they're smart about it, it will be factored into the price. For instance, providing a complimentary bottle of mineral water or greeting visitors by name on arrival makes them feel expected, it makes them feel appreciated, and it puts a smile on their face. That personal touch can elevate the experience and translates to a feeling of real value for that visitor.

Conclusion

Next time you're considering how to price your memberships or green fees, instead of focusing only on cost, look at how you can charge more by offering a better quality experience. There is a story about a new barber shop in a mall putting up a sign in its window – "\$5 Haircuts". Its competitor in the mall certainly could have matched that price, but instead put a sign in the window – "We fix \$5 haircuts". The moral

is, avoid competing on price, it lowers the standards, and sooner or later undermines the industry.

For more information on creating value, you can contact the Community Golf team at NZ Golf on 09 485 3230.

