Touchstone's growth plan

The West Coast operator sees growth ahead, even as courses perform better.

BY ROBERT J. VASILAK

During a career that spans more than a quarter century, Steve Harker has developed a reputation as a turnaround expert — someone who can pinpoint the root causes of a course's financial problems and quickly solve them.

With those talents as his calling card, he's built Touchstone Golf into one of the mainstays of golf operations in the West and Southwest and the No. 15 firm in Golf Inc.'s ranking of golf course management companies.

"We embrace the idea that we're turnaround experts," said Harker, Touchstone's CEO. "We enjoy assignments where the odds are stacked against us. We're thinkers. We're inquisitive. We analyze what's in front of us, and we try to imagine what's possible."

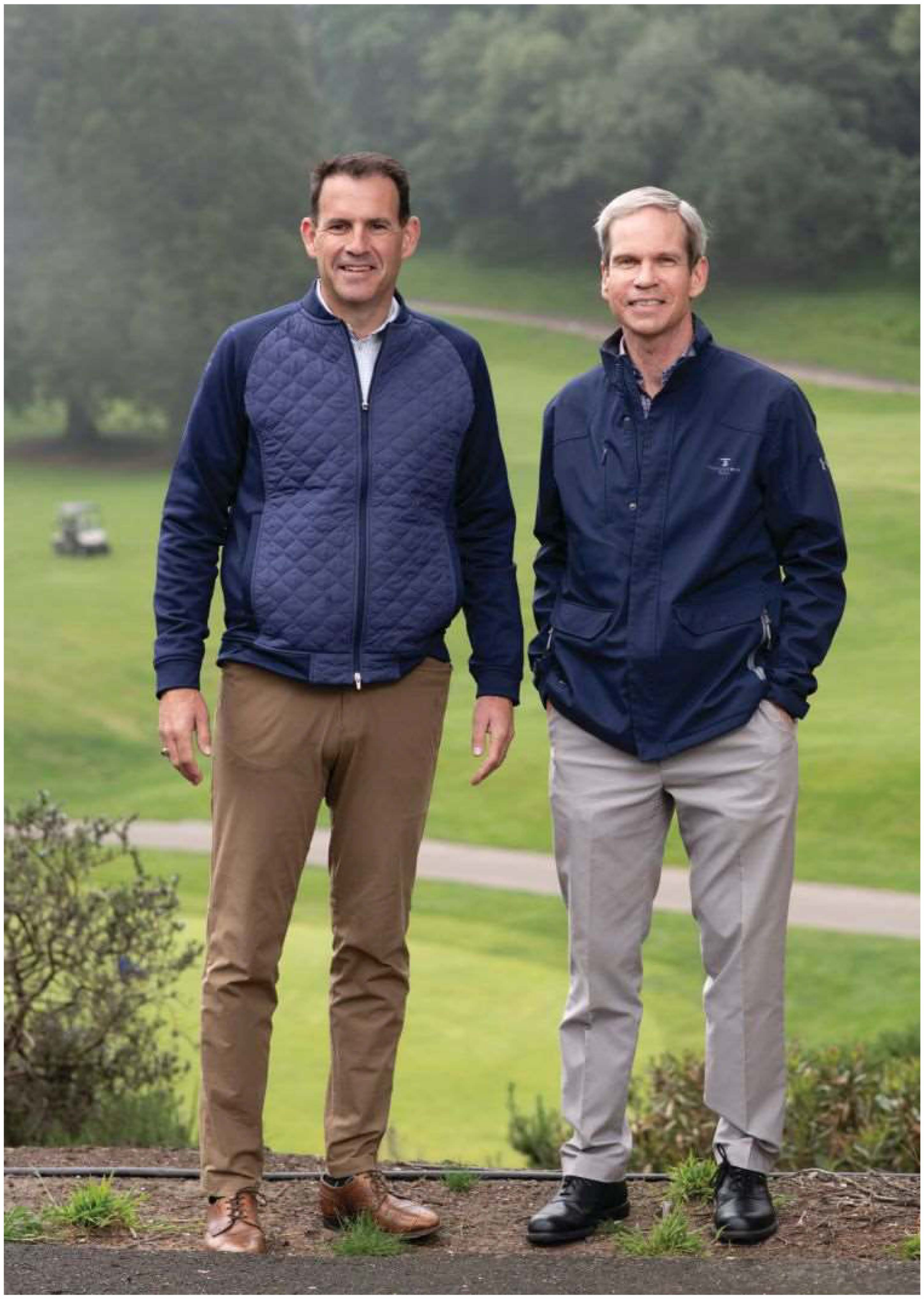
Harker has done plenty of imagining since 2005, when he and his brother, Doug, established Touchstone. It was a miserable time for golf operations. Declining play and participation were littering the business with failures. Properties that feared for the future turned to Touchstone for help. Painted Dunes Desert Golf Course in Texas was the first to come aboard, and Harker was off to the races.

His greatest success arguably came with Lady Bird Johnson Golf Course in Fredericksburg, Texas, where in just three years Touchstone generated profits for a venue that had never made money under decades of city management.

But today, Harker faces different challenges. In the fourth year of the great COVID transformation, fewer golf properties need to be turned around.

Take, for instance, the properties that Touchstone signed in 2022: Mill Valley Golf Course and Bennett Valley Golf Course, both in California. The tracks had been financially besieged for years, but

PHOTO BY PETER BARRERAS



TOUCHSTONE GOLF'S President Mark Luthman (L) and CEO Steve Harker see possibilities for growth on the horizon as they focus on the Western United States.

they were enjoying generous, pandemic-sparked increases in play and revenue before Touchstone won the contracts.

Similar stories are being told at public, private and municipal courses all over America. Tee times and membership rolls are jam-packed, cash flows have been rejuvenated, and venues that had been on a financial precipice are worry-free.

"A rising tide raises all boats," said Tim Schantz, Troon's CEO. "Because the golf business has improved, many owners aren't facing the financial issues they did before the pandemic."

The rising tide isn't giving a boost only to course owners. The industry's biggest, best-financed multicourse operators are dramatically growing their portfolios, increasing their capabilities and consolidating the industry.

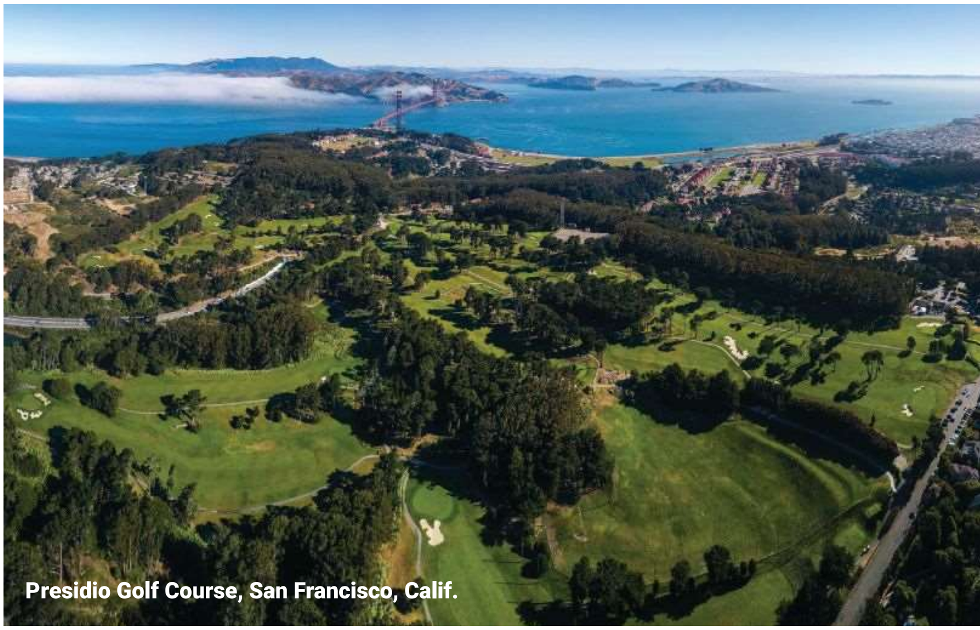
Consider this: Since the beginning of 2022, Troon and its affiliated management divisions have added 48 U.S. properties, and KemperSports has added about 20.

Among the smaller operators, Touchstone is doing better than most. With two additions in 2022 and one so far in 2023 — Laughlin Ranch Golf Club in Bullhead, Arizona — it's on target with the goal that Harker has set for growth.

And the way Harker sees it, the golf business isn't being divided into haves and have-nots. Experience tells him that it is still full of over-burdened owners who can't effectively address the diverse management problems that Touchstone could help them solve, including marketing, merchandising, budgeting, agronomics, staff recruitment and training, purchasing and all the rest.

"Bigger isn't necessarily better in my mind," said Harker, who was a vice president at American Golf Corp. when it was the largest operator in the industry. "I'm not anxious to acquire courses just for the sake of making acquisitions. We've built a tremendously successful company, and our goal is to make sure our clients get the attention they deserve."

Once upon a time, professional golf operators came in two flavors. There were



Presidio Golf Course, San Francisco, Calif.

companies like Touchstone, which were pure third-party managers, and companies like Invited (formerly ClubCorp), which both owned and operated properties. People continue to view these two groups separately, but the distinctions between them have blurred.

Since 2018, Invited, the top company among private club owner/operators, has sought third-party management contracts via ClubLife Management. McConnell Golf, for years the owner of private clubs in the Carolinas and Virginia, now also manages a pair of public properties. Cabot, the owner of well-regarded resorts in Canada, Saint Lucia and Scotland, has established a management division to oversee the courses owned by one of its investors.

And as ownership groups have moved into management, management groups have moved into ownership. Brown Golf Management recently merged with GreatLIFE Golf & Fitness with plans to acquire new golf courses. Last year, KemperSports secured an investment from a private equity group and promptly spent $160 million for Streamsong Resort in Florida and an undisclosed amount for two venues in Indiana. Troon, which owns a handful of properties, lost to KemperSports in the bidding for Streamsong.

Harker isn't buying into the hybrid model, though, nor is he eager to align Touchstone with a private equity firm nor expand geographically. He's a hands-on, old-school boss who's worked at golf courses since he was a child, and he believes personal attention is the coin of the realm.

He oversees 41 properties: 30 in California and Texas and the others in six Southern and Western states. He said he doesn't intend to spread Touchstone too thin.

"Expansion isn't out of the question, but we really like to be fully engaged with every property we manage," Harker said. "That's why we've decided to focus on the Western United States. We like the fact that our courses are within a few hours of each other, and we think our clients like it too."

As the landscape of professional golf management has changed, so has the nature of Harker's brainstorming. If clients are no longer desperate for a turnaround, he's highlighting Touchstone's other capabilities. He's persuading them to drive traffic with improved social media outreach, elevated food & beverage operations, clinics for juniors, and events that attract women and casual golfers, not to mention simulators and other alternatives to traditional golf.

"The pandemic was unfortunate for a lot of reasons, but today we're in a very good spot," said Ashley Van Dissel, Touchstone's vice president of sales and marketing. "We're focusing on shorter golf games to engage golfers and on social activities to attract non-golfers. We're setting ourselves up for success in the future."

The chief executives in every area of professional golf management view themselves as turnaround experts. Troon, Invited, KemperSports, Concert Golf Partners, Heritage Golf Group: None of them would be where they are today if they didn't have a knack for turning red ink into black. Turnarounds are their raison d'être.

While those companies are now the industry's leading consolidators, they by no means have it locked up. About 2,100 U.S. golf facilities — roughly one in seven — are managed by multicourse operators, according to the National Golf Foundation. There are more than 8,000 courses with 18 holes or more that might someday be in the market for professional management.

"There are still plenty of opportunities for everybody to succeed," said Heritage Golf's Mark Burnett, who has added 24 properties to the six-venue portfolio he inherited in early 2020.

"It may be harder for some companies to compete in markets where the larger companies already have several properties, but in secondary and tertiary markets, smaller companies can definitely build relationships."

Harker likewise sees possibilities for growth on the horizon. He believes resort properties in Scottsdale, Palm Springs and other vacation spots will eventually seek professional management, and he figures that newcomers who have begun buying their first golf properties will inevitably come calling.

Perhaps more importantly, he believes that the vast majority of municipal golf operations — Touchstone manages 23 municipal venues — can't do the problem-solving and reimagining required to make their venues perform at optimum levels.

"I think they'll all be looking harder at management," he said.

When that day comes, Harker hopes they'll also be looking harder at Touchstone.

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