GC COLLECTION

WHITE PAPER

GC-104

THE ECONOMIC, FINANCIAL AND DEPLOYMENT MODEL



How can the GC system be financed, developed, operated and grown sustainably?

ECONOMIC MODEL | REVENUE & MARGINS | CAPITAL & FINANCING | PHASED DEPLOYMENT | SUSTAINABLE GROWTH

Validate before accelerating.
Structure before growing.
Finance before deploying.

STRATEGIC DOCUMENT
VERSION 1.0
GC SYSTEM

GC-104

THE ECONOMIC, FINANCIAL AND DEPLOYMENT MODEL

How to Finance, Develop, Operate and Sustainably Grow the GC System

GC COLLECTION — WHITE PAPER

STRATEGIC DOCUMENT

DOCUMENT 4 OF THE GC COLLECTION

VERSION 1.0

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EXECUTIVE SUMMARY

GC-104 — *The Economic, Financial and Deployment Model* constitutes the fourth component of the GC Collection. After examining the components that may improve the golf experience and golf club operations in GC-101, the functioning of the golf club in GC-102, and then the overall architecture of the GC System in GC-103, this White Paper addresses the question that determines whether the entire system can be brought into concrete existence: how can the GC System be financed, developed, operated and grown sustainably?

This question extends far beyond the preparation of a budget, a business plan or financial projections. A system may be technically coherent, respond to real needs and bring together relevant products or services without necessarily having an economic model capable of supporting its development. Conversely, pursuing profitability too quickly may lead an organization to prioritize immediate revenue at the expense of architecture, service quality, club confidence and network strength. GC-104 therefore seeks to establish an economic architecture in which value creation, financing, operations, growth and long-term sustainability remain consistent with the principles of the GC System.

The starting point is simple: the real product is not an isolated product, but the system capable of sustainably connecting products, services, clubs, golfers, suppliers, Regional Centers and the shared resources of the GC Back-End. This distinction fundamentally changes the way profitability is assessed. GC's economic success cannot be measured solely by the margin generated from the sale of a Cruiser, a piece of equipment, a golf ball or a digital service. It must also be evaluated according to the value created for the Partner Club, the quality of the experience provided to the golfer, the network's ability to ensure service, repair and continuity, and the capacity of shared resources to progressively finance their own development.

GC-104 therefore distinguishes three complementary levels of economics. The first is product or service economics, which determines whether a particular activity can cover its direct costs, contribute to shared expenses and generate a margin consistent with its function. The second is Partner Club economics, which measures additional revenue, savings, efficiency gains, improvements to certain services and the value created locally through participation in the network. The third is GC System economics, which must finance the Back-End, infrastructure, technology, logistics, service, warranties, Regional Centers, innovation and future growth. None of these three levels should be optimized at the expense of the other two.

This approach is directly connected to the principle of the Inverted Pyramid. In the traditional model, a significant portion of economic value progressively flows upward toward manufacturers, distributors, large platforms and capital owners, while the club often remains merely a point of distribution or use. The GC System seeks to build a different relationship. The Partner Club must retain a meaningful share of the value it helps create. It is not simply a customer to whom GC seeks to sell more; it becomes an active component of a network whose economic improvement must also benefit its operations and, ultimately, the golfer.

This logic does not mean that all activities must generate the same margins or that value must be distributed identically in every situation. Some products may generate a significant direct margin. Other functions may intentionally be less profitable because they strengthen service quality, club loyalty, parts availability or the use of other network components. The objective is therefore not to maximize each transaction in isolation, but to seek the economic balance of the system as a whole.

The revenue model must therefore remain diversified without becoming unnecessarily complex. Revenue may progressively come from the sale of physical products, rentals, maintenance, repairs, parts, accessories, warranties, regional services, digital tools, transactions, certain CRM functions, administrative or financial services, pooled procurement and other functions developed as the network reaches the necessary level of maturity. However, GC-104 applies the same KISS principle to the economic model as to the rest of the GC System: a source of revenue should be created only when it corresponds to a real function and provides identifiable value to the party paying for it.

Cost discipline is just as important as revenue development. Each activity must be understood in terms of its direct costs, indirect costs and contribution to Shared Capabilities. The price of a product cannot be determined solely from its purchase cost from the manufacturer. It must also take into account transportation, warehousing, preparation, service, parts, warranties, administration, information systems, Regional Support and the cost of capital tied up in inventory. This understanding makes it possible to distinguish an apparent margin from a genuine economic contribution.

Inventory management occupies a central place in this regard. A network built around physical products can appear profitable on paper and still face liquidity shortages if too much capital remains tied up in warehouses. Growth in sales often creates a parallel increase in working capital requirements, sometimes even before the corresponding revenue has been collected. GC-104 therefore treats cash management as a structural function of the system. Growth must be financed, and the pace of growth must remain compatible with the organization's actual financial capacity.

The financing of the GC System must itself evolve according to the stages of development. Capital used to carry out the initial validations does not serve the same function as capital used to finance significant inventory, a Regional Center, a mature technology platform or assembly capacity. GC-104 distinguishes creation capital, operating capital and growth capital in order to avoid using a single form of financing for every function.

Equity capital may be appropriate for financing a period in which risk remains high, revenue is still uncertain and the assets being developed are primarily intellectual or technological. Debt and lines of credit may become more appropriate when assets, inventory or predictable revenue streams can support them. Supplier credit, equipment financing, pre-orders, reinvested earnings and other instruments can progressively reduce the need to finance every expansion through new share issuances.

This approach also protects the governance of the system. Continually raising new equity capital to finance each stage of growth may eventually alter control, priorities and the ability to preserve the original vision. GC-104 therefore addresses return on capital, dilution, economic rights, voting rights and governance continuity simultaneously. Capital must serve the development of the system without progressively becoming the system itself.

Deployment represents the other major dimension of GC-104. The GC System does not need, from its first year, all the infrastructure it may eventually possess at maturity. It must be able to begin with a minimal architecture capable of properly supporting the first functions, and then add resources as usage, revenue and needs justify them. Building too early a structure designed for thousands of clubs would create fixed costs incompatible with the initial stages. Building too little, however, would prevent reliable service from being provided to the first partners. The challenge is therefore to identify the appropriate level of structure for each step.

The Seven Steps take on a particular economic and financial dimension here. They make it possible to move progressively from proof of function to economic proof, from economic proof to repeatability, and then from repeatability to regionalization, industrialization and eventually broader expansion. Each step has its own objectives, investments, risks, indicators and conditions for moving to the next. A step should not be taken simply because it was scheduled on a calendar. It should be taken when observed results demonstrate that the system has the knowledge, capabilities and resources required.

The first Pilot Clubs therefore serve a much more important function than simply generating sales. They are places of economic learning. They make it possible to verify actual product use, perceived value, training needs, maintenance costs, repair frequency, logistics, user behavior and effects on club operations. The data obtained must progressively make it possible to transform financial assumptions into observed parameters.

The same logic applies to Regional Centers. They should not be multiplied simply because a deployment map anticipates a certain number of territories. Each center must correspond to a sufficient concentration of clubs, products, services and activities to justify its existence. Its role can evolve progressively: receiving and storage, preparation, delivery, service, repair, training, parts

management, assembly and, eventually, more advanced functions. Regionalization thus becomes a consequence of network density rather than a structure imposed before the need exists.

The same principle guides GC's industrial evolution. The initial stages may rely on OEM or ODM manufacturers capable of supplying existing products or products adapted to GC specifications. This approach makes it possible to limit capital investment, learn from the market and progressively improve the products. When volumes, knowledge and financial capacity permit, certain functions can then be brought closer to the network: preparation, assembly, quality control, parts management, development of subassemblies, supplier diversification and, over the longer term, manufacturing of components or complete products when that evolution creates real value.

Industrialization is therefore not considered an automatic end in itself. GC should not manufacture simply in order to define itself as a manufacturer. Manufacturing becomes relevant when it sufficiently improves quality control, costs, innovation, availability, service or differentiation to justify the additional capital and complexity it requires.

Technology follows the same progression. The GC Back-End will eventually need to support numerous Shared Capabilities: CRM, inventories, logistics, sales, services, warranties, payments, accounting, communications, data, documentation and club support. But each of these functions involves development, integration, maintenance and cybersecurity costs. GC-104 therefore treats technology investment as a capital allocation decision that must be linked to a function and a stage of development. Technology is not a decorative layer added to the system; it must progressively reduce friction, improve visibility, automate certain tasks and enable the network to grow without proportionally reproducing all of its administrative costs.

This search for efficiency leads to a fundamental distinction between growth and overgrowth. A company can rapidly increase sales while weakening its cash position, service, employees, suppliers and customers. Growth that the organization is no longer capable of supporting can destroy more value than slower, better-controlled expansion. The GC System must therefore monitor not only its revenue, but also its actual ability to absorb each new stage.

Financial indicators must accompany this progression. Gross margins, contribution margin, fixed costs, working capital, cash, inventory turnover, warranty costs, break-even point, profitability by activity, capital expenditures and cash-flow generation will help reveal the actual economic situation. These indicators must, however, always be considered alongside functional indicators: club satisfaction, product utilization, parts availability, service lead times, reliability, partner retention and the network's ability to fulfill its functions.

GC-104 is therefore not intended to replace the detailed financial model that may eventually accompany the business plan. Rather, the White Paper defines the principles, structures and economic relationships from which financial models can be built. Sales projections over three, five or ten years can change rapidly. The architecture that explains why an activity creates value, how it is financed and what conditions must precede its expansion must be far more stable.

This distinction is important for investors. A financial projection may present an ambitious trajectory, but it remains a representation of one possible future. The quality of a system is better measured by its ability to learn when reality differs from the projection. GC-104 therefore favors scenarios, decision thresholds and adaptive capacity rather than excessive dependence on a single forecast.

Diversification forms part of this resilience. The GC System should not remain indefinitely dependent on a single product, a single supplier, a single market or a single source of revenue. The Cruiser may serve as the first visible component and the first field of learning, but it does not by itself define the purpose of the system. As Shared Capabilities are built, new families of products and services will be able to use the same architecture of distribution, support, data, logistics and club relationships. It is this capacity for pooling that can progressively make the whole truly greater than the sum of its parts.

Diversification must nevertheless remain disciplined. Adding products simply to increase the size of the catalog would increase inventory, complexity and capital requirements. Every new component should respond to an identifiable function, be capable of being properly supported by the network and strengthen, directly or indirectly, the overall value proposition.

Long-term sustainability ultimately represents the true measure of success of the model. An economically healthy system must be able to withstand periods of slowdown, absorb certain mistakes, replace a supplier, honor warranty commitments, finance the maintenance of its technologies and continue supporting its clubs. It must also maintain sufficient financial capacity to invest in innovation without constantly depending on new external financing.

The long-term objective can therefore be stated simply:

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ensure that each properly developed stage progressively increases the GC System's capacity to finance the next.

Initial capital makes it possible to create and validate. Validation makes it possible to generate the first revenue and improve decisions. Revenue supports the first permanent capabilities. These capabilities make it possible to accommodate more clubs and activities. The expansion of the economic base then makes it possible to strengthen the Back-End, Regional Centers, technologies and eventually industrial capabilities. When this loop functions properly, growth progressively becomes less dependent exclusively on external capital and more strongly supported by the value already created by the network.

The guiding principle of GC-104 can therefore be summarized in three propositions:

Validate before accelerating.
Structure before growing.
Finance before deploying.

These three propositions are not intended to slow the development of the GC System. They are intended to make its growth cumulative rather than fragile. A properly completed step must strengthen the next. A new club must increase the value of the network without degrading the service provided to existing clubs. A new product category must use and reinforce the Common Infrastructure rather than create a parallel organization. A new investment must sustainably increase an identifiable capability. A new region must have the resources necessary to function properly before it is considered deployed.

From this perspective, the GC economic model is not built around growth at any cost. It seeks to create a system that is economically coherent, financially disciplined, progressively deployable and capable of enduring over time.

GC-104 therefore successively examines the creation and distribution of value, the various sources of revenue, Partner Club economics, the structure of costs and margins, financing, capital, working capital requirements, the economic role of Regional Centers, Progressive Integration and deployment, industrialization, performance measurement, risks, diversification, governance and long-term sustainability.

The entire approach rests on one central conviction: a sustainable system is not built with capital alone; it is built by progressively transforming capital into functions capable of creating enough value to support their own evolution.

This is the transformation that GC-104 seeks to understand, structure and make repeatable.

GC GLOSSARY

This glossary defines the principal terms used in GC-104 — *The Economic, Financial and Deployment Model.*

Some expressions belong to generally recognized financial terminology. Others correspond to concepts specific to the GC System and must be understood according to the particular meaning assigned to them within the GC Collection.

The purpose of the glossary is to ensure a common understanding of the concepts used throughout the document and to prevent the same term from being interpreted differently depending on whether it is viewed from the perspective of a club, a supplier, a manager, an investor or a network partner.

A

ASSET

A resource controlled by an organization that is capable of producing future economic value. Within the GC System, assets may be physical, technological, financial, contractual, informational or intellectual.

B

BREAK-EVEN POINT

The level of activity at which the revenue or margins generated cover the corresponding costs.

BUSINESS MODEL

A description of how an organization creates value, delivers that value to its users and generates the financial resources required for its operations.

C

CAPACITY

The amount of activity that a resource, infrastructure or organization can properly support during a given period.

In GC-104, capacity represents an important limit on growth: sales, clubs and territories should not grow more rapidly than the system's capacity to support them.

CAPITAL

Financial resources made available to an organization in order to finance its assets, operations or development.

CAPITAL ALLOCATION

The decision concerning the use of available financial resources among different possibilities: technology development, inventory, personnel, infrastructure, acquisitions, Regional Centers, manufacturing, reserves or other investments.

Good capital allocation seeks to finance the functions that produce the greatest sustainable value for the system.

CAPITAL CONVERSION CYCLE

The period between the time money is committed to the purchase or production of a good and the time the related revenue is actually collected.

CAPEX — CAPITAL EXPENDITURES

Investment expenditures generally used to acquire or develop assets whose use extends over several periods: buildings, equipment, systems, machinery, infrastructure or certain technologies.

CASH

The total amount of liquid funds available to enable the organization to meet its obligations and continue its activities.

Cash constitutes a measure distinct from accounting profit.

CASH FLOW

The actual inflows and outflows of money over a given period.

A company may report an accounting profit while still experiencing cash-flow difficulties.

CASH GENERATION

The ability of an activity or organization to produce more liquidity than it consumes over a given period.

CLUB ECONOMICS

The complete set of economic consequences resulting from a club's participation in the GC System: revenue, costs, savings, investments, commissions, efficiency gains and effects on its operations.

CONTRIBUTION MARGIN

The amount remaining after variable costs associated with an activity have been deducted.

This margin then contributes to financing fixed costs and, once those costs are covered, to profit.

CREATION CAPITAL

Capital used to develop and validate the first components of the system: prototypes, trials, initial software, intellectual property, documentation, research, design and initial organization.

D

DEBT

An amount borrowed that must be repaid according to agreed terms, generally with interest.

DEPLOYMENT

The progressive introduction of a component of the GC System into new clubs, territories or markets.

Deployment involves more than selling: it requires the ability to properly supply, support, maintain and integrate what is being deployed.

DEPRECIATION AND AMORTIZATION

The accounting allocation of the cost of an asset over its expected useful life.

DILUTION

A reduction in the ownership percentage held by a shareholder when new shares are issued.

Economic dilution and dilution of voting power may differ depending on the structure of the share classes.

DIRECT COST

A cost that can be directly associated with a specific product, service or transaction.

DIVERSIFICATION

The development of multiple products, services, suppliers, markets or sources of revenue in order to broaden value creation and reduce certain dependencies.

Within the GC System, diversification must remain functional and controlled.

E

EBITDA

Earnings before interest, taxes, depreciation and amortization.

It is an indicator used to observe part of a company's operating performance, but it represents neither available cash nor the complete economic value of the organization.

ECONOMIC ARCHITECTURE

The organization of the mechanisms through which value is created, transferred, distributed, financed and reinvested within the GC System.

It includes, among other things, revenue, costs, margins, commissions, capital, investments and the economic relationships among network participants.

ECONOMIC PROOF

A demonstration, based on actual results, that a product, service or model can create sufficient value to justify its continuation or development.

ECONOMIC RETURN

The ability of an activity to produce a sufficient economic return in relation to the resources it mobilizes.

EQUITY CAPITAL

Capital obtained in exchange for an ownership interest in the company.

Unlike debt, it is normally not repayable according to a fixed schedule, but it generally involves economic participation and sometimes voting rights.

F

FINANCIAL RESERVE

Resources retained in order to absorb certain risks, variations in activity, warranty obligations, unexpected expenses or temporary needs.

FINANCIAL SCENARIO

A projection built from a set of assumptions concerning sales, costs, margins, investments, growth or other variables.

GC-104 favors the use of multiple scenarios rather than a single forecast treated as certain.

FINANCING

The complete set of means used to provide an organization with the financial resources necessary for its operations and development.

FIXED COST

A cost that remains relatively stable in the short term despite variations in the level of activity.

G

GC BACK-END

The set of Shared Capabilities that support the GC Network beyond the local operations of a club.

Depending on the system's level of development, the GC Back-End may support, among other functions, inventory, procurement, the GC CRM, warranties, service, parts, logistics, payments, accounting, data, communications and certain technological functions.

GC ECONOMIC MODEL

The architecture describing how economic value is created, distributed, captured and reinvested among the different components of the GC System.

GC NETWORK EXCLUSIVITY

The principle according to which certain GC products and services are distributed within the architecture defined by the GC System, particularly through Partner Clubs, rather than through major mass-distribution channels.

GC SYSTEM

The integrated architecture connecting golfers, Partner Clubs, products, services, Regional Centers, suppliers, technologies and the GC Back-End.

The GC System constitutes the true overall product of the GC initiative; its various physical or digital components are its elements.

GOVERNANCE

The set of rules, responsibilities and mechanisms that determine how the organization is directed, controlled and supervised.

GROSS MARGIN

The difference between the revenue generated by an activity and the costs directly associated with the goods or services sold, before taking several other organizational expenses into account.

GROWTH

An increase in the system's economic activity: number of clubs, sales, revenue, products, territories, services or capabilities.

GROWTH CAPITAL

Capital used to increase an activity that has already demonstrated economic potential: additional inventory, territorial expansion, regional capacity, automation, assembly or industrialization.

I

INDUSTRIALIZATION

The progressive transition from a limited or craft-based activity toward a more structured, repeatable and productive capacity.

Within GC, this evolution may include local assembly, automation, supplier diversification, quality control and eventually certain manufacturing functions.

INTEGRATION

The process that enables multiple products, functions, data sets, services or organizations to operate together within a coherent architecture.

INVENTORY

The complete set of products, parts, materials or goods held pending their use, assembly, distribution or sale.

Inventory represents both a service capability and capital tied up in assets.

INVESTMENT

The present use of resources with the objective of creating future capacity or value.

INVESTOR

A person or organization providing capital with the expectation of an economic or strategic return, or an appreciation in the value of its ownership interest.

K

KISS

A principle of simplicity used in the architecture of the GC System: keep structures, processes and solutions as simple as possible as long as that simplicity still allows the intended function to be properly fulfilled.

In GC-104, this principle also applies to revenue models, financial structures and deployment.

L

LIQUIDITY

Cash immediately available or an asset that can be rapidly converted into cash without a significant loss of value.

LOCAL FRONT-END

The set of visible functions directly used at the club level by golfers, employees, professionals and managers.

LOGISTICS

The organization of physical movements related to products, parts, inventories, warehouses, clubs, Regional Centers and users.

LONG-TERM SUSTAINABILITY

The ability of the system to continue its mission and operations over time while maintaining its economic, financial and functional viability.

N

NETWORK ECONOMICS

The capacity of the GC System as a whole to finance its Shared Capabilities, regional resources, GC Back-End, development and growth.

NETWORK EFFECT

An increase in the potential value of a system resulting from the addition of new participants when those participants strengthen the resources, information, capabilities, volumes or opportunities available to other participants.

NETWORK VALUE

The value resulting from the totality of the relationships, resources, capabilities and Shared Capabilities among the participants in the GC System.

O

ODM — ORIGINAL DESIGN MANUFACTURER

A manufacturer capable of designing or adapting a product that another company subsequently markets under its own brand or according to its own specifications.

OEM — ORIGINAL EQUIPMENT MANUFACTURER

A manufacturer producing a product that may be marketed or integrated into another company's offering.

During the first stages of GC development, using OEM manufacturers may help limit initial industrial investment.

OPERATING CAPITAL

Capital required to support ongoing activities before the corresponding revenue and cash receipts are sufficient.

OPEX — OPERATING EXPENDITURES

Expenses related to the organization's ongoing operations: salaries, rent, software, services, insurance, administration and other recurring expenses.

OVERGROWTH

A situation in which an organization grows faster than its financial, operational, human, logistical or technological capacity to support that growth.

P

PACE OF GROWTH

The rate at which the system's activities increase.

GC-104 considers that this pace must remain compatible with the available operational, financial and human capacity.

PARTNER CLUB

A golf club participating in the GC System according to a defined level of integration and having access to certain Shared Capabilities, products, services or Common Infrastructure within the network.

PRICE

The amount charged in exchange for a product or service.

In GC-104, price must be evaluated according to the value created, total cost, positioning and network economics, rather than solely according to purchase cost.

PRODUCT ECONOMICS

The analysis of the revenue, costs, margins, service requirements, warranties, logistics and capital necessary to make a product or service economically sustainable.

PROFIT

The financial result remaining after applicable expenses have been deducted from the revenue of a given period.

PROFITABILITY

The ability of an activity or organization to sustainably produce a positive economic result after taking applicable costs into account.

PROGRESSIVE DEPLOYMENT

An approach consisting of increasing activities in stages according to observable conditions of validation, capacity and financing.

R

REAL ASSET OF THE GC SYSTEM

The complete set formed by the architecture, relationships, processes, knowledge, structured data, technologies, club network, regional capabilities and mechanisms that allow the different GC components to function together.

The physical product is therefore only one part of the overall asset.

REGIONAL CENTER

An intermediate structure between the clubs of a region and the GC Back-End.

Its functions may evolve with network volume and may include, among other things, warehousing, parts, preparation, delivery, service, repairs, training, assembly and support for clubs.

REGIONALIZATION

The development of intermediate resources that bring certain functions closer to the field while maintaining a Common Infrastructure.

REINVESTED EARNINGS

The portion of profits retained within the organization to finance its development rather than being distributed to shareholders.

RESILIENCE

The ability of the system to absorb an adverse event, adapt and continue performing its essential functions without a lasting loss of capacity.

RESOURCE SHARING

The pooling of resources or functions so that they can serve several clubs or activities rather than being reproduced individually.

Procurement, technology, the GC CRM, data, logistics, documentation or certain services may be shared in this manner.

RETURN ON CAPITAL

The relationship between the value or economic results generated and the capital committed to produce them.

REVENUE

Financial value generated by the sale of a product, the provision of a service, a rental, a commission, a transaction or another economic activity.

S

SERVICE BEFORE SALES

The principle according to which the ability to properly support a product throughout its useful life must be structured before large-scale commercial deployment is pursued.

SEVEN STEPS

The progressive architecture used within the GC System to avoid building too early the functions or infrastructure corresponding to a level of development that has not yet been reached.

In GC-104, each step must be associated with validation conditions, capabilities, financial resources and criteria for moving to the next stage.

SHARE

A security representing an ownership interest in a corporation. Shares may confer economic rights, voting rights or a combination of these rights depending on their class.

SHARE OWNERSHIP

The distribution of ownership of a corporation among its various shareholders.

SUSTAINABLE GROWTH

Growth that can be financed and supported without excessively deteriorating cash, quality, service, human resources, partner relationships or the financial strength of the system.

U

UNIT ECONOMICS

Economic analysis applied to a fundamental unit of activity: a product, a user, a transaction, a club or a service.

It seeks, among other things, to determine whether each additional unit contributes positively to the overall economics of the system.

V

VALIDATION

The process of verifying an assumption through observation, testing, data and actual use before committing greater resources.

VALUE

An economic, functional or experiential benefit produced for a participant in the system.

Value does not necessarily correspond to the price paid.

VALUE CREATION

The production of a real benefit for a user or participant in the system.

This value may take the form of revenue, savings, time gains, improved service, reduced risk, a better experience or increased capacity.

VALUE SHARING

The distribution of the economic value created among the different participants in the system: club, GC Network, Regional Center, supplier, manufacturer or other partner.

VARIABLE COST

A cost that changes according to the volume of activity, number of products, transactions or services performed.

W

WARRANTY

A commitment concerning the repair, replacement or support of a product according to specified conditions.

In the GC economic model, the expected cost of warranties must be incorporated into the economic analysis of products.

WORKING CAPITAL

Financial resources available to support the organization's ongoing operations.

WORKING CAPITAL REQUIREMENT

The amount of financial resources required to finance the timing gap between expenses incurred by the organization and the collection of the corresponding revenue.

Growth in inventory and sales can significantly increase this requirement.

PRINCIPLES FOR READING THE GLOSSARY

Three distinctions must be maintained throughout GC-104.

Value and revenue are not synonymous.

A function can create significant value without directly generating independent revenue.

Profit and cash are not synonymous.

An activity that is profitable from an accounting standpoint may temporarily consume substantial amounts of liquidity, particularly when its growth requires significant inventories or investments.

Growth and value creation are not synonymous.

An increase in sales, the number of clubs or the territory covered improves the GC System only if the organization remains capable of financing, supporting and properly servicing that expansion.

These distinctions form an essential foundation for understanding the economic, financial and deployment model presented in GC-104.

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ABOUT GC-104

GC-104 — *The Economic, Financial and Deployment Model — How to Finance, Develop, Operate and Sustainably Grow the GC System?* — is the fourth White Paper in the GC Collection. It extends the work devoted to the components of the system, the operation of the golf club and the integrated architecture of the GC System by now addressing the condition that will allow this architecture to become a sustainable reality: its ability to create value, finance its development, support its operations and grow without losing its coherence.

GC-104 is not a traditional business plan. It does not seek to lock today's revenue, expenses, sales volumes or the future value of the company into a series of projections that would quickly become outdated. Rather, it seeks to define the economic and financial architecture from which those projections can be built, evaluated and continually adjusted.

The document begins with a fundamental principle: the GC System cannot be evaluated as a simple product-selling business. The Cruiser, equipment, accessories, technologies, services and other components that may eventually join the network are means serving a broader architecture. Their true value depends on the way they integrate with clubs, golfers, Regional Centers, the GC Back-End and the Shared Capabilities of the network.

This perspective requires the economy to be viewed from several angles at the same time. A product may be profitable without necessarily strengthening the system. An activity may have a low direct margin while creating significant value for clubs. Infrastructure may represent a cost today while enabling hundreds of participants tomorrow to share a resource they would otherwise have had to develop individually. GC-104 therefore seeks to understand the value created by each component, but also the value created by the relationships among them.

The economic model examined in this White Paper is therefore based on three complementary levels: the economics of the product or service, the economics of the Partner Club and the economics of the GC Network. These three levels must be able to coexist. Growth that enriched the network while economically weakening the clubs would not be consistent with the GC approach. Likewise, a model that was highly advantageous for the clubs but unable to finance the GC Back-End, warranties, service, infrastructure and future development could not endure.

This search for balance is directly connected to the principle of the Inverted Pyramid developed in the previous documents of the GC Collection. The golfer and the club are not regarded simply as the economic base from which value rises toward manufacturers, distributors and holders of capital. They form the functional base of the system. A significant portion of the value created must therefore remain close to that base in order to improve the golfer experience, strengthen the club's capabilities and enhance the quality of services available locally.

GC-104 also examines how the GC System can be financed at different stages of its development. The needs associated with initial validation are not the same as those of an established regional network, a mature technology platform or an organization engaged in assembly and manufacturing. The document therefore distinguishes among the different functions of capital and seeks to determine which type of financing may be appropriate according to the level of risk, the maturity of the activities and the nature of the assets being financed.

This reflection includes equity capital, debt, credit, inventory financing, supplier credit, equipment financing, reinvested earnings and other forms of capital that may become relevant as the system evolves. The objective is not to favor a single instrument, but to develop a financial structure in which the appropriate capital finances the appropriate function at the appropriate time.

Cash management and working capital also occupy an important place. Growth can create financial needs before producing the corresponding revenue. More clubs may require more products, parts, personnel, logistics and support. An organization can therefore grow rapidly while weakening its financial position. GC-104 seeks to avoid this confusion between revenue growth and economic strength.

For this reason, deployment of the system is treated as an economic function in its own right. GC does not need to immediately build all the infrastructure envisioned for its future form. Each capability should be developed when its use becomes sufficiently likely, when the function it must perform is understood and when the resources required to sustain it are available.

The Seven Steps provide a natural framework for this progression. They make it possible to associate each stage of development with a level of validation, a set of functions, an operational capacity, a financing requirement and conditions for moving to the next stage. A new step should not be taken simply because a date has been scheduled or because a growth opportunity exists. It should be taken when the learning, resources and economic capacity of the system are sufficient to support it.

This logic applies equally to the deployment of Partner Clubs, Regional Centers, the GC Back-End, technologies, inventories and industrial capabilities. A Regional Center should not exist simply because a territory appears on a map. It must correspond to a sufficient level of activity to justify the functions it will perform. Similarly, assembly or manufacturing only becomes relevant when it improves quality, costs, service, innovation or supply-chain control sufficiently to justify the required investments.

GC-104 therefore places particular importance on the distinction between growth and overgrowth. The number of clubs, sales, territories or products cannot become the only measures of progress. Genuine growth must be accompanied by the ability to serve users properly, support products already deployed, maintain warranties, finance inventories, preserve cash and continue investing in Shared Capabilities.

The White Paper also addresses economic governance. Financing necessarily influences ownership, economic rights, control and the future direction of the organization. Decisions concerning capital must therefore be considered not only in terms of the amount raised, but also in terms of their long-term consequences for the ability to preserve the mission, architecture and coherence of the GC System.

Diversification is another dimension of this long-term sustainability. The system should not remain indefinitely dependent on a single product, supplier, territory or source of revenue. Diversification, however, does not mean multiplying activities without discipline. A new component must correspond to a real function, be capable of using or strengthening the existing architecture and be properly supported by the network.

GC-104 ultimately seeks to establish the conditions under which the GC System can progressively reduce its dependence on external capital. The initial stages may require significant investment before revenue becomes sufficient. But as products are validated, clubs join the network, Shared Capabilities are used and volumes increase, a growing portion of development should be financed by the value already generated by the system.

This progression leads to one of the central ideas of GC-104:

each properly developed stage should increase the GC System's ability to finance the next.

Initial capital makes it possible to create and validate. Validation generates revenue and knowledge. That revenue and knowledge make it possible to build new capabilities. Those capabilities allow more clubs and activities to be supported. Growth in this economic base can then strengthen the network and progressively open the way to the next stages.

GC-104 therefore does not seek to define an immutable economic model. It seeks to establish a framework solid enough to guide decisions and adaptable enough to evolve with observed results.

Its role within the GC Collection is therefore clear: to understand how the architecture developed in the first White Papers can become economically viable, financially disciplined, progressively deployable and sustainable over time.

Through this approach, GC-104 raises a question that will accompany the entire document:

How can a vision, products, knowledge and capital be progressively transformed into a system capable of creating enough value to sustain its own evolution?

FOREWORD

The development of a system such as GC inevitably raises a question that extends beyond product design, club organization and technological integration: how can a structured vision be transformed into an organization capable of functioning economically, financing its own needs and growing without compromising what it is seeking to build?

This question lies at the heart of GC-104.

The first three White Papers in the GC Collection progressively defined the components, functions and architecture of the system. They moved the focus from the isolated product to the club, and then from the club to the integrated network. GC-104 continues that progression by examining a dimension that cannot be separated from the others: the economics of the system itself.

It would be relatively simple to build a financial model in which sales volumes increase year after year, margins are applied to products and expenses are grouped into a few categories. Such an exercise can be useful. It can help test an assumption, prepare a budget or present a scenario to an investor. But it is not enough to explain why an organization should work, what makes its model sustainable or how it should respond when reality differs from the projections.

GC-104 therefore begins from another perspective.

Before forecasting how much GC might sell, it is necessary to understand what actually creates value.

Before determining how much capital will be required, it is necessary to understand what that capital must build.

Before deciding how quickly the network should grow, it is necessary to understand what the organization will actually be capable of supporting.

Before entering a new territory, it is necessary to understand which functions must already be available for that territory to be properly served.

This way of thinking reflects a principle that runs throughout the GC Collection: **function before product**. In economic terms, this principle can be extended through an equally important idea: **function before expenditure and function before capital**.

An expense is not justified simply because it normally appears in the structure of a business. It must correspond to a necessary function.

An investment is not automatically desirable simply because capital is available. It must create or improve a clearly identifiable capability.

A new hire is not necessary simply because the company is growing. It becomes relevant when workload, required expertise or the level of service demands that function.

A larger warehouse is not evidence of growth. It becomes useful when volumes and logistics make that capacity necessary.

A Regional Center is not a success simply because it exists. Its value depends on the functions it brings closer to the clubs and on the territory's ability to support those functions economically.

This distinction may appear simple, but it becomes decisive as the organization begins to develop. A company can quickly accumulate costs, infrastructure and commitments that all appear reasonable when considered individually. Together, however, they can create a structure far heavier than revenue and operational capacity can actually support.

GC-104 seeks precisely to avoid this drift.

The GC System is designed to evolve progressively. There is no need to build today the organization that it may become in five, ten or twenty years. That future organization should emerge as the necessary functions, volumes, knowledge and resources appear.

This progression is deeply connected to the concept of the Seven Steps.

The Seven Steps are not only a principle of industrial or operational development. They can also become an economic principle. Each step corresponds to a different level of uncertainty, capital requirement, operational capacity, potential revenue and set of risks. What is appropriate during an initial validation phase will not necessarily be appropriate once the network spans several

regions. Conversely, a financial structure designed for a mature organization could be far too heavy for an early experimental phase.

The challenge is therefore less about predicting the exact future form of the GC System than about determining the conditions under which it becomes reasonable to move from one step to the next.

This approach also changes the way capital is viewed.

In many projects, capital is considered the principal resource that enables growth. More capital makes it possible to hire more people, purchase more inventory, develop technology faster, enter new territories and increase commercial spending.

This logic can accelerate development, but it can also conceal weaknesses. When capital continually compensates for insufficient revenue, costs progressively become disconnected from the value actually produced by the system.

GC seeks a different path.

Capital remains necessary, particularly in the early stages. It makes it possible to develop prototypes, build the first technologies, acquire initial inventories, conduct testing and establish essential functions. But its role should progressively evolve.

The objective is not to build a system that continually depends on new investment in order to survive. It is to build a system in which initial capital creates capabilities that subsequently generate enough value to finance a growing share of their own evolution.

This ambition requires particular discipline.

It requires distinguishing between what we would like to build and what we can reasonably support.

It requires considering cash, not only profit.

It requires recognizing the capital tied up in inventories.

It requires taking into account service, warranty and support costs after the sale.

It requires understanding that each new product potentially adds not only revenue, but also parts, procedures, training, risks and complexity.

Above all, it requires recognizing that rapid growth is not necessarily healthy growth.

A system can experience a spectacular increase in sales while weakening its organization. Inventories can consume cash. Service times can become longer. Employees can become overloaded. Suppliers may no longer be able to keep pace. Information systems can reach their limits. Quality can decline. Partner Clubs can begin to perceive a deterioration in service precisely when the company believes it is succeeding.

Growth must therefore be viewed from two perspectives.

The first is quantitative: more clubs, products, revenue and territories.

The second is functional: **is the system actually better and stronger after this growth?**

This second question is more important.

The GC economic model should not be designed solely to increase the value of the central organization. It must also strengthen the economics of those who form its base.

This idea follows directly from the Inverted Pyramid.

Within the GC System, the Partner Club should not be viewed simply as a point of sale or an intermediary providing access to the golfer. The club provides an environment, facilities, a relationship with members and visitors, personnel, knowledge of the course and a local service capability. It contributes directly to the value created by the system.

It is therefore logical that part of this value remain with the club.

The economic model must allow the club to generate revenue, improve certain margins, reduce certain expenses or gain access to capabilities that would be difficult or costly to develop independently.

The Regional Center must also have a viable economic model corresponding to the functions it performs.

The GC Back-End must be able to finance the Shared Capabilities required by the network.

Suppliers must receive compensation that allows them to maintain quality and continuity.

Investors must be able to expect a return compatible with the risk they accept.

And the golfer must ultimately receive an experience and value that justify the amounts spent.

The challenge is therefore not to maximize any one of these positions. It is to build an architecture in which economic interests can remain sufficiently aligned for each participant to benefit from the continuity of the system.

This logic naturally leads to another distinction: the distinction between price and value.

Price is what is paid.

Value is what is received.

The two are related, but they are not identical.

An inexpensive product can offer little value if it is unreliable, difficult to repair or poorly suited to its intended use. Conversely, a more expensive service can generate significant value if it removes a major friction, increases a source of revenue or reduces an important risk.

The GC model must therefore avoid basing its competitiveness solely on price. Its ability to create value should also come from integration, service, the network, access to parts, information, support and continuity.

This approach can also change the way margins are viewed.

A significant margin on a product is not necessarily excessive if it must finance costly after-sales service, warranties, parts inventory, Regional Support and technology investments.

Conversely, an apparently attractive margin may be insufficient if it considers only purchase price and selling price while ignoring the real costs of the life cycle.

GC-104 will therefore continually return to the full economics of the function.

This discipline will be particularly important as the system begins to integrate several families of products and services.

Diversification is desirable when it allows better use of Shared Capabilities. Logistics infrastructure, a GC CRM, a Regional Center or a transaction platform can become more efficient when their use is spread across several activities.

But that same diversification can become dangerous if it multiplies inventories, suppliers, procedures and service requirements without increasing the value created sufficiently.

The objective is therefore not to have the largest possible catalog.

The objective is to build a sufficiently coherent group of components so that each progressively strengthens the others.

It is precisely here that the founding principle of the GC System takes on its full economic meaning:

The whole is greater than the sum of its parts.

In a true system, infrastructure built for one activity can serve a second. A relationship established with a club can facilitate the introduction of a new service. A Regional Center can support several product categories. A database can improve several functions. A service team can use the same procedures, tools and systems across multiple components.

Value then appears not only within the products themselves, but between products and functions.

This sharing of capabilities represents one of the principal economic possibilities of the GC System.

It creates the possibility of growth in which revenue can increase faster than certain categories of cost, not because services are reduced, but because Common Infrastructure is progressively used more effectively.

This effect, however, must never be assumed. It must be observed, measured and validated.

GC-104 therefore places particular importance on real data.

At the beginning of a project, many parameters are necessarily assumptions: purchase price, transportation cost, utilization rate, repair frequency, useful life, acceptable margin, club response, golfer interest or support requirements.

Testing and early deployment serve, among other things, to progressively replace these assumptions with observations.

A Pilot Club is therefore not simply a first customer. It is an operational and economic laboratory.

A first product is not simply a first sale. It provides an opportunity to observe its complete cycle: receiving, preparation, use, maintenance, repair, satisfaction, actual costs and useful life.

A first Regional Center is not simply a new facility. It provides an opportunity to evaluate the density of activity required to support certain functions closer to the field.

This culture of validation must accompany growth.

It allows the system to develop from what is observed rather than from what is hoped for.

GC-104 is therefore not intended to guarantee that a particular scenario will occur.

Rather, it seeks to build a way of making decisions as reality evolves.

Some products will perform better than expected.

Others will need to be modified.

Some functions may be automated quickly.

Others will remain dependent on human intervention for a long time.

Some regions will quickly reach sufficient density.

Others will require more time.

Some financial assumptions will be confirmed.

Others will need to be abandoned.

A sustainable system must be capable of integrating these differences without constantly calling its entire architecture into question.

That is why flexibility and discipline are not opposites.

Discipline defines the principles, criteria and limits.

Flexibility allows decisions to be adapted to observed results.

GC-104 lies precisely between these two requirements.

It seeks to provide an architecture structured enough to prevent improvised decisions, yet open enough to avoid turning current assumptions into permanent rules.

The objective is therefore not to determine today exactly what GC will be in ten years.

It is to build the conditions that will allow GC to make sound decisions throughout those ten years.

The central question of this White Paper is therefore not: **how much might the GC System be worth?**

It is more fundamental:

What functions, disciplines and economic relationships will allow the GC System to create sustainable value for golfers, clubs and its entire network while retaining the financial means required for its own evolution?

This question will accompany the whole of GC-104.

It leads to an approach to development that can be summarized simply:

Validate before accelerating.

Structure before growing.

Finance before deploying.

These principles are not intended to limit the ambition of the GC System.

They are intended to give it the means to endure.

METHODOLOGY

GC-104 — *The Economic, Financial and Deployment Model — How to Finance, Develop, Operate and Sustainably Grow the GC System?* — is based on a methodology different from that of a traditional financial plan. Its objective is not to begin with a desired sales figure and then build an organization capable of supporting it. Rather, it begins with the actual functions of the GC System, seeks to understand the resources required to perform them properly, and then determines how those functions can progressively produce, share and retain enough value to finance their continuity and development.

This approach follows directly from the work carried out in the first three White Papers of the GC Collection. GC-101 identified and organized products, equipment, services and functions that could improve the golf experience and club operations. GC-102 examined the club as an operational system, with its resources, constraints, infrastructure, teams and relationships with golfers. GC-103 connected these elements within a common architecture comprising the Local Front-End, Regional Centers, the GC Back-End, physical flows, information flows and digital functions. GC-104 uses this architecture as its starting point and now seeks to understand how it can function economically.

The methodology is based on a fundamental idea: **the numbers must be the consequence of an understood architecture, not a substitute for that architecture.**

A financial projection may indicate that a product should generate a certain margin, that a territory could reach a particular volume or that an organization might become profitable after several years. These projections are useful, but they remain dependent on assumptions. Before assigning them significant decision-making value, it is necessary to understand the mechanisms that produce the revenue, costs, capital requirements and risks they represent.

GC-104 therefore proceeds through successive layers.

It first seeks to identify where value is created.

It then seeks to understand who contributes to that value creation.

It examines who bears the costs required to produce it.

It analyzes how revenue and margins can be distributed.

It then evaluates the resources, infrastructure and capital required to support the activity.

Finally, it seeks to determine under what conditions it becomes reasonable to increase the scale of the system.

This sequence preserves coherence between economics and function.

1. START WITH THE FUNCTION BEFORE STARTING WITH REVENUE

The first methodological rule is not to begin by asking:

“How much can we sell?”

The first question is instead:

“What function are we seeking to improve, for whom, and what value can that improvement create?”

This distinction is essential.

A product does not create value simply because it can be sold. It must address a function important enough that the user, club or network considers the resources required for its acquisition or use to be justified.

The GC-104 methodology therefore begins with the function and works back toward the economics.

For each significant activity, it should be possible to establish a logical chain:

function → user → need → solution → value created → cost → price → margin → support → continuity.

If this chain cannot be understood, the apparent profitability of an activity may be misleading.

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2. ANALYZE THE ECONOMICS AT THREE LEVELS

GC-104 systematically analyzes the economic model at three levels:

- the economics of the product or service;
- the economics of the Partner Club;
- the economics of the GC Network.

This distinction prevents a transaction from being considered in isolation.

A product may generate a satisfactory margin for GC while creating too little value for the club that must promote, store, prepare or support it.

Conversely, an activity that is highly advantageous for the club may require central support so costly that it becomes unsustainable for the network.

The methodology therefore seeks to verify that an activity can contribute positively at all three levels or, when it does not do so directly, that it creates strategic value significant enough to justify its role.

This analysis is intended to prevent local optimization from weakening the whole.

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3. DISTINGUISH VALUE FROM PRICE AND REVENUE

GC-104 places particular importance on distinguishing among three concepts that are often confused:

- value;
- price;
- revenue.

Value corresponds to the benefit actually received by the user or participant.

Price corresponds to the amount charged for access to that benefit.

Revenue corresponds to what the organization actually earns when a transaction takes place.

This distinction prevents price from being treated as the sole measure of value.

A service may create significant value by reducing an expense, eliminating friction or increasing a club's capacity, even if its direct price remains relatively low.

Conversely, an expensive product may create little value if it is rarely used or poorly suited to the intended function.

The GC-104 methodology therefore seeks to understand the relationship among these three dimensions before defining pricing models.

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4. REASON IN TERMS OF FULL COST

The methodology avoids, as much as possible, limiting economic analysis to the purchase cost of a product.

The true cost of an activity may include:

- purchase or manufacturing;
- transportation;
- applicable duties and fees;
- warehousing;

- handling;
- preparation;
- inspection;
- installation;
- documentation;
- training;
- service;
- repairs;
- parts;
- warranties;
- insurance;
- digital systems;
- administration;
- reverse logistics;
- the cost of capital tied up;
- end-of-life management.

The selling price must therefore be compared with the full functional cost, even if all expenses cannot be allocated precisely to a unit during the initial stages.

This approach makes it possible to distinguish apparent commercial margin from real economic contribution.

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5. DISTINGUISH FIXED, VARIABLE AND SEMI-VARIABLE COSTS

The cost structure is analyzed according to the way it behaves as volume increases.

Some costs are largely variable. They increase almost directly with the number of units sold or used.

Others are fixed within a certain capacity: a facility, a technology platform, a minimum team or certain infrastructure.

Still others increase in steps. A team may, for example, support a certain number of clubs before an additional resource becomes necessary. A warehouse may absorb substantial additional volume until a capacity threshold is reached.

This distinction is fundamental to understanding scale effects.

Growth does not automatically reduce unit costs. It may reduce them when existing resources are used more efficiently, but it may also trigger a new level of investment.

The methodology therefore seeks to identify these thresholds rather than assume a linear relationship between sales and profitability.

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6. TREAT CASH AS A FUNCTION DISTINCT FROM PROFIT

Another important rule is never to confuse accounting profit with financial availability.

An organization can be profitable on paper and still lack liquidity.

This is particularly important when the company must pay suppliers, transport products, build inventories and support operating costs before collecting sales revenue.

GC-104 therefore examines separately:

- revenue;

- expenses;
- margins;
- investments;
- inventories;
- accounts receivable;
- accounts payable;
- working capital;
- cash.

This distinction becomes even more important during periods of growth.

The methodology therefore considers that growth must be financed before it can be recognized as an economic success.

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7. USE THE SEVEN STEPS AS A DEPLOYMENT METHOD

The Seven Steps serve as a methodological framework for limiting commitments made before the necessary learning has taken place.

Each step must answer four questions:

What have we validated?

What do we still need to learn?

What capacity must we build now?

What conditions must be met before moving to the next step?

This method prevents a future objective from being turned into immediate infrastructure.

A function corresponding to a mature organization does not necessarily need to be developed during the early stages.

The system must be capable of functioning properly in a simpler form, then increasing its capacity when volumes, needs and resources justify doing so.

The Seven Steps therefore serve simultaneously as a method of development, risk control and capital allocation.

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8. USE PILOT CLUBS AS SOURCES OF REAL DATA

The first implementations should be viewed as learning environments.

The methodology seeks to measure not only sales, but also what happens after deployment.

Relevant data may include:

- frequency of use;
- user profiles;
- preparation time;
- training requirements;
- incidents;
- maintenance;
- repairs;
- replaced parts;
- downtime;

- satisfaction;
- price perception;
- effects on operations;
- revenue generated;
- costs borne by the club;
- costs borne by GC.

This information makes it possible to progressively replace initial assumptions with observed parameters.

A successful Pilot Project is therefore not simply one that generates revenue.

It is one that allows the system to learn enough to improve the next decision.

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9. WORK WITH SCENARIOS RATHER THAN A SINGLE FORECAST

The future cannot be known with enough precision to justify treating one projection as the official trajectory.

GC-104 therefore favors a scenario-based methodology.

A conservative scenario can show what happens when sales grow slowly, certain costs remain high or deployment must be delayed.

A reference scenario can represent an evolution considered reasonably achievable based on the available data.

A faster-growth scenario can reveal the capital and capacity requirements that arise if adoption exceeds expectations.

The purpose of this method is not to select the most impressive scenario.

Its primary value is to understand which variables genuinely change the economics of the system.

Scenarios should therefore prepare decisions rather than create an illusion of precision.

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10. IDENTIFY CRITICAL VARIABLES

Not all parameters have the same importance.

A variation of a few dollars in an administrative cost may have little effect on the overall system, while a significant change in acquisition cost, selling price, warranty rate, inventory turnover time or volume per club may profoundly change profitability.

The methodology therefore seeks to identify the variables to which the model is most sensitive.

These may include:

- product acquisition cost;
- logistics costs;
- selling price;
- club margin;
- network margin;
- volume per club;
- number of clubs;
- utilization rate;
- useful life;
- warranty costs;
- inventory turnover;

- cost of capital;
- personnel cost;
- pace of deployment.

Greater attention should be given to the parameters that can genuinely change a decision.

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11. ESTABLISH DECISION THRESHOLDS

GC-104 should not merely produce indicators.

It must help determine when to act.

Thresholds may be established for certain functions.

For example:

- minimum number of clubs required to justify a regional function;
- volume required to negotiate a better supplier price;
- inventory level that triggers an order;
- number of repairs that justifies local technical capability;
- volume at which local assembly becomes economically relevant;
- minimum cash level to maintain;
- profitability required before further expansion;
- demand level that justifies development of a new product.

Not all of these thresholds can be determined immediately.

The methodology nevertheless provides for them to be established progressively from real data.

Moving from one stage to another should therefore become less intuitive and increasingly based on observable criteria.

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12. TREAT RISK AS AN ECONOMIC VARIABLE

Risk is not a category external to the economic model.

A single supplier, technological dependence, geographic concentration, poor parts availability, excessive inventory or overly rapid growth can all produce financial consequences.

The GC-104 methodology therefore seeks to integrate risk into the analysis of value.

Certain decisions may deliberately cost more in the short term when they reduce a significant vulnerability.

Keeping certain parts in inventory, diversifying suppliers or maintaining a financial reserve may appear to reduce immediate efficiency. Yet these measures can preserve system continuity when an adverse event occurs.

The pursuit of returns must therefore always be considered in relation to resilience.

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13. MEASURE THE EFFECTS OF SHARED CAPABILITIES

One of the fundamental assumptions of the GC System is that several functions can create greater value when they are shared.

The methodology must therefore seek to measure this effect.

A common GC Back-End can prevent several clubs from having to develop certain functions individually.

A Regional Center can serve several clubs and several product families.

A technology platform can support multiple activities.

A supplier relationship negotiated at network scale can produce better terms than a series of isolated purchases.

The same service infrastructure can support several products.

Shared Capabilities, however, should not automatically be assumed to be advantageous.

They must genuinely reduce costs, improve capacity or increase quality.

When centralization adds more complexity than value, the activity must be able to remain local.

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14. MAINTAIN ACCOUNTING BY FUNCTION

As the system develops, it will become increasingly important to understand which functions consume resources and which create value.

The methodology therefore favors an economic view that can distinguish, when appropriate:

- products;
- services;
- clubs;
- regions;
- Regional Centers;
- GC Back-End functions;
- inventory families;
- technology activities;
- warranties;
- logistics operations.

The objective is not to create unnecessarily complex accounting.

It is to maintain enough visibility to prevent a loss-making activity from being hidden for too long by another profitable activity, or a strategic function from being eliminated simply because its indirect value was not understood.

The level of detail should therefore evolve with the maturity of the system.

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15. DEVELOP THE MODEL FROM EVOLVING DATA

GC-104 is being developed at a time when several components of the GC System are still under development.

Some costs can already be observed.

Others still rely on estimates, supplier prices, simulations or scenarios.

The document should therefore distinguish, as clearly as possible:

- what has been observed;
- what has been estimated;
- what has been assumed;
- what remains to be validated.

This distinction is essential to the credibility of the model.

An assumption is not a problem when it is clearly identified as such.

It becomes problematic when it is progressively treated as a fact simply because it has been used repeatedly.

The methodology therefore requires regular revision of assumptions as new data becomes available.

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16. SEPARATE THE WHITE PAPER ARCHITECTURE FROM THE DETAILED FINANCIAL MODEL

GC-104 is not intended to contain every cell of the future financial model.

Its role is to define the logic from which that model will be built.

The White Paper must establish, among other things:

- which functions must be financed;
- which revenue categories exist;
- which cost categories must be monitored;
- how value is distributed;
- how capital requirements arise;
- how deployment increases capacity requirements;
- which indicators should be monitored;
- which conditions can trigger a decision.

The detailed financial model can then translate this architecture into numbers.

This separation makes it possible to preserve a stable strategic document while allowing spreadsheets, budgets and projections to evolve frequently.

New supplier information may change a cost.

A new field experience may change a warranty assumption.

A change in the exchange rate may affect an import scenario.

A new Regional Center structure may change fixed costs.

These changes must be capable of being incorporated into the financial model without requiring the fundamental logic of GC-104 to be rebuilt.

A METHODOLOGY OF PROGRESSIVE LEARNING

The entire methodology can be represented by a simple loop:

OBSERVE → UNDERSTAND → MEASURE → VALIDATE → DECIDE → DEPLOY → OBSERVE AGAIN

The process is therefore never completely finished.

Every new product, every new club, every new region and every new stage provides additional information.

That information should improve the model.

The model then improves decisions.

Decisions produce new observations.

The GC System can therefore progressively develop economic knowledge that itself becomes an asset of the network.

This approach makes it possible to replace part of the initial uncertainty with accumulated experience.

It also helps avoid two opposite mistakes.

The first would be to wait until every answer is known before acting. Such certainty will never exist.

The second would be to deploy on a large scale before enough has been learned to understand the consequences of the decisions being made.

The GC-104 methodology seeks a balance between the two:

begin small enough to learn, but real enough for the learning to be meaningful.

GUIDING METHODOLOGICAL PRINCIPLES

The GC-104 approach can ultimately be summarized through a number of principles that will accompany the entire document:

Function before revenue.

Value before price.

Full cost before apparent margin.

Cash alongside profit.

Validation before acceleration.

Capacity before expansion.

Financing before deployment.

Measurement before repetition.

Shared Capabilities when they genuinely create value.

Simplicity as long as it allows the function to be performed properly.

Growth only when the system remains capable of supporting it.

These principles are not constraints intended to prevent the GC System from evolving. They form a method for progressively transforming uncertainty into knowledge, capital into capacity, capabilities into value and created value into new development opportunities.

GC-104 will use this methodology to examine, in sequence, the economic model, revenue sources, Partner Club economics, value sharing, capital, financing, deployment, Regional Centers, industrialization, performance, risks and long-term growth.

The objective remains the same throughout the document:

to build a system that is not only capable of growing, but capable of financing, supporting and justifying its own growth.

INTRODUCTION

The development of the GC System is based on an ambition that extends far beyond bringing a product to market or creating a new company within the golf industry. From the beginning, the objective has been to understand how products, services, technologies, clubs, suppliers, Regional Centers and Shared Capabilities can be organized coherently enough to create more value when they work together than when they remain isolated.

The first three White Papers in the GC Collection progressively built this architecture.

GC-101 examined the components, products, equipment and functions that can contribute to improving the golfer experience and the operation of golf. GC-102 shifted the analysis toward the club itself, viewed not simply as a place where golf is played but as a complex organization bringing together a course, buildings, employees, equipment, services, infrastructure, operations and an ongoing relationship with the golfer. GC-103 then connected these two perspectives by describing the architecture of the GC System, from the Local Front-End through the Regional Centers to the common GC Back-End.

GC-104 now addresses a different question, but one that cannot be separated from the previous ones:

how can this architecture become economically viable, financially sustainable and progressively deployable?

An architecture, however relevant it may be, does not become a sustainable organization simply because it is well designed. It must have the resources required to exist, operate, maintain what it deploys, correct its mistakes, invest in infrastructure and finance the next stages of its development.

This reality requires particular discipline.

It is not enough to demonstrate that a product can be sold.

It is necessary to know whether the revenue it generates truly covers the resources required throughout its life cycle.

It is not enough for a club to express interest.

It is necessary to understand whether its participation creates enough value to justify the time, investment and operational changes it may require.

It is not enough to imagine a national or international network.

It is necessary to determine how each new region can be supplied, supported, financed and administered without reducing the quality of the regions already operating.

Nor is it enough simply to have capital.

It is necessary to know what capability that capital must build, how long that capability must be financed and how it will eventually contribute to creating new resources.

This relationship among function, value, revenue, cost, capital and growth lies at the heart of GC-104.

FROM THE PRODUCT TO SYSTEM ECONOMICS

In a traditional product company, the economic equation may appear relatively simple. A product is purchased or manufactured at a certain cost and then sold at a higher price. The difference contributes to paying the company's expenses and, once those expenses are covered, generating a profit.

This logic remains necessary within the GC System, but it becomes insufficient when the full architecture is considered.

A GC product may require:

- supplier selection and qualification;
- adaptation to market needs;
- quality control;
- transportation;
- customs clearance;
- warehousing;
- preparation before delivery;
- documentation;
- training;
- parts;
- technical support;
- repairs;
- warranties;
- information systems;
- communications;
- a relationship with the club;
- regional capacity;
- administrative and financial infrastructure.

The price paid to the manufacturer therefore represents only part of its true economics.

Conversely, certain resources established to support an initial product may later serve several other categories. A Regional Center capable of receiving, preparing and repairing a Cruiser may eventually support other equipment. A GC CRM developed to manage an initial commercial relationship can serve multiple services. Logistics infrastructure established for one product can process other inventories. A relationship established with a club can provide insight into its needs across several areas.

This is where the economics of the system truly begins.

The question is no longer simply how much each component generates, but how Common Infrastructure allows several components to operate at a cost and with a level of quality that they might not have achieved independently.

This sharing of capabilities is one of the major economic possibilities of the GC System.

It is also one of its principal challenges.

A shared resource is advantageous only if it is genuinely used. Infrastructure built too early can become a heavy cost. Infrastructure built too late can restrict activity or weaken service.

The challenge is therefore to develop the right capacity, in the right place, at the right time and at a scale compatible with the reality of the network.

THREE ECONOMIES THAT MUST WORK TOGETHER

GC-104 is based on a fundamental distinction among three economic levels.

The first is the economics of the product or service.

Each activity must be examined according to its own revenue, costs, capital requirements, margin, life cycle and required resources. This analysis makes it possible to determine whether a product truly creates an economic contribution or whether its apparent profitability disappears once all costs are considered.

The second level is Partner Club economics.

The club is where much of the value of the GC System becomes tangible. A product or service can improve the golfer experience, create a new source of revenue, reduce an expense, simplify an operation, reduce a labor requirement, improve use of an asset or allow the club to access resources that would have been difficult to develop independently.

This value must be understood and, whenever possible, measured.

A model that was highly profitable for GC but offered little value to clubs would have little chance of building a sustainable network.

The third level is GC Network economics.

The network must finance the Shared Capabilities without which products and clubs could not be properly supported. It must be able to finance technology, inventory, logistics, warranties, data, administrative resources, regional capabilities and continuous improvement.

The real challenge is to maintain balance among these three levels.

A transaction that is economically ideal for one component may be unfavorable to the whole.

GC-104 therefore seeks less to maximize each margin independently than to build an architecture in which value creation remains sufficiently balanced to support all of the participants essential to the system.

THE INVERTED PYRAMID BECOMES AN ECONOMIC ARCHITECTURE

The principle of the Inverted Pyramid, already present in the previous documents, takes on a directly economic dimension in GC-104.

In many commercial structures, the base consumes, purchases and produces most of the revenue, while economic value progressively moves upward toward higher levels of distribution, ownership and capital.

The GC System cannot completely eliminate this mechanism. An organization must generate a margin. It must pay its employees, finance its infrastructure, compensate its suppliers and provide a return on invested capital.

The difference lies in the way value is conceived and distributed.

The Partner Club should not simply serve as a channel through which GC reaches the golfer. It must be able to retain a meaningful share of the value it helps create.

This value can come from several sources:

- margins on certain products;
- rental revenue;
- commissions;
- new services;
- operating savings;
- pooled purchasing;
- reduction of certain frictions;
- better use of equipment;
- improvement of certain processes;
- access to Shared Capabilities.

The Inverted Pyramid therefore does not mean that the GC Back-End or investors should not be compensated.

It means that value creation must begin with the functional base of the system, because without real value for the golfer and the club, no higher-level architecture can be sustainable.

CAPITAL AS A MEANS OF BUILDING CAPACITY

A large part of GC-104 necessarily concerns financing.

But financing is not treated as an end in itself.

Raising capital is not an economic success. It is a resource entrusted to the organization so that it can build something more useful and, eventually, more valuable than the capital initially received.

This distinction may appear obvious, but it profoundly influences the way GC is developed.

Every investment should correspond to a question:

What new capability does this capital make it possible to create?

That capability may be a market-ready product, technology, logistics infrastructure, inventory, a team, intellectual property, a Regional Center or assembly capacity.

The second question then becomes:

How will this capability contribute to creating enough value to justify the resources used?

This discipline helps distinguish necessary investments from expenditures that merely create the appearance of growth.

A large warehouse is not automatically a strategic asset.

It becomes strategic when the volumes, logistics and functions it supports justify its capacity.

A large team is not necessarily evidence of development.

It becomes relevant when the functions to be performed genuinely require its skills and capacity.

Sophisticated technology is not an end in itself.

It becomes useful when it reduces friction, improves decisions, automates tasks or allows the system to absorb more activity without reproducing costs proportionally.

Capital must therefore be progressively converted into functional and productive capabilities.

FINANCING DIFFERENT STAGES DIFFERENTLY

Not every stage of the GC System carries the same level of risk.

During the initial phases, several variables remain unknown. Products must be tested. Club reactions must be observed. Actual service requirements must be understood. Technologies still need to be developed. Economic models have not yet been fully validated.

Financing used at this stage must be capable of absorbing that uncertainty.

As activity becomes more predictable, other forms of financing may become appropriate.

Inventory associated with recurring sales may eventually be financed differently from experimental development.

Equipment with an identifiable useful life may be financed differently from research with no immediate revenue.

A Regional Center with an established activity base may use a different structure from a project still undergoing validation.

GC-104 will therefore seek to establish a relationship among:

- maturity level;
- type of asset;
- level of risk;
- financing requirement;
- source of capital.

This approach may help prevent all growth from depending indefinitely on the issuance of new shares.

Equity capital is valuable when it finances a risk that debt should not carry. Continually using shares to finance needs that have become predictable, however, can create significant dilution and progressively alter the governance structure.

As the organization matures, its financing should therefore also become more diversified.

CASH BEFORE THE APPEARANCE OF GROWTH

One of the most important subjects in GC-104 concerns the relationship between growth and cash.

A well-known paradox can appear in a growing company: the more it sells, the more money it needs.

This can occur, in particular, when suppliers must be paid before products are sold or the corresponding revenue is collected.

An increase in sales may therefore require:

- more inventory;
- more transportation;
- more personnel;
- more parts;
- more service;
- more space;
- more financing.

An activity can therefore be profitable while simultaneously placing significant pressure on cash.

This distinction will be particularly important in a system combining physical products, Regional Support and services.

GC-104 will therefore place working capital, inventory turnover, collection periods, supplier terms and financial reserves at the center of the analysis.

Cash should not be viewed merely as an accounting measure.

It represents the system's immediate ability to continue operating.

DEPLOY BY DENSITY, NOT ONLY BY TERRITORY

Geographic expansion is another essential dimension of the model.

It is easy to represent growth on a map: a first region, then several provinces, several countries and eventually several continents.

But a map does not show the economics supporting that expansion.

A region can be geographically large while containing little GC activity.

A much smaller region can contain enough clubs and products to justify local infrastructure.

GC-104 will therefore consider deployment not only according to geographic area or administrative boundaries, but also according to the functional and economic density of the network.

When enough clubs, products, repairs, parts and services become concentrated within an area, certain functions can naturally move closer to the field.

This is where the Regional Center takes on its full meaning.

It reduces certain distances, accelerates service, brings parts closer, facilitates training and can progressively absorb functions that would be less efficient if they remained entirely centralized.

At low density, however, these same functions may cost too much.

Regional deployment should therefore be triggered by genuine need rather than by a desire to fill a map quickly.

FROM THE REGIONAL CENTER TO INDUSTRIALIZATION

The evolution of Regional Centers illustrates the desired logic of Progressive Integration particularly well.

An initial center can begin simply.

It can receive products, hold certain parts, prepare units, perform repairs and support a few clubs.

As the network grows, the center may progressively add new capabilities. It may manage larger inventories, provide more advanced technical services, train club personnel, perform assembly, inspect products or support additional product families.

This progression should follow economic density.

Assembly should not be introduced simply because it represents a more advanced stage of industrial development.

It becomes relevant when volumes, transportation costs, quality requirements, customization needs or supplier relationships make local assembly economically and operationally useful.

The same principle applies to manufacturing.

Manufacturing a component internally may improve control, reduce certain costs, secure supply or create intellectual property. But it may also require machinery, personnel, engineering, quality systems, inventory and significant capital.

Manufacturing should therefore not be treated as a symbolic objective.

It should become a logical consequence of a function that the system can perform more effectively by assuming greater control over the industrial process.

The transition from Regional Center to assembly and eventually to manufacturing must therefore remain progressive, measured and supported by real economic value.

THE SEVEN STEPS AS ECONOMIC DISCIPLINE

The Seven Steps provide more than a deployment sequence.

They establish economic discipline.

Each step should limit the amount of capital, infrastructure and complexity introduced before the previous step has produced enough knowledge.

The first steps may focus on prototypes, validation and Pilot Projects.

The following steps may seek to establish repeatability, confirm economic parameters and build the first Shared Capabilities.

Later stages may support regionalization, assembly, industrialization or wider expansion.

The precise content of each step may evolve as the project develops.

What matters is the underlying discipline:

do not build the economics of the next stage before the current stage has provided enough evidence to justify it.

This discipline does not eliminate risk.

It reduces the amount of risk taken at one time.

A problem discovered with a few units is easier to correct than the same problem discovered after hundreds have been deployed.

A weak supplier relationship is easier to replace before the network depends on it.

An unsuitable technology is easier to change before dozens of functions have been integrated into it.

The Seven Steps therefore allow GC to learn while limiting irreversible commitments.

They also create natural decision points at which the organization can ask whether the next investment is justified.

THE FIRST DEPLOYMENT AS A LEARNING PROCESS

The first deployments of GC products and services will have an importance that extends beyond the revenue they generate.

They will provide real information.

A first club will reveal how users actually respond.

A first fleet will show how equipment behaves over repeated use.

A first repair will reveal which parts, tools and procedures are required.

A first warranty claim will show whether the financial assumptions made for support are realistic.

A first rental model will provide information about utilization, price sensitivity and operational requirements.

A first Regional Center will show how much activity is required to support local capabilities.

Each initial implementation should therefore be considered part of the economic model.

The objective is not merely to prove that the concept works.

It is to understand **how** it works, **what it costs**, **who creates the value**, **who bears the costs**, and **what must change before repetition**.

This distinction is essential.

A successful first deployment that cannot be repeated economically is not yet a scalable model.

Conversely, a first deployment that reveals problems may still be extremely valuable if those problems are understood before larger commitments are made.

Learning is therefore not separate from economic performance.

During the early stages, it is one of the principal outputs of the investment.

GROWTH IS NOT AN END IN ITSELF

Growth is often presented as the natural objective of a business.

More customers, more sales, more territories and more employees are frequently interpreted as evidence of success.

GC-104 adopts a more disciplined view.

Growth is desirable when it increases the system's ability to fulfill its functions.

It becomes problematic when it exceeds the capacity required to support it.

A network that doubles the number of clubs but doubles service delays has not necessarily become stronger.

A company that triples sales but consumes all available cash may have increased revenue while weakening its resilience.

A larger product catalog may increase commercial possibilities while making inventories, technical support and supplier management much more difficult.

The question is therefore not simply whether GC can grow.

The question is whether each stage of growth makes the system more capable of supporting the next.

This distinction leads to the concept of sustainable growth.

Sustainable growth is not necessarily slow growth.

It is growth whose financial, operational, technological, logistical and human consequences can be absorbed by the organization.

At certain moments, GC may be capable of expanding rapidly.

At others, it may be preferable to consolidate existing functions before continuing.

The appropriate pace will depend on observed capacity rather than on a fixed ideology of growth.

RETURN AND MISSION ARE NOT INCOMPATIBLE

The GC System is built around a vision in which clubs and golfers occupy an important place.

This orientation does not eliminate the need for profitability.

On the contrary, a system that seeks to serve clubs over the long term must be economically strong enough to maintain its commitments.

It must finance warranties.

It must maintain parts.

It must invest in technology.

It must compensate employees.

It must support Regional Centers.

It must improve products.

It must absorb certain errors.

It must reward capital that accepts risk.

Profitability and mission are therefore not opposites.

The real issue lies in the way profitability is produced and used.

A model that creates profit by progressively weakening clubs, reducing service or transferring excessive risk to partners would conflict with the GC architecture.

A model that creates profit because Common Infrastructure is used efficiently, because products provide real value, because service reduces friction and because network density improves economics can strengthen the system as a whole.

The objective is therefore not to minimize profitability.

It is to ensure that profitability results from value creation rather than from value extraction that weakens the base of the system.

GOVERNANCE THAT MUST SURVIVE GROWTH

Economic development inevitably affects governance.

As capital enters the organization, ownership changes.

As debt increases, financial obligations change.

As regions develop, operational responsibilities become more distributed.

As the Back-End grows, central capabilities become more important.

These changes can gradually alter the balance of the system.

GC-104 therefore considers governance an economic issue, not simply a legal or administrative one.

The structure of capital influences decision-making power.

The rights attached to shares influence control.

Financing agreements may create obligations.

Large investors may seek influence.

Regional entities may develop their own economic interests.

A durable architecture must therefore anticipate how governance can evolve without losing the principles that justify the GC System.

This does not mean freezing control permanently or preventing new participants from having legitimate rights.

It means ensuring that the financial structure remains compatible with the mission and architecture of the system.

Capital must support the system.

The system should not progressively become subordinate to capital alone.

FROM DEPENDENCE ON CAPITAL TO SELF-FINANCING CAPACITY

During the initial stages, external capital may be essential.

Products must be developed before they generate revenue.

Inventories must be purchased before they are sold.

Technology may need to be built before the network has enough users to finance it.

Initial personnel may need to be hired before activities reach full capacity.

This is normal.

The objective, however, should be to progressively change the relationship between the system and external capital.

Each successful stage should create new revenue, knowledge, infrastructure or capacity.

Part of that value should be retained and reinvested.

Over time, a growing portion of development should therefore be financed internally.

This does not mean that GC should ultimately stop using external capital.

External financing may remain useful for accelerating a major opportunity, acquiring an asset, entering a new market or building industrial capacity.

The difference is that external capital should progressively become a strategic tool rather than a permanent requirement for survival.

The stronger the system's self-financing capacity becomes, the greater its freedom to choose when, why and under what conditions external capital is used.

GC-104 AS A BRIDGE BETWEEN ARCHITECTURE AND THE BUSINESS PLAN

GC-104 occupies a particular position within the GC Collection.

GC-101, GC-102 and GC-103 established much of the functional and architectural foundation.

GC-104 translates that foundation into economic logic.

It therefore forms a bridge between the architecture of the system and the detailed business plan that may eventually be required for investors, lenders, partners or internal management.

The White Paper should not attempt to replace that business plan.

The two documents serve different functions.

GC-104 establishes why the economic architecture should work.

The financial model will quantify how it could work under specific assumptions.

The business plan will then bring together the market, strategy, organization, implementation and financial projections within a more operational document.

This distinction is important because the numbers will change more rapidly than the principles.

Supplier prices will change.

Exchange rates will change.

Sales assumptions will change.

Financing conditions will change.

Market adoption will change.

The architecture should be able to remain useful despite these changes.

GC-104 therefore seeks to establish the stable relationships beneath the changing numbers.

AN ARCHITECTURE DESIGNED TO EVOLVE

The GC System will not emerge fully formed.

It will evolve.

Some components described today may become more important than expected.

Others may become less important.

New technologies may change certain functions.

Suppliers may change.

Club needs may evolve.

New products may create opportunities that cannot yet be anticipated.

Certain services may ultimately be provided more efficiently by partners rather than internally.

The economic architecture must therefore be capable of adaptation.

This does not mean that every element should remain undefined.

A system without principles cannot adapt coherently because every new situation becomes an isolated decision.

GC therefore needs stable principles and flexible applications.

The principles include the importance of function, value creation, the Inverted Pyramid, the Seven Steps, Shared Capabilities, validation, financial discipline and sustainable growth.

The application of these principles may evolve as evidence accumulates.

This distinction gives the system both continuity and adaptability.

FINANCE, DEVELOP, OPERATE AND SUSTAINABLY GROW THE SYSTEM

The four verbs in the subtitle of GC-104 ultimately define its progression.

Finance, because no capability can be built without resources.

Develop, because capital must be transformed into useful products, services, technologies, knowledge and infrastructure.

Operate, because an architecture creates value only when it functions every day with sufficient quality, control and efficiency.

Grow, because the advantages of a shared system become greater when more clubs, functions and components can use the same resources.

These four verbs are nevertheless framed by one condition that applies to all of them:

sustainably.

Financing without discipline can dilute or weaken.

Development without validation can waste capital.

Operating without measurement can hide problems.

Growing without capacity can deteriorate the system.

Economic sustainability therefore requires these dimensions to remain in balance.

That is the purpose of this White Paper.

GC-104 will successively examine the economic principles of the GC System, revenue sources, activity economics, value created for clubs, the sharing of that value, capital requirements, different forms of financing, cash, regional deployment, inventories, industrialization, performance mechanisms, risks, diversification, governance and long-term sustainability.

Above all, it will seek to demonstrate that a system can be ambitious without having to build everything immediately, and that an organization can pursue significant growth without treating growth as an end in itself.

The fundamental principle that will guide the whole of GC-104 can therefore be stated as follows:

a new stage represents genuine progress only when it increases the system's ability to fulfill its functions and support the next.

It is from this perspective that the economic, financial and deployment model of the GC System will now be developed.

PART I

UNDERSTANDING THE ECONOMICS OF THE GC SYSTEM, ITS PRINCIPLES AND PURPOSE

CHAPTER 1

FROM A SOLD PRODUCT TO AN INTEGRATED ECONOMIC SYSTEM

1.1 The Product Is Only the Starting Point

When a company begins its activities around a tangible product, it is natural to first consider its purchase or manufacturing cost, its selling price, and the margin that appears possible to generate. This logic forms the basis of many commercial activities and remains necessary within the GC System. It becomes insufficient, however, as soon as the product must be supported over several years by a set of functions that extend far beyond the initial transaction.

A Cruiser, a piece of equipment intended for the course, a golf ball, an accessory, or a future GC component only truly assumes its place within the system when it can be selected, sourced, inspected, distributed, used, maintained and replaced under coherent conditions. The physical product remains visible, but behind it must progressively emerge less visible capabilities: a supplier relationship, a logistics organization, technical information, parts availability, service procedures, warranty management, a relationship with the club and, where relevant, integration with the network's digital systems.

The economic question can therefore no longer be limited to determining how many dollars separate acquisition cost from selling price. It must also determine what needs to be built around the product so that it can remain useful, reliable and supportable throughout its life cycle. An apparently high margin can become significantly smaller once all these functions are taken into account. Conversely, a product whose direct margin appears more modest may become highly attractive when it uses infrastructure that is already in place while simultaneously strengthening other activities within the network.

The transition from a sold product to an integrated economic system begins precisely at this point. It consists of recognizing that the transaction is not the economic purpose of the product. It is one moment within a longer relationship among the manufacturer, GC, the club, the golfer and the Shared Capabilities that allow that component to retain its value over time.

1.2 From the Transaction to the Economic Life Cycle

A sale occurs at a specific point in time, but the cost and value of a product are built over a much longer period. Even before the first unit is sold, resources may have been devoted to finding a supplier, testing, product validation, adaptation, negotiating commercial terms, ordering, transportation, customs clearance and warehousing. A significant portion of the capital is therefore committed before the first revenue is collected.

The transaction then adds other functions: presentation, demonstration, preparation, payment, any applicable commission, delivery, registration within the systems, documentation and, in some cases, training. Once the product has been delivered to the user or the club, a new phase begins. Actual use then reveals information that is not always available during testing: field behavior, wear, fragile parts, maintenance frequency, support requirements and user reactions.

Product economics must therefore be understood over the complete life cycle. This principle is particularly important for technical and mechanical components because some of their costs arise long after the sale. A warranty claim may occur several months later. A part may need to remain in inventory for several years. A repair may require the involvement of a Regional Center. A software update may become necessary. An early replacement may create an expense that was not reflected in the margin calculated at the time of the transaction.

The GC System must therefore learn to view each product as an economic relationship that extends over time. The better this relationship is understood, the more accurately decisions concerning price, warranty, reserves, parts, service and replacement can be made. That knowledge becomes a form of value in itself because it progressively reduces uncertainty surrounding future units deployed.

1.3 Apparent Margin and Real Economic Contribution

One of the first disciplines of GC-104 is to distinguish apparent commercial margin from real economic contribution. If a product is acquired at a given cost and resold at a higher price, the difference between those two amounts does not automatically represent profit available to the organization. It is only the starting point of the analysis.

The product may have required transportation, warehousing, preparation and financing before the sale. It may subsequently require service, parts and warranty coverage. A portion of the price may be allocated to the club or the Regional Center. Certain Shared Capabilities of the GC Back-End must also be financed by the combined activities of the network. As these elements are progressively included, a much more accurate picture of the product's economic contribution emerges.

This analysis should not, however, become artificially pessimistic. Shared Capabilities do not necessarily need to be allocated in full to every unit sold. A GC CRM platform, a warehouse, an administrative team or a Regional Center may support several categories of products and services. Part of the value of the system comes precisely from the fact that these capabilities can be shared.

The objective is therefore not to accumulate the maximum possible amount of cost around each product, but rather to understand correctly which additional resources are genuinely caused by its existence and what reasonable share of the Common Infrastructure it should contribute to financing. This distinction will later make it possible to compare different product families on a fairer basis.

As the system develops, this understanding should make it possible to distinguish products that create genuine economic contribution from those whose apparent margin conceals excessive consumption of capital, service resources or complexity.

1.4 The Economics of an Isolated Product

To understand the transformation proposed by GC, it is useful to return to the model of the isolated product. In its simplest form, the manufacturer produces, a distributor purchases, a retailer resells and the consumer uses. Each participant generally seeks to preserve its own margin, and the relationship among the parties may become relatively weak once the transaction is completed.

This model is perfectly appropriate for certain categories of products. A simple, inexpensive object that is easy to replace and requires virtually no support can function with very little integration. In such a case, adding complex infrastructure around the transaction would create more cost than value.

The problem arises when the nature of the product becomes more demanding. As soon as a component requires parts, maintenance, warranty coverage, training or technical knowledge, the separation between sales and support can become a source of friction. The user may not know whom to contact. The retailer may not have the required capabilities. The manufacturer may be geographically or culturally distant from the market. The club may find itself managing a problem it did not create and is not equipped to solve.

The GC System therefore does not seek to integrate every product in the same way. Rather, it seeks to determine the appropriate level of integration for each category according to the actual function it requires. This flexibility is important because a healthy economic system should not add structure where that structure produces no identifiable value.

1.5 From an Isolated Product to an Integrated Product

When a product becomes genuinely integrated into the GC System, it remains identifiable as a product, but it is now connected to a broader architecture. Its supplier is known, its specifications are documented, its important parts can be identified, its warranty conditions are structured, and its history can progressively be tracked.

Depending on its nature, it may also be associated with a club, a user, a Regional Center or a service record. This relationship makes it possible to retain more information about what happens to the product after it enters service. Interventions are no longer necessarily isolated events; they can become sources of learning for the entire network.

If the same defect appears in several regions, the GC Back-End can identify a trend. If a part wears more quickly than expected, the supplier can be questioned. If a preparation procedure reduces incidents, it can be shared with other centers. If a product performs particularly well in a certain context, that information can guide procurement decisions.

Integration therefore creates a new form of value: the collective ability to learn from the real life cycle of the components.

This value does not immediately appear in the selling price, but it can reduce future costs, improve quality and lower risk. It can also strengthen the relationship with the club because the club is no longer left alone to manage the consequences of a product once the transaction has been completed.



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1.6 The Club Transforms the Economic Nature of the Product

The existence of the Partner Club fundamentally distinguishes the GC System from a conventional distribution model. The club is not simply a place where a product can be displayed or sold. It is an environment in which the product is used, a place of service, an organization with its own economic objectives and an entity that maintains an ongoing relationship with golfers.

This position allows the club to play several roles depending on the product involved. It can be a buyer, operator, rental provider, prescriber, point of sale, demonstration location or, in some cases, the first level of service. The same product can therefore operate under very different economic models depending on whether it is purchased directly by a golfer or integrated into a fleet managed by the club.

This diversity requires GC to avoid an economic architecture that is overly rigid. A solution that is profitable in a high-traffic club may be less attractive in a smaller seasonal club. A rental model may be appropriate in certain environments, while an individual sale may be more suitable elsewhere. The model must therefore allow local adaptation without losing overall coherence.

It must also be recognized that the club actively contributes to value creation. It provides the environment of use, the relationship of trust, access to the user, knowledge of the course and often part of the organization required to operate the component. It therefore becomes legitimate for a portion of the economic value generated to remain with the club when its contribution is real.

This logic is directly connected to the Inverted Pyramid: the club should not be used simply as a conduit through which value is transferred to the central organization. It must be one of the beneficiaries of the system's operation.

1.7 The Golfer Remains the Origin of Final Value

Even within a complex economic architecture, the golfer generally remains the point at which final value must be experienced. The product may be technically excellent, logistics may be efficient and margins may be satisfactory; if the user does not perceive sufficient benefit, the activity will eventually lose its justification.

This value can take several forms. It may be functional when equipment makes mobility easier or when a service reduces waiting time. It may be economic when a solution provides access to an experience at an acceptable cost. It may also be experiential when the golfer's enjoyment, comfort or freedom is improved.

Economic analysis must therefore begin beyond price alone. Price indicates what the golfer must pay. Value represents what the golfer believes is received in return. As long as these two dimensions remain sufficiently balanced, a commercial relationship can be sustainable. When price rises without a corresponding increase in value, adoption becomes more difficult. When the value created is strong but the economic model does not allow the service to be financed, the solution itself becomes fragile.

The GC System must therefore seek a configuration in which the value offered to the golfer remains sufficiently evident to support the activity while generating the resources required by the club and the network to maintain that value over time.

1.8 The Regional Center as a Shared Economic Capability

As several clubs within the same region begin using GC products and services, it becomes possible to shift certain functions toward a shared resource. The Regional Center represents this intermediate capability between the local operations of the club and the more centralized functions of the GC Back-End.

Its economic value begins with resource sharing. Each club does not need to maintain complete technical expertise, a significant parts inventory or advanced repair capabilities. Certain resources can be pooled and used by several clubs.

A Regional Center does not, however, become economically relevant simply because it appears on a deployment map. Its viability depends on the density of the activities it can support. The number of clubs, product volume, frequency of repairs, travel distances, inventory value and nature of the services must create sufficient activity to justify the resources committed.

This logic means that a Regional Center can evolve in stages. It may begin as a relatively simple warehousing and service point, then progressively develop preparation, repairs, training, assembly or other functions when volumes justify them. The structure then follows the need instead of preceding it.

The Regional Center therefore becomes a concrete example of how GC can transform an individual cost into a Shared Capability.

1.9 The GC Back-End as Common Economic Infrastructure

The GC Back-End represents the functions that would be inefficient to reproduce separately in every club or region. Certain activities create greater value when they are coordinated across the network: supplier management, shared data, the GC CRM, inventories, warranties, documentation, certain accounting functions, digital systems and overall coordination.

These capabilities are not free. They require technology development, personnel, administration, cybersecurity, maintenance and financial resources. Their existence must therefore be supported by a sufficiently strong economic foundation.

The GC Back-End must not, however, become a central structure that automatically takes an increasing share of value simply because it sits at the top of the architecture. Its economic legitimacy must come from its ability to provide functions that would be more expensive, less efficient or more difficult to maintain if they were reproduced locally.

This distinction is fundamental. A centralized function must justify its centralization. A local function should remain local when it can be performed more effectively close to the field. The GC economic model must therefore seek the appropriate level for each activity rather than assume that all centralization automatically creates savings.

When this distribution is properly designed, the GC Back-End becomes Common Infrastructure capable of supporting a growing number of clubs and products without all of its expenses increasing in the same proportions.

1.10 Resource Sharing as a Source of Economic Value

Resource sharing is one of the principal reasons why the GC System can become economically more powerful than a collection of independent products. When a capability built for a first activity can also support a second and then a third, the value created by the infrastructure increases.

A warehouse initially used to receive a few Cruisers may later accommodate parts and other products. A management platform built to track sales can also support warranties, inventories and club relationships. A regional team trained to maintain one initial piece of equipment can progressively acquire the skills required to support other product families.

The cost of creating the capability still exists, but it is then spread across a greater number of activities. This improved use of Shared Capabilities can help reduce certain unit costs and improve overall profitability.

The effect is not automatic, however. A new component may introduce so many specific requirements that it benefits very little from existing capabilities. It is therefore necessary to distinguish diversification that strengthens the system from diversification that mainly adds complexity.

Resource sharing is economically attractive only when the functions are genuinely compatible.

1.11 Integration Must Not Become a Justification for Complexity

An integrated architecture can easily become overly ambitious if every new idea is treated as a reason to add a product, function, technology or procedure. The fact that GC is designed as a system does not mean that everything must be integrated into the system.

Every integration creates a responsibility. A new product may require an additional supplier relationship, new parts, new technical knowledge and a new warranty process. A new platform may require development, training and maintenance. A new category of services may increase the administrative burden.

If this complexity grows faster than the value produced, integration becomes counterproductive.

The KISS principle must therefore remain present in the economics of the system. The best architecture is not the one that contains the greatest number of functions. It is the one that performs the necessary functions properly with the least possible friction.

Before integrating a new component, GC must be able to ask whether it truly uses existing capabilities, whether it addresses a sufficiently important need and whether the network is capable of supporting it properly. This discipline will prevent the GC System from gradually becoming an accumulation of possibilities rather than a coherent architecture.

1.12 Value Must Circulate Among Several Participants

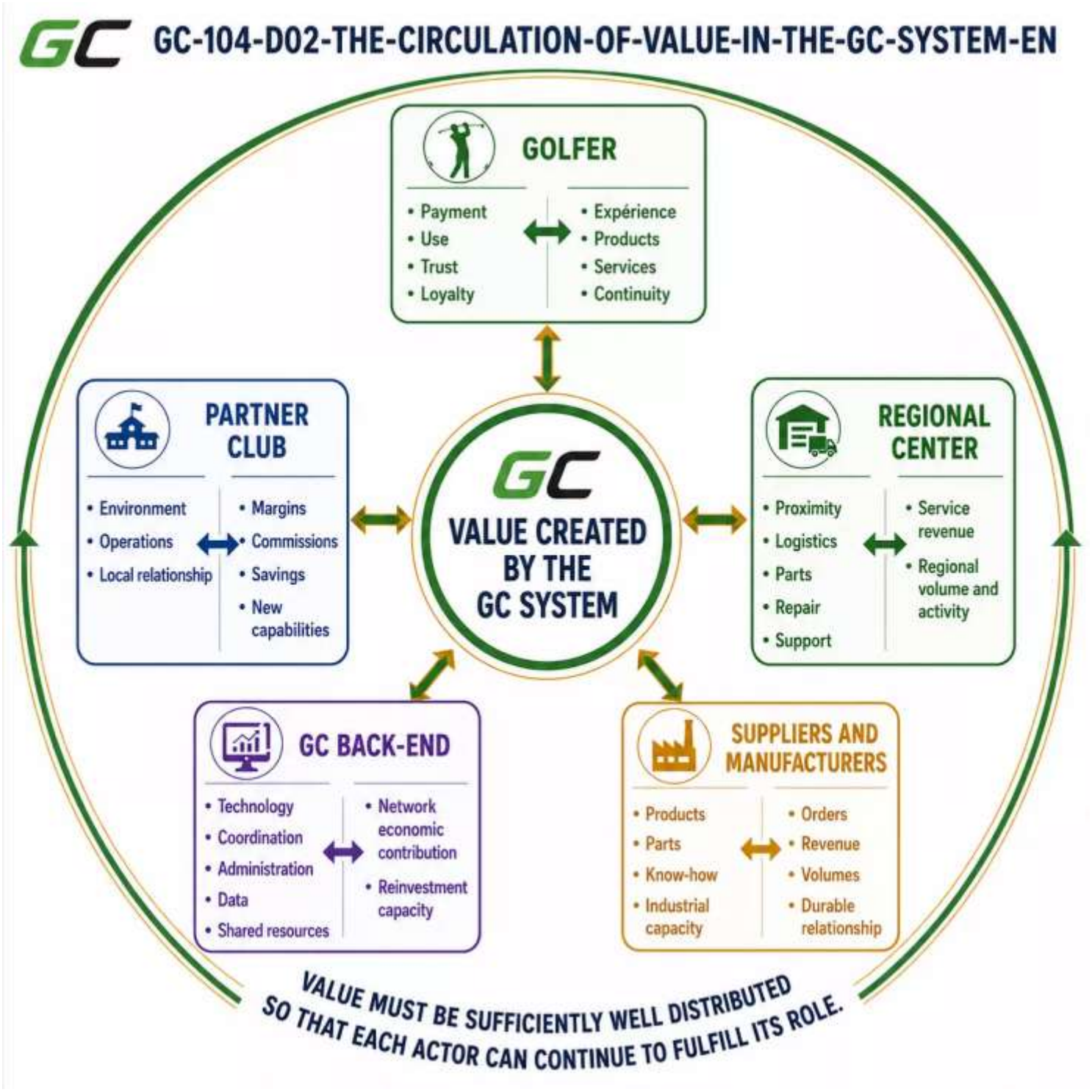
When a product becomes integrated, economic value no longer flows in only one direction. The golfer may pay the club, the club may retain part of the revenue, the Regional Center may be compensated for certain functions, the GC Back-End may receive a contribution to finance Shared Capabilities, while the supplier or manufacturer receives payment for what it produces.

This circulation must be understood before margin and commission mechanisms are established.

An unbalanced distribution can create tension even when the overall transaction appears profitable. If the club receives too little in relation to what it must do, it will progressively lose interest. If the Regional Center cannot finance its resources, service quality will decline. If the GC Back-End does not receive enough to maintain Shared Capabilities, the entire network will be weakened. If the price charged to the user becomes too high, demand may disappear.

The economic objective is therefore not to maximize the share received by a single participant. It is to maintain an architecture in which each participant receives enough value to continue performing its function properly.

This logic does not assume equal distribution. Responsibilities, risks and investments differ among participants. It simply requires that the distribution remain coherent with actual contributions and functions.



GC-104-D02 — THE FLOW OF VALUE WITHIN THE GC SYSTEM

1.13 Capital Often Precedes Economic Value

An important characteristic of the early stages of the GC System is that many expenses must be incurred before the corresponding revenue exists. Testing must be financed before commercialization, inventories must be purchased before they are sold, and certain infrastructures must be put in place before they are fully utilized.

This situation is normal during a creation phase and explains the need for initial capital. That capital, however, is not itself a source of value. It makes it possible to acquire the time, resources and capabilities required to transform an assumption into a functioning activity.

The economic role of capital becomes much clearer when it is viewed as a means of building capacity. Resources invested in a prototype should make it possible to understand and improve a product. Resources invested in a platform should reduce friction or increase management capacity. Resources tied up in inventory should support a sufficiently predictable commercial activity.

The desired sequence can be summarized as follows:

capital → capacity → value → revenue → reinvestment.

This sequence is healthier than a model in which capital continually finances expenses without progressively creating capabilities capable of generating their own value.

1.14 From External Financing Toward Progressive Economic Autonomy

During the early stages of GC, it would be unrealistic to expect every function to become immediately self-financing. A new organization must learn, test and build before it can establish a sufficient revenue base. External financing can therefore play an essential role.

The long-term objective, however, should be different. As products are validated, volumes increase and Shared Capabilities become better utilized, an increasing portion of operations should be capable of being financed by revenue generated by the system itself.

This progression does not mean that external capital will become unnecessary. It may remain relevant when accelerating a major expansion, developing new technology, acquiring an asset or financing industrial capacity. The difference lies in the function that it performs.

When an organization depends on external financing to maintain ordinary operations, it remains vulnerable. When current operations generate sufficient resources to sustain continuity and part of future development, external capital becomes more of a strategic choice.

This progressive economic autonomy also increases freedom of decision. An organization that is not forced to raise capital at every stage can better choose the timing, conditions and partners with whom it wishes to finance a new phase.

1.15 The Integrated Economic System as the Objective

The transition from a sold product to an integrated economic system does not mean that GC seeks to transform every transaction into a complex structure. Rather, it means that the organization must learn to recognize all the functions required for a product to continue creating value after it reaches the market and to use those functions efficiently enough that they can subsequently serve multiple activities.

The product remains essential. It must perform its function properly, correspond to user needs and be economically defensible. At the same time, however, it becomes an entry point into a broader architecture.

A well-integrated product can generate revenue, develop a relationship with a club, enrich knowledge from the field, increase utilization of a Regional Center, improve purchasing volumes, strengthen supplier relationships and contribute to financing Shared Capabilities. It can also enable the network to learn enough to improve the next generation.

Its value then becomes greater than the margin recorded at the time of sale.

This transformation is what progressively distinguishes GC from a simple distribution business. The ambition is not to accumulate a series of products and add together their sales. It is to build an architecture in which each relevant component can use and strengthen part of the capabilities already in place.

When this architecture functions, a more complete economic cycle emerges. Capital makes it possible to develop capacity. That capacity makes it possible to create value. Value produces revenue. Revenue supports existing functions and provides a portion for reinvestment. Reinvestment then improves the system's ability to serve more clubs, golfers or products.

The loop can therefore be expressed as follows:

finance → develop → deploy → use → support → learn → improve → reinvest.

This loop represents the economics sought by GC much more accurately than a simple succession of purchases and sales.

It does not guarantee that every component will be profitable or that every decision will be correct. It does, however, provide a framework for observing results, understanding costs and progressively correcting what does not work.

The principle that concludes this first chapter is therefore fundamental to the remainder of GC-104:

a sold product can create a margin, but a properly integrated product can contribute to building an economic capability that extends beyond its own transaction.

It is this cumulative capability, shared among clubs, Regional Centers, the GC Back-End, suppliers and users, that may eventually allow the GC System to finance its development with an increasing proportion of the value it has itself created.

CHAPTER 2

THE CREATION, CAPTURE AND REDISTRIBUTION OF VALUE

2.1 Understanding Value Before Seeking to Monetize It

Every economic architecture ultimately rests on a simple question: what value is actually being created, for whom, and why does that value deserve to be financed? Before discussing price, margins, commissions or return on capital, it is first necessary to understand what makes an activity useful. An organization can generate revenue for a period of time without creating sustainable value, particularly when it benefits from novelty, a temporary lack of alternatives or a commercial advantage that is difficult to maintain. Over the long term, however, economic continuity depends on the ability to produce an advantage that is sufficiently real for users and partners to want to maintain their relationship with the system.

Within the GC System, this value can take very different forms. For the golfer, it may mean better mobility, greater comfort, easier access to services, a more enjoyable experience or reduced friction. For the club, it may appear as new revenue, better use of assets, lower costs, access to equipment, administrative simplification or improved service quality. For a Regional Center, it may lie in the creation of an economic activity dense enough to support technical and logistical capabilities. For the GC Back-End, it may come from the ability to share functions and build Common Infrastructure used by a growing number of participants.

Value is therefore not exclusively monetary. Certain improvements first create functional or operational value before producing a measurable financial effect. Reducing the time required to perform a repair, for example, can improve equipment availability,

reduce user dissatisfaction and prevent lost revenue for the club. None of these effects necessarily represents a direct transaction, yet together they create real value.

GC-104 must therefore carefully distinguish value creation from monetization. Monetizing too early a function whose usefulness has not yet been demonstrated can slow its adoption. Conversely, providing an expensive function indefinitely without a mechanism to finance it can weaken the entire system. The economic model must therefore progressively learn to align the value created with a reasonable capacity to finance it.

2.2 Value Creation Begins With a Real Improvement

An activity creates value when it improves an existing situation in a way that is sufficiently meaningful to a participant in the system. That improvement may consist of doing more, doing better, doing something faster, reducing a cost, lowering risk or making a capability accessible that was not previously available.

This definition is important because it prevents every novelty from being treated as economic innovation. A different product is not necessarily better. A new technology is not automatically useful. A new service does not create value simply because it can be offered. Value appears when the solution genuinely improves a function.

Within a golf club, this approach requires observing the field before building the economic model. A mobility product has value only if it responds to a real friction involving movement or use. A digital platform has value only if it simplifies an operation, improves information or reduces an otherwise costly task. A regional service has value only if it allows the club to obtain a level of quality, speed or capability that would have been difficult to achieve on its own.

This logic protects GC against a common tendency in growing companies: creating revenue from functions whose usefulness has not yet been sufficiently demonstrated. When value precedes monetization, the price becomes easier to justify because it corresponds to an advantage that the participant can understand.

Value creation therefore becomes the system's first economic filter. Before asking how an activity will be billed, GC must be able to explain clearly what it improves and why that improvement matters.

2.3 Value Can Be Economic, Functional, Operational or Experiential

The value produced by the GC System cannot be reduced to a single category. Certain activities directly generate revenue, while others improve the conditions that allow that revenue to exist. To understand the economics of the system correctly, it is therefore necessary to recognize that the same function can simultaneously produce several forms of value.

Direct economic value is the easiest to observe. It appears when a sale, rental, commission or service generates identifiable revenue. It can be compared with costs and can produce a measure of margin or profitability.

Functional value corresponds to an improvement in capability. Equipment that allows a golfer to move more easily, or a system that enables a club to track its inventory more effectively, creates value even before the complete financial effect can be measured.

Operational value appears when a function reduces friction or improves resource utilization. A part available regionally can reduce downtime. Better information can prevent an unnecessary order. A common procedure can reduce errors across several clubs.

Experiential value relates more directly to user perception. Comfort, simplicity, enjoyment, confidence and service quality profoundly influence adoption and loyalty. A positive experience can produce significant indirect economic consequences, particularly through repeated use, recommendations or retention.

These forms of value should not be artificially separated. An experiential improvement can become economic if it increases attendance. An operational improvement can become financial when it reduces the number of working hours required. A functional capability can become strategic when it allows the club to develop a new service.

The GC model must therefore learn to examine the complete chain between the improvement created and its eventual consequences rather than recognizing only what immediately appears as revenue.

2.4 Creating Value Does Not Necessarily Mean Capturing It

Value creation and value capture are two different concepts. An organization can create a great deal of value for its users without being able to retain enough of it to finance its operations. Conversely, an organization may temporarily capture a significant share of value because of a favorable commercial position while creating too little real benefit to maintain that position over time.

Within the GC System, this distinction becomes essential because several participants contribute to the same activity. Suppose a service allows a club to save $10,000 per year. That saving represents value created for the club. GC does not necessarily need to capture the full amount of that value for the service to be viable. It may be economically more attractive for the club to retain a substantial portion of the benefit while GC receives enough to finance the function and continue its development.

Value capture therefore refers to the portion of created value that the organization transforms into revenue, margins, commissions or other economic resources. This capture must be sufficient to ensure continuity, but it does not necessarily need to absorb all the value available.

This distinction is particularly important in an architecture based on the Inverted Pyramid. If GC systematically attempts to capture most of the value created, clubs may eventually perceive the network as another supplier primarily seeking to maximize its own revenue. If, on the other hand, GC leaves all value at the local level without adequately financing Shared Capabilities, the central system will be unable to ensure continuity.

The challenge is therefore to capture enough value without destroying the economic interest of the other participants.

2.5 Value Capture Must Finance an Identifiable Function

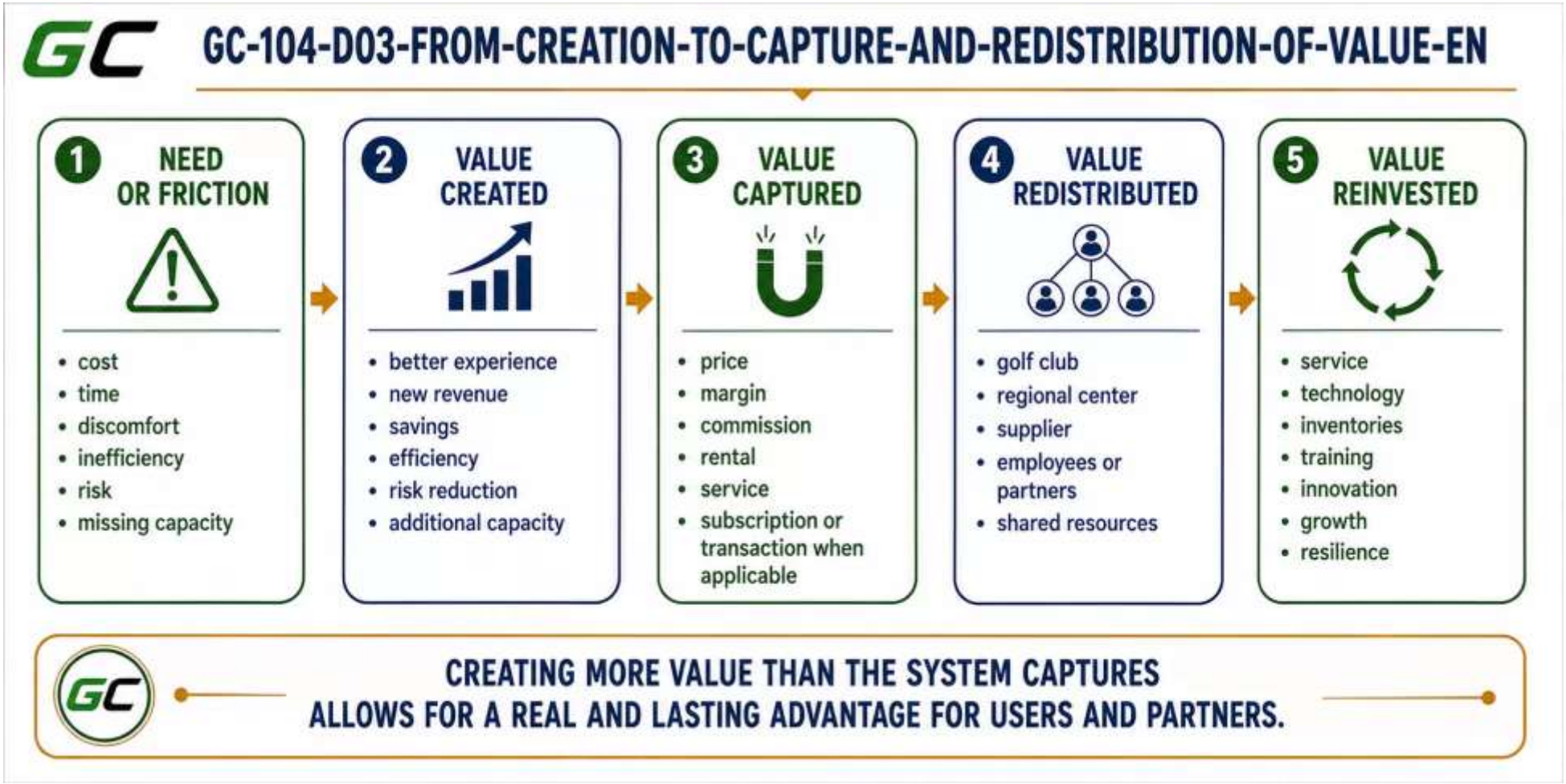
Within a sustainable architecture, every revenue mechanism should be connected to a real function or capability. A price, commission or service fee should not exist simply because it represents an opportunity for monetization. It should correspond either to value created or to a resource required to maintain that value creation.

This rule can significantly simplify the GC economic model. A complex network could easily accumulate platform fees, administrative fees, transaction fees, commissions, subscriptions, margins and several other mechanisms. Considered individually, each may appear justifiable. Taken together, however, they can make the system difficult to understand and create the impression that every interaction has become an opportunity to charge a fee.

The KISS principle must apply here with the same force as it does to operational architecture. When a single revenue source can clearly finance several compatible functions, it may be preferable to preserve that simplicity rather than fragment pricing.

Conversely, certain functions may need to be presented separately so that their economics can be understood. A repair, special delivery, extended warranty or advanced technical service may justify separate billing when it genuinely creates an additional cost.

The criterion should therefore not be the pursuit of the largest possible number of revenue sources. It should be coherence among the function provided, the value perceived, the cost incurred and the financing mechanism.



GC-104-D03 — FROM VALUE CREATION TO VALUE CAPTURE AND REDISTRIBUTION

2.6 Redistribution Is Part of the Economic Model

Once a portion of value has been captured, it does not remain entirely available as profit. It must be redistributed among the participants and functions that made the activity possible. This redistribution is a normal component of any economy, but it takes on particular importance within a system in which several participants depend on one another.

A portion of the revenue may return to the club in the form of margin, commission or operating revenue. Another portion is used to pay the supplier or manufacturer. The Regional Center may be compensated for preparation, delivery, repair or support. The GC Back-End must finance technology, administration, data, shared inventories and coordination. A portion may also be retained as a reserve to cover warranties, unexpected events or future investments.

Redistribution should therefore not be understood as the distribution of profits after the activity is completed. It forms part of the economics of the activity itself.

This distinction helps avoid treating all amounts flowing through GC as revenue actually available to the organization. An organization may administer a significant economic volume while retaining only a portion of the total value because several shares functionally belong to other participants.

This reality will need to be clearly visible in future financial models. Gross transaction volume, revenue recognized by the GC entity and the economic contribution actually available are not necessarily the same thing.

2.7 The Club Must Retain a Share of the Value It Helps Create

The logic of the Inverted Pyramid becomes particularly concrete when decisions must be made about how value is shared with Partner Clubs. These clubs are not simply places where GC products are offered. They contribute to trust, visibility, usage, demonstration, the relationship with the golfer and, in some cases, part of the service.

That contribution has economic value.

When a product is sold through a club shop, the club provides more than physical space. It maintains a relationship with its member or visitor. It has built a reputation. Its staff may devote time to explaining the product. Its facilities may allow the product to be tested in its actual environment. The club may also become involved when a user encounters a problem.

It would therefore be inconsistent for the system to use all of these local resources while retaining most of the margin centrally. Such an architecture could generate revenue in the short term, but it would progressively reduce the club's motivation to play an active role.

The share retained by the club does not necessarily need to be identical for every activity. A sale requiring very little local involvement may justify different economics from a service operated daily by club staff. Contribution and risk must be considered.

The principle nevertheless remains stable: when the club genuinely participates in value creation, its economics should reflect that contribution.

2.8 The Regional Center Must Have Its Own Economic Viability

The Regional Center is also an economic participant. It would be dangerous to regard it simply as an expense of the GC Back-End or as an operational extension whose costs would be absorbed indefinitely by the central organization.

As it assumes more functions, the center mobilizes resources: space, employees, tools, parts inventory, vehicles, systems and technical expertise. To remain viable, these functions must be financed by a sufficient level of activity.

This economic model can take several forms. Certain interventions may be billed directly. A margin may be associated with certain preparation or service activities. A portion of network revenue may finance certain capabilities when those capabilities

benefit several clubs. Logistical savings achieved through proximity may also economically justify the center even when they do not appear as direct revenue.

The fundamental question is therefore less whether every intervention generates an independent margin than whether the center's combined functions create enough value to sustainably cover the resources they require.

This approach will help GC avoid multiplying Regional Centers before sufficient economic density exists. It will also help identify the point at which a territory becomes active enough to justify adding new local capabilities.

2.9 Suppliers and Manufacturers Must Also Be Able to Endure

The logic of value redistribution extends to suppliers and manufacturers. A network cannot be sustainable if it systematically builds its profitability by compressing the margins of its industrial partners until they can no longer maintain quality, invest or provide adequate service.

GC must naturally negotiate its costs and use its volumes to obtain better terms. Pooled procurement and network growth can become important sources of leverage. But the relationship being sought should not rest solely on reducing the unit price.

A good supplier contributes value through quality, reliability, speed, adaptability, parts availability and willingness to resolve problems. These factors may have greater economic value than a marginal saving obtained on purchase price.

As GC increases its volumes, its negotiating power may grow. That power should be used to improve the overall economics of the system: price, quality, lead times, warranty, parts, packaging, payment terms and innovation capacity. Negotiation then becomes broader than simple pressure on cost.

A sustainable supplier relationship therefore contributes directly to value creation. A strong industrial partner can reduce risk and improve network continuity.

2.10 The GC Back-End Must Capture Enough Value Without Becoming the Primary Beneficiary

The GC Back-End occupies a particular position. It coordinates Shared Capabilities and will eventually need to support a significant share of investments in technology, data, systems, administration, warranties, supplier relationships and overall development. It must therefore capture enough value to ensure continuity.

That necessity, however, must not transform the GC Back-End into a superior level toward which all economic value progressively flows. Such an evolution would reproduce precisely the traditional pyramid that the GC System seeks to invert.

The economic legitimacy of the GC Back-End must come from what it makes possible for the network. If it reduces procurement costs, improves parts availability, provides useful technologies, simplifies operations or allows clubs to access capabilities they could not have developed on their own, it creates identifiable value. A portion of that value can then reasonably finance central resources.

The GC Back-End must therefore be evaluated as Common Infrastructure, not as a collection center. Its costs must remain proportional to the functions that are genuinely necessary. Its development must follow the volume and complexity of the network rather than systematically precede them.

This discipline is important because a central structure can easily grow without its cost being directly visible within each activity. Over time, the system must be able to demonstrate that the resources it centralizes create more value than they consume.

2.11 Redistribution Does Not Mean Equal Distribution

The pursuit of a balanced model does not mean that every participant should receive the same share of value. Responsibilities, investments, risks and functions differ. Equal distribution could be just as inconsistent as excessive concentration.

A manufacturer that has invested in industrial equipment does not have the same economic structure as a club providing a local demonstration. A Regional Center that must maintain a technical workshop does not bear the same costs as a commercial partner. The GC Back-End, which finances Common Infrastructure in technology, supports investments that are not always visible at the level of an individual transaction.

Redistribution must therefore be functional rather than arithmetic.

For each significant activity, it is necessary to understand who bears the cost, who assumes the risk, who provides the capability and who creates access to the final user. This understanding then makes it possible to build coherent margins and compensation mechanisms.

This approach also avoids establishing too early a universal sharing rule that would later become difficult to modify. Physical products, rentals, software, repairs and pooled purchasing may require very different economics.

The common principle therefore does not lie in a fixed percentage. It lies in the idea that each essential participant must receive enough value to properly maintain the function it performs.

2.12 Part of the Value Must Remain in the System as Capacity

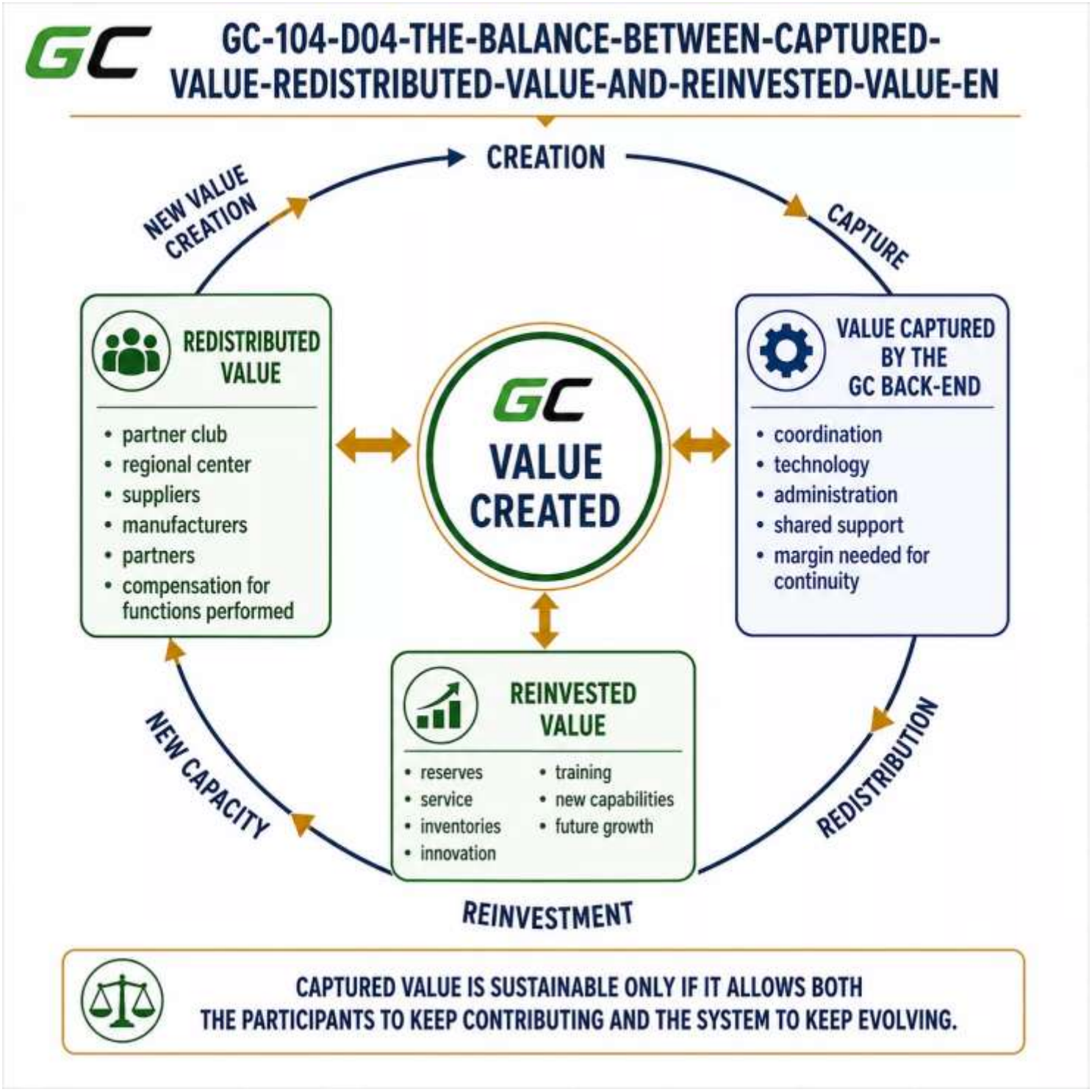
Not all captured value should immediately be distributed as margins, commissions or profits. A developing system must retain part of its resources in order to build future capabilities and protect those that already exist.

This retained value can take several forms. A portion may be allocated to warranties. A reserve may protect cash against a weaker period. Part may finance technology, training, parts, testing or product improvement. Another portion may be used to increase inventories when growth requires it.

Reinvestment is therefore a form of redistribution over time: part of the value created today is not immediately consumed so that the system can create more value tomorrow.

This reinvestment capacity will be particularly important during the early stages of GC. An organization that quickly distributes most of its profits may appear successful, yet it risks remaining dependent on new capital whenever new capacity must be built.

Conversely, accumulating resources indefinitely without a clear objective does not create greater value. Reinvestment must remain connected to identifiable functions and established priorities.



GC-104-D04 — BALANCING CAPTURED VALUE, REDISTRIBUTED VALUE AND REINVESTED VALUE

2.13 Redistribution Must Also Protect Resilience

Value retained within the system does not serve only to finance growth. It must also enable the system to absorb adverse events. An organization that systematically redistributes all of its available resources may operate efficiently while conditions remain favorable, but it becomes vulnerable as soon as a disruption occurs.

The risks can be numerous: transportation delays, exchange-rate fluctuations, product defects, rising costs, a poor season, an economic slowdown, loss of a supplier, a technological problem or an unexpected warranty requirement. No financial model can predict precisely when these events will occur.

Resilience must therefore be financed.

A cash reserve, a reasonable inventory of critical parts, supplier diversification or backup technical capacity may appear less profitable in the very short term. Yet these measures protect network continuity and can prevent much greater costs.

This logic requires an even broader understanding of redistribution. Part of the value must sometimes be allocated to an uncertain future rather than to a current participant. It then takes the form of reserves, redundancy or temporarily unused capacity.

The challenge, naturally, is to avoid the opposite extreme. Excessive resources tied up without productive use also reduce economic performance. The level of resilience must therefore remain proportional to the nature and consequences of the risks involved.

2.14 Measuring Value Created Progressively Becomes a Network Capability

During the initial stages, many decisions concerning value will necessarily be based on assumptions. GC may estimate that a product improves the experience, that a service reduces a cost or that a new function interests clubs. These assumptions, however, must progressively be confronted with actual use.

As the network develops, more data becomes available: utilization rates, repeat purchases, rental frequency, repair costs, satisfaction, savings achieved, additional revenue, downtime periods and club retention.

This knowledge can profoundly transform economic decision-making.

GC will progressively be able to distinguish what users say they appreciate from what they actually use. It will be able to identify the functions for which clubs are willing to pay and those that are perceived more as basic services. It will be able to understand which categories produce sufficient margins and which create more indirect value.

Measurement of value should not, however, become exclusively quantitative. Certain improvements are difficult to convert immediately into dollars. Trust, simplicity or the quality of a service relationship may have real economic effects without being perfectly measurable.

The network's capability will therefore consist of combining economic data, operational observation and functional judgment in order to progressively improve its decisions.

2.15 From a Profitable Transaction to an Economically Aligned Ecosystem

The economic model sought by GC ultimately cannot be evaluated merely by adding together profitable transactions. A group of activities may show good individual margins while still producing a fragile system if clubs are dissatisfied, suppliers are under excessive pressure, Regional Centers lack resources or the GC Back-End retains no capacity for investment.

The true ambition is to build an economically aligned ecosystem in which the principal participants have an interest in maintaining the relationship.

The golfer must receive enough value to continue using or purchasing. The club must improve its economics or service capabilities. The Regional Center must have sufficient volume to support its functions. The supplier must be able to maintain

quality and continuity. The GC Back-End must be able to finance Shared Capabilities. Capital must eventually receive a return consistent with the risk assumed. And the system must retain enough resources to continue learning, investing and evolving.

This alignment will never be perfect. Interests may diverge, and some decisions will temporarily benefit one participant more than another. The objective is not to eliminate every economic tension, but to build an architecture sufficiently balanced that no essential participant is continually disadvantaged by the operation of the system.

The creation, capture and redistribution of value therefore form a cycle rather than three independent operations. Value is first produced through a real improvement. A portion is then captured in the form of revenue that finances the required functions. This value is distributed among those who contribute to the system. A portion is retained and reinvested in order to improve future capabilities. Those new capabilities then allow more value to be created.

The cycle can be expressed as follows:

create → capture → redistribute → protect → reinvest → strengthen → create again.

It is when this loop begins to function in a repeatable manner that the economics of the GC System can progressively become autonomous and cumulative.

The question will therefore never simply be how much GC can earn from a transaction, but rather how much value the system can create, what portion it should reasonably capture, how that value should be distributed, and what share should be reinvested so that the whole can continue to fulfill its function.

It is this logic that leads directly into the next chapter, where the Inverted Pyramid will be examined not only as an architectural principle of the GC System, but as a genuine design principle for its economic model.

CHAPTER 3

THE INVERTED PYRAMID APPLIED TO THE ECONOMIC MODEL

3.1 From an Architectural Principle to an Economic Principle

The Inverted Pyramid is one of the founding principles of the GC System. In the previous documents, it mainly served to represent a different way of organizing relationships among the golfer, the club, regional resources and the GC Back-End. In GC-104, this principle must now be taken further because it has a direct consequence on the way the system creates, captures, distributes and reinvests economic value.

In a conventional commercial architecture, the consumer generally stands at the end of a chain in which each higher level seeks to retain part of the value produced by the transaction. The product is manufactured, distributed, marketed and ultimately purchased by the user. Each intermediary has its own economics, but the overall relationship often remains structured around a flow of value that progressively moves upward from the user toward the organizations that control the products, brands, distribution channels and capital.

The GC System cannot completely eliminate this reality. Manufacturers must be paid, suppliers must sustain their activities, Regional Centers must finance their resources, the GC Back-End must support the Common Infrastructure, and investors must be able to expect a return consistent with the risk assumed. An economy in which no participant can retain value would be no more sustainable than one in which all value is concentrated at the top.

The fundamental difference lies elsewhere. Under the logic of the Inverted Pyramid, the economic purpose of the higher levels is to increase the ability of the base to create and retain value, rather than simply extracting that value progressively.

The golfer and the club therefore become the reference point from which the economic architecture is evaluated. If a central function increases its revenue but reduces the club's ability to serve the golfer properly, that function must be questioned. If a distribution mechanism increases the margin of the GC Back-End but makes the product too expensive or less attractive locally, the system risks weakening its own base. Conversely, a Shared Capability that reduces a cost, increases local revenue or improves a service may justify its place even if its direct contribution to central profit remains relatively modest.

The Inverted Pyramid therefore becomes more than a symbol. It becomes a design criterion for the economic model.

3.2 The Functional Base Comes Before the Financial Structure

The first consequence of the Inverted Pyramid is to recognize that the economics of the system rest on a functional base before they rest on a financial structure. Without a golfer who perceives real value, the club cannot sustainably monetize the service. Without a club strong enough to provide a quality experience, the network loses its main environment of use. Without real local activity, Regional Centers and the GC Back-End eventually become structures without a sufficient economic base.

This dependence means that the financial health of the central organization cannot be completely separated from that of the clubs that form the network. The GC Back-End may naturally have its own accounting, revenue and profitability objectives, but it must not lose sight of the fact that these resources ultimately come from activities carried out in the field.

A traditional approach might lead to viewing each club primarily as a potential source of revenue: how many products can it buy, how many transactions can it generate, how many fees can it support? The Inverted Pyramid requires a different question to be asked first: what does participation in the GC System allow the club to do better than it could do on its own?

This question changes the starting point of the economic relationship. The club is no longer evaluated only according to what it can generate for the network. The network must also be evaluated according to what it enables the club to earn, save, improve or make possible.

This reciprocity is not philanthropic. It is economically rational. A club that perceives lasting value in its participation will have a stronger interest in using GC resources, introducing new components, collaborating with the Regional Center and maintaining the relationship over time. Network growth can then rest on a base that itself wants to remain within the system.

3.3 The Golfer Must Not Become a Simple Source of Extraction

Every activity related to golf ultimately depends, directly or indirectly, on the golfer's willingness to devote time and resources to it. It is therefore easy to view the golfer primarily as a source of revenue: green fees, memberships, food and beverage, pro shop purchases, rentals, instruction, equipment or other services. This commercial reality exists, but it becomes dangerous when each new function is designed mainly as an additional opportunity to charge the golfer.

The Inverted Pyramid imposes a different discipline. The golfer must continue to perceive that the evolution of the system genuinely improves the experience or provides access to an opportunity with sufficient value. Every new product or service should therefore begin not with the question of what can be charged, but with the friction it can remove or the experience it can improve.

This does not mean that services must be free. An activity that requires equipment, maintenance, technology, personnel or capital must be financed. The principle is rather to preserve a visible relationship between the price charged and the benefit received.

This logic is particularly important in a system intended to progressively integrate several components. If every new function adds another layer of fees without producing an obvious benefit, the golfer will eventually perceive integration as a more sophisticated way of selling more. If, on the other hand, certain functions genuinely simplify the experience, provide greater freedom, reduce delays or improve quality, integration itself can become a source of value.

From this perspective, protecting the value offered to the golfer also protects the long-term economic base of the network.

3.4 The Club Is Not a Distribution Channel Owned by GC

The distinction is equally important at the club level. A company developing a distribution network could naturally seek to use clubs as points of sale providing access to a customer base already concentrated around golf. That possibility exists, but it does not by itself correspond to the logic of the GC System.

The club has its own history, identity, personnel, members, clientele, constraints and economic priorities. It does not become a GC branch simply because it joins the network. Its participation should instead allow it to strengthen certain functions while preserving local autonomy.

This distinction has a direct consequence for the distribution of margins and responsibilities. If the club must dedicate personnel to presentation, preparation, rental operations or first-level support for a product, that contribution must be recognized in the economics of the activity. If, on the other hand, a transaction is handled almost entirely by the GC Back-End with little meaningful club involvement, the compensation structure may be different.

The economic model should therefore not impose an arbitrary universal commission on all products and services. It should seek to understand the role actually performed by the club and align its compensation with that contribution.

The underlying principle remains that the club must be able to see that GC activity improves its economics rather than merely using its access to the golfer. This is what transforms a distribution relationship into a genuine economic partnership.

3.5 Inverting the Pyramid Does Not Mean Inverting Every Margin

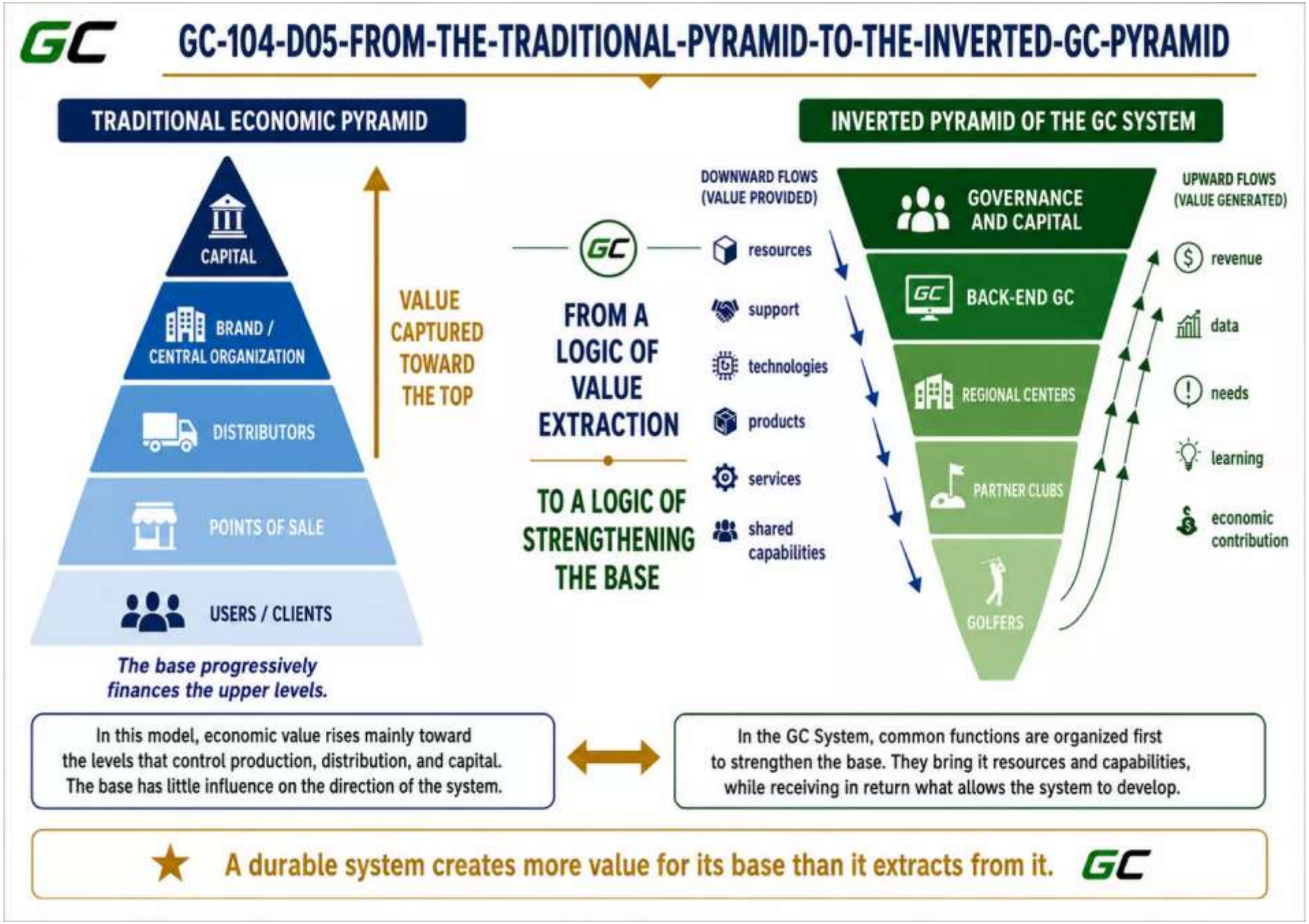
The concept of the Inverted Pyramid could be misinterpreted to mean that most revenue should always remain with clubs or users. Such a rule would be overly simplistic and could quickly make certain central functions impossible to finance.

The Inverted Pyramid does not determine a fixed sharing percentage. It determines the order of priorities in designing the system.

The golfer must receive sufficient value to justify participation. The club must obtain a genuine economic or functional benefit. The Regional Center must be able to finance the capacity it is expected to maintain. The GC Back-End must have the resources required to support Shared Capabilities. Suppliers and manufacturers must retain economics compatible with the expected quality and continuity. Investors must be able to receive a return when the value created and the results allow it.

In some activities, the share captured by the GC Back-End may be significant because most of the function is performed centrally. In others, the club may retain a much larger share because it directly operates the service and assumes a substantial part of the risk. A digital platform may require yet another structure.

The Inverted Pyramid is therefore not a sharing formula. It is an obligation to verify that value is not concentrated at one level to the point of weakening the functions on which that level itself depends.



GC-104-D05 — FROM THE TRADITIONAL PYRAMID TO THE GC INVERTED PYRAMID

3.6 The GC Back-End Exists to Make Certain Functions More Accessible to the Base

The Inverted Pyramid also changes the way the GC Back-End is justified economically. In a conventional organization, head office may progressively concentrate power, resources and decisions as the company grows. Some central functions are necessary, but others can emerge simply because the structure has become accustomed to expanding.

The GC System must retain a more demanding question: what value does a GC Back-End function create for clubs, Regional Centers or users?

A shared inventory platform may be justified if it improves product availability and reduces certain overstocks. Warranty infrastructure can create value if it accelerates decisions and improves service continuity. A common GC CRM may be relevant if it reduces duplication, improves communications or gives the club access to better knowledge of its operations. Centralized negotiating capability may be useful if it produces better supplier terms.

The legitimacy of the GC Back-End must therefore come from its support and resource-sharing function. The more effectively it can transform centralized resources into useful local capabilities, the more economically defensible its contribution becomes.

Conversely, a central function that no longer creates sufficient value should be capable of being simplified, automated, regionalized or removed. The Inverted Pyramid therefore prevents the GC Back-End from becoming an end in itself.

3.7 The Regional Center Brings Value Closer to the Field

Between the club and the GC Back-End stands another important component of the architecture: the Regional Center. Its existence illustrates the principle of the Inverted Pyramid particularly well because it brings certain capabilities closer to those who use them without requiring every club to reproduce them.

A repair performed a few dozen kilometers away may have much greater value than a theoretically excellent service located thousands of kilometers away. A part available within the region can return a product to service quickly and preserve the relationship with the user. A regional team familiar with the clubs can adapt its intervention far more effectively than a distant structure.

The value of the Regional Center therefore comes less from its hierarchical position than from its functional proximity.

That proximity must nevertheless remain economically justified. A Regional Center should not become an additional layer that takes a share of every transaction without creating enough value. Its compensation must correspond to the functions it actually performs: warehousing, preparation, delivery, repair, parts, training, assembly or support.

The Inverted Pyramid therefore requires every intermediate level to answer the same question as the GC Back-End: what does our presence allow the base to do better, faster or at lower cost?

3.8 The Network's Purchasing Power Must Return Part of Its Benefits to the Clubs

As the number of clubs and purchasing volumes increase, GC may gain negotiating power greater than that of an individual club. Suppliers may offer different prices according to order quantities, payment terms, demand stability or volume predictability. This aggregation capability represents one of the important economic possibilities of the network.

The question then becomes what happens to the value created in this way.

A central organization could choose to retain the entire saving obtained between supplier cost and the price charged to clubs. This strategy would increase its margins in the short term, but it would simultaneously reduce the club's economic benefit from belonging to the network.

The Inverted Pyramid suggests a different approach. Part of the savings generated by volume can be used to finance Shared Capabilities, while another portion should be able to flow back toward the base through better prices, better warranties, additional services, more attractive commissions or access to capabilities that would otherwise be too expensive.

This distribution can also strengthen the network effect. If every new club contributes to higher volumes and those volumes progressively improve certain conditions available to all, participation in the system can create cumulative value.

The club then joins GC not simply to buy a product, but to participate in an architecture whose collective economic strength can progressively improve its own position.

3.9 Economies of Scale Should Become Shared Economies

The same reasoning applies to internal economies of scale. As the network grows, certain Shared Capabilities can be used more efficiently. An information system designed for fifty clubs may sometimes support several hundred without its cost increasing proportionally. A Regional Center can become more productive as its volume grows. A procurement team can negotiate better terms as it handles more orders.

These efficiency gains can improve system margins. They can also be used to reduce certain costs, expand services or accelerate investment.

The Inverted Pyramid does not mean that these gains must automatically be distributed. A portion should naturally strengthen network reserves, finance innovation and provide a return on capital. But it would be inconsistent with GC logic for all economies of scale to be systematically absorbed by the central levels while the base continues paying exactly the same costs.

The system should therefore seek to transform part of its economies of scale into shared economies. This redistribution can be direct, through lower prices or improved terms, or indirect, through additional Shared Capabilities without a proportional increase in club costs.

This mechanism can become one of the most powerful elements of the GC economic model: more participants allow the architecture to be used more effectively; that improvement creates additional value; and part of that value then reinforces the participants' interest in remaining within the network.

3.10 The Economic Model Must Create Converging Interests

A sustainable system works better when its participants benefit from pursuing a compatible direction, even though their individual interests will never be perfectly identical. The Inverted Pyramid is intended precisely to support this alignment.

The golfer wants a useful experience at a price considered reasonable. The club wants to improve revenue, costs and service quality. The Regional Center needs a sufficient level of activity. The GC Back-End must finance the Common Infrastructure. Suppliers seek predictable orders and durable relationships. Investors want the value of the organization to increase.

These interests can come into tension. A higher price may improve the margin of certain participants but reduce demand. Lower inventory may protect cash but weaken availability. Excessive pressure on supplier costs may improve short-term margins while increasing quality risk.

The function of the economic model is therefore to build mechanisms that make these interests sufficiently convergent. The club should benefit when the activity develops successfully. The Regional Center should be rewarded when it provides efficient service. The GC Back-End should benefit from growth without needing to capture all the value. Suppliers should have an incentive to improve quality and conditions as volumes increase.

When one participant's compensation depends on an outcome that weakens the others, structural tension appears. When several participants benefit from the same positive result, the system becomes far more stable.

3.11 The Inverted Pyramid Changes the Way Performance Is Measured

If the Inverted Pyramid truly becomes an economic principle, performance indicators cannot be limited to the revenue and profits of the central entity. Those measures remain essential, but they must be accompanied by indicators that reveal what is happening at the base.

An increase in GC revenue may, for example, appear highly positive. But if it comes mainly from additional fees charged to clubs without a corresponding improvement in their economics, the growth may conceal a problem. Likewise, a reduction in central costs may appear favorable while increasing service delays or shifting expenses to the local level.

The system must therefore learn to monitor performance from several perspectives. Central profitability, cash generation and return on capital remain necessary. But it becomes equally important to understand whether clubs are generating sufficient value, whether users continue to adopt the services, whether Regional Centers are viable and whether suppliers can maintain the expected standards.

The economic success of the network cannot be reduced to the result of a single legal entity. It must be observed in the way the entire architecture transforms resources into sustainable value.

This approach directly prepares the later GC-104 analyses devoted to club economics, Regional Centers, costs and indicators.

3.12 Capital Must Support the Pyramid Rather Than Turn It Back Upright

Financing introduces a particular challenge. Investors provide capital that is essential to development and assume real risk. It is therefore normal for them to hold economic rights consistent with the agreed structure. But an organization can gradually change its mission if every decision begins to be evaluated solely according to the maximization of short-term financial returns.

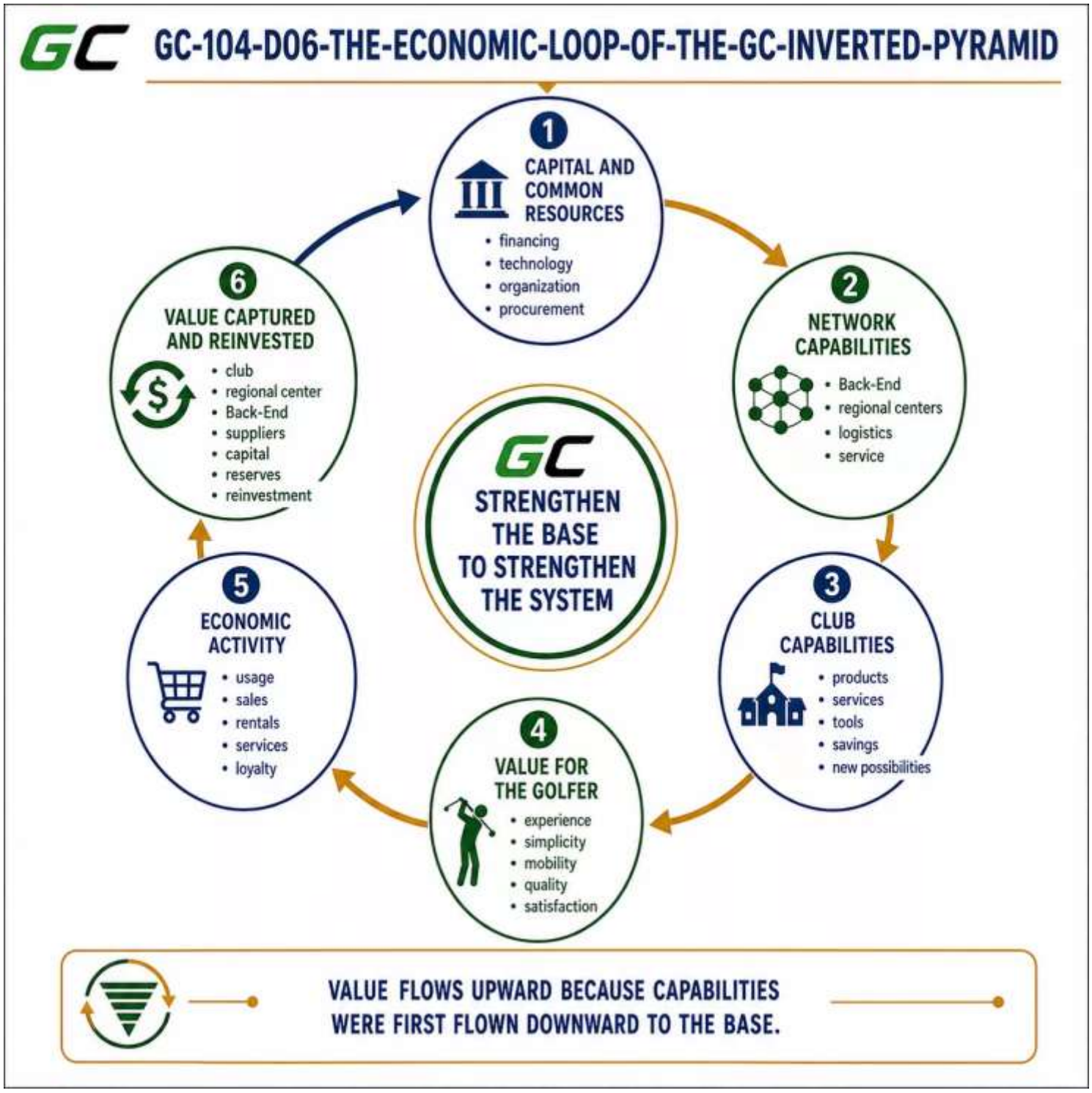
The Inverted Pyramid is not opposed to return on capital. Rather, it states that the value of capital depends on the system's ability to continue creating sustainable value at its base.

A strategy that temporarily increases profitability by sharply reducing the benefits provided to clubs may produce the opposite effect over the long term. Excessive reduction in service may improve one quarter while destroying trust. Growth that is too rapid may increase apparent valuation while weakening cash and operations.

The economic interest of capital and the interest of the system must therefore be aligned over a sufficiently long horizon.

This requirement makes governance particularly important. Financing structure, voting rights, share classes and decision mechanisms are not separate from the Inverted Pyramid. They partly determine whether this architecture can be preserved when the amounts involved become much larger.

Capital must allow the system to build capabilities. It should not progressively transform the base into a simple means of remunerating capital.



GC-104-D06 — THE ECONOMIC LOOP OF THE GC INVERTED PYRAMID

3.13 Redistribution Must Preserve the Ability to Reinvest

Giving priority to the base does not mean that all value created should immediately return to clubs or users. Such an architecture would progressively prevent the network from investing in the Shared Capabilities on which the base itself depends.

Part of the value must therefore remain available for the future. It can finance technology development, parts, warranty reserves, training, testing of new products, increased logistics capacity or the creation of new Regional Centers when density justifies them.

The challenge is to preserve a balance between immediate redistribution and future strengthening.

If the system retains too much value centrally, clubs may lose part of the advantage of participating. If it redistributes almost everything, Shared Capabilities become unable to evolve. In both cases, the Inverted Pyramid is weakened.

Reinvestment must therefore be understood as a way of returning value to the base with a time delay. Investment in a better platform, a more efficient warehouse or a parts program may not immediately create additional revenue for a club, but it can improve quality and reduce future costs throughout the network.

The relevant question is therefore not only: how much are we redistributing today? It is also: what share are we retaining to build the capabilities that will allow the base to create more value tomorrow?

3.14 The Inverted Pyramid as Protection Against Growth Disconnected From the Field

As the GC System begins to grow, the distance between central decisions and the daily realities of clubs will naturally increase. A small organization knows its first users directly and can quickly observe the consequences of a decision. A much larger network must create mechanisms to preserve that proximity.

The Inverted Pyramid can serve as protection against growth that gradually becomes disconnected from the field.

Before making an important decision, the system can seek to determine not only its effect on central revenue, but also its effect on local operations. A supplier change must be evaluated according to cost, but also according to quality and parts availability. New technology must be judged according to its capabilities, but also according to the workload it creates for club personnel. A new commercial policy must be analyzed according to the margin it produces and according to how users perceive it.

This way of deciding helps prevent growth from progressively transforming GC into an organization that optimizes its own indicators while shifting costs or complications toward the base.

The larger the network becomes, the more important this discipline will be. Data can help, but it will not fully replace observation and discussion with clubs. The Inverted Pyramid must therefore also influence feedback, governance and learning mechanisms.

It continually reinforces one essential point: the upper structure exists only because real activity takes place at the base.

3.15 An Economy That Becomes Stronger as Its Base Becomes Stronger

The true economic significance of the Inverted Pyramid appears when it is no longer viewed simply as a method of redistribution, but as a strategy for cumulative value creation.

If the network allows a club to increase certain revenues, reduce certain costs or provide better services, that club becomes better able to use other GC functions. If improved service increases golfer satisfaction, utilization may rise. If several clubs increase their volumes, Regional Centers become more efficient. As regional volumes increase, the GC Back-End can spread its fixed costs more effectively and negotiate better terms with suppliers. Those savings can then strengthen services or improve certain conditions offered to clubs.

A virtuous economic cycle can therefore emerge.

The principle is no longer simply to redistribute downward part of the wealth produced at the top. It is to recognize that strengthening the base can ultimately increase the economic capacity of the entire structure.

This idea deeply distinguishes the Inverted Pyramid from a purely redistributive model. Value is not moved from one participant to another as though it were a fixed quantity. The objective is to use network resources to create greater capacity at the base so that the total amount of value produced can itself increase.

The system can then evolve through a cumulative sequence: Shared Capabilities improve local capabilities; local capabilities improve the value offered to the golfer; that value increases activity; activity increases available resources; part of those resources is redistributed and another part reinvested; reinvestment then strengthens Shared Capabilities and local capabilities.

The Inverted Pyramid thus becomes an economic loop rather than a static representation.

This loop will work only if each level maintains the discipline not to maximize its own position at the expense of the others. The golfer must continue to receive sufficient value. The club must benefit from participation. The Regional Center must remain viable. The GC Back-End must remain useful and financially sustainable. Suppliers must be able to maintain quality and continuity. Capital must be compensated without becoming the sole decision criterion.

When these conditions are met, the Inverted Pyramid is not opposed to profit, growth or return. It proposes a different way of producing them.

Within the GC System, the economy becomes sustainable when the growth of the central organization progressively results from growth in the value created at its base.

The guiding principle of this chapter can therefore be summarized as follows:

the GC System must not become stronger by continually taking more from its base; it must become stronger because it makes its base itself stronger.

On this foundation, the next chapter can examine another essential principle of the GC economic model: function before product, service before sales, and architecture before revenue.

CHAPTER 4

FUNCTION BEFORE PRODUCT, SERVICE BEFORE SALES, ARCHITECTURE BEFORE REVENUE

4.1 Three Priorities That Come Before Monetization

The economic model of the GC System cannot be built properly if the pursuit of revenue becomes the starting point of every decision. An organization that systematically begins by asking what it can sell, at what price and with what margin risks progressively developing products and services whose main justification becomes their ability to generate a transaction. This logic can work for certain commercial activities, but it becomes dangerous when the objective is to build a sustainable system in which multiple products, services, clubs, Regional Centers and Shared Capabilities must function together over many years.

GC-104 therefore adopts a different sequence. Before seeking a product, the function it must improve must be understood. Before seeking to multiply sales, the service required to support what is sold must be understood. Before multiplying revenue sources, a sufficiently coherent architecture must be built so that those revenues can be produced, administered and sustained without creating more complexity than value.

These three priorities are not intended to delay commercialization artificially. On the contrary, they seek to reduce the risk of financing too quickly a solution whose function is poorly understood, selling a product that the network is not yet able to support, or creating a revenue source that later requires disproportionate infrastructure.

This logic can be stated simply:

function before product, service before sales, architecture before revenue.

The order matters. Function determines what is worth building. Service determines what the system must be able to support after the transaction. Architecture organizes the resources required for the activity to be repeated. Revenue then helps finance and strengthen those capabilities once real value has been created.

4.2 Function Begins With a Real Friction

The search for a useful function rarely begins with technology. It begins with observing a situation in which something could be simpler, more efficient, more enjoyable, more accessible or less costly. That situation represents a friction, and it is this friction that gives a potential product or service its purpose.

In golf, such frictions can take many forms. A golfer may find certain movements tiring, lose time returning to the golf bag, have difficulty transporting equipment or seek greater autonomy during a round. A club may face different challenges: labor availability, equipment maintenance, energy costs, inventory management, service speed, tee-time coordination, communication with golfers or the ability to offer new services.

These situations must be observed before concluding that a particular product is the solution. If the process begins with the product, there is a risk of then searching for a problem to fit it. If it begins with the function, several possible solutions can be compared.

The difference is significant. A mobility problem on a golf course does not necessarily lead to a single type of vehicle. Depending on the users, topography, club rules, price and context of use, several solutions may be relevant. Functional analysis preserves this openness long enough to prevent the first idea considered from automatically becoming the final solution.

Within the GC System, the product must therefore be regarded as a possible response to a function, not as the function itself.

4.3 Function Defines What Success Really Means

Once the function is understood, it becomes possible to define success criteria that go beyond the sale itself. A product can sell because it is new, attractive or well presented without necessarily improving the situation that justified its introduction over the long term. Conversely, a product with modest initial sales may reveal a particularly important function when used in the right context.

Evaluation must therefore focus on what the product actually makes possible. For mobility equipment, success may depend on ease of use, safety, comfort, range, impact on pace of play, preparation time and golfer satisfaction. For a software tool, it may depend on time saved, errors avoided, information quality or the actual level of staff adoption.

This way of measuring function prevents two very different phenomena from being confused: initial commercial interest and lasting usefulness.

The first may be influenced by novelty, advertising or curiosity. The second appears over time, when users continue using the solution voluntarily because it genuinely improves their experience or operations.

This repeated usefulness creates a stronger economic foundation. When a function is genuinely valued, pricing becomes more rational, loyalty becomes more likely and the cost of acquiring a new user may decline. Function is therefore not merely a technical consideration; it lies at the foundation of future revenue quality.

4.4 A Product Must Earn Its Integration Into the System

The GC System should not become a catalog in which every product with an attractive margin is automatically integrated. Every new component potentially increases the number of suppliers, inventory requirements, procedures, technical knowledge,

warranties, parts and information that must be maintained. A decision that appears simple at the time of purchase can therefore create responsibilities lasting several years that were not visible in the original transaction.

For this reason, a product must earn its integration.

It must first fulfill a sufficiently important function. It must then reach a level of quality compatible with network expectations. Its economics must remain defensible once the full life cycle is considered. Finally, its integration must be possible without introducing disproportionate complexity.

This discipline makes it possible to distinguish among several levels of commitment. Some products can be tested without being fully integrated. Others can be offered in a limited number of clubs to obtain more data. Certain components may become standard network products once they have demonstrated their value and their ability to be properly supported.

Integration is therefore not a binary event in which a product is either fully accepted or completely excluded. It can be progressive, in accordance with the Seven Steps. This progression allows the system to learn before committing substantial capital or developing infrastructure that would later be difficult to remove.

4.5 Service Must Be Considered Before the Sale

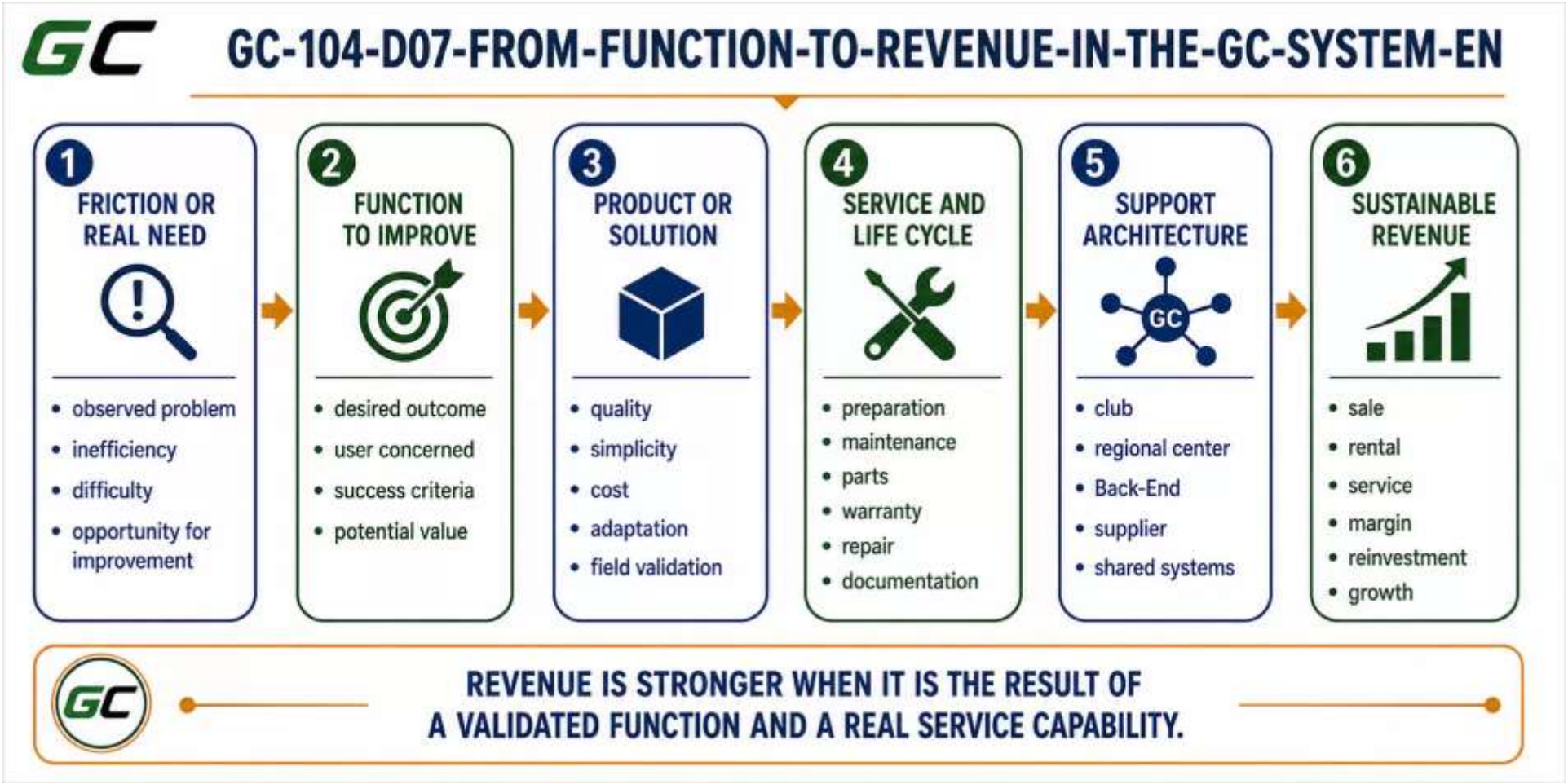
A sale immediately creates revenue, but it can also create an obligation that extends far beyond the moment the revenue is collected. This reality becomes particularly important when the product sold contains mechanical, electrical, electronic or software components.

When a user purchases a GC product, the product is not judged only by its quality on the day of the transaction. The user also judges what happens when a part, information or repair is needed. An excellent buying experience can quickly be forgotten if the product becomes unusable and no one can respond clearly to the situation.

Service must therefore be considered before sales volume makes its absence difficult to correct. It is necessary to understand which parts are likely to be needed, who will be able to intervene, which tools will be required, what information must be retained and how warranties will be administered. These elements do not need to be developed to maximum sophistication before the first sale, but their logic must already exist.

This rule protects the golfer, the club and GC at the same time. It protects the golfer from being abandoned after the purchase. It protects the club from being forced to solve problems for which it is unprepared. It protects GC from accumulating poorly understood future obligations whose costs could significantly reduce the margin originally expected.

Service before sales therefore means that the economic responsibility for the product must be understood before the revenue from the transaction is considered fully earned.



GC-104-D07 — FROM FUNCTION TO REVENUE IN THE GC SYSTEM

4.6 The Sale Creates an Economic Responsibility Over Time

In a purely transactional model, success may appear to be achieved once the product is delivered and paid for. In an integrated architecture, that moment instead marks the beginning of a second phase. The network then implicitly accepts a responsibility: ensuring that the value promised at the time of sale can continue to be obtained for a reasonable period.

That responsibility has a cost. A product deployed today may require support two or three years later. A warranty may generate a future expense. A part may need to be purchased well before it is used in order to avoid excessive downtime. Documentation may need to be retained even after the model is no longer sold.

The real economics of a sale must therefore take time into account.

This perspective changes the way revenue is viewed. Part of the margin obtained today may in reality correspond to obligations that will be fulfilled tomorrow. When the financial model ignores this delay, the organization may temporarily overestimate its performance and later discover that it has not retained enough resources to meet its commitments.

Warranties, parts, service and support should therefore not be treated as accidental expenses that reduce profit already earned. They are part of the normal economics of the product. The better their behavior is understood, the more accurately their cost can be estimated and incorporated into prices, margins and reserves.

4.7 Service Is Itself an Economic Capability

Service is often presented as a necessary cost associated with sales. This view is too narrow. When properly structured, service can itself become an economic capability that creates value.

Good service reduces downtime, extends product life and strengthens trust. It can improve club loyalty, encourage renewal and reduce the risk that a local problem becomes widespread dissatisfaction. In some situations, service after the warranty period can also become a direct source of revenue.

The Regional Center plays a particularly important role here. Technical expertise that is used often enough can serve several clubs and several products. The tools, procedures and accumulated knowledge then become reusable capabilities. The more intelligently this capability is used, the more broadly its cost can be distributed.

Service can also generate information. Every repair reveals something about the product, its use or its environment. When these observations are structured, the system can identify trends and intervene before problems become more significant.

This loop between service and learning creates an advantage that a simple sales relationship cannot easily build. It transforms an activity initially viewed as a cost into a potential source of quality, trust and knowledge.

4.8 The Club Must Know What It Must Do and What It Does Not Have to Do

Integrating service into the GC model does not mean that every club must become a technical workshop. The club already has its own operations and constraints. Gradually transferring responsibilities to it without providing the corresponding skills, tools or compensation would simply shift costs from the GC Back-End to the base.

The local role must therefore be clearly defined.

Certain simple interventions can be performed at the club when they are safe, easy to document and compatible with available skills. Visual inspection, cleaning, charging, a basic check or replacement of a very simple component can sometimes remain local. More complex repairs can be directed to the Regional Center or a specialized resource.

This distribution should be designed according to function rather than an arbitrary desire to centralize or decentralize. A simple and urgent intervention often has greater value when it can be performed immediately at the club. A rare and specialized intervention is generally more economical when grouped within a center that maintains the necessary expertise.

This architecture also protects quality. When it is clearly established who does what, responsibilities are easier to understand, procedures can be adapted to the level of intervention and costs become more visible.

Service before sales therefore also means that the network must define early enough where service responsibility will actually be assumed.

4.9 The Regional Center Connects Service, Proximity and Economies of Scale

The Regional Center naturally sits at the heart of this architecture because it avoids two extremes. The first would be to concentrate all technical functions within the GC Back-End, creating long distances, delays and transportation costs. The second would be to require every club to develop expertise and inventory that it would use too rarely to justify the investment.

The Regional Center creates an intermediate level. Functions frequent enough to require proximity can be regionalized, while highly specialized functions can remain centralized or be assigned to specific partners.

This organization must nevertheless follow the real density of the network. A fully equipped workshop with several technicians becomes economical only when a sufficient volume of products and interventions exists within its territory. Before that threshold is reached, a lighter structure or an external partnership may be preferable.

This progression again illustrates the logic of the Seven Steps. Regional capacity does not need to appear in its final form during the first implementations. It can begin with a limited function and then add tools, personnel or space as needs become observable.

Proximity should therefore not be purchased at any price. It becomes an economic value when it reduces delays, transportation, downtime and friction enough to justify the resources it requires.

4.10 Architecture Must Precede the Multiplication of Revenue Sources

When several monetization opportunities appear, it can be tempting to develop them simultaneously. Product sales, rentals, subscriptions, commissions, digital services, repairs, payments, extended warranties and other functions can each represent a potential source of revenue.

But every source of revenue has a hidden architecture.

A rental requires more than a daily price. It requires reservations, payment, availability, preparation, cleaning, maintenance, procedures for damage and sometimes identity management. A digital subscription requires rights management, recurring payments, support, data and update capability. An extended warranty requires an understanding of risk and adequate reserves.

Creating revenue before understanding this architecture can result in the system quickly collecting amounts that must later be spent correcting a poorly designed structure.

Architecture before revenue does not mean that everything must be built before an idea is tested. A limited experiment may, on the contrary, be necessary to understand the function. It means that before an experiment becomes a repeated large-scale activity, the mechanisms that allow it to operate must be sufficiently understood.

This distinction separates the Pilot Project from deployment.

4.11 Revenue Must Strengthen the Architecture That Produces It

When a revenue source begins to function, part of its value must naturally contribute to the resources that make it possible. This relationship must be visible enough for the system to determine whether the activity is truly sustainable.

A rental activity, for example, cannot be evaluated only according to the amounts collected. It consumes capital in the product, preparation time, maintenance, space and sometimes reservation capacity. If the revenue finances these functions and leaves a

reasonable contribution for the club and the network, it can become an attractive activity. If it covers only the immediate appearance of the transaction, the model must be corrected.

The same principle applies to digital functions. A platform can generate attractive subscription revenue, but it must also finance hosting, development, support, cybersecurity and ongoing evolution. When the cost of these functions increases faster than revenue, growth in usage can paradoxically weaken the activity.

Every revenue source must therefore be linked to the architecture it mobilizes. This visibility makes it possible to determine whether growth progressively improves the economics or simply increases the volume of obligations.

Healthy revenue is not merely an amount collected. It is an economic flow capable of financing the function that produces it and contributing to the continuity of the system that supports it.

4.12 Monetizing Too Early Can Distort the Function

Economic pressure can sometimes lead an organization to seek a revenue mechanism too quickly for every function it develops. This approach may appear disciplined, but it can also distort decisions during a phase in which the true value of the function is not yet understood.

A digital feature, for example, may be far more valuable as an integrated element of the overall club relationship than as a separately sold subscription. An information service may strengthen the use of several products even if it does not directly generate independent revenue. A well-designed warranty may increase confidence enough to improve sales without necessarily being billed separately.

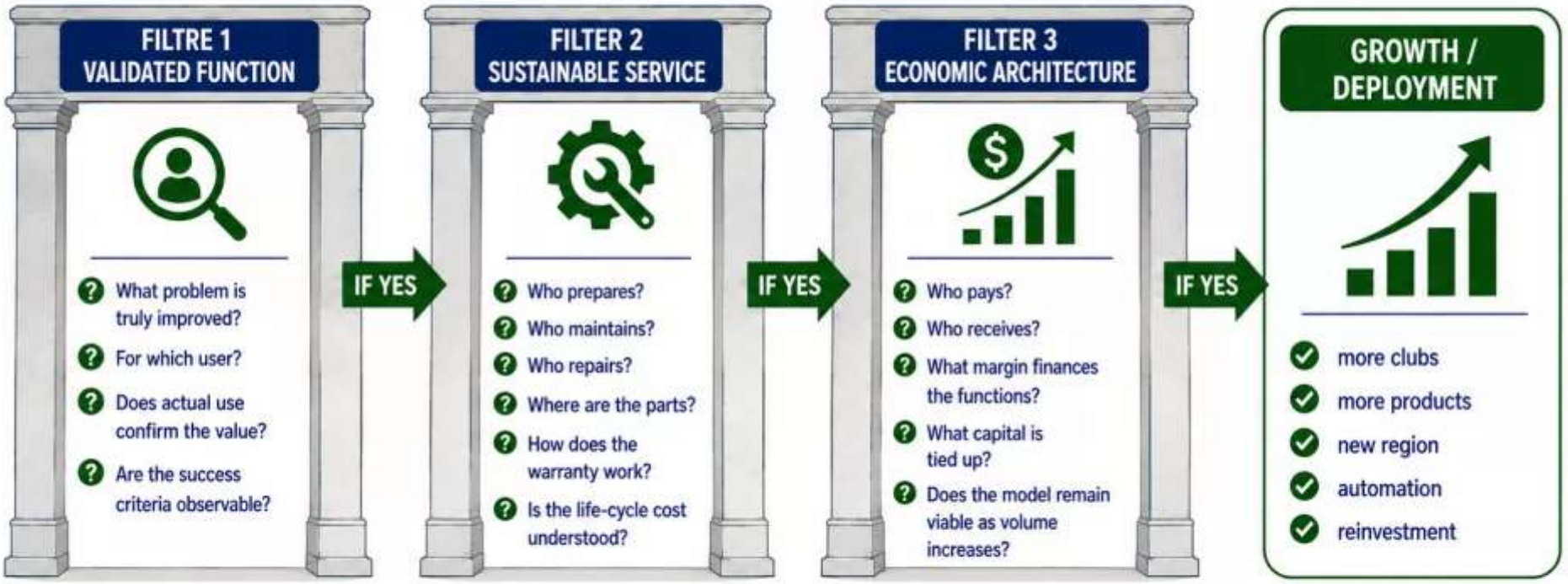
The question should therefore not always be: "how do we charge for this function?" Sometimes the better question is: "what economic activity does this function make possible or more robust?"

This distinction becomes essential in an integrated system. Some capabilities are products. Others are services. Still others are infrastructure that allows products and services to exist.

Trying to assign an independent price to every component can fragment the experience and make the architecture more difficult for clubs and golfers to understand. Conversely, never measuring the value of Shared Capabilities could hide disproportionate expenses.

The challenge is therefore to understand contribution before choosing the monetization mechanism.

GC-104-D08-THE-THREE-FILTERS-BEFORE-THE-GROWTH-OF-A-GC-ACTIVITY



ACCELERATING AN ACTIVITY BEFORE IT PASSES THESE THREE FILTERS INCREASES THE RISK THAT GROWTH WILL AMPLIFY A PROBLEM THAT IS STILL POORLY UNDERSTOOD.

GC-104-D08 — THE THREE FILTERS BEFORE SCALING A GC ACTIVITY

4.13 Capital Must Follow the Maturity of the Function

The same sequence should guide capital allocation. A function that is still experimental should generally not receive the same type or level of investment as a function that has already been validated and made repeatable. Initial expenditures are primarily intended to generate learning. Subsequent expenditures can stabilize service. Only then do major capacity investments become fully justifiable.

This progression reduces capital tied up in assumptions that remain fragile. A small number of units may be enough to learn how a product is actually used. A complete Regional Center is not required to understand the first repairs. Fully automated software is not necessary to validate a procedure that can initially be performed manually.

As the function is confirmed, the level of investment can increase. What was performed manually can be automated. What was entrusted to an external partner can be integrated. What was stocked in small quantities can be purchased at greater volume.

Functional maturity and capital maturity therefore progress together.

This discipline also reduces the risk of feeling compelled to continue an activity simply because a large amount of money has already been invested in it. The more initial commitments remain proportional to the knowledge available, the easier it is to correct direction when learning shows that an assumption was wrong.

4.14 Scaling Must Be a Decision, Not a Reaction to Enthusiasm

A product that performs well during a trial, an enthusiastic club or a rapid increase in demand can create strong pressure to accelerate. This reaction is understandable. A commercial opportunity may be temporary, and an organization that is too cautious can miss a market.

But the ability to grow quickly must be distinguished from the desire to grow quickly.

Before significantly increasing volume, GC must be able to verify that the function is sufficiently validated, that the supplier can keep pace, that the product can be supported, that parts are accessible, that warranties are understood, that working capital is available and that the network has enough capacity to absorb the new units.

These conditions are not intended to create bureaucracy. They are protections against overgrowth. The simpler and lower-risk the activity, the lighter the validation can be. The more costly, technical or important the product is to the user, the greater the consequences of poorly prepared acceleration.

Deployment should therefore follow maturity thresholds rather than a simple calendar. An activity can accelerate very rapidly once it demonstrates that it has the capacity to do so. Another may remain in validation for a longer period.

This flexibility allows the GC System to follow reality rather than forcing reality to follow a plan established too early.

4.15 From Function to Revenue, Then From Revenue to a Strengthened Function

The three principles examined in this chapter do not form a sequence that ends when revenue appears. They form a loop.

Function identifies a useful improvement. The product or service turns that improvement into a concrete solution. Service capability protects the value of that solution over time. Architecture distributes responsibilities and allows Shared Capabilities to be used. Revenue then finances part of that architecture and can allow it to improve.

When this loop works, revenue is no longer the end of the chain. It progressively returns to the functions that made it possible.

One portion may finance the club. Another may support the Regional Center. Another contributes to the GC Back-End. A portion may be allocated to suppliers, warranties, technology or reserves. Profit and reinvestment can then improve the function or help develop a new one.

The process then becomes cumulative:

observe a friction → understand the function → develop a solution → prepare the service → build the architecture → generate revenue → reinvest in capacity → improve the function.

This loop expresses the GC economic model far better than a logic in which design ends when the product is sold.

It also explains why function, service and architecture must come before the systematic pursuit of revenue. Each stage reduces a different form of uncertainty. Function reduces the risk of building something unnecessary. Service reduces the risk of selling something the network cannot support. Architecture reduces the risk that a promising activity becomes disorganized when it begins to grow.

Revenue then becomes the economic proof that part of the value created can be captured and reinvested, rather than the sole measure of success.

This principle is especially important for a system intended to progressively integrate many categories of products and services. Without this discipline, each new opportunity could pull GC in a different direction. With it, every possibility can be examined according to the same fundamental questions: what function does it improve, what service does it require, what architecture does it mobilize, and what economic model does it actually make possible?

It is this coherence that will allow the GC System to diversify its activities without losing its architecture.

The guiding principle of the chapter can therefore be stated in full:

function justifies the product, service protects the value sold, architecture makes the activity repeatable, and revenue allows the system to continue fulfilling and improving its function.

The next chapter can now examine how this logic applies to the three economies that must remain compatible within GC-104: product economics, club economics and network economics.

CHAPTER 5
PRODUCT, CLUB AND NETWORK ECONOMICS

5.1 Three Economies That Must Work Together

The GC System cannot be properly understood if its economic performance is observed from only one level. An activity may appear profitable when analyzed as a product, become much less attractive when the requirements placed on the club are considered, and then regain significant value when viewed within the broader economics of the network. The reverse is also possible: an activity that is highly beneficial to a club can become unsustainable if the GC Back-End or the Regional Center must continually absorb costs that are not supported by corresponding revenue.

GC-104 therefore distinguishes three complementary economies: the economics of the product or service, the economics of the Partner Club, and the economics of the GC Network. These three levels do not represent three independent businesses. They describe three necessary perspectives for understanding what happens when a component is introduced, used and supported within the system.

Product economics seeks to determine whether each unit or service has a sufficiently sound logic to justify its existence. It considers, among other things, full cost, price, margin, capital tied up, service and the life cycle.

Club economics instead seeks to understand what the activity changes locally. Must the club invest? Must it allocate staff or space? Does it generate new revenue? Does it reduce certain expenses? Does it improve a function sufficiently to justify the club's commitment? A product can be profitable for GC while offering little interest to the club if this second economy is not understood.

Network economics ultimately examines the functions that no single unit or club can finance independently: the GC Back-End, technology, procurement, documentation, data, logistics, warranties, regional infrastructure and Shared Capabilities. These functions must be supported by the activities that benefit from them.

The economic strength of the GC System therefore depends less on maximizing one of these economies than on maintaining their long-term compatibility.

5.2 Product Economics Begins With Full Cost

The first level of analysis is the product or service itself. At this level, the most common temptation is to begin with the supplier's price, apply a margin and consider the result representative of profitability. This approach can provide an initial commercial indication, but it quickly becomes insufficient in a system that assumes responsibility for part of the life cycle.

The economic cost of a product begins well before the sale. It may include supplier research, testing, samples, adaptations, packaging, transportation, customs clearance, insurance, transaction fees, warehousing and inventory financing. These costs are then followed by receiving, inspection, preparation, delivery, documentation and, in some cases, training.

Once the product is in use, additional expenses may arise: maintenance, parts, repairs, warranty management, returns, assistance and administration. Some of these costs are relatively predictable; others will only become clear after enough units and hours of use have been observed.

Product economics must therefore progressively move toward measuring the full cost of ownership for the system, rather than acquisition cost alone. This knowledge makes it possible to establish a more rational price, plan a warranty reserve and compare suppliers more accurately when their purchase prices may differ but their long-term performance varies considerably.

A product that costs slightly more to purchase may therefore prove economically superior if it is more reliable, uses readily available parts or requires fewer interventions. Full-cost analysis prevents a saving obtained from the supplier from later becoming a much greater expense for the network.

5.3 Product Margin Must Finance More Than the Transaction

A healthy margin is not simply the difference between the selling price and the purchase price. It must contribute to financing the functions that are directly or indirectly required for the transaction to be repeated and supported.

Part of this margin may return to the club. Another portion may finance the Regional Center when it prepares, transports or maintains the product. A share must also contribute to GC Back-End functions. It may also be necessary to reserve a portion for warranties or future service costs.

This breakdown becomes particularly important as volume increases. A margin that appears satisfactory on a few units may prove insufficient when hundreds or thousands of products simultaneously create requirements for parts, service and management.

Conversely, increased volume can improve certain components of the economics. Supplier prices may decline, transportation costs can be spread more efficiently, procedures may become more effective and existing capabilities can be used more intensively. The real economic margin is therefore not necessarily fixed; it evolves with the maturity and scale of the system.

GC-104 must therefore distinguish commercial margin, contribution margin and, when the data permits, the full profitability of a product family. This progression will prevent activities that use Shared Capabilities very differently from being treated as though they were economically identical.

5.4 Unit Economics Is the First Test of Repeatability

When an activity is still limited, creation costs can make unit analysis imperfect. A prototype or an initial software platform often carries expenses that will not recur in the same way for each future unit. This does not mean, however, that unit economics should be ignored.

As the product stabilizes, GC must be able to answer a fundamental question: what happens economically when one additional unit is sold, rented or placed into service?

If every additional unit generates more variable costs than economic contribution, increasing volume will make the problem worse. If each additional unit contributes positively toward fixed costs and Shared Capabilities, growth can progressively improve the overall economics.

Unit economics therefore becomes a test of repeatability. It does not measure the entire strategic value of a product, but it helps determine whether growth is being built on a loss that would increase with volume.

This analysis must nevertheless be adapted to the model involved. A direct sale, rental or subscription does not follow the same timing. A rented product may require more initial capital but generate revenue over several periods. A digital service may involve substantial upfront development costs and very low marginal cost for each additional user.

The common principle remains the same: understand the economic effect of the additional unit before treating volume growth as a success.

5.5 Club Economics Begins Where the Product Meets the Field

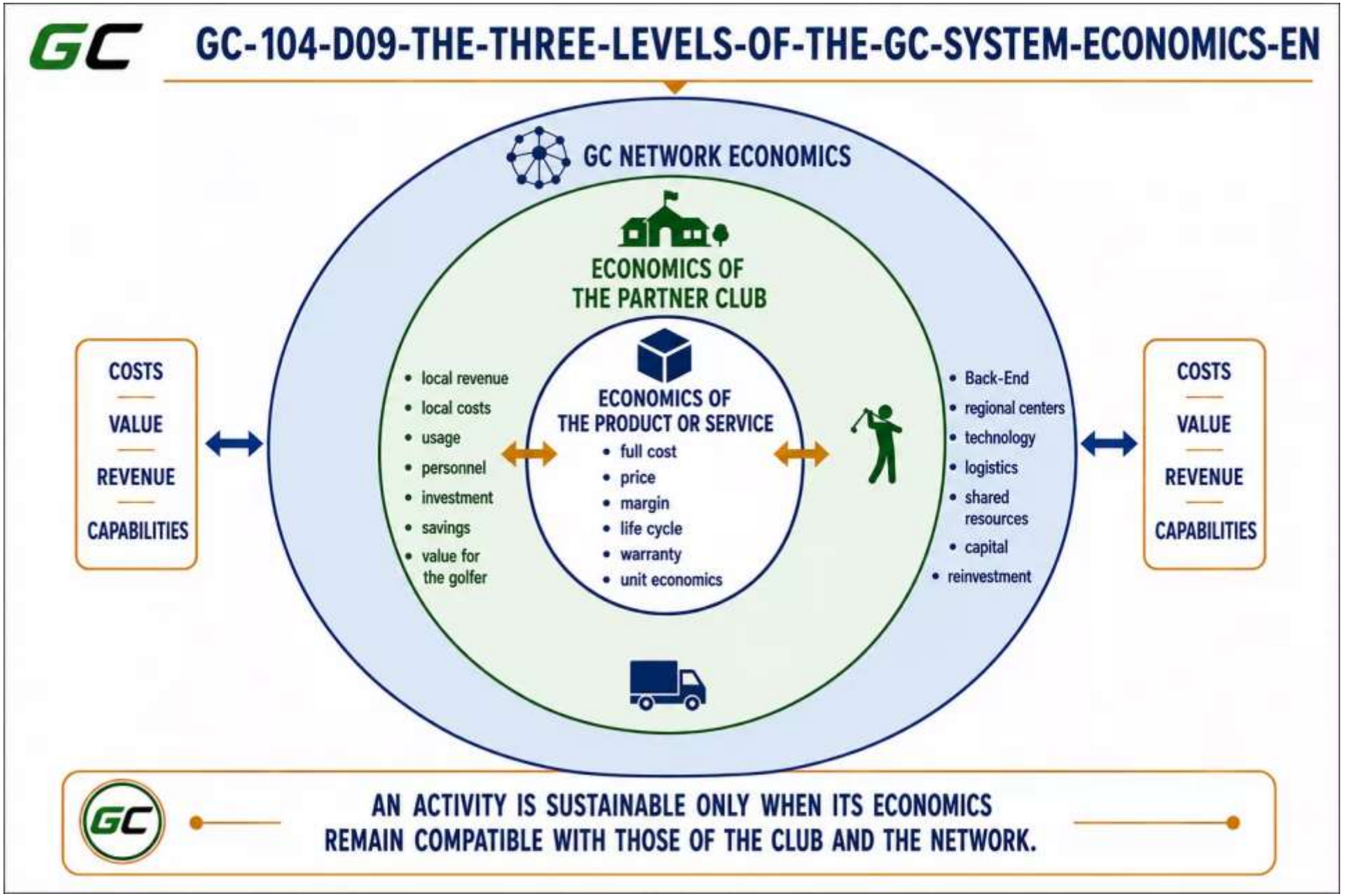
Even when a product shows sound unit economics for GC, it cannot be considered fully validated until its economics at the club level are understood. The club is where the solution encounters its users, operational constraints and field realities.

A product may, for example, generate an attractive margin for the network while requiring significant staff time at the club to prepare, explain, recharge, clean or manage it. These local costs can be real even if they do not appear in GC's accounts. If ignored, the system may classify an activity as profitable when part of its cost has simply been transferred to the partner.

Club analysis must therefore consider all local resources involved: staff time, space, facilities, energy, maintenance, administration, payment management, training and possible responsibility. These resources must then be compared with the additional revenue, savings or operational improvements created by the activity.

This approach is essential to the Inverted Pyramid. The club cannot be treated as a base to be strengthened if the economic model carefully measures the profitability of the GC Back-End while leaving local costs invisible.

Club economics must therefore become a genuine component of GC evaluation, rather than an assumed consequence of selling the product.



GC-104-D09 — THE THREE LEVELS OF GC SYSTEM ECONOMICS

5.6 Local Revenue Is Only One Part of Club Economics

When seeking to demonstrate the economic value of an activity for a club, the first reaction is often to calculate the new revenue it could generate. This measure is important, but it remains incomplete.

A product or service can improve the club's economics without creating a visible new revenue line. Technology can reduce the time devoted to an administrative task. A procurement system can lower the cost of certain purchases. Better parts availability can reduce the time during which revenue-producing equipment remains out of service. A mobility solution can contribute to an experience that encourages loyalty or allows certain golfers to continue playing.

These effects may be more difficult to measure than sales, but they should not be ignored.

Conversely, additional revenue can be much less attractive than it first appears when the club must commit substantial resources to produce it. A rental activity generating attractive gross revenue may lose much of its appeal if it continually requires staff, cleaning, management and repairs that were not included in the initial calculation.

Club economics must therefore examine the net result of the function, not merely its gross revenue. This discipline will allow different operating models to be compared more honestly and will help avoid presenting clubs with opportunities whose advantages are overstated.

5.7 The Club Asset Must Achieve Sufficient Utilization

When a club invests directly in a GC component, the economic analysis must also consider asset utilization. An expensive piece of equipment used only rarely may provide an excellent experience for a small number of people while still producing weak economics. The same equipment used regularly over several seasons can become far more attractive.

Utilization rate therefore becomes a central factor in certain models.

This is particularly important when comparing sale, rental or fleet deployment. Individual purchase transfers much of the utilization risk to the owner. A club-owned fleet provides greater local control, but requires the club to finance the asset and assume the risk that it may be underused. A model in which GC or another partner retains part of the ownership creates yet another distribution of capital and risk.

There is not necessarily one universal formula. The appropriate model will depend on the product, the club, its traffic, its season, its resources and golfer behavior.

The GC methodology should therefore seek to understand the level of utilization required for each model to become economically attractive. This information can then help guide clubs toward an approach that better matches their reality rather than imposing an identical architecture on all of them.

5.8 Club Investment Must Be Linked to a Measurable Improvement

The club may be asked to invest capital in certain components: equipment, facilities, charging infrastructure, technology or other capabilities required to integrate a service. This investment should never be presented merely as a condition for participating in technological progress or joining the network.

It must be linked to an improvement that is sufficiently understandable.

That improvement may take the form of new revenue, savings, reduced risk, longer useful life, a better experience or access to a capability that would otherwise be unavailable. The larger the expenditure, the more explicit the value hypothesis should be.

Whenever possible, the club should be able to estimate a payback period or return on investment. These indicators cannot measure every dimension of a decision, but they make it easier to compare different uses of capital.

This discipline is particularly important in an industry where clubs often have to choose among many investments: the course, irrigation, buildings, machinery, food and beverage, technology or golfer services. GC cannot assume that its own products will automatically take priority.

The model must therefore be attractive enough to deserve the club's limited capital.

5.9 The Network Must Finance What It Shares

The third level of analysis concerns the network itself. Creating a common architecture has economic value only if it improves functions sufficiently to justify its costs.

The GC Back-End, Regional Centers, digital systems, warranty procedures, procurement resources and logistics infrastructure represent capabilities that can be shared across several activities. But resource sharing does not make their costs disappear. It simply changes how those costs are financed.

The network must therefore have an economic base broad enough to support these resources without requiring a single product family to carry the entire structure artificially. As new activities use the same capabilities, cost allocation can become more balanced.

This evolution is one of GC's major economic opportunities. Common Infrastructure can become progressively more productive as multiple products, services and clubs use it. Fixed costs are then spread across more activity, and certain capabilities can reach a scale that would have been impossible for an individual club.

This economy works only when the sharing is real. If each new product ultimately requires its own technology, service, inventory and organization, the system may end up accumulating several parallel businesses under one brand.

The network must therefore continually identify which functions can genuinely be shared.

5.10 Network Costs Must Remain Visible

Resource sharing carries a risk: once a cost becomes common, it can become difficult to understand which activity actually causes it. A central infrastructure can gradually grow because it is considered necessary to the system as a whole, without it being clear whether each component uses enough of that capacity.

GC-104 should therefore preserve a minimum level of visibility into the costs of Shared Capabilities. This does not mean creating an extremely complex accounting system from the first years. It simply means retaining enough information to understand how resources are being used.

A Regional Center may, for example, perform repairs, prepare products and manage parts. Even when building costs are shared, staff time and intervention volume can help identify which categories of activity use the greatest share of the resource.

The GC Back-End can also progressively track the portion of its activity related to products, services, technology or network management. This information will help prevent certain functions from becoming excessively costly without being identified.

Cost visibility is a condition of economic discipline. What the system cannot observe becomes difficult to improve.

5.11 An Activity Can Be Strategic Without Being Highly Profitable Directly

Not every component of the GC System necessarily needs to produce the same level of direct profitability. Some may perform a strategic function that increases the value of other activities.

A service platform, for example, may generate little independent revenue while greatly strengthening confidence in the products. Documentation capability may generate no identifiable transaction but still reduce errors, training requirements and support requests. An inventory of critical parts may tie up capital while protecting the continuity of several services.

It would therefore be dangerous to evaluate every function solely according to its direct profit.

This recognition should not, however, become an excuse for protecting unprofitable activities indefinitely. When a function is considered strategic, the system should be able to explain what indirect value it protects or makes possible.

This justification may sometimes remain qualitative, particularly in the early stages. Over time, certain relationships can become measurable: shorter delays, lower abandonment rates, increased loyalty or reduced incident costs.

Network economics must therefore distinguish among revenue centers, support functions and strategic capabilities while maintaining a common discipline: each must justify the resources it consumes through sufficiently significant value for the whole.

5.12 The Three Economies Can Come Into Tension

Seeking balance does not mean that the interests of the product, the club and the network will always be perfectly aligned. Tensions will naturally arise.

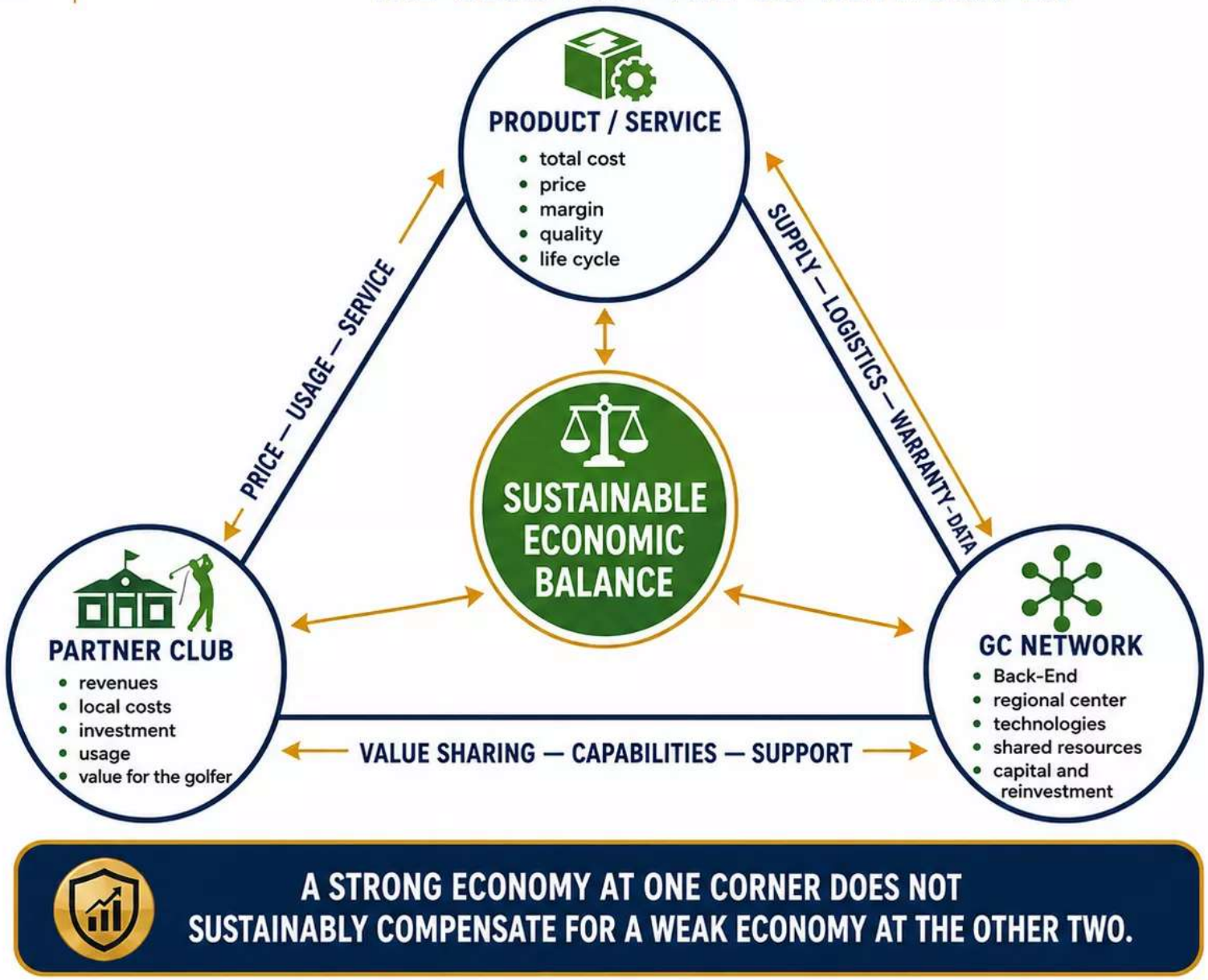
A price increase may improve product margin and the contribution to the GC Back-End while reducing demand at the club. A more generous commission may strengthen the club's interest while reducing resources available for warranties or development. A large inventory may improve local service while substantially increasing the network's working capital requirement.

These tensions are not necessarily problems to eliminate. They are normal trade-offs that an economic system must be able to make visible.

The danger appears when one level has enough power to systematically transfer its difficulties to the others. If the GC Back-End imposes fees to compensate for an overly heavy structure, the club may absorb the problem. If the club demands a margin that no longer allows support to be financed, quality may decline. If the product is sold at an artificially low price to accelerate adoption, the network may accumulate obligations it cannot afford to support.

The discipline therefore lies in understanding where the cost is actually created, where the value is actually produced, and who can reasonably assume each responsibility.

GC-104-D10-THE-ECONOMIC-BALANCE-BETWEEN-THE-PRODUCT-THE-CLUB-AND-THE-GC-NETWORK-EN



GC-104-D10 — THE ECONOMIC BALANCE BETWEEN THE PRODUCT, THE CLUB AND THE GC NETWORK

5.13 The System Must Seek a Global Optimum Rather Than Three Independent Maximums

The existence of three distinct economies — product, club and network — naturally creates a temptation to maximize each of them separately. The supplier or product seeks the greatest possible margin, the club seeks to retain the largest possible share of local value, while the GC Back-End seeks to finance Shared Capabilities and increase its own profitability. Considered individually, each objective may appear legitimate. When all are pushed simultaneously to their maximum, however, they become incompatible.

Maximum product margin can lead to a price that reduces adoption. Excessive capture of value by the network can reduce the club's economic interest. Conversely, leaving almost all value at the local level can prevent the GC Back-End from financing technology, warranties, data, logistics and the other Shared Capabilities that allow the club to benefit from the network in the first place. The issue is therefore not to determine which of the three levels should gain the most, but to build an architecture in which each retains enough value to perform its function and continue progressing.

The integrated economics of the GC System must therefore seek a global optimum rather than a succession of local maximums. This optimum will not necessarily be fixed. It may evolve according to products, services, regions, network maturity and the responsibilities actually assumed by each participant. An activity in which the club finances and operates an asset may leave more value locally than a transaction in which the club acts mainly as a commercial interface. A function requiring substantial warranty coverage or common technology infrastructure may require a greater contribution at the network level.

What must remain constant is the logic: no component should sustainably improve its own economics by weakening the conditions that allow the others to fulfill theirs.

This search for a global optimum already represents an economic expression of a founding principle of the GC System. The value of an integrated architecture lies not only in the performance of its individual components, but in what their relationships allow them to produce together.

5.14 Growth Must Increase the Value of Relationships Between Components

Growth in an integrated system should not merely produce more units sold, more Partner Clubs or more revenue. It should progressively improve the way the components work together.

When more clubs participate in the network, GC can aggregate greater procurement volumes, spread certain technology expenses over a larger base, accumulate more data, improve product knowledge, better anticipate parts requirements and progressively justify certain regional capabilities. Each new element can then increase the usefulness of those already present.

This is where a fundamental difference appears between simply quantitative growth and systemic growth.

In an essentially transactional organization, doubling the number of sales may primarily double activity volume. In a well-integrated system, increased activity can also improve certain economic conditions for the whole: better purchasing, better use of fixed capabilities, closer service, richer data, faster learning and better distribution of certain risks.

A new Partner Club therefore represents more than a new GC Back-End customer. It can increase regional density, improve collective purchasing power, enrich network knowledge and make certain Shared Capabilities more economical for clubs already present. Likewise, a new product adds more than a new source of margin if it can use the same distribution channels, technologies, Regional Center or part of the same service procedures.

Growth becomes particularly attractive when it creates this form of integration return.

This does not mean that every new component automatically produces synergies. A poorly adapted component can instead increase complexity, fragment inventories, multiply required skills and consume more resources than it creates. The GC System must therefore distinguish simple addition from genuine integration.

Adding a part increases the size of the system.

Properly integrating a part can increase the value of the others.

This distinction must become an important criterion in future diversification and growth decisions.

5.15 The Whole Is Greater Than the Sum of Its Parts: The Economic Condition of the GC System

The principle **"The whole is greater than the sum of its parts"** has been one of the foundations of the GC architecture from the beginning. In GC-104, this principle must take on a precise economic meaning.

The purpose of the GC System is not simply to place products, clubs, suppliers, Regional Centers, technologies and services under one organization while allowing them to continue operating exactly as they would independently. If bringing them together creates no additional capability, the common architecture merely adds another administrative layer.

To justify its economic existence, the system must enable its components to produce together a level of value they would have struggled to produce independently.

A club can purchase a product directly from a supplier. But several clubs connected through a Common Infrastructure can combine their volumes, share knowledge, benefit from an organized warranty structure, gain access to shared parts and use regional capabilities that none of them could reasonably finance alone.

A Regional Center has limited usefulness in isolation. Connected to several clubs and the GC Back-End, it can transform their combined volume into service, parts, preparation and logistics capabilities that are used sufficiently to become economically relevant.

The GC Back-End itself is not justified simply because it centralizes functions. Its value appears when centralization makes those functions more productive: technology developed once and used by many clubs, data that improves forecasting, supplier relationships strengthened through collective volume, or an accounting architecture capable of supporting multiple establishments.

The product also benefits from this integration. It is no longer simply sold and forgotten. It can enter a cycle of service, warranty, usage data, improvement, parts, upgrades and eventually a second life. Its economic value no longer comes only from its initial margin, but from its participation in an architecture that increases its usefulness throughout its life cycle.

Systemic value can therefore be represented by a simple relationship:

VALUE OF THE GC SYSTEM > SUM OF THE VALUE OF THE COMPONENTS OPERATED SEPARATELY

The difference between the two can be described as **integration value**.

This value can take several forms. It may appear as economies of scale, cost reductions, better use of capital, additional revenue, faster service, improved distribution of risk, greater learning capacity or access to Shared Capabilities that were previously beyond the reach of an individual club.

It may also appear in forms that are more difficult to measure immediately: greater consistency of the experience, increased confidence in products, continuity of service or a collective ability to develop new functions.

These effects must nevertheless become observable over time. The principle should not become a formula used to justify every integration. If a new function increases structure, cost or complexity without sufficiently improving the economic capacity of the other components, it does not make the whole greater; it merely makes the system larger.

This distinction is essential.

Greater does not mean larger. Greater means more capable.

The GC System truly becomes greater than the sum of its parts when the existence of the network positively changes the economics of its components: when the club can accomplish more because of the network, when the network becomes more efficient because of the clubs, when the product becomes more sustainable because of the service architecture, and when Shared Capabilities become less costly because they are used collectively.

A cumulative loop then emerges.

The parts feed the system through their activities, data, revenue, needs and knowledge. The system organizes these contributions, shares them and builds new capabilities. Those capabilities then flow back to the parts and increase what they can accomplish. The strengthened components, in turn, contribute more to the system.

The principle therefore becomes not only architectural, but economic:

THE PARTS STRENGTHEN THE WHOLE → THE WHOLE STRENGTHENS THE PARTS → THE PARTS BECOME MORE CAPABLE → THE SYSTEM CREATES MORE VALUE.

This loop is what distinguishes GC from a simple commercial grouping.

It must also become a decision criterion for the future. Whenever a new component, product, service, Regional Center or technology is considered, an additional question should be asked:

Does this component create only its own value, or does it also increase the capability of the other components of the GC System?

When both answers are positive, integration can create particularly strong systemic value.

When the first answer is positive but the second remains weak, the component may still be worthwhile, but it should be analyzed more as an autonomous activity.

When its integration reduces the capability of the others through the complexity or cost it imposes, the system must be able to reject it, even if it has some individual commercial potential.

The principle **"The whole is greater than the sum of its parts"** is therefore not an abstract statement placed above the GC economic model. It becomes one of its most demanding tests.

The product must improve the club.

The club must strengthen the network.

The Regional Center must improve the capabilities of several clubs.

The GC Back-End must make certain functions more efficient because they are shared.

Data must improve decisions.

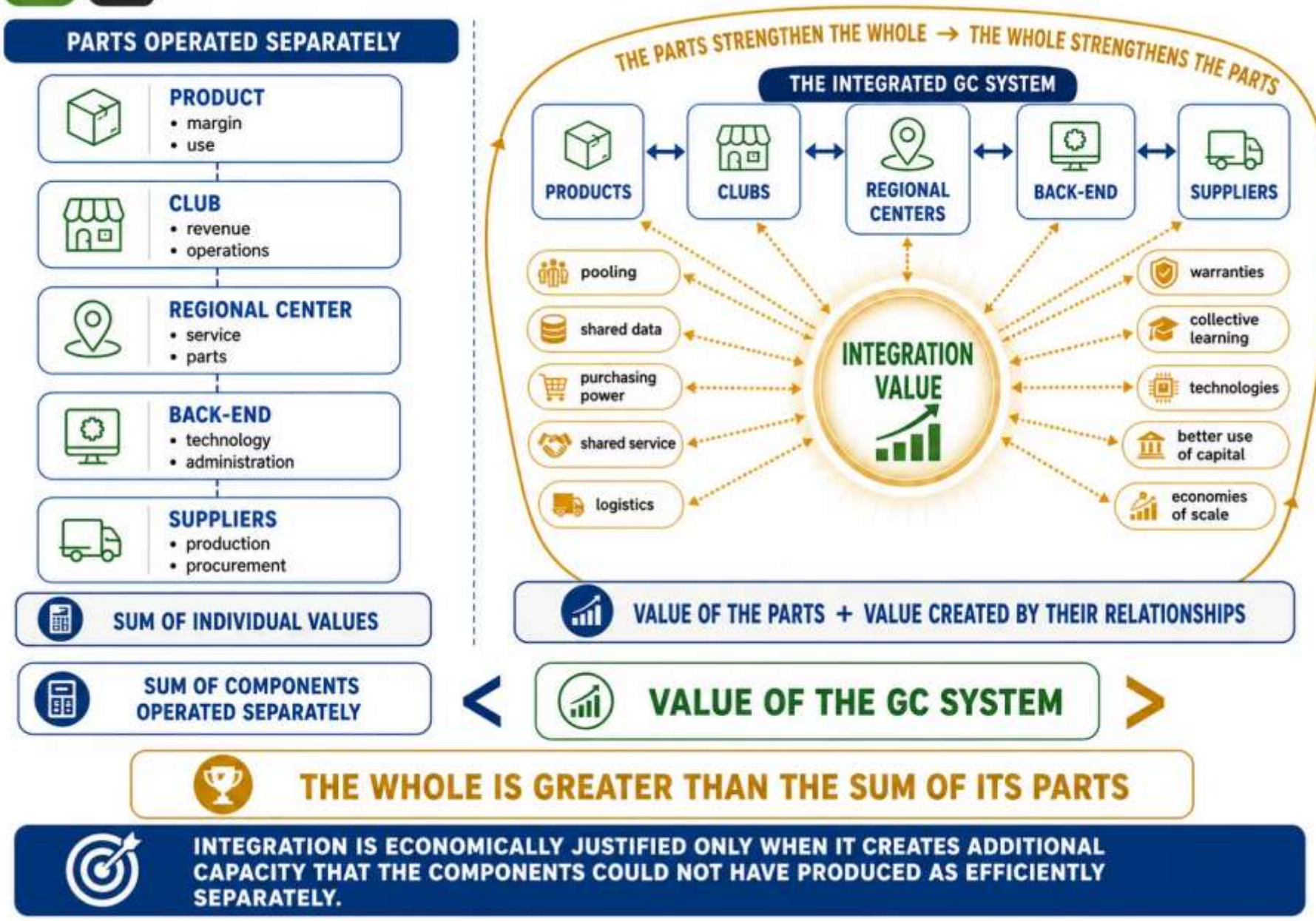
Technology must reduce friction.

Volume must improve economic conditions.

Capital must build capabilities capable of creating more value.

When these relationships work together, integration creates something that no component could have produced with the same efficiency on its own. That is when the whole truly becomes greater than the sum of its parts.

GC-104-D10-A-FROM-THE-SUM-OF-THE-PARTS-TO-THE-GC-SYSTEMIC-VALUE



GC-104-D10-A — FROM THE SUM OF THE PARTS TO GC SYSTEMIC VALUE

CHAPTER 6
THE SEVEN STEPS OF ECONOMIC DEVELOPMENT

6.1 Economic Development Should Not Be Treated as a Single Movement of Growth

When an organization has a long-term vision, it is tempting to represent its development as continuous progression: more products, more clubs, more regions, more revenue and, eventually, a national or international organization. This representation provides a general direction, but it does not show the economic changes that occur between the moment when an idea is still experimental and the point at which it becomes stable enough to support a much larger network.

The GC System cannot be financed, organized and operated in the same way at every stage of its development. A product tested in a few clubs does not have the same level of risk, inventory requirements or infrastructure as a product family distributed across several regions. A technology used by a few people can still be adapted manually; the same function used by several hundred clubs requires a much more robust architecture. A Regional Center supporting a few pilot operations does not have the same economics as infrastructure serving a mature territory.

The Seven Steps are designed precisely to recognize these differences. They do not merely represent seven levels of size. They describe a progression in which knowledge, capacity, capital, revenue and risk evolve together.

GC-104 therefore does not change the general role of the Seven Steps already established within the GC System. It gives them a specific economic interpretation. At each step, the question becomes: what have we learned and built sufficiently well to economically justify the commitment required for the next?

This distinction is fundamental because an organization can technically be capable of moving to a new stage without being economically ready to support it. The Seven Steps must prevent the ability to grow from automatically being interpreted as an obligation to grow.

6.2 Each Step Transforms Part of the Uncertainty Into Knowledge

The early stages of a project are necessarily surrounded by uncertainty. It is possible to estimate the price a user may accept, the level of demand, the true maintenance cost, the required volumes or the response of clubs, but some of these answers become reliable only through actual use.

This uncertainty has a direct financial consequence. The less the system knows about an activity, the more each investment rests on assumptions. It is therefore logical to limit the initial commitment to the level required to obtain useful information.

The first units are used as much to learn as to generate revenue. The first clubs help reveal operations as much as commercial potential. The first repairs provide information about the product and about future service costs. The first orders reveal lead times, logistics and supplier performance as much as apparent margin.

As these observations accumulate, some assumptions disappear, others are corrected and new risks emerge. Moving from one step to the next therefore corresponds to a gradual reduction in certain forms of uncertainty.

This logic has significant economic value. The earlier the system learns, and the smaller the scale at which it learns, the lower the risk of discovering too late a problem that has already been reproduced across hundreds or thousands of units.

A properly used step is therefore not simply a waiting period before the next. It is a deliberate phase in which uncertainty is converted into usable knowledge.

6.3 Step One: Prove the Function Before Seeking Volume

The first economic step consists of demonstrating that a function genuinely deserves to be pursued. At this stage, the system is not yet trying to prove that it has the final commercial model. It first seeks to determine whether the observed friction is real, whether the proposed solution creates an improvement and whether that improvement has enough value to justify further learning.

The capital committed should remain proportional to this question. Prototypes, a few units, field trials, observations and discussions with users can often produce more information than a much larger investment made too early.

The first step therefore accepts imperfect economics. The unit cost of a prototype may be high. The process may remain largely manual. Procedures may still evolve. Certain support functions may be handled directly by a small team rather than by permanent infrastructure.

This temporary inefficiency is not necessarily a problem because the primary economic function of the first step is to **buy knowledge**, not to achieve optimal profitability immediately.

However, a first step that continues indefinitely without generating new knowledge becomes costly in itself. Experimentation must therefore include criteria that help determine whether the function deserves to continue progressing, should be modified or should be abandoned.

Initial capital is therefore learning capital. Its success is measured not only by the number of units sold, but by the quality of the decisions it makes possible afterward.

6.4 Step Two: Validate the Real Economics of Use

A promising function does not automatically become an economically viable activity. The second step must move from functional proof toward a better understanding of real economics.

The first repeated uses begin to reveal essential data: frequency of use, user behavior, maintenance costs, incidents, parts requirements, preparation time, club workload, price perception and the ability of the activity to generate revenue or savings.

It is often at this stage that the first commercial assumptions need to be corrected. A product may be appreciated while being used less often than expected. A function may create substantial value for a club without supporting the originally anticipated price. A solution may require more service while producing greater loyalty or utilization in return.

The second step therefore seeks to understand the economics as they actually exist in the field, rather than as they were imagined in the original model.

Volume remains deliberately controlled. It must be large enough to generate representative behavior, but limited enough that mistakes can still be corrected without disproportionate consequences.

By the end of this step, GC should begin to have more credible parameters for unit economics, service costs, parts requirements, price, the club's share of value and the potential contribution to the network.

6.5 Step Three: Structure What Is Becoming Repeatable

Once a function has demonstrated real value and its economics are beginning to be understood, a new challenge appears: what worked with a few units and significant direct intervention must become structured enough to be repeated without continually relying on improvised solutions.

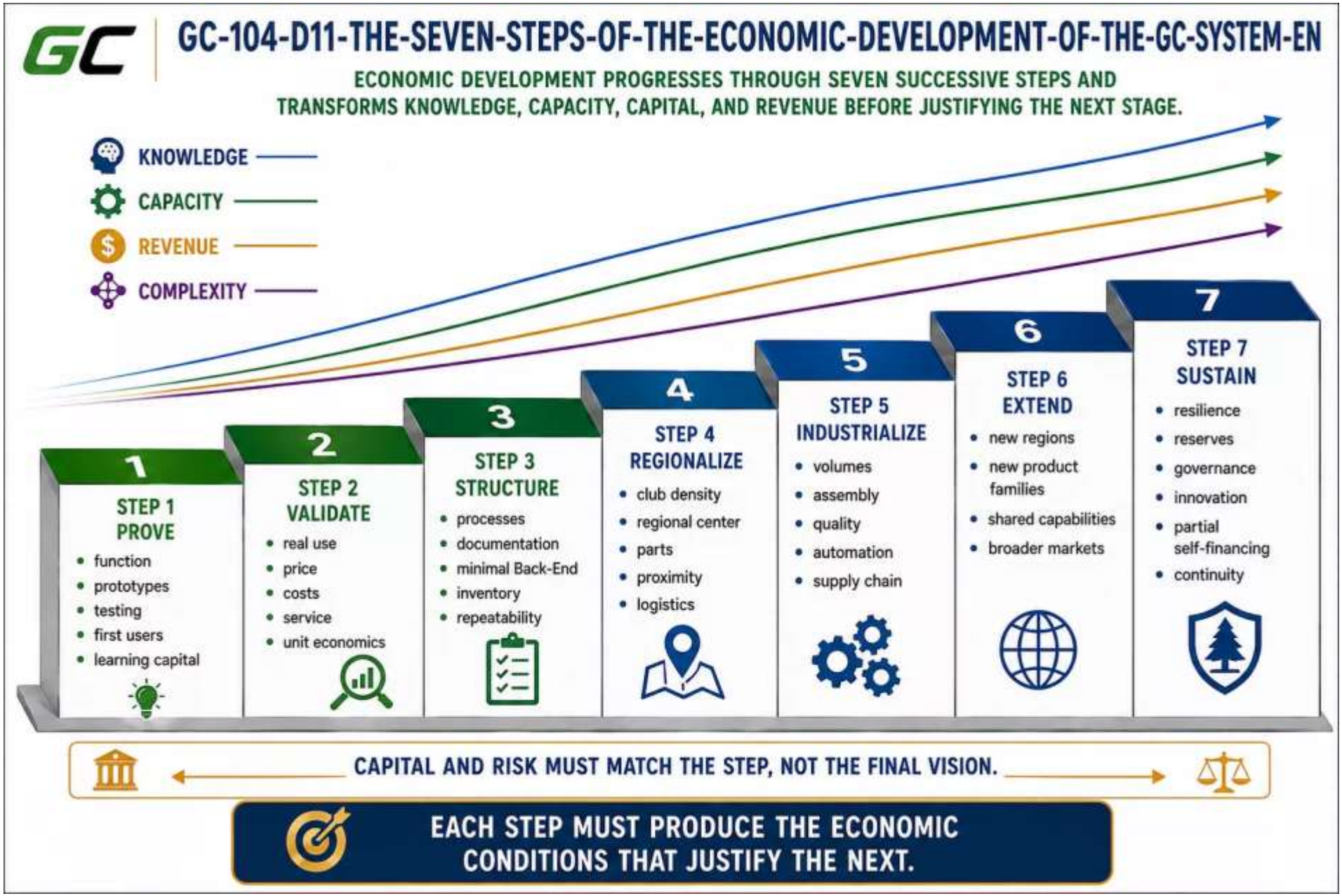
The third step is therefore the step of structuring.

Certain procedures must be documented. The roles of the club, Regional Center and GC Back-End must be clarified. Important parts must be identified. Necessary information must begin to be organized. Ordering, warranty and service processes must become coherent enough that a new implementation does not require everything to be reinvented.

This step also marks a change in the use of capital. The organization is no longer financing only tests. It begins financing reusable capabilities: systems, procedures, basic inventories, tools, documentation, supplier relationships and initial permanent functions.

Profitability may still be imperfect because some infrastructure begins to be established before it is fully utilized. This is a normal characteristic of the transition. The challenge is to keep those capabilities at a scale compatible with actual activity.

The third step should not build the final organization. It should build the first architecture capable of properly repeating what has been validated.



GC-104-D11 — THE SEVEN STEPS OF ECONOMIC DEVELOPMENT OF THE GC SYSTEM

6.6 Step Four: Regionalize When Density Justifies Proximity

Regionalization represents an important transformation in the economics of the system. Up to a certain point, several functions can be managed directly from a central structure or through temporary solutions. When the number of clubs, products and interventions increases within the same area, distance begins to create costs and delays that justify bringing certain capabilities closer to the field.

The Regional Center then appears not as a mandatory step in a calendar, but as an economic response to density.

A territory where only a few clubs are widely dispersed does not necessarily justify a complete workshop, a large warehouse or several employees. The same resources can become highly efficient when enough clubs regularly generate needs for delivery, preparation, repair, training and parts.

Moving to the fourth step must therefore be supported by data: number of clubs, product volume, frequency of interventions, travel distances, logistics costs and potential utilization of Shared Capabilities.

This analysis also helps define the form of the center. An initial regional presence may be much lighter than a mature future center. Certain functions can remain outsourced or centralized until volume justifies bringing them into the regional structure.

Regionalization therefore becomes an economy of proximity based on density, rather than a desire to rapidly establish physical infrastructure in every territory.

6.7 Step Five: Industrialize When Volume Justifies Greater Control

Industrialization should not be confused with simply becoming a manufacturer. It represents a progression in which certain functions of production, assembly, quality control, logistics or automation become economically more attractive as volume increases.

During the first steps, using OEM or ODM suppliers can provide an important advantage. GC can use existing industrial capabilities, limit capital investment and learn from the market before investing in heavy infrastructure. This strategy reduces risk while volumes remain uncertain.

As activity increases, however, certain limitations may appear. Quality control may require more intervention. Lead times become more important. Product adaptations may be difficult to obtain. Volumes can make certain local operations more economical. Dependence on a single supplier may become a strategic risk.

The fifth step therefore consists of methodically examining which functions become advantageous to bring closer to the system: preparation, final inspection, assembly, purchasing of subassemblies, supplier diversification, automation, manufacturing of certain parts or, eventually, more complete manufacturing.

Every industrial integration must nevertheless demonstrate its economics. Producing locally does not automatically create value. The cost of facilities, machinery, personnel, compliance, quality and capital tied up can be substantial.

The objective is therefore not to manufacture for the sake of manufacturing. It is to determine when greater control creates more value than the capital and complexity it requires.

6.8 Step Six: Extend What Has Demonstrated Repeatability

An organization can be ready to expand geographically or integrate new product families only when its core functions are sufficiently repeatable that they do not need to be redesigned with each new implementation.

The sixth step is the step of extension.

This extension can take several forms: adding clubs within an existing region, opening a new region, integrating a new product that uses existing capabilities, or entering a new market. In each case, the central question remains the same: can what has been built be reproduced without losing quality and without costs increasing faster than value?

A new region should not be viewed as a perfect copy of an existing region. Conditions may differ: season, distances, club density, legislation, golfer habits, language, suppliers and cost structure. The Common Infrastructure must therefore be stable enough to preserve coherence and adaptable enough to accommodate these differences.

The same caution applies to product diversification. A new family becomes particularly attractive when it can use existing capabilities: current Partner Clubs, the GC CRM, logistics, Regional Centers, payment processes, service or supplier relationships. In such a situation, the marginal cost of integration may be much lower than that of a completely independent activity.

The sixth step therefore does not simply seek to make the system larger. It seeks to extend an architecture that has demonstrated its ability to create value repeatedly.

6.9 Step Seven: Ensure Long-Term Sustainability Rather Than Simply Continue Growing

The seventh step does not represent a final destination after which the system stops evolving. It corresponds instead to a level of maturity where long-term sustainability becomes as important as expansion.

An organization can reach significant size while remaining fragile. It can depend excessively on one supplier, one product, one executive, one technology or one source of financing. It can generate substantial revenue while retaining little cash. It can grow rapidly without maintaining enough reserves to absorb a crisis.

Long-term sustainability therefore means strengthening what allows the system to continue functioning when some of its assumptions are no longer true.

This includes, among other things, financial reserves, greater diversification, clear governance, sufficient documentation, structured data management, service continuity and the ability to renew technological and industrial capabilities.

At this step, partial self-financing also becomes an important indicator. A mature organization may still use external capital to accelerate certain projects, but ideally it should be able to finance ongoing operations and a meaningful portion of its improvements through value already created.

The seventh step therefore represents less the end of growth than the point at which growth progressively stops being a condition of survival.

6.10 The Steps Do Not Represent Seven Company Sizes

It would be easy to interpret the Seven Steps as a purely quantitative progression: small company, medium-sized company, large company, then an increasingly broad network. Such an interpretation would miss an essential part of the concept.

The steps describe levels of functional and economic maturity more than absolute levels of size.

A product may be at the fifth step while a new category remains at the first. One region may have a very mature structure while another remains in the Pilot Project phase. A digital function may be highly automated while a physical service process remains deliberately manual.

This coexistence is not an anomaly. It is likely unavoidable in a system designed to integrate several activities.

It is therefore important to avoid declaring that “GC is at Step 4” as though the entire organization progressed uniformly. The overall system may have a dominant step, but its different functions retain their own levels of maturity.

This nuance is particularly important for capital allocation. A mature activity can finance or help test a new activity, but the new activity should not automatically be burdened with costs and infrastructure corresponding to the maturity level of the entire network.

The Seven Steps therefore become a language for describing where each capability actually stands, rather than a simple chronology of growth.

6.11 Moving From One Step to the Next Must Be Based on Observable Conditions

A step is not completed because a date in a business plan has arrived. Nor is it completed simply because management wants to accelerate. Progression should correspond to a set of sufficiently observable conditions.

These conditions naturally vary according to the activity. For a product, they may concern reliability, unit economics, parts, service and demand. For a region, they may involve club density, distances, repair volume and financial capacity. For technology, they may relate to usage, stability, security and actual reduction in administrative work.

The objective is not to create a bureaucratic process in which every decision requires a long series of approvals. Thresholds must remain proportional to risk. A small reversible experiment may require very few conditions. A decision involving several million dollars or infrastructure that would be difficult to reverse naturally requires more evidence.

This discipline primarily separates enthusiasm from readiness. Strong demand can justify acceleration, but it does not replace logistics capacity. An attractive margin does not replace parts availability. Access to financing does not replace functional validation.

Moving between steps therefore becomes a decision based on the convergence of several dimensions: market, function, service, capacity and financing.

6.12 Capital Must Change Function as the Steps Progress

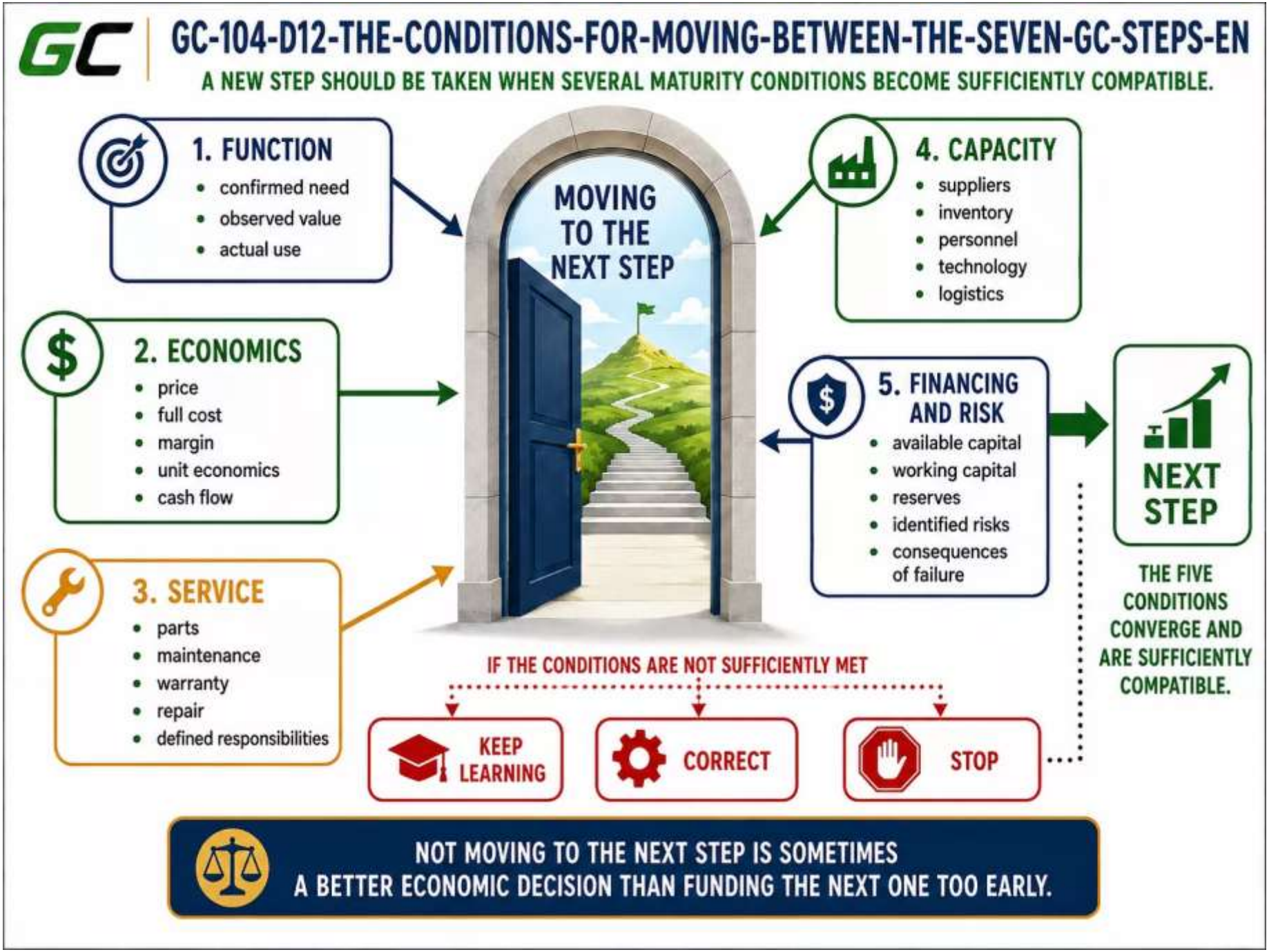
The Seven Steps also help explain why all forms of capital are not appropriate at every stage.

During the early steps, capital primarily finances uncertainty. It allows the organization to develop, test, correct and learn. Direct returns may still be difficult to predict, and some investments may not produce assets that can easily be resold. Equity capital or other forms of financing that can tolerate greater risk may therefore play an important role.

As the activity becomes more stable, financing can increasingly be connected to assets or more predictable flows. Inventory may eventually be financed through a line of credit, supplier credit or specialized mechanisms. Equipment with an identifiable useful life can be financed differently from experimental development. Regional infrastructure supported by recurring activity may have a different risk profile from a product still in validation.

This evolution helps avoid excessive dependence on equity capital for financing needs that are becoming progressively predictable. Every new share issuance can dilute ownership and, depending on the structure, affect governance. It is therefore useful to reserve this type of capital for functions where its risk tolerance and flexibility are genuinely justified.

The Seven Steps therefore evolve not only what GC builds, but also how GC finances what it builds.



GC-104-D12 — THE CONDITIONS FOR MOVING BETWEEN THE SEVEN STEPS

6.13 Knowing When Not to Move Up Is Also an Economic Capability

A progression architecture has value only if it genuinely allows the organization to decide not to continue an activity when the conditions are not met. If every experiment automatically moves through all Seven Steps, the system is no longer using the steps as a validation mechanism; it has turned them into a calendar.

Some functions will deliberately remain simple for a long time. Certain products may be attractive in a limited number of clubs without justifying national deployment. Some experiments will show that a friction was less significant than expected. Certain suppliers or technologies will not meet expectations.

Stopping, postponing or maintaining an activity at a small scale does not necessarily represent failure. A decision made early enough can protect capital and allow resources to be directed toward a more valuable opportunity.

This discipline is particularly important in a system where many opportunities may arise. Every new possibility carries a cost of attention in addition to its financial cost. A marginal project can divert personnel, technology and capital that could create more value elsewhere.

The Seven Steps must therefore also allow the GC System to withdraw correctly, which is an important form of strategic discipline.

6.14 Moving Through a Step Can Be Rapid When the Evidence Is Strong

The caution associated with the Seven Steps should not be confused with a systematic preference for slowness. When a function has been clearly validated, the market responds, service is structured, the supplier can keep pace and capital is available, remaining artificially at one step for too long can also destroy value.

An economic opportunity sometimes has a limited window. A well-positioned product may encounter strong demand. A supplier may offer favorable terms linked to volume. A region may present an exceptional concentration of clubs compatible with the model. In these situations, the discipline of the steps should allow acceleration because it provides the conditions needed to understand why that acceleration is justified.

The pace is therefore not determined by the number of the step, but by the level of evidence available.

Some transitions may take several years because investments are significant or demand develops slowly. Others may occur much more rapidly when the data converges.

The right speed is the speed that function, capacity and cash can support together.

This approach gives the Seven Steps their true role: they are neither a brake nor an accelerator. They are a method for adapting speed to the system's actual level of maturity.

6.15 The Seven Steps Provide Economic Direction Without Locking In the Future

The value of the Seven Steps ultimately lies in their ability to give the GC System a sufficiently clear direction without pretending to know in advance the exact form its development will take.

Today, some components may begin with external manufacturers and a still-limited network of clubs. Later, increasing volumes may make local assembly relevant. Regional Centers may evolve toward more advanced functions. Certain technologies may be integrated into the GC Back-End. New product families may use capabilities that today exist only as concepts.

It would be difficult, and probably unnecessary, to define every detail of this future organization today.

The Seven Steps provide another approach. They do not specify exactly what building must exist, how many employees will be required or which supplier will be used ten years from now. Instead, they establish a logic: do not build the next capability before

the previous function has been sufficiently understood, but do not remain trapped in a structure that has become too small when reality justifies moving forward.

This logic connects the long-term vision with immediate decisions.

Today's capital finances what must be learned today.

Revenue from an initial activity finances part of the capability it requires.

Validated capability then allows volume to increase.

Volume may eventually justify a regional presence.

Density may make certain industrial or automated functions relevant.

Those capabilities can, in turn, support more clubs, products and territories.

As this progression begins to work, the system can reduce the portion of its development financed only by expectations of future revenue and increase the portion supported by capabilities and value that have already been built.

This is probably the most important economic dimension of the Seven Steps.

They seek to ensure that the future is not financed for too long solely by assumptions about the future.

Each step should progressively leave behind something more solid: a validated function, knowledge, a relationship, a process, infrastructure, service capability, revenue, a reserve or an asset that can be used in the next stage.

The GC System can then grow without having to begin again from zero at every phase.

The Seven Steps therefore become an architecture of capitalization in the broadest sense: financial capitalization, certainly, but also the capitalization of knowledge, processes, relationships, technology and capabilities.

The guiding principle of this chapter can therefore be stated as follows:

the Seven Steps do not determine how far GC must go; they determine what must be sufficiently true, sufficiently understood and sufficiently financed before going further.

It is this disciplined progression that will allow the GC System to transform a series of experiments into an economic architecture capable of becoming structured, regionalized, industrialized and, eventually, sustainable over time.

The next chapter will complete this first part by examining another fundamental requirement of the model: how to maintain common economic coherence across the network while respecting the real diversity of the clubs that compose it.

CHAPTER 7

COMMON ECONOMIC COHERENCE AND CLUB DIVERSITY

7.1 A Common System Does Not Mean Identical Economics for Every Club

The GC System seeks to build a common architecture that is coherent enough to connect multiple clubs, regions, products and services. This coherence is necessary if certain resources are to be shared, supplier relationships negotiated, a shared GC Back-End developed, Regional Centers organized and a network economy progressively established. It does not mean, however, that all clubs must operate in the same way or that the same economic model can be applied uniformly to each of them.

Golf clubs differ significantly from one another. Some have a few hundred members and operate primarily under a private-club model. Others welcome a large proportion of visitors and depend more heavily on daily green fees. Some operate substantial food and beverage services, an active pro shop, practice facilities, events and several other services. Others concentrate their resources

almost exclusively on the course and the golf experience. The length of the season, topography, clientele, level of activity, staff availability and financial capacity can also vary considerably.

An economic architecture that ignored these differences could create administrative consistency at the expense of functional coherence. A service that is profitable in a high-volume club may become difficult to sustain in an environment where volume is low. A product fleet that quickly reaches a high utilization rate in one club may unnecessarily tie up capital elsewhere. A digital function that is essential to a complex organization may provide little value to a club whose operations are much simpler.

The challenge for GC-104 is therefore to define what should be common because sharing creates value, while leaving enough local freedom for each club to adapt its level of integration to its own reality. The objective is not uniformity. It is the ability to make different realities work within an economic architecture that is sufficiently common to benefit from the network effect.

7.2 Club Diversity Is a Structural Reality, Not an Exception

It would be tempting to first build a model around an "average club" and then treat the differences observed as exceptions. This approach would simplify the first projections, but it would produce a representation that is quite far from reality. There is no sufficiently representative average club that can become the economic standard for the entire network.

Diversity begins with ownership and governance. A private member-owned club will not necessarily make investment decisions according to the same criteria as a privately owned business, a resort or a municipal facility. The priority given to financial return, asset preservation, member experience or accessibility can vary considerably.

Diversity continues in the market. A club located near a major urban center may have access to a large potential clientele and a pattern of activity very different from that of a remote or highly seasonal club. Some courses regularly host tournaments and corporate groups, while others depend primarily on repeat customers. Some golfers are highly sensitive to price, while others place greater value on comfort, service or exclusivity.

Physical differences are also important. A flat, compact and easily accessible course does not create the same mobility needs as a hilly and expansive course. Buildings, available storage or charging space, path configuration and existing infrastructure also affect the economics of a product.

The GC System must therefore treat diversity as a starting condition. Its architecture must be designed to absorb variation without losing coherence, rather than progressively imposing the same organization on environments that will remain fundamentally different.

7.3 What Must Be Common Must Correspond to a Function That Can Truly Be Shared

Resource sharing is one of the principal economic levers of the GC System, but it creates value only when the shared function is sufficiently similar from one club to another. Some capabilities naturally meet this condition. Relationships with manufacturers, management of certain warranties, quality standards, part of the documentation, common data, cybersecurity or catalog management can often be structured at network level.

Other functions remain much more dependent on local context. Staff schedules, traffic rules, certain pricing policies, day-to-day course operations or specific service choices are difficult to standardize without considering the realities of the club.

The role of the GC System is therefore to distinguish what benefits from being common from what benefits from remaining local. This distinction must be economic as well as operational. A central function should be able to demonstrate that it genuinely reduces cost, increases capacity, improves quality or eliminates enough duplication to justify its existence.

Centralization is therefore never an end in itself. It may be more efficient for one hundred clubs to use the same warranty infrastructure rather than build one hundred independent processes. It may be far less efficient, however, to require those same clubs to adopt an identical operating procedure when their facilities, clientele or teams differ significantly.

Common economic coherence should therefore focus mainly on interfaces, standards, essential data, operating principles and Shared Capabilities, rather than on complete standardization of local operations.

7.4 A Common Economic Foundation Can Support Several Local Models

To make this diversity compatible with network economics, GC must be able to build a common foundation from which several local models can operate. This foundation represents the capabilities that the network provides consistently, regardless of the precise way each club chooses to use them.

A product can, for example, be supported by the same quality standards, the same parts, the same warranty mechanisms and the same GC Back-End while being operated differently from one club to another.

One club may choose to sell the product directly to its golfers, another may offer it for rental, a third may operate a small fleet, and a fourth may decide not to introduce it immediately.

The network then retains enough coherence to support the product, while the club keeps the freedom to choose the model best suited to its environment.

The same logic can apply to several other functions. A payment platform can be common while allowing local pricing policies. An inventory system can use a shared data structure without requiring every club to maintain the same quantities. A GC CRM can offer common functions while allowing each club to determine the level of use appropriate to its operations.

The value of the architecture therefore comes from the ability to standardize enough to share, but not so much that adaptation becomes impossible.



GC-104-D13 — THE COMMON ECONOMIC FOUNDATION AND LOCAL ADAPTATION OF CLUBS

7.5 The Level of Integration Must Be Able to Evolve According to Each Club

Not all clubs will join the GC System with the same level of interest, capacity or readiness. Some may begin with a single component. Others may quickly use several products or services. Some may prefer to observe for a longer period before integrating additional functions.

The economic model must allow this progression.

Requiring a high level of integration too early could create an unnecessary barrier to entry. A club interested in a mobility product does not necessarily need to adopt all the digital, administrative or commercial functions of the network at the same time. Conversely, a club already convinced of the value of several Shared Capabilities should not be prevented from progressing more quickly simply because other clubs remain at a more limited level.

The level of integration therefore becomes an important economic variable. The more Shared Capabilities a club uses, the more it may eventually benefit from certain economies of sharing, but the more structured its relationship with the network also becomes. This progression must remain sufficiently transparent for the club to understand what it gains, what it pays and what responsibilities it accepts.

This gradual architecture also allows the network to learn. The first highly integrated clubs can reveal the interactions among several functions before they are offered on a large scale. More lightly integrated clubs can help validate independent components without requiring a complete transformation of their operations.

Diversity in the level of integration is therefore not a flaw to be corrected. It can become a deliberate characteristic of the deployment model.

7.6 Common Pricing and Uniform Pricing Are Not Necessarily the Same Thing

A delicate question will arise when the network begins to define its pricing policies. Commercial coherence may favor certain common prices in order to protect the brand, avoid conflicts among clubs and simplify communication. But absolute uniformity can become difficult when costs, taxes, distances, local services or operating models differ significantly.

It is therefore important to distinguish pricing coherence from mechanical uniformity.

For certain products distributed through a relatively standard architecture, a recommended or controlled selling price within a market may be appropriate. It can prevent one club from directly competing with another club in the same network and protect a certain perception of value.

For a rental activity, the reality may be different. A club with a short season, strong demand and particular operating costs does not necessarily have the same economics as a club where utilization is lower. Local conditions may justify some flexibility.

The same logic applies to technical services or certain digital functions. The network can define a general structure while allowing variations when they reflect genuine differences in cost or value.

Economic coherence should therefore prevent arbitrary decisions without denying reality. It should establish pricing principles and decision ranges rather than systematically imposing one figure in every situation.

7.7 Value Sharing Must Reflect the Functions Actually Performed

Differences among clubs do not concern only their revenue potential. They also concern the role they may play in each activity. One club may simply present a product and forward an order. Another may hold units in inventory, organize demonstrations, manage rentals, perform certain maintenance operations and devote several hours of staff time to service.

It would be difficult to justify exactly the same compensation in both cases.

Value sharing must therefore take into account the work, risk, capital and responsibilities assumed locally. This does not mean that every transaction must involve a complex calculation. The network can develop relatively simple models corresponding to different forms of participation.

An assisted-sales model may include a defined commission. A local operating model may allow the club to retain a larger share of revenue because it performs more functions. Some activities may operate through a resale margin, while others may rely on service compensation.

Coherence then lies in the logic used to determine compensation, not necessarily in the absolute amount.

This approach is particularly important for preserving the credibility of the Inverted Pyramid. If two clubs assume very different responsibilities but receive exactly the same compensation, one will probably end up subsidizing the other or carrying an excessive share of the costs.

7.8 The Club's Financial Capacity Influences the Form of Deployment

Even when a product or service has attractive economics, not all clubs have the same investment capacity. Some can directly finance equipment or a fleet. Others will prefer to limit capital expenditures or spread the cost over time. Some may have significant cash reserves, while others must carefully balance several seasonal needs.

The GC System must be able to take this reality into account without turning financing into a mechanism for artificially pushing products toward clubs that cannot reasonably support them.

Several models may eventually coexist: direct purchase, rental, equipment financing, revenue sharing or other arrangements when their economics are sound. The appropriate structure will depend on the nature of the asset, its useful life, the expected utilization rate and the level of risk each party is prepared to accept.

Financial flexibility can therefore make certain functions accessible to more clubs. It must, however, be used to solve a genuine capital problem, not to disguise insufficient economics. If a product cannot create enough value to finance its use, spreading the payments over time does not correct the problem; it only postpones it.

Financing must facilitate a viable activity, not artificially create its viability.

7.9 Seasonality Profoundly Changes Local Economics

Golf is particularly exposed to seasonality in many regions. A club may generate most of its revenue over only a few months and still have to finance a significant portion of its expenses before the season begins or after it ends. This reality directly affects the economics of products, services and payment terms.

A product purchased at the beginning of the season may have several months to generate revenue before winter. The same acquisition made late in the season may tie up capital for a long period before it can be fully utilized. Inventory requirements, supplier payment terms and financing schedules must therefore reflect the club's actual operating cycle.

Seasonality also affects the utilization of Regional Centers. A region where almost all clubs operate according to a similar calendar may experience a high concentration of activity in the spring, during the season and at closing time. This concentration must be reflected in planning for staff, parts and inventory.

Conversely, a network covering several climate zones may eventually benefit from activity that is more evenly distributed throughout the year. Certain Shared Capabilities could therefore be used more effectively if geographic development reduces seasonal concentration.

Climate and seasonal diversity are therefore not merely constraints. At a certain scale, they can become elements of economic diversification for the network.

7.10 Geography Influences the Real Cost of the Network

Two clubs may have similar size and activity levels while presenting very different economics simply because of their location. Distance from the Regional Center, carrier availability, proximity to other clubs and ease of access can all affect delivery, repair and service costs.

This reality explains why regionalization should be built around density rather than rigid administrative boundaries. An economically coherent region may cross municipal or provincial borders when distances, transportation routes and club concentration justify such an organization.

The cost of the last segment of service becomes particularly important when products are heavy or difficult to transport. A minor repair can become economically unreasonable if it requires a very long trip. The network must then develop other responses: shipping parts directly, guided local intervention, a service partner or a closer technical capability.

Geography must therefore enter the economic model as a normal variable. Prices, inventories and service organization cannot always be structured as though every club were located at the same distance from network resources.

A well-designed architecture should progressively reduce the economic cost of distance without pretending that it can eliminate it entirely.

7.11 Small Clubs Should Not Be Excluded by Economies of Scale

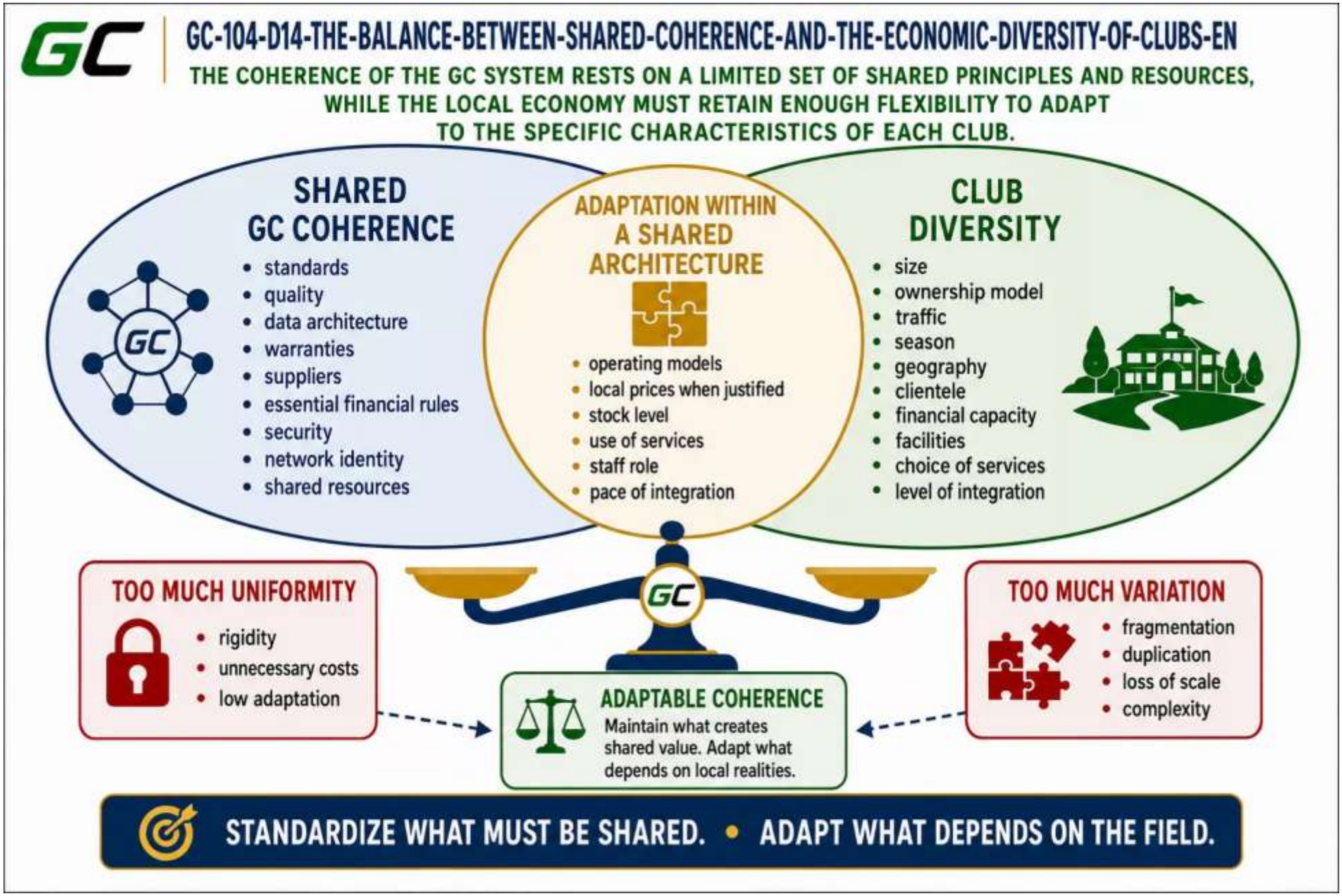
Network economics naturally favor higher volumes. A club generating many transactions can make intensive use of a platform, fleet or regional service, making it easier to absorb certain fixed costs. This reality can create a tendency to focus attention on larger clubs.

The GC System should nevertheless avoid becoming accessible only to establishments capable of immediately generating high volume. Several smaller clubs can collectively represent an important economic base, particularly when they are concentrated within the same region.

Resource sharing can allow these clubs to access functions they could not finance independently. A small club may have no reason to maintain a specialized technician, a large parts inventory or a complex software platform. At the scale of a regional network, these same capabilities can become accessible because they are shared.

It is nevertheless important to avoid indefinitely subsidizing an activity whose cost remains disproportionate. Integration of a smaller club should be adapted to its real potential. A lighter structure may be more appropriate than a complete set of functions.

The strength of the model therefore does not lie in requiring every service to be identical for everyone. It lies in allowing clubs of different sizes to gain proportionate access to the network's Shared Capabilities.



GC-104-D14 — THE BALANCE BETWEEN COMMON COHERENCE AND THE ECONOMIC DIVERSITY OF CLUBS

7.12 Too Much Uniformity Destroys Part of the System's Value

When an organization seeks to simplify its management, standardization can become particularly attractive. One process, one price, one contract model and one operating method are easier to administer. This central simplicity can, however, shift substantial complexity toward the clubs.

A process designed for a large club may impose unnecessary tasks on a smaller establishment. A uniform minimum inventory level may tie up too much capital in a region where demand remains low. Mandatory technology may become a cost without value when a club already uses a solution that performs the same function properly.

This form of standardization can create the impression that the GC Back-End has become more efficient when part of its cost has simply been transferred to the base.

The Inverted Pyramid therefore requires particular vigilance. Central efficiency is not enough. The efficiency of the entire system must be observed.

A common rule is justified when it protects a function that genuinely needs to be common: security, quality, compatibility, essential data, warranties or financial integrity. It becomes more difficult to justify when it concerns a decision whose consequences remain primarily local and where conditions vary significantly.

The GC System must therefore resist the temptation to confuse administrative simplicity with economic simplicity.

7.13 Too Much Diversity Can Also Destroy Network Economies

The opposite excess would be equally problematic. If every club uses its own procedures, suppliers, data, parts and service models, the possibility of resource sharing gradually disappears.

The GC Back-End must then understand and support a multitude of variations. Regional Centers must carry more parts and knowledge. Technology must integrate exceptions. Supplier volumes become fragmented. Training becomes more complex. A significant portion of the network's economic value can therefore be lost.

Diversity must therefore remain within limits compatible with common coherence.

This does not mean that clubs lose their autonomy. It means that when a club chooses to use a GC component, certain common rules become necessary for the network to support it properly. Technical standards, essential data, warranty processes and certain responsibilities must remain sufficiently coherent.

The objective is to create structured diversity in which local variations are possible within a known architecture.

This idea is important for future growth. The larger the network becomes, the greater the cost of exceptions will be. What can be managed easily with ten clubs can become extremely difficult with several hundred. The boundaries between adaptation and standardization must therefore be considered early, even though they will continue to evolve.

7.14 Data Will Make It Possible to Better Adapt the Economics Without Losing Coherence

During the early stages, much of the adaptation will necessarily depend on observation and the judgment of local managers. As the number of clubs increases, however, the GC System will begin to compare situations and identify recurring economic profiles.

It may observe that a certain type of club regularly reaches a particular utilization rate, that a certain density justifies a specific level of regional inventory, or that a particular rental model works better under certain conditions. It may distinguish costs linked to season, distance, volume or level of integration.

This knowledge will eventually make it possible to build more precise models without imposing artificial uniformity.

Rather than creating a different rule for every club, GC may develop a few architectures corresponding to sufficiently similar profiles: high-volume clubs, seasonal clubs, private clubs, resort facilities, smaller regional clubs or other categories that emerge from the actual data.

The objective should not be to permanently classify clubs into rigid categories. It is to use network learning to reduce uncertainty and offer better-adapted economic options.

Data therefore becomes a means of reconciling scale and diversity. It allows the GC Back-End to understand differences without having to manage every situation as though it were entirely new.

7.15 Coherence Strong Enough to Create a Network, Flexible Enough to Respect the Field

The first part of GC-104 concludes with this fundamental tension between coherence and diversity. The GC System can produce its most important economic effects only if several clubs use enough Shared Capabilities to create a genuine network economy. But that economy would lose much of its value if it required clubs to abandon the adaptations that allow them to function properly in their own environment.

The solution therefore lies neither in maximum centralization nor in complete autonomy.

It lies in progressively building an architecture in which responsibilities are placed at the level that creates the greatest value.

The GC Back-End handles what genuinely benefits from resource sharing and coherence. Regional Centers bring certain capabilities closer to the field when sufficient density justifies their existence. Clubs retain control over decisions that depend mainly on their course, users, facilities and day-to-day operations.

This distribution must remain dynamic. A function may be local at first and later become regional as volume increases. An activity once centralized may be automated and made directly accessible to clubs. A regional capability may become sufficiently standardized to be supported through a common platform.

GC economic coherence must therefore be understood as an evolving architecture of responsibilities rather than an immutable distribution of functions.

This approach brings together the main lessons of the entire first part of GC-104. The product must be integrated into a broader economy. Value must be created before it is captured and distributed. The Inverted Pyramid must strengthen the base rather than use it simply as a source of extraction. Function must precede product, service must precede sales, and architecture must precede the multiplication of revenue. Product economics, club economics and network economics must remain compatible. Finally, the Seven Steps must allow the system to progressively build only the capabilities each stage genuinely requires.

Club diversity now adds one final requirement: these principles must be able to function without turning different organizations into copies of one another.

The GC System truly becomes a system when it creates enough coherence to share resources, knowledge and economies of scale while leaving enough freedom for value to continue being created where it takes its most concrete form: within the club and in the golfer experience.

The principle that concludes this chapter, and with it the first part of GC-104, can therefore be stated as follows:

standardize what makes the network stronger, share what genuinely creates an economy, and leave the club the ability to adapt what depends on its own reality.

From this foundation, Part II can now examine more precisely how the GC System transforms this economic architecture into revenue sources, how those sources should be structured, and how they can contribute to sustainably financing the products, services and Shared Capabilities of the network.

PART II

BUILDING THE REVENUE MODEL AND ACTIVITY ECONOMICS

CHAPTER 8

THE OVERALL REVENUE ARCHITECTURE OF THE GC SYSTEM

8.1 Revenue Must Be the Consequence of Value Actually Created

The first part of GC-104 established that the GC System cannot be built around a systematic pursuit of transactions. The product must fulfill a function, service must protect the value created after the sale, and the architecture must allow the different components to work together before revenue growth becomes an objective in itself. The second part can now address the revenue model more directly, while preserving this discipline.

Revenue is sustainable only when a participant agrees to transfer part of its resources because it believes it is receiving sufficient value in return. This value may take the form of a product, temporary use of equipment, a repair, a digital function, a cost reduction, a procurement capability or a service that the club could not have accessed as easily on its own. In every case, the revenue mechanism must remain connected to a function that can be clearly understood.

This rule is particularly important for GC because the system could eventually have many monetization opportunities. An architecture that includes physical products, Partner Clubs, Regional Centers, a GC Back-End, technologies, payments, logistics, warranties and several service families could theoretically create a multitude of fees, commissions and subscriptions. The technical ability to charge separately for a function does not, however, mean that doing so is desirable.

The GC System should seek a revenue architecture that is diversified enough to support its functions and reduce certain dependencies, but simple enough for the club, golfer and partners to understand what they are paying, why they are paying it and what value they receive in return.

8.2 There Is No Single GC Revenue Source

GC should not be designed as a company whose economics depend exclusively on the margin earned from the sale of one particular product. Such a structure might work for a period of time, but it would make the entire system highly dependent on the life cycle of that product, its supplier, competition and changes in the market.

The Cruiser can represent an initial visible component and an important economic activity. It can open relationships with clubs, allow GC to learn about logistics, service and distribution, and contribute to developing the network's first capabilities. But the architecture of the GC System is specifically designed to extend beyond this first category.

As the system evolves, revenue may come from several complementary families: sales of physical products, equipment rental and use, maintenance and repair, parts and accessories, regional services, digital functions, payments, transactional activities, administrative services, pooled procurement or other capabilities developed once their value has been validated.

This diversification must nevertheless remain progressive. The fact that a category may eventually belong to the economic model does not mean that it should be developed during the first steps. Every new revenue source adds costs, responsibilities, processes and sometimes regulatory or technological risks.

The overall architecture must therefore be capable of accommodating several forms of revenue without requiring the system to activate all of them simultaneously.

8.3 Revenue From Physical Products Forms a First Economic Layer

Physical products probably represent the most intuitive source of revenue. The network acquires or manufactures a product, distributes it through the GC architecture, and creates a margin between the economic cost of the component and its selling price.

This category can progressively include mobility products, accessories, equipment, parts, golf balls and other families corresponding to the needs of clubs and golfers. Their economics must naturally be analyzed individually because inventory requirements, warranties, transportation and margins can vary considerably.

Physical products also serve a broader function. When they move through the same clubs, systems, Regional Centers and part of the same logistics infrastructure, they help increase utilization of capabilities that have already been built.

This interaction is essential. A new product family becomes particularly attractive when it generates additional revenue without requiring GC to recreate an entirely new organization around it. In that situation, Shared Capabilities are better utilized and network economics can improve.

Product selection must therefore consider not only individual margin, but also compatibility with the economic capabilities already present in the system.

8.4 Rental Transforms the Product Into a Revenue-Generating Asset

Selling is not the only way to monetize a physical product. In some contexts, particularly at the club level, rental can create very different economics. The asset is no longer permanently transferred to a buyer; it remains available to generate multiple transactions throughout its useful life.

This structure can be particularly attractive when the product meets an occasional need or when several users can share the same asset. The club can then convert an initial investment into repeated revenue streams. The golfer, in turn, gains access to the function without having to purchase the product.

Rental does not automatically produce better economics than a sale. It simply changes the variables. Capital remains tied up for longer. The asset must be reserved, prepared, cleaned, recharged, maintained and sometimes repaired. Utilization must be high enough to recover the investment and finance these operations.

Utilization rate therefore becomes one of the central variables. A heavily used product can generate a significant economic contribution over several seasons. The same product, if rarely used, can become an idle asset that consumes capital and space.

Rental must therefore be analyzed as a complete operating model, not simply as a sale divided into a series of smaller payments.

8.5 Services Extend the Economics Beyond the Initial Transaction

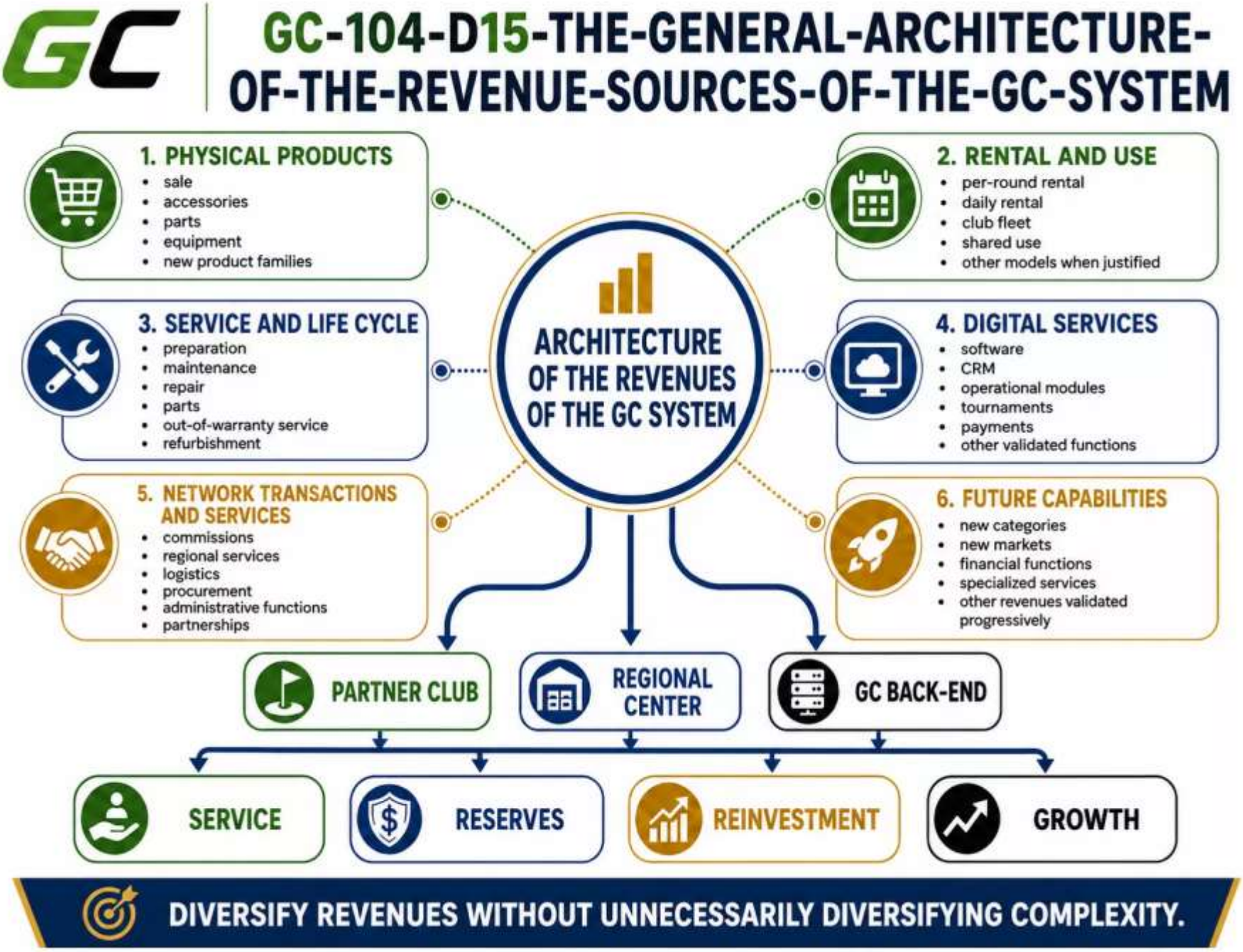
As products are deployed, a service economy naturally develops. Some services belong to the normal product life cycle: preparation, installation, inspection, maintenance, diagnosis, repair or replacement of parts. Others may become optional or specialized services.

During the warranty period, some interventions are primarily obligations associated with the initial sale. After that period, part of the service can become an independent economic activity when the user or club chooses to maintain, repair or upgrade its equipment.

This economy offers several potential advantages. It extends the relationship with the product, helps increase its useful life and strengthens confidence in the network. It can also improve utilization of Regional Centers and technical expertise that must already be maintained to support products under warranty.

Service should never, however, become a model in which profitability depends on product failure. A healthy economic architecture seeks quality and reliability first. Service revenue should come from the value of a useful technical capability, not from an economic incentive to multiply problems.

The desired relationship is therefore complementary: the more reliable the products are, the more confidence the network gains; when intervention becomes necessary, the system nevertheless has the capacity to perform it properly and finance that capability.



GC-104-D15 — THE OVERALL ARCHITECTURE OF GC SYSTEM REVENUE SOURCES

8.6 Digital Revenue Must Be Connected to a Function That Is Actually Used

The development of the GC Back-End will progressively create several possibilities for digital services. A common GC CRM, tournament management tools, payment functions, inventory capabilities, communication interfaces and other modules may eventually create significant value for clubs.

It would nevertheless be risky to assume that every digital module should automatically become an additional subscription. A platform fragmented into a multitude of fees can quickly become complex to sell, understand and administer.

Certain digital functions may be included within a broader network relationship because they directly support the operation of GC products and services. Others may become optional modules when their value clearly extends beyond the basic function and a club voluntarily chooses to use them. Some could also be financed partly through transactions rather than through a fixed subscription.

The mechanism should depend on actual use. A function used daily by all clubs and essential to network operations does not necessarily have the same economic logic as an advanced tool used only by certain establishments.

Digital development must therefore avoid confusing a technically available function with an economically monetizable function. Use should precede sophistication in the revenue model.

8.7 Recurring Revenue Can Stabilize the System Without Becoming an Obsession

Recurring revenue is often sought because it makes economic flows more predictable. A subscription, service contract or periodically billed function can make it easier to plan staffing, technology and expenses than entirely irregular sales.

This stability has real value for GC. It can reduce uncertainty and facilitate working capital planning. It can also make certain Shared Capabilities easier to finance when their own costs are recurring.

But artificially turning every function into a subscription simply to increase the proportion of recurring revenue would be a mistake. A club has no reason to continually pay for a function it rarely uses or whose value does not evolve over time.

Recurring revenue must correspond to recurring value: software maintenance, continuous access to infrastructure, permanent service, updates, data storage or another capability that continues to be genuinely provided.

This distinction protects the relationship with the club. When a subscription is clearly associated with a living, useful function, it can be perceived as a legitimate cost. When it appears mainly to be a way of extending a bill, it eventually becomes a source of friction.

8.8 Commissions Must Compensate a Real Contribution

The GC model may also include commissions, particularly when several participants contribute to a transaction. A commission can be a simple mechanism for compensating a club, Regional Center or partner that contributes directly to creating or executing the sale.

But a commission should not become an automatic deduction simply because a participant happens to sit somewhere in the chain. Every additional level in a transaction reduces the margin available to other participants or increases the final price.

A commission should therefore correspond to a real function: access to the customer, demonstration, preparation, service, delivery, local management or another identifiable contribution. When a participant's role is minimal, its compensation should reflect that reality. When it assumes a substantial share of the operation or risk, different economics may be justified.

This discipline prevents the system from gradually becoming a series of intermediaries, each taking a share of the transaction without proportionally increasing the total value created.

A commission should compensate a contribution, not a hierarchical position.

8.9 Pooled Procurement Can Create an Economy Without Becoming a Simple Resale Activity

Pooling the needs of several clubs can give the GC System negotiating capacity that an individual establishment may not possess. This function can help secure better prices, better payment terms, greater availability or useful standardization for certain products.

The economics of pooled procurement can take several forms. GC may earn a margin on certain products, receive service compensation or use part of the savings achieved to finance logistics and Shared Capabilities. The club must nevertheless retain a sufficiently visible advantage for procurement through the network to remain more attractive than purchasing independently.

This distinction is important. If GC uses collective volume only to buy at a lower price and then resells to clubs at the highest price the market will support, the network creates little specific value for its base. Part of the collective advantage must remain perceptible locally.

Pooling becomes truly valuable when it transforms the collective strength of the network into better conditions for its participants while properly financing the capability that organizes the function.

8.10 Regional Centers Will Have Their Own Mix of Revenue

The Regional Center should not be viewed only as a cost center. As its functions expand, several activities may directly or indirectly generate revenue that helps finance part of its capacity.

Product preparation, certain deliveries, post-warranty repairs, sale or management of parts, assembly, specialized training or other services may eventually contribute to its economics. Some functions may also be financed through a share of revenue generated within the territory when they benefit all clubs in the region.

This architecture will vary according to the maturity of the center. An initial, relatively simple center may depend more heavily on GC Back-End funding because its volume remains low. As density increases, its own activity should allow it to cover a growing share of its costs.

The objective is not necessarily to turn each Regional Center into an independent business seeking its own maximum profit. Its primary function remains to support the network. But this function must progressively have visible and sustainable economics.

The performance of a center should therefore be measured according to the value it enables the territory to create and the cost required to maintain that capability, rather than only according to its direct accounting revenue.

8.11 Gross Revenue, Net Revenue and Economic Value Actually Available Must Be Distinguished

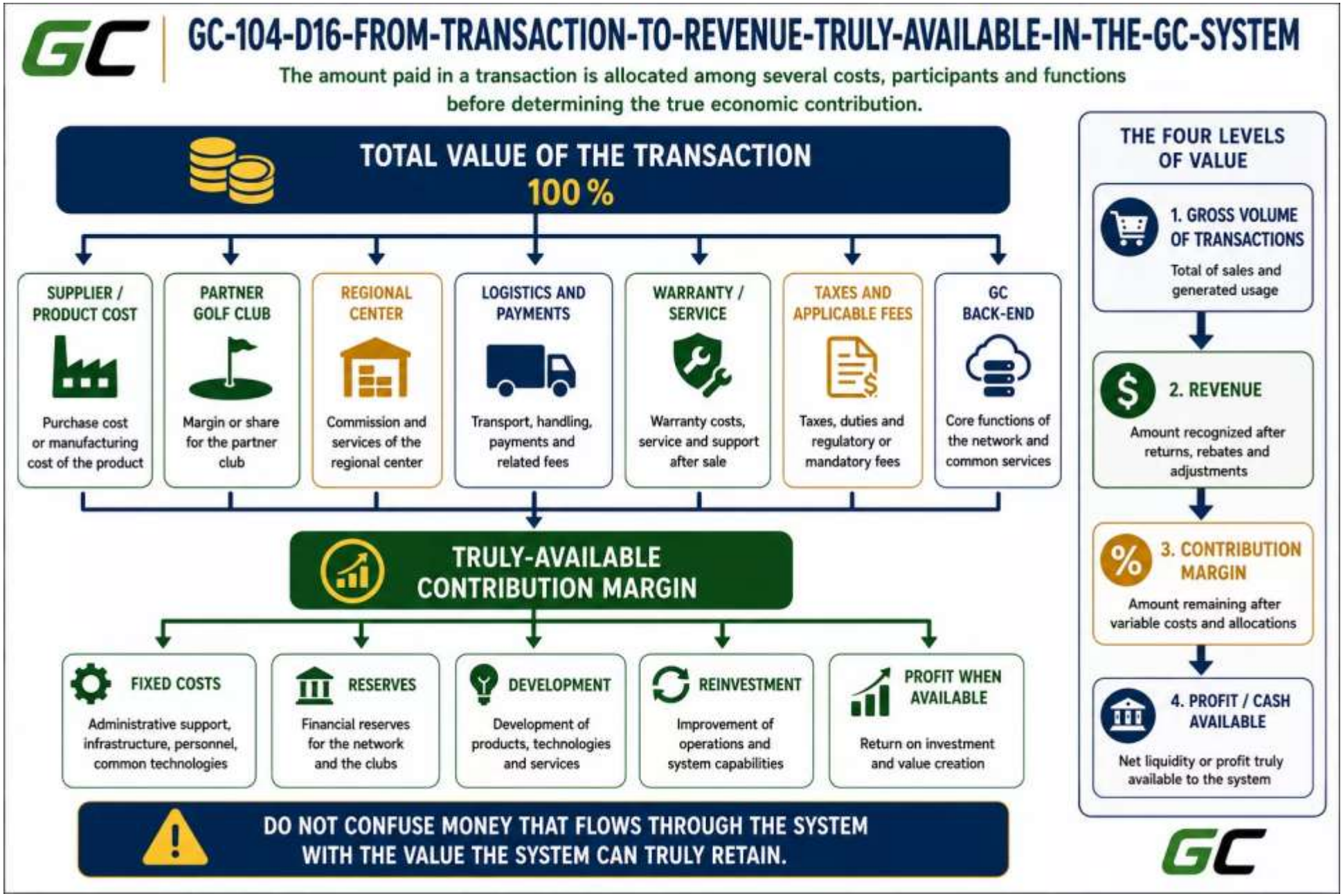
When several participants are involved in transactions, the amounts moving through the system can create a misleading impression of GC's real economic size. A $1,000 transaction may, for example, include a portion belonging to the club, a supplier cost, taxes, payment fees, a service provision and a contribution to the network.

The amount paid by the user therefore does not necessarily correspond to revenue that economically belongs to the GC entity.

This distinction must be maintained rigorously in financial models and in communications with investors. Gross transaction volume may be useful for understanding the scale of activity flowing through the system. But it should not be confused with net revenue, and even less with profit.

An integrated architecture may manage considerable economic volume while deliberately capturing only a fraction of it because part of the value remains with the club or compensates other participants. This is not necessarily a weakness. It may instead demonstrate that the network generates activity beyond what it retains centrally.

The analysis should therefore distinguish, at a minimum, total transaction value, recognized revenue, contribution margin and the resources genuinely available after the corresponding functions have been financed.



GC-104-D16 — FROM THE TRANSACTION TO THE REVENUE ACTUALLY AVAILABLE WITHIN THE GC SYSTEM

8.12 When Revenue Is Collected Is as Important as Its Amount

Two activities generating exactly the same annual revenue can have very different effects on cash depending on when the money is collected and when expenses must be incurred.

An imported product may require a deposit several months before arrival. Transportation may have to be paid before delivery to the club. Inventory may then remain in storage for several weeks. If the customer's payment is collected only after delivery, GC must finance the entire cycle.

Conversely, a pre-order or deposit can substantially reduce working capital requirements. An annual subscription paid in advance creates different economics from a monthly payment. A rental generates cash progressively throughout the asset's useful life, even though the capital was often committed at the beginning.

The revenue model must therefore be studied together with the cash cycle. The annual value of an activity does not reveal how much capital must temporarily be tied up to produce it.

This distinction will become particularly important as GC increases inventories and adds more clubs. Growth that appears highly profitable can consume substantial liquidity if the collection structure is not aligned with the expense cycle.

8.13 Revenue Diversification Should Reduce Dependencies Rather Than Add Distractions

An architecture with several revenue families can improve resilience. When sales of one product slow, services, parts, digital activities or other product families may continue generating activity. Seasonality in some sources may also be offset by others.

But diversification is useful only when the activities are coherent enough to use the capabilities of the system. Introducing a new revenue source always requires attention, capital and expertise. An organization can weaken itself by pursuing too many opportunities at the same time, even when each appears promising.

GC must therefore observe not only the number of revenue sources, but also their relationship with the existing architecture. A new activity using the same clubs, logistics capabilities, data and part of the same resources can strengthen the system. A completely unrelated activity requiring a parallel organization is more likely to disperse it.

The desired diversification should therefore be concentric: progressively expanding the economy around functions, users and capabilities that GC already understands, rather than pursuing every opportunity simply because it might generate revenue.

8.14 The Revenue Model Must Remain Understandable to the Club

As functions multiply, another responsibility appears: preserving an economic model that the club can understand. If participation in the network requires decoding multiple commissions, subscriptions, platform fees, transaction costs, purchase minimums and contractual exceptions, GC risks reproducing precisely the complexity it seeks to reduce.

Economic transparency is part of the value proposition.

A club should be able to understand relatively easily what an activity costs, what it generates, which resources are included and which responsibilities remain local. This visibility facilitates the initial decision and also makes evaluation easier after several seasons.

It also helps establish a stronger relationship with the network. A partner that understands the economic mechanics can participate more easily in adjustments when costs or conditions change. Conversely, opaque pricing can create mistrust even when it remains objectively competitive.

The KISS principle must therefore be applied all the way to the invoice and the contract. The model may be sophisticated in its internal design while remaining simple in its presentation.

Necessary economic complexity should be absorbed as much as possible by the architecture rather than transferred to the club.

8.15 Revenue Must Progressively Finance the Next Useful Capability

The ultimate objective of the revenue architecture is not simply to maximize sales. Revenue must allow the different components of the GC System to perform their functions, compensate those who create value, protect continuity and progressively finance the capabilities required for the next stage.

Part of the value remains with the club because the club contributes to creating it. A portion compensates suppliers and Regional Centers. Another portion allows the GC Back-End to function. Certain resources must be retained as reserves, particularly for warranties and cash. What remains can then contribute to development, innovation and eventually return on capital.

This circulation transforms revenue into cumulative capacity.

Revenue from an initial product can help finance a better parts inventory. That capability improves service and confidence. An increase in the number of clubs can then improve utilization of the Regional Center. Regional volume improves certain economies of scale. Part of those economies can be reinvested in technology, allowing more activities to be administered without proportionally increasing all costs.

The economy then begins to operate as a true system.

The best revenue architecture is therefore not necessarily the one with the greatest number of sources or the one that captures the maximum from each transaction. It is the one that produces sufficiently diversified, understandable and function-related revenue so that every level of the network can continue creating value and progressively improving its capabilities.

This architecture will naturally evolve. The first steps may depend heavily on physical products. As the network develops, services, digital functions, Regional Centers and other activities may take a larger role. Some sources anticipated today may prove unnecessary; others may emerge from needs actually observed.

The GC System should therefore not seek to define today the final proportion of each revenue source. It should instead build the rules that will allow it to determine which sources deserve to be developed.

A revenue source should ideally meet several conditions: it should correspond to real value; its full cost should be understandable; the payment mechanism should be coherent with use; the distribution among participants should allow each to maintain its function; and the activity should be able to use or strengthen enough of the network architecture to justify its integration.

The principle that opens this second part can therefore be summarized simply:

GC should not seek every possible way to generate revenue; it should build the necessary revenue around the functions that genuinely create value.

It is on this foundation that the next chapter can examine more precisely the first major family within this architecture: physical products and their economic model, from acquisition cost to their real contribution to the club and the network.

CHAPTER 9

PHYSICAL PRODUCTS AND THEIR ECONOMIC MODEL

9.1 The Physical Product Remains a Central Component, but It Must Never Be Analyzed in Isolation

Physical products naturally occupy an important place in the development of the GC System. The Cruiser, other mobility solutions, accessories, golf balls, course equipment, replacement parts and future categories that may join the network are tangible

components around which transactions, services and club relationships can be built. They are visible, easy to understand and can generate revenue relatively quickly when they fulfill a real function and sufficient demand exists.

This visibility can, however, lead to giving them disproportionate economic importance. A product may appear highly profitable when its selling price is compared only with its purchase price. It may also seem easy to integrate because the transaction itself appears simple: buy, transport and sell. Yet once the product truly enters the network, its economics become much broader. It ties up capital before the sale, occupies space, generates logistical movements, sometimes requires preparation, creates warranty obligations and may require parts for several years.

GC-104 therefore considers the physical product both as an independent economic unit and as a component of a broader architecture. It must be capable of producing sufficiently sound economics on its own, while also being evaluated according to the way it uses and strengthens existing GC System resources.

This dual perspective avoids two opposite mistakes. The first would be to artificially maintain a weak product simply because it belongs to a broader system vision. The second would be to reject a component whose direct margin appears modest even though it creates an important relationship with clubs, increases the use of a Shared Capability or supports several other revenue sources.

The economics of the physical product must therefore begin with a more demanding question than price alone: what economic role does this component actually play within the system, and what resources must be mobilized so that it can fulfill that role sustainably?

9.2 Supplier Price Is Only the First Element of Economic Cost

When a product is purchased from a manufacturer, the price shown in a commercial quotation is generally the most visible figure. It naturally serves as the starting point for negotiations and allows an initial comparison among suppliers. But this amount almost never represents the real cost at which the product becomes available for sale or use within the network.

Between the factory and the club, there may be domestic transportation in the country of origin, port fees, sea or air freight, insurance, applicable duties and taxes, customs clearance, transportation to the warehouse, handling, storage and sometimes additional shipment to the Regional Center or directly to the club. Some of these expenses are relatively stable per unit, while others vary significantly according to volume, transportation method, exchange rates and negotiated terms.

To these physical costs must be added the cost of capital. A large order may have to be partially or fully paid several weeks or months before the corresponding units are sold. Capital then remains tied up during manufacturing, transportation, storage and the period required to complete the sale.

The real cost of bringing a product into the network must therefore be viewed as a landed and available cost, not simply the factory price. This distinction becomes essential when GC compares a small order with a full container. The unit price may decline with volume, but the total amount of capital tied up increases substantially. An apparent saving of a few percentage points may become less attractive if it requires several additional months to move the inventory.

The best economic decision is therefore not always the one that produces the lowest supplier price. It is the one that creates the best balance among full cost, volume, risk, availability and the speed at which capital turns over.

9.3 Incoterms and Commercial Terms Are Part of the Economic Model

Purchasing terms do more than change the price; they also determine how responsibilities, risks and costs are divided between GC and the supplier. An EXW, FOB, CIF or DDP quotation may show very different amounts without one necessarily being more advantageous than the others when the entire chain is considered.

A structure in which the supplier assumes more transportation and administrative formalities can greatly simplify the first orders and reduce uncertainty. This simplicity can have significant value during a learning phase. As volumes increase, however, GC may become able to manage certain logistical stages directly and obtain either savings or greater control.

Payment terms are equally important. A supplier requiring full payment before production does not create the same working capital requirement as a partner offering payment terms after shipment or after receipt. When orders reach several hundred units, a few additional weeks of supplier credit can make a significant difference in financing requirements.

Future negotiations must therefore go beyond unit price. They must consider at the same time minimum quantities, lead times, deposits, payment terms, included parts, warranties, responsibilities in the event of defects, packaging, component availability and transportation conditions.

The most economically attractive supplier is not necessarily the one offering the lowest visible price, but the one whose overall terms contribute to the best cost, quality and risk profile for the network.

9.4 Purchase Volume Must Follow Probable Usage Volume

Economies of scale may encourage GC to increase its orders quickly. Manufacturers often offer better prices as volumes rise, while container shipping can significantly reduce certain unit costs. These savings can be real, but they must be compared with the parallel increase in capital tied up and inventory risk.

A product that sells quickly may justify large orders. The same volume becomes dangerous when the pace of adoption remains uncertain. Every additional unit then represents capital that cannot be used elsewhere, storage space, exposure to obsolescence and sometimes the risk of a technical change before existing inventory has been sold.

This last point is particularly important during the early steps. Field testing may reveal desirable improvements after only a few dozen units. Excessive inventory purchased before these observations could force GC to continue selling a version that the organization already knows can be improved.

Volume should therefore grow with the quality of knowledge. A few units are used to understand. A first small series helps validate actual use. Larger orders become relevant once sales velocity, service requirements and market preferences are sufficiently understood.

A lower unit cost should never be obtained in exchange for a disproportionate increase in risk. Buying at a lower price is not saving money when the purchase is made too early or in excessive quantities.

9.5 Inventory Turnover Becomes as Important a Measure as Margin

Two products can have exactly the same margin per unit and still produce very different economics depending on how quickly the capital invested returns to the system.

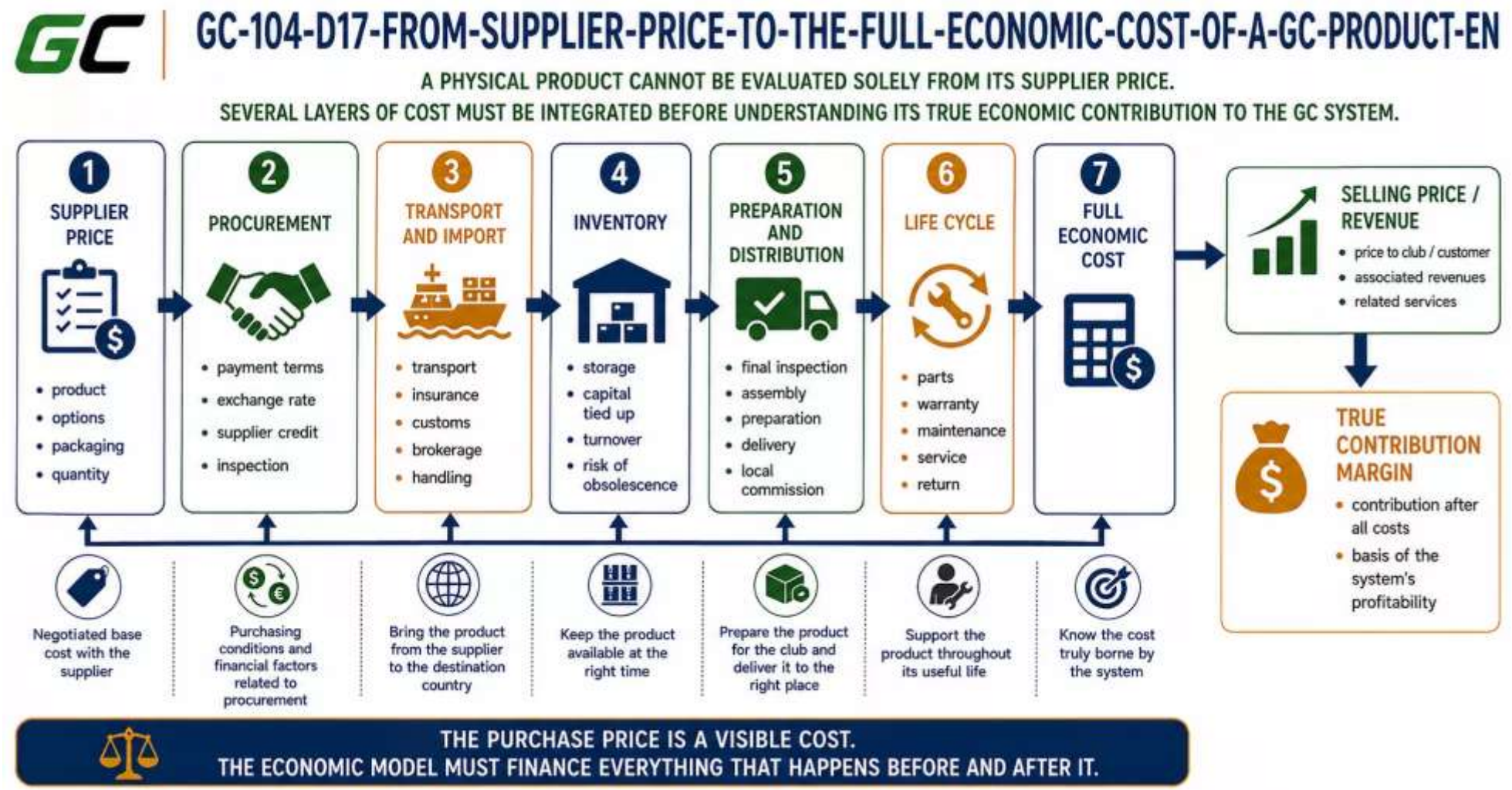
A product purchased, sold and paid for within a few weeks quickly releases the resources needed for another order. Another product stored for a year may tie up the same amount of capital for a much longer period. Even when the final margin is identical, the first activity allows capital to circulate several times while the second completes only one cycle.

This distinction becomes especially important when GC begins managing several product families. Space and capital occupied by slow-moving inventory are no longer available for another activity. Opportunity cost must therefore progressively enter assortment decisions.

This does not mean that a slow-moving product should automatically be abandoned. Certain critical parts, specialized equipment or seasonal products may create enough value despite lower turnover. The system must simply understand why it is accepting the use of that capital.

Economic inventory management therefore seeks to maintain a balance between two opposing risks. Too little inventory can create shortages, delay sales and reduce service quality. Too much inventory consumes cash, increases space requirements and exposes GC to obsolescence.

The right quantity is therefore not the maximum amount the network can purchase. It is the minimum quantity capable of properly supporting demand and the desired level of service.



GC-104-D17 — FROM SUPPLIER PRICE TO THE FULL ECONOMIC COST OF A GC PRODUCT

9.6 Quality Has Measurable Economic Value

Quality is often presented as a technical characteristic or a brand requirement. In the economic model of a physical product, it is also a major financial variable.

A low-quality product may appear attractive at the time of purchase because its supplier price is lower. But every defect creates consequences throughout the system: communication with the club, diagnosis, parts, transportation, technical time, downtime, warranty administration and sometimes complete replacement. Added to this is a less visible but potentially much greater cost: loss of trust.

When a problem affects only a few units, the network may be able to absorb it. When an excessive failure rate is reproduced across several hundred units, the cost becomes structural. An initial saving of a few dozen dollars per product can then generate several times that amount in service costs and dissatisfaction.

Quality must therefore be considered across the entire life cycle. Specifications, components, control procedures, packaging and the manufacturer's ability to correct a problem quickly all contribute to the economics of the product.

This understanding must also evolve through data. The first batches will reveal which parts actually wear, under what conditions incidents occur and which problems are related to the product rather than its use. This knowledge will then make it possible to negotiate more effectively, modify specifications or change suppliers when necessary.

Better quality is therefore not simply an additional expense. When it reduces failures sufficiently, it becomes a service saving, brand protection and an asset of trust.

9.7 Warranty Must Be Built Into the Price Before It Becomes an Expense

When a product is sold with a warranty, GC accepts a future obligation whose exact cost is not yet known. Some units will require no intervention. Others will need a part, technical time or replacement. The sum of these events eventually becomes a predictable cost once enough data is available.

During the early stages, this information will necessarily be limited. GC will therefore need to use prudent estimates based on the manufacturer's warranty, initial testing and the nature of the product. As the number of units increases, the actual cost can be observed more accurately.

This knowledge must then influence price and margins. A sale cannot be considered fully completed from an economic standpoint if part of the margin should reasonably be retained to cover future obligations. A warranty reserve therefore becomes a way of distributing the true product cost over time.

The relationship with the supplier is obviously essential. When a defect results from manufacturing, GC must have sufficiently clear mechanisms to obtain parts, credits or replacements. But even when the manufacturer covers the cost of a part, the network may still bear diagnosis, logistics and intervention time.

A strong warranty is therefore more than a commercial promise. It is a financial and operational architecture that must be funded from the moment the product is sold.

9.8 Replacement Parts Are Both a Cost and a Capability

A technical product cannot be properly supported if the necessary parts are difficult to identify or obtain. The parts policy must therefore be considered before the installed base becomes large.

Keeping parts in stock ties up capital and occupies space. Yet keeping no parts at all can create long periods of downtime and expensive transportation when a need arises. The optimal economics lie between these two extremes.

The most critical parts should be identified according to several criteria: probability of failure, consequence of failure, cost, supplier lead time, ease of replacement and the number of products using the same component. An inexpensive part that is essential to product operation may justify high availability. An expensive and rarely used part may be held only centrally or ordered when needed.

As the network becomes regionalized, parts inventory can also be distributed. Common items can be moved closer to clubs, while rare components remain centralized. Service data will progressively improve this distribution.

Parts therefore represent a different form of inventory from products intended for sale. Their primary objective is not necessarily to generate a high margin. They protect the availability of the installed base and the value of the promise made at the time of sale.

After the warranty period, certain parts and interventions can naturally become sources of revenue, but these economics must remain compatible with the primary objective: keeping products in service at a reasonable cost.

9.9 Product Life Determines Much of Its Economics

A physical product must be evaluated not only according to acquisition cost, but also according to the period during which it can continue to perform its function properly. This useful life changes the economics for the golfer, the club and the network.

A durable product may justify a higher initial price if its annual cost of use remains reasonable. It can reduce replacement frequency, limit certain waste and strengthen confidence in the brand. For the network, however, a longer useful life can also mean that service and parts must be maintained for a longer period.

This relationship becomes especially important for equipment operated as part of a fleet or rental model. Productive life directly determines how many transactions an asset can generate before replacement. A few additional seasons can substantially change its economic return.

Useful life should not be confused with the simple fact that a product can still function. Equipment that has become too costly to maintain, unreliable or technologically outdated may continue to exist without remaining economically relevant.

GC must therefore learn to observe economic life: the period during which the combination of reliability, maintenance cost, usefulness and residual value continues to justify operation.

This understanding will later make it possible to better structure replacement policies, rental models and refurbishment opportunities.

9.10 Residual Value Can Change the Real Cost of Ownership

At the end of a first period of use, a product does not necessarily have zero value. Some equipment may be resold, refurbished, transferred to another use or used as a source of parts. This residual value should be considered when it is sufficiently predictable.

In a direct-sale model, residual value generally belongs to the owner. It can influence the perception of total cost of ownership. A product purchased at a higher price but capable of retaining strong resale value may ultimately be more economical than a lower-cost product with almost no value after a few years.

In a fleet model, this variable becomes even more important for the club or entity that owns the asset. Revenue generated during the operating period and the amount recovered at disposal must be compared with initial cost, maintenance expenses and capital employed.

As the GC installed base develops, a secondary market could even become a network function. Inspected, refurbished and reclassified products could be offered to other users or clubs for whom a new unit would be less economically appropriate.

This possibility should not be built too early, but it illustrates a broader principle: the economic cycle of a product does not necessarily end when its first owner stops using it.

9.11 Component Standardization Can Become a Major Economic Advantage

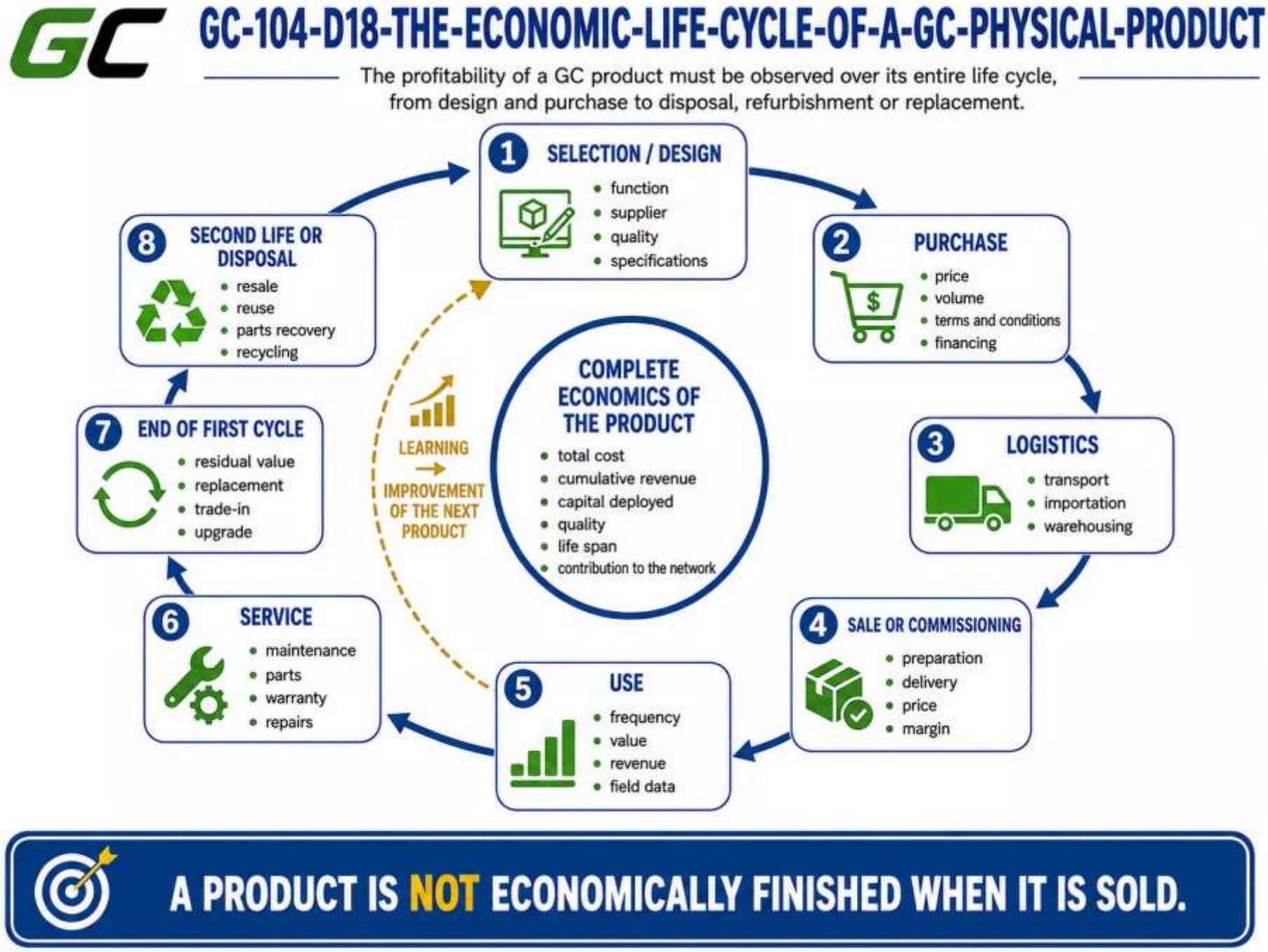
When multiple products use different parts, batteries, chargers, connectors, procedures or tools, support costs increase quickly. Every variation requires information, inventory, training and sometimes specific technical equipment.

As GC gains greater influence over product design, standardizing certain components can become an important source of value. A common battery used across several models, for example, can simplify purchasing, reduce the number of inventory references and improve availability. The same reasoning can apply to wheels, controllers, chargers, fasteners or other subassemblies when design permits.

This standardization should not reduce quality or prevent technological evolution. It should be used when compatibility creates an advantage greater than the compromises required.

The transition from an OEM logic in which GC largely accepts existing architectures toward a model in which the system increasingly influences specifications is therefore also an economic transition. The more components can be intelligently shared, the more efficient purchasing, inventory, training and service can become.

The physical product then begins to be designed not only to function individually, but also to function economically within a product family.



GC-104-D18 — THE ECONOMIC LIFE CYCLE OF A PHYSICAL GC PRODUCT

9.12 The Same Product Can Use Several Economic Models Without Changing Its Function

The same physical component can operate under several economic architectures. It may be sold directly to a golfer, sold to the club, operated by the club as a rental, integrated into a fleet or financed through a structure that spreads payment over time. The function of the product may remain substantially the same while the distribution of capital, risk and revenue changes completely.

Direct sales have the advantage of converting inventory into revenue quickly and transferring ownership to the buyer. They reduce long-term capital tied up for the seller, but generally limit direct revenue to the transaction itself and subsequent services.

Rental requires more capital and management, but allows the same asset to produce several transactions. Its economics depend heavily on utilization rate, useful life and maintenance cost. In some clubs, this model can be particularly attractive; in others, it may create an underutilized asset.

A fleet model can also create operational value beyond the simple sum of rentals, especially when it improves the club's overall offering or serves particular categories of golfers.

GC should therefore not assume that one ownership or revenue model will suit every component and every club. The choice should follow the economics of use, financial capacity, frequency of utilization and the party best positioned to operate the asset.

9.13 Margin Must Be Distributed According to Contribution and Responsibility

Physical products involve several participants who may contribute directly to the transaction and service. The manufacturer produces. GC selects, finances, imports and organizes the network. The Regional Center may prepare or deliver the unit. The club may present, sell, rent or operate part of it.

The available margin must therefore compensate these contributions without making the final price inconsistent with the value perceived by the user.

A simple uniform percentage rule would probably be insufficient for every category. A small accessory sold directly in the club shop does not have the same economics as expensive equipment requiring specialized delivery, warranty support and several years of service.

The margin structure must also consider risk. The participant that ties up capital in inventory, assumes unsold stock or carries the warranty obligation bears a different economic responsibility from the participant involved only at the moment of the transaction.

This distribution must remain simple enough to administer, but faithful enough to reality to prevent some participants from continually subsidizing others.

The principle remains the one established in the first part: value does not need to be distributed equally, but it must be distributed in a manner compatible with the functions each participant must continue to perform.

9.14 A Product Must Also Be Judged by What It Contributes to the GC Portfolio

Individual analysis remains essential, but a multi-product system must also examine the contribution of each category to the overall portfolio. Some products may become major revenue drivers. Others may serve as entry points into the relationship with the club. Some can increase transaction frequency or improve utilization of logistics capabilities.

This perspective helps explain why a coherent range can create more value than a succession of products selected solely according to individual margin.

A product aimed at golfers can strengthen brand visibility. Equipment designed for clubs can deepen the operational relationship. Accessories can increase the value of a principal sale. Parts and service extend the relationship throughout the life cycle. Data from several categories can improve procurement decisions.

The portfolio concept must nevertheless remain disciplined. Weak performance should not be continually excused by an alleged strategic value that cannot be demonstrated. If a component uses capital, space and resources without creating enough revenue, relationship value, learning or network effect, its presence should be questioned.

The GC portfolio should therefore be built around observable complementarities, not around the desire to offer the broadest possible catalog.

9.15 From a Purchased Product to a Product Capitalized by the Network

As GC gains experience, the economics of physical products should progressively improve not only through increased volume, but above all through accumulated knowledge. Every order, delivery, repair and season of use makes it possible to better understand costs and behaviors that were initially uncertain.

The network can learn which suppliers actually meet their commitments, which parts are critical, which options users appreciate, what volumes sell, how long products remain in inventory and what useful life can reasonably be expected. This information can improve specifications, contracts, prices, order quantities and service policies.

This knowledge has cumulative value. The first generation of a product may require more testing and adjustment. The next can benefit from everything already learned. If GC progressively develops more control over design and assembly, this experience can then be translated directly into the product itself.

At that point, the physical product begins to move beyond its role as a commodity that is purchased and resold. It becomes an economic asset that is progressively understood, improved and integrated into the network.

The evolution can then follow a coherent path. The first steps rely heavily on the capabilities of existing manufacturers to limit capital and learn quickly. Validated volumes make it possible to negotiate better terms. Understanding service needs makes it possible to define better specifications. Certain parts can be standardized. Preparation or assembly functions can move closer to Regional Centers or a GC facility when their economics justify it. Over the longer term, certain manufacturing capabilities can be integrated if they genuinely improve cost, quality, control or innovation.

The decision to manufacture should therefore never be driven solely by the desire to replace a supplier. It should result from a sufficiently deep understanding of product economics to demonstrate that industrial integration creates more value than the capital and complexity it adds.

The physical product thus becomes one of the clearest examples of the general logic of the GC System. It begins with a function, uses capital, produces a transaction, requires service, generates data, enables learning and can progressively improve its own economics.

The cycle is no longer simply:

buy → sell → repeat.

It becomes:

select → finance → buy → distribute → use → support → learn → improve → reinvest.

With each cycle, GC should ideally understand the product better, reduce part of the uncertainty, improve a function or strengthen a network capability.

The guiding principle of this chapter can therefore be stated as follows:

a physical product becomes truly valuable to GC when it not only generates a margin on its sale, but also produces sufficiently sound life-cycle economics to strengthen the club, finance its own support and contribute to the Shared Capabilities of the network.

The next chapter examines a dimension directly connected to this continuity: services, rental, maintenance and support — the economic activities that often begin where the initial product transaction ends.

CHAPTER 10

SERVICES, RENTAL, MAINTENANCE AND SUPPORT

10.1 Service Extends Product Economics Over Time

When a product is sold, its economics do not end when the transaction is recorded. For the golfer as well as the club, real value is measured mainly during the period in which the product is actually used. This is when needs arise for preparation, cleaning, maintenance, diagnosis, repair, replacement parts and, in some cases, upgrades.

Service therefore transforms a one-time transaction into a longer-term economic relationship. This relationship can be especially important for technical products or equipment used regularly by clubs. The longer the useful life, the more the quality of support becomes part of the value originally sold.

Within the GC System, this continuity must be integrated into the economic model from the beginning. It would not be coherent to seek increasing equipment sales without progressively developing the capacity needed to keep those products in service. Rapid sales growth combined with insufficient support could generate immediate revenue while creating operational debt that later appears as dissatisfaction, accumulated repairs, costly warranties and loss of trust.

Service must therefore be considered at the same time as an obligation, a capability and, where conditions permit, an economic activity in its own right.

10.2 Rental Profoundly Changes Asset Economics

When a product is sold, ownership is transferred and most revenue is generally recognized at the time of the transaction. When it is rented, the economics are very different. The owner keeps the asset, ties up the capital and seeks to recover the investment through a succession of uses.

This model can be particularly relevant within a golf club when several users can share the same equipment during a season. The golfer gains access to the function without bearing the full purchase cost, while the club can transform an asset into a recurring source of revenue.

Rental, however, adds several responsibilities. The equipment must be available at the right time, properly prepared, safe, clean and functional. It must be recharged when necessary. Its condition must be monitored. Damage must be distinguished from normal wear. A procedure must exist when equipment fails during use.

Rental therefore has more complex economics than a sale, but it can also create greater cumulative value when utilization is sufficient.

The analysis should not ask only how much a rental can be charged. It must determine how much revenue an asset can generate over its economic life after deducting all costs required to keep it available.

10.3 Utilization Rate Is the Central Variable in a Rental Model

A rental asset does not become profitable simply because the daily or per-round price appears attractive. The determining variable remains the number of times the asset can actually generate that revenue.

Equipment used regularly during the busiest days of a season may recover its cost relatively quickly. The same equipment rented only occasionally may take several years to achieve a comparable return. Yet in both cases, purchase price, maintenance and tied-up capital are the same.

Utilization rate must therefore be observed realistically. It is not enough to calculate the theoretical number of rounds possible during the season. Weather, slower periods, days when equipment is unavailable for maintenance, actual demand and the fact that not every golfer will necessarily want to use the solution must all be considered.

Seasonality intensifies this reality. In a market where the golf season is relatively short, the period available to generate revenue is concentrated. A poor estimate of utilization over only a few months can therefore have a major effect on annual economics.

Pilot Clubs play an essential role here. They progressively replace assumptions with data: number of rentals, hours or rounds of use, peak periods, refusals due to lack of availability, average time between interventions and actual revenue per asset.

From this data, GC can better determine how many units a club should actually operate rather than assuming that a larger fleet automatically generates more revenue.

10.4 Fleet Size Must Follow Demand Rather Than Precede It for Too Long

A fleet that is too small can create missed opportunities. When equipment is constantly unavailable, some golfers cannot access the service and the club loses part of the potential revenue. A fleet that is too large creates the opposite problem: part of the capital remains tied up in underused assets.

The optimal fleet size is therefore not fixed. It must evolve with actual demand.

A club can begin with a few units, measure their utilization and gradually expand the fleet when the data shows that capacity is becoming insufficient. This approach reduces the risk of overinvestment while allowing the club to observe how the service fits into day-to-day operations.

The progression may also be seasonal. A club may discover that certain periods require more capacity while others require very little. At a larger scale, the network could eventually enable certain equipment transfers among zones or activities when seasonal cycles differ enough to justify the logistics.

The fleet thus becomes a portfolio of assets to be managed rather than simply a group of units purchased once and for all.

The right number is the one that supports a high utilization rate without reducing service availability.

10.5 Rental Revenue Must Be Analyzed After All Operating Costs

Gross rental revenue rarely provides a sufficient picture of profitability. Each use can generate a series of small expenses that become significant when repeated hundreds of times.

Preparation time, cleaning, electricity or other energy, tire and component wear, preventive maintenance, repairs, payment fees and administrative time must all be considered. Economic depreciation must also be included because each use consumes a small portion of the asset's useful life.

A serious model must therefore seek to determine net revenue per use and then net annual revenue per asset.

This approach allows several scenarios to be compared. A lower rental price may increase utilization enough to improve overall profitability. A higher price may generate a better margin per round but reduce demand. An activity can be highly profitable during peak periods and nearly inactive during the rest of the week.

The analysis must therefore go beyond a single price and seek the right balance among accessibility, utilization, useful life and real economic contribution.

10.6 Daily Preparation Is Part of Service Economics

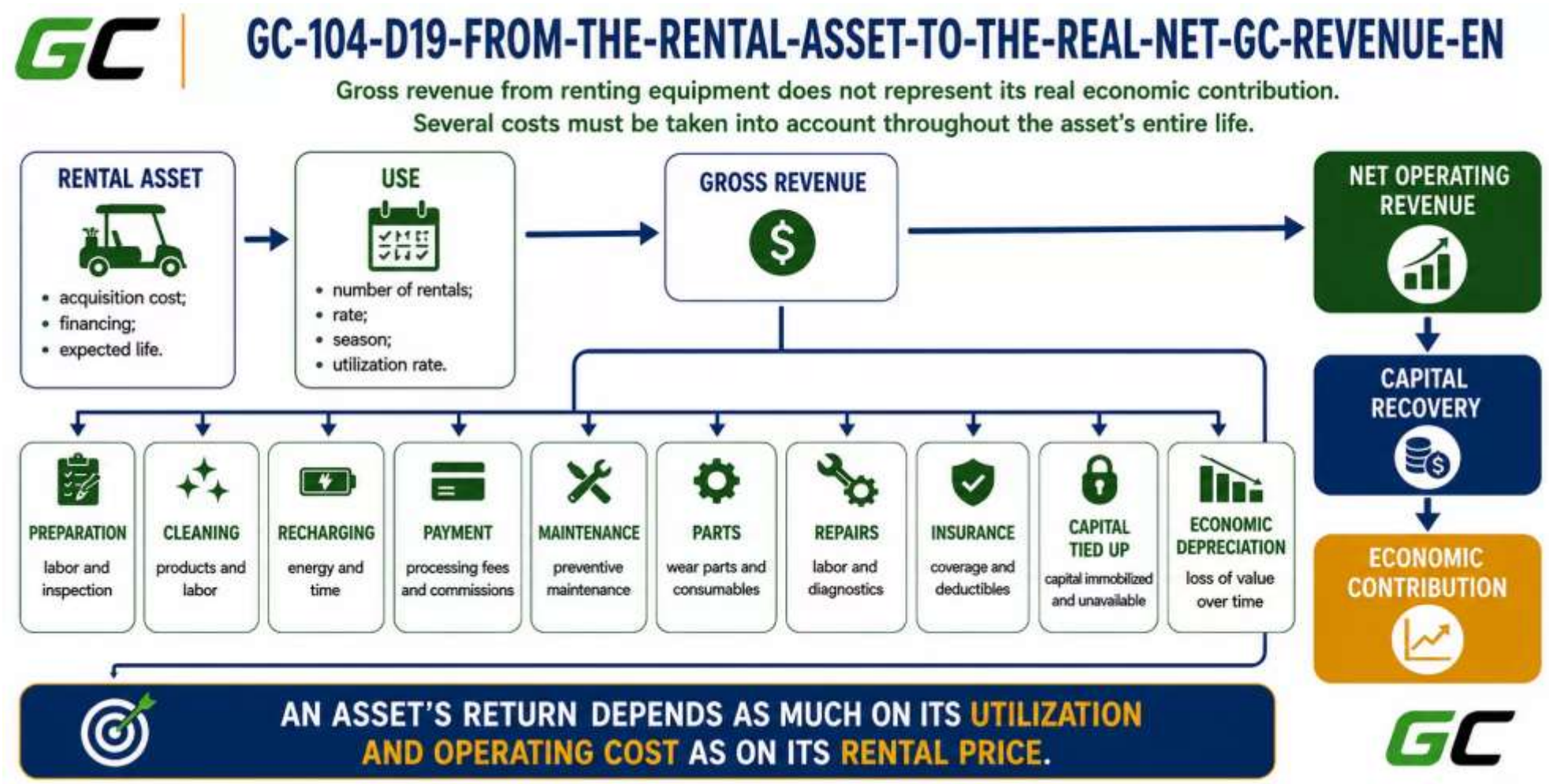
In a rental environment, service quality often depends on very simple but repetitive tasks. Equipment must be checked before it is provided to the user. It may need to be cleaned, recharged, repositioned, visually inspected or configured.

None of these operations is particularly expensive on its own. But as the fleet grows, their combined effect becomes a genuine operational function.

The GC System should therefore seek to reduce the time required for these tasks without reducing quality. Products intended for rental should be selected or designed to simplify cleaning, charging, inspection and replacement of common components.

This logic can even influence the physical architecture of the product. An easily accessible battery, a robust connector, easy-to-clean surfaces or modular components can significantly reduce service time over several years.

The economics of rental therefore begin well before the transaction. They begin in the design of a product that is easy to operate every day.



GC-104-D19 — FROM THE RENTAL ASSET TO REAL NET REVENUE

10.7 Preventive Maintenance Costs Less Than Certain Interruptions

Maintenance is sometimes viewed as an expense that can be postponed while equipment continues to operate properly. This approach can temporarily reduce visible costs, but it often increases the probability of more expensive failures.

A properly designed preventive maintenance program can identify wear before it causes a failure, extend component life and reduce interruptions during periods of heavy use.

The opposite extreme should also be avoided. Maintenance performed too frequently according to arbitrary intervals without considering actual use can create unnecessary costs.

The best approach is to progressively connect maintenance to data: number of hours or rounds, distance traveled, charging cycles, operating conditions, parts history and manufacturer recommendations.

As the GC Back-End collects this information, GC can improve maintenance schedules and distinguish interventions that are genuinely necessary from procedures that may be simplified.

Maintenance then becomes a function that preserves asset value rather than a cost added after the fact.

10.8 Maintenance Must Be Distributed Among the Club, Regional Center and GC Back-End

Not every intervention should be performed in the same place. An efficient architecture distributes responsibilities according to complexity, frequency and transportation cost.

The club can handle simple operations that are part of day-to-day use: visual inspection, cleaning, charging, basic checks and replacement of certain items when a safe and simple procedure can be followed.

The Regional Center can take responsibility for interventions requiring greater expertise, tools or parts. It can also become the primary point of diagnosis and repair for several clubs, improving the use of technical resources.

The GC Back-End has a different responsibility. It must organize data, document procedures, manage relationships with manufacturers, monitor recurring issues, administer warranties and decide when product improvements or corrective actions should be applied across the network.

This distribution must avoid two mistakes: turning every club into a complete repair shop, or centralizing every minor intervention to the point where service becomes slow and expensive.

The right architecture is the one that resolves the problem at the simplest level capable of handling it correctly.

10.9 Return-to-Service Time Has Direct Economic Value

When commercially operated equipment becomes unusable, the cost of failure is not limited to the replacement part. Every day of downtime can represent lost revenue and reduced capacity available to users.

This reality is particularly important for rental assets. A failure during a period of strong demand may create an economic cost far greater than the price of the repair itself.

Return-to-service time should therefore become an important network indicator. It depends on several factors: speed of diagnosis, parts availability, technical expertise, distance from the Regional Center and clarity of the procedure.

The value of a parts inventory or a regional presence can then be evaluated differently. A part that remains on a shelf for several months may appear unproductive, but it can justify its existence if it prevents several days of downtime for a revenue-generating asset.

This logic moves beyond the simplistic opposition between “reducing inventory” and “providing good service.” The real question is which inventories reduce the cost of interruptions enough to justify the capital they tie up.

10.10 Diagnosis Must Become a Shared Network Capability

As technical products multiply, diagnosis becomes increasingly strategic. A fast repair often depends less on how long it takes to replace a part than on how quickly the actual cause of the problem can be identified.

A poor diagnosis can lead to unnecessary replacements, additional travel and longer downtime. At scale, these errors can represent significant costs.

The network should therefore progressively build a knowledge base from completed interventions. A problem observed at one club can provide useful information to many others. Symptoms, causes, solutions and parts used can be documented to improve future interventions.

As the number of products increases, some diagnostic functions can also become digital. Error codes, usage data or guided procedures may help a club or Regional Center identify the nature of a problem more quickly.

This shared knowledge is one of the clearest examples of the value of a GC Back-End. A local repair becomes collective learning when it is properly documented and redistributed throughout the network.

10.11 Warranty Service and Post-Warranty Service Must Be Economically Distinguished

An intervention performed under warranty and one performed after the warranty expires may use the same parts, technician and Regional Center, but they do not have the same economics.

Under warranty, the cost must be connected to the obligation created at the time of sale. The manufacturer may assume part of that cost, but GC must still organize the process and may sometimes bear labor or logistics expenses.

After the warranty period, service can become a billable activity. The customer then pays for the part, expertise, time and, where applicable, transportation.

This distinction must be clear for the club and within the accounting systems. It makes it possible to measure the real cost of warranties correctly and, separately, the profitability of post-warranty service.

It also prevents a dangerous practice: using revenue from post-warranty service to conceal an excessive level of warranty failures. The two economies must remain visible.

The network should seek reliable products and profitable service when service genuinely becomes a commercial activity, not build profitability on technical problems.

10.12 The Regional Center Can Become a Shared-Service Platform

When product and club density becomes sufficient, the Regional Center can progressively develop richer economics than those of a simple repair workshop.

It can receive and prepare equipment, hold parts, perform inspections, handle certain deliveries, complete repairs, support clubs and eventually participate in the assembly of certain components.

This concentration creates economies because the same people, tools and facilities can serve several functions and several clubs.

But these shared economies depend on volume. A highly developed infrastructure opened too early can become a significant fixed burden. Capacity must therefore grow with actual demand.

The Regional Center can begin modestly and progressively add functions once utilization justifies their integration. Some tasks can remain with external partners until volume allows them to be brought in-house at lower cost.

The objective remains the same as throughout the GC System: build the capability just before it becomes necessary, but not several steps too early.

10.13 Support Is Not Limited to Repair

The word service often brings maintenance and repair to mind, but network support can cover a much broader reality. A club may need help integrating a product, training staff, organizing its fleet, understanding utilization rates, managing inventory or adjusting certain procedures.

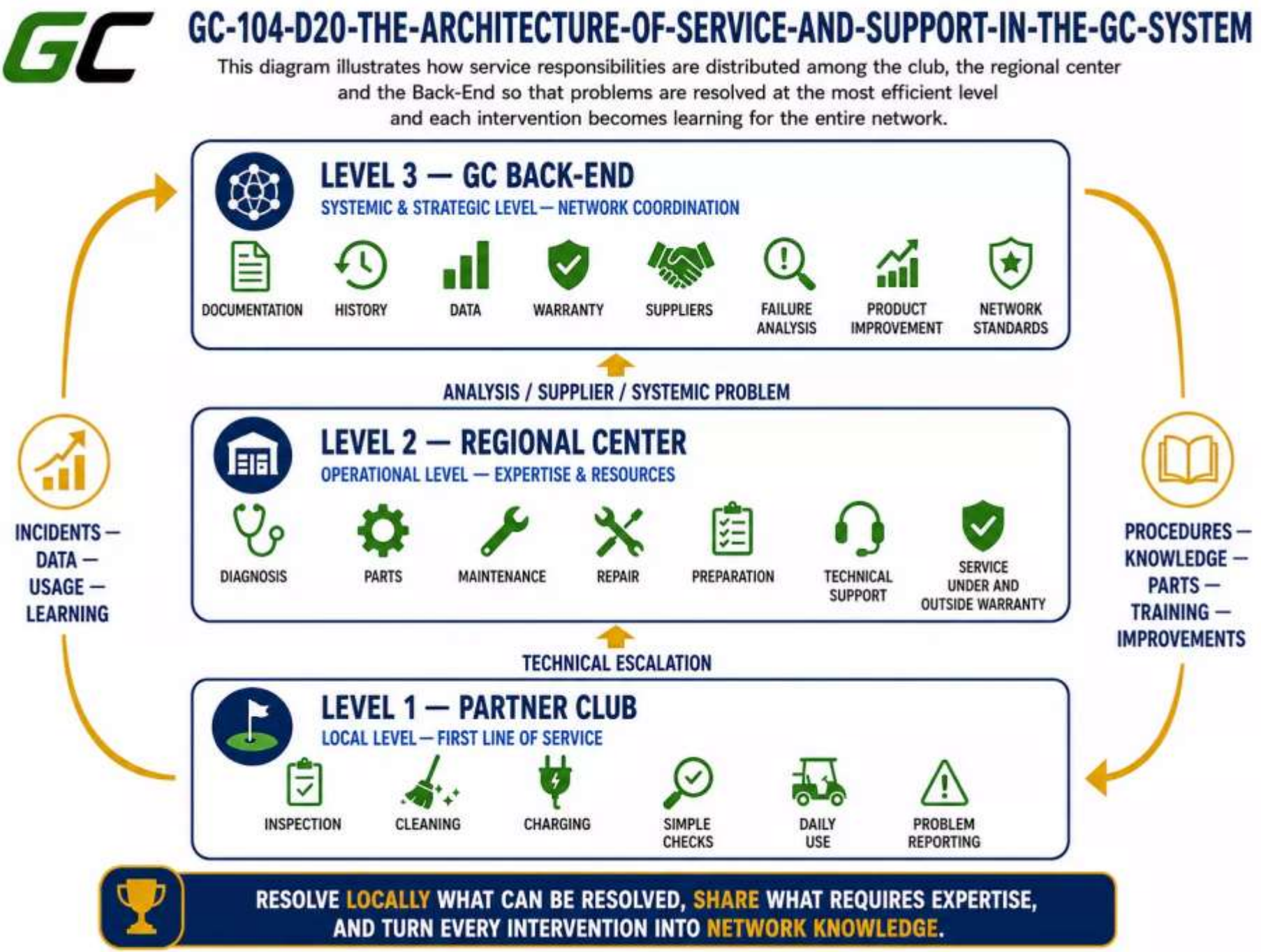
These activities can prevent mistakes before they become technical problems.

A club that uses a product poorly may achieve weak profitability and conclude that the product itself is inadequate when the real difficulty comes from local organization. A short training session or a better procedure may then create more value than a price reduction.

This dimension must nevertheless be controlled. If every club continually requires substantial customized assistance, support costs can become difficult to absorb. The network should therefore progressively transform recurring knowledge into documentation, tools, guides, videos, standardized training or digital functions.

Support then evolves from an individual relationship into a reusable Shared Capability.

This transformation is essential if the network is to grow without support staffing increasing at exactly the same pace as the number of clubs.



GC-104-D20 — THE SERVICE AND SUPPORT ARCHITECTURE OF THE GC SYSTEM

10.14 Technology Can Progressively Reduce the Cost of Service

A large part of support can benefit from technology when it is introduced to solve real problems. A well-designed system can retain a product's history, identify its parts, record interventions, verify the warranty period and track certain usage information.

These functions reduce the time spent searching for information and improve continuity when the same equipment is handled by several people over its life.

Remote diagnostic tools can also reduce certain travel requirements. A photo, an error code or a series of guided checks may sometimes be enough to identify a part or determine whether the equipment truly needs to be transported to the Regional Center.

Over the longer term, certain data may make it possible to detect trends before failure occurs. This capability should not, however, be assumed before the required products and data actually exist.

Technology must follow the KISS principle. Automating a poor procedure does not make it better. The network must first understand how service works, then automate repetitive steps that consume time without producing enough human value.

The objective is to reduce the coordination cost of service without moving intervention capability away from the field.

10.15 Service Must Become a Source of Trust, Data and Economic Capability

Rental, maintenance and support may appear to be secondary functions surrounding the product. In reality, they profoundly influence the quality of network economics.

Rental allows the same asset to generate multiple transactions and can make certain products accessible to a broader clientele. Maintenance extends useful life and protects the value of invested capital. Repairs reduce interruptions and avoid premature replacement. Parts preserve availability. Support helps clubs make better use of the solutions available to them.

All of these activities also generate data.

The network learns which products are actually used, how long they last, which parts wear, which procedures are too complex, which clubs operate their fleets effectively and where certain functions need improvement. This information can then influence purchasing, design, pricing, warranty reserves and inventory levels.

Service therefore becomes a complete economic loop:

use → observe → maintain → repair → learn → improve → use better.

As this loop becomes more efficient, several benefits appear at the same time. The club keeps more assets available. The golfer receives more reliable service. The Regional Center makes better use of its expertise. The GC Back-End receives more accurate information. Suppliers can be evaluated using actual data rather than their promises alone.

Service can also become a reasonable source of revenue when it provides identifiable value, particularly after the warranty period or when it covers optional functions. But its most important contribution to the system may be broader: it protects the economic value of everything that has already been sold or deployed.

This protection becomes especially important in an architecture where physical products may progressively form a substantial installed base. The more units in circulation, the greater the total economic value of that base. Keeping these assets in service simultaneously protects customers, clubs and the reputation of the network.

The model must therefore evolve from a logic in which service is triggered only when a problem appears toward one in which availability, maintenance and learning are integrated into life-cycle economics.

The guiding principle of this chapter can therefore be stated simply:

the sale creates the relationship, rental transforms the asset into a revenue stream, maintenance protects its value, and support transforms its use into knowledge and trust.

The next chapter will examine another family of activities whose economics differ significantly from those of physical products: digital, software and transactional services, and how these functions can progressively become an important economic component of the GC Back-End and Partner Clubs.

CHAPTER 11
DIGITAL, SOFTWARE AND TRANSACTIONAL SERVICES

11.1 Digital Functions Must Support Real Activity Before Becoming a Source of Revenue

The GC System cannot reach a high level of integration without a digital infrastructure capable of connecting clubs, Regional Centers, the GC Back-End, products, services and transactions. This infrastructure will progressively become essential for tracking users, equipment, inventories, orders, payments, warranties, interventions, communications and many of the other functions described in GC-103.

In GC-104, the question becomes different. It is no longer simply a matter of determining which digital functions must exist, but of understanding how they should be financed and which of them may eventually generate revenue directly.

This distinction is important because software can create considerable value without necessarily having to be sold separately. A digital function can reduce network costs, automate a process, improve service or make a physical activity more profitable. Its economic contribution may therefore appear indirectly across several other revenue sources.

Conversely, certain functions that are sufficiently autonomous and useful may justify their own pricing, particularly when they provide the club with value clearly beyond what is required for the network's basic operation.

The GC System must therefore resist two opposite tendencies: treating all technology as a free central expense or, conversely, attempting to turn every screen, module and data point into an additional subscription.

The principle remains the one established in previous chapters: the function must determine the digital economic model, not the mere technical existence of software.

11.2 The Digital Back-End Is First a Common Infrastructure

A significant portion of GC technology will probably never be directly visible to the golfer. Yet this infrastructure may be essential to the operation of the whole.

The management of identities, permissions, products, orders, warranties, inventories, payments, data and communications must rest on foundations that are sufficiently common to prevent each club or each new function from creating its own independent system.

This common digital layer should be considered infrastructure, much like certain logistics or administrative capabilities. It has an initial design cost, followed by ongoing costs for hosting, security, development, maintenance and support.

Its economics must therefore be considered at network scale.

When the same infrastructure can support fifty, five hundred or several thousand users without costs increasing in the same proportions, significant economies of scale can emerge. But those economies exist only if the architecture remains sufficiently common.

If every club requires its own version of the software, its own integrations and its own procedures, digital technology quickly loses part of that advantage. The network must therefore preserve a shared technological core while allowing the local adaptations that are genuinely necessary.

The first economic function of the digital GC Back-End is therefore to reduce the coordination cost of a network that would otherwise become increasingly complex as it grows.

11.3 Software Is Not Profitable Simply Because Its Marginal Cost Appears Low

Digital activities are often described as particularly attractive economically because the cost of distributing one additional software copy can be very low. This observation is true, but incomplete.

The marginal cost of a new user can indeed be limited once the infrastructure already exists. Before reaching that point, however, the system must finance design, development, testing, integrations, cybersecurity, interfaces, documentation and support.

These costs also continue after launch. Operating systems evolve. Security rules change. Payment providers modify their interfaces. Users discover problems. Clubs request new functions. Data must be backed up, protected and sometimes migrated.

Software that no longer evolves can quickly become a liability.

Digital economics must therefore consider the software life cycle, just as the economics of a physical product must consider service and parts.

This perspective avoids the assumption that once initial development is complete, nearly all future revenue automatically becomes margin. A portion must continually be reinvested to keep the digital capability functional, secure and compatible with the rest of the system.

11.4 Core Digital Functions Must Support Network Integration

Certain functions will probably need to be considered essential to participation in the GC System. They allow the network to know who is using what, where products are located, how transactions are recorded and how responsibilities are distributed.

These core functions may include club identification, management of certain users, the GC catalog, orders, deployed products, warranties, certain inventory data and communications required for service.

It would be difficult for the network to function properly if every club could choose not to use these fundamental elements while participating in the same physical and financial operations.

Their economic model must therefore be designed carefully. A function essential to GC operations may be financed through other network revenue, integrated into a general contribution or included in certain commercial relationships rather than presented as an independent paid option.

The club must be able to understand that it is helping finance a capability whose existence allows the rest of the system to function.

The principle is important: basic digital capability must first make integration possible before seeking to become an independent commercial product.

11.5 Advanced Modules Can Become Distinct Economic Services

Beyond core functions, certain digital capabilities may provide sufficiently specific value to justify separate pricing.

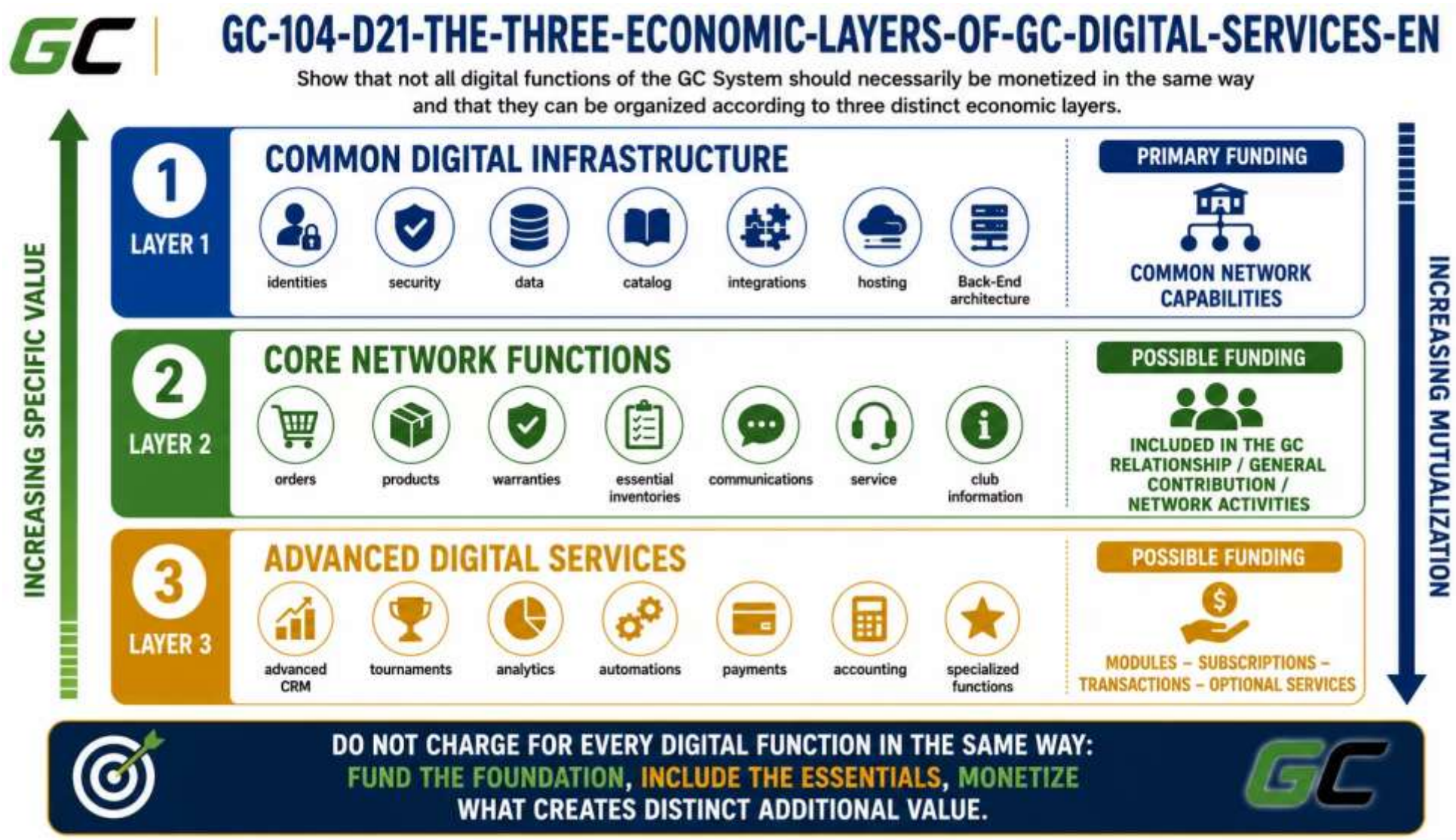
A club may choose to use more advanced CRM, analytics, tournament management, communications, payment, inventory, accounting or operational modules. These functions may require additional development, storage, support or integration.

In this context, a modular model can allow clubs to select the functions they genuinely need without requiring the entire network to finance every possibility at the same time.

This architecture must nevertheless remain simple. Excessive multiplication of modules and pricing levels could create an experience that is difficult to understand and increase administrative costs.

Proper segmentation should correspond to sufficiently important functional differences. A club using only essential capabilities should not pay for a complex suite of tools it does not use. Conversely, a club benefiting from advanced functions that create significant economic value can reasonably contribute more to financing those capabilities.

Modularity then becomes a way to adapt digital economics to club diversity without fragmenting the technological architecture itself.



GC-104-D21 — THE THREE ECONOMIC LAYERS OF GC DIGITAL SERVICES

11.6 The GC CRM Can Become an Economic Infrastructure for the Network

The GC CRM occupies a special position because it is not simply a sales tool. Within the GC architecture, it can progressively become a point of connection among clubs, golfers, products, interactions, services and communications.

This capability can create significant economic value because it reduces information fragmentation. A club can better understand its relationships with golfers. The GC Back-End can better track products and needs. Regional Centers can access certain information required for service without multiplying manual exchanges.

As functions expand, the CRM can also support activities that directly generate revenue: campaigns, registrations, events, renewals, sales or other authorized and relevant interactions.

Its most important value may nevertheless remain structural. A network in which necessary data is organized around coherent identities and relationships can automate future functions much more easily.

The CRM should therefore be viewed as relational and economic infrastructure, not merely as a customer database.

This importance also requires considerable care in managing consent, privacy and data access. The economic value of information can never justify using it outside the rules agreed upon with the club and the golfer.

11.7 Payments Can Become a Central Transactional Function

As more GC activities become digital, payment processing can play an important role. Product sales, rentals, activity registrations, tournaments, services and potentially certain club transactions can be connected to common infrastructure.

This function can create value in several ways. It simplifies the user experience, reduces duplicate data entry, improves reconciliation between transaction and service and provides better visibility into economic flows.

It may also generate transactional revenue when the model, regulations and partners involved allow it. A small contribution applied to a large number of transactions can become meaningful as the network grows.

The economics of payments must nevertheless be evaluated carefully. External providers charge their own fees. Chargebacks, fraud, refunds and compliance obligations create costs. A difference of only a few tenths of a percentage point can become significant when volumes increase.

GC should therefore not seek to develop complex financial infrastructure merely to capture a few additional fees. The primary justification should remain improvement and integration of the transaction.

If that capability later produces reasonable revenue, that revenue becomes a consequence of the value of the infrastructure rather than its sole purpose.

11.8 Transactional Revenue Must Be Analyzed According to Volume and Marginal Cost

Transactional revenue has a particular characteristic: the amount per transaction may be small, while the accumulated amount can become significant when transaction volume increases.

A contribution of a few cents or a few dollars may seem insignificant on one operation. Across several hundred thousand transactions, it can finance an important part of digital infrastructure.

This economy, however, depends heavily on volume. Building complex architecture to capture a small contribution on a limited number of operations may be far less attractive than using a simple external platform.

The required volume must therefore be evaluated before certain functions are internalized.

This logic follows the Seven Steps. During the early stages, external providers can absorb much of the complexity. As volume becomes sufficiently large, more advanced integrations or direct negotiations may improve the economics.

The decision should be guided by total cost per transaction at each level of maturity, not by a general preference for internalization.

11.9 Data Can Create Value Without Becoming a Commodity for Sale

The GC System will progressively generate a significant amount of data on product use, transactions, services, inventories and certain club activities. This information can become an important economic asset when it leads to better decisions.

It can improve inventory forecasting, identify maintenance requirements, compare product use, optimize purchasing or help a club understand certain trends in its operations.

The value of data lies first in its ability to improve the functioning of the system.

This distinction must remain clear. The fact that data has economic value does not mean that it should be sold to third parties. A strategy based on external monetization of personal or operational data could directly conflict with the trust required among GC, clubs and golfers.

The architecture should therefore prioritize uses that return value to participants: better services, better decisions, better procurement and better personalization when authorized.

Data can therefore become one of the network's most important economic assets without being transformed into an independent commodity.

11.10 Automation Must Be Evaluated as an Investment

Technology can substantially reduce repetitive tasks, but its development also has a cost. Automating an operation performed only rarely may require more resources than continuing to perform it manually for several years.

The economics of automation therefore depend on volume, frequency and the current cost of the task.

A procedure performed a few dozen times per year may remain manual without creating a problem. The same procedure performed several thousand times may justify significant software investment.

The calculation must also consider quality. Automation can reduce errors, accelerate processing and improve traceability even when time savings alone do not fully justify development.

This logic allows the GC Back-End to prioritize its investments. Functions that consume significant time, create errors or slow several other activities become the first candidates.

Technology should therefore be financed when the cost of manual repetition becomes greater than the economic cost of transforming that task into a reusable digital capability.

11.11 Digital Technology Can Transform Certain Variable Costs Into Shared Capabilities

One of the most important economic characteristics of software is its ability to progressively replace certain tasks repeated locally with common infrastructure.

If every club must manually perform the same administrative procedure, the cost increases almost proportionally with the number of clubs. If that procedure can be properly integrated into a common platform, the additional cost of each new user can become much lower.

This transformation is particularly important for network growth. It allows GC to increase activity without increasing administrative staff in exactly the same proportion.

But this economy should not be overstated. Clubs will continue to need support, exceptions will exist and some interactions will remain human. Software therefore does not eliminate all variable expenses.

It does, however, change their structure.

The system can progressively move resources away from simple administrative repetition toward higher-value functions such as analysis, improvement, complex service, development or specialized support.

Digital capability then becomes a multiplier of capacity rather than merely a technology cost center.

11.12 External Integrations Must Be Evaluated Economically

The GC Back-End cannot and should not develop every function itself. Many specialized services already exist: payments, accounting, communications, mapping, authentication, storage, electronic signatures and other technical capabilities.

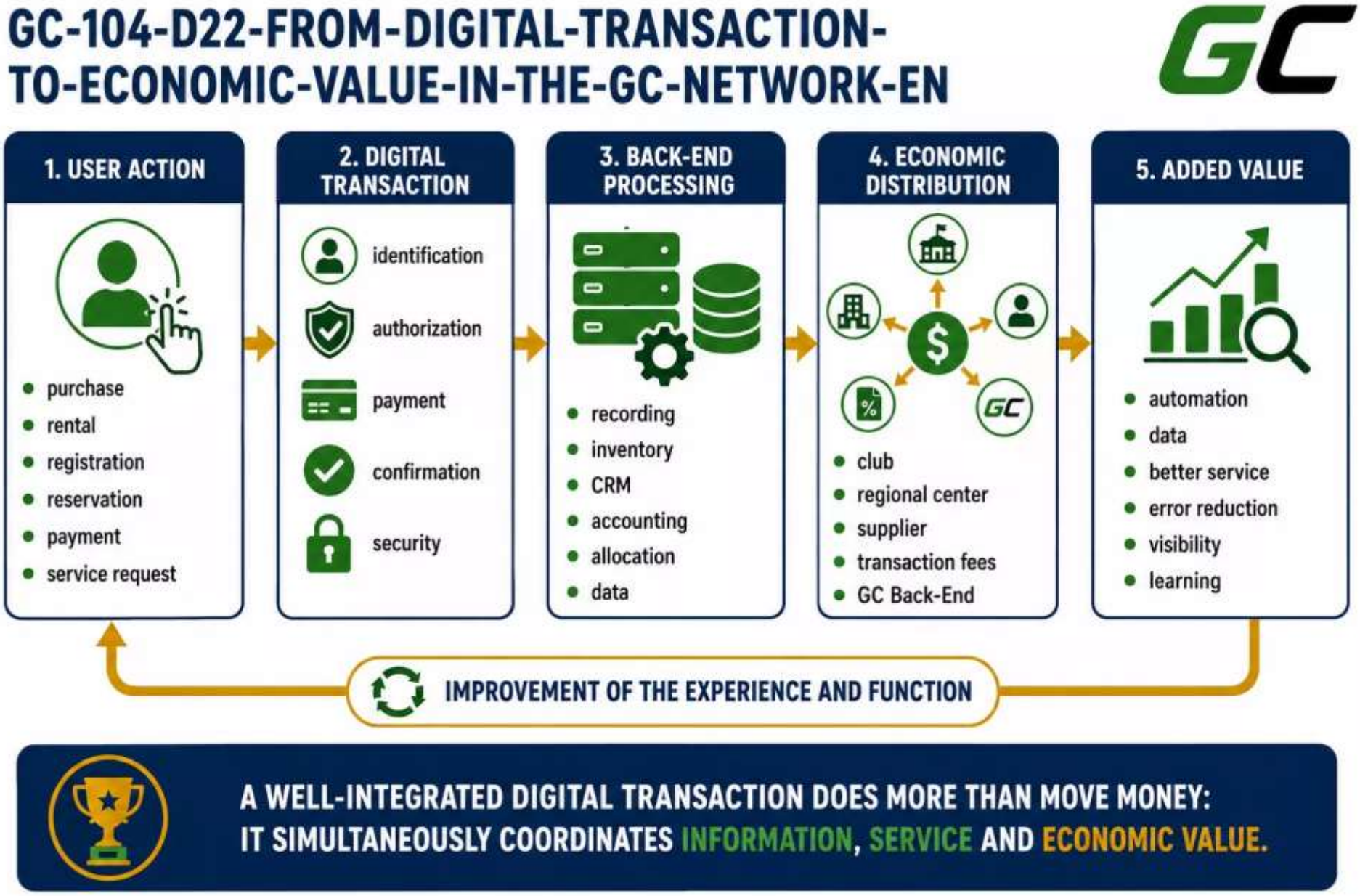
Integrating these services can accelerate development and make use of proven infrastructure. It also creates dependency and recurring cost.

Each integration should therefore be evaluated across several dimensions: price, volume, reliability, security, ease of replacement, support quality and strategic importance of the function.

Dependence on an external service is not necessarily a problem. It becomes risky when the function is critical, costs can increase substantially or changing providers would be extremely difficult.

The digital economic model must therefore include a form of supplier-risk management similar to the one applied to physical products.

As certain volumes become very large, GC can reassess whether some integrations should remain external. But once again, internalization should be considered only when it produces genuinely greater control or value than complexity.



GC-104-D22 — FROM THE DIGITAL TRANSACTION TO THE ECONOMIC VALUE OF THE GC NETWORK

11.13 Cybersecurity Is a Necessary Economic Expense, Not an Optional One

The more dependent the GC System becomes on digital infrastructure, the greater the economic consequences of an interruption or compromise. An outage can prevent payments, reservations or operations. Data loss can disrupt service. A breach of confidentiality can produce significant regulatory, financial and reputational consequences.

Security therefore has a particular economic character. When it works properly, it often generates no visible revenue. Instead, it prevents events whose potential cost can be very high.

This characteristic can make cybersecurity investments difficult to compare with commercial functions that generate direct revenue. Yet as data, transactions and digital dependencies increase, security becomes a condition for the existence of several revenue streams.

The level of investment should evolve with risk. A small Pilot Project does not necessarily require the same infrastructure as a network processing large numbers of transactions and data belonging to multiple clubs.

Cybersecurity must therefore progress according to the same principles as the rest of the system: proportionate to risk, integrated into the architecture and strengthened before growth exceeds protection capacity.

11.14 The Digital Model Must Reduce the Total Operating Cost of the Network

Digital revenue may become attractive, but it should not overshadow another major economic contribution: the ability to reduce certain costs throughout the system.

A common platform can eliminate duplicate data entry, reduce calls, automate confirmations, improve inventory management, shorten processing times and make certain information immediately accessible.

These savings can benefit several participants. A club can save time. A Regional Center can prepare an intervention more quickly. The GC Back-End can handle more operations with the same team.

The performance of a digital function should therefore not be evaluated solely according to the revenue it directly generates.

A module that creates no additional subscription revenue may be highly profitable for the system if it eliminates a significant operating cost. Conversely, a separately sold module may show an attractive commercial margin while increasing complexity and support requirements enough to reduce its real contribution.

The right question remains: what net economic value does this function add to the complete system?

11.15 Digital Technology Must Progressively Become an Economic Infrastructure Financed by the Value It Makes Possible

As the GC System develops, technology will no longer be merely a tool used by certain teams. It will progressively become one of the infrastructures that make coordination of the entire system possible.

It will connect physical products to warranties, clubs to Regional Centers, users to services, transactions to accounting and data to decisions. It will also automate certain functions that would become difficult to maintain manually as the network reaches a larger scale.

Its economics must therefore be observed at several levels.

Certain functions will need to be financed as Common Infrastructure because they are necessary to the network. Others may be integrated into the economic relationship with clubs. Certain advanced capabilities may become paid services. Payments and other operations may create transactional revenue when volume justifies it.

This diversity is acceptable as long as the logic remains coherent.

The system should not seek to charge for every digital interaction. It should seek to ensure that the technological architecture as a whole is sufficiently financed by the economic value it helps create or protect.

This distinction is essential because the most important technologies are not always those the user sees or those for which the user would spontaneously agree to pay. A coherent data infrastructure, secure architecture or integration among several systems can be indispensable without appearing as an independent product.

The economic maturity of digital technology will therefore be measured less by the number of software subscriptions than by its ability to produce several results at the same time: reduce certain costs, support more clubs, improve information quality, facilitate transactions, make services faster and allow new activities to emerge without rebuilding the entire infrastructure each time.

This is how software can become one of the principal scale levers of the GC System.

In an initial phase, technology mainly consumes development capital.

In a second phase, it begins to automate and structure functions.

As the network grows, the same capabilities can support more products, clubs and transactions.

The average cost of certain functions can then decline while their collective value increases.

Eventually, part of the digital services may generate direct revenue, while another part continues to contribute indirectly by improving the economics of physical activities and services.

The economic cycle then becomes:

develop → integrate → use → automate → reduce friction → produce better data → improve decisions → support more activities → reinvest in the digital architecture.

The guiding principle of this chapter can therefore be stated as follows:

GC technology should not become a collection of software products to sell; it should become a Common Infrastructure capable of reducing coordination costs, facilitating transactions, increasing service value and progressively financing its own evolution.

The next chapter examines how this economic infrastructure fits into another fundamental dimension of the model: network commerce, commissions and partnerships — in other words, how GC can organize commercial relationships among clubs, suppliers, Regional Centers and other partners without turning the system into an accumulation of intermediaries.

CHAPTER 12

NETWORK COMMERCE, COMMISSIONS AND PARTNERSHIPS

12.1 Network Commerce Must Create More Value Than a Simple Distribution Chain

As the GC System integrates more products, services and clubs, it could easily be interpreted as a new distribution chain: manufacturers produce, GC purchases or organizes procurement, clubs sell and the golfer pays. That representation would, however, be too limited to describe the intended model.

A traditional distribution chain mainly organizes the movement of a product to the customer and divides a margin among several intermediaries. The GC System seeks to add capabilities around that transaction that the participants would have had greater difficulty building independently: supplier qualification, pooled volume, logistics, service, warranties, Regional Centers, data, technology, documentation and collective learning.

The presence of several participants in a transaction is therefore justified only if each genuinely contributes to creating, protecting or distributing part of that value. If GC merely adds another layer between the manufacturer and the club without improving the

economics or the function, the network simply lengthens the chain. If, on the other hand, the common organization gives the club access to better products, more structured service, greater availability and conditions that would have been difficult to obtain independently, intermediation becomes an economic capability.

The distinction is fundamental. GC commerce should not be designed to multiply intermediaries, but to remove frictions that an organized network can address more effectively than isolated participants.

12.2 The Partner Club Remains the Preferred Commercial Interface With the Golfer

One of the structural choices of the GC model is to keep the Partner Club at the center of the commercial relationship with the golfer. GC products intended for the network should not progressively bypass clubs in order to be distributed indiscriminately through large general-purpose platforms or retailers outside the GC architecture.

This orientation first has a strategic justification. The club is not simply a place where the golfer purchases a product. It is the environment where the product can be seen, explained, tested, used and supported in the real context of golf. This proximity gives the club a function that a general e-commerce channel does not possess.

It also has an economic justification. If GC used clubs initially to build the market and then progressively diverted sales toward other channels as the brand gained visibility, the club would ultimately contribute to value creation without retaining a sufficient share of that value. Such a logic would be incompatible with the Inverted Pyramid.

Network exclusivity should not, however, be interpreted as a rejection of digital commerce. The golfer can naturally discover, compare, configure or order a product online. But the transaction can remain attributed to the appropriate Partner Club, and the corresponding economics can continue to recognize its role.

The question is therefore not whether to choose between physical and digital commerce. It is to build digital commerce that strengthens the club network rather than one that eventually bypasses it.

12.3 Commercial Exclusivity Must Create a Real Advantage for the Club

Exclusivity has lasting value only when it creates something the partner wants to protect. Simply prohibiting certain channels is not enough. The club must perceive that participation in the network gives it access to an activity, margin, service or relationship with the golfer that it could not obtain in the same way elsewhere.

This value can come from several sources. The club may receive compensation on certain sales, operate products as rentals, gain privileged access to product families, use common digital tools or benefit from Regional Center support.

Exclusivity can also reduce a form of destructive competition. If a GC product is simultaneously available in the club shop and on several large platforms at varying prices, the club quickly becomes a demonstration location for a transaction completed elsewhere. It then performs part of the commercial work without necessarily receiving the corresponding value.

A coherent network policy can prevent this situation by sufficiently protecting the channel while maintaining reasonable prices for the golfer.

This protection should never become an excuse for artificially maintaining high prices. Exclusivity should serve the quality of the relationship, service and value sharing, not isolate the customer from competition.

12.4 Every Commission Must Correspond to an Identifiable Function

Commissions are a particularly simple tool for distributing part of the revenue among network participants. That simplicity can become misleading if percentages are established before the functions themselves have been defined.

A commission paid to the club can compensate product presentation, access to the golfer, a demonstration, a sale, preparation or part of local support. A commission paid to the Regional Center can correspond to delivery, assembly, inspection, service or territorial responsibility. The GC Back-End retains the portion required for procurement, technology, warranties, Shared Capabilities and network continuity.

It is therefore preferable to begin with the question **"who does what?"** before asking **"who receives how much?"**

This method also makes it possible to adapt the economics when roles differ. A club that only forwards an order does not use the same resources as one that organizes a demonstration, carries inventory and manages part of the operation. A Regional Center performing only delivery does not assume the same function as one that prepares, assembles and technically supports the equipment.

The compensation structure should reflect these differences without becoming unnecessarily complex. A few clearly defined models may be sufficient to cover most situations.

12.5 The Club Commission Must Recognize Its Contribution to the Network

The Partner Club brings the GC System an economic resource that would be costly to rebuild otherwise: an existing relationship with golfers in the environment where products and services are actually used.

That relationship has value. The club provides an environment of trust, local knowledge, physical presence and an understanding of customer behavior. It can also play a role in demonstration, adoption and support.

The commission paid to the club should therefore not be considered simply a commercial expense to be minimized in order to improve the central margin. It represents part of the cost and value of distribution.

This does not mean that every transaction must provide a very large margin to the club. The amount must remain compatible with the final price and with the other functions that also need to be financed. But the economics must be sufficiently attractive for the club to have a genuine interest in sustaining the GC relationship.

This convergence is essential. When the club benefits more because a product is properly used, appreciated and supported, its economic interest naturally aligns with that of the network.

The model then becomes stronger than a relationship in which GC must continually push its products toward partners who gain little from their success.

12.6 The Regional Center Must Be Compensated for the Capabilities It Makes Accessible

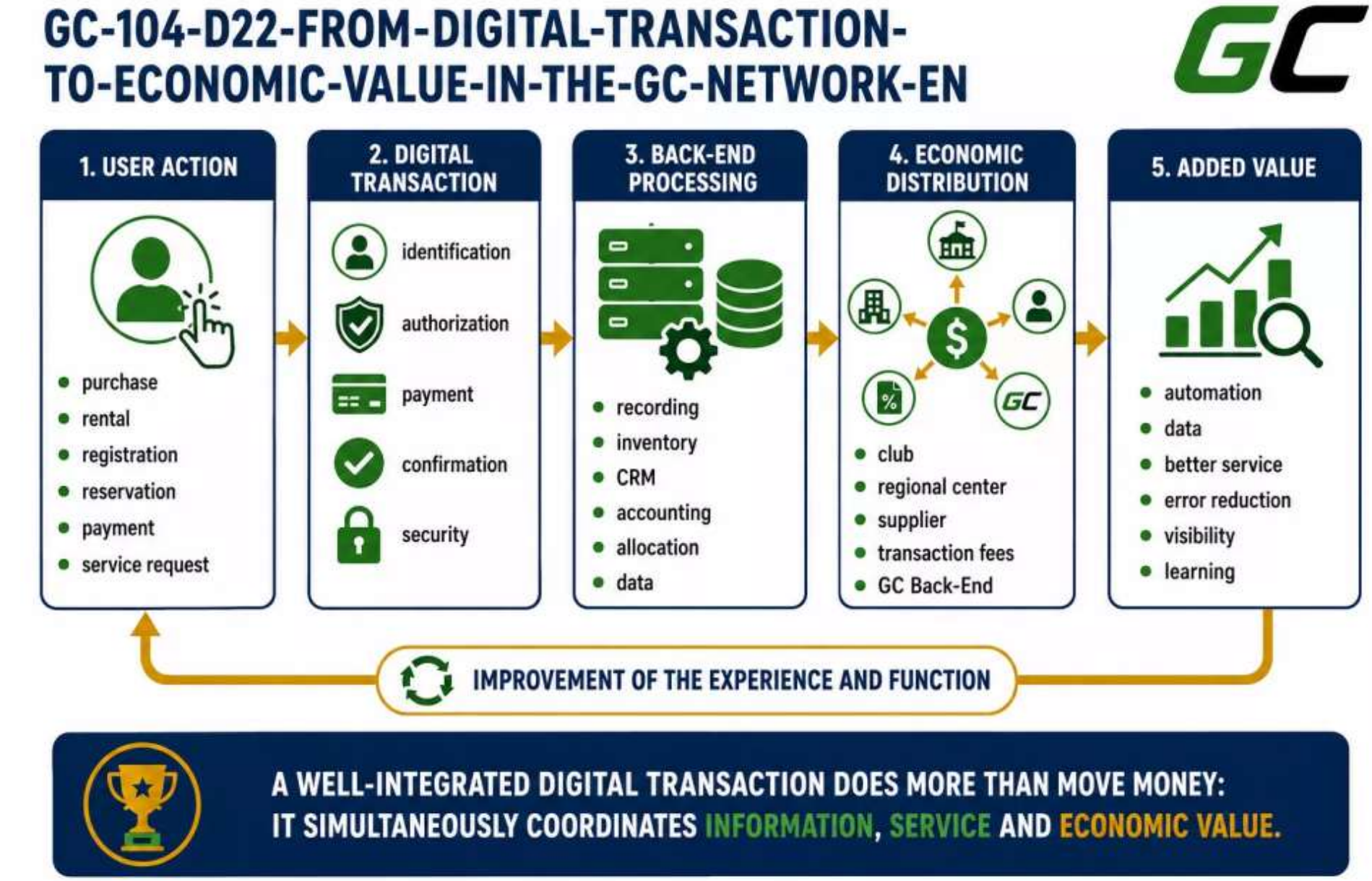
The Regional Center occupies a particular position because it is neither simply a distributor nor merely a workshop. It is a Shared Capability that brings certain functions closer to the field.

Its compensation can therefore come from several mechanisms depending on the services it performs. Some activities can be billed directly: preparation, post-warranty repair, assembly, delivery or specialized intervention. Others can be financed through a contribution from transactions within the territory when they broadly support network capacity.

The objective is not to create an automatic regional commission on every operation regardless of the work performed. It is to ensure that the required regional resources receive financing consistent with their use.

This distinction becomes important as Regional Centers evolve. A light center serving only a few clubs does not have the same cost structure as a mature facility performing many repairs, carrying parts and participating in assembly.

Compensation should therefore follow the capability actually built and used, in accordance with the Seven Steps.



GC-104-D23 — COMMERCIAL FLOWS AND VALUE SHARING WITHIN THE GC NETWORK

12.7 The GC Back-End Must Retain Enough Value to Maintain the Common Infrastructure

The Inverted Pyramid could be misunderstood if it led to viewing every portion of value retained by the GC Back-End as extraction that should be minimized. Such an interpretation would make the system unable to finance the Shared Capabilities from which clubs benefit.

The GC Back-End must be able to compensate its personnel, develop technologies, finance necessary inventories, organize suppliers, manage warranties, maintain data and invest in future capabilities. An underfunded central architecture would eventually transfer its problems to clubs through inadequate service, delays or improvised investments.

The question is therefore not whether the GC Back-End should retain a margin, but how much it should retain and what that value should finance.

One portion finances current operations. Another protects against certain risks. A portion may be reinvested in technologies, new products and regional development. When the economics permit, part of it may ultimately become profit that can be distributed or retained according to governance decisions.

The economic legitimacy of the GC Back-End therefore depends on its ability to transform part of the value it captures into resources that strengthen the operation of the network.

12.8 Manufacturers Should Be Treated as Long-Term Economic Partners

The relationship with manufacturers should not be reduced to repeated negotiation focused solely on obtaining the lowest possible price. For certain product categories, GC's ability to build sustainable economics will depend heavily on the quality of that relationship.

A strong industrial partner should be able to maintain sufficient quality, respect lead times, provide parts, respond to problems and collaborate when improvements become necessary. As volumes grow, it may also participate in design adaptations, component standardization or the evolution toward models more specific to GC.

This collaboration has economic value. A slightly more expensive supplier that is stable, transparent and capable of supporting the product over several years may be economically superior to a cheaper but unpredictable solution.

GC should also avoid using future purchasing power to continually push suppliers toward conditions that make their own activities fragile. A relationship in which one partner can no longer maintain quality or invest in its capabilities eventually harms the entire system.

The partnership should therefore seek an economy in which the supplier remains sufficiently profitable to continue improving what it contributes to the network.

12.9 Pooling Volume Must Create a Shared Advantage

As more clubs use the same product families, GC can aggregate demand and negotiate from a much stronger position than an isolated club. This capability represents one of the natural economic advantages of a network.

The benefits can take several forms: lower prices, better payment terms, production priority, customization, access to certain minimum quantities, improved warranties or more efficient transportation.

Part of these gains can contribute to financing the network, but all of them should not be captured centrally. If clubs helped create the volume that made those conditions possible, they should also benefit from part of the resulting economy.

This logic can be applied flexibly. Better supplier terms can translate into a more competitive price, a higher local margin, better service or more Shared Capabilities. What matters is that the collective effect remains visible.

The purchasing power of the network then becomes a concrete economic expression of the Inverted Pyramid: concentrated volume at the central level creates a capability that then flows back toward the base.

12.10 External Partnerships Must Complement the System Without Capturing the Relationship

GC has no reason to develop every capability it needs internally. Specialized partners can provide transportation, financing, payments, insurance, technology, repairs or other services that would be expensive to build in-house.

These relationships can significantly accelerate development when their function is clearly defined.

A partnership becomes strategic, however, when the external participant begins to control a relationship, data or essential capability on which GC and the clubs become heavily dependent. The partnership question must therefore include control of interfaces.

A payment provider can process a transaction without owning the commercial relationship. A logistics partner can transport the product without controlling access to the club. A technology platform can provide specialized infrastructure while allowing GC to retain its data and a reasonable ability to change providers eventually.

External partnerships should therefore fill missing capabilities without unnecessarily transferring the economic core of the network to a third party.

12.11 Pricing Coherence Protects the Club, the Network and the Brand at the Same Time

When the same product can be obtained at very different prices within the network, several problems quickly appear. Clubs may compete with one another, golfers may lose confidence in the stated value and certain margins may become insufficient to properly finance service.

A coherent pricing policy is therefore necessary, particularly when several clubs operate in the same region.

This coherence does not necessarily mean that every transaction must be identical. Certain promotions, tax differences, logistics costs or service models may justify variations. But those differences should be understandable and compatible with common rules.

Digital commerce must also respect this architecture. A price displayed on a GC platform should not unnecessarily conflict with the price offered in the Partner Club's shop.

This discipline also protects brand perception. Excessive variation may create the impression that a product has no reference value and encourage customers to continually wait for discounts.

Pricing must therefore be coherent enough to preserve trust and economic stability while retaining enough flexibility to reflect certain local realities.

12.12 A Strategic Partnership Must Be Evaluated by What It Adds to the Architecture

Not every partnership opportunity deserves to be pursued. A proposal may appear attractive because it quickly brings revenue, visibility or market access. At the same time, however, it may introduce dependency, channel conflict or complexity that exceeds the immediate benefits.

GC must therefore have a method for distinguishing a strategic partnership from a merely commercial opportunity.

A strategic partner ideally contributes a capability that would be difficult or expensive to build independently. It may improve quality, reduce costs, accelerate access to a market, strengthen a regional function or provide complementary technology.

This contribution must also remain compatible with network principles. A highly profitable agreement that requires GC to bypass clubs or surrender an essential portion of its data may create more fragility than value.

A partnership should therefore be evaluated according to its effect on the entire architecture, not merely according to the revenue it promises.

GC-104-D24-THE-CRITERIA-FOR-AN-ECONOMICALLY-ALIGNED-PARTNERSHIP-WITH-THE-GC-SYSTEM-EN

Show that a GC partnership must be evaluated according to several complementary dimensions before its commercial potential is considered sufficient to justify its integration.



A PARTNERSHIP IS STRATEGIC WHEN IT STRENGTHENS A CAPABILITY OF THE SYSTEM WITHOUT CREATING A DEPENDENCY GREATER THAN THE VALUE IT BRINGS.

GC-104-D24 — THE CRITERIA FOR AN ECONOMIC PARTNERSHIP ALIGNED WITH THE GC SYSTEM

12.13 Transaction Transparency Must Accompany Increasing Complexity in Value Sharing

As several participants receive a share of the same transaction, the ability to understand and verify the distribution becomes essential. A club must be able to know which sales are attributed to it and what compensation it receives. A Regional Center must be able to distinguish billable interventions from functions covered by the network. The GC Back-End must be able to reconcile payments, costs and responsibilities.

This visibility becomes difficult to maintain manually as volume grows.

The digital architecture described in the previous chapter will therefore need to progressively automate part of the calculations and settlements. Each transaction can be connected to the product, club, Regional Center, payment method and applicable value-sharing rules.

This traceability has significant economic value because it reduces errors, disputes and administrative time. It also improves trust among participants.

Transparency does not necessarily mean that every participant must know every margin and contract in the system. It means that each should be able to understand the portion of the economics that concerns them and the rules by which it is calculated.

12.14 The Network Must Limit Excessive Commercial Dependencies

Concentration can produce important economies. A principal supplier may offer better prices. A single logistics partner can simplify operations. A major product family may generate a large portion of revenue. But that concentration simultaneously creates risk.

If too much revenue depends on a single product, a market change can affect the entire network. If a critical component comes from only one manufacturer, an industrial or commercial problem can interrupt availability. If one platform controls an essential digital function, a change in pricing or conditions can rapidly alter the economics.

Diversification must therefore be applied not only to revenue, but also to dependencies.

This does not mean artificially maintaining several suppliers for every element. Duplication also has a cost. The level of diversification should be proportionate to the criticality of the function and the consequences of an interruption.

For the most important capabilities, GC should progressively understand the possible alternatives, retain the necessary specifications and avoid allowing certain essential knowledge to remain solely with an external partner.

Commercial resilience therefore lies in the ability to collaborate deeply without becoming unable to continue when the relationship changes.

12.15 Network Commerce Must Become a Loop of Collective Reinforcement

When the different components work properly together, network commerce can create an economic mechanism far more powerful than a succession of independent sales.

Clubs progressively aggregate demand. That demand allows GC to negotiate more effectively with manufacturers and forecast volumes more accurately. Better terms improve product economics and can free resources for service. Better service strengthens the confidence of clubs and golfers. That confidence encourages adoption of new components. Increased volume, in turn, improves the utilization of Regional Centers and GC Back-End capabilities.

A loop then appears:

greater participation → greater volume → stronger Shared Capabilities → better economic proposition → greater value for clubs → greater participation.

This loop should not, however, be assumed to occur automatically. It works only if the gains created by the network are redistributed sufficiently for participants to want to continue strengthening it.

If every economy of scale is captured entirely at the top, clubs eventually begin to see the network as just another intermediary. If all value is redistributed without retaining enough resources to finance Shared Capabilities, the GC Back-End and Regional Centers become unable to improve their capabilities.

The architecture of commissions and partnerships must therefore maintain this balance.

Commerce then becomes one of the principal mechanisms through which the principle **"The whole is greater than the sum of its parts"** can take concrete economic form. An isolated club possesses a certain purchasing power, customer base and capability. Several coordinated clubs can create volumes, data and needs substantial enough to justify capabilities that none of them would have an economic reason to build alone.

Manufacturers gain organized access to a network of clubs. Regional Centers gain sufficient volume to justify their expertise. Clubs obtain a differentiated channel and economic participation. Golfers benefit from a more coherent and supported offering. The GC Back-End can finance the infrastructure that allows these relationships to continue developing.

The model therefore does not seek to determine which participant should capture the largest share of every transaction. It seeks to create a distribution in which each retains enough value to continue fulfilling and improving its function.

This logic must remain visible as GC grows. Growth could make it tempting to open faster commercial channels or reduce redistributed shares in order to increase central profitability. Some decisions might appear highly attractive in the short term while progressively destroying the alignment that allowed the network to be built.

Economic discipline therefore consists of protecting the network logic even as the organization gains greater commercial power.

The guiding principle of this chapter can therefore be stated as follows:

GC commerce must transform the collective strength of clubs, suppliers, Regional Centers and the GC Back-End into a shared economic capability, rather than turning these participants into a succession of intermediaries each seeking to extract the maximum from the same transaction.

The next chapter can now examine one of the most sensitive questions in this commercial architecture: how to establish prices, understand costs, protect margins and economically position GC products and services without losing the balance among accessibility, quality and reinvestment capacity.

CHAPTER 13

PRICES, COSTS, MARGINS AND ECONOMIC POSITIONING

13.1 Price Must Reflect Value, Finance an Architecture and Remain Acceptable to the Market

Price is one of the most visible points where the value created by an activity meets its economic model. For the golfer or the club, it represents the amount they must be willing to pay. For GC, it must simultaneously cover a succession of costs, compensate the participants who contribute to value creation, protect certain future obligations and leave enough resources to support the evolution of the system.

This dual function explains why price cannot be determined simply by adding a standard percentage to the purchase cost. Such a method may provide an initial reference, but it does not answer several essential questions. Does the resulting price correspond to the value perceived by the user? Does it allow the club to retain sufficiently attractive economics? Does it properly finance service

and warranty? Does it remain competitive with alternative solutions? Does it leave the network enough resources to continue developing Shared Capabilities?

Price must therefore be examined from several directions at once. Cost establishes an economic floor below which the activity becomes difficult to sustain. The value perceived by the user establishes an upper limit beyond which adoption becomes uncertain. The market provides reference points. GC positioning ultimately determines where, between these constraints, the product or service should be placed.

A sound pricing policy therefore does not systematically seek the highest price the user might accept. It seeks the price capable of maintaining a durable relationship among perceived value, club economics, network capacity and the desired market position.

13.2 Full Cost Must Precede Any Conclusion About Margin

A margin has meaning only if the cost against which it is measured represents, with sufficient accuracy, the resources actually consumed by the activity. This distinction has already been introduced for physical products, but it must now be generalized across the entire GC model.

The cost of a product obviously includes its supplier price, but it may also include transportation, import fees, warehousing, handling, preparation, delivery, warranties, parts and part of the service function. The cost of a rental includes the asset itself, but also maintenance, cleaning, recharging, capital tied up and economic depreciation. A digital service must finance its development, hosting, security, support and evolution.

The more functions GC integrates, the more important it will become to distinguish costs that can be directly attributed to an activity from those that belong to the Common Infrastructure of the network.

This distinction helps avoid two errors. The first would be to underestimate the cost of an activity by assigning to it only its most visible expenses. The second would be to arbitrarily allocate too large a portion of common costs to the activity and conclude that it is not viable even though it contributes reasonably to financing Shared Infrastructure.

The model must therefore evolve toward a view with several levels: direct cost, variable cost, contribution to common costs and full economic cost.

This progression will make it possible to determine much more precisely what each activity actually leaves available to the system.

13.3 Fixed and Variable Costs Do Not Respond to Growth in the Same Way

A large part of the GC economic model will depend on how costs behave as volume increases. Some costs rise almost directly with every product sold or every transaction completed. Others change very little while activity remains within a certain range.

The purchase cost of a physical unit is generally variable. Payment fees often follow the number or value of transactions. Certain commissions increase with sales. By contrast, warehouse rent, part of the GC Back-End staff or a software platform are more fixed within a given level of capacity.

This distinction helps explain why an activity may be unprofitable at low volumes while still having attractive unit economics. Early sales must absorb a large proportion of fixed costs. As volume increases, those same costs can be spread over more units and profitability can improve.

But fixed costs do not remain fixed forever. When the warehouse becomes too small, when a new Regional Center must be opened or when an additional team becomes necessary, a new cost level appears.

GC's economic growth will therefore probably consist of capacity plateaus, each with a relatively stable cost level until a new infrastructure investment becomes necessary.

Understanding these thresholds will be essential to avoid treating as permanent a margin that exists only immediately before a significant new investment.

13.4 Gross Margin Tells Only Part of the Story

Gross margin is a useful indicator because it generally measures what remains from revenue after the costs directly associated with the product or service. It helps compare certain activities and determine whether their fundamental economics are sufficiently sound.

But it can become misleading when used alone.

A product may show an excellent gross margin while simultaneously requiring substantial inventory, costly warranties and significant technical service. A digital activity may show a high gross margin after hosting costs while still requiring continuous development. A rental activity may generate substantial gross revenue while tying up capital for several years.

Gross margin must therefore be followed by a second question: **what must this margin still finance?**

It may need to contribute to Partner Club costs, Regional Centers, the GC Back-End, reserves, technologies, administrative staff and future development. What remains after these functions are funded is far closer to the final economic contribution.

GC-104 must therefore never imply that a high commercial margin automatically means a high profit. Between the two lies the entire architecture that makes the activity possible.

13.5 Contribution Margin Helps Reveal What Each Activity Actually Brings

Contribution margin becomes particularly useful when an organization operates several activities that share certain fixed costs. It seeks to determine what remains from revenue after the costs directly and variably associated with that activity, in order to understand how much it contributes toward financing common resources.

This measure can become very important for GC.

One product family may generate a high contribution and help finance part of the GC Back-End. Another activity may generate a lower contribution but use very few additional resources because it relies on infrastructure that already exists. A digital service may add incremental revenue at limited marginal cost once its principal development has already been financed.

Contribution margin therefore helps answer the following question:

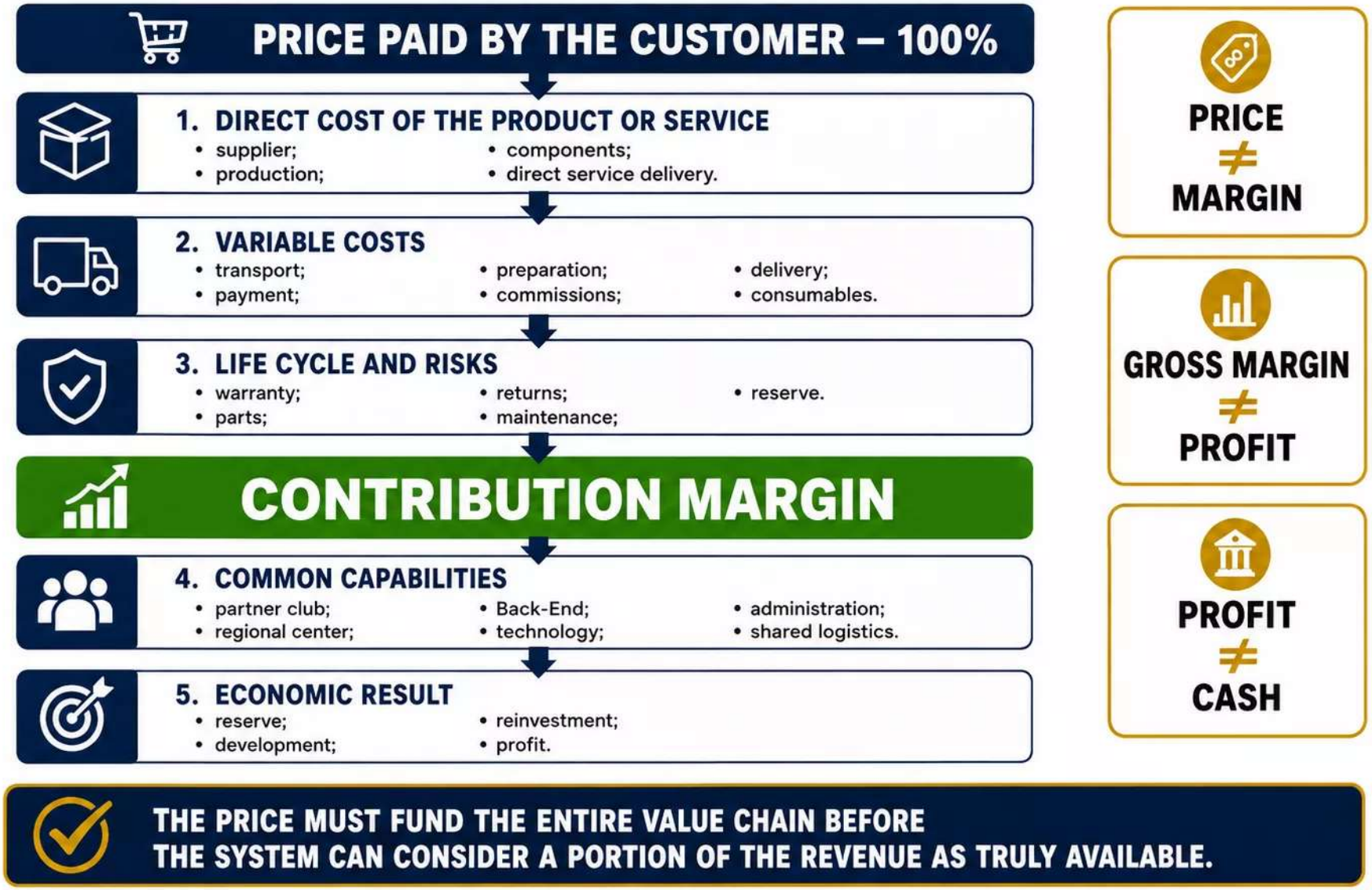
If we add more of this activity, how much additional resource actually remains available to finance the rest of the system?

It also helps identify dangerous activities. If each additional unit consumes more resources than it provides, increasing volume mechanically worsens the economics.

This measure should not replace full profitability analysis, but it provides an essential bridge between unit economics and the overall economics of the network.

GC-104-D25-FROM-THE-SALE-PRICE-TO-THE-MARGIN-REALLY-AVAILABLE-IN-THE-GC-SYSTEM-EN

Show that the price paid by the customer does not correspond to an available margin and that a succession of costs and allocations must be funded before determining the real economic contribution of an activity.



13.6 The Minimum Economic Price Is Not Necessarily the Right Market Price

Once full cost is understood, GC can begin to estimate the minimum price required for an activity to remain sustainable. But that result alone is not enough to determine the commercial price.

If the minimum economic price exceeds the value the market assigns to the function, the problem cannot be solved simply by asking the customer to pay more. The cost, design, service model or sometimes the relevance of the activity itself must be reconsidered.

Conversely, if perceived value is significantly greater than economic cost, GC has more pricing room. It can choose to use that room to increase margin, provide more value to the club, make the product more accessible or finance a higher level of service.

The difference between cost and value therefore creates a decision zone.

That zone must be used with discipline. An organization that continually prices just above cost risks underfunding its growth and retaining little protection against unforeseen events. An organization that systematically charges the maximum customers appear willing to pay may attract more competition and weaken the perception of fairness within the network.

The right price must therefore lie within a range that is economically defensible and commercially credible.

13.7 Economic Positioning Must Be Consistent With the GC Promise

Price communicates something even before a product is used. A very low price may suggest an economical or promotional offering. A high price may create expectations of quality, service, durability and differentiation.

GC must therefore define precisely the position it wishes to occupy for each category of products and services.

It would probably be inconsistent to build a network that includes service, warranties, Partner Clubs, Regional Centers and technical support while systematically positioning products as the cheapest on the market. This architecture has a cost and must create corresponding value.

Conversely, building a more complete architecture does not automatically justify luxury positioning. Function remains central. A simple product can fully meet GC standards without seeking to become premium through price alone.

Positioning can therefore vary by category, but it must remain compatible with one general idea: provide enough value to justify the price and enough support so that the customer is not simply purchasing a brand promise.

The GC System should seek positioning based more on the relationship among function, quality and support than on artificial prestige inflation.

13.8 The Reference Price Must Protect Value Without Eliminating All Local Flexibility

As several clubs begin to sell or operate the same products, the network will need sufficiently coherent price references to avoid internal contradictions.

A recommended price or common pricing policy can help protect required margins, prevent clubs from competing unnecessarily with one another and maintain a stable perception of value. This coherence is particularly important when golfers can easily compare prices among different clubs or with a GC digital platform.

Local realities will nevertheless continue to require some flexibility. Taxes, regional costs, promotions, included services, rental conditions and certain market characteristics may justify differences.

The pricing policy should therefore define what must remain common and what may vary.

For certain products, pricing coherence may be relatively strict. For other services, a price range or set of parameters may be more appropriate.

The objective is to preserve coherence of value, not to mechanically impose the same number in every situation.

13.9 Discounts Must Respond to an Identifiable Economic Reason

Price reductions can be useful. They can support a product launch, accelerate the movement of inventory, encourage a pre-order, reward volume or help test market sensitivity.

They become dangerous when used without sufficiently clear logic.

Frequent promotions quickly teach customers that the regular price is not the real price. They reduce margin, can create tension among clubs and make planning more difficult. They can also hide a more fundamental problem: if a product sells only under permanent discount, the original positioning or perceived value needs to be reassessed.

Every discount should therefore serve an economic function: reduce a cost, change a behavior or accelerate a decision that is useful to the system.

An early deposit may justify a discount because it improves working capital. A large order may reduce processing and transportation costs. An end-of-season promotion may free tied-up capital before a new version arrives.

In each of these cases, the price reduction receives something in return.

The network should avoid discounts that simply surrender part of the value without improving any other dimension of the model.

13.10 Price Must Include the Value of Service When Service Is Part of the Promise

A product supported by a parts network, a clear warranty and a Regional Center does not offer exactly the same economic proposition as a product sold without meaningful after-sales infrastructure.

That difference should be recognized in the price when the market sufficiently perceives the corresponding value.

This does not mean arbitrarily adding a "service premium" to every product. It means integrating the costs required by the model and demonstrating to the customer why the complete offering provides greater value.

The challenge is significant because service is often invisible at the time of purchase. A consumer can easily compare two prices, while future parts availability or repair speed is much more difficult to compare.

The network must therefore learn to make this value understandable without turning communication into a defensive argument.

As GC accumulates real data on service times, parts availability, useful life and warranties, this proposition can increasingly be supported by observed results.

Price then becomes the reflection of a supported life cycle, not merely of an object delivered.

13.11 Club Costs Must Be Integrated Into Pricing Decisions

The final price is not only a decision between GC and the golfer. When the club plays a role in the sale or operation, its economics must be considered from the beginning.

A club that assigns staff to a demonstration, rental or product management bears a cost. If it does not receive enough value to cover that function, it may eventually reduce the effort devoted to the activity or abandon the service altogether.

Price and margin must therefore leave enough room for local contribution.

This becomes particularly important when the club directly operates the asset. A rental rate that is too low may seem highly attractive to the golfer while making it impossible to recover the capital and finance maintenance. A rate that is too high may reduce utilization and produce the same result through another mechanism.

The right policy should therefore seek to optimize the value created over the entire season, not simply revenue per transaction.

In many cases, Pilot Clubs will help reveal the real balance among price, utilization, local cost and satisfaction.

13.12 Prices Must Be Able to Evolve as Costs and Knowledge Change

A durable pricing policy does not mean that a price must remain unchanged for several years. Supplier costs, exchange rates, transportation, wages, technologies and volumes evolve. Knowledge of the product itself can also change the economics.

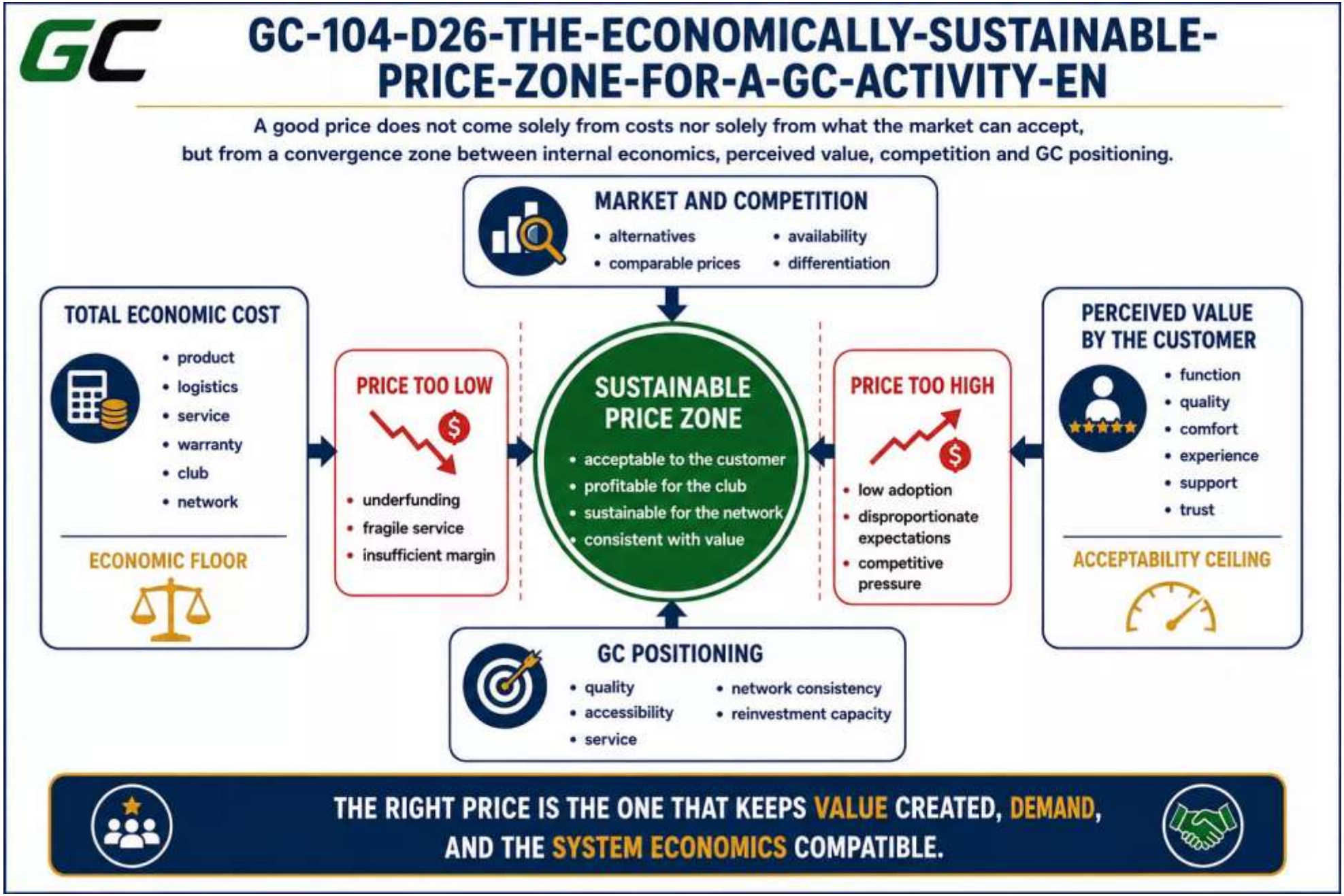
During the early stages, some prices will necessarily be built from assumptions. After several seasons, GC will better understand warranty costs, useful life, maintenance costs, inventory turnover and user sensitivity.

Price must be able to incorporate this learning.

This does not mean prices should be changed continuously. Excessive instability makes planning difficult for clubs and can weaken customer confidence. Adjustments should be grouped and explained whenever possible.

The network should also distinguish temporary variations from structural changes. A short-term increase in transportation does not necessarily justify permanently changing the entire pricing structure. Conversely, a lasting increase in the cost of a critical component must be recognized.

Pricing policy should therefore remain stable in principle and adaptable in its parameters.



GC-104-D26 — THE ECONOMICALLY SUSTAINABLE PRICE ZONE OF A GC ACTIVITY

13.13 Volume Must Never Be Used to Excuse Weak Unit Economics

One of the most dangerous ideas in growth models is accepting weak economics per unit on the assumption that future volume will eventually solve the problem.

This strategy can work when initial losses come mainly from fixed costs that will genuinely be spread across more units. It does not work when each new transaction itself produces a negative contribution.

If a product sells for $100 but consumes $110 in variable costs and obligations directly associated with each sale, selling ten times more does not create economies of scale; it multiplies the loss.

The distinction may appear obvious, but it can become difficult to see when several levels of cost are mixed together.

GC-104 must therefore impose a simple discipline: before using volume to justify significant development, GC must understand what happens to the economics of each additional unit.

Growth can improve purchasing, logistics and utilization of fixed resources. But it should never become an argument for indefinitely postponing proof that the activity can truly contribute to its own financing.

13.14 Economic Positioning Must Resist the Pressure of Growth

As GC begins to achieve greater volume, two opposite temptations may appear. The first is to reduce prices aggressively to accelerate adoption. The second is to increase margins in order to benefit from newly acquired market power.

Either approach may sometimes be justified, but neither should become automatic.

Economies of scale may allow part of the gains to be shared with clubs and golfers while still improving profitability. Such a strategy can make the network more attractive and strengthen its base.

But some of the gains must also be retained to finance future capabilities. A network that immediately redistributes all productivity gains through lower prices may become unable to invest in service, Regional Centers or technology.

Conversely, capturing every economy of scale entirely at the central level may prevent partners from perceiving the collective benefits they helped create.

Economic positioning should therefore maintain the balance defined by the Inverted Pyramid: network gains must simultaneously strengthen the base and the Common Infrastructure.

13.15 Price Becomes an Instrument of Economic Architecture

At first glance, price may appear to be an outcome: calculate costs, observe the market and set an amount. In an integrated economic architecture, it becomes much more than that. It determines how part of the value created will be transformed into usable resources for the club, the Regional Center, the GC Back-End and the other participants in the network.

An insufficient price can weaken an activity that nevertheless appears popular. The product sells, but the margins do not make it possible to keep the necessary parts, finance warranties or compensate the club properly. Growth then increases the number of users faster than the capacity to support them.

An excessive price creates another imbalance. The theoretical margin may appear attractive, but adoption declines, capital remains tied up in inventory and competitors gain more room to offer alternatives.

Price must therefore be treated as a balancing instrument among several constraints that evolve over time.

This approach assumes that GC will progressively improve its understanding of costs. Initial estimates must be replaced by real observations. Warranties must be measured. Inventory turnover must be tracked. Regional Center costs must be allocated with

sufficient accuracy. Digital and administrative costs must be understood. Clubs must be able to indicate what certain operations actually require in time and resources.

From these data, margin will no longer be simply a percentage displayed in a spreadsheet.

It will become a measure of the activity's ability to finance its responsibilities.

The same reasoning applies to positioning.

GC does not need to be systematically the least expensive or the most expensive. The desired position should be the one in which function, quality, service and economics remain coherent enough for the customer to understand what is being purchased and for the network to fulfill what it promises.

This discipline also makes industrial evolution easier to manage. When higher volume or manufacturing integration reduces certain costs, GC can decide how to use that improvement. One portion can improve network margin. Another can increase the club's margin. Another can be transferred to the customer through a more competitive price or better function. Another can finance additional quality or service.

Cost therefore does not automatically dictate price; it creates room for strategic choice.

Within that room, the GC System must learn to balance accessibility, profitability and reinvestment capacity.

The guiding principle of this chapter can therefore be stated as follows:

a GC price is economically sound when it remains acceptable to the user, properly compensates the functions that create value, covers full cost and leaves the system enough capacity to honor its commitments and finance its evolution.

This definition moves beyond the simplistic question of the desired margin percentage. Margin is not an isolated objective. It is the mechanism through which part of the revenue remains available to finance present responsibilities and future capabilities.

The next chapter can therefore examine this question more directly by analyzing unit economics and the contribution of each activity. It will seek to determine, activity by activity, what an additional sale, rental, service or transaction truly contributes to the GC System before volume and common costs modify that picture.

CHAPTER 14

UNIT ECONOMICS AND THE CONTRIBUTION OF EACH ACTIVITY

14.1 Understanding What an Additional Activity Actually Contributes to the System

The preceding chapters established that revenue, gross margin and even volume growth are not enough to demonstrate that an activity truly contributes to the economic strength of the GC System. A company can sell more, process more transactions or add more clubs while progressively consuming more resources than it creates.

Unit economics makes it possible to examine this reality at its most basic level.

The starting question is simple:

What happens economically when GC performs one additional unit of activity?

That unit may be a product sold, a rental, a repair, a digital transaction, a subscription, an order processed or any other operation sufficiently repeatable to be measured.

From the revenue it generates, the costs directly created by that unit must be deducted in order to determine what it truly leaves available to finance the network's Shared Capabilities.

This analysis is particularly important in a multi-activity system. Two activities each generating $1 million in annual revenue may produce completely different contributions. One may require substantial inventory, service and commissions. The other may rely mainly on digital infrastructure already built and leave a much larger proportion of its revenue available to finance the GC Back-End.

Conversely, a low-margin activity can remain highly attractive if it uses little capital, turns over quickly and reinforces several other functions. Unit economics should therefore never be reduced to a search for the highest margin percentage.

It seeks to measure the **economic quality of repetition**.

If every new unit progressively strengthens the system, volume can become a growth engine. If every new unit adds more obligations than capacity, growth amplifies a weakness.

14.2 The Economic Unit Must Be Defined Correctly Before It Can Be Measured

Not all GC activities have the same relevant unit. For a product sold, the natural unit may be the product itself. For a rental fleet, a round or a rental day may be more useful. For a technical service, the intervention may become the unit. For a digital function, the unit may be an active club, a user, a subscription or a transaction.

Choosing the unit is not merely an accounting matter. It determines how the activity will be understood.

A fleet analyzed only by vehicle could appear unprofitable if the number of rentals produced by each unit is ignored. A digital platform evaluated only by club could conceal major differences between a club using only a few functions and another processing several thousand transactions. A service activity analyzed only by repair could become difficult to compare if some interventions take a few minutes and others several hours.

Several complementary units may therefore be necessary.

For a rental activity, GC may track revenue per rental, per asset and per season. For a physical product, it may observe contribution per unit, per product family and per dollar of tied-up capital. For a Regional Center, it may measure contribution per intervention while also observing overall utilization of the capacity.

The objective is to choose a unit sufficiently close to economic reality to answer a specific question.

A sound economic unit makes visible the relationship among activity, resources consumed and value created.

14.3 Unit Revenue Must Be Distinguished From the Amount Flowing Through the Transaction

The first figure associated with a unit is generally its price. But, as established earlier, the price paid by the user does not necessarily correspond to the economic revenue that belongs to GC.

A product sale may include a portion for the club, taxes, payment fees, supplier cost and different service obligations. A digital transaction may process a substantial amount even though GC retains only a small portion in the form of a fee or commission. A rental operated directly by the club may create significant local value without all of that revenue flowing back to the GC Back-End.

Unit economics must therefore begin by determining what revenue truly belongs to the activity being analyzed.

This rigor will become particularly important when GC eventually presents financial results or forecasts to financial partners and investors. Gross transaction volume can demonstrate the economic activity facilitated by the network, but it should not be presented as though it were entirely GC revenue.

A well-designed data architecture should progressively make it possible to distinguish:

- total transaction value;
- revenue attributable to each participant;

- variable costs;
- available contribution;
- associated cash flows.

This distinction is the first step toward comparing activities correctly.

14.4 Variable Costs Reveal What Repetition Consumes

Once revenue has been identified, the analysis must isolate the costs that increase directly or almost directly when an additional unit is produced.

For a physical product, these costs may include supplier price, part of transportation, certain payment fees, the club commission, preparation, certain warranty provisions and other expenses directly tied to the transaction.

For a rental, they may include cleaning, energy, certain consumables, transaction fees and wear associated with use.

For a repair, parts and directly used technical time become particularly important.

For a digital transaction, variable costs may be very low in absolute terms but can include payment, processing or technology-provider fees.

This view reveals what growth automatically reproduces.

If one additional unit generates $100 in revenue and $60 in variable costs, it leaves $40 before fixed and common costs. If it generates $100 in revenue but $105 in variable costs, the problem already exists at the most fundamental level of the activity.

The central structure, future volume or commercial optimism cannot sustainably correct an activity in which every repetition destroys more value than it creates.

14.5 Contribution Margin Connects the Unit to the Common Architecture

Contribution margin represents what remains from revenue after the directly variable costs of the activity. This amount is not yet profit. It is the resource the activity contributes toward fixed costs, Common Infrastructure, reserves and eventually the economic result.

This distinction is essential for GC because many functions will be shared.

A developer, warehouse, Regional Center or digital platform cannot always be attributed directly to a single unit. Their financing must come from the accumulated contribution of several activities.

The question then becomes:

How many units are required for their accumulated contributions to finance the capacity needed to support them?

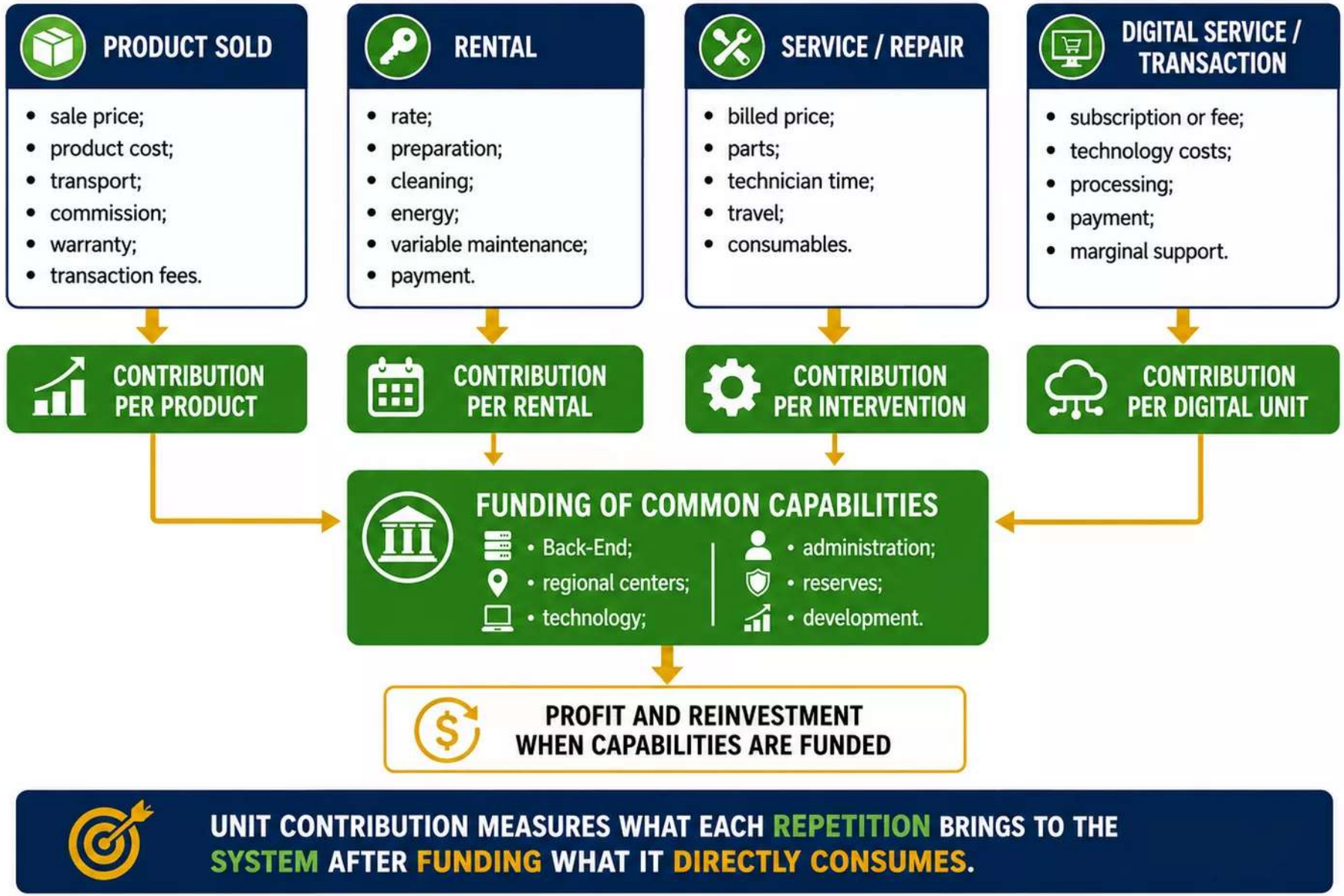
This relationship naturally leads toward the break-even point. But even before reaching that threshold, contribution margin helps compare the economic quality of different activities.

An activity with a high contribution may finance part of the Shared Capabilities more quickly. An activity with a lower contribution may nevertheless remain attractive if its volume is high, if it requires very little additional capacity or if it strengthens other functions of the system.

Contribution should therefore be analyzed in dollars, as a percentage and in relation to the capital or capacity it mobilizes.

GC-104-D27-FROM-THE-ACTIVITY-UNIT-TO-THE-GC-CONTRIBUTION-MARGIN-EN

Show how each sale, rental, service, or transaction must be broken down in order to determine what it really contributes to the funding of the common capabilities of the GC System.



14.6 The Unit Economics of a Product Must Include More Than Its Commercial Margin

For a physical product, the analysis may appear relatively simple: selling price minus purchase cost. But that difference is only a first approximation.

The product must be transported, sometimes assembled or prepared, sold through a Partner Club, protected by a warranty and supported throughout its life. Some expenses are known at the time of sale, while others must be estimated based on probability.

Unit economics become progressively more accurate as the network accumulates data. GC will be able to understand the real average warranty cost by model, average preparation time, frequency of damage, logistics cost per unit and commissions actually paid.

This knowledge will allow products that appear similar to be compared even when their economics are very different.

A product generating $800 of commercial margin but consuming $400 in service, warranty and logistics may be less attractive than another generating only $650 of commercial margin while requiring almost no intervention.

Unit economics therefore shift the discussion away from the displayed margin percentage toward the economic contribution actually obtained.

14.7 Rental Unit Economics Must Be Measured at Several Levels

Rental requires a different approach because the capital is not recovered through a single transaction. Each use generates a small portion of the revenue required to finance the asset.

The most immediate unit is therefore the rental itself.

GC or the club can measure the rate charged, payment fees, preparation time, cleaning, energy and an estimate of the wear associated with each use. The result provides a contribution per rental.

But that information must then be compared with the number of rentals generated by the asset during a season.

Equipment generating a net contribution of $30 per rental and used 200 times produces completely different economics from the same equipment used only 40 times.

The third level consists of comparing annual contribution with the capital invested in the asset. This progressively makes it possible to estimate how many seasons are required to recover the investment and what return may be achieved after that recovery.

Rental economics must therefore be examined through three complementary questions:

How much does each use contribute, how many uses does the asset generate, and how much capital must be tied up to generate those uses?

14.8 Service Economics Must Distinguish Productive Capacity From Billable Time Alone

For a repair or technical intervention, economics could be calculated by comparing the hourly billing rate with the technician's wage. That method would remain very incomplete.

The technician requires a location, tools, training, diagnostic systems, documentation and sometimes a vehicle. Part of the technician's time is not billable: receiving equipment, searching for parts, administration, training or periods without active interventions.

The true cost of one productive hour is therefore higher than the simple hourly wage.

As Regional Centers develop, GC will need to track the utilization rate of their technical capacity. A technician occupied almost entirely with useful interventions has different economics from a specialized resource used only a few hours per week.

This does not mean seeking maximum utilization at all times. Some available capacity is necessary to respond quickly to problems. But chronic underutilization may indicate that a function was regionalized too early or that several responsibilities should still be combined.

Service economics must therefore consider the productivity of the complete technical capability rather than only the price of a billed hour.

14.9 Digital Economics Are Characterized by High Initial Cost and Sometimes Low Marginal Cost

Digital functions often produce an economic structure almost opposite to that of physical products. Software development may require substantial investment before the first transaction occurs, while the cost of serving one additional user can later become relatively low.

This characteristic creates significant scale potential.

A platform costing $500,000 to develop may appear extremely expensive when it serves ten clubs. The same infrastructure used by five hundred clubs has completely different average economics, provided support, hosting and customization do not increase in the same proportions.

Digital unit economics must therefore distinguish marginal cost from average cost.

Marginal cost helps determine what one additional user or transaction costs. Average cost reminds the organization that the initial investment must also be recovered or justified by savings created elsewhere.

This distinction also prevents the conclusion that a digital service that costs very little to reproduce can be sold at any price. Pricing must remain linked to the value created and the intended positioning.

The economic advantage of digital technology lies mainly in its ability to increase the number of activities supported faster than certain Common Infrastructure costs increase.

14.10 Capital Employed Must Be Added to the Contribution Analysis

Two activities producing the same annual contribution may have very different economic qualities if one requires ten times more capital than the other.

A product sold quickly may generate an attractive contribution while tying up capital for only a few weeks. A rental fleet may generate the same annual contribution but tie up the investment for several years. A digital activity may require significant development investment before producing revenue and then operate with relatively little additional capital.

Unit economics should therefore progressively be connected to the capital required to generate the contribution.

This perspective is particularly useful when GC must choose among several investment opportunities. An activity producing $100,000 in annual contribution from $200,000 in capital has a very different dynamic from an activity requiring $2 million to produce the same contribution.

This does not mean the first is automatically superior. Duration, risk, strategic capability and future potential may alter the decision. But the cost of capital must never disappear from the analysis simply because an activity is profitable on paper.

Capital is a limited resource. Every dollar tied up in one activity is temporarily unavailable for another.

14.11 The Speed of Capital Recovery Strongly Influences Growth Capacity

The relationship between contribution and capital naturally introduces another variable: time.

A significant margin recovered several years after the initial investment does not have the same economic value as a more modest contribution recovered quickly and reinvested several times.

This reality is particularly important for a company in development. The speed at which capital returns to the system directly influences its ability to finance the next order, the next region or a new function.

Fast-turning physical products can therefore become powerful cash-flow engines when properly financed. Conversely, large slow-moving inventories can slow the entire organization even when they remain theoretically profitable.

The same logic applies to rental assets. A fleet capable of recovering its initial cost quickly can later generate far greater reinvestment capacity than a model requiring several seasons to reach break-even.

GC-104 must therefore observe not only how much an activity earns, but also how long it uses capital before returning it to the system.

14.12 An Activity Can Contribute Indirectly Without Hiding Weak Economics

Not every component of the GC System will create value in a perfectly independent way. Some activities may improve the economics of others.

A product may attract golfers to a shop and increase accessory sales. A fleet may strengthen the club experience and make adoption of other services easier. A digital platform may reduce the administrative costs of several functions without generating enough direct revenue to cover all of its development.

These indirect effects should be recognized.

But they must also be used carefully. An organization can easily justify a loss-making activity by assigning to it indirect benefits that are difficult to measure. If that reasoning is used too often, the real economics of the portfolio become impossible to understand.

GC must therefore progressively distinguish among three situations:

- an activity that contributes directly;
- an activity in which a significant share of the value is indirect but identifiable;
- an activity that continually consumes resources without creating enough direct or indirect value.

The third category must be capable of being reduced, transformed or abandoned.

Synergy must therefore remain a demonstrable economic explanation, not a permanent justification for weakness.

14.13 Internal Subsidies Must Be Deliberate, Limited and Strategic

During certain phases, it can be entirely rational for a mature activity to temporarily finance an activity under development. This is one of the advantages of a diversified system: existing revenue can make it possible to test new functions without systematically requiring new external capital.

This use must nevertheless be intentional and visible.

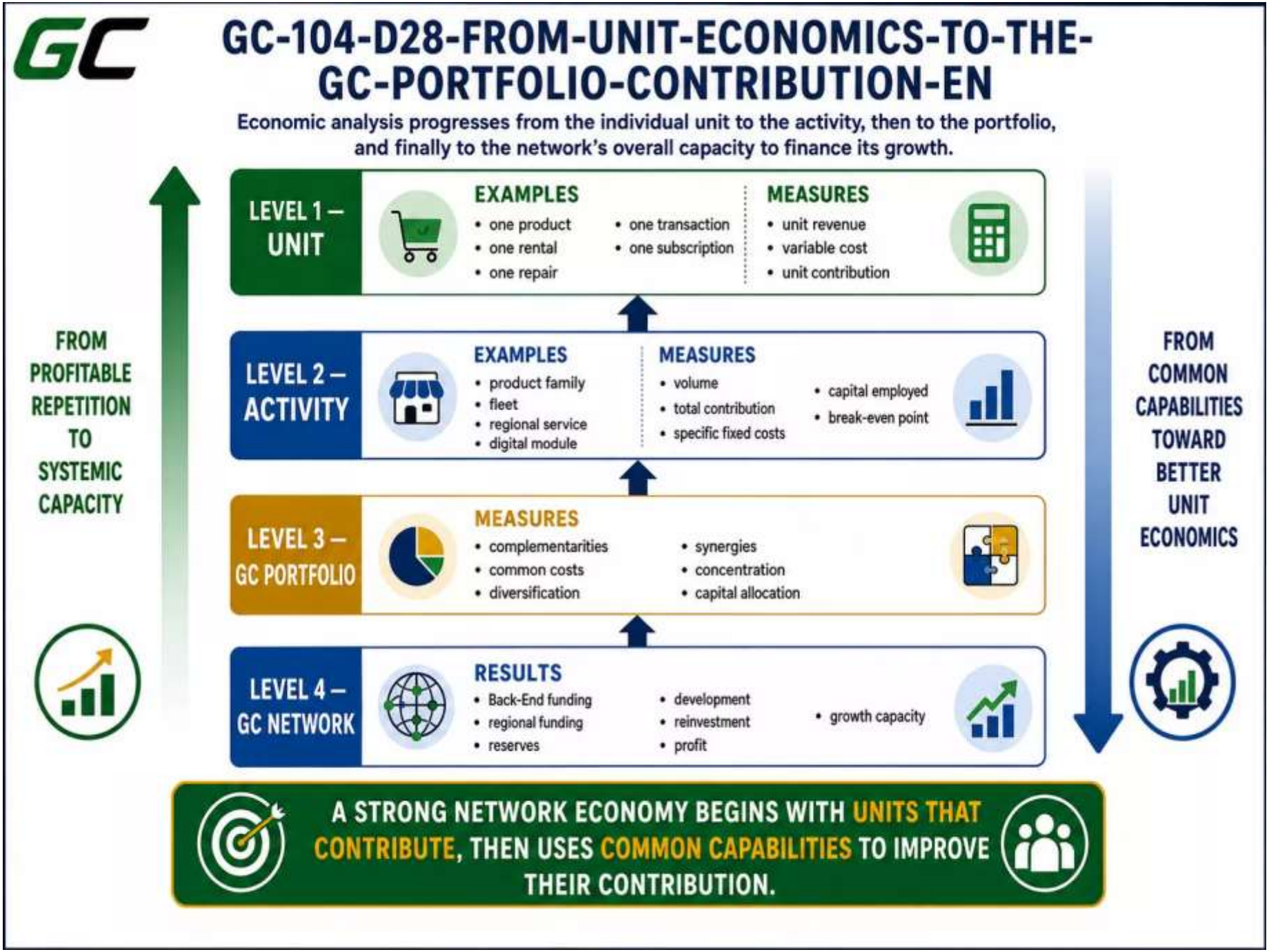
A new technology may require several years before reaching sufficient scale. A new product may carry high launch costs. A Regional Center may operate below its economic threshold during an initial phase while building its territory.

These situations are not necessarily problematic if their objective is clear and if conditions exist for evaluating progress.

They become dangerous when a loss-making activity is financed indefinitely by other activities without an explicit decision. The system then progressively loses the ability to know where value is actually being created.

An internal subsidy should therefore have a reason, a duration, an acceptable level and criteria for determining when it should decline or stop.

This discipline also protects strong-performing activities. Their contribution should be able to support system development, but it should not continually disappear into functions whose economic justification is never reassessed.



GC-104-D28 — FROM UNIT ECONOMICS TO THE CONTRIBUTION OF THE GC PORTFOLIO

14.14 Indicators Must Support Decisions, Not Merely Measurement

When several activities exist simultaneously, it becomes easy to produce a very large number of indicators. This abundance can create an impression of control while making decisions unnecessarily complicated.

The GC System should therefore select a limited number of measures capable of answering concrete economic questions.

For a product family, indicators may include revenue per unit, landed cost, contribution, inventory turnover, warranty cost and capital tied up.

For a fleet, utilization rate, contribution per rental, revenue per asset, maintenance cost and payback period become particularly useful.

For a service, productive time, contribution per intervention, return-to-service time and technical-capacity utilization may provide a sufficient view.

For digital functions, cost per club, cost per transaction, actual usage, administrative savings generated and contribution from paid modules can be monitored.

These data should be presented in a way that leads to action.

A declining margin should trigger investigation into why it is falling. Slower turnover should influence ordering. A heavily used fleet may justify additional assets. A little-used digital module may be simplified or removed.

The indicator is therefore not an accounting end in itself. It becomes a mechanism through which the system learns economically from its own operations.

14.15 From the Economics of Each Activity to the Economics of the Whole

Unit economics is one of the most important foundations of the GC model because it allows growth to be examined before it becomes hidden by the large numbers of the network.

When hundreds or thousands of transactions are grouped into financial statements, a highly profitable activity may temporarily compensate for another activity that is losing money. A positive overall result may therefore hide certain weaknesses. Conversely, a young organization may still show an overall loss even though several of its activities already have sound fundamental economics, simply because Shared Capabilities are not yet fully utilized.

The analysis must therefore work in both directions.

From the bottom up, GC must understand what each unit contributes and then what each activity produces at its actual volume. These contributions are then aggregated to finance Shared Capabilities and determine overall performance.

From the top down, the network must observe whether its Shared Capabilities progressively improve unit economics. Better procurement can reduce product cost. Better technology can reduce transaction cost. A well-utilized Regional Center can reduce service cost. Better information can reduce unnecessary inventory.

A true system economy appears when these two movements operate simultaneously.

The unit contributes to the network, and the network improves the economics of the unit.

This loop is far more important than seeking a maximum margin on each activity viewed in isolation. Different activities may produce different contribution levels because they serve different functions. What matters is that their economics are known and that the portfolio as a whole genuinely finances the responsibilities it creates.

This knowledge also becomes essential for future capital allocation.

If an activity demonstrates strong contribution, growing demand, rapid capital recovery and efficient use of Shared Capabilities, it becomes a natural candidate for acceleration. If another ties up substantial capital, produces little contribution and requires specialized resources that are difficult to share, its development must be approached much more cautiously.

Unit economics therefore becomes one of the tools for putting the Seven Steps into practice. It helps determine which activities deserve more capital, which still need to learn and which perhaps should not move to the next step.

It also protects the GC System from a common mistake in growing organizations: confusing greater volume with better economics.

Selling more is useful only if the additional sales contribute.

Renting more is useful only if utilization creates enough value after operating costs and capital.

Processing more digital transactions is useful only if the architecture does not consume more than it contributes or makes possible.

Adding more services is useful only if the corresponding capabilities are sufficiently utilized.

This discipline completes Part II of GC-104.

The overall revenue architecture showed where economic value can come from. Physical products showed how a transaction must be analyzed across the full life cycle. Rental, maintenance and support extended those economics over time. Digital services introduced a structure in which initial investment and marginal costs can evolve very differently. Network commerce defined how several participants can share value. Prices and margins established the conditions required for that architecture to remain sustainable.

Unit economics now brings these elements together around one common question:

What does each activity truly contribute when it is repeated?

The answer should progressively allow the GC System to build a portfolio in which activities are not merely numerous, but economically complementary.

The guiding principle of this chapter, and of all Part II, can therefore be stated as follows:

a GC activity deserves to grow when each additional unit creates enough contribution to finance what it consumes, participate in the Shared Capabilities it uses and leave the system a real possibility of reinvestment.

From this foundation, Part III can now shift the focus toward the Partner Club itself. It will no longer be enough to demonstrate that an activity has sound economics for GC. It will be necessary to understand how value is created and shared at the club level, which additional revenues may become available to it, which costs can be reduced and how the overall model can create durable economic alignment among the club, the Regional Center and the GC Back-End.

PART III

CREATING AND SHARING VALUE WITH CLUBS AND THE NETWORK

CHAPTER 15

THE PARTNER CLUB AS AN ECONOMIC ACTOR IN THE SYSTEM

15.1 The Club Is Not Simply a Customer of the GC System

The third part of GC-104 deliberately shifts the center of the economic analysis. Until now, the document has mainly examined revenue sources, product and service economics, costs, margins, transactions and the contribution of each activity. These

elements remain essential, but they are not sufficient to explain how value should actually circulate within a system built around Partner Clubs.

The club should not be considered simply as a customer to whom GC sells products, software or services. Nor should it become merely a point of sale whose primary function is to distribute an offering developed elsewhere. Within the GC architecture, the club is simultaneously an operating environment, an interface with the golfer, a producer of services, a user of the network's Shared Capabilities and an actor capable of participating directly in revenue creation.

This distinction profoundly changes the economic model.

When a club adopts a GC component, it can contribute through its facilities, personnel, relationship with golfers, local expertise, usage data and ability to operate certain assets. In return, the network must provide products, technologies, support, logistics, knowledge and economic opportunities that the club would have had greater difficulty developing on its own.

The relationship should therefore not be designed as a one-time transaction between a supplier and a buyer. It should progressively become an economic relationship in which the club participates in the creation, operation and sharing of value.

15.2 The Inverted Pyramid Takes on Its Economic Meaning at the Club Level

The principle of the Inverted Pyramid becomes credible only when it produces observable consequences in the economics of the club. It is not enough to state that clubs and golfers are the purpose of the system if most of the economic benefits created by the network are captured elsewhere without improving local capacity.

In a traditional economic pyramid, the point of sale often helps move value upward toward the levels that control the brand, distribution and capital. The GC System instead seeks to organize higher-level capabilities so that they strengthen local operations.

The GC Back-End can negotiate better conditions, manage digital infrastructure or develop common functions. The Regional Center can bring service, parts and certain technical capabilities closer to the field. Suppliers provide products and industrial expertise. But these levels achieve their economic purpose only when their capabilities produce a tangible improvement at the club level.

This improvement can take several forms: new revenue, reduced costs, better use of personnel, access to higher-performing equipment, less capital tied up, shorter delays, a better golfer experience or the ability to develop services that would have been difficult to offer independently.

The Inverted Pyramid therefore does not mean that all revenue must remain local. It means that the value captured by common network levels must help build capabilities that flow back sufficiently toward the club to strengthen its own economics.

15.3 The Club Brings Economic Assets to the Network That Already Exist

One of the principal strengths of the GC model is that it does not need to rebuild access to the golf market from the ground up. Each Partner Club already possesses important economic assets: a golf course, facilities, clientele, local reputation, staff, a pro shop, operations and an ongoing relationship with golfers.

Recreating these assets independently would require enormous capital.

The GC System can therefore develop by relying on local infrastructure that already exists, provided the relationship creates enough value for the club. This characteristic fundamentally distinguishes the model from a company that would need to open hundreds of its own points of sale, lease buildings, hire staff and acquire customers in every region.

The club also contributes something that is difficult to purchase: context. It knows its course, its members, its visitors, its peak periods, its constraints and its habits. It can determine much more quickly than a central organization whether a service genuinely addresses a need.

This proximity reduces part of the network's learning cost. Pilot Clubs can test products under real conditions, observe actual usage and provide information that theoretical studies would produce much less effectively.

The club's economic contribution is therefore not limited to the sales it generates. It brings the system assets, customers, field knowledge and an already established capacity for local learning.

15.4 The Partnership Must Create Better Economics Than Isolation

For a club to choose to integrate a growing portion of its activities into the GC System, it must be able to see that the relationship creates more value than remaining completely independent for the same functions.

This value does not need to come solely from a lower price. It may result from a combination of factors: better procurement, access to differentiated products, structured warranties, Regional Centers, common technologies, training, shared data, administrative simplification or new commercial opportunities.

The network is therefore not intended to systematically replace what a club already does well. If a club has an excellent supplier relationship, an efficient process or well-adapted technology, GC must demonstrate a real improvement before proposing its replacement.

This discipline protects the system against unnecessary centralization.

The Partner Club should be able to ask:

Does integrating this function into the network improve its economics, quality or capacity enough to justify the change?

If the answer is no, integration should not be imposed merely to increase central volume.

The partnership must therefore be based on an observable comparative economic advantage, not simply on the desire to consolidate more functions under the GC brand.

15.5 The Club Can Simultaneously Become a User, Distributor and Operator

A particular characteristic of the GC model is that the economic role of the club can vary according to the activity.

For certain products, the club may primarily act as a user. It purchases or operates equipment required for its own activities and benefits from the network's procurement, service and warranties.

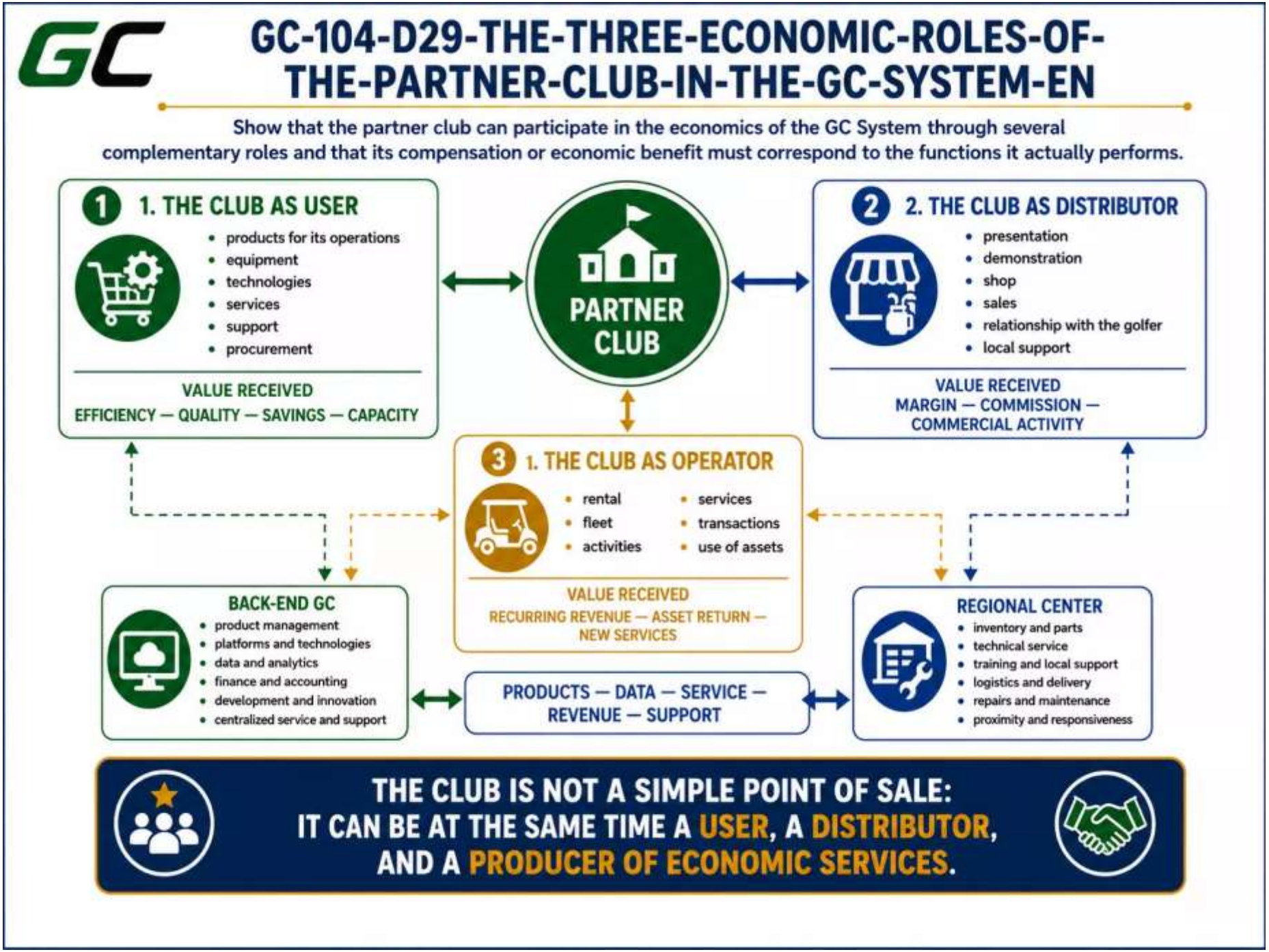
For others, it may become a distributor. The club's pro shop can present and sell a component intended for the golfer, then receive a margin or commission corresponding to its role.

In certain activities, the club can become a direct operator. A mobility fleet, rental service, tournament activity or another function can generate recurring local revenue from an asset or network capability.

These roles can be combined. The same club may purchase certain equipment for its operations, sell other products to golfers and operate a third category as a service.

This diversity must be reflected in the economic model. A single commission applied indiscriminately to every situation would not accurately represent the responsibilities and risks involved.

The club must therefore be recognized according to the economic function it performs in each activity, rather than according to a fixed category of "customer" or "reseller."



GC-104-D29 — THE THREE ECONOMIC ROLES OF THE PARTNER CLUB IN THE GC SYSTEM

15.6 The Club Must Be Able to Create Revenue Without Turning Its Operations Into a Permanent Commercial Activity

The possibility of generating new revenue can be attractive, but it should not overload staff or transform the club into a commercial organization disconnected from its primary purpose.

Golf remains at the heart of the operation.

GC products and services should ideally integrate into existing operations rather than require the creation of a large parallel structure. A mobility rental can, for example, be incorporated into the tee-time or reservation process. A product sale can be connected to the pro shop. A digital function can be integrated into tools already used by staff.

The more naturally an activity fits into club operations, the more attractive its economic contribution can become.

Conversely, a service generating a few thousand dollars but constantly requiring special attention, complex procedures and several hours of management may create little net value.

The model must therefore measure not only additional revenue, but the revenue generated relative to the additional operational effort required from the club.

The KISS principle becomes an economic rule here. A function that is simple to use has a much greater chance of being operated properly and creating durable value.

15.7 The Value of Local Staff Must Be Recognized Economically

A large portion of GC activities will, at one time or another, require human intervention at the club level. Staff may present a product, explain how it is used, prepare equipment, manage a rental, assist a golfer or perform a simple inspection.

That time has economic value.

It would be incorrect to calculate the profitability of an activity by assuming that existing staff can absorb every new responsibility at no cost. Even when no additional employee is hired, time assigned to one function necessarily replaces another possible use of that resource.

This does not mean that every minute must be measured with excessive precision. But recurring activities must be observed sufficiently to understand their real workload.

This discipline also makes it possible to improve processes. An activity that requires too much effort can be simplified, automated or transferred to the Regional Center. A rare function can remain manual. A highly frequent activity may justify better software integration.

Staff time therefore becomes an economic design variable rather than an invisible resource available without limit.

15.8 Additional Revenue Must Be Distinguished From Revenue That Has Merely Shifted

A new activity can appear to increase club revenue when it actually replaces another source of revenue that already existed.

This distinction is particularly important when a new product or service competes with an option already offered. A new mobility solution may partially replace the use of another vehicle. A new product category in the pro shop may take part of the sales from an existing category.

GC revenue should therefore not automatically be considered entirely incremental.

The net effect on the club's economics must be understood.

If a new activity generates $100,000 in revenue but reduces an existing activity by $60,000, its real contribution must be analyzed from the difference and from the respective costs.

This view prevents the value of the system from being overstated and supports better decisions regarding the mix of services offered to golfers.

Conversely, certain activities may create additional effects that are difficult to see immediately. Better mobility may allow some users to play more frequently. A better-organized tournament may increase food and beverage or pro-shop sales. A product sale may strengthen the relationship with the club.

The model must therefore distinguish among substitution, complementarity and genuine creation of additional revenue.

15.9 Healthy Local Economics Must Cover the Costs Actually Assumed by the Club

When a GC activity is operated locally, the club may bear several categories of cost: personnel, energy, space, cleaning, maintenance, insurance, capital tied up in assets or transaction fees.

Local compensation or margin must be sufficient to cover these functions and produce a real economic benefit.

This rule is important in order to prevent a situation in which the GC Back-End presents an activity as profitable simply because it does not directly bear certain costs that have been transferred to the club.

A rental fleet illustrates this reality clearly. Gross revenue may appear attractive, but local economics must include the cost of purchasing or financing the assets, preparation time, maintenance, recharging, space and wear.

The club must therefore be able to evaluate an activity through its own local economic account, distinct from that of the GC Back-End.

The GC System becomes genuinely aligned when the same operation can be understood simultaneously as profitable or value-creating for the product, the club and the network.

15.10 The Club Must Retain a Sufficient Share of the Savings It Helps Create

The economic value of the network does not come solely from direct revenue. A significant portion may result from savings achieved through pooling, technology, standardization or shared resources.

When several clubs enable GC to negotiate better conditions, part of those savings should flow back to them.

This redistribution can take different forms. The price of a product may decrease. The local margin may increase. A previously paid service may be included. The network may invest in a regional capability that reduces delays and costs for the club.

The precise form matters less than the principle.

If collective growth produces savings but those savings are entirely absorbed by the GC Back-End, clubs gradually lose the economic incentive to strengthen the network beyond their immediate interest.

Part of the network effect must therefore remain visible and perceptible at the local level.

This ability to return part of the value toward the base is what distinguishes the Inverted Pyramid from a simple consolidation of purchasing power.

15.11 Economic Participation Can Increase With the Level of Integration

Not all clubs will participate in the network at the same level, and their economics can therefore evolve according to their degree of integration.

A club using only one GC product will primarily benefit from the economics associated with that component. Another using several products, the GC CRM, payments, certain regional services and commercial activities may create more value through the network.

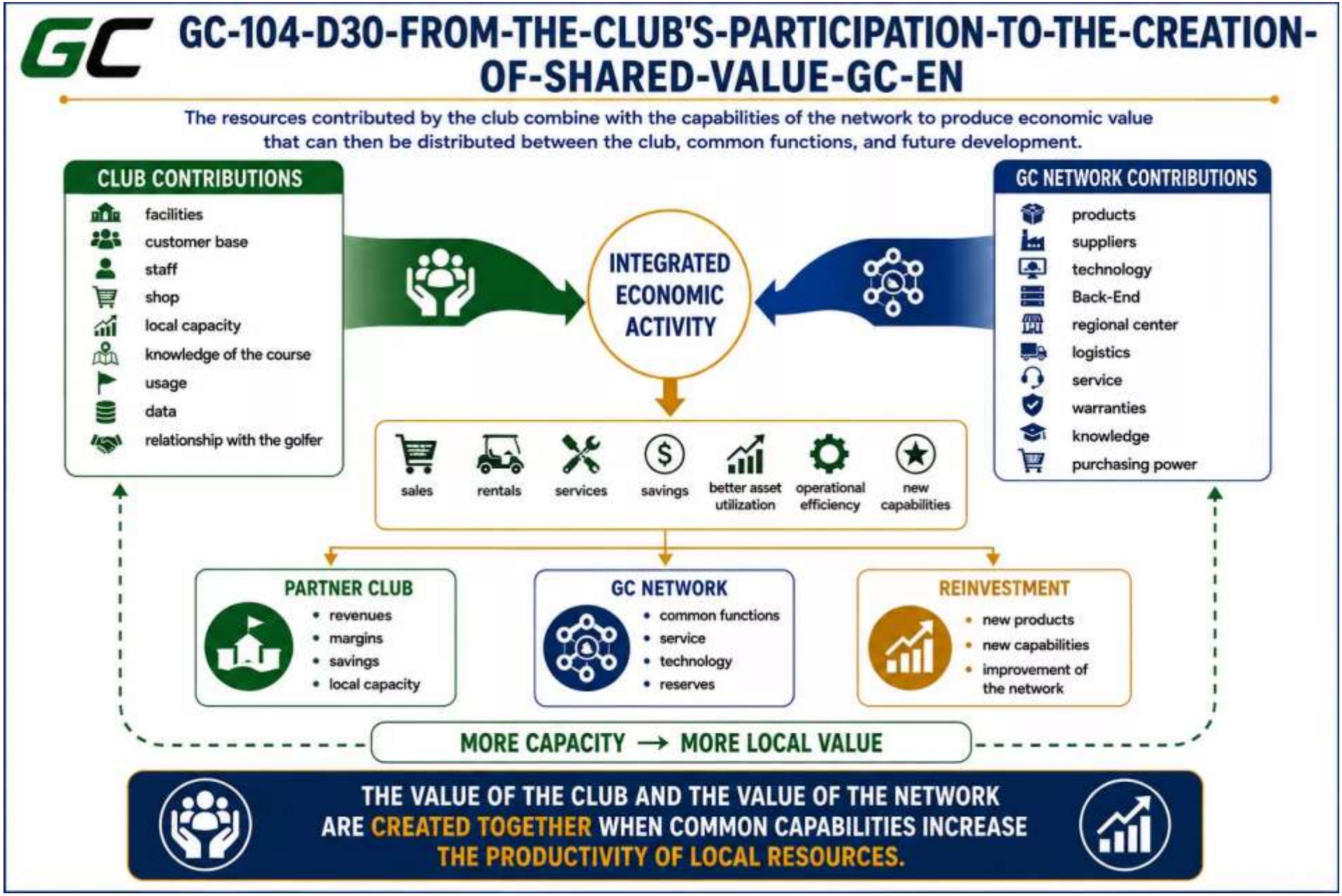
This relationship can create additional economies when the same infrastructure is used across several functions.

The marginal cost of integrating a new activity can become lower when identity, data, payments and logistics relationships are already in place.

This dynamic may justify certain advantages for highly integrated clubs, provided they correspond to real economies rather than a commercial obligation designed to push adoption artificially.

The level of integration must remain an economic choice.

The club should integrate more functions because the whole progressively becomes more attractive than the sum of the individual decisions, not because it is penalized for choosing to progress more slowly.



GC-104-D30 — FROM CLUB PARTICIPATION TO THE CREATION OF SHARED GC VALUE

15.12 Return on Investment Must Be Understandable to the Club

When a club must commit capital to participate in an activity, it must be able to understand reasonably how that investment could be recovered.

This becomes particularly important for fleets, technologies, charging infrastructure, specialized equipment or any other component requiring a significant initial investment.

The calculation can begin simply: initial cost, annual revenue or savings, operating expenses and payback period.

As the data becomes more precise, the club can also examine useful life, residual value and utilization scenarios.

The GC System must avoid presenting overly optimistic projections based solely on maximum potential. An asset may be used less often than expected. Weather may affect the season. Certain maintenance costs may emerge. Scenarios should therefore include prudent assumptions.

This transparency is important for building a durable relationship.

A club that made an investment decision from realistic assumptions will be far better able to interpret the results than a club that was shown only the most favorable scenario.

GC must therefore help the club make an informed economic decision, even when that analysis sometimes leads to recommending a smaller fleet, more progressive integration or the postponement of an investment.

15.13 Operational Improvement Can Be as Important as Direct Revenue

Part of the economic value created by GC may never appear directly as a new revenue line.

A digital function may reduce duplicate data entry. Better inventory management may reduce stockouts. A Regional Center may reduce travel. A more reliable product may reduce maintenance hours. Better service organization may reduce the amount of time equipment remains out of service.

These improvements create savings or free capacity.

The club must be able to include them in its economic analysis.

This approach is particularly important when certain Shared Capabilities are offered as part of a network contribution. Their value should not be judged solely according to their ability to produce new revenue. They may be profitable because they reduce existing expenses.

The club's economics must therefore include both sides of the account:

additional revenue + avoided costs + freed capacity.

This perspective provides a more accurate understanding of the true contribution of an integrated system.

15.14 Local Economic Data Must Return to the Club in a Useful Form

As the GC Back-End collects more information, GC will be able to develop analyses that help clubs better understand their own activities.

A club operating a fleet should be able to know the number of uses, revenue per asset, peak periods, maintenance costs and availability rate. A pro shop could track the performance of GC categories. Digital services could show their level of use and certain savings achieved.

This information should not become merely a central resource allowing GC to optimize its own model.

It must also return to the club in a form that is understandable and useful for decision-making.

This is another application of the Inverted Pyramid: data flows upward toward the GC Back-End to be organized, then higher-quality knowledge flows back down toward the club.

This loop can progressively improve local capital allocation. A club can expand a fleet that demonstrates strong utilization, reduce a product that turns slowly or adjust certain operations based on real information.

Data then becomes another form of shared value.

15.15 The Partner Club Must Become Economically More Capable Through the Network

The true test of the GC model will not simply be the number of clubs that agree to participate. It will be the system's ability to demonstrate that an integrated club can progressively gain more resources, better knowledge and new economic opportunities than it could have built as efficiently on its own.

This improvement must remain measurable.

It may appear in pro-shop revenue, a rental activity, lower procurement costs, better staff utilization or faster access to service. It may also appear in the club's ability to invest more easily in new functions because the network reduces part of the cost or uncertainty.

The partnership then reaches its true meaning.

GC is no longer simply an outside supplier from which the club periodically purchases something. The network becomes an economic infrastructure used locally, while the club itself becomes an active component of that infrastructure.

This relationship creates a loop:

the club contributes its market, operations and local knowledge → the network combines these contributions with those of other clubs → Shared Capabilities become stronger → part of those capabilities flows back toward the clubs → the clubs can create more value → the network becomes stronger in turn.

This is the loop the Inverted Pyramid seeks to create.

It does not require every club to generate the same value or use the same functions. It requires the relationship to remain sufficiently balanced so that network growth also improves the capacity of its base.

The Partner Club must therefore be considered a complete economic actor.

It can invest.

It can operate.

It can sell.

It can rent.

It can save.

It can produce data.

It can contribute to network learning.

It can receive part of the collective value.

And, above all, it must be able to decide progressively which functions deserve to be integrated according to its own reality.

The guiding principle of this chapter can therefore be stated as follows:

a Partner Club should not become economically important to GC only because it purchases or distributes network products; it should become stronger because its participation in the network increases its own ability to create, retain and reinvest value.

This definition establishes the foundation for all of Part III.

The next chapter can now examine more precisely the additional revenue opportunities available to the club, distinguishing genuinely new revenue from revenue that merely shifts an existing activity and identifying the GC functions capable of creating new economic sources without unnecessarily increasing the complexity of local operations.

CHAPTER 16
ADDITIONAL REVENUE OPPORTUNITIES AVAILABLE TO THE CLUB

16.1 Additional Revenue Must Result From a Function That Is Genuinely Useful to the Club or Golfer

When a club seeks to improve its economics, creating new revenue naturally appears as an important opportunity. But not all additional revenue has the same quality. One activity may increase revenue while adding enough cost, complexity or responsibility that its net contribution remains low. Another may generate more modest revenue but use almost entirely facilities, personnel or capabilities that are already available, making it much more attractive.

The GC System must therefore help clubs distinguish additional revenue from economically useful revenue.

The first question remains functional. A new revenue source must address a real need: improve mobility, facilitate access to equipment, provide a valued service, simplify a transaction, increase use of a facility or extend the relationship with the golfer. When the function already exists, revenue becomes a mechanism that helps finance its availability and continuity.

The opposite approach would be more fragile. Starting by asking what can be charged may lead to multiplying options, surcharges and fees without proportionally improving the golfer experience. In the short term, this method may produce some additional revenue. Over time, it risks giving the customer the impression that a succession of costs is continually being added to the experience of playing golf.

The additional revenue sought by GC should therefore be built around a simple principle: **the club earns more because it provides more value, not because it finds more opportunities to charge for the same value.**

16.2 Truly New Revenue Must Be Distinguished From Shifted Revenue

When a new activity is introduced, its gross revenue can create an exaggerated impression of its contribution. Part of that activity may actually replace spending that the golfer was already making elsewhere within the club.

A new mobility solution may reduce use of another vehicle. A new product category may shift part of the sales already occurring in the pro shop. A new tournament option may replace a service previously billed in another way. In these situations, revenue created by the new activity is not entirely incremental.

The analysis must therefore distinguish three situations.

The first is genuine revenue creation, where the transaction probably would not have occurred without the new function. The second is substitution, where the new revenue replaces part of an existing activity. The third is complementarity, where the new function simultaneously increases other club activities.

This third situation can become particularly attractive. An improved mobility service may allow certain golfers to play more often. Better tournament organization may increase food and beverage or pro-shop sales. A digital service may encourage additional reservations or registrations.

The club must therefore seek to measure the net economic effect rather than automatically treating every new dollar billed as an entirely new dollar.

16.3 Mobility Can Become a Family of Revenue Sources Rather Than a Single Product

Mobility is one of the clearest examples of how a function can be transformed into several economic models. A vehicle can be sold to a golfer, purchased by the club, operated as a rental or integrated into a fleet. The same mobility function can therefore generate revenue through different mechanisms.

The rental model is particularly attractive when enough golfers wish to use equipment without purchasing it. The club can then operate the asset repeatedly over several seasons and transform an initial investment into a revenue stream.

Mobility can also create several levels of service. Some golfers may prefer to walk with an electric trolley, others may use an individual mobility solution, while others will continue to choose a shared vehicle. The objective is not to automatically replace one option with another, but to broaden the offering enough for the club to better match the preferences and capabilities of its users.

This diversity can generate more revenue when the choices are genuinely complementary.

The model must nevertheless avoid overcapacity. A large fleet does not represent revenue until the equipment is actually used. Tied-up capital, charging, maintenance and space must always be compared with the real utilization rate.

Mobility therefore becomes an attractive revenue source when it increases the value and frequency of asset use without creating a fleet disproportionate to demand.

16.4 The Pro Shop Can Evolve From a Point of Sale Into a Commercial Platform for the Network

The club's pro shop is already a natural place for commerce. It sells clothing, accessories, balls, equipment and several other products intended for golfers. The GC System can strengthen this function by giving it access to exclusive or differentiated products, a Common Catalog and broader procurement capability.

The objective is not to transform every pro shop into a large retail store. It is to allow the club to present a selection suited to its clientele without necessarily having to carry all of the inventory physically.

Some products can be available on site. Others can be ordered through a GC catalog and later delivered to the club or directly, depending on the chosen model, while preserving the club's economic share of the transaction.

This architecture can greatly expand the commercial offering without forcing every establishment to tie up substantial capital in slow-moving items.

Digital tools can also extend this relationship beyond the pro shop's opening hours. A golfer can discover a product at the club, review additional information later and place an order through the GC ecosystem while maintaining economic attribution to the Partner Club.

The pro shop then becomes the local interface of a broader catalog rather than a space limited only to products physically present on its shelves.

16.5 Exclusive Products Can Create Economic Differentiation for the Club

Part of the network's commercial value may come from products that are not distributed indiscriminately through large general retail channels. This exclusivity gives the club an additional reason to actively present certain components.

When an identical product is available everywhere at the same time, the club often has to compete against retailers with large volumes, frequent promotions and logistics capabilities that are difficult to reproduce locally. The pro shop can then become a demonstration location before the transaction is completed elsewhere.

An exclusive or strongly differentiated offering changes this dynamic. The club retains more value because the transaction remains attached to its network.

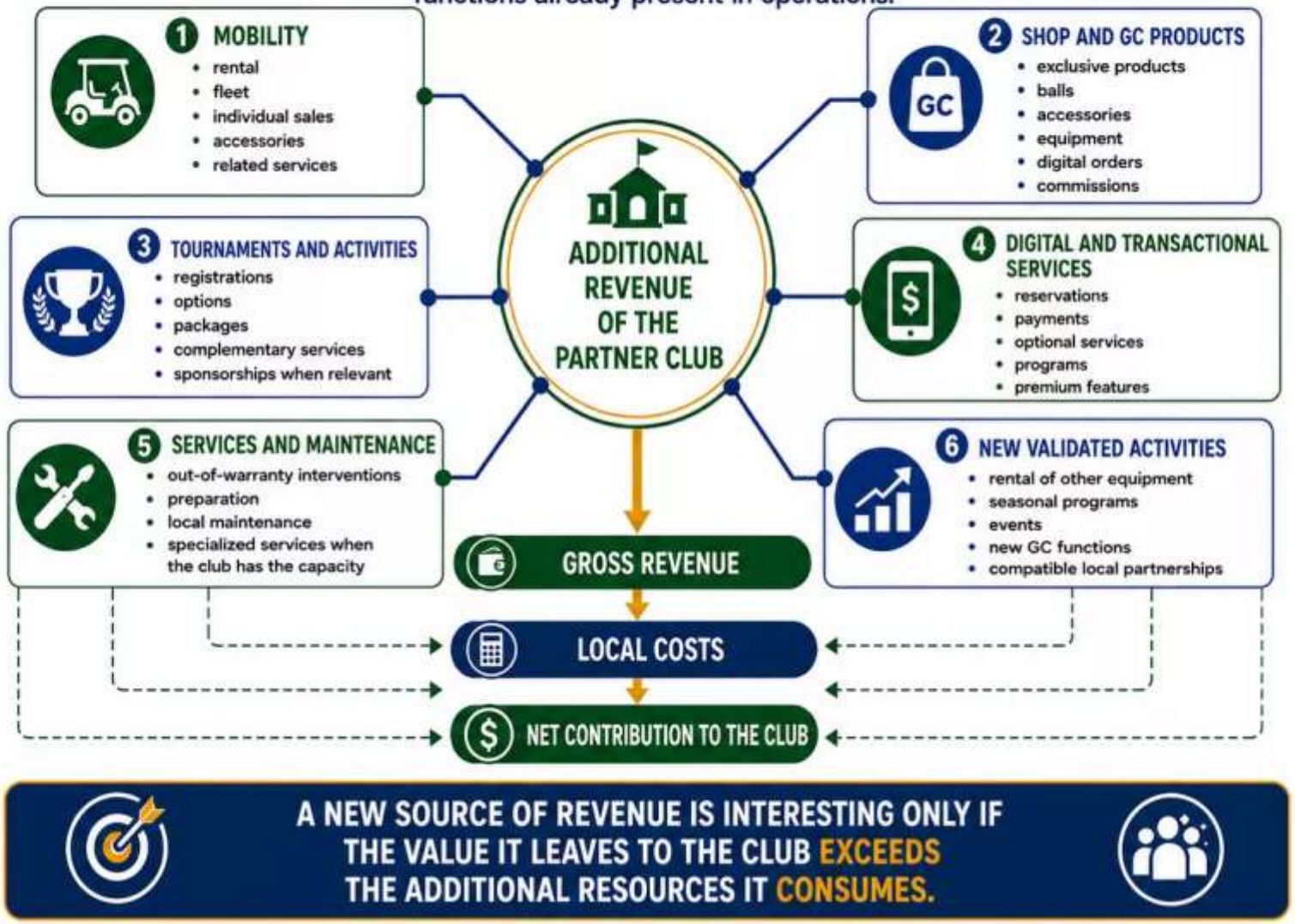
This strategy must nevertheless be supported by a credible value proposition. Exclusivity alone does not create value if the product is poor, overpriced or poorly supported. It becomes attractive when the product genuinely fulfills a function and the network simultaneously provides sufficiently strong sales, service and warranty support.

The club then benefits from a commercial activity that does not depend solely on its ability to compete on price.

Exclusivity therefore becomes a mechanism for protecting the commercial relationship, not a justification for escaping the requirement to create value.

GC-104-D31-THE-MAIN-SOURCES-OF-ADDITIONAL-REVENUE-AVAILABLE-TO-THE-CLUB

A club's additional revenue can come from several complementary families, and the GC System should prioritize those that use or strengthen functions already present in operations.



GC-104-D31 — THE MAIN SOURCES OF ADDITIONAL REVENUE AVAILABLE TO THE CLUB

16.6 Tournaments Can Become a Better Integrated Economic Activity

Tournaments are already an important activity for many clubs, but their economics can be improved when their various components are better integrated: registration, payment, tee times, food and beverage, complementary activities, the pro shop, communications and results.

A common digital architecture can simplify several of these steps and allow the club to build packages that are easier for organizers and participants to understand.

The economic value does not necessarily come from adding numerous fees. It may come from a better ability to combine and sell services that already exist.

A tournament can, for example, generate a green fee, food and beverage revenue, mobility rentals, pro-shop purchases and several complementary options. When these elements are coordinated, the club gains better visibility into the total value of the event.

Technology can also reduce the administrative cost of organization. Less manual data entry, simpler payments and automated communications can free staff time while improving the experience.

Tournament economics should therefore be viewed as a connected set of revenues and costs rather than simply as a number of tee times sold.

16.7 Complementary Services Must Increase the Value of a Day of Golf

Every visit by a golfer to the club represents an economic opportunity, but this idea must be interpreted carefully. The objective is not to maximize forced spending during each visit. It is to identify additional services that improve the experience enough for some users to choose voluntarily to purchase them.

Mobility is one example. Practice options, certain tournament-related experiences, products adapted to golfer needs or personalized services can also create this type of value.

The club should therefore examine average revenue per visit alongside satisfaction and frequency of attendance. An increase in average spending that makes the experience too expensive may reduce the number of visits and produce an economic outcome opposite to the one intended.

This relationship once again illustrates why revenue and value must be considered together.

A golfer who spends slightly more because the experience is perceived as better creates more durable economics than a user who pays more simply because no alternative exists.

The GC System should therefore help the club develop optional revenue based on visible additional value.

16.8 Reservation and Transaction Functions Can Become Economic Levers

When a transaction is easier to complete, some sales that would otherwise have been abandoned can be captured. A mobility rental integrated into the tee-time process, a simple tournament registration or a digital purchase available after the club visit can reduce the friction between intention and payment.

This improvement can generate revenue without fundamentally changing the offering.

The effect may appear small at the level of one transaction. Over an entire season, better conversion across several thousand interactions can become significant.

Integrated payments can also make it possible to offer certain services at the moment they are most relevant, without requiring a succession of independent transactions.

The risk, however, is turning the interface into an aggressive selling tool. Too many options or solicitations can degrade the experience.

Technology should therefore reduce the friction of choice, not increase commercial pressure.

When this limit is respected, transactional improvement becomes a particularly attractive revenue source because it relies primarily on digital infrastructure already in place.

16.9 Programs and Packages Can Transform Several Small Transactions Into a Recurring Relationship

Certain functions are well suited to arrangements that extend beyond a single transaction. A club can offer seasonal packages, blocks of use, mobility programs or other recurring services when actual behavior justifies them.

This structure can create an advantage for both parties.

The golfer gains better visibility over cost and may sometimes obtain a more attractive rate in exchange for commitment. The club receives part of its revenue earlier or benefits from more predictable demand.

The program must nevertheless be designed around realistic usage. Selling a package whose economics depend on the customer barely using the service can create a poor experience and an unsustainable relationship.

Conversely, an unlimited formula can become unprofitable when a small number of users consume far more capacity than expected.

The program must therefore strike a balance among simplicity, usage, predictability and value.

GC Back-End data may eventually help adjust these formulas according to observed behavior rather than theoretical projections.

16.10 Underused Equipment Can Sometimes Create a New Activity

Clubs possess several pieces of equipment, facilities or periods of capacity that are not always used to their full potential. Part of their economic opportunity may therefore come from better utilization of existing assets rather than from acquiring new ones.

The GC System can help identify these opportunities as its data and operational tools become more developed.

Charging infrastructure can serve several categories of mobility. Local technical capacity may eventually provide certain services to neighboring clubs under Regional Center organization. A space used mainly during certain periods may accommodate a complementary activity when this remains compatible with the club's purpose.

This logic must nevertheless remain directly connected to golf and network functions. Attempting to monetize every space by adding unrelated activities could quickly scatter the focus of both the club and GC.

The better question is:

Which resources already present could create more value through better organization or shared use?

In many cases, the best new revenue source does not come from a new investment, but from an asset whose economic potential remains partially unused.

16.11 Local Partnerships Can Broaden the Offering Without Requiring the Club to Operate Everything

A club does not need to possess every skill or asset in order to offer a new activity. Local partners can provide certain specialized functions, provided their integration remains consistent with the club experience and network architecture.

An activity can then generate a commission, revenue share or complementary value without requiring major investment from the club.

This approach may be particularly useful for testing a new function. Before purchasing equipment, hiring a resource or developing an internal capability, the club can confirm that demand exists with a partner.

If volume becomes sufficiently important, deeper integration can then be considered.

This progression follows the logic of the Seven Steps: test the function with the minimum capital required before building a permanent capability.

The local partnership must nevertheless remain transparent. The golfer should understand who provides the service, and quality must remain compatible with what the club wishes to associate with its name.

16.12 The Network Can Allow Small Local Revenues to Become a Significant Economy at Scale

Certain functions may appear relatively modest when evaluated within a single club. An activity generating only a few thousand dollars in annual contribution might not justify significant technological development or commercial infrastructure on its own.

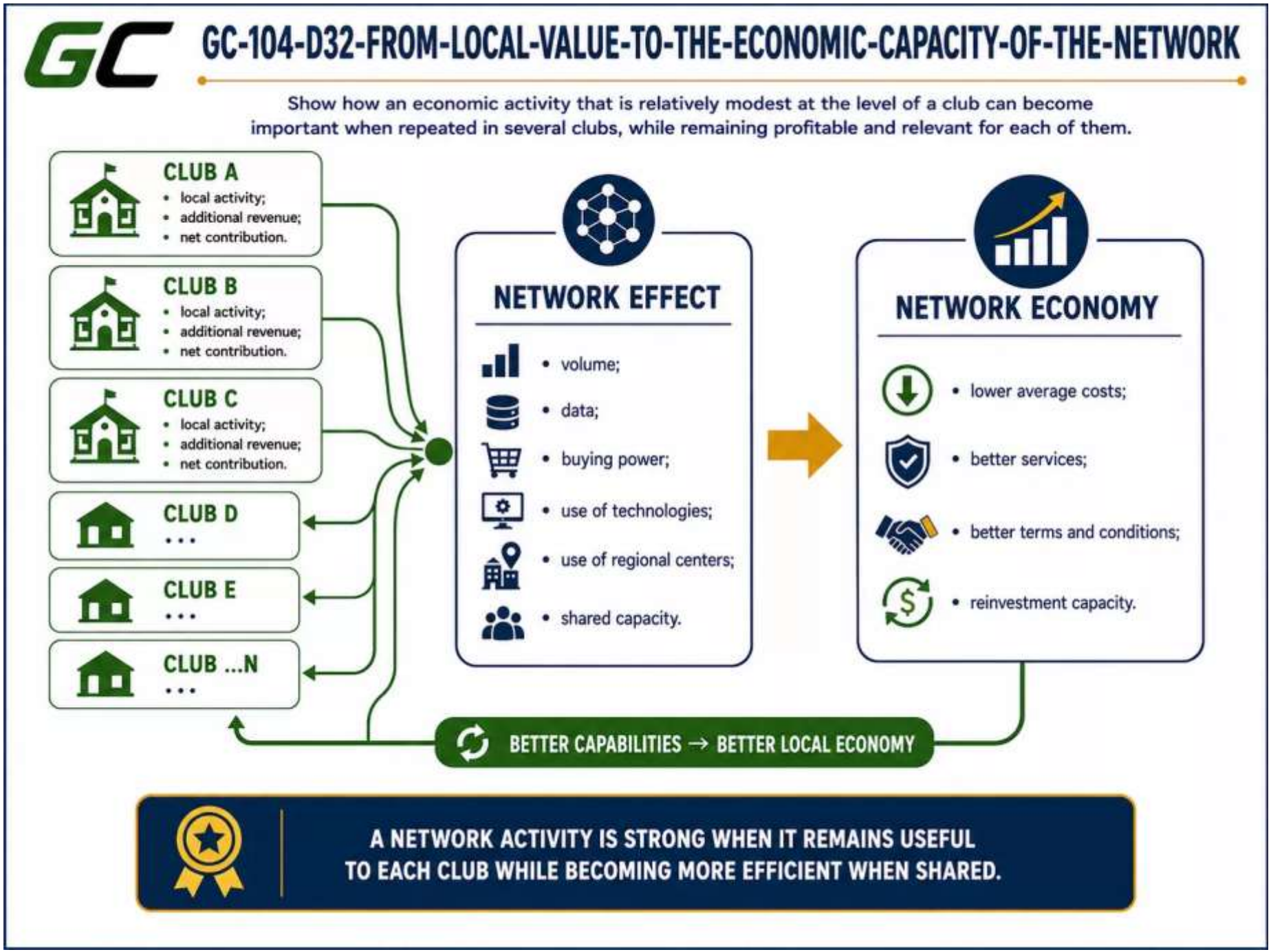
At the scale of several hundred clubs, the situation changes.

A small contribution repeated across many establishments can create a significant economic activity for the network. This characteristic is particularly attractive when the function uses Common Infrastructure whose marginal cost remains low.

The network must therefore learn to consider local relevance and scale effects simultaneously.

An activity should never be imposed on a club simply because it becomes attractive for GC when repeated everywhere. Each implementation must remain economically defensible at the local level.

But when this condition is satisfied across many clubs, aggregation can transform several small local economies into a major system capability. This relationship is one of the foundations of network value.



GC-104-D32 — FROM LOCAL VALUE TO THE ECONOMIC CAPACITY OF THE NETWORK

16.13 New Revenue Sources Must Be Tested Before Being Generalized

An idea that appears economically attractive on paper can behave very differently once introduced into a real club. The price may be poorly positioned, the process may require too much time, demand may be seasonal or golfers may perceive the function differently than expected.

Pilot Clubs should therefore serve as economic laboratories.

A new activity can be tested in a limited number of establishments with different profiles. It then becomes possible to compare utilization rate, revenue, local cost, operational workload and satisfaction.

This method also avoids an important mistake: drawing a general conclusion from a single club. An activity that performs extremely well at a high-volume resort may be far less appropriate for a small seasonal club. The opposite may also be true for certain functions.

Deployment should therefore follow the conditions under which the activity demonstrates value rather than a desire for uniformity.

As data accumulates, GC will be able to identify the types of clubs for which certain revenue sources are particularly attractive and those where they should remain optional.

16.14 The Club Must Be Able to Compare New Revenue With the Best Alternative Use of Its Resources

A profitable activity is not automatically the best available activity.

A space, employee or amount of capital used for a GC function cannot simultaneously be used for something else. The club must therefore consider opportunity cost.

A fleet may generate a good return while tying up capital that could have been used to improve an important facility. Pro-shop space assigned to a GC product may generate sales while displacing an even more profitable category. A service activity may be profitable while using an employee already heavily committed to essential functions.

This comparison does not need to become excessively theoretical. It is often enough to ask a simple question:

If we did not use this resource for this activity, what would be its best realistic alternative use?

This discipline prevents every positive revenue source from being treated as necessarily optimal.

The GC System must respect this logic when presenting new opportunities to clubs. Its purpose is not to maximize the share of club resources devoted to GC activities. It is to propose functions attractive enough to earn their place among the club's other economic priorities.

16.15 The Best Additional Revenue Sources Increase the Value of Both the Club and the Network

Additional revenue opportunities for clubs should ultimately not be viewed as a collection of independent products, fees or services. Their greatest potential appears when they begin to use the same capabilities and reinforce one another.

A golfer may discover a product in the pro shop, use a mobility solution, participate in a tournament, make payments through a common interface and continue the relationship with the club through certain digital services. Each of these functions may generate its own economics, but their integration progressively reduces certain frictions and increases the value of Common Infrastructure.

The club can then generate more revenue without having to build a different organization for every activity.

The GC Back-End can use the same identity, the same data, the same payment system and part of the same logistics. The Regional Center can support several product families. The pro shop can become the local interface for a broader catalog. Club staff can use more coherent procedures.

It is this convergence that transforms several small activities into an economic architecture.

Additional revenue becomes particularly attractive when it meets five conditions simultaneously: it creates genuinely new or complementary value for the golfer; it leaves the club with sufficient net contribution; it integrates into operations without adding disproportionate complexity; it uses or strengthens capabilities already present in the network; and it can be tested and then expanded according to observed results.

The GC System should therefore not seek to artificially multiply the club's revenue lines.

It should instead progressively expand the economic surface of functions already connected to golf, club operations and the relationship with the golfer.

One family may come from mobility.

Another from the pro shop and exclusive products.

Another from tournaments and activities.

Another from transactions and digital services.

Some will emerge from service, maintenance or partnerships.

Others are probably not yet known and will need to be discovered through observation of real needs.

This openness is important. GC-104 defines an architecture, not a closed list of revenue sources. As clubs and the network learn, new possibilities may emerge. They will nevertheless need to pass through the same filters as the activities already studied: function, service, architecture, unit economics and real contribution.

The objective is not for every club to operate the largest possible number of revenue sources. It is for each establishment to select those that sufficiently match its clientele, facilities, season, personnel and financial capacity.

The guiding principle of this chapter can therefore be stated as follows:

additional revenue becomes truly attractive when it improves the club's economics without degrading the golfer experience, uses local resources intelligently and simultaneously strengthens the Shared Capabilities of the network.

The next chapter will complete this analysis by examining the other side of club economic improvement: cost reduction and gains in operational efficiency. Strengthening a club's economics does not consist only of allowing it to generate more revenue; it also means helping it deliver the same quality—or better quality—through more efficient use of its time, capital and resources.

CHAPTER 17

REDUCING COSTS AND IMPROVING OPERATIONAL EFFICIENCY

17.1 Improving a club's economics is not only about increasing revenue

The previous chapter examined the additional revenues that the GC System can make accessible to a club. This dimension is important, but it represents only half of the potential economic improvement. A dollar of cost avoided or an hour of work freed up can sometimes have as much value as new revenue, particularly when it requires neither a new transaction, a new customer, nor significant additional capital.

Cost reduction must nevertheless be approached with the same discipline as revenue creation. Reducing an expense does not automatically create value. A saving achieved by lowering service quality, postponing necessary maintenance, increasing risk, or simply transferring the work to someone else can weaken the economics over the medium term.

The real objective is therefore broader: to reduce the resources required to perform a function properly without weakening the function itself.

This distinction is fundamental in a golf club. A large share of costs is tied to functions that cannot simply disappear: course maintenance, personnel, energy, equipment, buildings, mobility, food and beverage, the pro shop, administration, technology, and golfer services. Economic improvement must therefore often come from better organization of these resources rather than from eliminating them.

The GC System can contribute to this improvement by sharing certain capabilities, consolidating purchasing, reducing duplication, improving information, bringing service closer to the clubs, and progressively automating repetitive tasks.

Cost reduction then becomes a consequence of the architecture rather than a permanent campaign to compress expenses.

17.2 Real savings must be distinguished from simply shifting costs

One of the most common mistakes in an organization is to conclude that a cost has disappeared when it has merely moved elsewhere.

A task once performed by the Back-End may be transferred to the club. A club responsibility may be shifted to a supplier. An operation that was previously visible in a budget may be absorbed by the time of an employee who is already present. The local accounting result may then appear better even though the complete system is not actually using fewer resources.

This distinction becomes particularly important in the GC architecture, where several levels work together.

If a central procedure is simplified but requires every club to devote more time to the same function, the total cost may increase despite an apparent saving at the Back-End. Conversely, an additional central expense may be fully justified if it prevents dozens or hundreds of clubs from duplicating the same task.

The analysis must therefore seek to understand the total cost of the function within the system, not merely the budget of the entity that pays for it directly.

This way of thinking protects the inverted pyramid from a possible drift: artificially improving the results of the central level by progressively transferring costs to the clubs.

A saving is genuine when less time, capital, energy, equipment, or risk is required to produce a comparable or better function.

17.3 Staff time is one of the main resources to use more effectively

In many clubs, some of the greatest opportunities for improvement will not necessarily come from reducing the number of employees, but from making better use of their time.

Daily operations include many repetitive tasks: gathering information, making calls, sending confirmations, taking reservations, processing registrations, following up on payments, preparing equipment, managing inventories, searching for parts, communicating, and entering the same data multiple times.

Individually, these tasks may seem minor. Repeated every day throughout an entire season, they represent hundreds or thousands of hours.

Technology and a common network architecture can progressively reduce this repetition. Information entered once can be reused. A confirmation can be automated. Inventory can be updated at the time of the transaction. A technical intervention can be prepared before the equipment reaches the regional centre.

The value created does not always appear as a direct reduction in payroll. The same staff may simply be able to perform more useful functions or devote more time to serving the golfer.

Operational efficiency should therefore be measured not only by the number of hours saved, but by the value of what those hours subsequently make possible.

17.4 Automation should eliminate repetition before it eliminates judgment

Not every task should be automated simply because it can be. Some interactions with members and golfers derive their value precisely from human involvement. Others require judgment, experience, or an ability to adapt that automation does not always reproduce properly.

The first functions to automate should therefore be those that are the most repetitive, predictable, and easy to verify.

A reservation confirmation, an inventory update, an accounting allocation, or the recording of a transaction can often be automated with little loss of human value. Resolving a particular situation with a golfer, analysing a complex technical problem, or making certain operational decisions should remain in the hands of competent people.

The KISS principle applies directly.

The objective is not to build an organization in which everything becomes automated. It is to ensure that people spend less time on what systems can perform correctly and more time on what genuinely requires their attention.

This distinction turns technology into an efficiency tool rather than an end in itself.

17.5 Consolidated purchasing can reduce acquisition costs without reducing quality

Consolidating the needs of several clubs is one of the most direct sources of network savings. When several establishments purchase small quantities individually, each bears its own commercial terms, ordering process, and sometimes high logistics costs.

A network capable of consolidating part of this demand can obtain better pricing conditions, reduce certain transportation costs, and simplify supplier relationships.

But the purchase price is only one part of the economics.

A more reliable supplier can reduce delays. Better quality can reduce returns. Standardized references can simplify inventory complexity. Improved payment terms can reduce pressure on working capital.

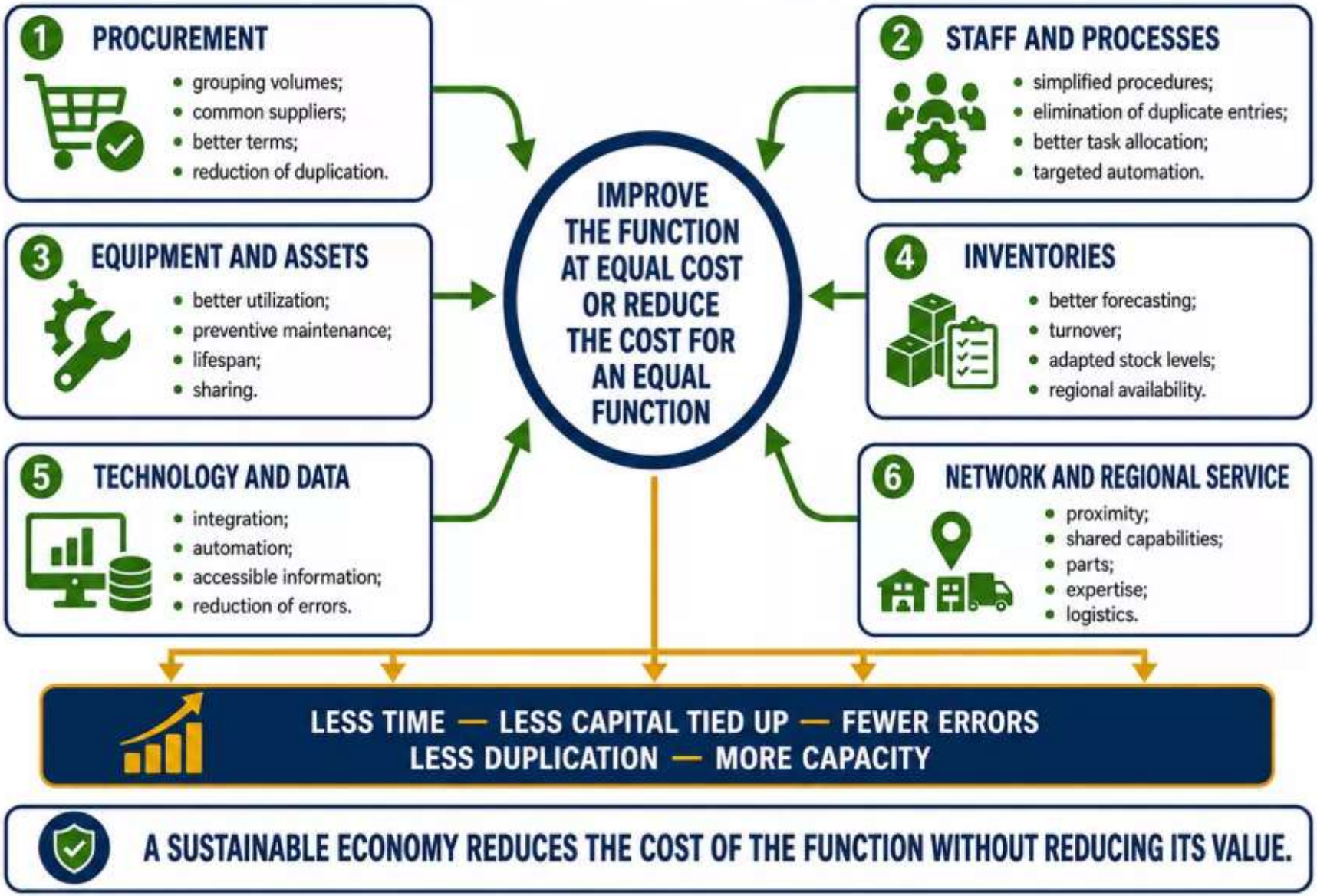
Consolidated purchasing should therefore seek the best total economic cost rather than merely the largest visible discount.

The club must also benefit sufficiently from the improvement. If all of the savings obtained through collective volume are captured centrally, the advantage of the network becomes less visible to those who help create that volume.

A portion of the gains may naturally finance the purchasing capability itself, but a collective saving should also translate into a visible improvement at the local level.

GC-104-D33-THE-MAIN-LEVERS-FOR-COST-REDUCTION-AND-CLUB-EFFICIENCY-EN

A club's economic improvement does not rely on a general compression of expenses, but on several levers capable of reducing the resources required for a function without deteriorating its quality.



GC-104-D33 — THE MAIN LEVERS FOR COST REDUCTION AND CLUB EFFICIENCY

17.6 Reducing the number of suppliers can simplify certain operations

Over time, a club may accumulate a large number of suppliers, each associated with a category of products, a contract, an invoice, a contact person, and specific terms. This diversity may be necessary when it provides specialization or better solutions. It can also create a significant administrative burden when it develops without coordination.

The GC System can help consolidate certain categories when mutualization creates real value.

A consolidated relationship can reduce the number of orders, supplier accounts, payments, and follow-ups. It can also improve visibility into spending.

But consolidation must not lead to excessive dependence or a reduction in choice that weakens the club.

The proper objective is therefore not to minimize the number of suppliers at all costs. It is to reduce fragmentation that does not produce corresponding value.

Some categories may remain specialized. Others may be consolidated. The decision must be based on function, total cost, quality, and risk.

17.7 Better inventory management can release significant capital

Inventories often represent a less visible form of cost because a product held in stock remains an asset for accounting purposes. Yet the money used to purchase it is no longer available for other investments until the item is sold or consumed.

In the pro shop, slow-moving products may tie up capital for a long period. In operations, parts may be held locally even though they could be shared more effectively at the regional level. Conversely, an insufficient quantity of certain critical items can cause costly stockouts.

Improvement therefore comes from the ability to keep the right stock, at the right level, in the right place.

The Back-End can progressively use data from several clubs to better forecast volumes. Certain references can be maintained centrally or regionally rather than at every establishment. High-turnover products can be replenished more frequently. Slow-moving references can be ordered as needed.

This better organization simultaneously reduces tied-up capital, the risk of obsolescence, and the space required.

It can also increase sales when better forecasting prevents stockouts of products that are genuinely in demand.

Inventory then becomes an area where cost reduction and revenue growth can occur at the same time.

17.8 Shared parts inventories can reduce the cost of availability

Technical parts illustrate the potential of mutualization particularly well.

If every club had to maintain a complete range of parts for every product it uses, a large amount of capital would remain tied up in components that are rarely needed. Conversely, keeping all parts in a single central warehouse could create delays that are too long when an urgent intervention is required.

The regional centre creates an intermediate level.

Common and critical parts can be kept sufficiently close to the clubs to allow rapid service, while rare or expensive components remain centralized.

This structure reduces duplication without sacrificing availability.

Data becomes essential to progressively improve this distribution. The first seasons reveal which parts are actually used, how often they are needed, and what delays are acceptable. Regional inventory can then be adjusted based on experience rather than on general assumptions.

Mutualization becomes extremely concrete here: several clubs can benefit from a level of availability that none of them needs to finance entirely on its own.

17.9 Preventive maintenance can reduce the total cost of equipment

Postponing maintenance expenses can create the impression of reducing costs in the short term. But when equipment subsequently requires heavier repairs, must be replaced prematurely, or remains unavailable for an extended period, the apparent saving disappears.

The relevant cost is therefore the total cost over the life of the asset.

This approach is particularly important for equipment used regularly and for assets that generate revenue. A fleet that is unavailable during a period of high demand produces both a repair cost and a loss of operating revenue.

The GC System can improve this function by consolidating maintenance information, standardizing certain procedures, and progressively identifying the intervention frequencies that are actually required.

Preventive maintenance becomes even more precise when data makes it possible to distinguish the actual use of each piece of equipment. A heavily used unit may require earlier intervention than another that sees little use.

The proper strategy is therefore to maintain equipment before failure when the cost of prevention is lower than the interruption it avoids, rather than multiplying interventions regardless of need.

17.10 The useful life of an asset is a major economic variable

An investment generally becomes more attractive when the asset can perform its function properly over a longer period without a disproportionate increase in maintenance costs.

Extending the useful life of equipment reduces the frequency of replacement and spreads its initial cost over more years or more uses.

This improvement may result from initial quality, maintenance, parts availability, or a design that allows certain subassemblies to be replaced rather than the entire product.

The circular economy can therefore have a direct financial justification here. Repairing, upgrading, or reusing a component is not only an environmental decision; it can also reduce the cost of ownership.

However, artificially extending the life of an asset that has become inefficient or expensive to maintain should be avoided. Older technology may consume more energy, require too many repairs, or limit an important function.

The decision to retain or replace must therefore compare the future economic cost of the existing asset with the cost and potential gains of the new one.

17.11 Energy must be measured across the full operating cycle

Golf clubs consume energy in many functions: buildings, irrigation, food and beverage, equipment, charging, lighting, and other operations. Some new technologies can reduce this consumption, while others may simply shift the source of energy being used.

The introduction of electric solutions, for example, must be analysed according to their full operating cost. The price of electricity, charging infrastructure, battery life, and battery replacement are all part of the economics.

In some cases, electrification can produce significant cost reductions compared with fuel, together with maintenance and noise benefits. In others, the required investments may change the payback period.

The network can contribute to this analysis by comparing data from several clubs and negotiating certain equipment or infrastructure.

The objective is not to promote a technology independently of its economics. It is to determine where a solution genuinely reduces the cost per function performed.

17.12 Reducing errors is an often-underestimated source of savings

An administrative error may seem minor: the wrong quantity ordered, a payment assigned incorrectly, an inaccurate reservation, duplicated customer information, or a part sent to the wrong location. But every error creates a series of additional actions required to correct it.

The problem must be identified, the people concerned must be contacted, the data must be corrected, and sometimes a refund, a new shipment, or a new transaction must be processed.

At scale, the cost of these corrections can become considerable.

An integrated digital architecture can reduce certain errors by using common information and automating transfers between systems. A properly structured transaction can simultaneously update inventory, payment, and customer information.

This reduction improves not only costs, but also the golfer and staff experience.

One of the most important economic advantages of the Back-End could therefore be the progressive reduction of the work required to correct errors created by fragmented systems.

17.13 Better information reduces the cost of poor decisions

The largest costs do not always arise from daily operations. A poor investment decision, excessive inventory, or an oversized fleet can tie up far more capital than many smaller inefficiencies combined.

Information therefore has a particular economic value.

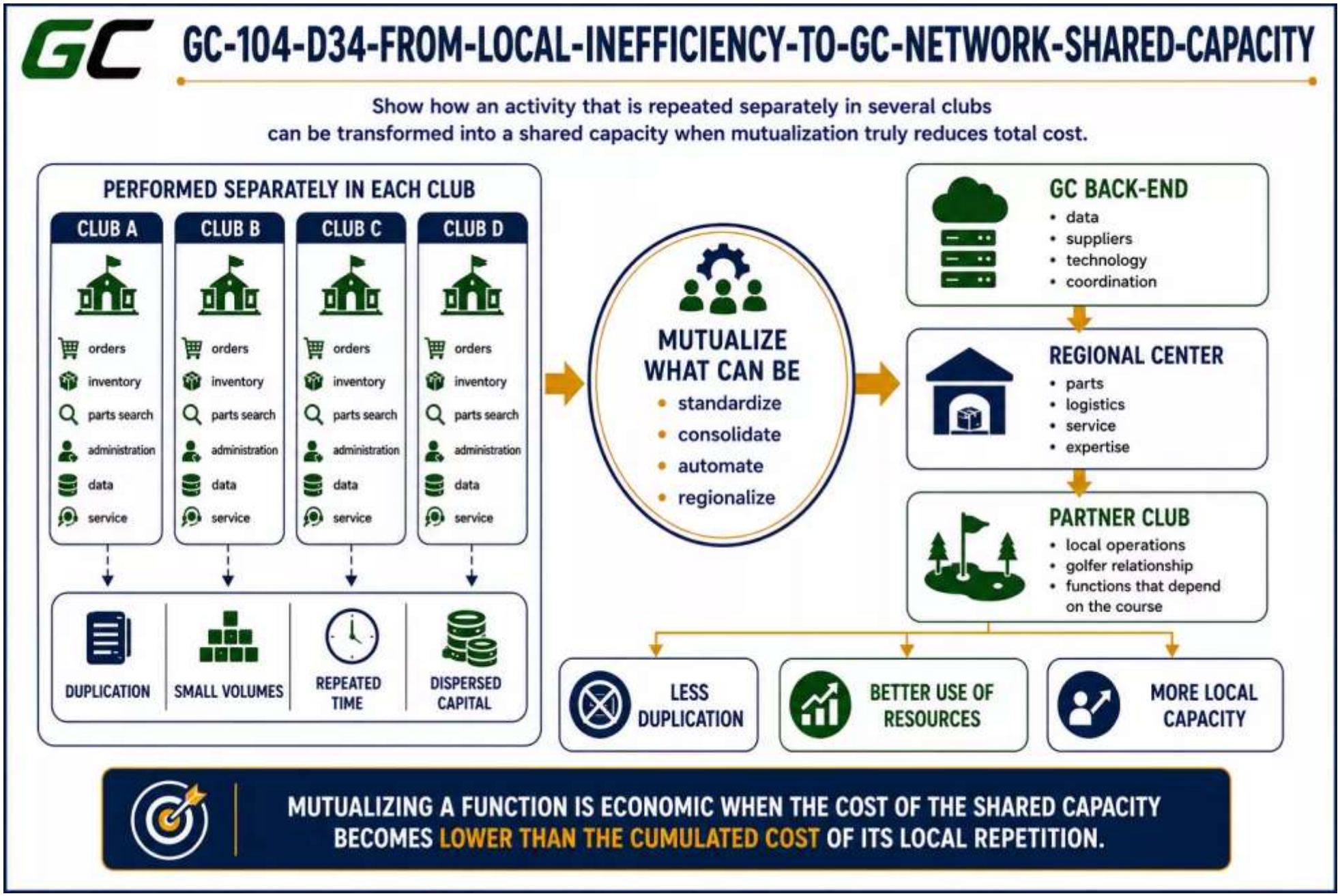
A club that knows its actual utilization rate, inventory turnover, service cost, and peak periods can make better decisions about purchases and capacity.

The network can increase this value further by providing sufficiently anonymized and relevant comparative references. A club may discover that its utilization of an asset differs greatly from that of comparable establishments and seek to understand why.

The objective is not to replace local judgment with a central algorithm. The realities of the course remain essential.

Data should instead reduce the degree of uncertainty in decision-making.

Better information can thus prevent unnecessary investments before they become costs.



GC-104-D34 — FROM LOCAL INEFFICIENCY TO THE SHARED CAPACITY OF THE GC NETWORK

17.14 Every saving must be evaluated according to its effect on quality and risk

The pursuit of efficiency can become dangerous when a cost indicator is isolated from the rest of the function.

Reducing inventory can improve working capital but increase stockouts. Reducing staff can lower payroll but weaken service. Postponing maintenance can reduce quarterly expenses while increasing future repairs. Centralizing a function can reduce certain administrative costs but create long delays.

Every saving must therefore be assessed across three dimensions: cost, quality, and risk.

A genuine economic improvement occurs when cost decreases without a disproportionate deterioration in the other two dimensions, or when quality increases sufficiently to justify a comparable cost.

This discipline is particularly important for a system that seeks to become sustainable. Some reductions produce excellent short-term results simply because their consequences appear later.

GC must therefore avoid the "false economy": a visible reduction today that creates a larger expense, failure, or loss of value tomorrow.

Measurement must progressively focus on the total cost of the function over its useful life rather than on the expense that is most immediately visible.

17.15 Operational efficiency should free capacity for the club rather than simply reduce its resources

The most valuable form of efficiency is not necessarily the one that allows the club to eliminate resources. It may be the one that allows the club to do more with the resources it already has.

An hour freed from an administrative task can be devoted to the golfer. Reduced inventory space can be used for a more productive category. Capital released through better turnover can finance another investment. A faster repair can return a revenue-generating asset to service sooner.

Efficiency then becomes an increase in economic capacity.

This distinction is fundamental to the GC System. The network is not intended to progressively empty the club of its functions and transfer them to the centre. It seeks to remove or mutualize certain tasks that consume resources without requiring specific knowledge of the local course, so that the club can focus more of its energy on the local functions it performs better than the network.

This relationship can create a cumulative loop.

Clubs share certain needs.

The network consolidates volumes.

The Back-End automates certain functions.

Regional centres mutualize technical capabilities.

Clubs devote less capital and time to duplication.

The resources released can be used to improve the experience, the facilities, or new activities.

The improvement of the club generates more activity and data.

The network can then continue to optimize its shared capabilities.

This loop helps explain why cost reduction must never become an isolated objective. An organization can reduce its expenses to the point where it no longer has sufficient capacity to produce value.

The real objective is instead to continually improve the relationship between the resources consumed and the functions performed.

For some clubs, this will mean a direct reduction in certain expenses.

For others, expenses may remain similar while the quality or volume of services increases.

In some situations, an additional expense at the network level may even produce a much larger saving across the entire group of clubs.

GC-104 must therefore always consider the consolidated result.

The right question is not only:

How much does this function cost the club?

It becomes:

How much does this function cost the complete system, what value does it produce, and at what level can it be performed most efficiently?

This way of thinking directly reflects the architecture developed in GC-102 and GC-103. The club retains the functions that depend on its local reality. The regional centre mutualizes those that benefit from proximity and regional scale. The Back-End assumes the capabilities that become more efficient when they are widely shared.

Economic value appears when this allocation actually reduces duplication.

The guiding principle of this chapter can therefore be stated as follows:

the GC System should not seek to reduce club costs simply by asking clubs to spend less; it should enable them to obtain more function, quality, and capacity for every dollar, every hour of work, and every asset mobilized.

Chapters 16 and 17 thus present the two main ways in which the partnership can directly improve the local economy: create more value and revenue, then use the resources required to produce them more efficiently.

The next chapter can now examine the mechanism that must connect these two outcomes to the system as a whole: margins, commissions, incentives, and value sharing, so that each participant's contribution is sufficiently recognized and the interests of the club, the regional centre, and the Back-End remain durably aligned.

CHAPTER 18

MARGINS, COMMISSIONS, INCENTIVES, AND VALUE SHARING

18.1 Sharing value without weakening those who create it

The GC System brings together several participants who contribute differently to the creation of the same economic activity. The manufacturer designs and produces. The Back-End organizes procurement, technology, warranties, data, and certain shared functions. The regional centre brings logistics, parts, and service closer to the territory. The club provides its market, facilities, staff, relationship with the golfer, and, depending on the activity, part of the capital or operating capability. The golfer is ultimately the person for whom the function must create enough value to justify the transaction.

The economic sharing model must recognize this interdependence.

A margin or commission is not merely a reward after a sale. It is the resource that allows each participant to continue performing its function. Insufficient compensation for the club can reduce its interest in presenting or operating the activity. Too little contribution to the regional centre can make the service impossible to maintain. An underfunded Back-End will eventually lack the resources required for warranties, technology, and development. A price that is too high in order to finance every level can, in turn, reduce value for the golfer.

The challenge is therefore not to determine which participant deserves the largest possible portion of each transaction. It is to build a distribution that is sufficiently balanced so that each participant has the resources required for its contribution while maintaining a price consistent with the value offered.

This search for balance is one of the fundamental conditions of a sustainable network.

18.2 Margin must be linked to function, risk, and capital committed

Two participants involved in the same transaction do not necessarily carry the same responsibilities. A coherent economic allocation must therefore take into account what each one actually contributes.

The party financing inventory ties up capital and assumes the risk of unsold goods. The party responsible for the warranty carries a future obligation. The party conducting the demonstration or providing service uses staff and facilities. The party developing and maintaining technology finances an infrastructure whose costs continue to exist even when volume temporarily declines.

These differences justify different margins.

Compensation should not be determined solely by proximity to the customer or by an actor's position in the chain. It should be linked to three main dimensions: the function performed, the risk assumed, and the capital mobilized.

This interpretation helps avoid certain distortions. A participant should not receive a large share simply because a historical convention gives it a fixed percentage if its actual contribution remains limited. Conversely, an essential function should not be underfunded simply because it is less visible at the time of the sale.

Margin thus becomes an economic expression of responsibility.

18.3 Commercial margin must be distinguished from the value actually available

When a product is purchased at one price and sold at a higher price, the difference may create the impression that a substantial amount is available for distribution. This interpretation remains incomplete.

Before a margin can be considered genuinely available, several functions must be funded: transportation, payment processing, preparation, warranty, parts, local commission, service, technology, administration, and sometimes inventory financing.

The apparent amount at the time of the transaction must therefore be broken down.

This distinction is essential when GC establishes compensation policies. A commission cannot be determined solely as a percentage of the selling price if that percentage ignores differences between the economics of individual products.

A simple accessory that is inexpensive to transport and requires almost no service can support a different margin structure from a technical vehicle requiring preparation, parts, warranty, and several years of support.

The value-sharing logic must therefore remain flexible enough to recognize the margin that is genuinely distributable after the obligations directly associated with the activity have been funded.

This does not mean that a complex calculation must be performed for every transaction. Economic categories can be defined. But they must be built from actual cost rather than from a uniform percentage applied across the entire catalogue.

18.4 The club's commission should correspond to its actual contribution

A partner club may participate very differently depending on the activity. In some cases, it primarily acts as the point of contact with the golfer and forwards the order. In others, it presents the product, organizes a demonstration, maintains inventory, prepares the equipment, or provides part of the service.

It would be difficult to treat these situations as economically identical.

The network can therefore provide several levels of compensation corresponding to the roles assumed. A reference commission can be associated with a sale made through the club. Additional compensation may be justified when the club assumes greater responsibilities or costs.

This approach preserves simplicity while avoiding the unfairness of a uniform model.

It also encourages greater economic transparency. The club knows which functions generate compensation and can decide whether it wishes to assume them.

The objective is not to encourage every club to perform the greatest possible number of tasks. Some functions are probably better carried out at the regional centre. The goal is instead to ensure that when a club contributes additional capacity to an activity, a corresponding portion of the value remains at the local level.

18.5 Regional-centre compensation should finance capability, not a toll

The regional centre could easily become an additional economic layer taking a share of every transaction simply because a product passes through its territory. Such a logic would be contrary to the architecture being sought.

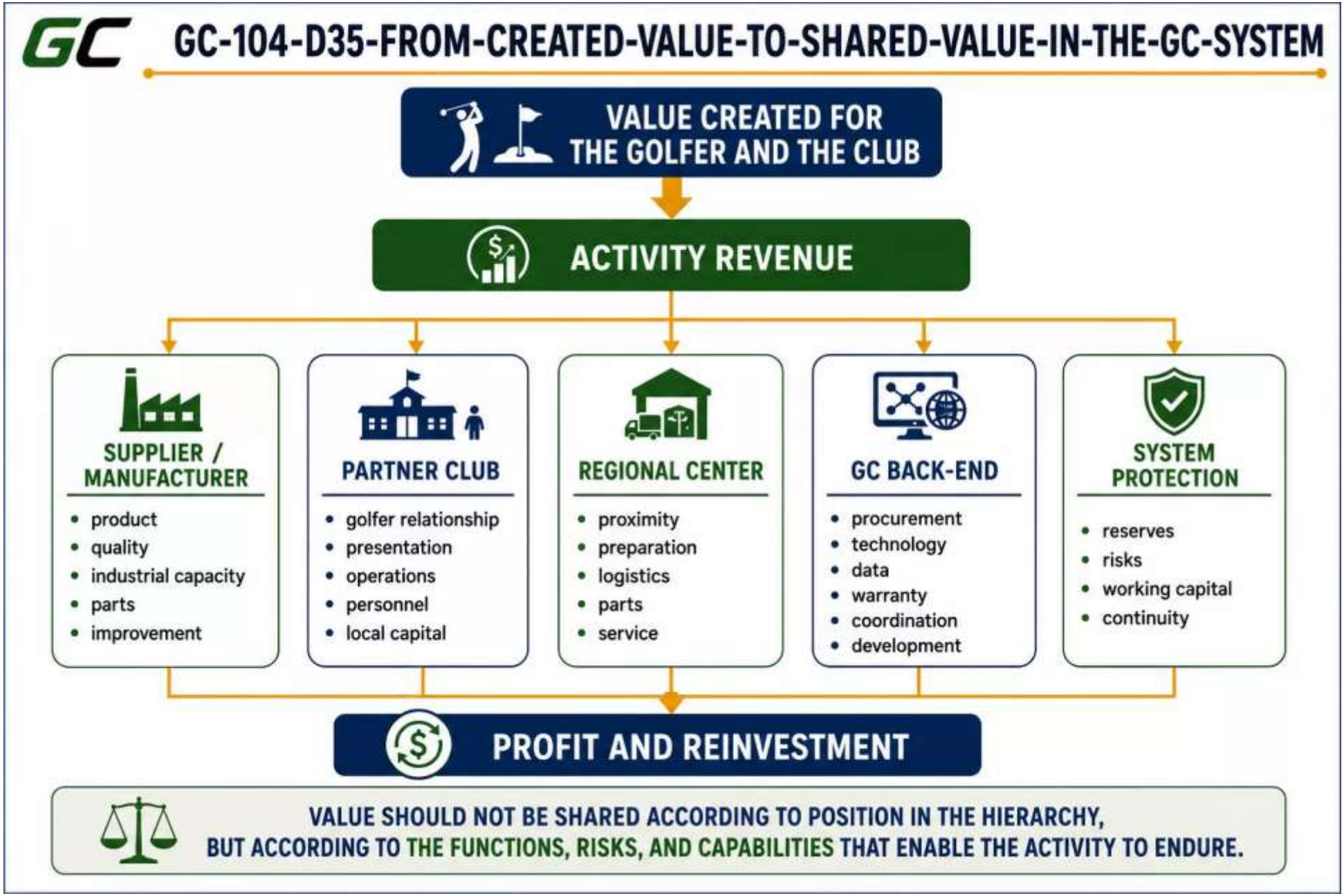
Regional compensation must correspond to an identifiable function.

When a centre prepares a product, performs a delivery, holds parts, carries out a repair, or technically supports several clubs, it creates real capability. That capability must be funded.

Some functions can be billed directly. Others can be covered by a contribution from activities within the territory, particularly when they collectively benefit the clubs but cannot easily be attributed to a specific transaction.

The principle must remain simple: the regional centre receives value because it reduces friction or provides capability, not because it occupies an additional position in the chain.

This distinction will protect the system against an accumulation of charges that would eventually increase prices without sufficiently improving the function.



GC-104-D35 — FROM VALUE CREATED TO VALUE SHARED WITHIN THE GC SYSTEM

18.6 An incentive should change a behaviour that is useful to the system

Incentives can be powerful because they directly influence economic behaviour. A discount, bonus, additional commission, or volume-related advantage can encourage a particular activity.

But a poorly designed incentive can produce exactly the opposite behaviour from what is intended.

A bonus based only on the number of units sold may encourage a club to push a product even when the function is poorly suited to certain users. A discount tied to large quantities may encourage overstocking. A premium based solely on acquiring new clubs may lead to prioritizing growth in the number of partners at the expense of the quality of their integration.

Every incentive must therefore begin with one question: **what behaviour do we actually want to encourage?**

The system may want to increase utilization, improve data quality, reduce returns, accelerate certain payments, encourage training, or increase participation in a specific function.

In each case, the incentive should be linked as directly as possible to the desired outcome.

Variable compensation then becomes an alignment tool rather than simply a means of increasing sales.

18.7 Volume can be rewarded when it actually creates an economy

Volume discounts and commissions are common because higher volume can reduce certain unit costs. A larger order can improve supplier pricing, reduce transportation cost per unit, or lower certain administrative costs.

In these situations, part of the economy created can be redistributed without weakening the model.

However, a significant reduction should not automatically be granted simply because the number of units increases. If the additional volume does not actually reduce the cost, the discount becomes a reduction in margin rather than a sharing of savings.

Volume can also create additional costs. A larger fleet may require more space or maintenance. Rapid growth in orders may place pressure on working capital.

The proper policy is therefore to share the volume savings that are actually produced rather than use an arbitrary schedule.

This approach allows the club to benefit from the network effect while protecting shared capacity.

18.8 Incentives should reward the quality of integration as much as growth

In a developing network, the number of partner clubs can become a highly visible indicator. It may then be tempting to strongly reward the acquisition of new clubs without paying enough attention to their actual level of use or the quality of the relationship.

This strategy can produce superficial growth.

A club that signs an agreement but makes very little use of the network's functions contributes less to the real economy than a club that properly integrates several activities and participates actively in collective learning.

As the system evolves, certain incentives may therefore be linked to more qualitative results: actual adoption, utilization, satisfaction, complete data, compliant service, or sustainable territorial development.

This logic should not be turned into a bureaucratic points system. A few essential measures may be enough.

The principle is more important than the mechanics: reward what strengthens the network over the long term rather than what temporarily increases the appearance of growth.

18.9 Value sharing must remain understandable

A commission architecture can quickly become very complex when several participants, product categories, volume levels, and incentive programs accumulate.

This complexity has a cost of its own.

It requires more administration, creates risks of error, complicates contracts, and makes it more difficult for the club to forecast its own economics.

The system must therefore seek a balance between economic precision and operational simplicity.

A few principal structures can probably cover most situations: simple sale, local operation, regional service, digital activity, or another clearly defined category. Exceptions can exist when their value genuinely justifies the additional complexity.

Ideally, the club should be able to understand, without complex calculations, how its compensation is determined.

This transparency is particularly important as the relationship broadens. A partner must be able to distinguish its sales revenue, commissions, rental activities, and other contributions.

The KISS principle must therefore also apply to value sharing: an economy that is slightly less optimized but clearly understood can be superior to a theoretically perfect structure that has become too complex to administer properly.

18.10 Value sharing must be able to evolve with the maturity of the system

The appropriate economic allocation during a pilot phase is not necessarily the one that will be suitable when the network includes a large number of clubs.

At the beginning, certain unit costs will be high. The Back-End will need to finance capabilities used by only a few participants. Regional centres may operate below their optimal level of utilization. Certain margins will need to compensate for greater uncertainty.

As the network grows, conditions can change. Supplier volumes can improve costs. Technology can be spread across more clubs. Regional centres can become more productive.

These savings create new room for sharing.

A portion can be retained to increase profitability and finance growth. Another portion can return to the clubs through better margins or better prices. A portion can improve service or quality.

The sharing model should therefore not be frozen permanently.

It should remain stable in its principles but revisable when the underlying economics change.

This ability to evolve prevents conditions created for an experimental phase from becoming permanent constraints after the system has changed substantially.

18.11 A high margin is not necessarily a good margin if it slows the whole system

An activity may show a spectacular margin and yet be economically less attractive than another if its high price greatly reduces volume, if its inventory turns slowly, or if it quickly attracts aggressive competition.

Value sharing must therefore be viewed in the context of the whole.

A more moderate margin on a heavily used activity can produce greater annual contribution, better support the club, and improve capital turnover. The network effect can also be stronger when more users participate.

This interpretation is particularly relevant for products or services intended to become entry points to other GC functions.

The system should not seek to extract the maximum margin immediately from every transaction if a slightly different economy can build a larger and more durable relationship.

This does not mean accepting insufficient margins in the name of a hypothetical future. Unit economics must remain healthy.

It simply means recognizing that a margin must be evaluated together with volume, capital velocity, and the effects it produces across the rest of the portfolio.

18.12 Incentives must not encourage the transfer of risk to the club

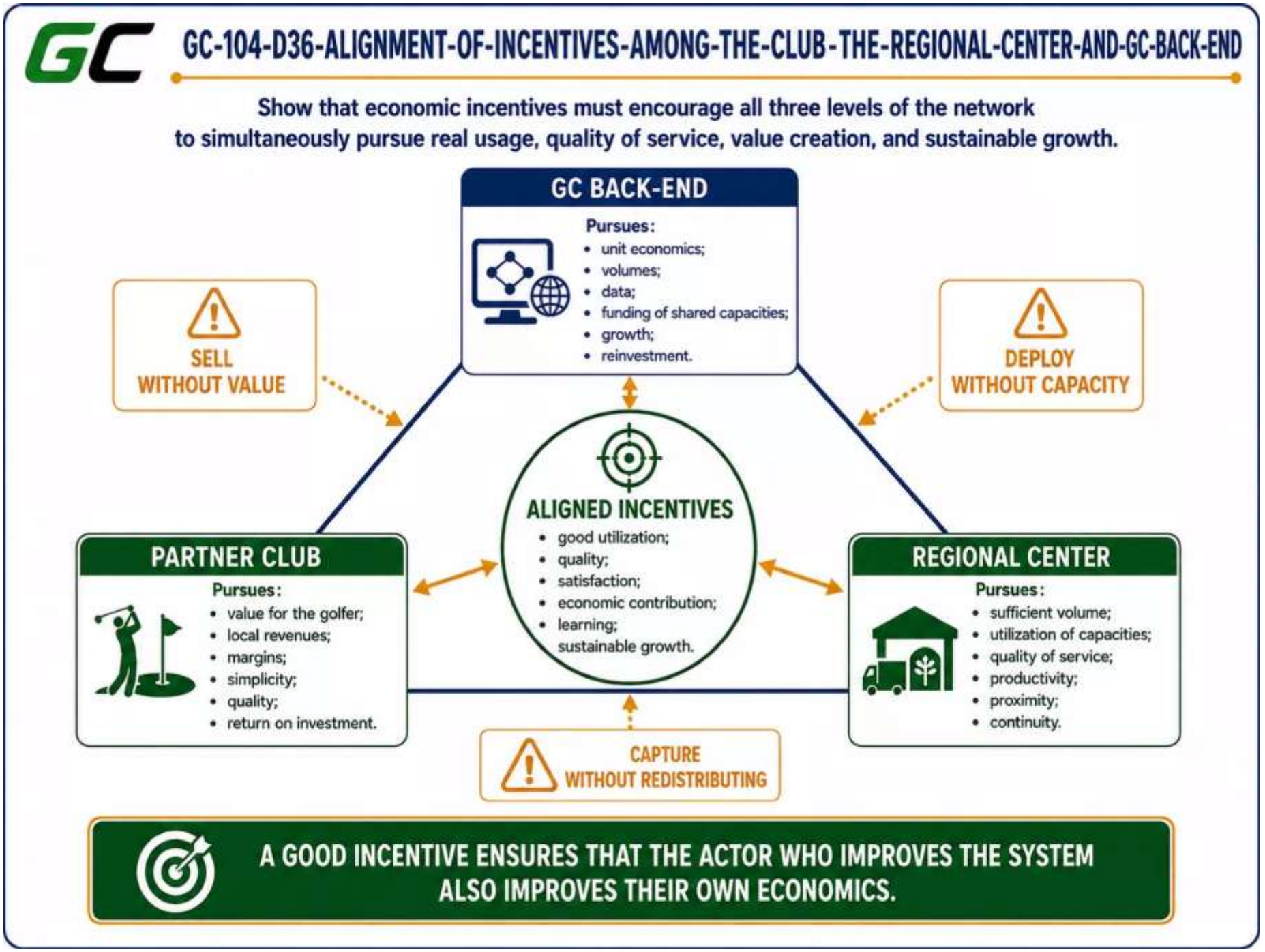
A compensation structure may appear attractive to a club while transferring a significant share of economic risk to it.

A high margin may, for example, be associated with an obligation to purchase a large inventory that the club must then carry. An additional commission may be offered in exchange for a volume commitment that is difficult to sustain. A fleet model may present attractive revenue potential while leaving the club with the entire utilization risk.

These arrangements are not necessarily wrong when they are understood and voluntarily chosen. But compensation must be evaluated together with the corresponding risk.

A higher margin can be fully justified when the club finances inventory or assumes an additional responsibility. Transparency means making this relationship visible.

The GC System must avoid presenting as a commercial advantage what is essentially a transfer of risk that is not sufficiently recognized. The quality of the partnership depends largely on this clarity.



GC-104-D36 — ALIGNING INCENTIVES BETWEEN THE CLUB, THE REGIONAL CENTER, AND THE GC BACK-END

18.13 Sharing economies of scale must make the network effect visible

One of the most important promises of a network is to create savings that an isolated participant could not easily obtain.

As the number of clubs increases, GC can negotiate larger volumes, make better use of its regional centres, spread its technology investments across more clubs, and improve certain administrative functions.

If these gains remain entirely invisible to the clubs, the value of collective participation becomes difficult to perceive.

A portion of the economies of scale must therefore return to the base.

This may take the form of better prices, improved commissions, faster service, more functions included, or lower certain fees.

Not every saving needs to be redistributed immediately in cash. Investing part of the gains in technology or a regional centre may create greater value over time.

But the club must be able to see that as the network becomes more efficient, part of that efficiency also improves its own situation.

It is this return that transforms the network effect into a genuine shared advantage.

18.14 Profit remains legitimate in an inverted pyramid

The principle of value sharing does not mean that GC should redistribute all the value created and reduce its own profit to a minimum.

A system that never generates profit or reserves becomes dependent on external capital, unable to absorb certain crises, and limited in its ability to invest.

Profit therefore performs an essential function.

It compensates capital and risk when a distribution is made. It can also remain in the company to finance investments, strengthen reserves, and support growth.

The inverted pyramid mainly changes the manner in which that profit is obtained.

It should not depend over the long term on excessive compression of club margins, inadequate service, or the transfer of risk to the base. It should arise from an architecture in which the central organization creates enough additional value to legitimately retain part of that value.

A profitable GC company and economically stronger clubs are therefore not contradictory objectives.

On the contrary, their compatibility is precisely the proof that a genuine economic system has been built.

18.15 Value sharing must transform individual interests into collective interest

The best economic architecture is not one that continually asks participants to act against their own interests in order to support a common vision. It is one in which their individual interests naturally lead them toward behaviours that also improve the system.

The club should benefit from properly presenting and operating GC functions because they improve its own economics and that of its golfers.

The regional centre should benefit from providing fast and efficient service because its own economic model depends on the utilization and quality of its capabilities.

The Back-End should benefit from developing better products, negotiating better conditions, and improving its technologies because these functions simultaneously increase the value of the network and its own financing capacity.

The supplier should benefit from maintaining quality because a long-term relationship with a growing network can bring greater volume.

When these interests converge, the organization needs fewer constraints to make the model work.

This is where margins, commissions, and incentives take on their true meaning. They are no longer simply an accounting allocation after the transaction. They become mechanisms of economic governance.

A commission indicates which contribution the system wishes to recognize.

A margin indicates which responsibilities must be funded.

An incentive influences behaviour.

A reserve protects against risk.

A profit makes it possible to retain or compensate part of the value created.

Value sharing therefore indirectly organizes the way participants behave.

This responsibility requires considerable discipline. A poor incentive system can produce poor behaviours even when the people involved are competent and acting in good faith. If an organization rewards only volume, it will probably obtain more volume, including when quality should have slowed growth. If it rewards cost reduction without measuring quality, some important expenses will probably be deferred. If it properly rewards satisfaction, contribution, and continuity, behaviours may evolve differently.

The GC System must therefore seek to align its economic mechanisms with what it genuinely considers important.

Value must be created before it is captured.

The club must retain a share corresponding to its contribution.

The regional centre must finance its capability.

The Back-End must retain sufficient resources to support shared functions and the evolution of the system.

Economies of scale must be shared sufficiently for their advantage to remain visible at the base.

Capital must be able to receive a return when the economics allow it, without becoming the sole purpose of the architecture.

This combination represents a concrete application of the inverted pyramid.

Economic value rises from real activity, but part of it is continuously redirected toward the capabilities that allow clubs and golfers to receive greater value in the next cycle.

The process becomes:

create → share → finance → strengthen → reinvest → create more.

The guiding principle of this chapter can therefore be stated as follows:

value sharing is economically sound when each participant receives enough to want to continue improving its function, when risks and capital are properly recognized, and when part of the collective gains returns to the base that helps create them.

The next chapter can now examine this logic from the perspective of local investment: how much a club must commit, what value it can reasonably expect, how its return should be measured, and over what period the investment can be recovered.

That will be the subject of **Chapter 19 — Club Investment, Return, and Payback Period**.

CHAPTER 19

CLUB INVESTMENT, RETURN AND PAYBACK PERIOD

19.1 An Investment Must Improve a Function Before Promising a Return

When a club considers investing in a GC component, the first question should not be limited to how much that component might generate. Financial return is important, but it must be preceded by a clear understanding of the function the investment is intended to improve. An asset may generate revenue and still be a poor decision if it complicates operations, requires too much staff time, replaces a more profitable activity or addresses a need that is not sufficiently present within the club.

Conversely, some investments may be highly relevant even when they do not immediately create a new revenue line. More reliable equipment can reduce maintenance costs. Digital infrastructure can reduce administrative tasks. Better service capacity can shorten downtime. A mobility solution can improve the experience enough to create value that appears progressively through usage, loyalty or attendance.

The investment must therefore be evaluated according to its complete economic contribution.

That contribution can come from four main sources: additional revenue, avoided costs, freed capacity and the residual value of the asset. It must then be compared with the capital committed, operating costs and risks assumed.

This approach prevents an investment decision from being reduced to a sales projection. The club is not simply financing a product. It is transforming part of its cash or borrowing capacity into a function from which it expects an economic improvement over several years.

The quality of that transformation must remain at the center of the analysis.

19.2 Club Investment Must Be Distinguished From Operating Expense

The distinction between investment and current operating expense is important because these two categories do not affect the club's economics in the same way.

An operating expense generally finances a function consumed over a relatively short period: energy, certain supplies, service fees, subscriptions or labor. An investment, by contrast, makes it possible to acquire or develop an asset that will continue providing a function over several years.

A vehicle fleet, charging infrastructure, technical equipment, certain physical installations or a significant information system may belong to this second category.

This accounting distinction should not, however, obscure the underlying economics. An asset purchased once can continue generating costs every year. A solution acquired at a low initial price may require substantial maintenance. Technology provided through a subscription can avoid a large initial investment while creating a higher recurring expense.

The club must therefore compare the models across the entire expected period of use.

The question is not simply:

How much must be paid today?

It becomes:

How much capital and expense will this function require over its useful life, and what economic value can it produce over the same period?

This distinction becomes particularly important when GC offers several ways of accessing the same function: purchase, rental, financing, revenue sharing or an integrated service.

19.3 Initial Capital Must Include Everything Required to Make the Asset Operational

When a club evaluates an investment, the purchase price of the product is often the most visible figure. But this amount can significantly underestimate the capital actually required to begin operations.

A mobility fleet may require chargers, electrical installation, space, certain accessories or preparation. New equipment may require training or modifications to facilities. Technology may require data migration, configuration or complementary hardware.

The amount truly committed must therefore include the cost of putting the function into service, not only the cost of the principal asset.

This difference is essential for calculating the payback period correctly.

If a club purchases equipment for $50,000 but must spend an additional $10,000 to make it operational, the initial economic investment is closer to $60,000 than $50,000. Using only the equipment price would artificially improve the apparent return.

Conversely, some infrastructure may be shared across several functions. A charging installation created for an initial fleet may eventually serve other product categories. In that case, it would also be incorrect to necessarily assign its entire cost to the first activity if broader use becomes genuinely probable.

The calculation must therefore remain rigorous enough to avoid underestimation, while being intelligent enough to recognize Shared Capabilities.

19.4 Payback Period Provides a First Simple and Useful Indicator

For many decisions made at the club level, the payback period is probably one of the easiest indicators to understand. It simply seeks to determine how long the activity must operate before cumulative net economic flows recover the initial investment.

In a simple situation, it can be represented as follows:

Payback Period = Initial Investment ÷ Annual Net Contribution

If an asset requires a net investment of $30,000 and produces an average net contribution of $10,000 per year, the theoretical payback period is approximately three years.

This measure is particularly useful when comparing several investments of similar size or when an asset has a relatively predictable useful life.

It immediately allows the club to ask another important question: is the payback period reasonably shorter than the economic life of the asset?

Equipment whose capital is recovered only near the end of its useful life leaves little room to absorb unforeseen events or create a real return. An asset capable of recovering its investment much earlier then has several additional years in which to generate further contribution.

The payback period nevertheless has important limitations. It does not always account for the time value of money, financing, annual variations, residual value or cash flows generated after recovery.

It should therefore be treated as a first filter rather than a complete measure of investment quality.

19.5 Return Must Be Calculated on Net Contribution, Not on Revenue

A common mistake is to compare the investment with the gross revenue generated by the activity. This method can create a very favorable impression when a large portion of the revenue must later finance operating costs.

A fleet generating $60,000 in annual revenue does not necessarily contribute $60,000 to the club. The costs directly associated with the activity must be deducted: preparation, energy, maintenance, payment fees, insurance, parts, possible commissions and other required expenses.

What matters for capital recovery is the net contribution actually generated by the asset.

This distinction becomes even more important when the activity partially replaces an existing revenue source. If a new form of mobility generates $40,000 in revenue but simultaneously reduces a previous activity by $15,000, the genuinely incremental revenue must be adjusted before the return is calculated.

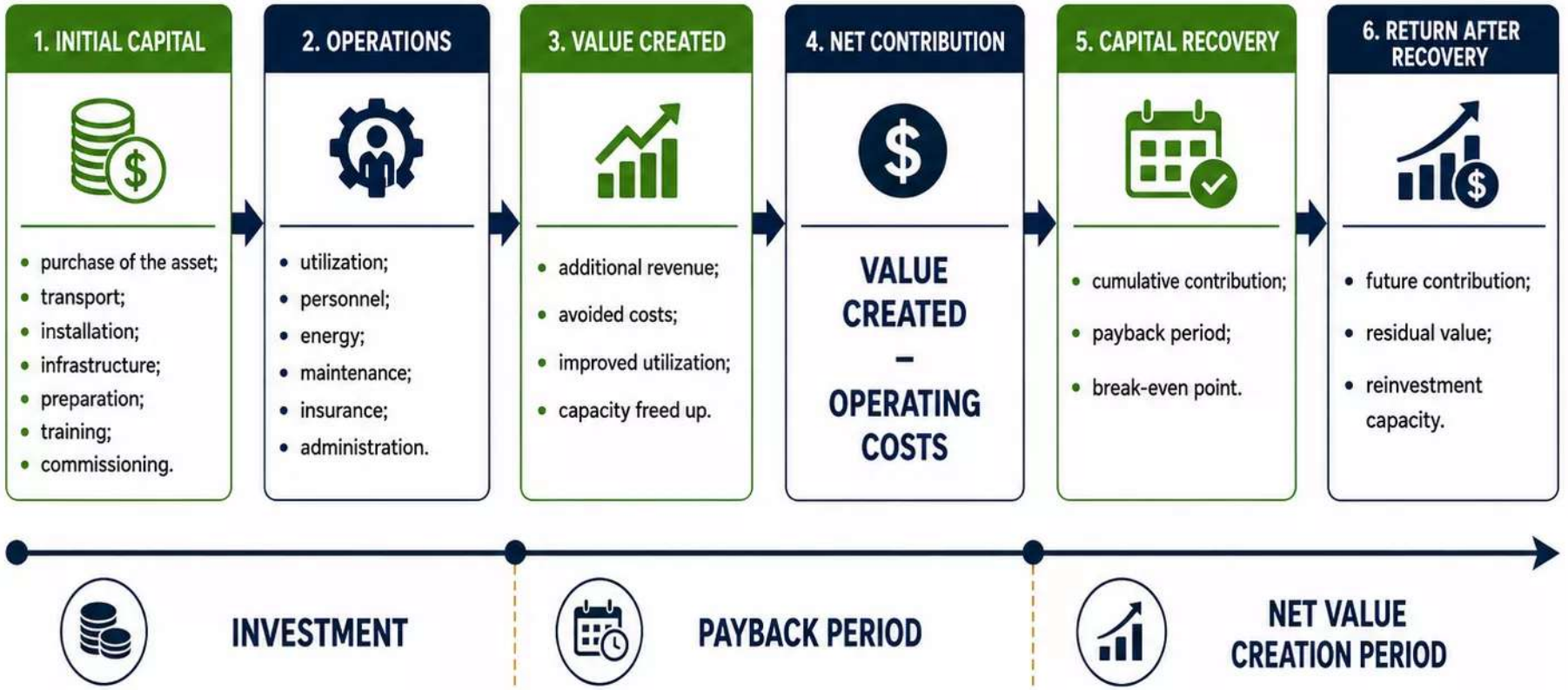
The analysis can therefore be expressed as follows:

genuinely additional revenue + savings produced − additional operating costs − displaced revenue = net economic contribution of the investment.

This contribution is far more relevant for evaluating capital recovery than gross revenue.

GC-104-D37-FROM-COMMITTED-CAPITAL-TO-THE-CLUB'S-ECONOMIC-RETURN

Show that a club investment must be evaluated from the initial capital actually required through the net economic flows produced over the life of the asset.



A GOOD INVESTMENT DOES NOT ONLY RECOVER ITS CAPITAL:
IT MUST HAVE A SUFFICIENT ECONOMIC LIFE TO CREATE VALUE AFTER THAT RECOVERY.

19.6 Utilization Rate Can Completely Transform the Return on the Same Asset

For many club investments, utilization rate is the most important economic variable.

Two clubs can purchase exactly the same equipment at the same price and achieve completely different returns simply because one uses it far more often.

This reality is particularly obvious in rental activities. Equipment used one hundred and fifty times during a season does not have the same economics as identical equipment used thirty times.

Yet the initial cost remains almost the same.

Utilization therefore acts directly on the speed of capital recovery.

It can also influence costs. Greater use accelerates certain forms of wear and increases maintenance needs, but these costs generally rise much more slowly than revenue when the asset is properly sized.

The club must therefore seek to understand the minimum utilization threshold from which the investment becomes reasonably attractive.

This information can then guide fleet size or the number of units purchased.

Rather than deciding that a club "should have ten units," the GC System can progressively determine how many units its actual demand can support efficiently.

The size of the investment then becomes a consequence of the local market.

19.7 Economic Life Must Be Compared With the Payback Period

The payback period only has meaning when it is compared with the period during which the asset can continue performing its function properly.

Equipment may physically operate for ten years but become economically less attractive after six because of higher maintenance costs, declining reliability or the emergence of better solutions.

It is this useful economic period that should be used as the reference.

Suppose an asset has a probable economic life of five years. A four-year payback leaves only a short period of net value creation. A two-year payback leaves considerably more time to produce contribution after the initial capital has been recovered.

This margin also provides protection against imperfect assumptions.

If demand is slightly below projections or certain costs are higher, an investment with a substantial margin of safety can remain viable. A project whose model works only when everything occurs exactly as expected presents much greater risk.

The relationship between payback period and economic life should therefore become one of the simplest indicators used by clubs.

19.8 Residual Value Can Improve Investment Economics

At the end of its first cycle of use, an asset may still retain value.

Equipment can be resold, traded in, refurbished, transferred to another club or retained for a different function. Certain components can also be recovered as parts.

This residual value should be integrated when it can be estimated with a reasonable degree of prudence.

In practical terms, it reduces the total economic cost of ownership.

An asset purchased for $40,000 and later resold for $10,000 does not represent the same economic investment as a product with no value at the end of its use, even if both were purchased at the same price.

The secondary market can therefore become an important function as the GC System reaches greater maturity. A network capable of inspecting, refurbishing and redistributing certain products can increase their residual value and reduce the cost of ownership for the first user.

This capability should not be assumed too early, but it represents an attractive possibility within an integrated economy.

The network can contribute not only to improving the new product, but also to preserving part of the asset's economic value throughout its life cycle.

19.9 Financing Changes Cash Flow, but Does Not Turn Poor Economics Into Good Economics

A club may not have enough cash to immediately acquire an asset that is nevertheless economically attractive. Financing can then spread the cash outflow over time and bring payments closer to the revenue generated by the investment.

This function can significantly improve project feasibility.

But financing must not be confused with profitability.

An asset that does not produce enough value to cover its cost does not become profitable simply because its payments are spread over several years. Financing changes the timing of cash flow; it does not eliminate economic cost.

It generally adds a cost in the form of interest or fees.

The club must therefore analyze two separate questions:

Is the investment economically attractive?

and then:

What financing structure makes it possible to acquire it without weakening cash flow?

This sequence protects against a dangerous practice in which an apparently low monthly payment causes the total amount committed to be overlooked.

Financing should support sound economics, not replace the demonstration of them.

19.10 Different Ownership Models Distribute Capital, Risk and Return Differently

The club does not necessarily need to own every asset it uses. Several architectures can be considered depending on the function and stage of development.

Direct purchase gives the club control of the asset and allows it to retain all future revenue, but it requires more initial capital and transfers the risk of underutilization to the club.

Rental or equipment financing reduces the initial investment but creates recurring payment obligations.

A revenue-sharing model can transfer more of the risk to GC or to a partner that owns the asset, in exchange for a larger share of the revenue generated.

These options must be compared over a sufficiently long period.

A model with little initial capital may appear highly attractive in the first year but become more expensive overall if utilization remains high over several seasons. Conversely, purchasing a large fleet immediately may be a poor decision when a club does not yet understand the demand.

The early Steps may therefore favor models that reduce risk and allow learning. Once utilization is confirmed, the club may eventually choose a structure that offers greater return in exchange for a larger capital commitment.

The ownership model thus becomes a risk-management variable rather than merely a payment method.

19.11 Working Capital Must Be Protected Even When an Investment Is Profitable

A club can have an investment that is highly profitable over the long term and still encounter a cash-flow problem if too much capital is committed at the wrong time.

This reality is particularly important in a seasonal activity.

An investment made just before a period of low cash inflows can place significant pressure on liquidity. The same investment made at the beginning of an active period can be progressively financed by the revenue it generates.

Timing must therefore be considered in the decision.

The club must retain sufficient liquidity for its other obligations: payroll, suppliers, maintenance, operations and unforeseen events. A GC activity should not absorb an excessive share of working capital simply because its projected return appears attractive.

This discipline protects the club against a paradoxical situation: owning several profitable assets while lacking the liquidity required to operate its current activities properly.

Financial capacity must therefore be observed through two distinct dimensions:

return on invested capital and availability of cash during the recovery period.

19.12 Scenarios Should Replace a Single Forecast

No investment will unfold exactly according to the assumptions established at the time of the decision. Attendance may vary, weather can influence utilization, maintenance costs can change and the price accepted by users may differ slightly from what was expected.

Presenting a single projection therefore creates an illusion of precision.

A more useful method is to establish several scenarios.

A prudent scenario can represent lower utilization, lower revenue, higher costs and a longer payback period.

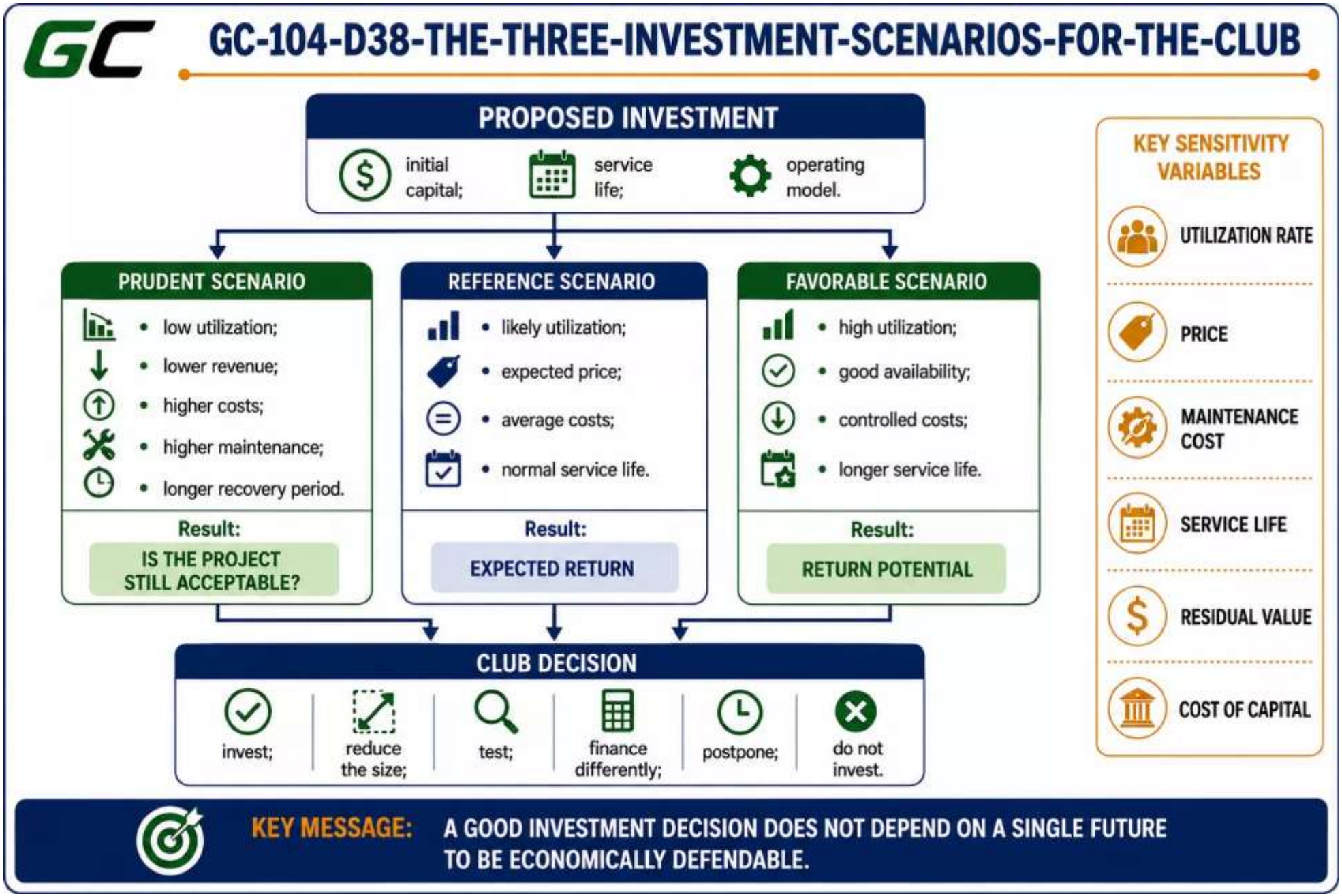
A reference scenario corresponds to the assumptions considered most reasonable based on the available information.

A favorable scenario helps illustrate the potential when utilization and economics exceed expectations.

This method is not intended to predict three different futures. It is intended to show which variables can genuinely change the decision.

If the investment remains acceptable under the prudent scenario, the economic risk is relatively low. If it works only in the favorable scenario, it should be considered much more speculative.

Pilot Clubs will progressively reduce the gap among these scenarios because actual data will replace some of the assumptions.



GC-104-D38 — THE THREE CLUB INVESTMENT SCENARIOS

19.13 The Club Must Maintain a Margin of Safety Between Expected Return and the Minimum Threshold

An investment calculated to the nearest dollar may appear rigorous, but a very small margin between the expected scenario and the break-even point makes the decision fragile.

A relatively small variation in cost or utilization can then eliminate the return.

The margin of safety represents the space available before the project becomes economically insufficient.

For a rental activity, it can be measured in number of uses. If the asset must be rented one hundred times to cover its costs and the realistic forecast is two hundred uses, the margin is substantial. If it requires one hundred and eighty uses, the project becomes much more sensitive to variation.

This approach is easy to understand at the club level.

The same logic can be applied to revenue, maintenance cost or useful life.

The margin of safety does not replace return analysis. It indicates how dependent the return is on the precision of the assumptions.

In an environment where several variables remain uncertain, this information can be as important as the theoretical return itself.

19.14 Club Capital Must Be Compared With the Other Investments It Could Finance

Every club has a limited amount of capital. Choosing one investment generally means that another opportunity must wait or be financed differently.

A mobility fleet may compete with maintenance equipment, a building improvement, practice infrastructure, renovation of the pro shop, an irrigation system or several other needs.

GC cannot therefore analyze its own components as though they existed in a financial vacuum.

The club must be able to compare investments according to their functional importance, return, risk, payback period and urgency.

A GC component showing an excellent return may deserve high priority. Another may be attractive while still being less important than an investment required to protect the course or an essential infrastructure.

A mature economic partnership accepts this reality.

GC should not seek to maximize the proportion of club capital devoted to its own products. It should seek to propose investments strong enough to deserve their place within the club's real portfolio of decisions.

This approach also strengthens trust. Recommending a smaller beginning or postponing an investment can sometimes create a more durable relationship than making a sale too quickly.

19.15 The Right Investment Progressively Increases the Club's Economic Capacity

An investment becomes particularly attractive when it does more than generate an isolated return. It can create a new capability that then facilitates other activities.

A first profitable fleet can finance its own expansion. Charging infrastructure can make it possible to integrate new products. Technology can reduce administrative costs enough to make other services easier to operate. Local service capacity can reduce downtime across several equipment categories.

The investment then creates a cumulative effect.

Initial capital is transformed into an asset.

The asset produces a function.

The function produces revenue, savings or greater capacity.

Part of that value progressively recovers the initial capital.

Once recovery is achieved, a growing portion of the contribution can become available for other priorities.

The club can then reinvest.

This progression corresponds directly to the general logic of GC-104:

capital → capacity → activity → contribution → recovery → reinvestment → additional capacity.

The true economic value of a GC investment appears when this loop can function without continually requiring new external capital to support the same function.

This does not mean every asset must independently finance all of its future growth. Some strategic investments will have long payback periods. Others will primarily create savings or indirect benefits.

But the local portfolio as a whole must progressively create enough value to increase the club's financial capacity.

This idea also connects directly with the Inverted Pyramid. The network should not simply bring the club new opportunities to spend capital. It should help improve the productivity of that capital.

The GC Back-End can reduce uncertainty through data.

The Regional Center can reduce certain service costs.

Volume aggregation can improve prices.

Standardization can protect residual value.

Technology can improve utilization.

Pilot Clubs can provide references that allow the clubs that follow to make better decisions.

The more the network learns, the more each new investment decision should be made with better information than was available to the first club.

This collective improvement is itself a form of network return.

The club no longer purchases only a product. It progressively benefits from the accumulated experience of the entire system regarding how to purchase, operate, maintain and replace that product.

The guiding principle of this chapter can therefore be stated as follows:

a GC investment is economically justified for the club when it transforms a reasonable amount of capital into a useful function, produces a sufficiently durable contribution to recover that capital with a margin of safety, and then increases the club's ability to create or reinvest value.

This definition imposes several disciplines.

Initial capital must be measured correctly.

Operating cost must be included.

Revenue must be genuinely incremental when the analysis presents it as such.

Utilization must be observed rather than assumed.

The payback period must remain coherent with the life of the asset.

Financing must support cash flow without hiding poor economics.

Scenarios must make the risks visible.

And the investment must be compared with the other possible uses of the club's capital.

When these conditions are met, the GC System can move beyond the simple sale of equipment and become a partner capable of helping the club make better capital-allocation decisions.

The next chapter shifts this analysis to the regional scale in order to examine the economic role of Regional Centers: how they can bring capabilities closer to the field, pool resources across several clubs and build their own economic balance without becoming an additional layer of cost disconnected from the value they provide.

CHAPTER 20
THE ECONOMIC ROLE OF REGIONAL CENTERS

20.1 The Regional Center Must Exist Because It Improves the Economics of the Network

The Regional Center occupies a particular position within the architecture of the GC System. It sits between Partner Clubs, which remain in direct contact with the course and the golfer, and the GC Back-End, which brings together common functions that require greater centralization. Its justification therefore cannot be merely geographic. A Regional Center does not become useful simply because a map makes it possible to divide a territory into regions; it becomes relevant when a sufficient concentration of activity allows certain functions to become more efficient when they are brought closer to the clubs.

This distinction is fundamental. Every additional organizational level creates its own costs: facilities, personnel, equipment, inventories, administration, travel and management. A poorly sized Regional Center could therefore become an additional burden rather than a source of efficiency. Conversely, when enough clubs share the same needs for service, parts, preparation, logistics or technical support, proximity can reduce delays and duplication enough to improve the economics of the whole.

The economic function of the Regional Center is therefore to transform a series of dispersed local needs into a Shared Capability that is sufficiently close to the field to remain efficient.

This capability must be built progressively. During the early stages of the network, several functions may still be handled directly by the GC Back-End, a supplier or an external partner. As volumes increase in a region, some of these functions can be transferred closer to the clubs. The Regional Center therefore appears less as predetermined infrastructure than as a response to the actual density of the network.

Its development must follow demand rather than precede it for too long.

20.2 Distance Has an Economic Cost That Goes Beyond Transportation

Geography profoundly influences service economics. When clubs are far from a central point, every intervention may require more transportation, coordination and time. A relatively inexpensive part can leave equipment out of service for several days simply because it is not available close enough. A technician can spend more hours on the road than performing the intervention itself.

The cost of distance is therefore not limited to fuel or carrier fees.

It also includes the time during which the asset remains unusable, the coordination required to organize the intervention, club frustration, the risk of degrading the experience and, in the case of a revenue-generating asset, the revenue lost during downtime.

Regional proximity can reduce several of these costs simultaneously.

A limited inventory of critical parts located within a reasonable distance can enable a rapid repair. A regional technician can serve several clubs without reproducing the long travel distances required by a central team. Equipment can be prepared or assembled closer to its destination. Certain returns can be consolidated before being shipped to the GC Back-End or manufacturer.

Part of the economic value of the region therefore comes from its ability to reduce the cost of distance between the required function and the place where it must be performed.

This economy becomes particularly important when speed itself has commercial or operational value.

20.3 Club Density Must Precede Infrastructure Density

It would be easy to imagine, from the beginning, a complete network of fully equipped Regional Centers covering a large territory. Such an architecture might appear impressive, but it would tie up a substantial amount of capital before the activities required to finance it actually existed.

Regional development must follow the opposite logic.

The network begins with clubs.

These clubs progressively generate sales, rentals, service needs, parts movements, warranties and other activities. When the concentration of these operations reaches a sufficiently high level, regional pooling begins to create an economy.

The Regional Center should therefore appear when the cost of continuing to manage certain functions separately or from a distance becomes greater than the cost of creating a Shared Capability closer to the territory.

This comparison is a far stronger economic criterion than an arbitrary target for the number of regions to open.

Density may also differ according to the nature of the activities. A region containing several highly integrated clubs may justify certain capabilities quickly, while a territory with more clubs that are widely dispersed or only lightly integrated may not yet present the same economics.

The number of clubs is therefore not enough. Activity volume, distance, products used, services required and the actual frequency of interventions must also be considered.

The economic territory of a Regional Center should emerge from the flows of the network.

20.4 Regionalization Should Begin With the Functions for Which Proximity Creates the Most Value

Not every GC System function benefits equally from regionalization. Some naturally become more efficient when centralized at scale. Software development, data administration, part of accounting, relationships with manufacturers and certain procurement negotiations can remain primarily at the GC Back-End level.

Other functions derive much more value from proximity.

Common parts, equipment preparation, certain repairs, practical training, first-level diagnostics and some logistics movements can become faster and less expensive when performed within the region.

The Regional Center should therefore not seek to reproduce every GC Back-End function in a smaller version.

Its economics depend precisely on the opposite: regionalizing only what genuinely becomes more efficient at that scale.

This discipline avoids multiplying administrative structures. A Regional Center does not need its own version of every central department. It needs resources that correspond to the frictions that proximity can reduce.

As the territory evolves, these responsibilities may change. A function can remain outsourced for several years and later be internalized once volume justifies it. Another may remain centralized even when the region becomes significant.

The region must therefore be viewed as an evolving capability rather than as a uniform real-estate model.

20.5 The Regional Center Can First Be an Organization Before It Becomes a Building

The concept of a Regional Center can easily be associated with a warehouse, workshop or major physical facility. These elements may eventually become necessary in certain regions, but they do not necessarily have to be the starting point.

During the early Steps, a regional structure can remain much lighter. An existing technical partner can perform certain repairs. Limited space can serve as a parts depot. A technician can work across several sites. Logistics capability can be shared with a supplier or subcontractor.

This progressive approach reduces the capital required to validate the function.

As flows become larger, the organization can then evolve toward a dedicated facility bringing together more parts, preparation, repair and eventually certain assembly operations.

The economic logic remains the same at every stage: physical structure must remain proportional to the functions whose volume has actually been demonstrated.

Building too early forces the center to search for volume afterward in order to finance infrastructure already committed. Building after validation instead allows the infrastructure to respond to existing demand.

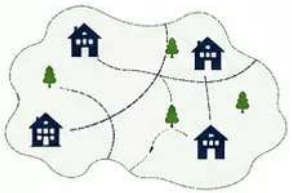
This distinction is directly consistent with the Seven Steps of economic development. The Regional Center itself must progress through successive validation.

GC-104-D39-FROM-NETWORK-DENSITY-TO-THE-CREATION-OF-A-REGIONAL-CENTER

Show that a regional center should not be created simply to geographically cover a territory, but when the cumulative activity of several clubs allows certain shared functions to become economically more efficient at the regional scale.

1 DISPERSED CLUBS — LOW VOLUME

- few products;
- few interventions;
- occasional service;
- functions still centralized.

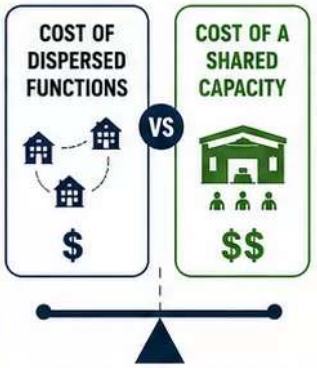


2 GROWTH OF REGIONAL ACTIVITY

- more clubs;
- more units;
- demand for parts;
- interventions;
- logistics flows.



3 MUTUALIZATION THRESHOLD



4 MINIMAL REGIONAL CENTER

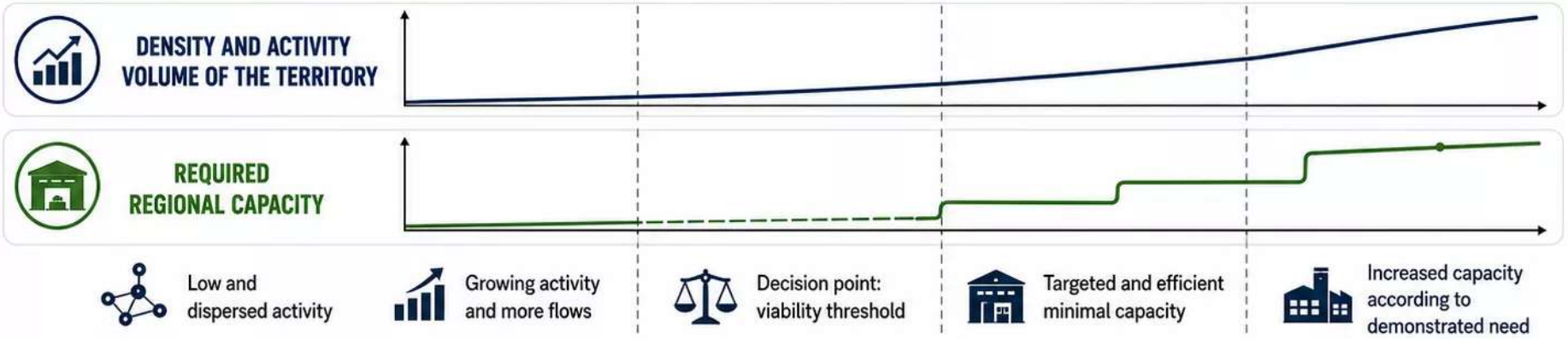
- critical parts;
- technical support;
- preparation;
- logistics;
- coordination.



5 ADVANCED REGIONAL CENTER

- workshop;
- expanded inventory;
- training;
- assembly when justified;
- additional capabilities.





REGIONAL CAPACITY MUST GROW AFTER THE NEED HAS BEEN PROVEN, AND NOT IN ORDER TO ARTIFICIALLY CREATE THE VOLUME REQUIRED TO FINANCE IT.

20.6 Regional Parts and Inventories Must Reduce the Total Cost of Availability

One of the first functions likely to justify regional capacity is the management of certain parts and technical inventories. The question, however, is not simply to move central stock into several regional warehouses. Such duplication could tie up more capital without improving service sufficiently.

The Regional Center should instead determine which references truly gain value from being positioned closer to clubs.

Frequently used, critical parts or components capable of returning equipment to service quickly may have strong regional value. Rare, expensive or non-urgent parts can remain centralized.

The right architecture therefore distributes inventory according to a combination of several variables: frequency of use, cost, procurement lead time, criticality and the value of avoided downtime.

This organization can reduce the total capital required while improving availability.

A single regional component can serve several clubs rather than being duplicated in each of them. Conversely, maintaining a limited number of critical components close to the field can avoid losses far greater than the value of the inventory tied up.

The Regional Center thus becomes a mechanism for optimizing the balance between availability and capital.

Network data will progressively improve this distribution based on actual consumption.

20.7 Repair Creates Value When It Reduces Downtime

The economics of repair extend beyond the price charged for an intervention. When essential or revenue-generating equipment remains out of service, its absence also creates a cost.

The Regional Center should therefore measure part of its performance by how quickly it can return an asset to service.

This capability requires several elements: diagnosis, competent personnel, procedures, available parts and good information flow with the GC Back-End and manufacturers.

Certain simple interventions can be performed directly at the club. Others can be handled regionally. Complex cases can be escalated to the manufacturer or to centralized expertise.

This architecture avoids unnecessarily building a complete technical capability within every establishment.

It also gives clubs access to a level of expertise they would have difficulty financing independently.

The Regional Center can therefore become the natural location for certain warranty and post-warranty repairs. The economics of these two categories must nevertheless remain clear. An intervention covered by warranty must be financed according to the responsibilities established by the system, while a post-warranty repair can become a billable activity and contribute directly to regional economics.

Repair must therefore be organized as a continuity function of the network, not merely as an independent commercial activity.

20.8 Regional Technical Capacity Must Be Used Enough to Remain Economic

A specialized technician, workshop and tools all carry costs even when few interventions are performed. Their economics therefore depend strongly on utilization.

This reality requires cautious progression.

In a young region, it may be more economical to rely on an external partner or a shared resource. As the installed base of equipment increases, intervention volume may become regular enough to support internal capacity.

The center must then observe productive time, travel, number of interventions, repair complexity and seasonal workload.

One hundred percent utilization is neither realistic nor desirable. Some available capacity is necessary to respond quickly to incidents and absorb peak periods. But a highly specialized resource used only a few hours per week may indicate that internalization is premature.

The objective is therefore to build enough capacity to provide good service without permanently financing significant underutilization.

Regional data becomes essential here. It makes it possible to identify when a previously outsourced function reaches the volume required to justify integration.

20.9 Preparation and Assembly Can Progressively Create Additional Regional Economics

As GC volumes increase, certain products may arrive partially assembled or may require preparation before delivery to the club or golfer. This function can be performed centrally, by the manufacturer or, in some cases, regionally.

The decision will depend mainly on logistics cost and volume.

Transporting a fully assembled product may use more space than shipping certain compact subassemblies. Conversely, moving assembly closer to the field requires personnel, equipment, training and local quality control.

When density becomes sufficient, the Regional Center can offer an attractive compromise: receiving larger volumes, preparing equipment close to the clubs and reducing the cost of the final logistics segment.

This function can also create expertise useful for future service because the people preparing the equipment already understand its architecture.

Regional assembly should nevertheless not be presented as a mandatory Step. It becomes relevant only when its complete economics are superior to the alternative models.

Over the longer term, regionalization of certain industrial functions may contribute to GC's evolution toward greater control of its value chain. But this progression must be built on actual volumes and observed economies.

20.10 The Regional Center Can Become a Place for Training and Knowledge Transfer

The network does not share only products and parts. It must also share knowledge.

Every new product introduces operating, maintenance, diagnostic or repair procedures. If each club must learn all of this knowledge separately, a large portion of the effort is repeated.

The Regional Center can become a practical point of transmission between the GC Back-End and clubs.

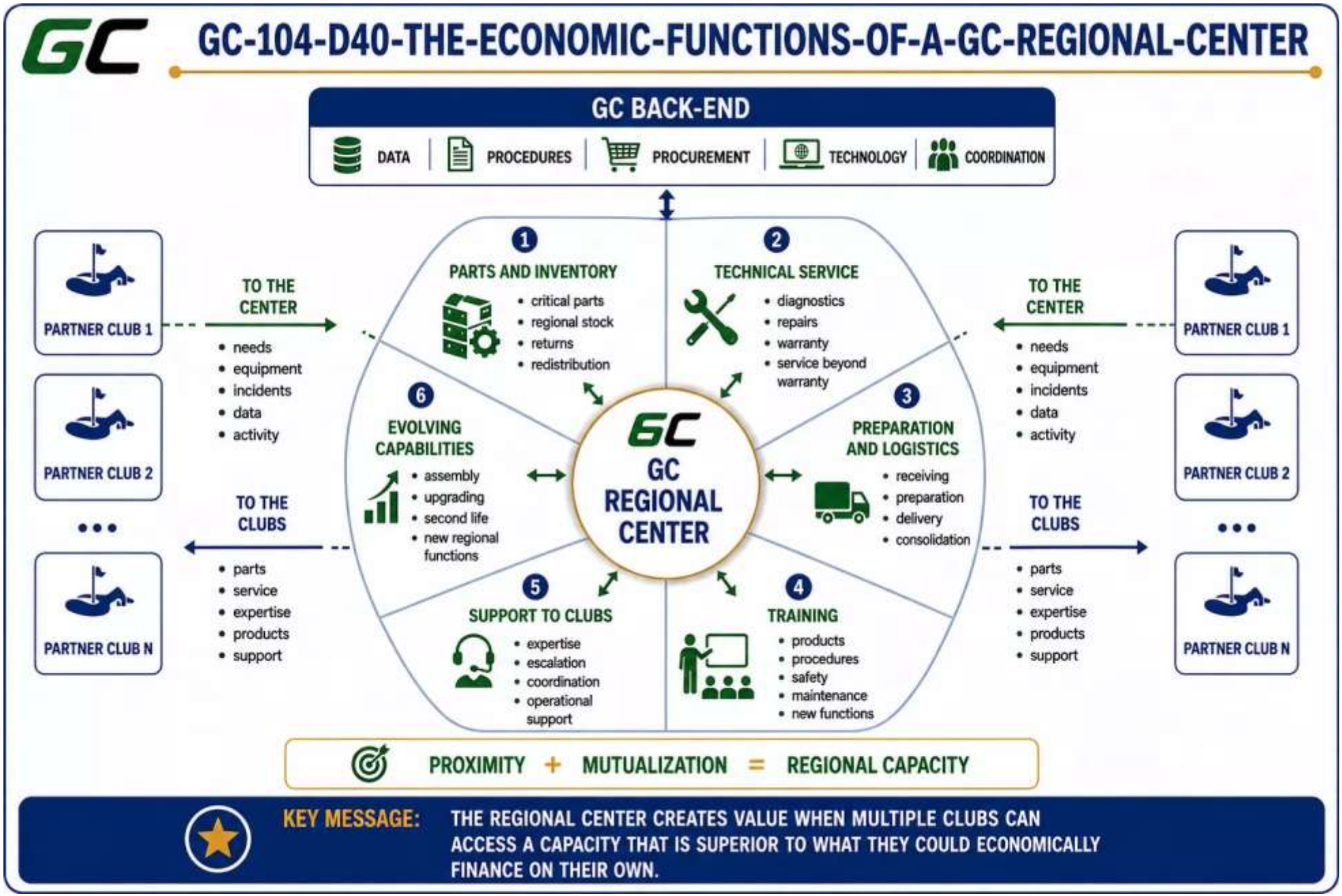
Technical training can be organized for several establishments at the same time. Procedures can be demonstrated using actual equipment. Problems observed in different clubs can be compared. Best practices can circulate more quickly.

This function creates economic value even when it generates no direct revenue.

Better-trained staff make fewer errors, diagnose certain situations more quickly and sometimes avoid unnecessary interventions. The center can also help determine which tasks should remain local and which should be transferred to specialized capacity.

Training therefore helps reduce the cost of ignorance and duplication.

In a system where products and technologies will continue to evolve, this capability may become as important as physical inventory.



GC-104-D40 — THE ECONOMIC FUNCTIONS OF A GC REGIONAL CENTER

20.11 The Regional Center Must Have Revenue Sources Corresponding to Its Functions

An economically sustainable Regional Center cannot depend indefinitely on central funding unrelated to the activity it supports. It must progressively develop mechanisms capable of financing the capacities it makes available to the territory.

These revenues can take several forms.

Certain post-warranty interventions can be billed. Preparation or assembly functions may receive compensation. Part of the commissions associated with certain sales can return to the center when it actually performs a function within the transaction. Logistics or technical services can also contribute to its economics.

Other functions are more difficult to assign directly to a particular transaction. Maintaining critical-parts inventory or available technical capacity benefits several clubs even when no intervention occurs on a given day.

Part of these costs may therefore need to be financed through a broader network contribution.

The exact combination will evolve from region to region.

The principle nevertheless remains essential: every regional revenue source must be connected to identifiable value or capacity.

The center should not become an economic toll that automatically captures a percentage of every transaction simply because it exists. Such a structure would increase the number of intermediaries without guaranteeing a corresponding improvement.

Its compensation must be the consequence of its functions.

20.12 The Regional Center Must Understand Its Own Economics

Even when it belongs to the GC System and pursues a common purpose, every Regional Center must be able to understand its own economic balance.

It must know the cost of its facilities, personnel, vehicles, inventory, tools and other resources used. It must also understand the revenue and contributions produced by the functions it performs.

This accounting does not necessarily need to turn the center into a completely independent business, but it must make the relationship between capacity and utilization visible.

Without this visibility, a heavily loss-making region could be financed by the entire network for a long period without the source of the problem being clearly identified. The difficulty could come from a territory that is too large, insufficient density, poorly sized facilities or simply a temporary development phase.

These situations do not all require the same response.

A recently opened center can legitimately operate below break-even for a certain period. But that situation must be deliberate, budgeted and linked to a progression scenario.

Understanding regional economics therefore makes it possible to distinguish temporary investment in a developing capability from a structural deficit that does not improve with volume.

20.13 Seasonality Must Influence the Economic Structure of Regional Centers

In many golf markets, activity is not distributed evenly across twelve months. Playing seasons create very different periods of demand for clubs and, consequently, for Regional Centers.

This reality must influence team size, inventories and work organization.

Capacity built only to absorb the busiest weeks may become heavily underutilized during much of the year. Conversely, a structure that is too small can create significant delays precisely when clubs need service the most.

The low season can nevertheless be used for functions that are less urgent: refurbishment, scheduled maintenance, preparation for the next season, training, assembly or inventory reorganization.

The Regional Center can therefore seek to shift work that does not depend on urgency toward periods when capacity is more available.

This planning improves its annual utilization rate.

It also shows why the center should not be designed solely according to average daily volume. It must understand the shape of demand over time, its peaks and which functions can be shifted.

Seasonality is therefore a structural economic variable, particularly in the first Canadian regions.

20.14 The Regional Center Must Increase Network Resilience

Regionalization does not create only savings. It can also reduce certain risks.

A network dependent on one warehouse, one technical team or one logistics point may be vulnerable to interruption. Several regional capacities can distribute part of that dependency.

This redundancy has a cost, but it can also create significant value.

One center can temporarily support a neighboring region. Certain inventories can be transferred. Technicians can share expertise. A central interruption does not necessarily prevent all local interventions.

Resilience does not, however, mean that every resource should be duplicated everywhere. That would cancel much of the benefit of pooling.

The network should instead identify the functions for which some redundancy has greater value than cost.

Critical parts, certain technical competencies and some logistics capabilities may belong to this category.

The Regional Center therefore becomes not only an economic unit, but also a continuity layer between the individual club and the central GC Back-End.

This function will become increasingly important as the number of clubs and the value of the activities being supported increase.

20.15 The Success of a Regional Center Is Measured by the Capacity It Makes Accessible to Clubs

The performance of a Regional Center should not be evaluated primarily by the size of its building, the quantity of inventory it holds or the number of people it employs. These are means, and each carries a cost.

The desired result lies elsewhere.

The center should allow clubs to receive better service, tie up fewer resources, reduce certain delays, access greater expertise and operate GC System products and services more efficiently.

Its economics must therefore be observed simultaneously at two levels.

At the first level, the center must use its own resources properly. A regional facility that remains continually underutilized does not become efficient simply because it provides excellent service to the few clubs that use it.

At the second level, the savings it creates elsewhere must also be measured. A slightly higher regional expense can be entirely rational if it reduces the combined costs of clubs and the GC Back-End by a much greater amount.

It is this second dimension that distinguishes the analysis of an integrated system from that of an isolated profit center.

The question is not only:

Is the Regional Center profitable?

It becomes:

Does the entire territory operate more economically because the Regional Center exists, and does the value created make it possible to sustainably finance the capacity that produces it?

This formulation is much more demanding, but it is consistent with the logic of the Inverted Pyramid.

The Regional Center should not seek to maximize the value it captures between the GC Back-End and clubs. It should reduce enough of the friction in that relationship for the total economics to improve.

This logic also shapes its future development.

A center can begin as a light organization providing a few critical functions. As the territory reaches sufficient density, it can add parts, technical personnel and logistics capacity. If volumes continue to increase, certain preparation or assembly operations may become relevant. Over the longer term, more industrialized capabilities may appear.

But each level must be economically earned by the one before it.

The region is therefore not simply an administrative tier positioned between the club and the GC Back-End. It is an intermediate economy whose primary function is to make Shared Capabilities accessible when they would be too expensive to reproduce locally and too distant if they remained entirely centralized.

The guiding principle of this chapter can therefore be stated as follows:

a GC Regional Center deserves to exist when it reduces more costs, delays, duplication and risks than the structure it adds, while making capabilities accessible to clubs that they could not reasonably finance independently.

This definition also protects the GC System against excessively rapid regionalization.

The objective is not to fill a map with centers.

It is to progressively recognize the places where network activity reaches a level at which proximity becomes economically productive.

When a center achieves this balance, it becomes a particularly important component of the Inverted Pyramid. It receives products, data, procedures and Shared Capabilities from the GC Back-End; transforms them into capabilities that are accessible regionally; clubs use those capabilities to better serve golfers and develop their activities; and the information and economic flows generated then move back through the network.

The center then becomes a **regional multiplier of capacity**.

The next chapter will bring together the three economic levels developed in this part—the Partner Club, the Regional Center and the GC Back-End—in order to examine the economic alignment among the club, the Regional Center and the GC Back-End. The objective will be to determine how their respective models can function together without one level sustainably improving its own economics at the expense of the other two.

CHAPTER 21

ECONOMIC ALIGNMENT BETWEEN THE CLUB, THE REGIONAL CENTER AND THE GC BACK-END

21.1 An Integrated System Cannot Endure If Its Three Levels Pursue Contradictory Economics

The preceding chapters examined separately the economic role of the Partner Club, the additional revenues that may become available to it, the operational savings it can achieve, the mechanisms for sharing value, local investment and the economic role of

Regional Centers. These elements must now be brought together in order to answer a more fundamental question: how can the club, the Regional Center and the GC Back-End improve their own economics without weakening those of the other two?

This question lies at the heart of the GC model. A network may appear coherent from an organizational standpoint while still containing contradictory economic incentives. The club may seek to reduce its costs by transferring certain responsibilities to the Regional Center. The center may seek to increase its revenues by multiplying billable interventions. The GC Back-End may seek to maximize its margin by centralizing more value. Each of these decisions may be rational when viewed in isolation, yet still weaken the economics of the complete system.

Economic alignment consists precisely in avoiding this situation.

It does not mean that the three levels must have the same objectives, the same margins or the same responsibilities. The club remains responsible for its local operations. The Regional Center must finance Shared Capabilities. The GC Back-End must maintain the Common Infrastructure and finance the development of the network. Their economics will therefore naturally be different.

The objective is rather for an improvement at one level to create enough value for the other two to progress as well, or at least for that improvement not to depend permanently on transferring costs or risks to them.

21.2 Alignment Begins With a Clear Definition of the Functions of Each Level

A large part of economic tension appears when responsibilities are ambiguous. An activity may be sold by the club, supported by the Regional Center and administered by the GC Back-End, but if no one clearly knows who must finance preparation, warranty, transportation or diagnosis, disagreements will eventually arise.

The first form of alignment is therefore functional.

The club must retain the functions that depend primarily on its proximity to the golfer, its course, its personnel and its daily reality. The Regional Center must assume the capabilities that benefit sufficiently from proximity and mutualization: certain parts, repair, preparation, technical support and part of the logistics. The GC Back-End must concentrate the functions whose value increases when they are shared on a large scale: technologies, data, procurement, structured warranties, documentation, network governance and overall coordination.

When this distribution is clear, it becomes much easier to determine the associated costs and revenues.

One principle can guide this organization:

economic responsibility should follow functional responsibility as closely as possible.

Whoever assumes a function must have the resources required to perform it properly. Whoever decides to add a new requirement must also understand how it will be financed.

This coherence reduces conflicts because it prevents value and responsibility from being systematically separated.

21.3 The Club Must Not Silently Finance Network Inefficiencies

In an integrated architecture, it could be tempting to consider that certain tasks can simply be absorbed by clubs because they already have personnel and facilities. This logic can make a central activity artificially profitable.

A club that must devote more time to receiving, administration, processing returns, preparation or problem resolution bears a real cost, even when no additional invoice appears.

The economic model must therefore make these costs sufficiently visible.

If a procedure developed by the GC Back-End saves ten minutes centrally but adds thirty minutes in every club, it is not an improvement. If the Regional Center reduces its own costs by requiring clubs to continually transport their equipment, the complete system may become less efficient.

This discipline protects the Inverted Pyramid from a particularly important drift: allowing value to move upward while costs move downward.

The club must not become the level where the inefficiencies of the other layers are absorbed simply because they are more difficult to measure locally.

The proper architecture seeks instead to progressively reduce the club's non-productive burden so that it can devote more resources to its course, its personnel and its golfers.

21.4 The Regional Center Must Not Improve Its Profitability by Multiplying Frictions

A Regional Center financed mainly by the number of interventions could, in theory, improve its revenue when more equipment requires repairs. This mechanism would create an economic incentive that contradicts the interests of the club and the network.

The system must therefore avoid making the profitability of a support function depend on the persistence of the problem it is intended to reduce.

The Regional Center must naturally be compensated when it performs a repair or service. But its economics must also recognize the value of prevention, reliability and rapid resolution.

Better-maintained and more reliable equipment can reduce the number of interventions while improving the overall economics of the region. If the center is financially penalized by this improvement, its model is poorly aligned.

Part of its compensation must therefore come from the capabilities it makes available and the quality it produces, and not solely from the number of problems billed.

This reasoning also applies to parts, training and support.

The center must have an interest in reducing the total cost of service for the territory, even when that improvement reduces certain corrective activities.

This is one of the reasons why its economics should not be evaluated like those of an independent workshop simply seeking to maximize billable hours.

21.5 The GC Back-End Must Create More Value Than It Captures

The GC Back-End is the layer furthest from the golfer, but it can progressively manage a significant portion of the system's economic flows: procurement, technology, data, transactions, warranties, logistics and development.

This position gives it a significant capacity to capture value.

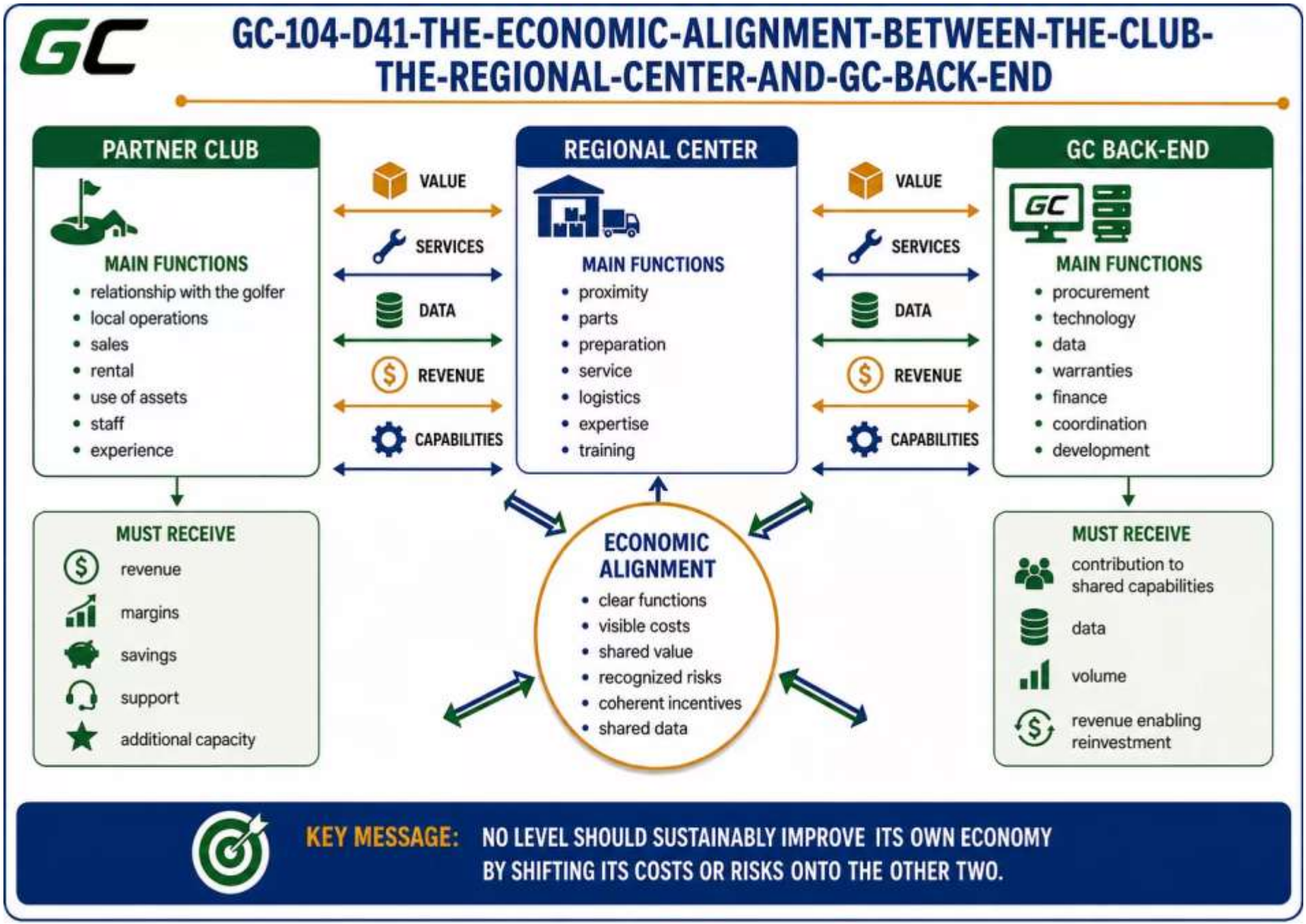
It also creates a particular responsibility.

The GC Back-End must not become economically powerful simply because it controls central interfaces or payment flows. Its economic legitimacy depends on its ability to provide functions that clubs and Regional Centers would have greater difficulty obtaining separately.

When the network makes it possible to negotiate better prices, improve warranties, reduce technology costs or simplify operations, part of this value can naturally finance the GC Back-End. But part of it must also appear in the economics of the clubs and regions.

The objective is not to minimize central profit. The GC Back-End must become profitable, build reserves and finance its development. But this profitability must be built on increasing the total value of the system rather than on continually reducing the share available to local participants.

A sound central economy is therefore one that becomes stronger because it makes the network more efficient.



GC-104-D41 — ECONOMIC ALIGNMENT BETWEEN THE CLUB, THE REGIONAL CENTER AND THE GC BACK-END

21.6 System Economics Must Be Measured Both Locally and Globally

One of the challenges of an integrated system is determining at what level performance should be measured.

If only the profitability of the GC Back-End is observed, certain local savings may disappear from the analysis. If only the club's economics are studied, essential Shared Capabilities may appear too costly because their value is distributed among several establishments. If the Regional Center is evaluated only as a profit center, certain continuity or resilience functions may be underestimated.

The analysis must therefore operate at several levels simultaneously.

Each club must be able to understand what GC activities add to its economics. Each Regional Center must know the cost and utilization of its own capabilities. The GC Back-End must measure the contribution of its Common Functions. Then the network must also be able to observe the consolidated result.

A decision may sometimes slightly increase the cost of one level while reducing the cost of the other two by a much greater amount.

For example, maintaining more parts within a region may increase regional inventory, but reduce downtime, emergency shipments and lost revenue across several clubs. The correct result appears only when these effects are considered together.

This approach leads to an important rule:

optimizing one component does not necessarily mean optimizing the system.

GC-104 must therefore always seek the net effect of a decision on all the functions concerned.

21.7 Internal Transfer Pricing Must Not Hide the Real Creation of Value

As the network develops, several transactions may occur among its different components. The GC Back-End may provide a product or part to a Regional Center. The center may then provide a service to the club. Certain digital functions may be billed or distributed among several levels.

These movements may require transfer prices or internal accounting mechanisms.

The risk is to confuse these movements with genuine value creation.

If the GC Back-End charges $100 to the Regional Center and the center then charges $120 to the club, the system has not necessarily created $220 of value. It has mainly distributed costs and responsibilities among its components.

Accounting must make it possible to understand these flows without artificially inflating the perception of economic activity.

This distinction becomes particularly important when GC begins comparing the performance of regions or functions.

Transfer rules must be sufficiently coherent to make results comparable, while preserving visibility into the value that actually enters the system from outside and the value that simply circulates among its components.

A mature financial architecture must be able to do both.

21.8 Risks Must Be Assigned to the Level Best Able to Manage Them

Revenue sharing cannot be separated from risk sharing.

A club that finances a fleet assumes utilization risk. A Regional Center that maintains a parts inventory assumes inventory risk. The GC Back-End that negotiates a large order with a manufacturer may assume volume or foreign-exchange risk. A warranty creates a future responsibility that must also be financed.

Alignment consists in avoiding the automatic transfer of every risk to the least powerful actor or the one closest to the field.

The appropriate level of responsibility is generally the one with the greatest ability to understand, control or diversify the risk.

The club understands its local demand better. The Regional Center can better manage certain risks related to parts availability or technical capabilities. The GC Back-End can better diversify certain supplier risks because it works with several regions.

This distribution can reduce the total economic cost.

A risk concentrated in a single small club can be much more difficult to absorb than the same risk distributed among several establishments.

The network must therefore use its scale to mutualize risks that become less costly when shared, while leaving locally those that depend strongly on a local decision or behavior.

21.9 Common Information Reduces Economic Conflict

Many tensions among participants arise less from genuine disagreement than from incomplete information.

The club may consider a commission too low if it does not see the costs of warranty, technology or logistics. The Regional Center may appear expensive if the savings it produces in delays and inventories are not measured. The GC Back-End may underestimate local costs if it does not have data on the time actually devoted to certain activities.

A Common Data Architecture can progressively reduce these misunderstandings.

This does not mean that every participant must have access to every financial detail of every other participant. But the economic mechanisms that connect them must be sufficiently transparent to be understood.

A club must know why a commission is set at a certain level. A center must know which functions a regional contribution is intended to finance. The GC Back-End must be able to observe the real costs of a local operation when it designs a procedure.

Economic transparency therefore becomes a governance tool.

It allows discussions to focus more on the best way to improve the complete economics rather than on suspicion that one participant is capturing an excessive share of the value.

21.10 Development of a New Function Must Be Evaluated at All Three Levels Before Deployment

A new activity may appear excellent from the perspective of the GC Back-End while being of little interest to the club. Another may produce excellent local revenue but require a regional structure that is too costly to remain sustainable. A third may work perfectly in a dense region and become unprofitable in a dispersed territory.

Economic analysis must therefore be conducted before deployment at each of the three levels.

For the club, the revenue or savings created, the operational burden, the required capital and the risk must be understood.

For the Regional Center, the necessary parts, service, personnel and logistics must be determined.

For the GC Back-End, the cost of procurement, technology, warranties, support and development must be measured.

An activity becomes truly attractive when these three economies can be made sufficiently compatible.

This method protects the system against a common mistake: launching a function because its product margin appears attractive, only to discover later that its service or integration cost eliminates a large part of that value.

The preliminary analysis must therefore answer a simple but demanding question:

does the function improve the economics of the whole enough to justify the new responsibilities it creates?

21.11 Incentives Must Make Decisions Converge Rather Than Create Internal Competition

The GC System must not function like three organizations continually negotiating against one another.

The club will naturally seek to protect its margin. The Regional Center will want to finance its capacity. The GC Back-End must finance its Common Functions. These interests are legitimate. But if every transaction requires negotiation among these three objectives, complexity will quickly become significant.

Economic mechanisms must therefore be designed so that an action beneficial to the system is also reasonably advantageous for each participant.

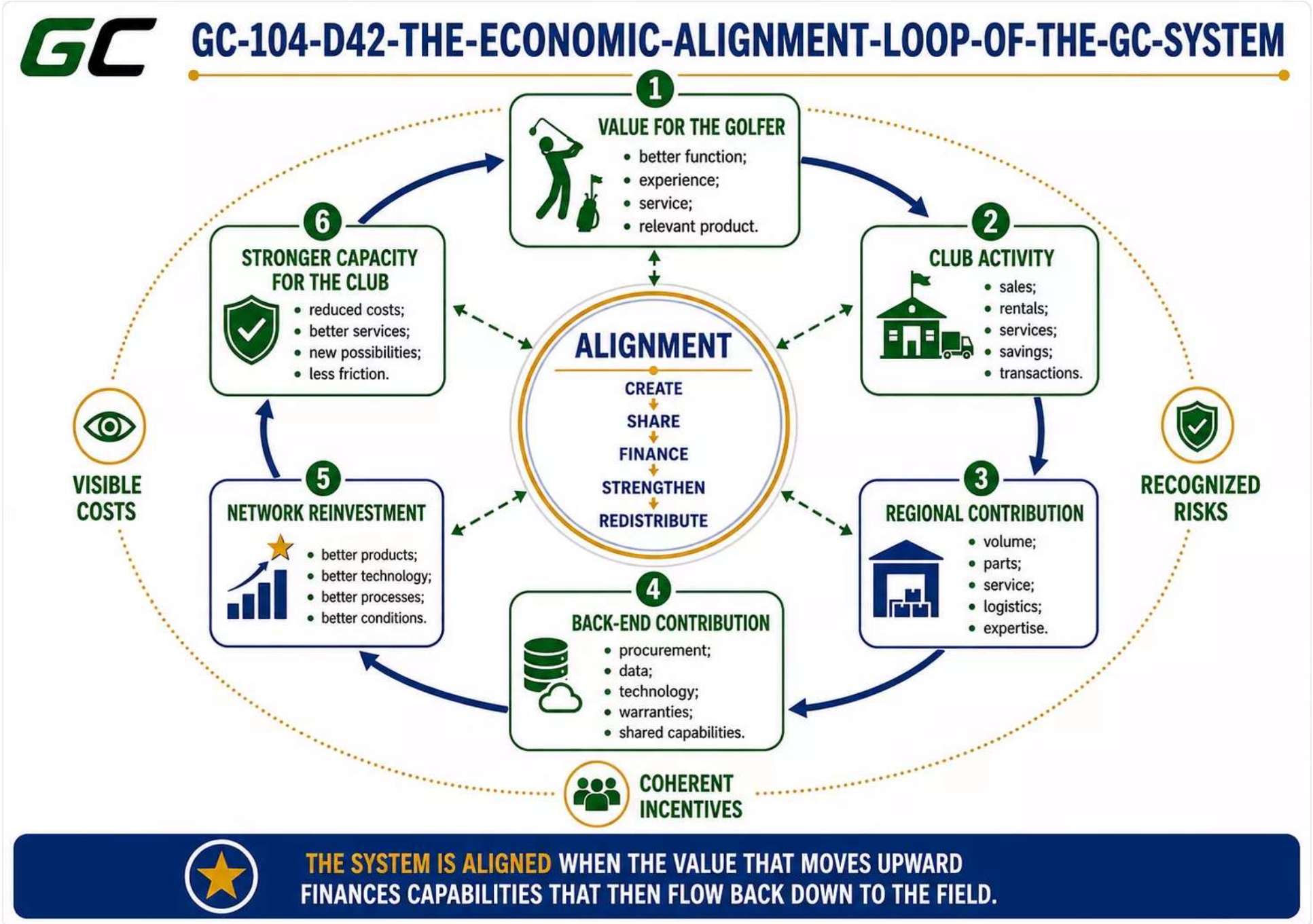
A club that increases utilization of a sound function must improve its local contribution. The Regional Center must benefit from additional volume when it makes better use of its capabilities. The GC Back-End must also receive enough contribution to finance Common Resources.

This convergence allows volume to create a collective advantage.

Conversely, a mechanism that enriches one level at the expense of the others eventually creates resistance. Clubs reduce their participation, centers seek alternative revenues or the GC Back-End must impose more rules.

Economic alignment therefore also reduces the need for control.

When incentives are properly designed, the desired behaviors arise more naturally because they are economically rational for the participants rather than because they are imposed by the structure.



GC-104-D42 — THE ECONOMIC ALIGNMENT LOOP OF THE GC SYSTEM

21.12 Growth Must Strengthen Alignment Rather Than Make It More Difficult

An organization can function properly on a small scale through personal relationships and a constant ability to resolve exceptions. This way of operating becomes much more difficult as the number of clubs, regions and transactions increases.

Alignment must therefore be designed for scale.

Commission rules, warranty responsibilities, payment mechanisms, parts transfers and required data must progressively become more explicit.

This formalization must not be confused with bureaucracy.

The objective is not to create more procedures. It is to reduce the number of situations that require exceptional intervention because the economic rules are sufficiently clear to be applied automatically or simply.

A properly designed architecture therefore often becomes easier to use as it matures.

Growth can also create new economies. Suppliers offer better terms, Regional Centers use their resources more efficiently and the average cost of technologies decreases.

These gains must contribute to improving alignment.

If growth produces only more revenue at the center without progressively improving the situation of clubs, the network logic becomes fragile. Conversely, if all savings are immediately redistributed and the GC Back-End can never accumulate enough capital to evolve, the system also becomes fragile.

Maturity consists in finding a distribution that progressively becomes more favorable to the whole because scale improves the total economics.

21.13 Misalignment Must Be Detectable Before It Becomes Structural

Even with a sound initial architecture, certain functions will probably eventually produce results that differ from those originally expected.

A commission may become insufficient when club costs increase. A region may become too large to maintain a good level of service. A digital function may cost much more than expected. A warranty may generate more interventions.

The system must therefore be capable of recognizing signs of misalignment.

Some indicators can be simple: declining club participation, increasing complaints, service delays, excessive regional costs, declining margins, increasing returns or weak adoption of a new function.

These symptoms do not necessarily mean that the model is poor. They may reveal that a threshold has been crossed.

A region that functioned properly with twenty clubs may require a new structure when it serves fifty. A commission suited to a simple transaction may become insufficient if more responsibilities are transferred to the club.

The network must therefore accept that alignment is a condition to be maintained, not a state acquired once and for all.

This ability to adjust becomes essential as GC progresses through the Seven Steps.

21.14 Decisions Must Be Made at the Level Where Their Information and Consequences Are Best Understood

Economic alignment does not mean that all decisions must be centralized in order to ensure coherence.

Some decisions are better made at the club level because they depend strongly on the clientele, the course or daily operations. Others naturally belong at the regional level because they concern the distribution of capabilities among several establishments. Certain decisions must remain with the GC Back-End because they influence the entire network.

The best allocation of decisions generally follows two criteria: where is the best information located, and where are the main economic consequences located?

A club is probably best positioned to decide how many mobility units its local demand justifies, provided the relevant data and scenarios are available to it. The Regional Center is better positioned to organize its parts inventory based on the needs of several clubs. The GC Back-End must manage major supplier relationships or Common Technologies.

This distribution avoids two extremes.

Excessive centralization can produce decisions disconnected from the field. Total autonomy can create duplication, incompatibilities and a loss of economies of scale.

The GC architecture therefore seeks a balance between local autonomy and common coherence.

This philosophy, already present in the other documents of the GC Collection, has a direct economic translation here: each decision must be made where the value of local information is sufficiently important to justify autonomy, except when a Shared Capability produces a greater advantage.

21.15 Economic Alignment Transforms Three Levels Into a Single Network Capacity

The club, the Regional Center and the GC Back-End could be viewed as three successive levels of an economic chain. This representation would nevertheless be incomplete. Their true potential appears when they function as three complementary forms of capacity.

The club possesses proximity.

It knows the golfer, the course, the season, habits, teams and daily realities.

The Regional Center possesses mutualized proximity.

It can share certain skills, parts, equipment and technical capacity among several clubs without moving those functions too far from the field.

The GC Back-End possesses scale.

It can develop Common Technologies, consolidate data, negotiate with manufacturers, structure warranties, organize finances and build capabilities that a club or a region could not reasonably develop alone.

Taken separately, each of these levels has limitations.

The club lacks scale.

The GC Back-End lacks proximity.

The Regional Center, by itself, possesses neither the complete local relationship nor the complete central capability.

The architecture gains its value when their strengths complement one another.

This is why economic alignment cannot be reduced to a simple question of margin percentages. Margins and commissions are important, but they are only the visible mechanisms of a much broader relationship.

Alignment must also involve responsibilities, capital, risk, information, decisions and capabilities.

A club must not be pushed to adopt a function that primarily improves central profitability.

A Regional Center must not be created to meet a territorial growth objective if volume cannot yet support its capacity.

The GC Back-End must not underfund its Common Infrastructure to the point where the promised services become fragile.

Conversely, none of these rules means that one level should be protected from all economic pressure. Each must demonstrate that the resources it consumes produce sufficient value.

The club must properly operate the functions it chooses.

The Regional Center must make sufficient use of its capabilities.

The GC Back-End must make its Common Functions more productive as the network grows.

This shared discipline is precisely what transforms three separate economic accounts into a coherent architecture.

The loop can then operate in both directions.

Value begins in the field, where a function responds to a real need.

A transaction, saving or activity appears.

Part of the value remains with the club.

Another part finances regional functions.

Another supports the GC Back-End and development.

The capabilities financed by these contributions then return to the field in the form of better products, better services, lower costs, more useful data and new possibilities.

The cycle then begins again on a stronger foundation.

This logic probably represents one of the most important economic expressions of the Inverted Pyramid.

The system is not inverted because money would continually flow downward from the top. It is inverted because the upper structures use the value that flows upward to build capabilities intended to strengthen those who create the real activity at the base.

The guiding principle of this chapter can therefore be stated as follows:

the club, the Regional Center and the GC Back-End are economically aligned when each can properly finance its function, when risks and costs are placed where they can best be managed, and when the growth of one progressively increases the capacity of the other two rather than depending on their weakening.

With this chapter, Part III of GC-104 comes to an end.

The first three parts have now established the economic foundations of the system: understanding the creation and circulation of value, building activities and their revenues, and then organizing that value among the club, the region and the network.

The next question necessarily becomes one of financing.

Even a system whose fundamental economics are sound must have capital before several of its capabilities become fully productive. Initial inventories, technological development, human resources, Pilot Clubs, certain warranties, infrastructure and eventually Regional Centers must be financed.

Part IV — Financing the System and Structuring Capital will therefore examine how this architecture can be built without losing the economic discipline established so far.

It will begin with Chapter 22 — Capital Requirements at the Different Stages of the System, in order to determine not only how much capital may be required, but above all when, for which function, for how long and according to what logic of recovery or capacity creation.

PART IV

FINANCING THE SYSTEM AND STRUCTURING CAPITAL

CHAPTER 22

CAPITAL REQUIREMENTS AT THE DIFFERENT STAGES OF THE SYSTEM

22.1 Capital Is Not an End in Itself: It Serves to Build Capacity Before That Capacity Can Finance Itself

Every developing business eventually encounters the same reality: certain capabilities must be built before the revenues required to finance them fully exist. The GC System is no exception. The first products must be purchased before they are sold, digital tools must be developed before they are widely used, certain human resources must be engaged before their productivity reaches its normal level, and the first regional functions may sometimes need to be established before volume is sufficient to cover their full costs.

Capital exists precisely to bridge this interval.

It makes it possible to transform a validated idea into operational capacity, and then operational capacity into economic activity. Its function is therefore not simply to "finance the company" in a general sense. Ideally, every dollar committed should be connected to an identifiable function and to a specific stage of development.

This distinction is important because a poorly defined capital requirement quickly becomes an abstract figure. A company may state that it needs $2 million, $5 million or $10 million without being able to clearly explain which additional capabilities those amounts will make it possible to build. Capital then risks being progressively consumed by the structure rather than transformed into assets, knowledge, technologies or activities capable of producing value.

In GC-104, the logic must remain the reverse: the question is not first how much capital can be raised; the question is which capabilities must be financed, when they become necessary and how they can then contribute to financing the next stage.

22.2 Capital Requirements Change in Nature as the System Evolves

The capital required to start an integrated system does not serve the same function as the capital that may eventually be needed to industrialize a product or open several Regional Centers. Speaking of a global financing requirement without distinguishing the stages would therefore conceal an essential part of the economic logic.

At the beginning, capital mainly finances uncertainty.

It is used to test, learn, correct, develop a prototype, purchase a few units, structure an initial minimal GC Back-End and measure actual usage. Much of its value then comes from the information it makes possible to obtain.

Once the function is better understood, capital changes roles. It increasingly finances repetition: inventories, tools, human resources, procedures, management systems and the capabilities required to serve a growing number of clubs.

Later, when regional density appears, it can finance proximity: parts, workshops, technicians, logistics and regional facilities.

At a more advanced stage, it can finance industrialization: assembly, tooling, automation, quality control, supplier development and eventually manufacturing.

The capital requirement of the GC System must therefore be interpreted as a succession of different financial functions rather than as one large financing round intended to anticipate all future stages.

22.3 The First Capital Must Purchase Knowledge as Much as Assets

During the first Steps of development, one of the most important assets produced by capital does not necessarily appear on the balance sheet: the knowledge acquired through real-world testing.

Testing a Cruiser on a golf course, observing its behavior, understanding its limitations, documenting golfer expectations and measuring a club's interest produce information that neither a theoretical study nor a commercial presentation can fully replace.

This information reduces uncertainty.

The first capital must therefore be committed with a learning logic. Purchasing a few units to test several uses can be much more useful than immediately purchasing a large inventory to obtain a better unit price. Developing a simple first version of a digital tool may be more rational than immediately building a complete platform whose many functions have not yet been validated.

This approach deliberately accepts a certain apparent inefficiency at the beginning. The cost per unit may be higher, processes more manual and volumes lower. But that inefficiency is acceptable if it avoids a much more costly mistake at scale.

Validation capital must therefore be evaluated according to the amount of uncertainty it allows to be transformed into usable knowledge.

22.4 Operating Capital Appears When the Function Begins to Become Repeatable

Once a function is sufficiently validated, the financial need changes. The system is no longer financing only a test; it must finance a capacity capable of reproducing the same activity more regularly.

This transition may require more inventory, storage space, certain tools, initial digital infrastructure, more formal documentation and dedicated human resources.

Operating capital is particularly important because costs begin to appear before volume reaches its normal level. A warehouse must be available before all orders are delivered. A person responsible for service must be hired before every hour can be billed or allocated to a transaction. A warranty system must be prepared before the first claims appear.

It is at this stage that cash flow can become more fragile, even when the unit economics of the activities are sound.

The need must therefore be anticipated sufficiently early.

The GC System must avoid finding itself in a situation where genuine demand exists but the resources required to serve it properly are lacking. Growth that is too rapid, without sufficient operating capital, can weaken service precisely when the market is beginning to confirm the value of the proposition.

22.5 Working Capital Becomes a Major Requirement as Physical Volumes Increase

Physical products create a particular requirement: the company must often pay a significant portion of their cost before receiving final payment from the customer.

This time gap creates the need for working capital.

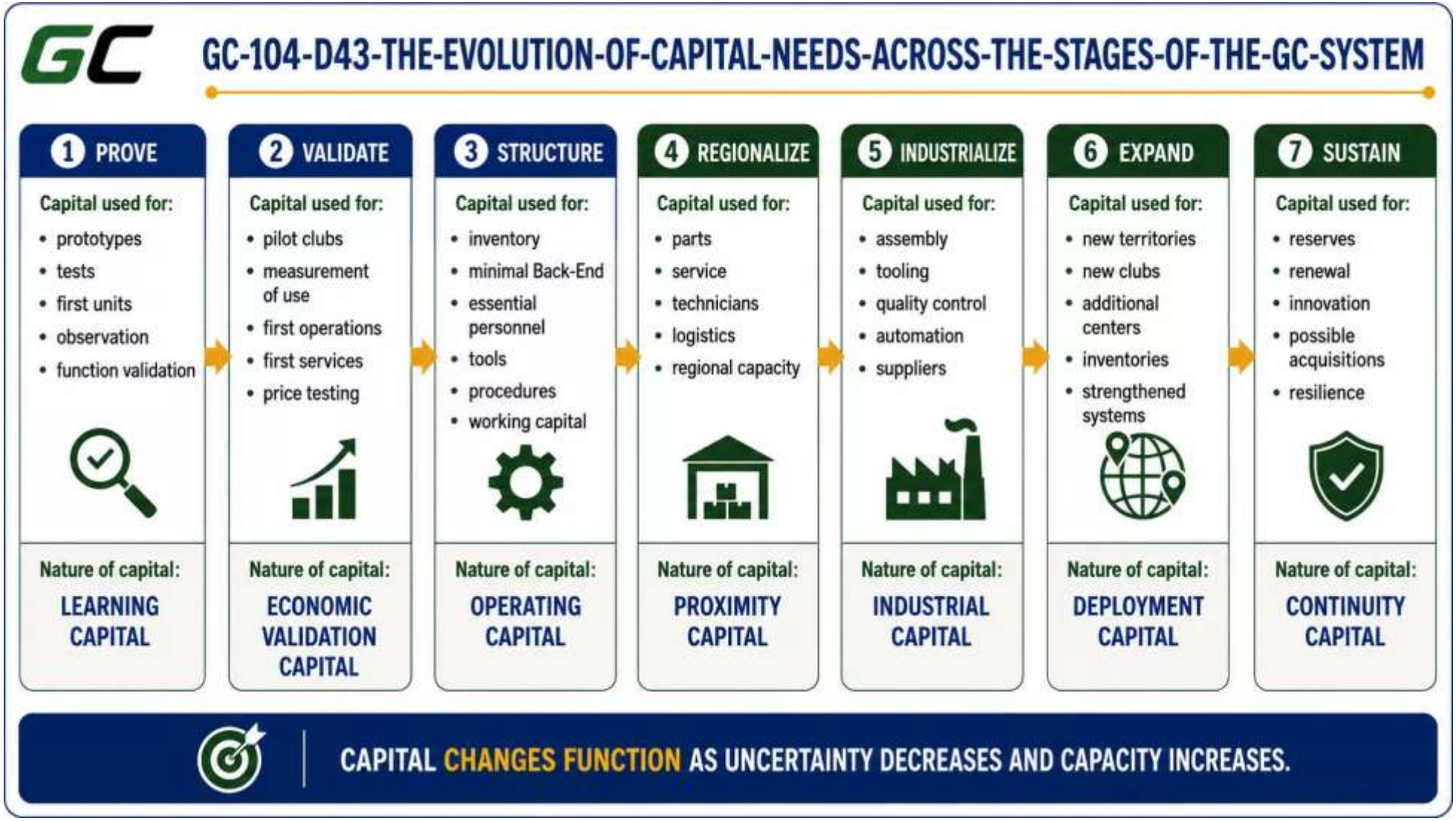
If GC places a large order with a manufacturer, several weeks or several months may pass between supplier payment, transportation, receipt, distribution and collection of the sale. During that period, capital is tied up in inventory and in the logistics cycle.

As volumes increase, this gap can become increasingly significant.

Rapid growth can therefore paradoxically increase cash requirements even when it improves profitability. Each new order requires more capital before generating more revenue.

This reality makes inventory turnover essential. A product that sells quickly returns its capital to the system. A product that remains in storage for a long period ties up part of the financial capacity.

Working capital must therefore not be regarded as a passive reserve. It is circulating capital that allows physical activity to continue moving between purchase, inventory, sale and collection.



GC-104-D43 — THE EVOLUTION OF CAPITAL REQUIREMENTS THROUGH THE STAGES OF THE GC SYSTEM

22.6 The GC Back-End Requires Capital Before Reaching Full Productivity

The GC Back-End represents a particular category of financial requirement because several of its functions must be built before their cost can be distributed across a large number of clubs.

CRM infrastructure, a data architecture, a transactional system, documentation, warranty management and certain administrative functions all have significant fixed costs. When ten clubs use these capabilities, the average cost per club can be high. When one hundred or five hundred clubs use a largely similar architecture, the average cost can decrease considerably.

This dynamic creates an initial capital requirement.

The system must finance certain capabilities in advance of their full utilization, but only to the extent that their architecture is sufficiently modular to evolve with demand.

Caution remains essential. Building too early an infrastructure designed for one thousand clubs when only ten are committed can unnecessarily tie up resources. Conversely, developing a solution that is too rudimentary and must be completely rebuilt after only a few months can also become costly.

The GC Back-End must therefore progress in layers.

Each new capability should be robust enough to support the next stage without prematurely financing the final version of a system whose needs will continue to evolve.

22.7 Human Capital Represents a Significant Share of Initial Financing

A large portion of the essential capabilities of the GC System will not consist of buildings or equipment, but of people.

Technology development, supplier relationships, operations management, finance, service, documentation and eventually Regional Centers will require specific skills.

These resources represent a particularly delicate capital requirement because their cost begins as soon as they are engaged, while their contribution may take time before becoming fully productive.

It is therefore necessary to distinguish the resources essential to a stage from those that can be added later.

In a young organization, certain functions can be entrusted to specialized contractors, partners or part-time resources. This flexibility can reduce fixed costs during the period when volume is not yet sufficient.

As needs become permanent and sufficiently significant, internalization may become more economical and strengthen continuity.

Human structure must therefore evolve according to the same logic as physical infrastructure: commit permanent capacity when its utilization becomes sufficiently regular to justify its fixed cost.

22.8 Capital Required for Regional Centers Must Be Triggered by Density

The previous chapter established that a Regional Center must not appear simply because a territory has been defined. This logic has a direct financial consequence.

Regional capital must be committed when the economic flows of the territory justify the capacity.

At the beginning, a region can operate with a light structure: technical partners, small parts inventories, Shared Resources and outsourced logistics. This configuration requires little fixed capital.

When the number of clubs, equipment units and interventions increases, a dedicated facility may begin to reduce total cost. Capital can then finance a workshop, more parts, personnel, vehicles or certain specialized tools.

This progression preserves a degree of reversibility.

A heavily capitalized center is difficult to reduce if demand does not develop as expected. A progressive structure allows the system to learn before tying up significant amounts.

Regional capital must therefore follow the economic proof of the territory rather than precede it through ambition.

22.9 Industrialization Changes the Scale of Capital Required

The evolution from a distribution system toward greater industrial control can profoundly transform financing requirements.

Purchasing a finished product from a manufacturer mainly requires working capital and logistics capabilities. Local assembly can add requirements for facilities, tools, personnel, quality control and component inventories. Manufacturing certain parts or subassemblies can require molds, machines, specialized equipment, engineering and more complex supplier management.

Each additional level of control transfers part of the potential margin toward GC, but it also transfers part of the capital, risk and industrial responsibility.

This progression must therefore never be justified solely by the idea that "manufacturing it ourselves costs less."

The complete question is rather: **do volume, design stability, unit savings and the strategic value of control justify the additional capital required?**

An expensive mold can become extremely economical over tens of thousands of units and completely unjustifiable over only a few hundred.

The move toward industrialization must therefore be prepared well in advance, but undertaken only when the conditions become sufficiently strong.

22.10 Growth Capital Is Not the Same as Survival Capital

Not all financing rounds reflect the same economic situation.

A company may need capital because it is growing rapidly and must finance inventories or new capabilities before the corresponding revenues are collected. This situation can be healthy if unit economics and demand are strong.

It may also need capital simply because its current activities do not generate enough contribution to cover expenses. In that case, capital is not primarily financing growth; it is compensating for a structural deficit.

This distinction must always remain visible.

Growth capital builds a capability that should produce greater contribution in the future.

Survival capital temporarily maintains a structure whose economics are not yet sufficient.

A start-up can naturally go through periods in which these two situations overlap. But as the system matures, the proportion of capital devoted to covering recurring losses should decline.

The GC System must therefore seek to understand what each new injection of capital makes possible that could not be financed by the existing economics.

22.11 Reserves Are Also a Necessary Form of Capital

A system must not devote all of its capital to visible growth.

Certain resources must remain available to absorb unforeseen events: higher-than-expected warranty costs, supplier delays, exchange-rate variations, seasonal slowdowns, operational incidents or strategic opportunities requiring a rapid decision.

This reserve may appear unproductive because it does not directly generate revenue when it is not being used.

In reality, it produces another function: continuity.

A company without a financial margin of safety becomes extremely vulnerable to an event that would otherwise have been manageable. It may be forced to borrow under poor conditions, abruptly reduce operations or raise capital at an unfavorable time.

The reserve must therefore be considered an available financial capability, in the same way as a line of credit or critical inventory.

Its level will need to evolve with the scale of the network's commitments.

22.12 Each Type of Capital Must Be Matched With an Appropriate Duration

A financial-structure error consists in using a source of financing whose duration does not correspond to the duration of the need.

Inventory that quickly converts into cash can be financed with a short-term tool, such as a line of credit or certain supplier terms. A technology platform that will create value over several years generally requires more patient financing. A regional or industrial facility may justify yet another structure.

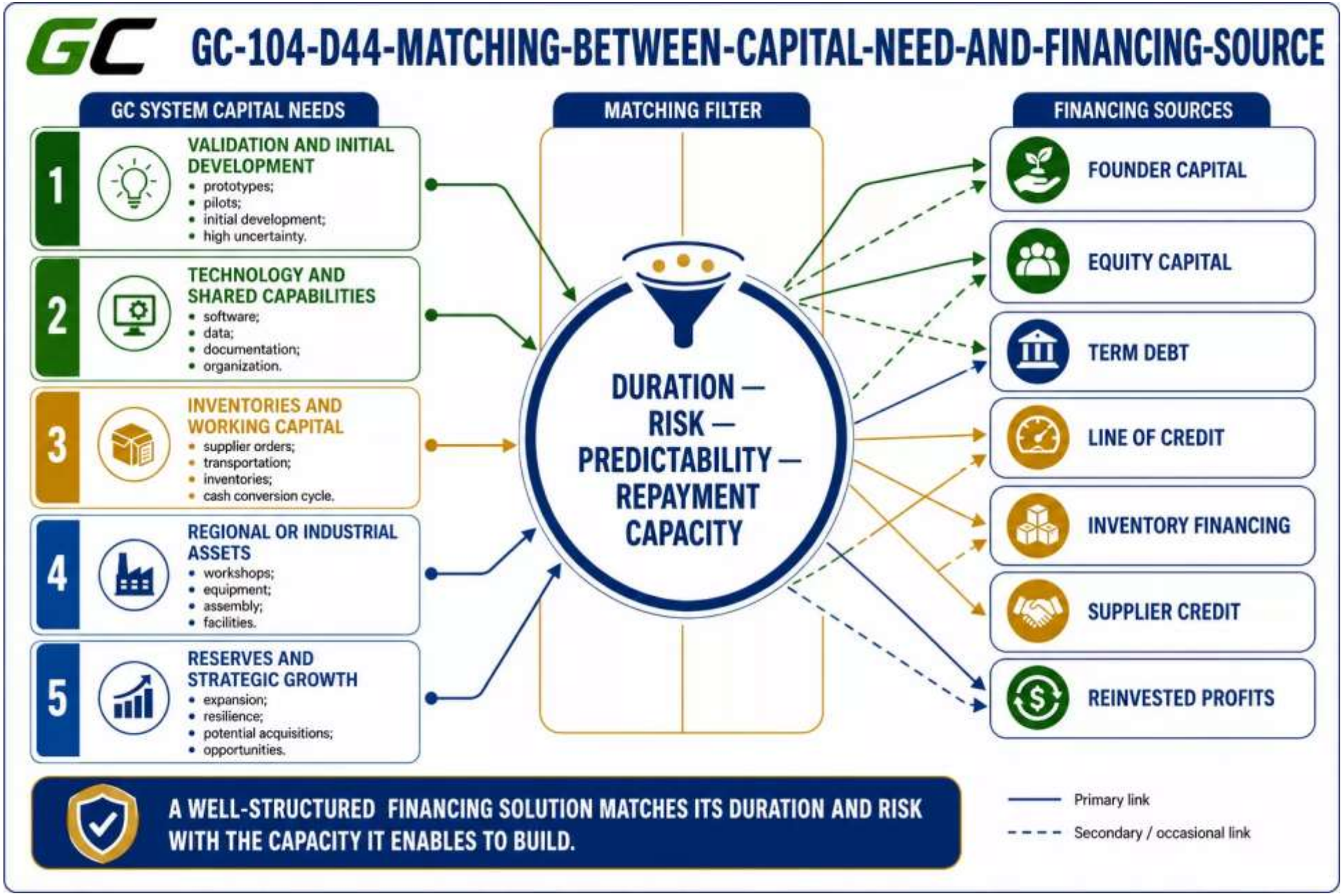
Matching the duration of the need with the duration of the financing protects cash flow.

Financing a long-lived asset with an obligation that must be repaid very quickly can create unnecessary pressure, even if the investment is fundamentally profitable. Conversely, using expensive equity capital with significant dilution to finance inventory that turns every few months can become inefficient when appropriate credit tools are available.

The financial structure must therefore evolve with the maturity of the system.

At the beginning, certain forms of patient capital may be necessary because risk is high and cash flows remain uncertain. As activities become more predictable, more needs can be financed through operations, credit or suppliers.

The quality of financing therefore depends not only on its cost; it also depends on how well it matches the economic function it finances.



GC-104-D44 — MATCHING CAPITAL REQUIREMENTS WITH THE SOURCE OF FINANCING

22.13 Capital Requirements Must Be Presented by Stage Rather Than as an Abstract Amount

For an investor, lender or even the management of the system, a financial requirement becomes much easier to understand when it is connected to milestones.

Rather than announcing that a large amount will be required to develop GC over five years, it is preferable to show what each tranche of capital must accomplish.

An initial tranche can make it possible to complete validations, secure certain products, build a minimal GC Back-End and finance initial working capital.

The next can be triggered when Pilot Clubs produce certain results and demand makes it possible to increase inventories.

Another can be associated with the opening of the first true Regional Center.

Later, a phase of industrial financing can be considered when volumes and product stability justify more local assembly or manufacturing.

This approach creates a direct relationship between capital and proof.

It also helps reduce risk for existing shareholders. If certain stages can be financed through revenue or credit after validation, there may be no need to dilute equity from the beginning in order to finance needs that will only appear several years later.

Stage-based financing thus becomes a financial application of the principle:

validate before accelerating.

22.14 Too Much Capital Can Become as Dangerous as Too Little

Insufficient financing is an obvious risk. But having too much capital too early can also change behavior.

When a company has few resources, it is forced to choose. It must prioritize the most important functions, test before investing heavily and monitor results carefully.

Abundant capital can weaken this discipline.

It becomes possible to hire rapidly, acquire large spaces, accumulate inventories, develop many functions or open several territories before their economics have been confirmed.

This acceleration can temporarily hide weaknesses because losses are financed.

The problem appears when capital begins to decline and the new capabilities still do not generate enough contribution to sustain their structure.

GC-104 must therefore treat capital as a resource to be protected against overgrowth, not simply as fuel intended to accelerate as quickly as possible.

A well-financed company must remain disciplined.

Available capital does not create an obligation to spend it.

22.15 The Best Capital Is Capital That Progressively Makes the Next Capital Less Necessary

Financing the GC System must ultimately follow a clear trajectory: at the beginning, a significant portion of development will probably depend on Founder Capital and external investors. As products, services and clubs generate contributions, a growing portion of future needs should be financed by the activity itself.

This evolution represents a sign of economic maturity.

External capital first makes it possible to build the initial capabilities.

These capabilities make it possible to generate revenue.

Revenue produces contribution margins.

One part finances Common Costs.

Another builds reserves.

Another can be reinvested in the next capabilities.

The network then begins to finance a growing portion of its own evolution.

This progression does not mean that GC will never again use new investors or debt. A major industrial project, an acquisition or international expansion may fully justify external financing even in a highly profitable company.

The difference is fundamental: external capital becomes a strategic choice used to accelerate a capability rather than a permanent necessity for maintaining current operations.

This is the transition that GC-104 must seek to organize.

The capital requirement of the GC System must therefore never be interpreted as a single amount to be obtained once and for all. It consists of a succession of needs whose nature changes with the maturity of the system.

At the beginning, capital primarily purchases knowledge and time.

Then it finances repeatability.

Next, it finances inventories and working capital.

When density appears, it finances regional proximity.

When volume becomes sufficient, it can finance greater industrial control.

Finally, it contributes to resilience, renewal and expansion.

Each of these stages must answer the same discipline: **what capability are we financing, why is it necessary now, and through what mechanism will it contribute to the next economic capacity?**

This question protects the company, the clubs and the shareholders at the same time.

It prevents clubs from prematurely financing infrastructure they do not yet need. It protects investors against diffuse use of capital. It requires the GC Back-End to progressively demonstrate that its Common Capabilities become more productive with scale. Finally, it makes it possible to choose a source of financing suited to each need.

Capital then becomes much more than an amount available in a bank account.

It becomes a bridge between a capability that does not yet exist and an economy sufficiently strong to support it afterward.

The guiding principle of this chapter can therefore be stated as follows:

the GC System must raise and commit capital at the pace at which sufficiently validated capabilities become necessary, using each financing stage to reduce uncertainty, increase system productivity and progressively strengthen its ability to finance the next stage itself.

This logic leads directly to the next chapter.

Once the financial requirements have been distinguished, it becomes necessary to determine who provides the initial capital, in what form, in exchange for which rights and according to what relationship with the governance of the system.

Chapter 23 — **Founder Capital, Investors and Equity Financing** will therefore examine the founder's role, the role of external investors, the distinction between economic participation and decision-making power, and the conditions that make it possible to finance growth without unnecessarily losing strategic control of the GC architecture.

CHAPTER 23

FOUNDER CAPITAL, INVESTORS AND EQUITY FINANCING

23.1 Equity Financing Must Serve an Architecture Before It Serves a Valuation

Equity financing occupies a particular place in the development of a system such as GC because it makes it possible to obtain capital without immediately creating a repayment obligation. This characteristic makes it particularly useful in the early stages, when several capabilities still need to be built, revenues are not yet sufficiently predictable and the level of risk remains too high to be financed entirely through debt.

But this flexibility comes with a major counterpart. When a company issues shares, it does not simply receive money. It grants a portion of the economic ownership of the organization and, depending on the structure chosen, a portion of its decision-making power.

Equity financing must therefore be analyzed as a transaction involving capital, future return, governance and control at the same time.

This distinction is particularly important for GC. The system is not based solely on a product whose commercialization simply needs to be accelerated. It represents an architecture intended to evolve over several years: products, Partner Clubs, Regional Centers, the GC Back-End, technologies, logistics, data, commerce and eventually industrial capabilities.

A decision made too early regarding equity capital can therefore have consequences far beyond the amount initially raised.

The first question should not be: what portion of the company must be sold to obtain the desired financing?

It should instead be: what capital structure makes it possible to finance the current stage while sufficiently protecting the ability to build the long-term architecture?

23.2 Founder Capital Has a Different Value From Financial Capital Contributed Later

When a company begins seeking investors, it can be tempting to consider value primarily from the perspective of the monetary capital already committed. This interpretation is incomplete.

The founder may have invested money, but has also contributed time, a vision, an architecture, testing, relationships, intellectual property, accumulated knowledge and a considerable amount of unpaid or insufficiently paid work.

These contributions are not always easy to measure.

They should not, however, be treated as though they do not exist.

In a system such as GC, one of the most important initial assets lies precisely in the way several components have been connected to form a coherent architecture. An investor may provide the capital required to accelerate this architecture, but does not thereby become its origin.

Recognizing this distinction helps avoid a common mistake: treating the first financing round as though the company begins at the moment external money enters the system.

In reality, financial capital joins an asset that is already being built.

The negotiation must therefore seek to recognize the value of what already exists, the value of the new capital and the future value that both will make it possible to build together.

23.3 The Investor Purchases a Participation in a Future That Is Still Uncertain

When an investor purchases shares in a company that has not yet reached full maturity, the investor accepts significant uncertainty. Future sales, growth speed, the need for additional capital, technological development and profitability are never fully known.

This uncertainty explains why equity capital can be relatively costly for the founder: the investor asks for a portion of future value in exchange for capital that accepts significant risk today.

This principle is legitimate.

The problem appears when the negotiation does not sufficiently distinguish the risk of the current stage from the long-term potential. A significant participation granted very early may appear reasonable based on the company's current value, then become extremely costly economically if the system later reaches a much larger scale.

Conversely, an unrealistic valuation that refuses to recognize the investor's risk may prevent the financing required for development.

The right structure must therefore find a balance.

The founder should not seek to artificially retain one hundred percent of a company that is unable to finance its growth. Nor should the investor receive a disproportionate share of the future simply because the company is passing through a stage in which its need for capital is temporarily high.

The negotiation must seek a relationship in which new capital receives a potential return consistent with the risk assumed without capturing an excessive portion of the value created by future stages.

23.4 Valuation Must Serve the Transaction Without Becoming an Illusion of Precision

Every equity financing round implicitly or explicitly requires a valuation of the company. This valuation determines what participation the investor receives in exchange for the amount invested.

In a mature company, several methods can rely on earnings, cash flows, assets or comparable transactions. In an organization still under development, these reference points are much less solid.

A large part of the value then rests on elements that are difficult to quantify: market potential, intellectual property, team capability, quality of the architecture, initial results, partners, speed of validation and growth prospects.

Valuation must therefore be regarded as a negotiated estimate at a given point in time, not as a scientific truth.

This caution is particularly important for GC. A valuation that is too low can create excessive dilution during the first financing round. A valuation that is too high can create expectations that are difficult to support during the next round if results have not progressed sufficiently.

The best objective is not necessarily to obtain the highest theoretical valuation.

It is to conclude a transaction whose terms remain defensible when the company reaches the next stage.

A sound valuation must therefore leave enough room for current investors, future investors and the founder to all benefit from genuine value creation.

23.5 Dilution Must Be Understood as an Exchange of Percentage for Additional Capacity

Dilution is often perceived only as a loss: following a new share issue, existing shareholders own a smaller percentage of the company.

This interpretation, however, overlooks the counterpart.

If the capital obtained allows the company to increase its value sufficiently, a smaller percentage of a much stronger company can represent more economic value than a larger percentage of an underfinanced organization.

Dilution must therefore be analyzed according to what the new capital actually makes it possible to build.

Suppose an issue reduces a shareholder's participation from 100% to 70%. If the new capital makes it possible to transform a very early-stage company into a viable commercial network, the economic value of the remaining 70% can increase considerably.

Conversely, significant dilution used mainly to finance losses without building new capacity can become extremely costly.

The real question is therefore not simply:

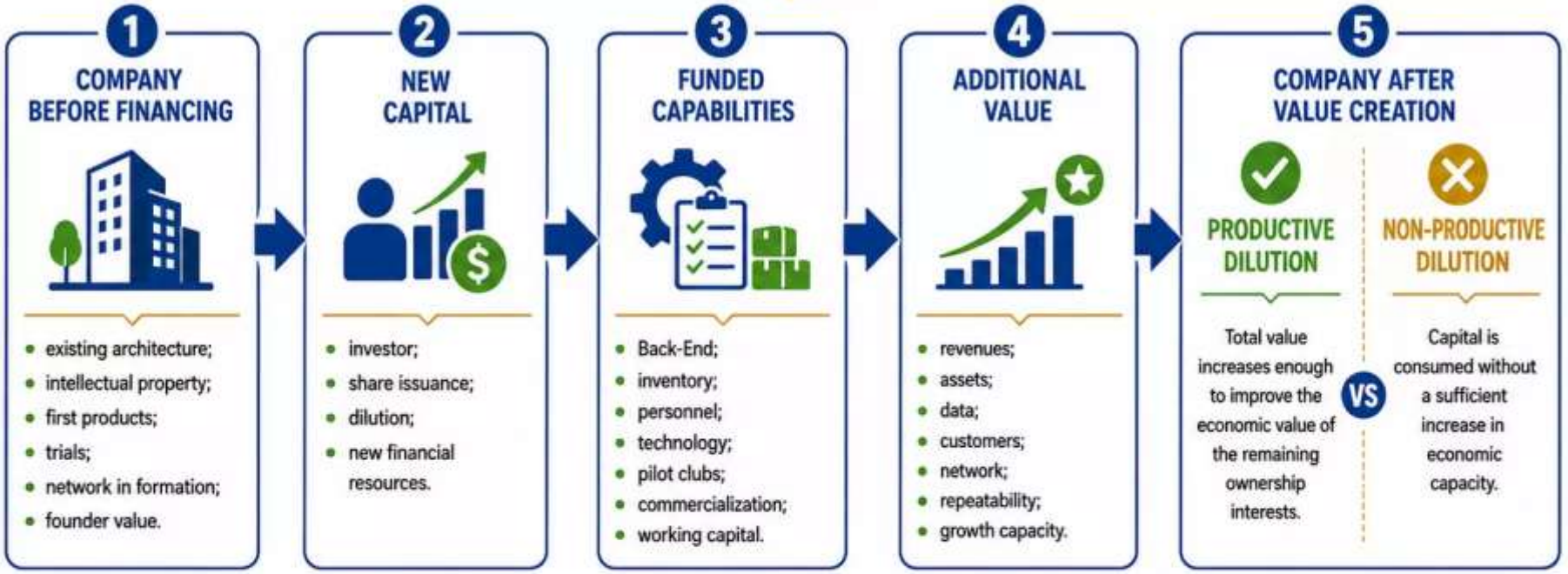
How much percentage will be lost?

It becomes:

What probable increase in capacity and value are we receiving in exchange for this dilution?

This interpretation directly reflects the principle established in the previous chapter: each tranche of capital must be linked to an identifiable capability.

GC-104-D45-FROM-INVESTED-CAPITAL-TO-VALUE-CREATION-FOR-SHAREHOLDERS



STRATEGIC ALIGNMENT
Capital serves the long-term vision and objectives.

FINANCIAL DISCIPLINE
Resources are allocated where they create the most value.

VALUE CREATION
Every dollar invested generates a measurable economic impact.

SUSTAINABLE COMPETITIVENESS
Strengthens competitive advantages and market position.

ECONOMIC JUSTIFICATION
Dilution is acceptable only if the value created exceeds it.

DILUTION IS JUSTIFIED WHEN THE CAPITAL OBTAINED INCREASES THE VALUE OF THE SYSTEM MORE THAN THE OWNERSHIP SHARE THAT EXISTING SHAREHOLDERS GIVE UP.

GC-104-D45 — FROM INVESTED CAPITAL TO VALUE CREATION FOR SHAREHOLDERS

23.6 Not All Shares Necessarily Need to Provide the Same Rights

Equity capital can be structured in several ways. Not all shares are necessarily required to provide exactly the same economic rights and voting rights.

This distinction can become particularly relevant when the founder wishes to welcome external capital while maintaining sufficient strategic continuity to develop an architecture that has not yet reached maturity.

One class of shares can, for example, primarily provide economic participation in profits, growth in value and possible distributions. Another class can include different voting rights in order to organize governance.

This architecture is neither unusual nor automatically desirable. It must be designed carefully and legally structured. But it makes it possible to recognize an essential reality: the right to participate in economic value and the right to control decisions are not necessarily the same thing.

This distinction can be particularly useful when an investor mainly wishes to participate in the financial potential of the system while the founder seeks to preserve the long-term direction during critical phases of development.

It must never, however, be used to make the investor economically vulnerable or deprived of normal protections.

The challenge is therefore to separate the functions of capital and governance sufficiently without creating an unbalanced structure or one that would be difficult for future investors to accept.

23.7 Strategic Control Does Not Mean an Absence of Responsibility Toward Investors

Preserving a control position can be important when the architecture of the system still depends heavily on its founding vision. But controlling the votes does not give the right to regard other shareholders merely as sources of financing.

An investor who has committed significant capital must have access to adequate financial information, clearly defined rights and protections consistent with the risk being assumed.

Governance must therefore distinguish strategic control from arbitrariness.

The founder can retain significant decision-making capacity while accepting transparency mechanisms, competent boards, certain reserved decisions or specific shareholder rights when major changes affect their investment.

Such a structure can even improve the quality of governance.

A well-composed board of directors can contribute financial, legal, commercial or industrial experience without necessarily challenging the overall direction of the project. A strategic investor can also open networks, facilitate certain financing or bring experience that capital alone would not provide.

The objective is therefore not to choose between founder control and professional governance.

A mature system must be able to build both.

23.8 A Strategic Investor Can Bring More Than Capital

Two investors contributing the same amount do not necessarily create the same value for GC.

A strictly financial investor mainly provides monetary resources and seeks a return consistent with the risk assumed. This relationship can be perfectly appropriate when it remains clear.

A strategic investor can additionally contribute experience, contacts, an understanding of real estate, distribution, industry, technology, financing or business development.

These capabilities can accelerate certain stages and reduce risks.

But the term “strategic” should not be used simply to justify better financial terms. The non-financial contribution must be real, accessible and useful to the system.

A promised network of contacts that is never mobilized does not have the same value as an investor who can actually open doors. Relevant industrial experience can become very important when GC begins assembling or manufacturing, but much less useful when it does not correspond to the actual needs of the stage.

The selection of an investor must therefore take into account the fit between what the investor can contribute and the capabilities the system must build during the next Steps.

The size of the cheque remains important, but it is not always the only selection criterion.

23.9 The Timing of a Financing Round Directly Influences Dilution

A company that raises capital before demonstrating an important function will generally do so at a lower valuation than it might obtain after that validation.

Conversely, waiting too long can create a situation in which the company urgently needs liquidity and must accept poor terms.

The timing of financing therefore becomes a strategic decision.

Ideally, a financing round should make it possible to cross a stage whose success increases the value of the system enough to improve the terms of the next round.

This logic creates a progression:

capital → proof → increase in value → next capital under better conditions.

It corresponds directly to the Seven Steps.

Raising all the project’s potential capital at the outset could avoid several rounds, but could create significant dilution while the company’s value is still low. Proceeding in stages makes it possible to successively sell smaller portions of a company whose value increases as uncertainty decreases.

This strategy is advantageous, however, only if the company retains enough capital to actually reach the next milestone.

Deliberately underfinancing a stage in the hope of quickly obtaining a better valuation can create the opposite problem.

The size of each round must therefore provide sufficient margin to reach the next important proof without depending on a financial negotiation conducted under urgent conditions.

23.10 Successive Financing Rounds Must Be Anticipated From the First Capital Structure

A first share issue influences all those that follow.

If too large a proportion of the equity is transferred at the beginning, future rounds can progressively reduce the participation of the founder and early shareholders much more than expected.

This cumulative dilution must be understood before concluding the first transaction.

A simple scenario can demonstrate the effect of several successive rounds. A 70% participation today will not necessarily remain at 70% if the company must issue another 20% or 25% of its equity in a few years.

The objective is not to prevent all future dilution. A growing company may use several financing rounds.

The objective is rather to preserve sufficient flexibility.

The initial structure must take into account future investors, options or shares that may be used to recruit certain key employees, potential strategic partners and other possible needs.

Equity capital must therefore be designed as an evolving architecture, rather than as an isolated negotiation with the first available investor.

23.11 Equity Capital Should Primarily Finance Risks That Debt Finances Poorly

Equity capital is generally more patient than debt, but it can become very costly in terms of future ownership. It is therefore particularly relevant for functions whose return is still uncertain or too distant to support regular repayment.

Prototypes, initial technological developments, establishment of the founding team, Pilot Clubs and certain initial GC Back-End functions correspond more closely to this logic.

Conversely, when the company has predictable inventories, recurring orders or assets producing relatively stable cash flows, other forms of financing may become more appropriate.

This evolution should progressively reduce dependence on new share issues.

Financing every future need solely through equity capital would continually dilute existing shareholders even when certain activities become mature enough to support credit or finance themselves through their own cash flows.

The optimal structure therefore evolves over time.

At the beginning, equity capital absorbs a large portion of the uncertainty.

As predictability increases, debt, supplier credit, inventory financing and reinvested profits can progressively assume a greater role.

23.12 Dividends Must Not Prematurely Compete With Building the System

Equity investors can obtain their return in two main ways: an increase in the value of their shares and distributions of profits, particularly in the form of dividends.

During the early years of a growing system, a large portion of the available economic value will probably need to be reinvested.

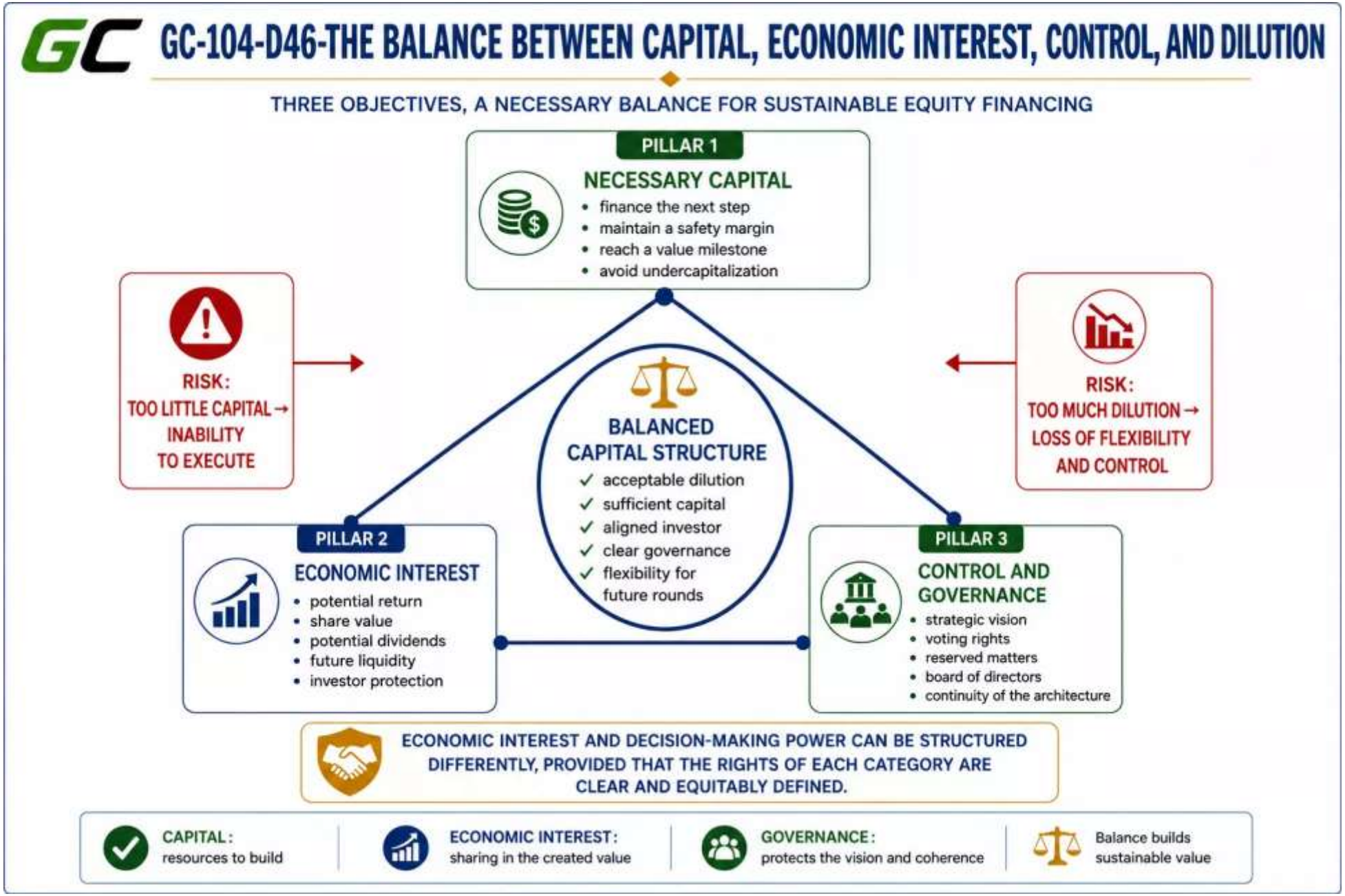
Profits can finance the next inventory, strengthen the GC Back-End, accelerate a technology, increase reserves or support a new region. Distributing too large a portion of these amounts too early can force the company to return to financial markets afterward to finance capabilities it could have financed itself.

This does not mean that no dividend should ever be paid.

A company that has reached sufficient maturity can perfectly combine reinvestment with distributions to shareholders. The choice depends on the expected return from available reinvestment opportunities.

When the company can reinvest one dollar and create value clearly greater than one dollar, retaining that capital may be economically rational. When growth opportunities become fewer or less profitable, distributing part of the profits may become more appropriate.

Dividend policy must therefore follow the maturity and real needs of the system rather than a premature promise intended to make the investment more attractive.



GC-104-D46 — THE BALANCE BETWEEN ECONOMIC CAPITAL, CONTROL AND DILUTION

23.13 Investor Liquidity Must Be Considered Before It Becomes a Problem

An investment in a private company does not offer the same liquidity as a publicly traded share. The investor may need to hold the shares for several years before a reasonable exit opportunity appears.

This reality must be understood at the time of investment.

Several scenarios may eventually provide liquidity: a share buyback by the company, a sale to a new investor, a transaction with a strategic partner, acquisition of the company or, at a much more advanced stage, access to public markets.

None of these scenarios should be promised as a certainty.

But equity investment becomes easier to understand when a potential exit logic exists.

The company can also establish mechanisms governing share transfers, rights of first refusal or certain specific situations. These provisions become important to prevent a significant participation from being transferred to an actor whose interests would be incompatible with those of the system.

Liquidity therefore forms part of capital governance.

An investor must be able to understand how the investment may eventually be converted into realized value, while accepting that an investment in a developing company necessarily requires a certain degree of patience.

23.14 Investor Protections and Founder Protections Must Be Designed Together

A durable capital structure should not be written as a confrontation between two parties each seeking to protect itself from the other.

Founder protections can include retaining certain voting rights, restrictions on major changes or a structure preventing accidental loss of control.

Investors may seek information rights, protection against certain highly dilutive issues, participation in certain major decisions or mechanisms governing a possible sale of the company.

These interests are not necessarily contradictory.

The founder also has an interest in investors being treated fairly, because the company's financial reputation influences its ability to raise capital later. Investors have an interest in the founder retaining enough commitment and decision-making ability to continue creating the value that justified their investment.

A sound shareholders' agreement must therefore seek stability in the relationship rather than simply allocating the maximum possible legal power to one party.

These decisions will naturally require the involvement of competent legal and tax advisors. The role of GC-104 is not to determine the specific clauses, but to establish the economic logic that should guide them.

23.15 Equity Capital Must Build a Company That Becomes Progressively Less Dependent on New Issues

One of the most important objectives of initial financing should, paradoxically, be to reduce the company's future dependence on that same form of financing.

Founder Capital makes it possible to build the initial architecture.

The capital provided by early investors can make it possible to transform this architecture into repeatable activity.

Revenue then begins to finance part of operations.

Margins finance Common Costs.

Reinvested profits finance a growing portion of development.

Credit can support inventories and certain assets once cash flows become sufficiently predictable.

The company then begins to choose its capital rather than depend on it.

This progression protects existing shareholders against permanent dilution and also improves GC's negotiating position. A company that absolutely must raise funds within the next three months does not negotiate under the same conditions as an organization capable of continuing its development even if it chooses to wait.

Financial strength therefore becomes a form of strategic power.

This logic does not mean that a prosperous company should never again issue shares. A new financing round can be highly relevant when it allows international expansion, an acquisition or a major industrial stage to be accelerated.

The difference lies in the nature of the decision.

The company no longer sells a portion of its equity in order to survive.

It may choose to do so because the expected return from acceleration justifies the cost of dilution.

This evolution is particularly important for GC because the system's potential, if confirmed, could greatly exceed the financing needs of the first years. Sufficiently protecting equity and governance at the beginning preserves decision-making capacity when the financial stakes become much greater.

It must also be recognized that the relationship between the founder and investors will evolve as the system matures.

At the beginning, the founder's vision and knowledge naturally occupy a central place. As the company expands, governance must become more professional, integrate new skills and develop processes capable of functioning beyond a single person.

Preserving strategic control during a critical phase should therefore never be interpreted as a desire to make the system permanently dependent on its founder.

The objective must be exactly the opposite: progressively build an organization strong enough to preserve its architecture, principles and capabilities even as people change.

Equity capital must contribute to this transition.

It provides the resources needed to professionalize the organization, build systems, recruit expertise and reduce dependence on improvisation.

The question of ownership therefore becomes closely connected to the question of continuity.

The guiding principle of this chapter can be stated as follows:

equity financing is sound when it provides enough capital to cross an important stage, gives the investor a participation consistent with the risk assumed, protects the ability to govern the system while it is being built and increases overall value sufficiently to make dilution productive rather than merely necessary.

Founder Capital, investor capital and future profits should therefore not be regarded as three opposing interests. They represent three moments in the same construction.

The founder creates and carries the initial architecture.

The investor provides part of the resources required to accelerate it.

The company, when it becomes economically strong, must progressively transform these contributions into an autonomous capacity for creation and reinvestment.

It is when this third stage appears that equity financing truly reaches its purpose.

The next chapter will examine the other tools that can progressively complement equity capital as activities become more predictable: debt, credit, inventory financing and supplier credit. These instruments will make it possible to finance certain capabilities without continually giving up another portion of the company's ownership, but in return they will introduce another requirement: repayment, cash management and control of financial risk.

CHAPTER 24

DEBT, CREDIT, INVENTORY FINANCING AND SUPPLIER CREDIT

24.1 Debt Becomes Useful When the System Has a Reasonable Repayment Capacity

The previous chapter showed that equity capital plays a particularly important role when uncertainty remains high and the first capabilities must be built before generating sufficiently predictable economic flows. As the GC System validates its products, develops its relationships with clubs and begins generating more regular revenue, another family of financial tools becomes progressively accessible: debt and various forms of credit.

Debt follows a different logic from equity capital. The investor accepts participation in the risk and future value of the company; the lender instead expects repayment of the capital according to defined terms, generally accompanied by interest and sometimes guarantees. This fundamental difference makes debt both less dilutive and less tolerant of uncertainty.

It can therefore become extremely effective when it finances an activity whose economic cycle is sufficiently predictable. Inventory purchased today and sold a few months later, a fleet producing recurring revenue or equipment with a relatively known useful life can all be good candidates for certain forms of financing.

Debt becomes much more dangerous when it finances a hypothesis that is still largely experimental.

The GC System must therefore avoid choosing between equity and debt according to an ideological preference. The relevant question is rather to determine which risk each financing source is best positioned to support.

Equity capital supports uncertainty more effectively.

Debt finances predictability more efficiently.

As the system transforms the first into the second, its financial structure can naturally evolve.

24.2 Borrowing Preserves Ownership, but Creates an Obligation That Continues Even When Revenue Slows

One of the main advantages of debt is obvious: it generally does not require giving up a new participation in the company. When financing of $500,000 is repaid according to the agreed terms, shareholders normally retain their ownership percentages.

This advantage can become considerable as GC's value increases.

Continually using equity capital to finance relatively predictable assets or inventories could create costly dilution when credit instruments would be better suited.

But the absence of dilution does not make debt free.

Interest must be paid, principal must be repaid and certain contractual obligations may have to be respected regardless of the current level of activity. A weaker season, a logistics delay or a temporary slowdown in sales does not eliminate the lender's due date.

Debt therefore transforms part of financial flexibility into obligation.

This is why the essential question is not simply whether GC can obtain a loan. It must determine whether the cash flows generated by the financed capability are sufficiently robust to support repayment under reasonably prudent conditions.

The ability to borrow never, by itself, constitutes an economic justification for doing so.

24.3 The Duration of Financing Must Correspond to the Economic Duration of the Need

The principle of matching the need with the financing source, introduced in Chapter 22, becomes particularly important when debt is involved.

A short-term need should generally be financed through an instrument that can be renewed or repaid when the cycle ends. Conversely, an asset whose value will be produced over several years should not depend entirely on financing that must be repaid within a few months.

Inventory financing illustrates this logic well. If GC purchases products in January, receives them in March and collects a significant portion of sales during the following season, the financial requirement mainly belongs to the operating cycle. A line of credit or inventory financing can therefore correspond more closely to the need than a loan amortized over several years.

A regional workshop, assembly equipment or a physical installation follow a different logic. Their cost is incurred today, but their value develops over several years. Longer-term financing may therefore be more coherent.

This matching protects cash flow and also makes the economics easier to understand.

When the duration of financing follows the duration of the function it finances, repayment is more closely connected to the corresponding creation of value.

The principle can be summarized as follows: do not ask a long-lived asset to repay its financing as though it were inventory, and do not unnecessarily immobilize long-term capital to finance a need that renews rapidly.

24.4 A Line of Credit Can Become a Working-Capital Breathing Tool

A line of credit differs from a traditional loan because it generally allows a company to borrow, repay and then reuse available capacity within certain limits.

This flexibility can be particularly well suited to a company whose working-capital requirement varies during the year.

Within the GC System, inventory orders, transportation delays, golf seasonality and collection periods can create significant temporary gaps between cash outflows and inflows. A line of credit can help bridge these gaps without forcing the company to permanently maintain an excessive amount of cash.

The objective, however, is not to continually use the line at its maximum.

A line of credit should ideally expand when the operating cycle requires more capital, then decline as inventories are converted into sales and receivables are collected.

If it remains continually drawn to finance ordinary expenses, this may indicate that the problem is no longer cyclical but structural.

This distinction is important.

A line of credit is particularly useful for financing the movement of capital.

It becomes concerning when it mainly finances a deficit that never disappears.

24.5 Inventory Financing Must Transform a Tied-Up Asset Into Circulating Capacity

Inventory represents a particular type of asset. It has value, but that value is not yet available as cash. As long as the product remains in the warehouse, the capital used to purchase it remains tied up.

Inventory financing seeks to reduce this pressure.

A lender may agree to finance part of the value of products that meet certain conditions. This structure allows the company to keep less equity capital tied up in inventory and free part of its resources for other functions.

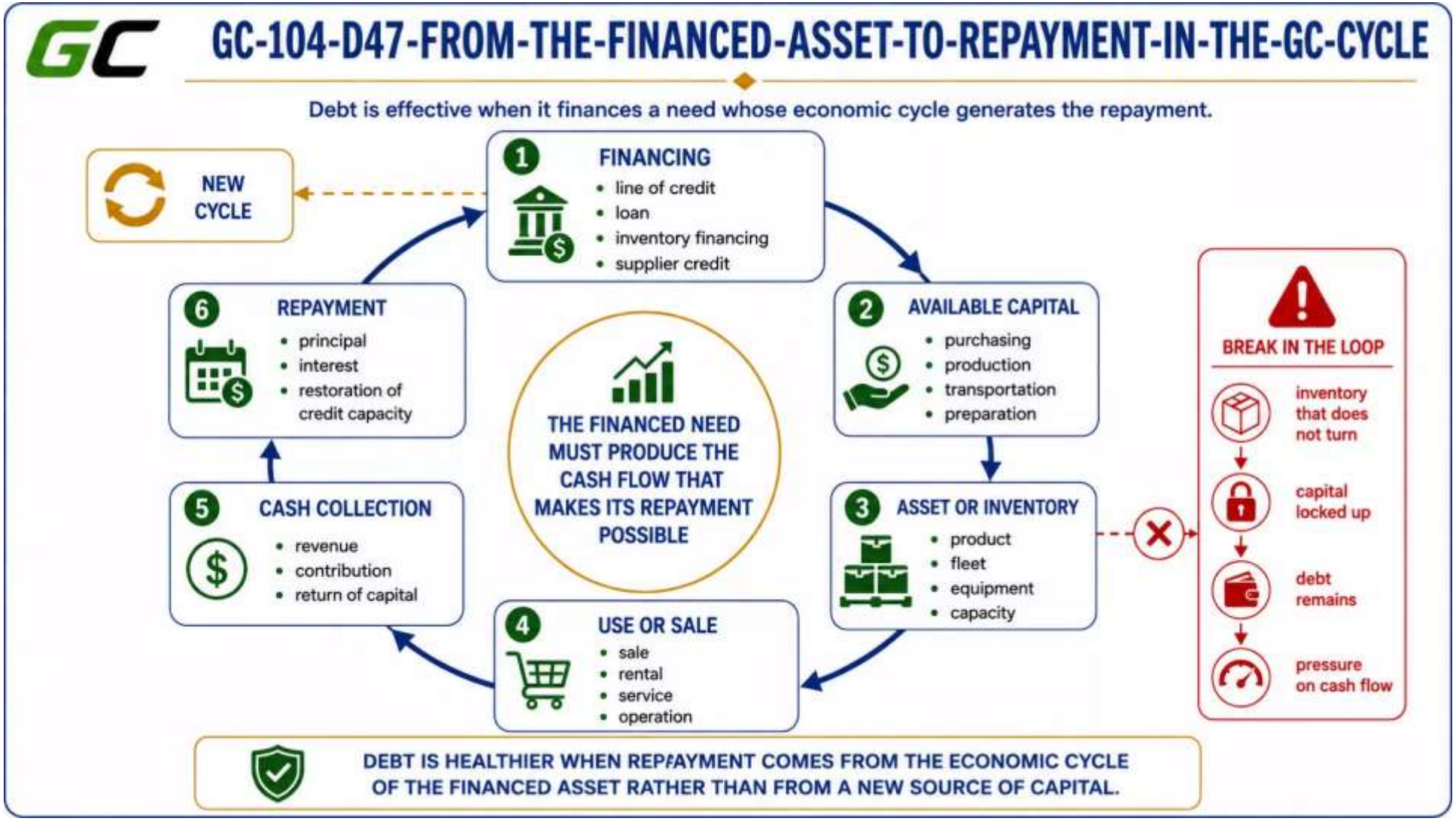
The usefulness of this instrument depends heavily on the quality of the inventory.

A standardized product with relatively predictable demand, strong resale value and rapid turnover generally represents a better financial asset than a specialized item that quickly becomes obsolete or is difficult to resell.

GC must therefore recognize that the economic quality of its inventory directly influences its ability to be financed.

This relationship also creates a healthy incentive. The more the system develops good data on sales, turnover, seasonality and residual value, the more it can demonstrate to lenders that certain assets carry reasonably controlled risk.

Operational information then progressively becomes a financial capability.



GC-104-D47 — FROM THE FINANCED ASSET TO REPAYMENT IN THE GC CYCLE

24.6 Supplier Credit Can Become an Initial Form of Financing Directly Integrated Into the Supply Chain

The supplier can itself become an important source of financing when it agrees to be paid after delivery or according to an agreed schedule.

Payment terms of thirty, sixty or ninety days may appear less spectacular than a major bank facility, but their effect on working capital can be considerable.

Suppose a product is received, prepared and then sold before full payment to the manufacturer becomes due. Part of the cycle can then be financed directly by the supply chain.

This possibility generally becomes more accessible as the commercial relationship matures.

A new supplier may require full payment before production. After several successful orders and the development of a relationship of trust, certain terms may become more favorable. GC can then reduce the period during which its own capital remains tied up.

Supplier credit must nevertheless be treated as a genuine financial obligation.

An invoice payable in sixty days is no less real because no bank agreement has been signed. The system must ensure that the necessary cash is available before the due date.

This source of financing also has a strategic dimension. A healthy supplier relationship can provide valuable flexibility during a period of rapid growth. Conversely, systematically delaying payments beyond agreed terms can damage an essential relationship and reduce future options.

Supplier credit therefore depends heavily on the financial trust accumulated through GC's behavior.

24.7 Customer Deposits Can Sometimes Reduce the Capital Required for the Cycle

Financing the cycle does not come solely from lenders or suppliers. In certain situations, the customer can finance part of production or inventory through a deposit, reservation or advance payment.

This structure may be appropriate when a product is customized, specifically ordered or sold as part of a sufficiently clear pre-order campaign.

For GC, certain club orders, fleet orders or specific products could eventually include a deposit that confirms the commitment and finances part of the corresponding order.

This possibility reduces inventory risk because part of the demand is known before the capital is fully committed.

But the deposit creates an important obligation.

Money received before delivery does not immediately become a resource free of responsibility. It represents a commitment to a customer who expects a product or service.

A company that used future deposits extensively to finance old obligations could create fragility similar to that produced by poorly controlled debt.

Deposits must therefore primarily finance the transaction or capability with which they are associated and must be tracked with the same discipline as other cash-flow obligations.

24.8 Fleet Financing Can Be Matched More Closely With the Revenue Produced by the Assets

Rental assets have a different financial profile from inventory intended for sale. Capital does not return through a single transaction; it is recovered progressively through use.

This structure can justify financing amortized over a period consistent with the economic life of the equipment.

A club or GC can then compare financing payments with the contributions generated by the fleet. If the assets produce enough revenue to cover operations, debt service and a margin of safety, financing can accelerate deployment without immediately tying up the full amount of required capital.

This model nevertheless requires prudent analysis of the utilization rate.

Debt continues to exist even when equipment remains unused.

A fleet financed on the basis of an excessively optimistic utilization scenario can therefore transform a potentially profitable activity into financial pressure.

Fleet size must remain connected to demonstrated demand, and monthly payments must be compared not with the maximum possible revenue but with realistic scenarios that include seasonality and periods of low utilization.

Asset financing becomes particularly effective when the repayment period remains shorter than the useful economic life of the assets and their operation generates a sufficient margin above debt service.

24.9 Guarantees and Security Reduce the Lender's Risk but Increase the Borrower's Exposure

Several forms of credit are associated with security: inventory, equipment, accounts receivable or other company assets. During certain early stages, a lender may even request personal guarantees or other additional protections.

These mechanisms reduce the lender's risk because they provide recourse if the borrower does not meet its obligations.

For GC, the consequence must be understood precisely.

An asset pledged as security is no longer fully available to support another financing arrangement. Priority granted to a lender can limit the company's flexibility. Certain personal guarantees can also transfer part of the company's risk to the individuals concerned.

The true cost of financing is therefore not limited to the interest rate.

It also includes pledged assets, imposed restrictions and the financial flexibility the company gives up.

This interpretation becomes particularly important when several lenders or forms of financing overlap.

The structure must remain sufficiently clear to avoid implicitly promising the same economic capacity to several incompatible obligations.

24.10 Financial Covenants Can Influence Decisions Long Before a Default Occurs

Certain financing arrangements include clauses requiring the company to respect specific conditions: a minimum level of liquidity, debt ratios, debt-service coverage, limits on new debt or restrictions on certain distributions.

These clauses are not necessarily negative. They can protect the lender and encourage useful financial discipline.

But they can also reduce the company's flexibility if they are poorly adapted to its actual cycle.

A highly seasonal company may, for example, temporarily show much higher inventory or debt levels at certain times of the year. A covenant designed without taking this seasonality into account can create a contractual difficulty even while the annual economics remain sound.

GC must therefore understand the obligations before choosing a financing arrangement, rather than looking only at the interest rate.

The question must be: does this structure leave us enough flexibility to operate the system normally under reasonably predictable scenarios?

Less expensive debt with poorly adapted constraints can be economically more costly than slightly more expensive financing that is better aligned with operational reality.

24.11 The Cost of Debt Must Be Compared With the Return of the Financed Capability

Borrowing can increase shareholder returns when a financed activity produces a contribution greater than the cost of financing.

This mechanism is financial leverage.

If a capability sustainably produces a return of 15% and can be financed at a significantly lower total cost, part of the additional value returns to shareholders without their having to provide the full amount of capital.

But leverage also works in the opposite direction.

When the return from the activity falls below the cost of debt, the financial obligation amplifies the weakness.

The system must therefore compare the expected economic return of the asset with the complete cost of financing, including not only interest but also fees, guarantees, risks and the impact on cash flow.

A margin of safety is necessary.

Financing at 8% an activity whose expected return is 9% leaves very little room to absorb changes in costs or volume. A much more productive activity can support financing more comfortably.

Debt must therefore be used to amplify an economy that is already sound, not to artificially manufacture a return that does not exist.

24.12 Interest-Rate Risk Must Be Integrated When Debt Becomes Significant

When borrowed amounts remain small, a moderate change in interest rates may have a limited effect. As the network increases its use of debt, this variable becomes more important.

Variable-rate financing can be advantageous under certain conditions, but its cost may increase during the term of the loan. A fixed rate provides greater predictability, sometimes in exchange for a higher initial cost or less flexibility.

The choice depends on the nature of the need, its duration and the system's ability to absorb a variation.

GC should not attempt to predict interest-rate movements perfectly. It should instead test the financial structure under several conditions.

If a reasonable increase in the cost of credit is enough to make debt service problematic, the level of debt is probably too high or the economic margin too weak.

Interest-rate sensitivity must therefore form part of financial scenarios, particularly when Regional Centers, facilities or industrial capabilities begin to represent larger amounts.

24.13 International Purchases Add Foreign-Exchange Risk to Inventory Financing

Some of the first GC products may come from foreign suppliers and be negotiated in a currency different from the one in which network revenues are collected. This situation adds another variable to the economics of financing.

A product ordered today may be paid for several weeks later. If the exchange rate moves unfavorably between those two moments, the actual cost in Canadian dollars can increase.

This risk may be relatively small on a small order and become much more significant when a container or several large orders are committed.

The financing cost of international inventory must therefore not be separated from currency risk.

Several mechanisms can eventually reduce this exposure: fixing the rate at certain points, hedging products, negotiating payment terms or retaining a sufficient margin in cost calculations.

GC-104 is not intended here to define a detailed foreign-exchange hedging strategy, but the economic principle must be clear: **a supplier cost expressed in a foreign currency is not completely known until the conversion risk has been managed or accepted.**

As volumes increase, this management will need to become more structured.

24.14 Debt Must Preserve a Sufficient Margin of Safety to Protect the Seven Steps

A growing company may be tempted to use all the credit capacity its assets and lenders allow it to obtain.

This approach can accelerate development, but it simultaneously reduces the margin available to absorb an unforeseen event or finance a new opportunity.

Debt capacity itself is therefore a resource.

Not using all of it can have value.

A credit reserve can make it possible to finance an exceptional order, absorb a delay in collections or respond to a temporary problem without immediately having to seek new equity capital.

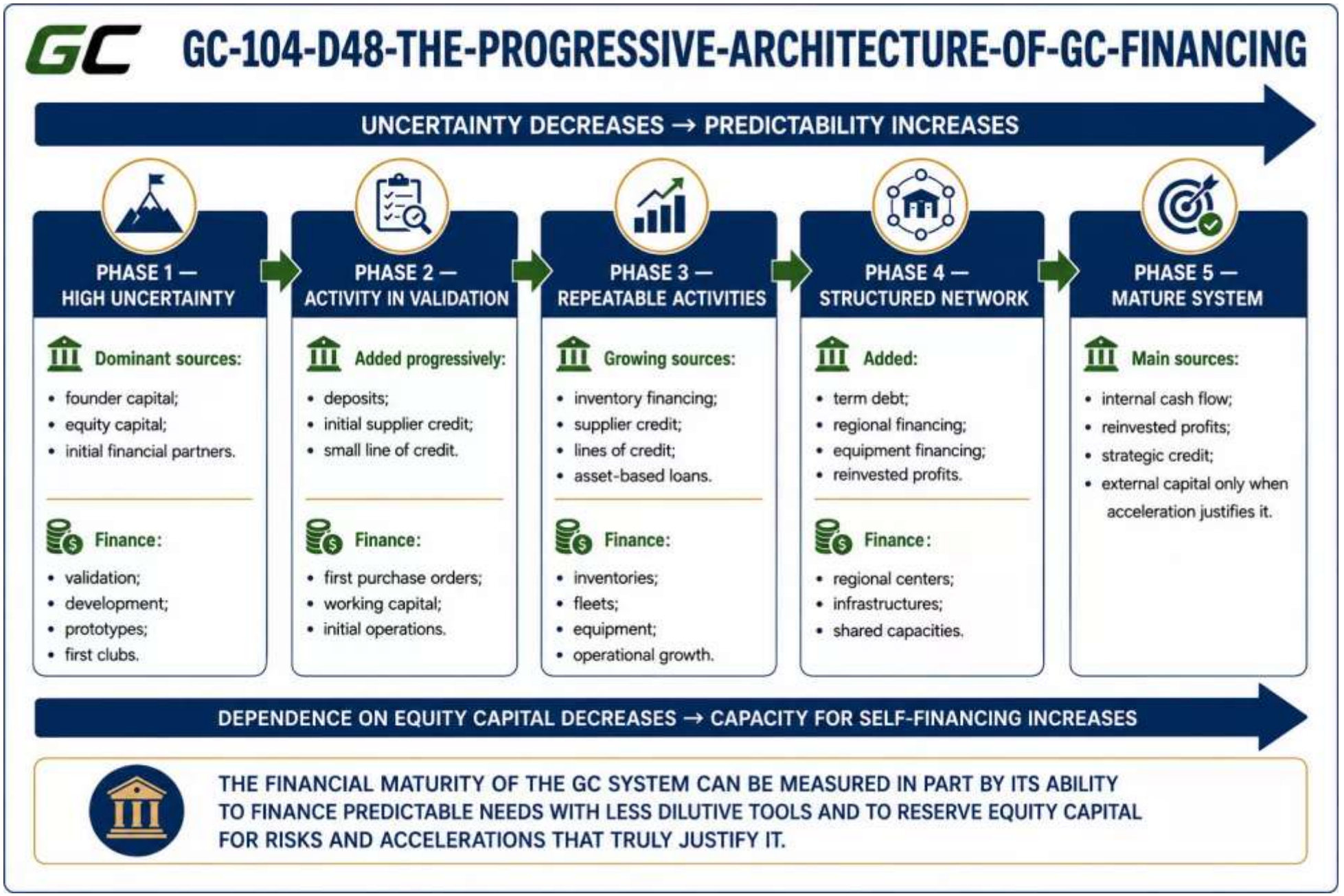
This prudence is particularly consistent with the Seven Steps of economic development. Moving to a new Step must not depend on a financial structure so tight that a single deviation from forecasts threatens the entire system.

Financing must support progression, not force it.

A company that absolutely must reach a very high volume within the next few months simply to meet its financial obligations may be pushed to sell too quickly, accept poor partners or reduce service quality.

Debt then becomes a driver of overgrowth.

GC must instead seek to preserve enough room to maneuver so that it can slow down, correct or learn when reality requires it.



GC-104-D48 — THE PROGRESSIVE ARCHITECTURE OF GC FINANCING

24.15 A Sound Credit Structure Must Make Capital More Productive, Not Make the System Dependent on Debt

Debt, lines of credit, inventory financing and supplier credit can all play an important role in the development of the GC System.

Used correctly, they allow equity capital to focus more on functions that truly require patient capital: innovation, technological development, construction of new capabilities and strategic expansion.

Their value comes precisely from this specialization.

A dollar of equity capital permanently used to finance fast-turning inventory can become costly if a line of credit can perform the same function without dilution. A long-term industrial investment should not depend entirely on supplier credit. An experimental activity should not be burdened with debt requiring repayment before its economics are understood.

The financial structure must therefore progressively consist of several layers, each corresponding to a different function.

Equity capital mainly absorbs entrepreneurial risk and finances the creation of new capabilities.

Term debt finances certain assets whose duration and cash flows can be reasonably anticipated.

The line of credit finances variations in working capital.

Inventory financing supports products while they are being transformed into sales.

Supplier credit reduces the capital tied up between order and payment.

Deposits can, in certain situations, bring cash collection even closer to the production commitment.

Reinvested profits should progressively become a growing source of internal financing.

Taken separately, each of these instruments has limitations. Together, they can form a much more efficient structure.

This is where a fundamental principle of the GC System also finds a financial expression: **the whole can become greater than the sum of its parts when several financing tools are combined according to the functions they perform best.** The objective is not to accumulate the largest possible number of capital sources, but to build an architecture in which each instrument reduces the cost or risk of the others without introducing disproportionate complexity.

A strong supplier relationship can reduce the need for bank financing.

Better inventory turnover can reduce use of the line of credit.

An available line of credit can reduce the amount of idle cash that must be maintained.

Reinvested profits can reduce the need for new share issues.

A strong equity-capital structure can reassure lenders and eventually improve access to credit.

The value therefore comes from their interactions.

But this integration must never create an illusion of liquidity. A company may have a bank facility, supplier terms and several forms of financing while remaining financially fragile if all of these resources are simultaneously used to their maximum.

The essential point remains the repayment capacity created by real activities.

The product must sell.

Inventory must turn.

The fleet must be used.

Clubs must pay according to the agreed terms.

Margins must remain sufficient.

The financed capabilities must produce the contribution that justifies their existence.

Finance can greatly improve the circulation of capital, but it cannot replace sound fundamental economics.

The GC System must therefore seek to use debt as an accelerator of turnover and capacity, not as a permanent way of postponing the moment when activities must finance their own obligations.

As the network matures, a desirable evolution should appear. The first stages may be financed largely through equity capital. Initial commercial relationships then begin to produce supplier terms. Inventories become more predictable and can gain access to credit tools. Revenue-generating assets can support part of their own financing. Profits progressively contribute to future investments.

The system then gains several complementary sources of capital without depending excessively on any single one of them.

This financial diversification improves its resilience.

It also makes it possible to preserve more equity capital for the moments when it creates the greatest value: an important technology, a major expansion, industrialization or a strategic opportunity that would be difficult to finance solely through current operations.

The guiding principle of this chapter can therefore be stated as follows:

debt and credit create value for GC when they finance assets and cycles sufficiently predictable to produce their own repayment, free equity capital for more uncertain functions and leave the system with a sufficient margin of safety to continue learning, correcting and progressing.

This logic leads directly to the next chapter.

Financing is truly useful only if GC understands what happens between the moment money leaves the system and the moment it returns. It will therefore be necessary to examine more precisely working capital, collections, payments, inventories, accounts receivable, accounts payable and available cash.

Chapter 25 — **Working Capital, Cash Flow and the Capital Conversion Cycle** will address this central mechanism. A company can be profitable, have good products and even have access to credit while still encountering serious difficulties if its capital circulates too slowly between purchases, operations and collections.

CHAPTER 25

WORKING CAPITAL, CASH FLOW AND THE CAPITAL CONVERSION CYCLE

25.1 A Company Can Be Profitable and Still Run Short of Cash

The preceding chapters showed how the GC System can combine equity capital, debt, lines of credit, inventory financing and supplier credit to build its different capabilities. These instruments, however, only take on their full meaning when they are placed within the daily movement of money. Between the moment GC pays a supplier and the moment the corresponding revenue actually returns to its accounts, a more or less extended period may pass. During that interval, the company must continue to pay its employees, suppliers, technologies, transportation, rent and all the other expenses required for operations.

A large part of working-capital management lies precisely in this space between expenditure and collection.

A company can show a satisfactory gross margin, record growing sales and even report an accounting profit while experiencing significant pressure on its cash flow. If it purchases today products that will not be sold for several months, the capital remains tied up between the two events. If clubs then have thirty or sixty days to pay, the cycle becomes even longer. Rapid growth can then consume more cash than a period of stability.

This reality is fundamental for GC because part of the model is based on physical products, imports, inventories, rental assets and, eventually, regional or industrial capabilities. The larger these activities become, the more precisely the difference between profitability and the immediate availability of cash will need to be understood.

Working capital is therefore less an abstract accounting concept than a condition of continuity: it allows the system to continue operating while the capital committed to operations completes its cycle and returns in the form of available cash.

25.2 Working Capital Represents the Portion of Capital Committed to Current Operations

Working capital is generally associated with a company's short-term assets and liabilities: cash, accounts receivable, inventories, accounts payable and other current obligations. For GC, however, it is useful to understand it first through its operational reality.

When a container of products is ordered, capital begins to be mobilized well before the sale. One portion may be paid to the manufacturer when the order is placed, and another before shipment. The product then moves through international transportation, customs, warehousing, preparation and possibly distribution before becoming a collected sale.

Throughout this entire journey, the capital is working, but it is not available.

The same phenomenon exists in services, although in a different form. Salaries may be paid before an intervention is billed. A warranty may create an expense today even though the associated provision was built from previous sales. A digital platform may require ongoing expenses while its revenues are received according to a different schedule.

Working capital therefore represents the financial capacity required to absorb the timing differences between the system's commitments and the cash inflows that finance them.

Managing it properly does not mean seeking the lowest possible level. Insufficient working capital can weaken operations. An excessive level can, on the contrary, unnecessarily tie up capital in inventory, accounts receivable or cash that could be used elsewhere.

The objective is to maintain a level consistent with the actual operating cycle and the risks associated with it.

25.3 Accounting Profit and Cash Flow Must Always Be Read Separately

The difference between profit and cash flow deserves particular attention because it explains several situations that may initially appear contradictory.

When a product is sold, accounting may recognize revenue and a margin even if payment has not yet been collected. When the company purchases inventory, the full cash outflow does not necessarily become an expense immediately recognized in the income statement; part of it remains recorded as an asset until the product is sold. An investment in equipment can also be paid immediately while its accounting cost is spread over several years through depreciation.

The accounting result therefore answers a different question from cash flow.

Profit seeks to measure the economic performance of a period. Cash flow indicates whether the company currently has the money required to meet its obligations.

The two must naturally converge over the long term in a healthy company, but their paths may differ significantly during certain periods.

This distinction will be particularly important during the growth phases of the GC System. A year may show a strong increase in sales and improved profitability while requiring more financing because inventories and accounts receivable have increased even faster.

Management must therefore never assume that projected profit automatically represents immediately available cash.

Profit measures economic value creation; cash flow measures the ability to continue operating while that creation is actually being transformed into available money.

25.4 The Capital Conversion Cycle Measures How Long Money Remains Committed

The capital conversion cycle makes it possible to connect several elements of working capital within a single time-based logic. It essentially seeks to understand how much time passes between the moment the company commits its money to operations and the moment it recovers that money after the sale and collection.

For a physical product, the cycle begins when GC must finance the purchase or production. It continues during transportation, warehousing and the period before the sale. After the sale, it may continue during the payment period granted to the customer.

Supplier credit works in the opposite direction. If GC can receive or sell part of the product before having to pay the manufacturer in full, part of the cycle is financed by the supplier rather than by GC's own capital.

In its conventional form, the cash conversion cycle can be expressed as the relationship among three periods:

inventory days + accounts receivable days − accounts payable days.

The value of this formula lies not only in the calculation itself. It forces the system to understand where capital remains tied up.

Reducing average inventory time by ten days, accelerating collections by a few days or obtaining better supplier terms can free a significant amount of capital when a high volume of transactions is involved.

The speed of capital then becomes a source of economic performance almost as important as the margin itself.

25.5 Inventory Will Probably Be One of the Main Places Where GC Capital Remains Tied Up

During the first years of the GC System, a significant portion of working capital will likely be tied to physical products. Inventory represents both a commercial capability and a financial commitment. Without sufficient stock, GC may lose sales or create delays that are incompatible with club expectations. With too much stock, a significant amount of capital remains tied up, sometimes for several seasons.

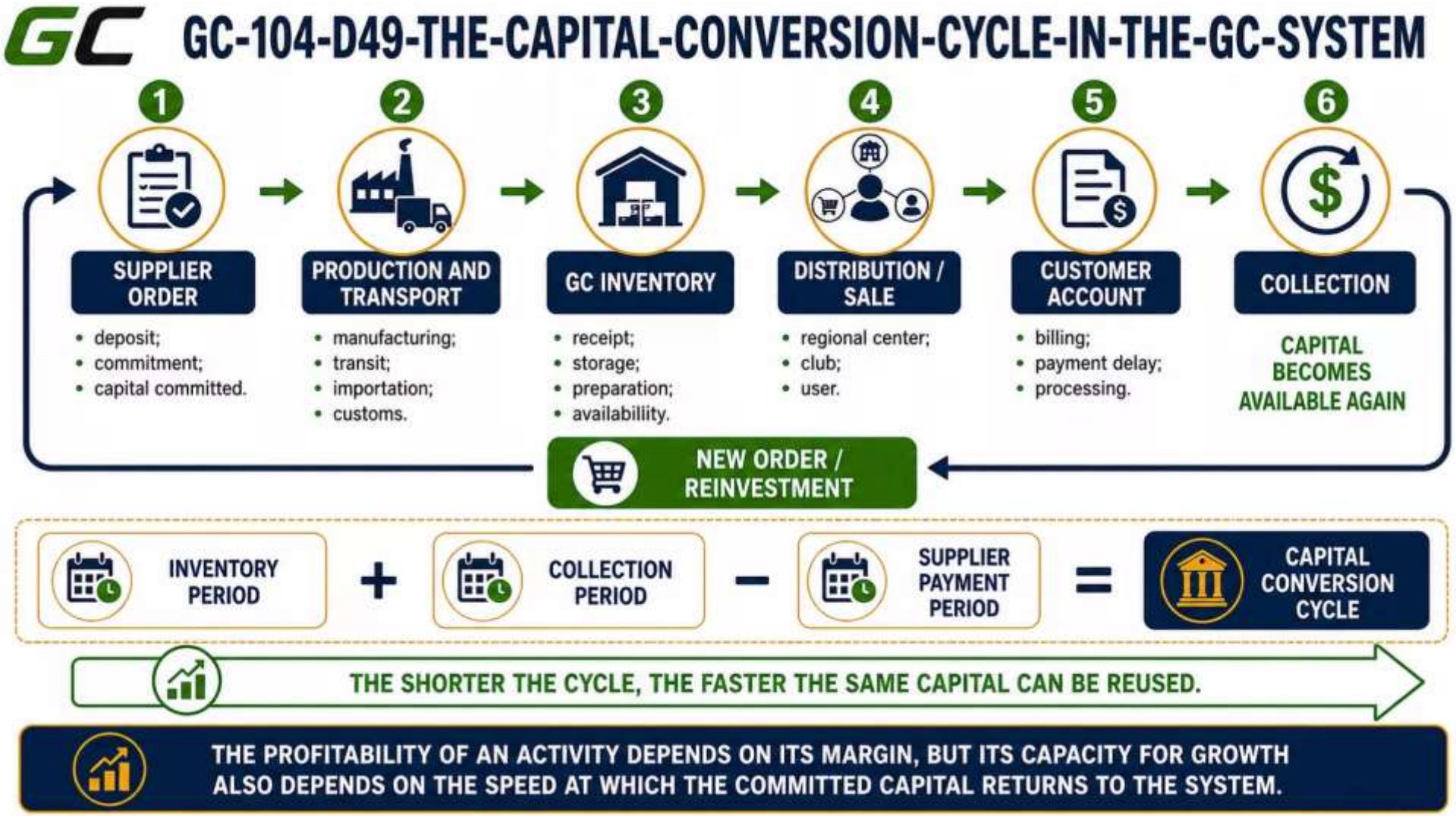
The appropriate inventory level must therefore be determined by balancing availability and turnover.

This analysis becomes more complex when products come from foreign suppliers. Manufacturing, transportation and customs-clearance lead times may require GC to place orders well before the selling period. A relatively short season intensifies the issue further: a forecasting error can leave substantial inventory to be financed until the following season.

Network data should progressively reduce this uncertainty. Sales by period, available inventory within clubs, regional trends and actual turnover rates will make it possible to build more precise orders.

This knowledge can become one of the major economic advantages of the integrated system. An isolated club has a view limited to its own history. The GC Back-End can progressively analyze the behavior of several clubs and build a superior forecasting capability.

This is where the principle **"The whole is greater than the sum of its parts"** takes on a very concrete financial meaning: the combined data of several clubs can allow the network to reduce the total inventory required while maintaining better availability than if each establishment had to forecast and finance its own stock independently.



GC-104-D49 — THE CAPITAL CONVERSION CYCLE IN THE GC SYSTEM

25.6 Accounts Receivable Must Remain Short Enough to Prevent GC From Becoming an Involuntary Lender

When a club or another customer receives a product today and pays for it several weeks later, GC temporarily finances part of that customer's activity. This practice is normal in many business-to-business markets, but its effect on cash flow increases with volume.

A thirty-day payment period may appear reasonable when only a small number of transactions are involved. When several million dollars in annual sales are generated, a few additional days of collection can represent hundreds of thousands of dollars tied up.

The terms granted must therefore remain compatible with the economics of the network.

Certain customers may justify different terms depending on their size, history and the nature of the transactions. But very long payment terms used as a commercial argument can quickly transfer a significant portion of club financing onto GC.

The system must also distinguish between a sale and its collection in its indicators. High revenue accompanied by rapidly increasing accounts receivable can create an impression of growth greater than the system's actual financial capacity.

As GC transactional systems develop, some payments may be automated or collected at the time of the transaction, naturally reducing certain delays.

The objective is not to impose unnecessarily rigid terms, but to prevent commercial growth from creating a parallel and uncontrolled growth in financing granted to customers.

25.7 Accounts Payable Can Improve the Cycle Without Becoming a Permanent Source of Deficit Financing

Supplier credit acts as a counterbalance to inventories and accounts receivable. The longer the period between receiving value and paying for it, the less GC must finance that portion of the cycle with its own resources.

Strong relationships with manufacturers can therefore become financially very important.

But the benefit of payment delays depends on one fundamental condition: payments must remain consistent with the agreements. A company that artificially improves its cash position by continually paying suppliers late is not building a better economy. It is using their capital without their agreement and progressively weakening a relationship on which it may depend.

The best situation occurs when payment terms are negotiated according to the actual merchandise cycle.

If part of the inventory can be sold before payment becomes due, the working-capital requirement decreases significantly. If the supplier instead requires full payment several months before the products can be sold, the need for working capital increases.

Commercial negotiation and financial management become inseparable here.

A better supplier price is attractive, but slightly more favorable payment terms can sometimes have equally significant value for growth capacity.

25.8 Golf Seasonality Requires Cash Management Different From a Regular Twelve-Month Activity

Canadian golf involves significant seasonality. Club revenues, demand for certain products, mobility usage and part of service requirements may be heavily concentrated within a few months.

This characteristic influences the entire financial cycle.

Inventories may need to be purchased before the season opens. Resources must be prepared while the corresponding revenues have not yet fully arrived. Certain expenses continue during months of low activity. Orders for the following season may even need to be committed before all the revenue from the current season has been converted into available cash.

Cash management must therefore be designed across the full year rather than by extrapolating an average month.

The GC Back-End will progressively need to understand the high and low points of the cycle: when inventory absorbs the most capital, when collections accelerate, when suppliers must be paid and the minimum level of cash required before the active season returns.

Regional Centers will also have their own seasonal variations, as will the clubs.

This reality makes cash-flow forecasting much more important than in a company whose sales and expenses would be regular throughout the year.

The low season must not be interpreted as an accident. It is part of the economic model and must be financed accordingly.

25.9 Deposits, Reservations and Preorders Can Bring Collection Closer to the Moment Capital Is Committed

One of the most effective ways to shorten the conversion cycle is to bring cash collection closer to the moment when the company must commit its own resources.

Certain GC activities may allow deposits, reservations or preorders. A club confirming a fleet may provide a deposit. A particular product can be ordered before its arrival. An activity or event can be paid for at registration.

These mechanisms reduce the capital GC must advance on its own.

They also provide valuable information: an order accompanied by a deposit demonstrates a much more concrete commitment than a simple expression of interest.

The system must nevertheless manage these funds with discipline. A deposit represents both an inflow of cash and an obligation toward the party that paid it. The amount received cannot be treated as margin already earned while the product or service still remains to be delivered.

The proper use of advance payments is therefore to finance part of the cycle to which they relate while maintaining sufficient liquidity to fulfill the corresponding obligation.

This logic can significantly reduce the need for working capital when products are expensive or delivery times are long.

25.10 Growth Can Consume Cash Before It Begins Producing More of It

One of the most important paradoxes of growth is that a company may experience its greatest financial pressure precisely when its sales accelerate.

Suppose GC doubles its annual volume. It will probably need to order more products, increase certain parts inventories, support more clubs and perhaps engage new resources before all the additional revenue has been collected.

The financial requirement then increases before the benefits of scale appear.

This situation can be healthy. It becomes dangerous when it is not anticipated.

An organization that confuses sales growth with immediate cash creation may accept more orders than it is financially able to support. It may then have to seek credit urgently, delay certain suppliers or limit essential functions.

Working-capital planning must therefore be an integral part of every growth scenario.

With every significant increase in volume, one question must be asked:

how much additional capital will remain temporarily tied up before this growth begins to generate its own cash flow?

This question must accompany scenarios of 300, 700, 1,000 or several thousand units as naturally as revenue and margin projections.

Growth must first be financed before it can finance the next stage in turn.

25.11 Cash Flow Must Be Forecast Over a Much Shorter Horizon Than Annual Financial Statements

An annual budget may demonstrate that an entire year should be profitable while concealing a shortage of cash in the middle of that year. To manage cash flow, the timing of inflows and outflows is therefore as important as their total amount.

GC will progressively need to develop a rolling forecast capable of showing what should enter and leave the system during the coming weeks and months.

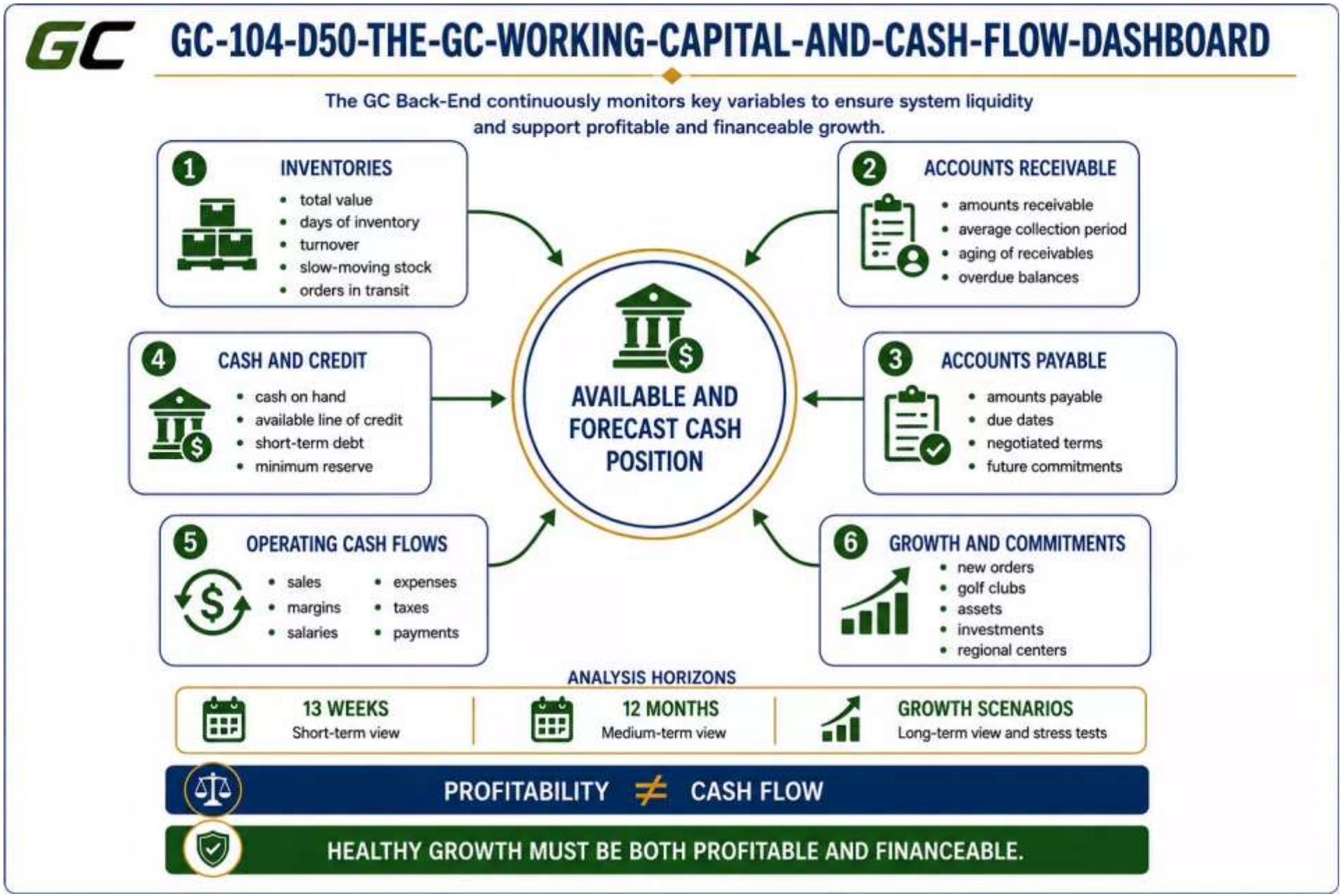
In the short term, a detailed forecast covering several weeks can make it possible to anticipate supplier payments, payroll, taxes, orders, major collections and financing needs. Over a longer horizon, a monthly projection can show the effects of seasonality, new orders and planned investments.

The objective is not to predict cash flow to the exact dollar. That would be impossible.

The purpose is to identify early enough the periods when a shortfall could appear so that sufficient time remains to act: slow an order, accelerate a collection, use a line of credit, adjust an investment or negotiate a supplier term.

The quality of a cash-flow forecast is therefore measured less by its absolute precision than by its ability to avoid preventable financial surprises.

As GC accumulates historical data, this forecasting capability will itself become more reliable and will be able to support increasingly important decisions.



GC-104-D50 — THE GC WORKING CAPITAL AND CASH FLOW DASHBOARD

25.12 A Minimum Cash Reserve Protects Decision-Making Capacity

Effective working-capital management does not mean reducing cash on hand to the minimum and using every available dollar in operations. Part of the cash must remain deliberately available.

This reserve protects against the normal deviations of reality: a delayed delivery, a major customer paying later, an unexpected expense, a higher warranty cost or an opportunity requiring a rapid decision.

The amount required will depend on the maturity of the system, its seasonality, its access to credit and the predictability of its revenues.

A company with a significant banking facility and very regular cash flows can operate with a different cash reserve from a young, highly seasonal organization dependent on international suppliers.

The reserve level must therefore be defined according to risk rather than by an arbitrary percentage.

The value of this liquidity appears precisely when it prevents GC from making a poor decision under pressure.

A company that must immediately raise capital because it lacks a few weeks of cash negotiates from a position of weakness. An organization with several months of flexibility can choose the timing and conditions of its financing.

Available liquidity thus becomes not only an accounting protection but a form of strategic freedom.

25.13 Flows Must Be Observed at the Club, Regional and GC Back-End Levels

As the network develops, cash will not flow only between GC and external suppliers. It will also circulate among several levels of the architecture.

The golfer may pay the club or a common transactional platform. Part of the transaction may belong to the club, another to the Regional Center, another to the GC Back-End or the supplier. Certain repairs will be billed, certain warranties reimbursed and certain commissions paid.

The design of these flows must prevent money from unnecessarily passing through several accounts before reaching its true destination.

The more administrative steps a transaction contains, the more it creates risks of error, delays and reconciliation requirements.

A well-designed transactional architecture can progressively automate part of this distribution. But regardless of the technology used, the financial logic must remain clear: the system must know to whom the collected value belongs, which amounts represent obligations and which amounts become genuinely available to finance Shared Capabilities.

This visibility will also become necessary when GC further develops the accounting of clubs integrated into the system.

The network must be able to observe local economics without confusing their cash with that of the GC Back-End.

Financial integration must therefore create greater visibility and less friction, not erase the necessary boundaries among the different economic entities.

25.14 Capital Velocity Must Become an Allocation Criterion as Important as Margin

Two activities with the same annual margin can mobilize extremely different amounts of capital.

An activity that recovers its investment every two months can reuse the same capital several times during a year. Another that leaves money tied up for twelve months requires a much larger financial base to produce the same volume.

This difference can profoundly change the economic quality of activities.

It is therefore useful not to examine only the margin on each dollar of sales, but also the contribution produced by each dollar of capital mobilized and the speed at which that capital returns.

This perspective can lead to decisions that may initially appear counterintuitive. A product with a slightly lower margin but rapid turnover can be more attractive than a high-margin product that remains in inventory for a long period. A fleet with a high annual return may nevertheless consume a large amount of capital for several years. A digital service may require a significant initial investment but then mobilize relatively little working capital.

The GC portfolio must therefore seek a balance among these models.

Some activities may produce strong margins. Others will provide rapid turnover. Some will generate recurring revenue. Others will reduce the system's costs.

When these characteristics complement one another, the financial whole can also become greater than the sum of its parts: activities that rapidly generate cash can help finance those whose value appears over a longer period, while Shared Capabilities progressively improve the economics of each.

This complementarity must nevertheless remain visible. A slow activity must not be indefinitely supported by the others without demonstrating its contribution.

25.15 Mastering Working Capital Transforms Growth Into Self-Financing Capacity

Working capital may appear less strategic than finding an investor, opening a Regional Center or launching a new product. Yet a large part of GC's future ability to finance its own evolution will depend on its daily control of this cycle.

Every unnecessary day spent in inventory ties up capital.

Every additional collection delay increases the financing required.

Every better-adapted supplier term reduces part of that requirement.

Every more accurate forecast can prevent an excessive order.

Every automated transaction can accelerate the circulation of information and sometimes the circulation of money.

These improvements may appear small when examined separately. Across a large network, their cumulative effect becomes considerable.

Suppose future growth requires several million dollars of inventory in motion. Permanently reducing the conversion cycle by a few weeks can free an amount of capital that would otherwise have had to come from a larger line of credit or a new share issue.

Working-capital efficiency can therefore directly reduce the need for external financing.

This relationship is essential to the logic of GC-104. The system must progressively move from a phase in which external capital builds the initial capabilities toward a phase in which the economics of its own operations finance a growing proportion of its evolution.

To reach this maturity, becoming profitable is not enough.

GC must also learn to circulate the capital it already possesses efficiently.

The desired economic cycle then becomes more complete:

CASH → PURCHASE OR INVESTMENT → ASSET → ACTIVITY → REVENUE → COLLECTION → STRENGTHENED CASH → REINVESTMENT.

When this cycle is fast and healthy, the same capital can participate in several successive periods of value creation. When it is slow or poorly managed, a large portion of financial resources remains tied up and the company must continually seek additional capital to maintain its growth.

Cash-flow management must therefore become an operational capability of the GC Back-End, on the same level as procurement, technology or service.

It must also be understood by the people making growth decisions. A large order does not represent only a revenue opportunity; it also represents a temporary mobilization of capital. A new club can produce more activity while temporarily requiring more inventory. A Regional Center can reduce certain future costs while immediately requiring cash.

This perspective avoids artificially separating strategy from cash flow.

A strategy is truly deployable only when its financial schedule can be sustained.

The guiding principle of this chapter can therefore be stated as follows:

working capital is properly managed when the GC System continuously has enough cash to meet its commitments, when its capital remains tied up for the shortest reasonably possible period, and when growth progressively increases the system's ability to finance the next cycle rather than its permanent need for external financing.

This principle completes the preceding chapters on equity capital and debt. Financing provides the resources. Working capital then determines how efficiently those resources circulate through the system.

But the availability of capital is still not enough to protect the company against events that can disrupt this cycle. A product may experience a higher warranty rate than expected. An accident may create a liability. An interruption may affect a Regional Center. A supplier may fail. Certain obligations must therefore be anticipated before the event even occurs.

Chapter 26 — **Reserves, Warranties, Insurance and Financial Protection** will examine this other dimension of economic discipline: how to retain sufficient financial capacity to absorb risks without interrupting essential functions or weakening the entire GC System.

CHAPTER 26

RESERVES, WARRANTIES, INSURANCE AND FINANCIAL PROTECTION

26.1 Financial Strength Is Also Measured by the Ability to Absorb What Was Not Planned

The preceding chapters showed how the GC System can mobilize capital, use different financing tools and manage its working capital to support its development. This ability to finance activity remains essential, but it is not enough to make the system durable. A company can have profitable products, growing sales and a well-organized financing structure while remaining vulnerable if one unforeseen event is enough to destabilize its cash flow or interrupt an essential function.

The development of GC will inevitably bring risks that cannot all be eliminated. Certain products may generate more warranty claims than expected. An accident may cause property damage or bodily injury. A major shipment may be lost or delayed. An essential supplier may temporarily cease operations. A technology may experience an interruption or attack. A Regional Center may be affected by a loss. A significant movement in exchange rates or transportation costs may also rapidly alter the economics of an activity.

Financial protection therefore does not consist in trying to predict every possible incident. Its purpose is rather to ensure that a reasonably plausible event does not endanger the entire system.

This protection rests on several complementary mechanisms. Reserves make it possible to absorb certain unexpected expenses with the company's own resources. Warranties organize the responsibility associated with products. Insurance transfers certain risks that are difficult to absorb alone. Contracts allocate certain obligations among GC, its suppliers, its partners and its clubs. Diversification reduces dependence on a single source of revenue, supplier or infrastructure.

The objective is therefore to progressively build a protection architecture proportional to the value and responsibilities of the system.

26.2 A Reserve Is Not Unused Capital: It Represents Available Capacity

A sum kept in reserve may appear unproductive. It does not directly finance a new region, generate a sale or immediately allow more inventory to be purchased. In a growing organization, the temptation may therefore be strong to use almost all available capital to accelerate development.

This logic becomes dangerous when it leaves the system without a margin of safety.

A financial reserve performs a particular function: it allows the organization to continue making rational decisions when an unexpected event occurs. Without it, a relatively limited expense may force GC to delay a supplier payment, urgently use a line of credit, reduce an important function or quickly seek capital under unfavorable conditions.

The reserve therefore protects more than cash flow. It protects the ability to choose.

This idea is particularly relevant for a system in which several activities will be seasonal and certain supply chains may be long. An adequate reserve can absorb a delay of several weeks or temporarily replace a capability without changing the entire development plan.

Its level must not, however, be set arbitrarily. A very young organization dependent on a few products and with limited access to credit will probably need to maintain a relatively larger margin than a mature company with several revenue sources, well-structured insurance and several financing sources available.

The reserve must therefore evolve with the actual risk and maturity of the system.

26.3 Not All Reserves Should Finance the Same Type of Risk

It can be useful to conceptually distinguish several categories of reserves, even if their precise accounting treatment will eventually need to be determined with the appropriate professionals.

A first reserve can address general cash-flow and continuity needs. It allows certain revenue shortfalls or unexpected expenses to be absorbed.

A second can be associated with more specific obligations, particularly product warranties. If experience shows that a certain percentage of sales will lead to repairs or replacements, part of the associated margin must be retained to finance this future responsibility.

A third category can be associated with operational or strategic risks: urgent replacement of equipment, a significant interruption, a supplier problem or another unusual situation.

This separation improves financial understanding.

A company with $500,000 in cash may appear very well protected. But if $300,000 actually corresponds to amounts required to pay suppliers within a few weeks and another portion should cover warranty obligations, the reserve that is genuinely available is much smaller.

The system must therefore learn to distinguish between money present in the account and money genuinely free of near-term obligations.

This visibility will become particularly important as volumes increase.

26.4 Warranty Must Be Funded When the Product Is Sold

When a product is sold with a warranty, the transaction simultaneously creates revenue today and a potential responsibility for tomorrow.

If this responsibility is not integrated into the economic model from the beginning, the apparent margin can be overstated. The first sales appear highly profitable because few repairs have yet had time to occur. Several months later, costs begin to appear and consume part of the cash that had already been allocated to other functions.

The proper model therefore consists in treating warranty as a component of the product's life-cycle cost.

At the beginning, GC will probably need to use a prudent assumption because it will have little historical data. As several hundred and then several thousand units are used, the data will make it possible to understand more precisely the frequency of failures, the parts involved, the average repair cost and how these costs evolve with the age of the product.

The associated provision or reserve can then be adjusted.

This ability to learn from the network can become an important advantage. Several clubs using the same products collectively generate a much richer base of experience than an isolated user. The GC Back-End can identify a recurring failure more quickly, negotiate a correction with the manufacturer and better forecast parts requirements.

Thus, even in financial protection, the whole can become greater than the sum of its parts: collective information reduces individual uncertainty and makes it possible to manage risk with greater precision.

26.5 The Manufacturer's Warranty Must Reduce GC's Risk Without Creating Blind Dependence

When GC works with an external manufacturer, part of the risks associated with the product may be covered by that supplier's warranty. This protection is important, but it must not be treated as equivalent to an absence of risk for GC.

A warranty has value only if it can be applied quickly and if the supplier remains capable of fulfilling its commitments.

A manufacturer may agree to replace a defective part without necessarily financing technician time, transportation, equipment downtime or the other costs associated with the local intervention. In some cases, reimbursement may also occur long after GC or the Regional Center has already borne the expense.

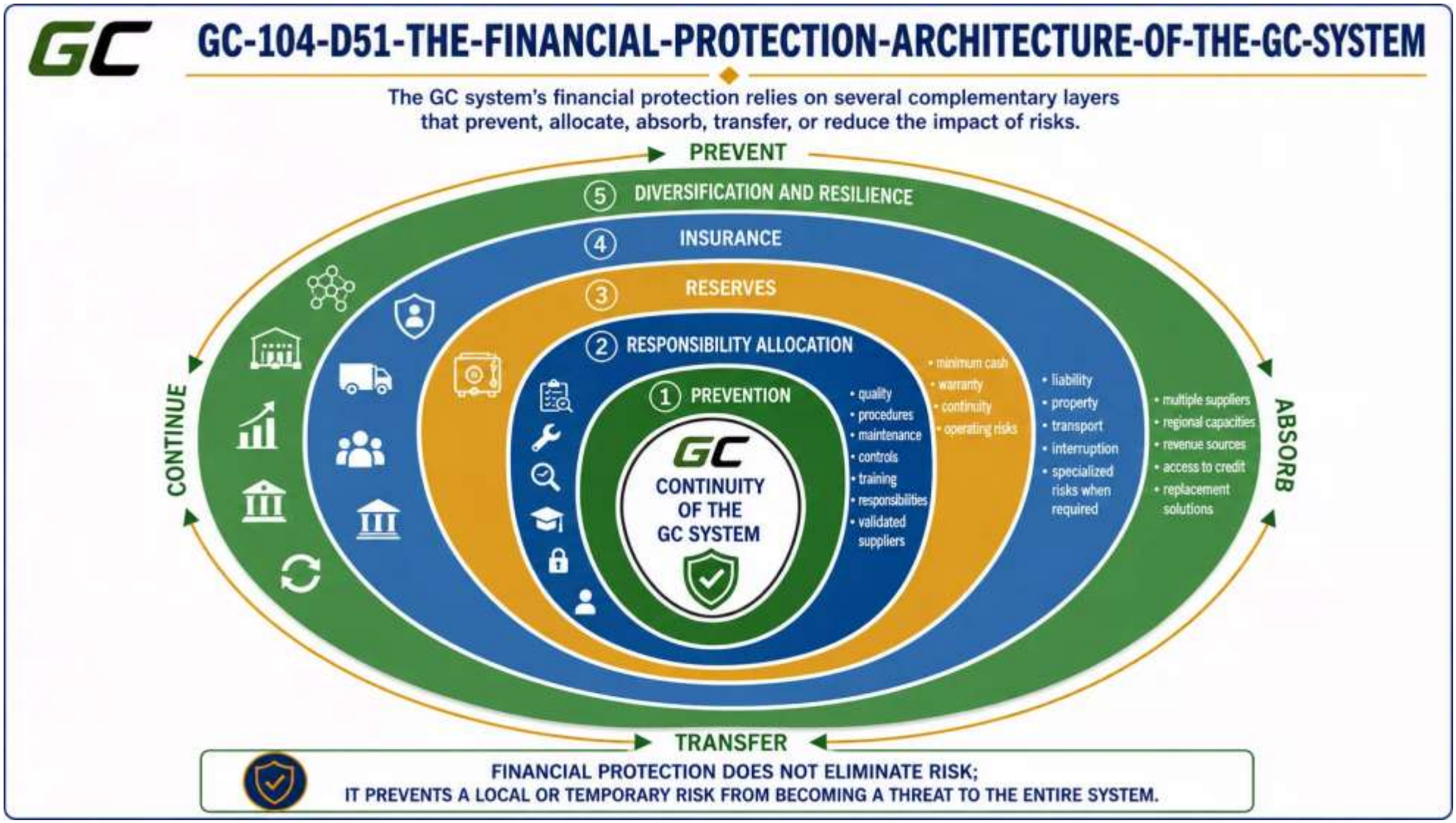
The system must therefore understand precisely the responsibilities of each party.

Supplier contracts should progressively define warranty duration, covered components, claim procedures, timelines, transportation responsibility and the way in which batch defects or design defects are handled.

This clarity becomes increasingly important as volumes rise.

With only a few units, ambiguity can be managed through a discussion with the supplier. With several thousand units, the same ambiguity can represent significant amounts.

The supplier relationship must therefore integrate both industrial quality and the financial ability to fulfill responsibilities after the sale.



GC-104-D51 — THE FINANCIAL PROTECTION ARCHITECTURE OF THE GC SYSTEM

26.6 Insurance Should Be Used for Risks the System Should Not Absorb Alone

Certain losses are rare enough that it would be inefficient to permanently retain the capital required to absorb them entirely. Others may be large enough to directly threaten the company if they occur.

Insurance performs its role precisely between these two realities.

GC will progressively need to cover the risks appropriate to its activities, assets and responsibilities. The exact structure will depend on jurisdictions, products, facilities and the evolution of the network, but several broad categories may become relevant: general liability, product liability, protection of buildings and equipment, cargo transportation, vehicles, business interruption, cyber risks and certain liabilities specific to directors or the organization.

The objective is not to purchase every protection imaginable.

Every insurance policy has a cost, a deductible, exclusions and conditions. Risk transfer must be economically justified by the probability and severity of the potential loss.

A relatively frequent but low-cost incident may be better absorbed through a reserve. A rare event whose consequences could reach several million dollars should generally be treated differently.

The correct approach is therefore to determine which risks GC can reasonably retain and which should be transferred to an organization better able to mutualize them.

26.7 Product Risk Must Be Treated as a Financial Issue as Much as a Technical One

A defective product first creates a functional problem. But when the incident affects several units, it quickly becomes a financial issue.

A design weakness may require replacement of a part across an entire series of products. A problem involving a battery, braking, steering or another essential component may require a corrective campaign even before every unit has actually experienced a failure.

The cost can then include parts, personnel, transportation, communications, downtime and possibly certain compensation.

The best protection obviously remains prevention: product validation, quality control, field testing, unit traceability and technical documentation.

But finance must also be prepared to support a correction when one becomes necessary.

An organization without sufficient financial capacity may be tempted to minimize or delay an intervention in order to protect its cash flow. Such a situation would create a direct conflict among safety, reputation and finances.

The system must instead be built so that correcting a genuine problem remains financially possible without compromising its continuity.

This is one of the reasons why the margin should never be entirely distributed or reinvested without a reserve.

26.8 Traceability Reduces the Cost of a Problem When Rapid Intervention Is Required

When a company does not know precisely which units are affected by a defect, it may be forced to intervene on a much larger number of products than necessary.

Traceability therefore has direct financial value.

Each significant product can progressively be associated with a serial number, production date, batch, supplier, certain critical components, the club or user concerned and its service history.

If a problem is identified within a specific batch, GC can then intervene on the affected units rather than treating the entire fleet as though it carried the same risk.

This capability reduces costs and accelerates the response.

It also makes it possible to negotiate more effectively with the manufacturer because the problem can be documented using precise data.

The GC CRM and the GC Back-End data architecture find another economic justification here. They do not serve only commerce or the relationship with the golfer. They can help reduce the financial cost of an incident by enabling a targeted response.

The integration of functions thus transforms data into a protection mechanism.

26.9 Logistics Risks Must Be Protected Throughout the Movement of Physical Capital

When GC imports products or components, capital moves physically during a period when the company does not directly control the entire chain.

A product can be damaged, lost, delayed or blocked during transportation. Incorrect documents may cause delays. A problem at a port or with a carrier may alter the delivery schedule. Depending on the commercial terms selected, responsibility for these risks may shift at different points in the journey.

Financial protection must therefore follow the product throughout its movement.

Cargo insurance, Incoterms, supplier responsibilities and carrier contracts must be understood together. Merchandise insured for only part of the journey can leave significant exposure. Savings on transportation coverage may be small compared with the capital tied up in a complete shipment.

This understanding will become even more important when GC moves from a few units to full containers or several simultaneous orders.

Logistics is therefore not only a question of time and cost. It is also a period during which physical capital must be protected until it reaches the network.

26.10 The Regional Center Must Protect the Assets It Concentrates

Regionalization creates economies through mutualization, but it also concentrates certain assets.

A center may contain parts, products, technical equipment, tools, data or vehicles belonging to the network or entrusted to it by clubs. An incident at that facility can therefore affect several functions at the same time.

This concentration changes the risk profile.

The center must be protected according to the actual value of the assets and the operational dependency it creates. Property insurance, physical security, inventory procedures, backups and continuity plans must evolve with the size of the regional capability.

It is also necessary to prevent a center from becoming a single point of failure.

Certain critical parts can be distributed across several regions or also maintained at the GC Back-End. Procedures can allow a neighboring region to temporarily provide certain functions. Important data must not depend solely on equipment physically located within the center.

An economy of mutualization remains useful as long as it does not transform concentration into disproportionate vulnerability.

The Regional Center must therefore create a productive concentration of resources accompanied by a sufficient continuity architecture.

26.11 Cybersecurity Has Become a Form of Financial Protection

As the GC System integrates more data, payments, CRM functions, inventories and operations, a digital interruption can produce direct economic consequences.

A cyberattack can prevent certain transactions, compromise data, interrupt system access or require a costly restoration. It can also create legal and reputational liabilities.

Cybersecurity must therefore not be viewed only as the responsibility of the technology department.

It is also a financial-protection function.

Expenditures devoted to backups, access controls, monitoring, updates, training and recovery mechanisms must be compared with the potential cost of an interruption or compromise.

Certain specialized insurance products can complement this protection, but they do not replace sound operational practices. An insurer may itself require certain measures before agreeing to cover the risk.

The system must therefore adopt logic similar to that used for physical products: prevent as much as reasonably possible, maintain response capacity and transfer catastrophic consequences when economically appropriate.

26.12 Diversification Protects the System Against Excessive Dependencies

A company can be profitable while remaining fragile if a very large portion of its activity depends on a single element.

A single supplier may control an essential component. One product may generate the majority of revenue. A single region may represent a disproportionate share of sales. An external technology may become essential to several operations.

These concentrations may be acceptable during certain development phases, particularly when a system is still small. But they must be known.

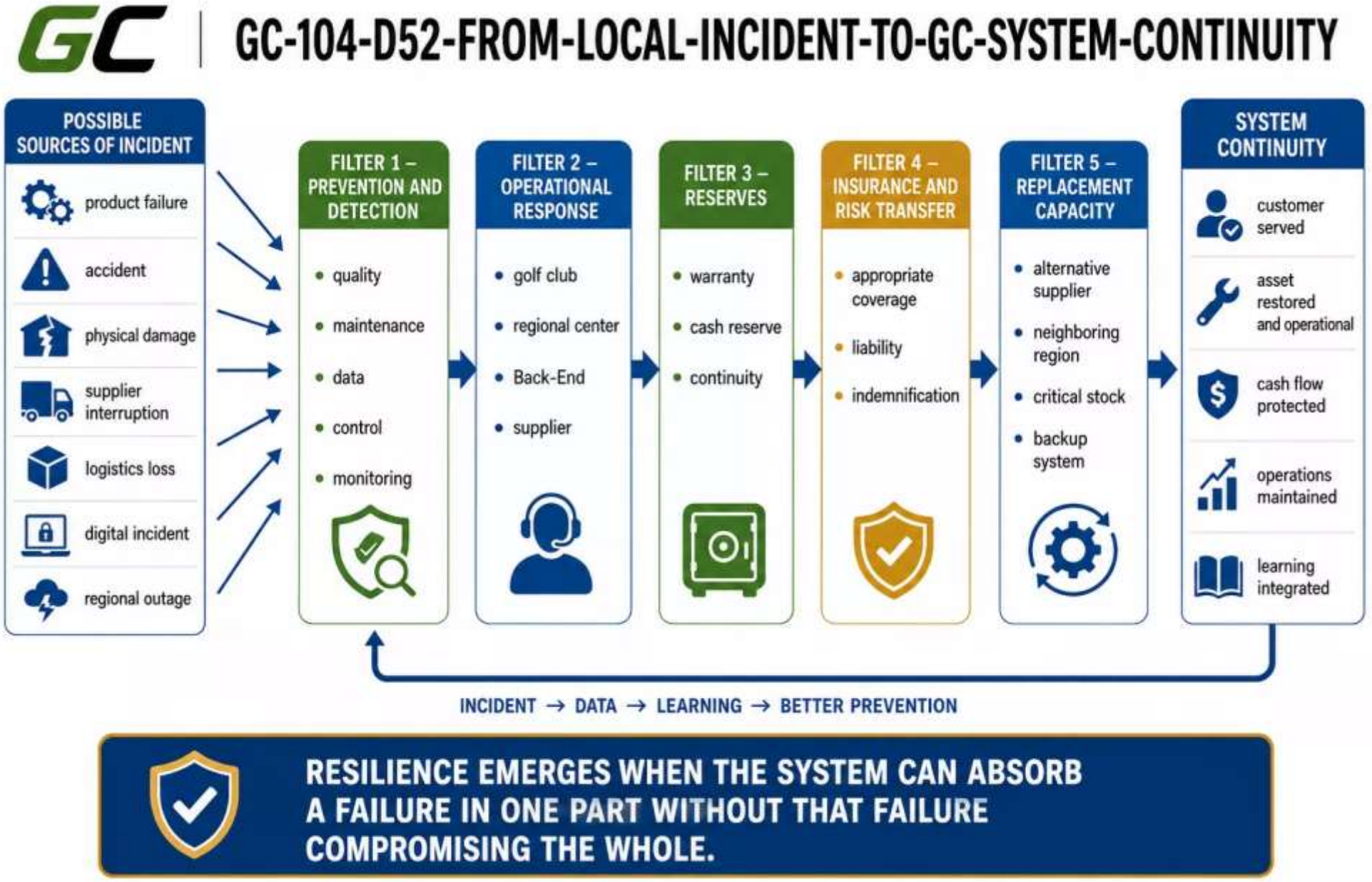
Diversification does not mean immediately multiplying suppliers, products and markets. Excessive diversification can increase complexity and reduce efficiency.

It should instead progress when dependence becomes significant enough to represent an economic risk.

For a strategic component, GC can develop an alternative supplier. For an essential product, it can maintain certain critical parts. For an important technology, it can provide mechanisms for exporting or recovering data.

The best diversification is the one that reduces a significant vulnerability without adding a greater amount of complexity.

This logic directly reflects the overall GC architecture: the system must be sufficiently integrated to create value, but sufficiently distributed to avoid becoming fragile when a single part encounters a problem.



GC-104-D52 — FROM A LOCAL INCIDENT TO THE CONTINUITY OF THE GC SYSTEM

26.13 Risks Must Be Evaluated According to Their Probability and, Above All, Their Consequences

Not all risks deserve the same level of attention.

A small, frequent failure can be managed through a reserve and a simple procedure. An extremely unlikely event capable of endangering the company requires a different analysis.

The system must therefore combine two dimensions: the probability that an event will occur and the severity of its consequences.

This simple matrix makes it possible to allocate protection resources more effectively.

Frequent and costly risks should generally be reduced at the source because they indicate a structural weakness. Insurance cannot make sustainable a product whose quality continually generates claims.

Rare but very serious events may instead justify transfer through insurance or contract because retaining enough capital to absorb them alone would be inefficient.

Low-cost and infrequent events can often remain self-insured through system reserves.

This way of thinking protects GC from two extremes: underestimating serious events because they are rare, or spending significant amounts to eliminate minor risks whose consequences would be easily absorbed.

Financial protection must be proportional to the potential loss and the actual ability of the system to absorb it.

26.14 Reserves and Insurance Must Evolve With the Seven Steps

The level of protection appropriate for a company testing a few units is not the same as that required by a network with thousands of products in circulation, several Regional Centers, significant data and substantial revenues.

Protection must therefore evolve with the Seven Steps.

During the first validations, emphasis is primarily placed on test safety, responsibilities associated with prototypes and minimum protection adapted to low volume.

When sales begin, warranties and product liability become more important.

When Regional Centers appear, facilities, inventories and technical activities must be protected.

When industrialization begins, the risks associated with manufacturing, quality, equipment and the supply chain change again.

As the digital GC Back-End becomes central, IT continuity and cybersecurity become more critical.

Finally, when the network reaches a large scale, financial reserves must be capable of protecting not only one activity but the continuity of the whole.

This progression avoids two opposite mistakes: building from the outset a protection structure disproportionate to actual risks, or retaining for too long the rudimentary mechanisms of a small organization when economic exposure has increased significantly.

Each Step creates new capabilities.

Each capability also creates new responsibilities that must be protected.

26.15 Financial Protection Must Allow the System to Learn From an Incident Without Being Weakened by It

The purpose of a sound protection architecture is not to build a system in which no adverse event ever occurs. Such a promise would be unrealistic.

The true objective is for an incident to remain proportionate.

A local failure must not become a national crisis.

A series of warranty claims must not absorb the cash required by the entire organization.

The failure of one supplier must not indefinitely stop an essential function.

A cyberattack must not make it impossible to rebuild the system.

A temporarily unavailable Regional Center must not cut every club off from the capability it needs.

Economic resilience appears when an organization has sufficient redundancy, reserves, contracts, insurance, data and alternative solutions to continue operating while correcting the problem.

This logic gives the principle **"The whole is greater than the sum of its parts"** another important dimension.

Integration must not only improve revenues, costs or productivity. It must also allow the parts to protect one another.

An isolated club can hardly build on its own complete warranty expertise, a large reserve of parts and several alternative technical solutions. Several clubs connected to a network can collectively benefit from these capabilities.

A Regional Center can absorb a need that would be disproportionate for one club.

Another region can temporarily assist when a local capability is interrupted.

The GC Back-End can negotiate a supplier warranty for collective volume, maintain certain common reserves and coordinate a response at scale.

Data from the entire network can identify a failure trend more quickly.

Experience with a problem affecting a few units can then protect several thousand future units.

In this sense, resilience itself becomes value created by integration.

The parts contribute their observations and experiences.

The system transforms them into knowledge, procedures and Common Protections.

These capabilities then return to each part and reduce its individual exposure.

The whole protects each of the parts more effectively than the parts could protect themselves separately.

This dynamic must nevertheless remain economically disciplined. It would be possible to build an architecture so cautious that it would tie up an excessive amount of capital, multiply insurance coverage and create procedures that slow every decision.

Protection is not intended to eliminate entrepreneurial risk.

The GC System must continue to experiment, launch new functions and invest when conditions become favorable. Risk remains a normal component of this evolution.

The distinction between entrepreneurial risk and financial fragility is essential.

The first consists in deliberately committing resources to an opportunity whose outcome is not fully known.

The second appears when a single event, sometimes relatively ordinary, can endanger the entire organization because no margin of safety has been built.

GC must accept the first while progressively reducing the second.

The guiding principle of this chapter can therefore be stated as follows:

the financial protection of the GC System is sufficient when reasonably foreseeable risks are prevented or absorbed, when potentially catastrophic consequences are properly transferred or diversified, and when an incident affecting one part of the network can be corrected without compromising the ability of the whole to continue operating and progressing.

This protection also creates the conditions required to address the next question in Part IV.

After determining capital requirements, welcoming investors, using debt, managing working capital and building protection mechanisms, it remains necessary to understand how ownership of the company will evolve over time and how economic decisions can be made without creating a dangerous separation between those who finance the system and those who define its direction.

Chapter 27 — **Shareholding, Control, Dilution and Capital Governance** will examine this relationship between economic ownership and decision-making power. It will notably need to clearly distinguish participation in profits from the ability to govern, anticipate the effect of successive financing rounds and build a structure capable of welcoming capital without unnecessarily compromising the strategic continuity of the GC System.

CHAPTER 27
SHAREHOLDING, CONTROL, DILUTION AND CAPITAL GOVERNANCE

27.1 Shareholding Determines Not Only Who Owns the Company, but Also How It Will Be Able to Evolve

When a company is still small, its shareholding structure can appear relatively simple. The founder owns a large portion of the shares, a few investors may join, and important decisions remain concentrated among a limited number of people. As external capital increases, however, this simplicity gradually disappears. New classes of shares may be created, several financing rounds may follow one another, certain investors may request specific protections, and the board of directors may take on an increasingly important role.

Shareholding then becomes an architecture in its own right.

In the case of GC, this architecture deserves particular attention because the value being pursued extends beyond that of an individual product. The system must be able to develop over several years, integrate new clubs, build a Back-End, create regional capabilities, develop technologies and eventually increase its industrial control. A poorly designed ownership structure at the outset could limit the ability to make certain decisions once the organization reaches a much larger scale.

The issue is therefore not simply to determine what percentage belongs to each shareholder. It is also necessary to understand what rights are attached to those shares, how decisions are made, how new shares can be issued and what happens when several financing rounds modify the distribution of capital.

Capital governance must therefore be designed early enough that it does not become an improvised response when significant financing is required.

27.2 Economic Ownership and Decision-Making Power Must Be Distinguished

One of the most important distinctions in a capital structure is the difference between economic participation and governance power.

A share may provide the right to a portion of the company's economic value: dividends, growth in value or proceeds from a future sale. It may also provide voting rights that allow the shareholder to influence certain decisions. These two dimensions can be combined within a single class of shares, but they can also be structured differently.

This possibility is particularly relevant when a founder wishes to welcome a significant investment without automatically transferring an equivalent proportion of strategic control.

A structure may, for example, include one class primarily intended for economic participation and another class carrying different voting rights. The exact names — Class A shares, Class B shares or otherwise — matter less than the rights actually attached to them.

The objective is not to create an artificially complicated structure, nor to prevent investors from protecting their capital. It is to recognize that an investor may seek significant participation in GC's economic growth without necessarily needing to control an identical proportion of day-to-day or strategic decisions.

Governance must therefore begin with a simple question:

which rights should follow economic participation, and which rights should be organized separately in order to preserve the strategic continuity of the system?

That answer must then be translated into sufficiently precise legal terms to avoid ambiguity.

27.3 Control Does Not Always Mean Owning More Than 50% of All Shares

In a simple structure with only one class of shares and one vote per share, control is generally associated with a majority of the voting rights. But once several classes of shares exist, the percentage of economic ownership and the percentage of votes can become very different.

A founder may therefore own less than half of the company's total economic participation while still retaining a majority of the voting rights if the structure has been designed that way.

This distinction can be useful for GC. In principle, it could allow the company to raise capital and grant investors significant economic participation while preserving sufficient decision-making continuity during the phases in which the system architecture is still being built.

Control must nevertheless be understood correctly.

Holding a majority of the votes does not necessarily mean having the ability to decide everything alone. Shareholders' agreements, corporate bylaws or special rights attached to certain classes may require additional approvals for major decisions such as a sale of the company, a significant new issuance, a modification of share rights or certain exceptional transactions.

True control is therefore determined by the combined effect of voting rights, reserved matters, board composition and shareholders' agreements, rather than simply by a number shown in a capitalization table.

This reality must be understood before any major negotiation.

27.4 A Controlling Majority Can Protect Strategic Continuity While the System Is Being Built

In a company whose value proposition is already stabilized, governance can be focused largely on execution, profitability and capital allocation. GC is in a different situation: a significant part of its future value still depends on the coherence with which several components will be connected.

The risk of losing control too early is therefore not only personal to the founder. It can become architectural.

An investor focused primarily on short-term returns might, for example, prefer rapid commercial expansion while certain service capabilities are not yet sufficiently prepared. Another could favor broader product distribution even though exclusivity through Partner Clubs forms part of the model. Pressure could also arise to maximize central margins even though the Inverted Pyramid requires a significant portion of the value to remain with, or flow back toward, the base of the network.

Preserving a controlling majority during certain stages can therefore help protect the coherence of the founding principles while their economic value is still being demonstrated.

That protection should not, however, become permanent by reflex.

As GC matures, its processes, institutions, board of directors and management team must become capable of preserving the architecture beyond a single person.

Founder control should therefore be understood as a continuity mechanism during a critical phase, not as a substitute for durable institutional governance.

27.5 Control Must Be Accompanied by Governance Strong Enough to Inspire Confidence in External Capital

A serious investor evaluates more than return potential. The investor also considers how decisions will be made and what protections will exist when their interests are not perfectly identical to those of the founder.

A structure in which the founder retains a majority of the voting rights can remain entirely investable if it is accompanied by clear governance.

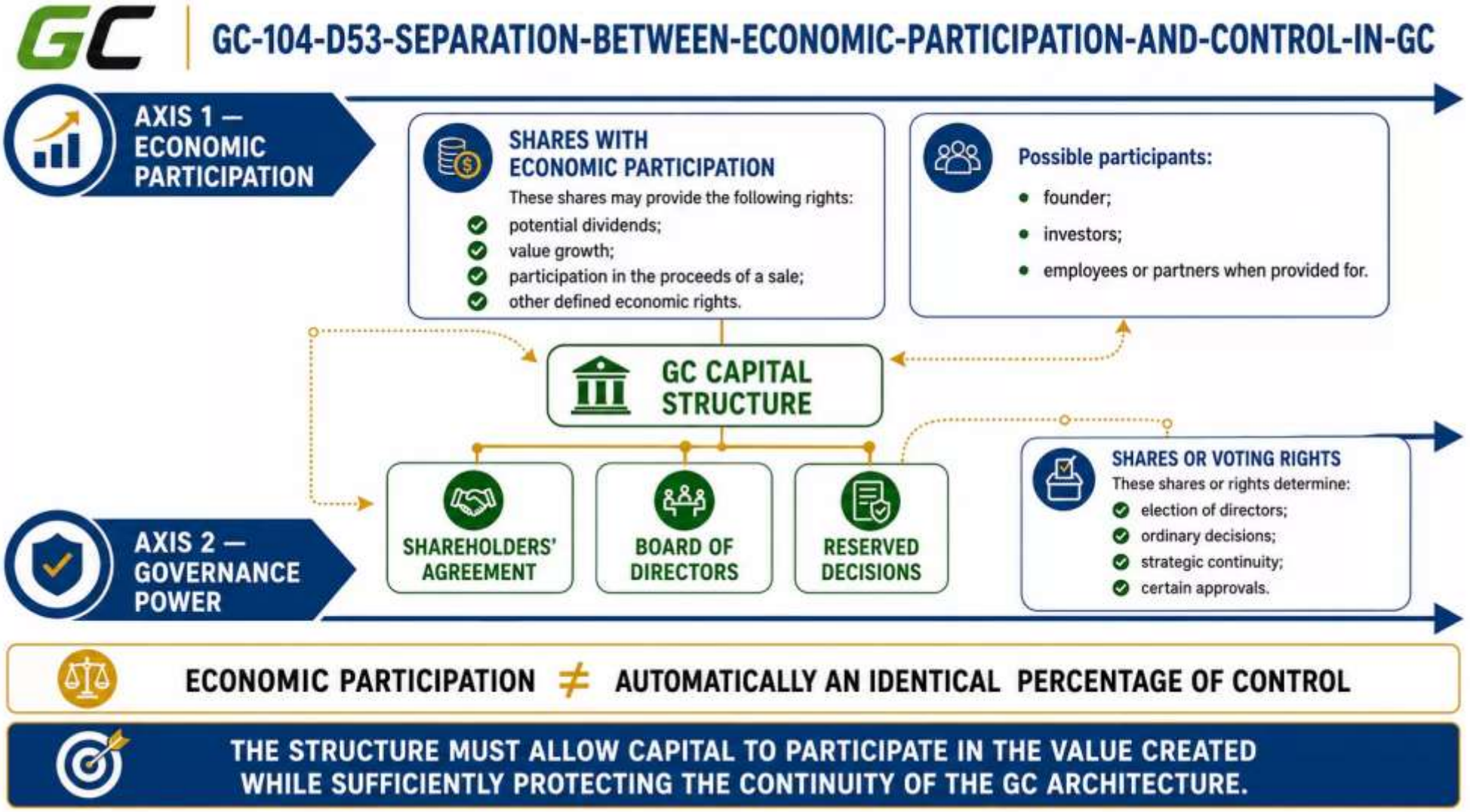
That governance may include a credible board of directors, regular financial reporting, approved budgets, certain major decisions requiring specific approval and precise rules governing new share issuances.

The objective is to demonstrate that control serves the continuity of the system rather than the ability to act without accountability.

An investor may accept not controlling the company if the investor knows that the capital will be managed according to transparent rules and that certain decisions capable of fundamentally altering the investment cannot be made arbitrarily.

This relationship is important for GC because a control structure that is too rigid, or perceived as unbalanced, could increase the cost of capital or reduce the number of interested investors.

The better architecture therefore seeks to combine strategic continuity for the founder with credible economic protections for investors.



GC-104-D53 — THE SEPARATION BETWEEN ECONOMIC PARTICIPATION AND CONTROL IN GC

27.6 Future Dilution Must Be Modelled Before a Significant Participation Is Given Up Today

When a company completes its first financing round, the negotiation naturally focuses on the participation being given up immediately. But this transaction is generally only one stage.

Suppose a founder retains 60% of an economic class after a first round. If a new issuance later represents 20% of the post-financing capital, the founder's existing participation is also diluted. A third round can reduce that percentage further.

The effect is multiplicative.

A 60% participation does not simply become 40% because a new 20% financing round occurs; it becomes 48% if the dilution applies proportionally to all existing shareholders. A further 20% dilution would then reduce that participation to 38.4%.

These effects may appear abstract at the time of the first round, but they become very important when several future financings are anticipated.

GC should therefore maintain, from the beginning, a forward-looking capitalization table containing several scenarios: initial financing, a possible share reserve for certain employees or executives, another round, a strategic investor and other possible issuances.

This modelling does not seek to predict the future structure exactly. It makes it possible to understand which decisions made today could significantly reduce tomorrow's flexibility.

27.7 A Voting Class Must Itself Be Protected Against Dilution of Control

Separating economic shares from voting shares is not enough if the class that provides control can itself be diluted without limit.

If new voting shares can be issued to investors during future rounds, the founder may gradually lose the majority even after initially retaining a comfortable position.

Control must therefore be analyzed prospectively.

It is necessary to understand how many voting shares exist, who can authorize new issuances, what pre-emptive rights may apply and which decisions require approval from specific classes.

In a structure where strategic continuity depends on a majority of voting rights, retaining more than half of those rights after reasonably foreseeable financing scenarios may be more important than maintaining a majority of the economic shares.

This distinction directly reflects the logic discussed in the preceding chapters: participation in profits and decision-making power perform two different functions.

The structure must nevertheless remain sufficiently understandable for investors to know precisely what they are purchasing.

Legal complexity used to conceal the true distribution of power would be incompatible with a relationship of trust.

27.8 Reserved Matters Can Protect Investors Without Transferring Day-to-Day Management to Them

Between complete founder control and shared control over every decision lies an important middle ground: reserved matters.

A shareholders' agreement can provide that ordinary actions remain under the normal responsibility of management and the board, while a limited number of exceptional decisions require a particular level of approval.

Depending on the structure selected, these decisions may include the sale of the company, a major issuance of new shares, a modification of the rights attached to existing classes, a related-party transaction, debt above certain thresholds or a fundamental change in the business.

This architecture can protect the investor against major changes without placing the investor in a position of co-managing daily operations.

It can also protect the founder. Clear rules prevent every operational disagreement from becoming a shareholder-control issue.

Reserved matters must nevertheless remain limited to subjects that genuinely justify this protection. If they become too numerous, a minority investor may effectively acquire veto power over almost the entire organization.

Governance must therefore protect against fundamental changes without turning the minority shareholder into a parallel management structure.

27.9 The Board of Directors Must Gradually Become a Governance Body Rather Than a Legal Formality

During the first stages, the board of directors may consist mainly of the founder and a few people closely associated with the company. As invested amounts and responsibilities increase, its role must evolve.

A well-constructed board brings a capability that neither shareholders nor management possess on their own: a governance perspective close enough to the company to understand its issues, yet sufficiently independent from daily operations to question certain decisions.

For GC, the desired skills could gradually include finance, industry, technology, commerce, governance and the operation of complex networks.

The objective would not be to represent every interest group with a seat. A board that is too large or too political can lose its effectiveness. The purpose is rather to bring together a small number of people whose knowledge genuinely complements that of the management team.

The presence of one or more independent directors may also help strengthen investor confidence when a multiple-voting-right structure maintains a strong founder-control position.

The board therefore becomes a place where control is exercised with greater discipline and perspective rather than a mechanism used simply to ratify decisions already made.

27.10 Pre-Emptive Rights Can Allow Shareholders to Protect Their Participation During New Issuances

When a company issues new shares, existing shareholders may see their participation reduced. Pre-emptive rights or rights to participate in certain financing rounds can allow them to purchase a portion of the newly issued shares in order to maintain their percentage, when they wish to do so and can provide the corresponding capital.

This mechanism can be particularly important for initial investors and the founder.

It does not guarantee that all dilution will be avoided. They must have the necessary resources to participate. But it prevents a new issuance from changing their position without giving them an opportunity to follow proportionally.

These rights must be structured carefully because an overly rigid obligation to offer every small issuance to all shareholders could complicate certain transactions.

Exceptions may be provided for incentive plans, certain acquisitions or other clearly defined situations.

The objective remains predictability.

Shareholders must understand the circumstances under which their participation may be diluted and what opportunities they will have to protect it.

27.11 Options and Shares Intended for Employees Also Represent Economic Dilution

A growing company may wish to offer participation to certain executives, developers or essential employees in order to align part of their long-term interest with that of GC.

This strategy can be relevant, particularly when the company does not wish to, or cannot, compete solely through cash compensation.

But these shares have value.

Creating a reserve of 5%, 10% or more for an incentive plan dilutes the other shareholders when the securities are granted or exercised, depending on the structure selected.

This dilution must therefore appear in the future capitalization table.

It must not be considered "free" simply because it does not immediately create a cash outflow.

A sound program should target people capable of creating enough value for the dilution to be productive, according to the same logic applied to investors.

Vesting conditions can also encourage continuity and prevent a person from leaving the organization shortly after receiving a significant participation.

Employee shareholding should therefore serve the construction of durable capacity rather than become a general distribution unrelated to future contribution.

27.12 Significant Economic Participation Does Not Necessarily Require Immediate Distribution of Profits

When an investor holds a significant portion of the economic shares, the investor can naturally expect to participate in future profits. This participation does not, however, mean that the company must automatically distribute a large part of its results as dividends as soon as it becomes profitable.

Shareholder return can also come from growth in the company's value when profits are reinvested effectively.

This distinction is essential during GC's early years.

One million dollars of profit could, depending on the circumstances, be used to increase inventory, finance a Regional Center, strengthen the Back-End or reduce dependence on external financing. If those investments generate a high return, the shareholder may benefit more from the resulting future growth than from an immediate distribution.

Governance must therefore establish a clear logic between distributable profits and reinvested profits.

The investor must understand that economic participation provides a right to the value created, but that the way this value is distributed over time must remain compatible with the company's development needs and financial strength.

A mature dividend policy can appear later, when reinvestment opportunities and capital requirements become more predictable.

27.13 Loss of Control Can Occur Through More Than a Simple Sale of Shares

Control of a company can change through dilution, but also through several other mechanisms.

Special rights granted to certain classes may create significant veto powers. A board of directors controlled by other parties can alter decision-making capacity even when the founder retains a significant proportion of the votes. Certain financing clauses may grant new rights if targets or obligations are not met.

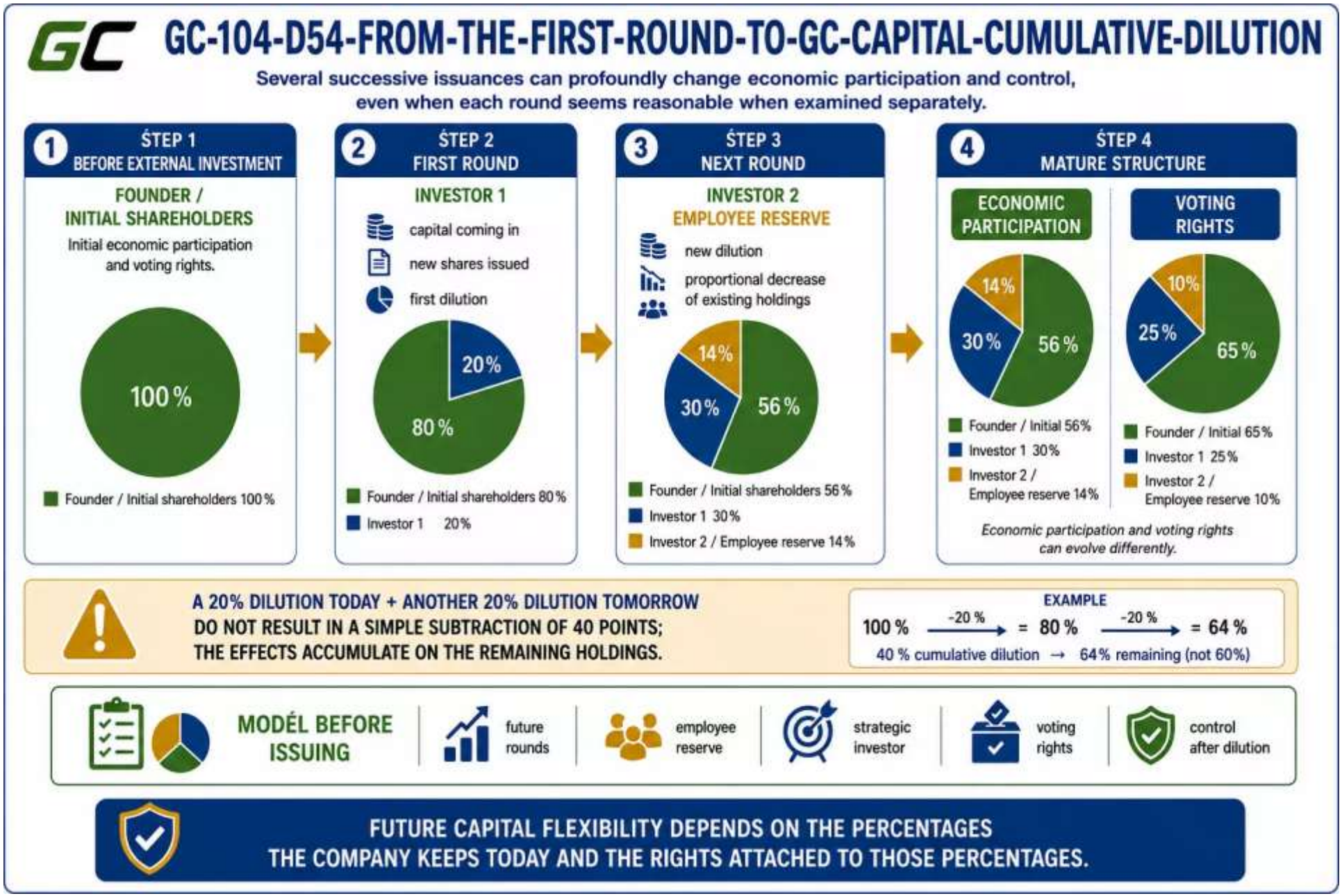
Significant debt can also influence governance indirectly. A company under financial pressure may be forced to accept emergency financing accompanied by much more demanding terms than it would have accepted under normal conditions.

Protection of control therefore also depends on the financial health of the system.

An organization capable of financing its operations, maintaining reserves and choosing the timing of its financing rounds possesses much greater governance freedom than a company that must obtain capital immediately.

This shows why capital governance cannot be separated from the preceding chapters on working capital and financial protection.

Financial strength also protects decision-making autonomy.



GC-104-D54 — FROM THE FIRST ROUND TO THE CUMULATIVE DILUTION OF GC CAPITAL

27.14 Governance Must Be Able to Outlive the Founder

Protecting the founding vision can justify a strong control structure while the system is being built. But no company designed to endure should remain permanently dependent on the presence of a single person.

As GC matures, part of what initially resides in the founder's vision must be transferred into the architecture itself: documented principles, governance, policies, systems, data, decision-making processes and organizational culture.

This is precisely how the whole becomes greater than the sum of its parts in the field of governance. Value must no longer reside only in individual people, even when some play a decisive role. It must progressively be carried by their relationships, common rules and the institutions they have built.

A competent board must be able to understand the logic of the Inverted Pyramid.

Future management must be able to recognize the Seven Steps as a progression framework rather than a historical constraint.

Capital decisions must continue to place the architecture ahead of purely quantitative growth.

Partner Clubs must retain the place assigned to them within the model even as the network becomes larger.

These principles must therefore be sufficiently embedded in governance that they do not disappear when a major executive or shareholder changes.

Succession is not only a matter of transferring securities.

It consists of transferring the ability to govern the system without losing what gives it coherence.

27.15 A Sound Capital Structure Must Simultaneously Protect the Vision, the Investor and the Ability to Finance the Future

GC's shareholding structure will necessarily evolve if the system reaches the scale envisioned. The founder may begin with a dominant participation. A first investor may then contribute capital. Other sources of financing may follow. Certain key employees or executives may eventually participate in the capital. Acquisitions or strategic partnerships could also modify the structure.

Trying to freeze today the ownership structure that will exist twenty years from now would be unrealistic.

The true purpose of capital governance is therefore to build an architecture capable of evolving without losing its essential points of reference.

The first of these is strategic continuity.

During the stages in which the GC architecture remains strongly dependent on its founding vision, decision-making power must be sufficiently protected to prevent a short-term financial logic from prematurely transforming the system.

The second is the investor's economic legitimacy.

A shareholder who commits a significant amount of capital must understand the rights received, obtain appropriate information and genuinely participate in the value the capital helps create.

The third is flexibility.

An initial capital structure must not make a second financing round almost impossible. An agreement must not create so many veto rights that no future investor can enter. A voting class must not be designed without considering what will happen when it is itself confronted with new issuances.

The fourth is continuity over time.

The structure must not merely resolve the relationship between the founder and the first investor. It must progressively prepare an organization capable of functioning when ownership becomes more diversified and when governance depends more heavily on institutions than on individuals.

This evolution can be visualized as a transition:

FOUNDING VISION → STRUCTURED CONTROL → PROFESSIONAL GOVERNANCE → DURABLE INSTITUTIONS

Founder control may be particularly important in the early stages, but its true success will be reached when the structure created can preserve its principles without depending entirely on the founder's daily intervention.

This perspective also influences the way dilution is viewed.

Not all dilution is negative.

Granting participation to an investor who provides the capital required to build a major capability can substantially increase the value of what remains.

Granting participation to an executive capable of building a much stronger organization can also be productive.

But every issuance must follow a value-creation logic.

Equity must not be distributed simply because issuing shares is easier than finding another way to compensate or finance.

It must remain a scarce resource.

In the same way, voting power must not be regarded as a simple advantage attached to shares. It is a responsibility. Whoever controls GC must protect not only their own economic interests, but also the ability of the network to pursue its purpose, respect Partner Clubs, finance its obligations and make decisions that allow the system to endure.

A share-class structure may provide a particularly useful way to reconcile these objectives. One class can be designed mainly around economic participation, while another can organize the majority of voting rights. Such an architecture can allow an investor to hold a significant participation in future profits without automatically receiving an equivalent share of control.

But this mechanism is not a solution in itself.

Its quality will depend on the exact rights, the protections offered, the shareholders' agreements, the composition of the board and the manner in which new issuances are authorized.

These elements will necessarily need to be designed with competent legal, tax and financial advisors before any actual issuance. GC-104 defines the strategic reasoning here; it does not replace the legal documentation that will need to translate that reasoning into a compliant corporate structure.

The guiding principle of the chapter can therefore be stated as follows:

GC capital governance is well structured when it allows investors to participate fairly in the value they help create, sufficiently protects strategic continuity while the system is being built, anticipates the effects of future dilution and progressively prepares governance capable of enduring beyond its current shareholders and executives.

This approach makes it clear that ownership, control and capital are not three separate questions.

They are three dimensions of the same architecture.

Capital makes it possible to build.

Ownership determines who participates in the value created.

Control determines who can orient major decisions.

Governance organizes how that power is exercised and transferred.

When these four dimensions remain coherent, financing can accelerate the GC System without unintentionally changing its purpose.

The final chapter of Part IV must now answer a complementary question: even when GC has the necessary capital, how should it decide where that capital should be committed and which capabilities should be financed first?

Chapter 28 — **Capital Allocation and Financial Discipline** will examine this responsibility. It will establish how investments should be compared, reserves protected, overgrowth avoided and resources directed toward functions that genuinely increase system capacity rather than those that merely increase its size.

CHAPTER 28
CAPITAL ALLOCATION AND FINANCIAL DISCIPLINE

28.1 Having Capital Does Not Yet Mean Knowing Where to Place It

The preceding chapters examined the main sources of financing for the GC System, from Founder Capital and investors to debt, supplier credit and working-capital financing. They also showed why financial protection, reserves and capital governance must accompany any growth. But one question remains, and it is probably one of the most decisive for what comes next: what should be done with capital once it becomes available?

A company can be well financed and still destroy value if it directs its resources toward the wrong priorities. Conversely, an organization with more limited means can progress effectively when each dollar is allocated to functions that most significantly reduce uncertainty, improve operational capacity or prepare an economically justified next stage.

Capital allocation is therefore the link between strategy and finance.

Within the GC System, several needs may arise at the same time. It may be possible to increase inventory, develop a new digital function, hire a resource, open a regional capability, finance a new product, strengthen service or prepare an industrialization stage. Each of these initiatives may have a valid justification. The problem is that they cannot necessarily all be financed at the same time and, more importantly, they do not all create the same value at the same moment.

Financial discipline therefore begins by accepting a simple reality: capital is limited, even when it appears abundant.

Every dollar committed to one function is no longer available to another. Every financing decision is therefore also a decision to forgo another possibility.

The objective is not to spend available capital, but to transform it into greater economic capacity.

28.2 Capital Allocation Must Follow the Actual Maturity of Functions

An idea can be excellent and still not deserve a large immediate investment.

The GC System adopted the Seven Steps precisely to avoid confusing potential with maturity. This principle must apply directly to capital allocation. A function that is still at the hypothesis stage should generally not receive the same resources as an activity whose use, economics and repeatability have already been demonstrated.

Capital must therefore progress with proof.

A relatively small initial amount can be used to verify a function. If the results are positive, a second allocation can test its economics in several contexts. When repeatability becomes sufficiently clear, more capital can be committed to structure the activity and increase its capacity.

This progression reduces two important risks.

The first is tying up too many resources in a function that ultimately will not be adopted. The second is continuing to finance an idea simply because a significant amount has already been invested in it.

Capital already spent must never become the main justification for the next capital commitment.

Each stage must be reassessed according to what has been learned.

GC capital-allocation discipline can therefore be stated simply:

the higher the uncertainty, the more limited the initial capital should be; the stronger the proof, the more reasonably the system can commit significant resources.

28.3 Essential Functions Must Be Distinguished From Functions That Are Merely Interesting

In a developing organization, almost every new possibility can appear strategic. A new product could open a market. A new technology could improve the experience. A new region could accelerate sales. An industrial capability could increase margins.

If everything becomes strategic, there is no real priority.

GC will therefore need to distinguish essential functions from those that are simply interesting.

An essential function is one whose absence prevents an already validated activity from operating properly or creates significant risk for the system. Working capital required to fulfill confirmed orders, a sufficiently structured warranty system, a minimum service capability or an indispensable digital infrastructure often belong in this category.

An interesting function can offer an improvement or a future possibility without being immediately necessary to continuity or to the next development stage.

This distinction does not mean that the latter should be abandoned. It mainly determines the order in which they should be financed.

Capital must first protect what allows the system to meet its commitments. It can then finance what improves existing capacity and, after that, what opens new possibilities.

Sustainable growth depends largely on the ability to say **"not yet"** to a good idea whose time has not yet come.

28.4 The First Priority of Capital Must Be to Protect Functions Already Promised

Before financing new growth, GC must be able to fulfill the responsibilities it has already created.

Every product sold can create a service or warranty obligation. Every new Partner Club creates an expectation of support. Every rental asset must be maintained. Every digital system must remain available and secure. Every Regional Center must have the resources required to perform the functions assigned to it.

An organization that uses all its resources to acquire new customers while underfunding those it already serves is building fragile growth.

Capital allocation must therefore begin with a continuity principle:

finance existing commitments before adding new ones.

This does not mean that every current expense should automatically take priority over future investment. Certain existing structures may be inefficient and need to be reduced. But the functions promised to clubs and golfers must remain sufficiently financed so that growth does not erode trust.

This discipline is also economic. A network whose service deteriorates will need to devote more resources to problems, returns, urgent repairs and rebuilding trust. The apparent saving achieved by underfunding an essential function can therefore create a much greater cost later.

Continuity thus becomes the first form of return on capital: it protects the value already created.

28.5 Capital Must Then Be Directed Toward the Bottlenecks That Truly Limit the System

Once an activity is validated, its growth may be constrained by one particular capability. It may be a lack of inventory, a service delay that is too long, insufficient technology, a manual process that has become too burdensome or the absence of regional capacity.

These constraints are bottlenecks.

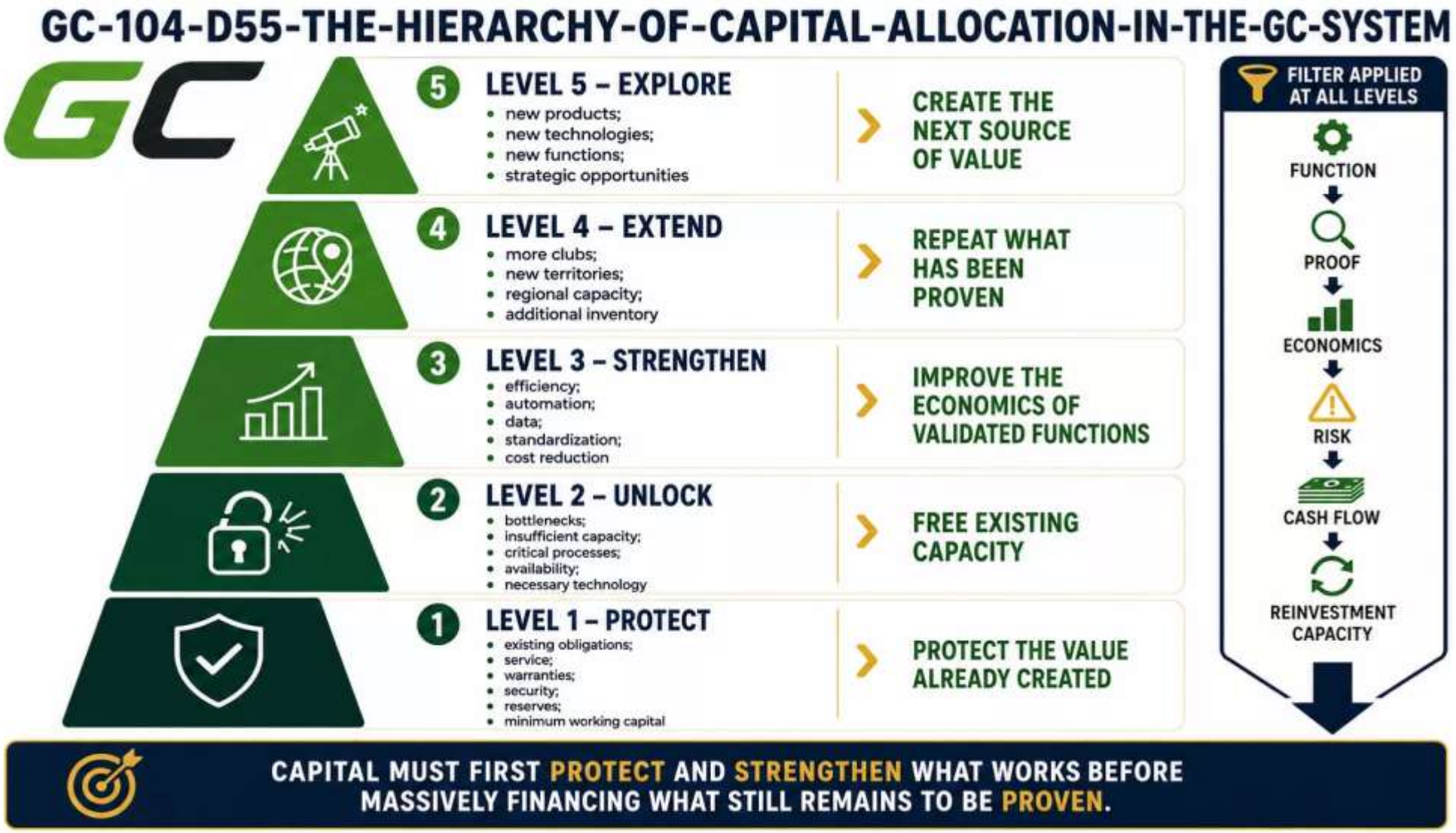
The best investment is not necessarily the one with the most spectacular theoretical return when viewed in isolation. It may be the one that releases capacity already present elsewhere in the system.

Suppose GC has strong demand for a product, but preparation time limits the number of units that can be delivered. Adding more inventory without increasing preparation capacity would not solve the constraint. The most productive capital could then be the capital that improves that specific capability.

The same logic can apply to technology. If several employees spend many hours performing an operation that could be automated, a relatively modest digital development can free a considerable amount of human capacity.

Capital allocation must therefore seek what is currently preventing a validated function from producing more value.

This approach avoids continually adding new components while some existing capacities remain underdeveloped.



GC-104-D55 — THE CAPITAL ALLOCATION HIERARCHY IN THE GC SYSTEM

28.6 Return Must Be Evaluated Together With Risk, Duration and Strategic Value

Comparing investments only according to their expected rate of return can lead to poor decisions.

An investment offering a high return but carrying extreme uncertainty does not have the same quality as a more modest investment whose results are almost entirely predictable. Likewise, a project that recovers its capital in two years has a different dynamic from infrastructure whose return will develop over ten years.

Strategic value must also be considered.

A cybersecurity function or data infrastructure may not directly produce easily measurable revenue, yet still be essential to several activities. A regional parts capability may appear less profitable than a new product line while protecting much larger revenues from downtime.

Capital must therefore be evaluated according to several dimensions at the same time:

- economic return;
- payback period;
- risk;
- capital required;
- impact on cash flow;
- contribution to other functions;
- strategic importance;
- reversibility.

The objective is not to transform every decision into an excessively complex mathematical model. It is to prevent a single indicator from dominating a decision that has several consequences.

The best allocation is often the one that provides a sufficiently good return, with controlled risk and a significant contribution to the system's overall capacity.

28.7 Integration Value Must Be Included in Investment Analysis

The principle **"The whole is greater than the sum of its parts"** finds a particularly important application in capital allocation.

An investment should not be evaluated only according to what it produces directly. Certain capabilities also increase the value of other components of the network.

A Regional Center can, for example, generate its own service revenues, but its true value can be much broader if it simultaneously reduces delays for several clubs, lowers local inventory requirements, improves warranties and strengthens confidence in GC products.

A digital infrastructure can reduce administrative costs, improve data, facilitate transactions and enable several new services. None of these effects, considered separately, necessarily represents its entire return.

This ability to improve several parts must be recognized in capital allocation.

The principle must not, however, become a vague justification for financing any project under the pretext of synergy. Integration value must be described with sufficient precision: which other functions will improve, in what way, and how can that improvement be observed?

Systemic investment becomes particularly attractive when its direct contribution is sound and it simultaneously increases the productivity of several other components.

That is precisely when capital finances not only one part, but a better relationship among the parts.

28.8 Shared Capabilities Must Demonstrate That They Become More Productive With Scale

One of the central economic arguments of the GC System is that certain functions can be mutualized. This mutualization nevertheless requires capital: technology, personnel, infrastructure, data, Regional Centers or other common capabilities.

Their justification depends largely on what happens as the number of users increases.

A Shared Capability is particularly attractive when its total cost grows more slowly than the activity it supports. A digital system requiring $500,000 to serve fifty clubs but only $650,000 to serve one hundred has potentially significant economies of scale. A support team capable of serving several times more equipment without proportionally multiplying its workforce produces a similar dynamic.

Conversely, a so-called "common" function whose costs increase almost exactly in proportion to every new club creates little economy through mutualization.

It may still be useful, but its economic argument is different.

Capital allocated to Shared Capabilities must therefore be accompanied by a precise expectation: scale should improve their average productivity.

This measurement makes it possible to verify that the common architecture is genuinely creating the desired integration value rather than simply adding a permanent layer of cost.

28.9 Sunk Cost Must Not Dictate Future Decisions

When a company has already committed substantial time and money to a project, abandoning it becomes psychologically difficult. The decision to continue may then be influenced by what has already been spent rather than by what remains to be gained.

This is the sunk-cost problem.

Suppose a development has already cost $400,000, but new information shows that another $500,000 would be required to reach a function whose economic value now appears low. The $400,000 already committed should not be used as the main argument for investing the next $500,000.

Past capital has already been lost or transformed into learning, whether the project continues or not.

The current decision must focus on the additional capital required and the future value reasonably expected.

This discipline is particularly important in a system based on progressive experimentation. Not every test will succeed. Certain functions will be modified. Some products will probably never move beyond their Pilot phase.

Accepting this reality protects future capital.

A project stopped after negative validation is not necessarily a financial failure. It may have cost far less than the large-scale deployment of a poor decision.

In this context, knowing when to stop becomes a capital-allocation skill just as important as knowing when to invest.

28.10 Reversibility Has Financial Value of Its Own

When a decision is still surrounded by uncertainty, reversible investments have particular value.

Renting space rather than buying it, using a technical partner before building a workshop, employing a specialist under contract before creating a permanent position or testing a few units before ordering a large volume all make it easier to change direction if the results differ from expectations.

This flexibility can sometimes justify a slightly higher unit cost.

A more expensive temporary option can be economically preferable to permanent infrastructure with a lower unit cost when demand remains uncertain.

As proof increases, the logic can reverse. Permanent capacity then becomes more economical because its utilization is sufficiently predictable.

Reversibility should therefore decrease progressively as uncertainty declines.

This approach directly reflects the Seven Steps. Early stages favor limited and adaptable commitments. Advanced stages allow larger and less reversible investments once the system possesses greater knowledge.

Capital thus becomes more permanent at the same pace as the proof becomes stronger.

28.11 Capital Allocation Must Take Dependencies Among Projects Into Account

Certain decisions cannot be evaluated properly in isolation because they depend on other capabilities.

A new product may require parts, training and digital integration. A Regional Center may require a minimum volume of installed equipment in its territory. A transactional function may depend on an already operational CRM. A local assembly stage may require sufficient product-design stability and volume.

The true cost of a project must therefore include the complementary investments required to make it fully functional.

Conversely, an already existing capability can significantly reduce the cost of a new function.

A new product using the same service system, the same Regional Center and part of the same technologies may require much less capital than an entirely independent activity.

Allocation must therefore seek capability complementarities.

This logic is another expression of the principle that the whole can become greater than the sum of its parts. When two investments share infrastructure, their combined value can exceed what each would have produced in isolation.

But this synergy must be genuine. If every new activity ultimately requires its own technology, inventory, expertise and service network, complexity rises quickly and the advantage of the integrated system decreases.

28.12 Capital Reserves Must Never Be Considered Automatically Available for Growth

An organization holding several million dollars in cash may appear to have substantial investment capacity. But part of those funds may already have a function: working capital, warranties, tax obligations, supplier commitments or continuity reserves.

Capital allocation must therefore begin by distinguishing available capital from capital that is genuinely investable.

This distinction protects the system against a dangerous error: financing a new initiative with funds that will be required a few months later for current operations.

The amount genuinely available for a new investment must be calculated only after known obligations and an appropriate minimum reserve have been protected.

This discipline becomes even more important during rapid growth because working-capital requirements can rise quickly even when a large cash balance is temporarily visible.

A cash surplus at the end of one season does not necessarily represent a permanent economic surplus if a large order must be financed before the following season.

Allocation planning must therefore always remain connected to cash-flow forecasting.

A dollar that an essential function will reasonably need tomorrow should not be invested today.



GC-104-D56 — FROM INVESTMENT OPPORTUNITY TO GC CAPITAL ALLOCATION DECISION

28.13 Financial Discipline Also Requires Comparing Actual Results With the Approved Plan

Capital allocation does not end when a budget is approved.

Once resources have been committed, the system must compare what actually happens with the assumptions that justified the investment. Is the cost in line with expectations? Is the schedule being respected? Is usage developing as expected? Is the economic contribution beginning to appear? Are additional expenditures required?

This comparison must be regular enough to allow correction before the deviation becomes significant.

A $100,000 project that begins drifting toward $120,000 can still be reassessed. Once it has reached $400,000 without a monitoring mechanism, the available options become much more limited.

Budgetary control must not, however, become an obsession with minor deviations. Certain projects naturally require adjustments as new information appears.

The important question is whether the changes alter the economic logic that originally justified the investment.

If the cost rises by 10% but the capacity created remains far greater than expected, the project can still be excellent. If expenditures are exactly on budget but utilization is almost nonexistent, the project can be poor.

Financial discipline must therefore compare expenditures with results, not merely expenditures with the budget.

28.14 Management Must Retain the Ability to Slow Down Even When Results Are Favorable

Periods of success can be among the most difficult moments in which to maintain financial discipline.

When sales increase, clubs express interest and capital becomes more accessible, almost every expansion decision appears easier to justify. Suppliers offer more volume, investors may want to accelerate and the organization itself may fear missing an opportunity.

It is precisely in these moments that the difference between growth and overgrowth becomes important.

Sustainable growth progressively strengthens cash flow, teams, service and Common Capabilities. Overgrowth increases commitments faster than the system's ability to support them.

GC must therefore preserve the economic right to slow down.

Delaying a region, limiting an order or postponing a new function does not necessarily mean missing an opportunity. It can allow existing capabilities to catch up with volume and protect quality.

This discipline becomes particularly important because growth itself can temporarily conceal certain weaknesses. New revenues can compensate for inefficiencies that become visible only when the pace slows.

The true test is whether each new stage makes the system more capable of supporting the next one, rather than simply making it larger.

28.15 The Best Capital Allocation Increases the System's Ability to Finance Its Own Future

The financial discipline of the GC System must ultimately be evaluated according to its cumulative effect.

A sound allocation decision does not merely produce an isolated return. It strengthens a capability that can contribute to other functions, reduce uncertainty, improve margins, accelerate capital turnover or make the next stage less dependent on external financing.

This progression is what transforms capital into architecture.

An initial investment in testing transforms a hypothesis into knowledge.

That knowledge helps avoid a poor deployment and concentrates the next capital allocation on a validated function.

Operating capital then transforms the function into a repeatable activity.

The activity produces a contribution.

Part of that contribution finances the Back-End, reserves and working capital.

When density becomes sufficient, regional capacity can reduce several costs at once.

When volume becomes sufficiently large, an industrial investment can improve unit economics and increase control over the product.

The resulting savings can then be reinvested.

The same initial capital has progressively participated in the creation of a system capable of generating more capital.

This dynamic represents one of the fundamental economic objectives of GC-104.

It also explains why **"The whole is greater than the sum of its parts"** must become an allocation principle rather than merely a general statement. Capital should be directed first toward places where one improvement can strengthen several functions at the same time.

Better data can improve procurement, inventories, service and capital decisions.

A properly sized Regional Center can improve availability, reduce tied-up capital and strengthen several products.

A well-designed digital infrastructure can simultaneously support transactions, CRM, accounting, tournaments and communications.

Better procurement can improve the Back-End margin, club competitiveness and value for the golfer.

In these situations, the return on capital does not reside only in the component being financed. It also appears in the relationships that component improves among other parts of the system.

This is precisely what distinguishes systemic allocation from a succession of independent investments.

This approach nevertheless imposes a very clear limit: the promise of synergy must never replace proof.

An activity that claims to strengthen the entire system but produces no observable effect must be reassessed. The principle of the whole being greater than the sum of its parts must remain a requirement, not an excuse for adding complexity.

Financial discipline therefore requires both belief in the value of integration and measurement of its results.

At the end of Part IV, the financial architecture of GC-104 becomes more complete.

Capital must be obtained according to the risk and maturity of the functions.

Shares make it possible to finance uncertainty without requiring immediate repayment, but their issuance must sufficiently protect ownership and governance.

Debt and credit become useful when cash flows are more predictable.

Working capital must circulate capital efficiently between purchase and collection.

Reserves, warranties and insurance protect the system against events capable of interrupting that cycle.

Governance then organizes the relationship between those who provide capital and those who direct its use.

Finally, allocation determines where capital genuinely creates the greatest capacity.

The guiding principle of the chapter can therefore be stated as follows:

GC financial discipline consists in committing capital only when its function is sufficiently understood, protecting first the capabilities already promised, financing as a priority the constraints that limit value creation and seeking investments whose effect exceeds their isolated return by strengthening several components of the system.

Capital then ceases to be simply a resource that GC must obtain.

It becomes a resource that GC must learn to earn, protect, circulate and transform.

With Chapter 28, Part IV — **Financing the System and Structuring Capital** comes to an end.

The next question is no longer primarily how to obtain the necessary financing, but how to use the capabilities thus financed to move from proof to actual deployment.

Part V — **Deploying, Regionalizing and Industrializing the System** will examine this transformation. It will begin with Chapter 29 — **From Prototype to Economic Proof**, where it will be necessary to clearly distinguish between a product that works, a product accepted by the market and an activity whose economics have been sufficiently demonstrated to justify scaling.

PART V

DEPLOYING, REGIONALIZING AND INDUSTRIALIZING THE SYSTEM

CHAPTER 29

FROM PROTOTYPE TO ECONOMIC PROOF

29.1 A Prototype That Works Is Not Yet an Economically Proven Activity

Moving from prototype to economic proof is one of the most delicate moments in the development of the GC System, because it is precisely the point at which the enthusiasm generated by an innovation must begin to give way to a more demanding observation of reality. An idea may be relevant, a product may function properly, and the first users may even show strong interest without the activity necessarily being ready for large-scale deployment. This gap between functional success and economic maturity must remain clearly understood.

A prototype first answers a fundamental question: can the solution properly perform the function for which it was designed? This initial validation is essential, but it remains incomplete. Economic proof must go much further and determine whether that same function can be produced, delivered, used, maintained and repeated under conditions solid enough to create lasting value for the golfer, the club and the network.

Between these two stages lies everything that transforms an innovation into a genuine economic activity: quality, reliability, ease of use, an acceptable price, full cost, parts availability, the burden placed on personnel, service requirements, logistics, warranties, financing, actual user behavior and the ability to reproduce the experience across several clubs without rebuilding the model at every implementation.

In the case of a mobility solution, for example, the fact that a vehicle can successfully complete an eighteen-hole round provides important information, but demonstrates only part of its value. It is still necessary to understand under what conditions golfers genuinely want to use it, how many would be willing to pay for the function, how often they would choose it, how the club could integrate it into daily operations and what costs would appear after several weeks or months of use.

Economic proof therefore begins when the GC System stops viewing the product only as a functional object and starts observing it as part of a complete operating and value-creation cycle.

29.2 Functional Proof Must Precede the Search for Volume

The desire to increase the number of units rapidly can become especially strong when a product receives good initial reactions. Yet the moment interest appears is precisely when discipline must remain strongest. If the fundamental function is not sufficiently

stable, increasing volume simply accelerates the reproduction of problems that could have been corrected much more easily on a small scale.

Functional proof must therefore be demanding enough to reflect the actual conditions in which the product will be used. For a mobility solution, this notably means observing its behavior on different types of terrain, on slopes, on wet surfaces, during a complete round, through repeated charging cycles and with users whose habits and abilities differ. Comfort, stability, access to the golf bag, maneuverability, safety and ease of use then become just as important as pure technical performance.

These observations directly influence future economics. A problem that appears minor when a single unit is being tested can become costly when multiplied across several hundred products. A component that is difficult to replace can increase downtime and service cost. Weak protection against water or debris can reduce product acceptability. A poorly adapted charging procedure can impose an unforeseen daily burden on staff.

Functional proof must therefore allow the solution to become sufficiently stable before the network begins investing heavily in deployment. The objective is not to wait for impossible perfection, but to avoid building an economic model around a version of the product that is still too unstable to reasonably represent the one that will ultimately be operated.

29.3 The Prototype Must First Produce Knowledge

During the initial stages, the most important function of the prototype is not necessarily to generate revenue or demonstrate commercial volume. Its primary role is to allow the system to learn quickly and at low cost. This learning capacity is one of the reasons why a small, closely observed series may have greater strategic value than a large order placed too early.

Every real-world use can reveal information that a technical specification or controlled demonstration cannot provide. Certain characteristics may prove far more important to users than expected, while others that seemed essential during design may ultimately have little influence on their experience. Problems involving cleaning, storage, charging, access to a component or handling may also emerge only when the product becomes part of normal operations.

This knowledge then makes it possible to improve several dimensions simultaneously. The product can be corrected, the supplier can receive more precise feedback, parts requirements can be anticipated, service can be organized more intelligently and the economic model can be adjusted before the same mistakes are multiplied by volume.

The economics of the prototype must therefore be judged differently from those of a mature activity. A higher unit cost may be entirely acceptable when it prevents a much larger investment in a solution that is still poorly understood. At this stage, committed capital first purchases information.

A correction made after five units may be relatively simple. The same correction made after five hundred units may become a major industrial, logistical and financial operation. This is why the prototype must be treated as an instrument for reducing uncertainty before it becomes an instrument for growth.

29.4 Testing Must Quickly Move Beyond Ideal Conditions

A solution tested only in a controlled environment can create a misleading impression of maturity. The reality of a golf club is far more variable: weather, course conditions, user behavior, staff experience, peak periods, operational contingencies and many small interactions that are not always visible during a demonstration.

Testing must therefore move beyond ideal conditions as soon as product safety and minimum maturity allow. This is where the Pilot Club becomes especially important, because it does not test only the product; it also tests how the product integrates into a real organization.

The system must observe how the equipment is handed to the golfer, who explains its operation, how much preparation time is required, where it is stored, how it is cleaned, how it is recharged and what happens when an incident occurs during a round.

These elements may appear secondary compared with the product itself, yet they often determine the difference between a solution that is interesting in demonstration and an activity that can truly be operated.

The field therefore reveals the invisible friction of the prototype.

When a function can gradually be integrated into normal club operations without requiring the constant presence of the GC team, it begins to demonstrate a different level of maturity. The product is no longer simply capable of functioning; it begins to show that it can find its place in an environment that was not entirely built around it.

29.5 Proof of Demand Must Be Distinguished From the Novelty Effect

Innovation often attracts attention simply because it is new. Users may want to try it, talk about it or express strong curiosity without necessarily wanting to use it regularly or pay for the function under normal conditions.

This difference between curiosity and genuine demand must be taken seriously.

A free promotional day may produce a high trial rate, but it does not yet demonstrate that the service will be used sufficiently throughout an entire season. The proof becomes much stronger when users begin making the same choice again after the first experience, when the novelty effect diminishes and when the actual price becomes part of their decision.

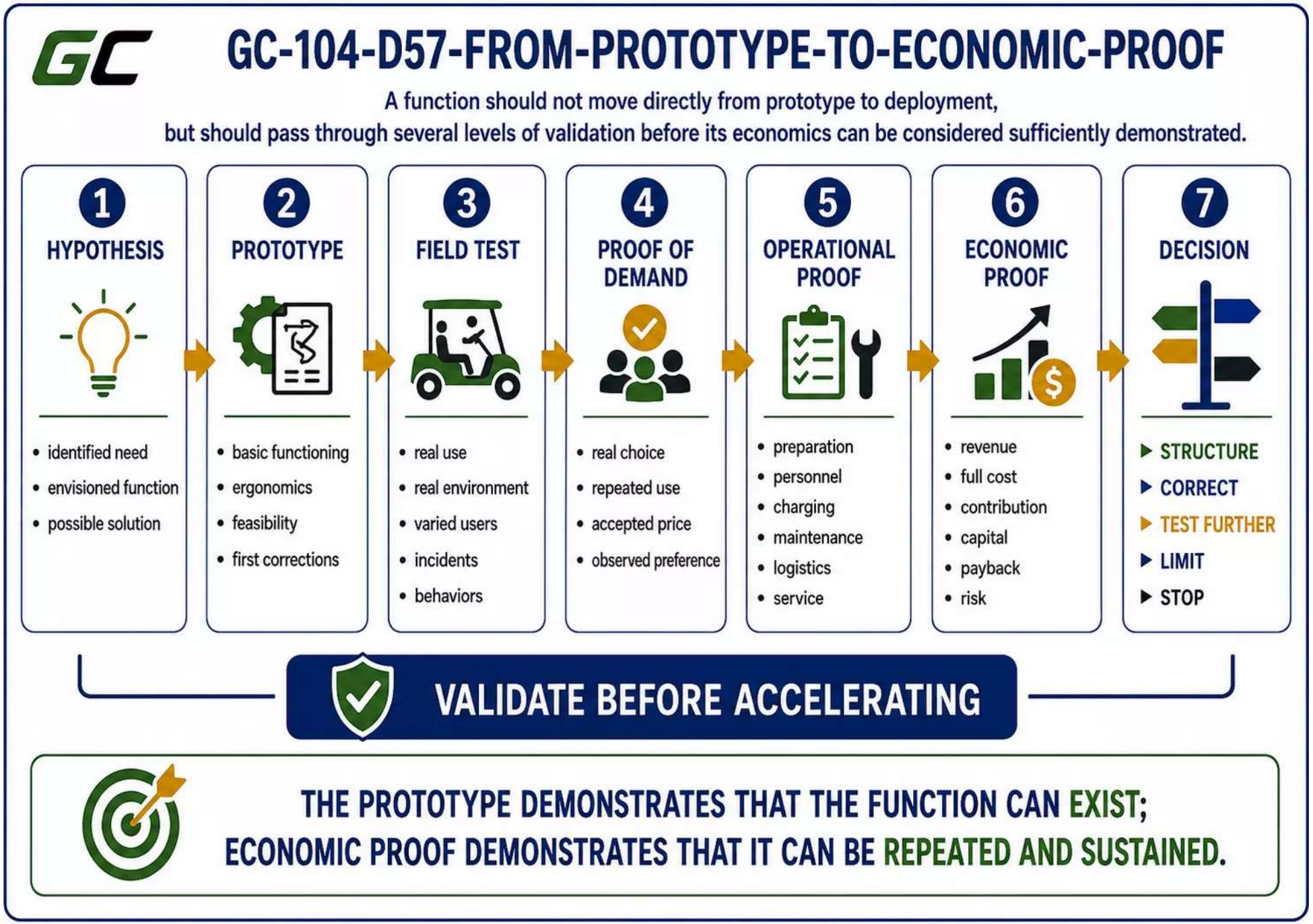
Observed behavior must therefore progressively replace stated interest.

A person may say that they would "probably buy" a product at a certain price and react differently when the transaction must actually be completed. Similarly, a user may greatly appreciate a solution offered free of charge but prefer an existing alternative once both carry a price.

Proof of demand appears when enough users actually choose the function under conditions close to the future model. GC must understand who uses it, why, how often, under what circumstances and with what sensitivity to price.

This knowledge also makes it possible to better segment clubs and customer groups. A function may be highly relevant for certain golfers or certain types of courses without needing to be universal.

The GC System is therefore not trying to prove that everyone likes the product. It seeks to determine whether a real, identifiable and sufficiently large market exists to support the activity in the contexts where it creates the greatest value.



GC-104-D57 — FROM PROTOTYPE TO ECONOMIC PROOF

29.6 Price Must Be Tested as a Component of the Model, Not Added at the End

An activity may be highly appreciated and yet remain economically unviable at the price users are willing to pay. Price should therefore not be treated as a commercial decision made only after the product is ready. It forms part of the economic validation itself.

Price simultaneously influences demand, perceived value, the club's contribution and the network's ability to finance its responsibilities. It must therefore be observed within this complete relationship.

Simply asking users how much they would be willing to pay provides limited information. Actual decisions are generally more instructive. When a function is offered at a certain price, how many people continue to choose it? How does utilization change when the price changes? What portion of the clientele still considers the value sufficient to complete the transaction?

This analysis must also include the club. A rate may appear acceptable to the golfer but become insufficient if the amount remaining locally does not cover personnel, preparation, maintenance or committed capital. Conversely, a price that provides an excellent margin may be too high to generate sufficient volume.

Economic proof therefore requires convergence among the value perceived by the user, the economic contribution to the club and the network's ability to finance the life cycle of the function.

The right price is not the one that maximizes only one of these elements. It is the price that allows the whole to function sustainably.

29.7 Full Cost Must Be Learned in the Field

Supplier price and transportation cost can generally be known before the first tests, but a significant portion of the real cost becomes visible only when the product begins to be used.

The pilot must therefore be used to observe this complete cycle.

How much time is required to prepare the equipment? How long does cleaning take? Which parts are replaced? How many incidents require intervention? What is the average downtime? What is the energy cost? Which operations are absorbed by club personnel?

The pilot does not need to become a bureaucratic exercise in which every minute is recorded. A few well-chosen measurements can be sufficient to understand the main sources of cost and where the economics could be improved.

This observation also makes it possible to distinguish a product weakness from a process weakness. A long preparation time may be reduced through a design modification, a better procedure or different equipment. A recurring problem may justify a supplier correction before deployment.

Economic validation thus also becomes a design process.

It makes it possible to understand not only how much the current version costs, but why it costs that amount and which portions of that cost can reasonably be reduced before scaling.

29.8 Reliability Must Be Observed Over a Sufficient Period

A product that performs perfectly during a few uses has not yet demonstrated long-term reliability. Certain failures appear only after many cycles, repeated charging, repeated exposure to moisture or handling by many different users.

Time therefore becomes part of the proof.

GC does not need to wait several years before making a decision, but it must accumulate enough experience to begin distinguishing an isolated incident from a structural trend. Failure frequency, affected components, repair costs, return-to-service delays and the way these elements evolve with product age must progressively become visible.

These data directly influence several other decisions. They determine part of the warranty reserve, the parts that should be available regionally, the technical skills required and the true economics of the life cycle.

A product that is slightly more expensive to purchase may ultimately become far more economical if it is reliable and easy to maintain. Conversely, an inexpensive solution can quickly lose its advantage when repairs and downtime multiply.

Reliability is therefore not merely a technical characteristic or a matter of reputation. It is also a central component of product economics.

29.9 The Club Itself Is Part of the Economic Prototype

An activity can fully satisfy the user while remaining difficult for the club to operate. This situation must be detected before deployment.

A rental may be popular but require too much preparation time. A fleet may generate attractive revenue but create storage or charging problems. A product may be appreciated while requiring so much staff assistance that its net contribution becomes weak.

The club is therefore an integral part of validation.

The product must be observed during a normal day, not only during a demonstration where several people are present to assist every user. The objective is to determine whether the process can become a normal operating function.

An important proof appears when club personnel can manage the activity using simple procedures, reasonable training and little outside intervention.

This autonomy does not mean that the club must do everything itself. Certain responsibilities may be better placed at the Regional Center or the Back-End. The real question is whether the distribution of functions is sufficiently clear and efficient for the activity to be reproduced without constant improvisation.

Simplicity then becomes a direct economic value. A function that is easy to integrate requires less training, creates fewer errors and can be operated more consistently.

29.10 Pilot Costs Must Not Be Confused With Mature Operating Costs

The first units are almost always more expensive to operate than those within a structured activity. Volume is low, processes are not optimized, parts may be shipped individually and highly qualified people may perform tasks that will later be standardized.

This situation must not lead to two opposite errors.

The first would be to conclude too quickly that the activity is unprofitable because the pilot carries high costs that will genuinely disappear through standardization. The second would be to assume that scale will automatically reduce every cost without understanding why.

Economic proof must therefore distinguish learning costs from structural costs.

The time spent documenting an initial procedure will not be repeated for every future unit. By contrast, cleaning required after every use will probably remain a variable cost unless a specific modification reduces it.

Future savings must always be connected to an identifiable mechanism: greater purchasing volumes, automation, design improvement, regionalization, standardization or better utilization of resources.

This distinction allows a more credible projection of future economics.

Saying that “it will cost less at scale” is not yet proof. GC must know which part will cost less, why and at what level of activity.

29.11 Proof Must Be Repeated in Several Contexts Before It Is Generalized

An excellent result in a first club can provide important confirmation, but it remains tied to a particular environment. Clientele, course type, season, club culture, staff and openness to innovation can all strongly influence the experience.

The next stage must therefore seek to determine what remains true in another context.

A function gains credibility when it continues to create satisfactory value across several establishments with different realities. Artificial uniformity should not, however, be sought. Certain solutions may be perfectly suited to particular club profiles and much less relevant elsewhere.

That conclusion is itself useful.

As pilots multiply, GC can begin identifying the conditions that favor the success of an activity: number of rounds, course characteristics, type of clientele, mobility constraints, personnel capacity, season or other factors.

Deployment then becomes more intelligent.

Instead of seeking to offer the same function to every club, the network can target those for which the probability of creating value is highest. This approach reduces commercial costs, improves the success rate of early implementations and protects the system against deployments carried out merely to increase the number of partners quickly.

Economic proof must therefore progressively answer not only the question, “Does it work?” but also, “Where, for whom and under what conditions does it work well enough to be reproduced?”

29.12 The Pilot Must Lead to a Decision

A useful experiment must ultimately change a decision. Without this step, the pilot risks becoming a permanent state in which the system continues collecting information without ever advancing to the next Step or stopping a function that remains insufficiently convincing.

Every pilot must therefore have a clear purpose.

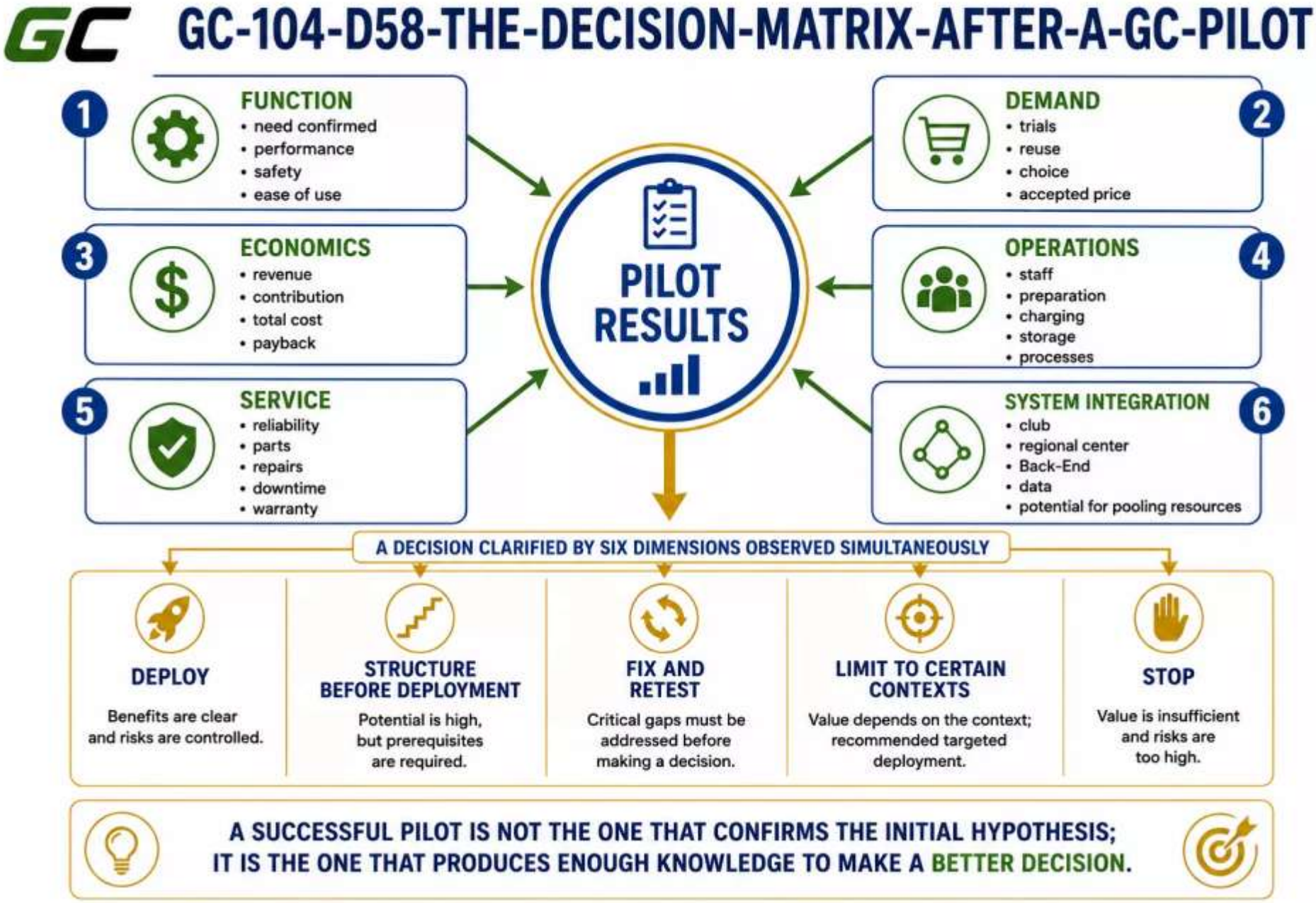
Certain questions should be defined before it begins: is demand sufficient? Is the price acceptable? Can the club operate the function properly? Does the cost of service remain within a reasonable range? Do users return after their first experience?

Not every criterion needs to be rigid or purely numerical. During the first stages, some judgment will remain necessary. But the pilot must make it possible to decide whether the next step is to structure the activity further, modify certain elements, test it in another context, limit the function to certain profiles or abandon it.

This discipline protects the system against sunk cost and attachment to an idea.

A hypothesis that is not confirmed does not necessarily represent a failure. If the pilot made it possible to identify that fact before a large investment was made, it has fulfilled its function.

Capital committed during this phase must therefore be interpreted as the price paid to obtain a better decision.



GC-104-D58 — THE DECISION MATRIX AFTER A GC PILOT

29.13 A Function Can Succeed Commercially While Failing Economically

Strong demand is excellent news, but it does not by itself demonstrate that an activity is healthy.

A service may be very popular because its price is too low. A fleet may be heavily used while producing insufficient contribution to finance maintenance, renewal and tied-up capital. A product may sell well while generating a warranty level that significantly reduces its true margin.

Volume can therefore hide a weakness.

The reverse is also possible. An activity can have very strong unit economics but fail to generate sufficient demand to justify the capabilities it requires.

Economic proof must therefore confirm both the existence of a market and the quality of the economics supporting it.

A sustainable activity exists at the intersection of the two.

There must be enough users to create volume, but every use must also leave enough contribution to finance the function and its responsibilities.

This perspective prevents GC from confusing commercial success with economic success. A company can sell a great deal and lose money. It can also generate an excellent margin on an offer that is almost never chosen.

Scaling therefore requires sufficient demand together with economics healthy enough that additional volume strengthens the activity rather than accelerates its weaknesses.

29.14 Economic Proof Must Show That Integration Really Creates More Value

A GC component must not only demonstrate that it can be profitable when viewed independently. If it is to become part of the GC System, it is also necessary to understand what its integration contributes to other functions.

Can a new product use the same service capabilities? Can its data improve network knowledge? Does its volume help justify regional infrastructure already being developed? Can it strengthen the club's relationship with golfers? Does it use technology, logistics or a commercial architecture that already exists?

These questions are essential because they distinguish an independent activity from a truly systemic component.

A new function becomes particularly attractive when it generates its own contribution while simultaneously increasing the utilization or value of capabilities that have already been financed. A better-utilized Regional Center sees its average cost decline. Shared digital infrastructure becomes more productive. Technical expertise developed for one product can sometimes serve another component.

The network then progressively becomes more efficient because its elements are no longer merely placed beside one another.

It is in this relationship that the principle **"The whole is greater than the sum of its parts"** becomes a genuine economic criterion.

This principle must never, however, serve as a vague justification for continually adding activities. A product may be profitable and still fit poorly within the GC portfolio if it requires an entirely separate service chain, specialized inventory, independent technology and significant complexity for limited volume.

In such a situation, sound economics in isolation do not guarantee sound system economics.

Proof must therefore distinguish two levels: the function's own contribution and the additional value created through its integration with other parts of the network.

This second dimension is precisely the architectural value GC is seeking to build.

29.15 Economic Proof Transforms a Hypothesis Into Investment Capacity

At the beginning of a project, capital mainly finances a possibility. A function is imagined, a prototype is acquired or built, tests are performed and many questions remain open. The company accepts this uncertainty because the amount committed remains limited and the potential learning justifies the experiment.

As observations accumulate, the nature of the decision changes.

The solution performs sufficiently well under real conditions. Users continue choosing it after the initial discovery. The price appears compatible with perceived value. The club can integrate the function into its operations without disproportionate burden. The main costs become visible, reliability begins to be understood and the economics can be estimated with greater precision.

The system then possesses something it did not have at the beginning: a reasonable basis for committing additional resources.

Capital no longer finances only a hypothesis. It can now finance the capacity to reproduce a function whose value is beginning to be demonstrated.

This transformation is the true meaning of economic proof.

It never completely eliminates risk. Certain problems appear only at greater scale. A supply chain may become more complex, parts requirements may increase and coordination among several clubs may reveal new difficulties. Deployment must therefore remain progressive and continue producing learning.

Every level of scale must provide new proof.

An initial validation may justify a few additional clubs. Several converging experiences can then justify a more formal structure. Sufficient density can eventually justify regional capacity. Stable volume can open the way to greater assembly or industrialization.

Economic proof is therefore not permanent permission to grow without limit. It represents the transition from one level of uncertainty to a higher level of financial responsibility.

This logic directly reflects the Seven Steps of GC System development. Each converts part of the unknown into knowledge and, when conditions are sufficiently favorable, allows more capital to be committed with a better understanding of risk.

It also reflects the three principles that must accompany the system's economic development:

Validate before accelerating. Structure before growing. Finance before deploying.

These statements take on their true meaning when preceded by the reasoning developed in this chapter. They are not slogans intended to slow innovation. They form a discipline designed to protect a good innovation from poor deployment.

At the end of this phase, five questions must therefore receive sufficiently convincing answers.

Does the function genuinely address an observed need?

Do enough users choose the function when it is offered under realistic conditions?

Can the club properly integrate it into its operations?

Does the complete economy produce a contribution healthy enough to support the life cycle?

And finally, does integration of the function strengthen the GC System more than it simply increases its complexity?

When these answers converge, the function can reasonably move to the next stage. When they remain uncertain, the system must continue learning. When they become negative, it must accept the need to correct, limit or abandon the function.

This ability to decide from field evidence is an essential protection against overgrowth and one of the mechanisms through which GC can progressively transform innovation into a durable economic architecture.

The guiding principle of this chapter can therefore be stated as follows:

a GC function deserves to move from prototype to deployment when it has demonstrated, under conditions sufficiently close to actual operation, that it addresses a need, is chosen by an identifiable market, can be properly operated by the club, possesses sustainable economics and strengthens the capacity of the system through its integration rather than merely increasing its size.

This proof now opens the way to the next chapter. It is necessary to examine how the first Pilot Clubs can become more than testing sites and contribute to the construction of a first operating model that is clear, simple and reproducible enough to prepare the transition toward a true deployment phase.

CHAPTER 30
PILOT CLUBS AND THE FIRST OPERATING MODEL

30.1 The Pilot Club Must Help Build a Model, Not Merely Test a Product

When functional proof and the first elements of economic proof become sufficiently convincing, the next step is not simply to place more products in more clubs. It is to understand how a GC function can become a normal, sustainable and reproducible activity within the real environment of a golf club. The Pilot Club then takes on a different importance from that of a simple testing site: it becomes a learning environment in which the first true operating model begins to be built.

This distinction is fundamental. Testing a product makes it possible to verify its behavior, its use and certain user reactions. Building an operating model requires understanding how that same product or service fits into an organization that already has its habits, staff, schedules, constraints, systems and priorities. The product must gradually cease to be an object receiving special attention and become a function integrated into a normal operating day.

The Pilot Club must therefore make it possible to observe the entire cycle. How is the function presented to the golfer? At what point does reservation or selection occur? Who prepares the equipment? How is the asset handed to the user? What happens after it is returned? How is it cleaned, inspected, recharged or made available again? How is an incident reported? How is a transaction recorded? Who has the information required to intervene when a problem occurs?

The quality of the pilot depends far less on the number of units deployed than on the quality of the answers obtained to these questions.

The first operating model must therefore emerge from the field. It should not be entirely imagined by the Back-End and then imposed on the club. An architecture designed remotely may appear logical while creating unnecessary friction when it encounters daily reality. The Pilot Club must allow GC to identify these differences early enough for future standardization to be based on processes that are genuinely usable.

30.2 The Choice of Pilot Club Must Be Guided by Its Ability to Produce Learning

The first available club, or even the club with the greatest number of rounds, is not automatically the best pilot. The value of a Pilot Club lies first in the quality of the learning environment it offers.

A good Pilot Club must be sufficiently representative of the reality GC eventually intends to serve while remaining open enough to experimentation to accept that certain procedures will evolve during testing. Its management must understand that a pilot is not a commercial demonstration in which everything must appear perfect from the first day. It is a structured collaboration in which observed problems are as useful as successes, provided they are documented and corrected.

The club must also have sufficient activity to produce meaningful observations. A product used only a few times during an entire season will make it difficult to understand reliability, utilization rate or the true operating burden. Conversely, an extremely atypical environment may produce results that are difficult to generalize.

Proximity can also carry significant value during the early stages. When GC still needs to observe uses directly, make adjustments or intervene quickly, a geographically accessible pilot reduces the cost of learning and increases response speed.

The choice of club should therefore be based on several dimensions: potential utilization volume, representativeness, management commitment, staff ability to collaborate, accessibility, user diversity and willingness to share sufficiently precise data to support economic analysis.

The first pilot does not need to be the perfect club. Above all, it should be a club in which the system can learn quickly, honestly and through sufficiently real operations.

30.3 The Pilot Club Must Retain Its Primary Function: Operating a Golf Club

A major mistake would be to build a model in which the club must reorganize a disproportionate part of its operations to accommodate a GC function. The pilot might appear successful because staff temporarily accept an unusual level of effort, but that economy would disappear when the function is expected to become permanent.

GC's role is precisely to reduce that burden.

Club personnel should not become the manufacturer's technical team, nor should they need to learn an excessive number of procedures to support a product. They must understand the function well enough to use it, perform the simple checks that belong at the local level, help golfers when necessary and properly report anomalies. More specialized responsibilities should progressively be assumed by the appropriate network capabilities.

This distinction must be observed during the pilot because it makes it possible to discover very early which tasks have been placed at the wrong level.

If an employee regularly has to disassemble a component to solve a problem, that intervention may belong instead to regional service. If the Back-End must intervene manually for every small transaction, the digital function is probably not yet sufficiently structured. If a daily procedure requires extensive training, it may need to be simplified.

The operating model must therefore respect the club's primary function.

GC must integrate into club operations in a way that increases their capacity rather than silently transferring new complexity to them.

30.4 The First Model Must Clearly Define the Responsibilities of Each Actor

A new activity quickly becomes difficult to manage when no one knows precisely who is expected to intervene at each stage. In a very limited pilot, this ambiguity can be compensated for through informal communication. As several clubs become involved, this way of operating becomes insufficient.

The first operating model must therefore begin defining responsibilities among the club, the GC Back-End and, when density or the nature of the function justifies it, regional capacity.

The club may be responsible for the daily handoff of equipment, certain simple checks, routine cleaning, charging and initial reporting of anomalies. The Back-End can provide procedures, maintain asset histories, organize warranties, track data and coordinate relationships with manufacturers. Regional capacity may eventually handle diagnosis, certain repairs, preparation, parts and local technical support.

This architecture must not be built according to a hierarchical logic in which the higher level automatically absorbs more functions. Responsibility should be placed at the level capable of performing it with the best balance among proximity, competence, cost and speed.

Certain functions will necessarily remain local because they depend on the club's immediate context. Others will be more efficient when shared. The pilot must help identify precisely where that boundary lies.

Clear responsibilities reduce delays, prevent duplication and also protect service quality. When an incident occurs, the person who identifies it must know what can be done immediately, when assistance is required and to which level the problem must be escalated.

30.5 The Model Must Be Simple Enough to Operate Without GC Being Permanently Present

During the first days of a pilot, it is normal for the GC team to be especially present. It observes, answers questions, corrects certain procedures and gathers information. But that presence can also hide important weaknesses.

An activity cannot be considered truly integrated if it works only because a GC representative is constantly on site to solve every difficulty.

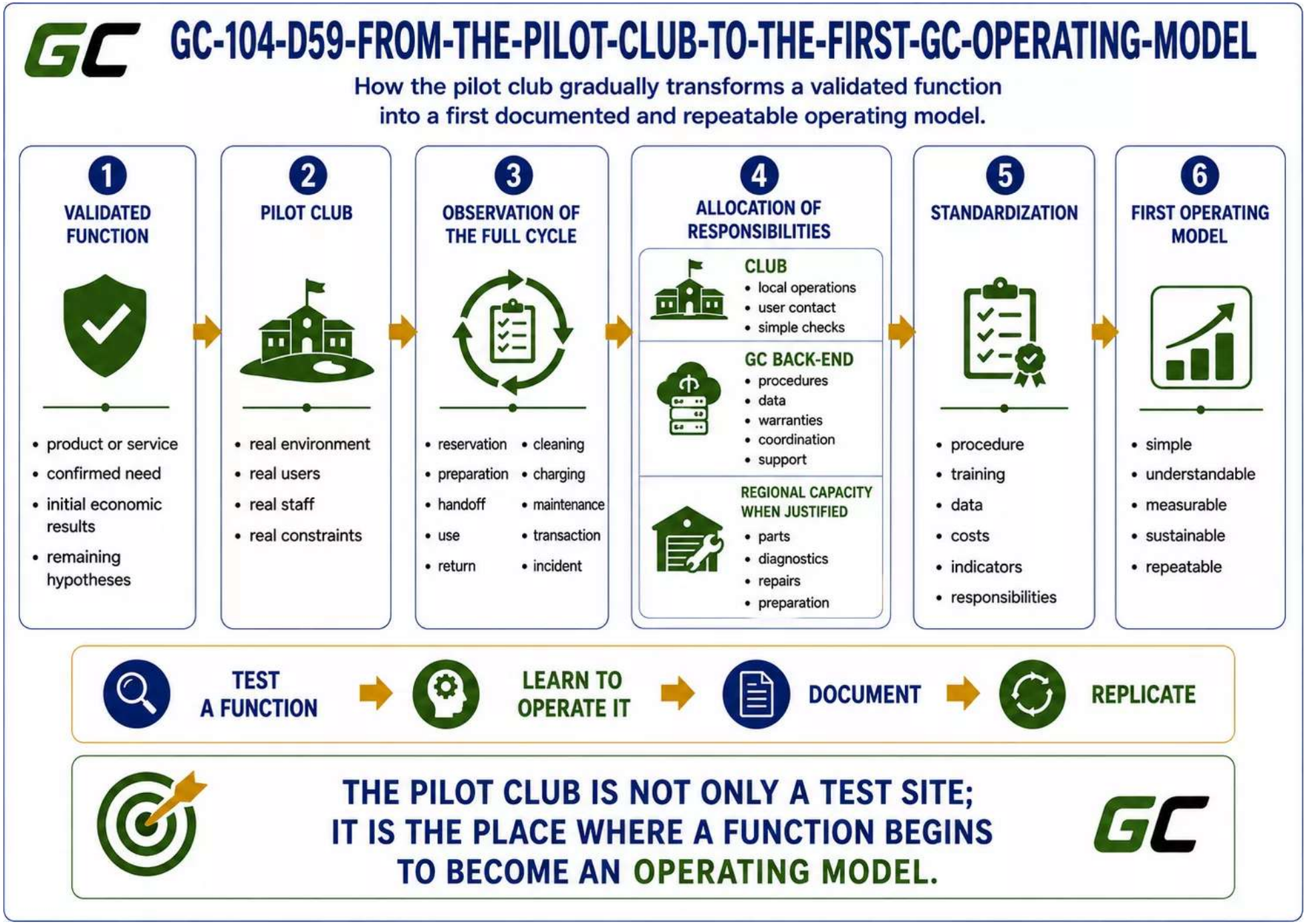
The pilot must therefore progressively reduce this direct assistance in order to observe what happens when the club uses the function under more normal conditions.

This transition makes it possible to evaluate the quality of procedures, the clarity of training, the product's ease of use and the effectiveness of escalation mechanisms. It also makes it possible to measure the true support requirement.

If calls become numerous as soon as the GC team leaves the field, the model is not yet ready. It may be necessary to simplify the product, improve documentation or transfer certain responsibilities to a more specialized support capability.

The goal is not the complete absence of assistance. No serious network operates without support. The objective is to avoid structural dependence on exceptional human presence that could not be reproduced across dozens or hundreds of clubs.

The first operating model becomes credible when it can function through normal procedures, accessible support and a level of intervention compatible with future volume.



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30.6 Procedures Must Document What Is Necessary Without Turning the Club Into an Administration

When an organization begins standardizing its activities, a natural reaction is to document every possible situation. This intention can quickly produce long procedures that are difficult to consult and ultimately little used.

The first operating model must adopt a simpler approach.

Documentation must answer the questions personnel actually encounter: how to begin the day, how to check the equipment, how to handle a transaction, how to respond to a common problem, when to remove a unit from service and how to request more specialized intervention.

Procedures must be precise enough to reduce errors, yet simple enough to be understood quickly.

This balance directly reflects the KISS principle. A procedure that nobody consults because it contains fifty pages does not truly improve operations. A clear reference sheet, supported when useful by a short video or simple digital interface, may be far more effective.

Documentation must also evolve with experience.

Every significant incident during the pilot may reveal a missing step or ambiguous instruction. The procedure progressively becomes a reflection of what has been learned in the field.

The first operating manual should therefore not be regarded as a final document. It is a structured memory of network learning, intended to reduce the need to relearn the same things in every new club.

30.7 Training Must Be Designed According to the Functions Actually Performed by Personnel

More training is not always the solution to an operational problem. When a task requires extensive training for an employee who will use it only rarely, it may simply mean that the task has been placed at the wrong level.

The first pilot must therefore help identify what local staff genuinely need to know.

Basic training may cover use, safety rules, daily preparation, charging, certain visual checks and the method for reporting an anomaly. More advanced technical training can be reserved for people whose actual function includes diagnosis or repair.

This distinction reduces training time and the risk of incorrect intervention.

It also makes staff turnover easier to manage, an important reality in many golf clubs where certain positions are seasonal. A model that depends on a single highly experienced employee may appear efficient during a pilot and become fragile as soon as that person leaves.

Training must therefore be reproducible and simple enough to transfer to new people without depending entirely on one individual's memory.

Knowledge must progressively migrate from the person to the system while still allowing people to exercise judgment when circumstances require it.

30.8 Pilot Data Must Connect Use, Operations and Economics

A pilot produces a great deal of information, but its value depends on how that information is connected.

Knowing the number of times a product is used is useful. Knowing the corresponding revenue is also useful. But learning becomes much more powerful when these data can be connected with costs, incidents, users, downtime and operating burden.

GC must therefore progressively build a small number of indicators capable of describing the economic reality of the activity.

The utilization rate can be compared with available capacity. Repeat-use frequency can indicate perceived value after the novelty effect. Service cost per unit can be monitored over time. Revenue per available day can be compared with the initial investment. Downtime can reveal weaknesses in parts availability or the repair process.

These data should not be collected merely because technology makes it possible.

Every indicator should ideally answer a question that influences a decision.

This discipline prevents the pilot from producing highly detailed dashboards without improving understanding of the model.

Useful data are the data that help determine what to modify, what to keep and when the function becomes stable enough to reproduce elsewhere.

30.9 The First Economic Model Must Be Observable at Club Level

The pilot must allow the club to clearly understand what the new function brings to it.

This value may take several forms: additional revenue, improved service, lower costs, better utilization of an asset, attraction of new customers or a combination of several effects.

The analysis must nevertheless remain simple enough to be understood without specialized financial expertise.

The club must be able to identify the revenues associated with the activity, the additional costs it assumes, the personnel time involved and, when capital has been invested locally, the progress of its recovery.

This transparency is important for the network's future. If GC itself cannot explain simply to the first Pilot Club why the activity has sound economics, it will be much more difficult to convince the clubs that follow.

The pilot must therefore transform the assumptions of GC-104 into locally observable results.

This information may also reveal differences among clubs. The same function may be highly profitable in one establishment and only marginally attractive in another because of volume, price, the course or the internal organization.

The model should not seek to erase these differences. It must make it possible to understand under what conditions the function becomes economically attractive for the club.

30.10 The Commercial Relationship With the Golfer Must Remain Under the Club's Functional Control

The GC System can provide products, technologies, transactional infrastructure and Shared Capabilities, but the club remains the local interface with the golfer.

That relationship is an important asset.

The first operating model must therefore avoid turning the club into a simple handoff point for a transaction entirely controlled by the Back-End. Such an architecture could reduce the economic value of the partnership and weaken the logic of the Inverted Pyramid.

Even when GC technology facilitates a reservation or payment, the club must remain sufficiently present in the economic and operational relationship for the function to strengthen its own value proposition.

This does not mean that every transaction must necessarily pass manually through personnel. Automation can, on the contrary, reduce significant friction. The distinction concerns the club's economic position, not the number of administrative steps.

The golfer should perceive the function as an improvement made available through the club, while the club should view the GC network as an architecture that increases its capacity to serve that golfer.

This relationship is essential to the coherence of the model and must be visible from the first pilots.

30.11 The First Model Must Identify What Is Standard and What Remains Adaptable

Reproducibility does not require every club to operate in exactly the same way.

Certain elements must be common because they protect safety, quality, data or network economics. Others can be adapted to local realities without weakening that coherence.

A safety procedure, warranty rule or traceability method may require strong standardization. The place where equipment is handed over, certain schedules, the way the offer is integrated into a special day or certain commercial arrangements may remain more flexible.

The pilot must therefore help identify this boundary.

If everything is left to each club, GC will have to rebuild operations at every implementation and will lose much of the network's economies. If everything is imposed, the system risks creating unnecessary friction and ignoring the real diversity of clubs already recognized in the preceding chapters.

The first model should therefore be designed as a common foundation surrounded by a zone of local adaptation.

This logic is particularly important before growth because early procedures tend to become organizational habits. It is easier to design flexibility properly at the beginning than to dismantle excessive standardization later.

30.12 Several Pilot Clubs Make It Possible to Distinguish the Model From the Exception

A single club can make it possible to build a first model, but it cannot yet determine which parts of that model are truly generalizable.

The second and third pilots therefore play a different role from the first.

They do not repeat the entire experiment from the beginning. They verify whether the procedures initially developed remain effective in other environments.

A step that seemed obvious in the first club may appear unnecessary elsewhere. A function that required extensive assistance may be much simpler in another context. A difference in volume or clientele may completely alter the revenue model.

These differences are extremely useful.

They make it possible to separate what belongs to the GC System from what simply belonged to the first club.

Standardization becomes progressively stronger when it has survived several contexts.

At this stage, GC can begin defining deployment profiles. Certain clubs may adopt a light model. Others may operate a larger fleet. Some may require greater support during their first season.

Reproducibility therefore does not consist in creating one universal recipe. It consists in building a limited number of sufficiently understood configurations capable of covering a large portion of network realities without recreating a different solution for every club.

30.13 The Pilot Must Also Test the Back-End's Ability to Serve Several Clubs

It would be possible to build a highly effective local model while underestimating the burden placed on the Back-End.

Every new club can generate support requests, transactions, warranty claims, data, parts orders and coordination needs. When three clubs become thirty, manual procedures that seemed acceptable can become impossible to sustain.

The pilot must therefore observe network economics at the same time as club economics.

How much time does the Back-End devote to each implementation? How many interventions still require manual communication? Which operations could be automated? Which requests appear often enough to justify a Common Function?

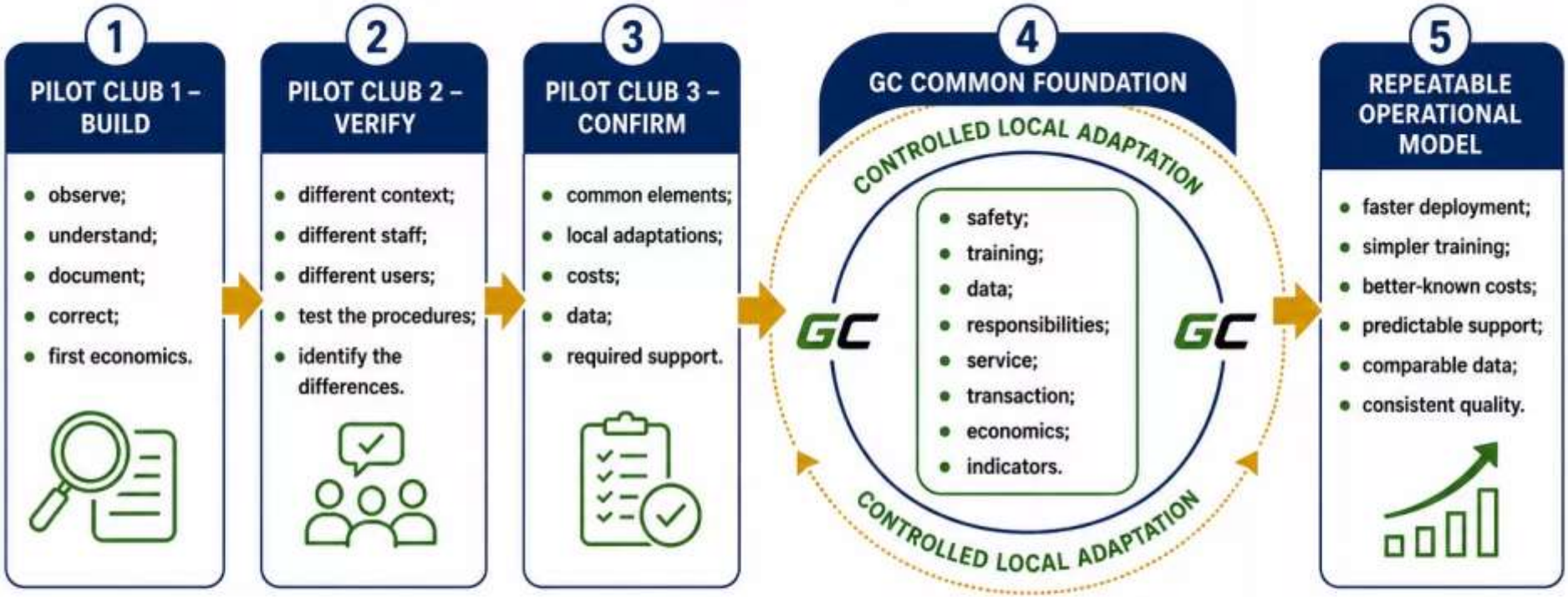
These observations become especially important before moving into a faster deployment phase.

The objective is to build a Back-End whose capacity increases faster than its costs. If every new club requires almost exactly the same amount of additional work at the central level, the economics of mutualization will remain limited.

A Common Capability must progressively become more productive as more clubs use it.

The pilot must therefore verify not only whether the club can operate GC, but also whether GC can support several clubs without increasing its own complexity proportionally.

GC-104-D60-FROM-THE-FIRST-PILOT-CLUB-TO-THE-REPEATABLE-GC-NETWORK-OPERATIONAL-MODEL



1 CLUB = LEARNING | **MULTIPLE CLUBS = VALIDATION OF REPEATABILITY**

THE MODEL IS NOT REPEATABLE BECAUSE IT WORKED ONCE;
IT BECOMES REPEATABLE WHEN ITS COMMON PRINCIPLES CONTINUE TO WORK IN MULTIPLE CONTEXTS WITHOUT REBUILDING THE ARCHITECTURE EACH TIME.

GC-104-D60 — FROM THE FIRST PILOT CLUB TO THE REPEATABLE GC NETWORK OPERATING MODEL

30.14 The Pilot Model Must Produce More Capacity Than Complexity

As several functions begin to be integrated, one question must accompany every stage: does the new model genuinely make the whole more capable, or does it merely add more procedures, systems and participants?

This question leads directly back to the principle **"The whole is greater than the sum of its parts."**

A Pilot Club succeeds fully when it makes it possible to discover mechanisms whose value can be shared with other clubs. A procedure improved in the first establishment can become immediately available to those that follow. A failure identified on a few units can allow a correction before broader deployment. Utilization data can improve inventory forecasting. A training method can reduce the time required for each new implementation.

In these situations, learning produced locally becomes a network capability.

The club that agrees to serve as a pilot therefore contributes not only to its own operations. It participates in creating knowledge that can strengthen other clubs. In turn, later pilots enrich that knowledge and allow the first club to benefit from procedures or solutions that did not yet exist when it was first implemented.

The whole begins genuinely to become greater than the sum of its parts when every new experience increases the knowledge capital available to everyone and reduces the learning cost of the experiences that follow.

But this dynamic requires an architecture capable of capturing and redistributing learning.

If observations remain only in the memory of a few individuals, the systemic value disappears. If procedures, data and solutions are recorded and reused, the network becomes progressively more intelligent.

The pilot model must therefore produce both a local activity and a collective capacity to learn more quickly.

30.15 The First Operating Model Is Validated When Reproducing It Becomes Simpler Than Building It the First Time

The true success of the pilot program is not reached when the first club operates perfectly. It appears when the second and then the third establishment can be integrated with less uncertainty, less improvisation and more efficient use of capital.

At the first club, GC is still discovering many things. Responsibilities are adjusted, procedures are written, indicators are chosen and several problems require direct intervention.

At the next club, part of that knowledge already exists. Training can be more structured, parts requirements are better understood and operations can begin more quickly.

After several converging experiences, the system should begin to possess a genuine model.

That model includes an integration method, a limited set of procedures, a definition of responsibilities, training, a data architecture, economic rules and a service organization. It must also indicate what may be adapted locally without compromising the Common Functions.

Repeatability then becomes visible in the costs.

The time required to integrate a new club should progressively decrease. Problems already encountered should recur less often. Support requirements should become more predictable. The economics should be estimated with greater precision before launch.

This improvement represents one of the network's first genuine economies of scale.

It does not necessarily come from an immediate reduction in the purchase price of products. It appears because the system stops starting over from zero every time a new part is added.

This is a particularly important manifestation of the principle that the whole must become greater than the sum of its parts. The first club produces an experience. The second uses that experience and adds another. The third benefits from both preceding experiences. The Back-End progressively transforms this learning into common procedures, data, technologies and decisions. Accumulated knowledge then reduces the cost of each new implementation and improves the quality of the existing network.

This integration value must become observable.

If the tenth club requires as much time, uncertainty and improvisation to integrate as the first, GC will not yet have built a truly repeatable system. It will simply have repeated ten individual projects.

Conversely, if the model progressively becomes easier to deploy and the integration of new clubs also improves certain Common Capabilities, the system begins producing a different economy from that of a succession of sales.

The first operating model should therefore not seek complete standardization before any deployment. It must reach sufficient maturity for the remaining uncertainty to be managed without rebuilding the whole architecture.

This maturity can be recognized when several conditions converge: responsibilities are understood, training is reproducible, essential procedures are documented, major costs are known, club economics are visible, Back-End support is sustainable and local adaptations remain sufficiently limited to preserve a common foundation.

From that point forward, the network can progressively shift its attention.

The main question is no longer how to make the first club work, but how many clubs can be integrated simultaneously without Common Capabilities becoming insufficient.

This is an important change.

The economic problem shifts from local validation toward deployment capacity.

The GC System must then begin determining the minimum Back-End required to support this first network: personnel, systems, inventories, data, support, warranties, finance and coordination. Certain functions that could be handled manually during the pilot will need to be structured before the number of clubs increases.

The guiding principle of this chapter can therefore be stated as follows:

a Pilot Club fully fulfills its role when its operation not only validates a local activity, but transforms the experience gained into a model that is simpler, more predictable and more economical to reproduce in the clubs that follow.

This progression leads directly to Chapter 31 — **The Minimum Back-End Required for Initial Deployment**. After learning how to operate the relationship with a few clubs, it will be necessary to determine which Common Capabilities must absolutely exist before the number of implementations increases, which can still remain light or outsourced, and at what point a function that was initially artisanal must be transformed into genuine network infrastructure.

CHAPTER 31

THE MINIMUM BACK-END REQUIRED FOR INITIAL DEPLOYMENT

31.1 The First Back-End Must Be Complete Enough to Support the Clubs, but Light Enough to Evolve

After the validation of the first prototypes and the construction of an operating model with a few Pilot Clubs, the GC System enters a phase in which a new question becomes decisive: which Common Capabilities must actually exist before the number of clubs begins to increase?

As long as a few people can directly follow operations, resolve problems case by case and retain a large portion of the information in their memory, the organization may appear to function with very little structure. That impression quickly becomes misleading when several clubs, several products and several transactions must be supported simultaneously.

The minimum Back-End must not, however, be designed as a miniature version of the final Back-End. Building, during the first years, every function imagined for a mature network would immobilize a significant amount of capital in capabilities that are still lightly used, increase fixed costs and risk prematurely locking in processes whose final form is not yet known. Conversely,

delaying essential functions for too long would force the team to compensate with manual work, scattered files and improvised interventions whose cost would increase rapidly with every new club.

The economic problem is therefore to find a point of balance between under-structuring and over-structuring.

The first Back-End must be sufficiently structured to ensure continuity of the functions promised to the clubs, maintain reliable information, support products throughout their life cycle and allow the system to learn from several implementations. It must nevertheless remain light enough to be corrected, replaced or expanded when experience reveals new requirements.

This approach corresponds directly to the logic of the Seven Steps. The Back-End should not be built for the network GC might eventually become; it should be built for the next sufficiently demonstrated capability, while avoiding technical or organizational choices that would make future evolution unnecessarily difficult.

31.2 The Minimum Back-End Begins With the Responsibilities GC Cannot Transfer to the Club

The best way to determine which functions are essential is to return to the fundamental responsibilities of the system. Certain tasks can be performed locally by the club because they are simple, close to the user and directly related to daily operations. Others should not be transferred to the club, even if doing so initially appears to reduce Back-End costs.

The club should not have to rebuild relationships with manufacturers on its own, manage all warranty policies, maintain several technical databases, design common procedures or individually negotiate procurement conditions that can be organized at network level. If every club must develop these capabilities separately, GC loses a significant part of its economic justification.

The minimum Back-End must therefore assume the functions whose centralization immediately creates real value: supplier coordination, management of common information, asset tracking, warranty organization, procedures, second-level support, network procurement, financial control and the ability to analyze data produced by several clubs.

The design rule is not that the Back-End should do as much as possible. Rather, Common Functions should be placed where mutualization genuinely reduces cost, duplication or risk for the clubs.

This distinction prevents the Back-End from becoming a central administration that accumulates responsibilities simply because it occupies the highest organizational level. In the GC Inverted Pyramid, the central level is justified only when it increases the capacity of those it supports.

31.3 The First Infrastructure Must Make Commitments Visible

When an organization begins to grow, one of the first risks does not necessarily come from a poor product or insufficient sales, but from losing visibility over what has been promised.

Which products belong to which club? Which units are still under warranty? Which parts have been replaced? Which order is in transit? Which incident remains open? Which supplier must be paid? Which club is waiting for a response? Which inventories are actually available?

As long as volume remains very low, an experienced person may sometimes answer these questions from memory. That method does not constitute a system.

The minimum Back-End must therefore create a sufficiently reliable source of information so that network commitments remain visible independently of the person who initially knows them. Every important product must be traceable. Every service request must have a status. Orders and inventories must be sufficiently structured so that purchasing decisions are not based on an approximate perception of what is already present within the network.

This capability does not necessarily require a fully custom-developed technology platform from the beginning. Certain functions can temporarily rely on existing tools, provided that essential information is organized according to an architecture compatible with future evolution.

The first objective of digital technology is therefore not to create impressive technology. It is to eliminate the areas in which the company does not know with sufficient certainty what it owns, what it owes, what it has promised or what it must do next.

31.4 The Common Catalog Is One of the First Necessary Structures

As soon as several clubs use or market GC products, a Common Catalog becomes necessary. This catalog should not be reduced to a list of names, images and prices. It should progressively become the reference describing what exists within the system and the economic rules associated with it.

For every product, the Back-End must be able to identify the main characteristics, supplier, cost, procurement conditions, reference price, important parts, warranty conditions and elements required for integration into the network. As functions develop, other information can be added: version history, compatibility, technical procedures, training documents or specific constraints.

This standardization produces several economic effects. It reduces ordering errors, facilitates price updates, improves the consistency of information presented to clubs and makes it easier to compare the economic performance of products.

It also provides a foundation for future transactional tools.

If every club has its own descriptions, references and rules for the same products, digital integration will become much more expensive. By structuring a Common Catalog early, GC creates a shared language among suppliers, the Back-End, Regional Centers and clubs.

This infrastructure may appear simple, but it is one of the first building blocks allowing the network to become more than a collection of independent activities.

31.5 Inventory Must Become Visible Before It Becomes Significant

Chapter 25 showed that inventory can tie up a considerable amount of capital. This issue becomes even more important when stock begins to be distributed among several locations: central warehouse, clubs, units in transit and, later, Regional Centers.

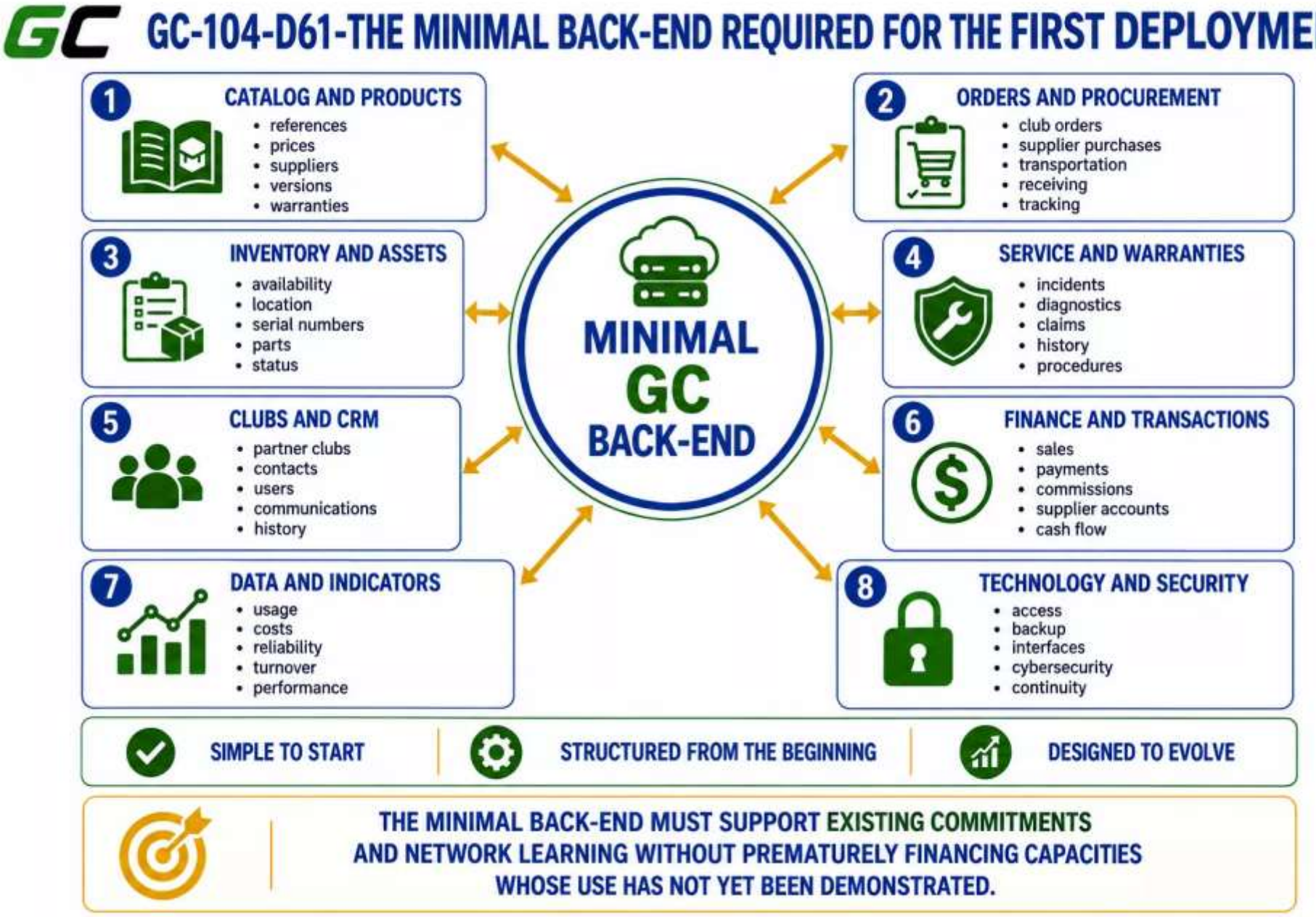
The minimum Back-End must therefore develop a sufficiently reliable view of physical inventory very early.

This information should not merely indicate how many units were purchased. It must distinguish what is available, reserved, sold, in transit, under repair or immobilized for another reason. For certain products, serial-number tracking will be essential. For common parts, quantity-based tracking may be sufficient.

The required level of precision must remain proportional to value and risk. It would make little sense to create a complex procedure for a component worth only a few dollars while leaving an important piece of equipment without traceability.

Good inventory visibility also improves purchasing decisions. The Back-End can progressively understand actual turnover, seasonal requirements and differences among clubs. It then becomes possible to reduce part of the local safety stock by making better use of Common Capacity.

This mutualization represents one of the network's first concrete economic applications: greater visibility makes it possible to maintain service with less capital tied up than if every club had to protect itself independently against uncertainty.



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31.6 Service and Warranty Must Exist Before Volume Makes Them Urgent

An organization can delay certain administrative functions without immediately producing visible consequences. After-sales service and warranty belong to a different category. When a problem occurs, the function must already exist.

The first Back-End must therefore be capable of receiving an incident, identifying the product concerned, understanding its history, determining whether the warranty applies and coordinating the appropriate response. This capability may be simple at first, but it cannot be improvised several days later while a club waits.

The objective is not for the Back-End to perform every repair itself. Depending on the nature of the intervention, certain tasks may be entrusted to the supplier, a technical partner or, later, the Regional Center. The role of the Back-End is to retain control of the process and the information.

This distinction becomes particularly important in protecting the relationship with the club. A club should not have to determine on its own which supplier to contact, which part to order or which warranty procedure to follow for a product integrated into the GC System.

Service is precisely one of the functions for which the existence of a network should produce a tangible improvement.

A sale creates one-time revenue. A reliable support capability transforms that sale into a lasting relationship while simultaneously protecting the club, the product and the reputation of the system.

31.7 The Initial CRM Must First Organize the Relationships the System Needs to Understand

The term CRM can suggest a primarily commercial tool designed to track prospects and increase sales. Within the GC System, its function must be much broader.

The initial CRM must make it possible to understand the relationships linking clubs, users, products, transactions and relevant communications. It must preserve enough history so that an interaction does not start again from zero every time the person responsible changes.

For a Partner Club, the Back-End should be able to know the main contacts, the GC functions used, the products present, certain transactions, important service requests and the club's level of integration into the network. This information makes it possible to respond more effectively to needs without relying solely on the memory of the people responsible for the relationship.

However, the CRM should not become a system in which everything is recorded simply because it is technically possible. Excessive collection increases costs, creates additional protection obligations and can reduce information quality.

The first CRM should therefore concentrate on data genuinely useful to operations, service and economic understanding of the network.

Its value will progressively appear when this information can be connected to other functions.

A service request can be associated with a specific product. A transaction can be linked to a club. A usage trend can explain a need for parts. The CRM then becomes less a contact registry than a relational memory that allows the network to function as a coherent whole.

31.8 The Financial Function Must Be Structured Before Flows Become Difficult to Reconstruct

In a small company, the first transactions may be simple enough to track through basic accounting. This simplicity should not lead GC to wait until volumes become significant before properly defining its financial flows.

The minimum Back-End must be able to distinguish revenues according to their nature, track the corresponding costs, identify amounts belonging to the club or other partners, manage accounts payable and monitor cash. Warranties, reserves and commissions must also be sufficiently identifiable to prevent revenue from being confused with the value truly available.

This architecture also prepares for future evolution toward a broader accounting capability. As clubs integrate certain functions of the GC System, the Back-End may progressively offer tools capable of tracking a larger portion of their economics and, eventually, their integrated accounting. This evolution must nevertheless preserve the separation between network economics and the economics of each club.

The initial objective remains much simpler: every important dollar flowing through the system must be understandable.

Where did it come from? Which transaction does it correspond to? What portion genuinely belongs to GC? What obligation is associated with it? What amount remains available after the corresponding costs and responsibilities?

This discipline prevents commercial growth from making the financial situation less understandable precisely when decisions become more important.

31.9 Payments Must Be Integrated According to a Functional Logic Rather Than as an Isolated Technology

Payment processing may appear to be a purely technical issue, but it directly influences cash flows, transaction fees, accounting reconciliation and the experience of both the club and the golfer.

At initial deployment, GC does not need to build its own financial system. It can rely on specialized infrastructure to process credit cards, debit cards or digital wallets. The value of the Back-End lies primarily in how these transactions are integrated into the network architecture.

A transaction must be linked to the correct activity, the correct club and, where necessary, the correct distribution of value. Refunds, cancellations and adjustments must also be processed according to understandable rules.

This integration will become particularly important when several economic models coexist: product sales, rentals, service, tournaments, discount programs or other network transactions.

Payment technology should therefore not be selected solely according to its unit cost. It must be sufficiently open, reliable and integrable to accompany the growth of functions.

The principle remains the one already established in GC-103: technology must support the functional architecture rather than force the architecture to conform to the limitations of a tool chosen too early.

31.10 Data From the First Back-End Must Serve Learning Before Prediction

A young organization can easily be attracted by the promise of sophisticated dashboards, artificial intelligence or predictive analytics. These capabilities may become useful, but they depend on a much simpler prerequisite: sufficiently reliable and coherent data.

The first Back-End must therefore prioritize the quality of a limited number of essential data points.

How many units are actually being used? How often? How long do they remain unavailable? Which products generate interventions? What is the turnover of parts? Which clubs adopt a function quickly and which use it very little? What is the real cost of support?

This information already makes it possible to take many important decisions.

The objective is not yet to predict the following season's demand perfectly. It is to avoid making present decisions from scattered impressions.

As the number of clubs increases and more data becomes available, analysis can become more sophisticated. But its quality will depend directly on the initial discipline: common definitions, common categories, common references and sufficiently regular collection.

Simple data that are comparable among several clubs often possess more value than a large quantity of information that cannot be reconciled.

The first Back-End must therefore build information coherence before analytical sophistication.

31.11 Cybersecurity and Access Must Be Designed Into the First Architecture

The minimal nature of a Back-End does not justify a minimal approach to security.

As soon as the system contains information about clubs, transactions, user accounts or important operational data, access, backups and continuity of essential functions must be protected.

Security must be proportional to the risk, but it must be integrated from the beginning. Correcting later an architecture in which everyone possesses the same access, important data are not backed up or identities are poorly managed can become far more difficult than establishing a few fundamental rules at the design stage.

The principle of least privilege should progressively apply: a person should have access to the information and functions required to perform their work without automatically receiving general access to the entire system.

Backups must also be tested. A copy that exists but that nobody knows how to restore does not yet constitute a genuine continuity capability.

As payments and personal data become more important, relying on specialized providers may allow GC to avoid rebuilding certain particularly complex security infrastructures itself.

This approach illustrates a general rule of the first Back-End: GC must control the architecture and the data required for its function without necessarily building every technology that forms part of it.

31.12 Outsourcing Certain Functions Can Reduce Initial Capital Without Abandoning Control of the Architecture

The minimum Back-End should not be confused with an obligation to internalize everything.

During the first years, certain functions will probably be more efficient when entrusted to specialized partners: technology hosting, transportation, payment processing, certain repairs, legal services, specialized accounting or other activities for which building an internal capability would be disproportionate to volume.

Outsourcing can reduce fixed costs and improve reversibility. It allows GC to pay for capacity as it is used rather than immediately financing the entire corresponding infrastructure.

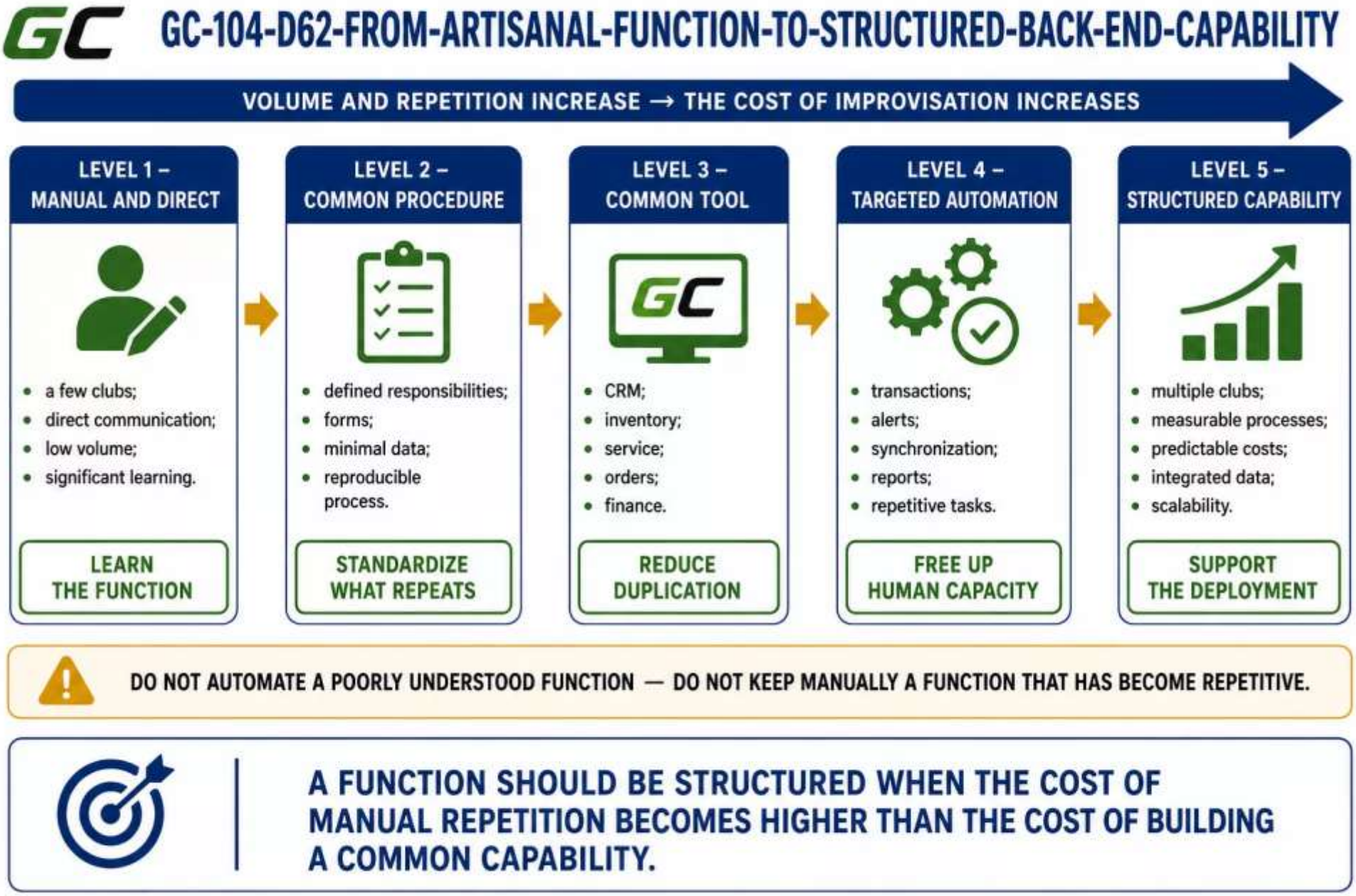
But outsourcing a function does not mean outsourcing the understanding of that function.

GC must know which data are produced, which responsibilities belong to the provider, which service levels are required and how the function could be transferred or replaced if the relationship ended.

This distinction protects the system against excessive dependency.

A supplier can execute a technical capability. It should not become the only place where the knowledge required to understand an essential part of the network resides.

The minimum Back-End must therefore retain functional and informational control even when execution is entrusted to a partner.



GC-104-D62 — FROM A MANUAL FUNCTION TO A STRUCTURED BACK-END CAPABILITY

31.13 The Moment to Structure a Function Must Be Determined by Its Cost of Repetition

Not all Back-End functions should be automated at the same time. A task performed twice a month can remain manual for a long time without creating a problem. The same task performed one hundred times a day can quickly consume a significant amount of time and become a source of errors.

The trigger for structuring must therefore be observed in repetition.

When the same request returns regularly, the system must ask whether a procedure, tool or automation could sufficiently reduce future cost. This analysis must consider not only the time saved, but also quality, speed and the ability to preserve common information.

This approach avoids two extremes.

The first is automating too early a function that is not yet sufficiently understood. In that case, technology can simply freeze a poor process and make correction more expensive.

The second is maintaining manual functions for too long after their volume has become significant. The organization then ends up hiring people primarily to repeat operations that the system could have handled more efficiently.

The right moment occurs when repetition is sufficiently stable to be understood and sufficiently frequent to justify the investment.

Technology capital must therefore follow the same logic as the other investments in GC-104: understand, validate, structure, then automate when proof and volume justify it.

31.14 The Back-End Must Become More Productive as the Number of Clubs Increases

One of the most important economic conditions of the GC model is that Common Capabilities must be able to support more clubs without their costs increasing at exactly the same rate.

If ten clubs require ten people in the Back-End and one hundred clubs require one hundred people to perform essentially the same functions, the benefit of mutualization will remain limited. Certain costs will necessarily increase with volume, but a significant portion of network productivity must come from standardization, technology and collective learning.

This dynamic must be observed from the first deployment.

Support cost per club should progressively decrease for certain functions. The integration of a new club should become faster. Existing procedures should prevent the same analyses from being repeated. Accumulated data should improve decision quality. Supplier relationships should become more advantageous as volume increases.

This is where the principle **“The whole is greater than the sum of its parts”** takes on a particularly direct meaning for the Back-End.

Every additional club should not simply add a new burden to the system. It should also contribute to making certain Common Capabilities more useful or more productive for clubs already present. Greater volume can improve purchasing conditions. A broader usage base can improve knowledge of reliability. Greater density may eventually justify a Regional Center. More transactions can spread the cost of digital infrastructure over a broader base.

This value appears, however, only if the Back-End knows how to organize the relationships among the parts.

A network of one hundred clubs using one hundred different systems does not necessarily create more economic value than a series of independent organizations. Systemic value appears when genuinely common functions are sufficiently standardized for experience, technology and volume to be shared.

The Back-End then becomes the infrastructure that transforms the multiplication of the parts into increased capacity of the whole.

31.15 The Minimum Back-End Is Successful When It Makes the Next Deployment Simpler Than the Previous One

The first Back-End should not be evaluated by the number of software modules it contains, the size of its team or the sophistication of its dashboards. Its success is measured much more simply: does it allow GC to support more clubs with better knowledge, less improvisation and more efficient use of capital?

At first, several tasks will necessarily remain manual. It would be counterproductive to automate immediately functions that are still being learned. But every time an activity repeats, the system must be capable of extracting a method from it, preserving the acquired knowledge and progressively reducing the cost of the next repetition.

This is how the Back-End becomes a genuine capability.

The first club may require many direct interventions. The second should benefit from what has been learned. The clubs that follow should progressively be integrated through clearer procedures, more structured data and a better estimate of the resources required.

This cumulative improvement represents one of the first forms of invisible capital in the GC System.

A well-designed warranty procedure becomes an asset because it avoids reinventing the process with every incident. A Common Catalog reduces the coordination cost of all future transactions. A parts database improves diagnostics. A CRM architecture preserves relational memory. An accounting process makes it possible to compare several activities. Reliable inventory information reduces unnecessarily tied-up capital.

Each of these capabilities may appear modest when viewed individually. Their combination nevertheless profoundly changes the way the network can develop.

The minimum Back-End must specifically seek this integration.

The catalog informs orders.

Orders feed inventory.

Inventory is linked to assets and clubs.

Assets are linked to service.

Service feeds reliability data.

Data improve purchasing and warranty reserves.

Transactions feed financial information.

Financial information makes it possible to decide where the next capital should be invested.

When they function together, these relationships produce a capability superior to that of several separate tools. The whole becomes greater than the sum of its parts because each function progressively improves the quality of the others.

This integration must nevertheless remain proportional to the actual level of the network. The first Back-End should not attempt to anticipate every function that might exist ten years later. It must avoid architectural dead ends while preserving enough simplicity for capital to continue financing primarily functions that have already been validated.

This discipline also makes it possible to distinguish what must belong to GC from what can remain temporarily outsourced. An activity can be entrusted to a partner as long as that solution produces a better balance among cost, quality and flexibility. It may eventually be internalized when volume, necessary control or economics justify it.

The transition from a minimum Back-End to a more complete Back-End must therefore be triggered by observable needs: increased volume, repetition of a task, emergence of a risk, need for additional data or a demonstrated opportunity to reduce average cost through a Common Capability.

This progression protects GC against overbuilding.

It also avoids the opposite mistake of waiting until a function is already in crisis before beginning to structure it.

The Back-End must always remain slightly ahead of immediate growth, but not several Steps ahead of the economic reality of the network.

The guiding principle of this chapter can therefore be stated as follows:

the minimum Back-End of the GC System is sufficiently developed when it can properly support the commitments made to the first clubs, preserve and share essential information, organize products, inventories, transactions and service, and progressively transform local learning into Common Capabilities whose relative cost decreases as the network grows.

From this point, the system may begin to encounter a new limit. Certain functions will continue to be efficient when centralized, but others will become too distant from the field. Shipping a part, the delay of a repair, preparation of equipment or the need for technical presence may make proximity economically more important.

The next problem will therefore not be to build more central Back-End, but to determine when certain capabilities should move closer to the clubs without being unnecessarily duplicated within each one.

This is precisely the function of Chapter 32 — **The Deployment of Regional Centers**, which examines how club density, equipment volume, service requirements and distance costs can progressively justify the creation of an intermediate capability between the club and the GC Back-End.

CHAPTER 32

THE DEPLOYMENT OF REGIONAL CENTERS

32.1 The Regional Center Should Appear When Proximity Becomes Economically More Useful Than Centralization

The preceding chapter established that the first Back-End should remain sufficiently light to support the first clubs without prematurely building all the infrastructure of a mature network. This logic naturally reaches a limit. Certain functions benefit greatly from centralization because they use the same information, the same systems or the same supplier relationships for several clubs. Others become progressively less efficient as the distance between the Back-End and the field increases.

An urgent part shipped from far away, equipment immobilized for several days or a technical intervention requiring significant travel can create costs far greater than the visible transportation expense. As clubs within the same region multiply, time, distance, service delays and the quantity of assets in circulation begin to justify a capability closer to the field.

The Regional Center appears precisely at this point.

It should therefore not be considered a symbolic stage of growth or a building that GC seeks to open merely to demonstrate territorial expansion. Its creation must respond to an observable economic problem: certain Common Functions are now sufficiently used within a region that they can be performed more efficiently near the clubs than from a distant central point.

This distinction is essential. A center created too early increases fixed costs, immobilizes capital and may remain underutilized. A center created too late leaves clubs absorbing delays, transportation costs and service difficulties that can slow adoption of the system.

Regional deployment must therefore be triggered by the convergence of density, volume, distance and the need for proximity, rather than by a predetermined schedule.

32.2 Density Must Be Observed Before Defining a Region

A region should not be drawn solely from an administrative boundary or geographic map. For GC, an economic region must first correspond to a group of clubs whose proximity makes it possible to share certain capabilities frequently enough for mutualization to create real value.

Two territories of the same geographic size may present completely different regional economics. An area with several relatively close clubs, a high volume of rounds and a significant installed base of equipment may quickly justify technical capability. Another region, much larger but containing few clubs, may be better served for a long time through a combination of transportation, local partners and remote support.

Density must therefore be understood across several dimensions: number of clubs, distance among them, volume of GC products in circulation, frequency of interventions, seasonality, road accessibility, proximity to technical labor and the ability to serve several establishments efficiently from one point.

This reading also helps avoid multiplying centers too quickly. A region must be large enough to generate activity but compact enough for proximity to preserve its advantage.

The right question is therefore not: how many Regional Centers should GC own?

Rather, it is: **in which territories does the grouping of needs allow regional capacity to create more value than the solutions currently being used?**

The answer will evolve with the network. A region that does not justify a center today may do so a few years later when the number of clubs, assets and transactions has increased sufficiently.

32.3 The First Regional Center Can Be an Organized Capability Before Becoming a Complete Facility

Creating a Regional Center does not necessarily mean immediately opening a large building with a workshop, significant inventory, several employees and all the functions imagined for the future.

A progressive approach is more economically coherent.

The first regional level may consist of a technician or qualified partner, limited inventory of critical parts, common procedures and the ability to travel to clubs. Certain operations may continue to be performed by the Back-End or external suppliers while needs requiring rapid intervention are handled locally.

As volume increases, this organization can evolve toward a small service space capable of preparing products, storing more parts and performing certain repairs. Only when utilization justifies it does more complete infrastructure become relevant.

This progression reduces initial capital and, more importantly, allows GC to learn what the region actually requires before locking in its structure.

A building can be leased too large.

A workshop can be equipped for interventions that occur only rarely.

Regional inventory can immobilize large amounts of capital if requirements have been estimated incorrectly.

Conversely, a light organization can be strengthened progressively as data confirm the need.

The Regional Center should therefore be designed as an evolving capability whose physical infrastructure follows utilization rather than preceding it by several stages.

32.4 The First Regional Functions Should Be Those for Which Time and Distance Create the Greatest Cost

Not all Back-End functions benefit equally from being moved closer to the field. Data, supplier relationships, catalog governance, part of finance or certain technology developments can remain centralized for a long time without creating significant disadvantage.

Physical service operates differently.

An urgent part, a battery, a mechanical component, a diagnosis or a repair has a very concrete time dimension. When revenue-generating equipment remains unavailable, every day of delay has a cost. When the solution requires round-trip transportation over a long distance, logistics costs can quickly become disproportionate.

The first regional functions should therefore generally be those that directly reduce this cost of distance: critical parts, diagnosis, repair, preparation of certain products, technical support and eventually coordinated local transportation.

Training may also benefit from proximity when several clubs regularly need to update staff knowledge.

As the region matures, other functions can be added to this base. But the principle remains important: a center should not accumulate responsibilities simply to resemble a complete organization.

Every function added should answer a precise question:

what genuinely becomes better, faster or less expensive because this capability exists in the region rather than at the Back-End or at the club?

32.5 The Regional Center Must Be Sized According to the Actual Workload It Can Absorb

The size of the center should follow the amount of foreseeable work rather than GC's territorial ambition.

This rule may appear simple, but it becomes especially important when a company begins to have more capital available and expansion appears promising. It may be tempting to build a facility that anticipates several years of growth. Such a decision, however, transforms variable or reversible costs into fixed costs that must be supported even if density increases more slowly than expected.

Sizing must therefore begin with workload.

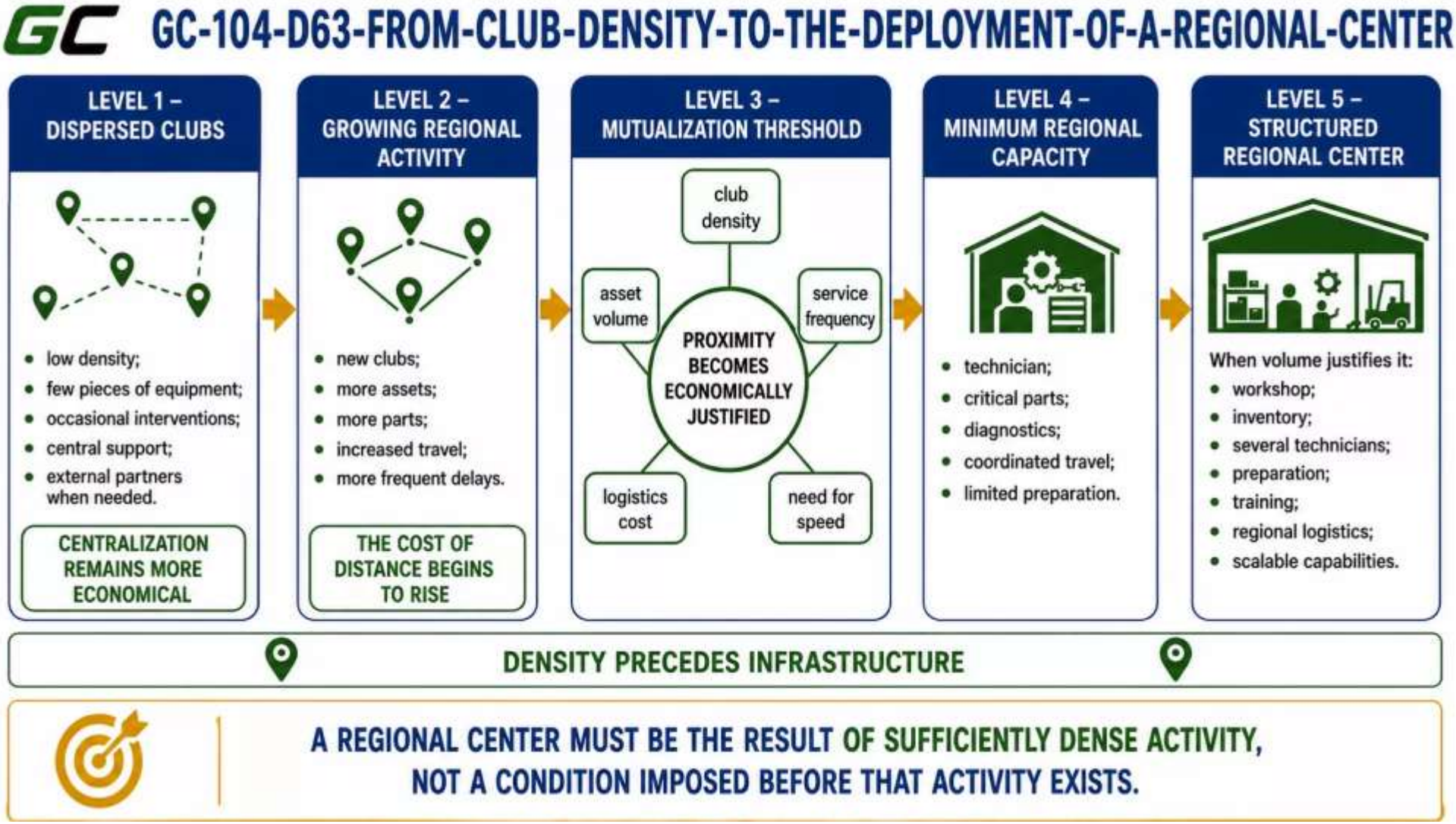
How many technical interventions are actually observed? How many units require preparation? What level of parts inventory genuinely reduces delays? How many trips can be avoided? How many clubs can one technician support while maintaining an acceptable response time?

This information makes it possible to establish an initial reference capacity.

The region can then increase its resources in stages. A second technician can be added when workload becomes sufficiently regular. A larger space can be considered when storage or preparation justifies it. New tools can be acquired when their frequency of use produces an identifiable return.

This progression maintains a reasonable proportion between the center's costs and the value it makes available to clubs.

The Regional Center must be sufficiently capable to protect service, yet sufficiently disciplined not to transform a growth possibility into permanently underutilized structure.



GC-104-D63 — FROM CLUB DENSITY TO THE DEPLOYMENT OF A REGIONAL CENTER

32.6 Location Must Reduce Total Service Time Rather Than Simply Occupy the Geographic Center

The location of a Regional Center should not be selected solely from the central point on a map. Road distance, transportation corridors, actual concentration of clubs, real-estate costs, supplier access and availability of technical personnel can make a slightly off-center location much more efficient.

The best location is the one that minimizes the total cost of the regional function.

This cost includes travel to clubs, delivery of parts, access to major roads, personnel time and the price of the facility. It may also include proximity to a labor market or useful industrial partner.

In certain regions, it may be advantageous to locate near the densest group of clubs rather than equidistant from all of them. In others, proximity to a major highway may reduce service time more than a few kilometers of difference on the map.

The analysis must therefore remain functional.

The center does not exist to represent GC geographically. It exists to reduce the cost and delay of the capabilities it provides.

This logic also allows different forms of location to be considered. A center can begin in a modest industrial space, share certain facilities with a partner or use an existing structure. Real estate must remain a means of supporting operations rather than becoming an investment objective too early.

32.7 Regional Inventory Must Prioritize Useful Availability Rather Than Accumulation

One of the first functions of a Regional Center will probably be to bring certain parts and products closer to clubs. This proximity can significantly reduce delays, but it also introduces a risk: duplicating inventory in several regions and immobilizing more capital than necessary.

The Regional Center should therefore not attempt to hold every possible part.

Inventory must be built according to criticality, frequency of use, replenishment time and the cost of downtime.

A small inexpensive part that completely immobilizes equipment for several days may justify permanent regional availability. An expensive component used very rarely may remain centralized and be shipped when a need is confirmed.

Service data should progressively improve this allocation.

The network can identify frequently used parts, seasonal failures and regional differences. A center located in a region where certain equipment is highly concentrated will not necessarily need the same inventory as another.

This collective intelligence can allow GC to maintain a higher service level with less capital than if every club were required to maintain its own reserves.

Regionalization then creates an economy of proximity without unnecessarily reproducing inventories at every level.

32.8 The Regional Center Must Have Its Own Sufficiently Understandable Economics

Chapter 20 established that the Regional Center must create more value than structure. During actual deployment, this principle must be translated into indicators simple enough to determine whether the region is functioning as expected.

The center will have direct costs: personnel, space, tools, transportation, inventory, insurance, technology and administration. In return, it may produce service revenue, certain commissions or other contributions depending on the functions assigned to it. More importantly, it may create less immediately visible savings: shorter delays, lower long-distance transportation, less downtime and better sharing of resources.

Economic analysis must combine these two dimensions.

A center does not necessarily have to demonstrate its value solely through autonomous accounting profit. Part of its justification may come from savings generated for clubs and the Back-End. But that value must be sufficiently identifiable to prevent a loss-making structure from being maintained indefinitely in the name of benefits that cannot be observed.

GC should therefore seek to track several questions: how much does regional capacity cost? What volume does it support? Which delays does it reduce? Which transportation costs does it avoid? What revenue or contribution does it produce? How much capital does it immobilize?

The answers should become increasingly precise as the center matures.

This discipline prevents regionalization from becoming an institutional expense that is difficult to reassess.

32.9 Regional Personnel Must Be Selected for Their Ability to Solve Functions, Not to Reproduce an Organizational Chart

A small Regional Center should not reproduce every Back-End department in miniature. Its personnel should be built around the functions actually required by the territory.

During the first stages, a versatile person with technical skills, a strong ability to communicate with clubs and good knowledge of GC procedures may be more useful than a structure composed of several highly specialized but underutilized roles.

As volume grows, specialization can increase.

Certain people may focus on diagnosis and repair, others on preparation, logistics or training. This evolution must nevertheless follow real activity.

The Regional Center must also remain integrated into the network's common knowledge. A regional technician should not become the isolated holder of knowledge that disappears when that person leaves the organization. Diagnostics, solutions and improvements must feed the Back-End and become accessible to other regions.

Training must therefore work in both directions.

The Back-End transmits procedures, updates and accumulated knowledge.

The center returns field observations, new problems and locally discovered solutions.

This circulation transforms regionalization into an extension of the system's intelligence rather than a fragmentation of it.

32.10 Service Levels Must Be Defined Before Expectations Become Uncontrollable

Proximity naturally creates expectations. When a Regional Center exists, clubs may assume that a part will be immediately available or that a repair can be completed the same day. GC must therefore define sufficiently clearly what the regional capability can actually promise.

Not every problem requires the same level of urgency.

A unit immobilized during a high-demand period may justify a rapid response. A non-critical repair on secondary equipment can be scheduled differently. A rare part may require transfer from the Back-End even if a center exists in the region.

Service levels must therefore be proportional to criticality and available resources.

This clarity protects both the club and the center. It prevents every request from being treated as an emergency and makes it possible to size the team and inventory more precisely.

As the network accumulates experience, actual response times can be measured and compared with objectives.

Service level then becomes an economic indicator: improving response time has a cost, but excessively long delays can also reduce revenue or club confidence. The right target must seek a balance between these two dimensions.

32.11 Regional Deployment Must Preserve a Common Foundation While Respecting Territorial Differences

Regions will not all present the same conditions.

The golf season, club density, distances, personnel availability, real-estate costs and types of products used may vary considerably. It would therefore be inefficient to impose exactly the same physical and economic structure on every center.

The Common Foundation must cover the elements that protect network integration: safety procedures, data, traceability, warranty, financial rules, technical standards, product identity and communication mechanisms with the Back-End.

Around this foundation, regional adaptation must remain possible.

A dense region may justify a significant workshop. A less dense region may function for a long time with a small parts depot and a mobile team. A highly seasonal region may use more temporary resources. Another may integrate certain preparation or assembly functions earlier because volume justifies them.

This flexibility preserves coherence without turning standardization into rigidity.

The Regional Center must be recognizable as a component of the same GC System, but it does not need to be physically identical to all the others.

32.12 Several Regional Centers Must Form a Network, Not a Series of Small Isolated Companies

When GC begins operating several Regional Centers, a new risk will appear: each center could progressively develop its own procedures, inventories, methods and supplier relationships until it becomes almost independent.

Such an evolution would destroy a significant portion of integration value.

Regionalization should bring certain functions closer to the field while preserving the Common Capabilities that give the network its coherence. Data, the catalog, traceability, warranty policy, major supplier relationships and financial principles must remain sufficiently shared.

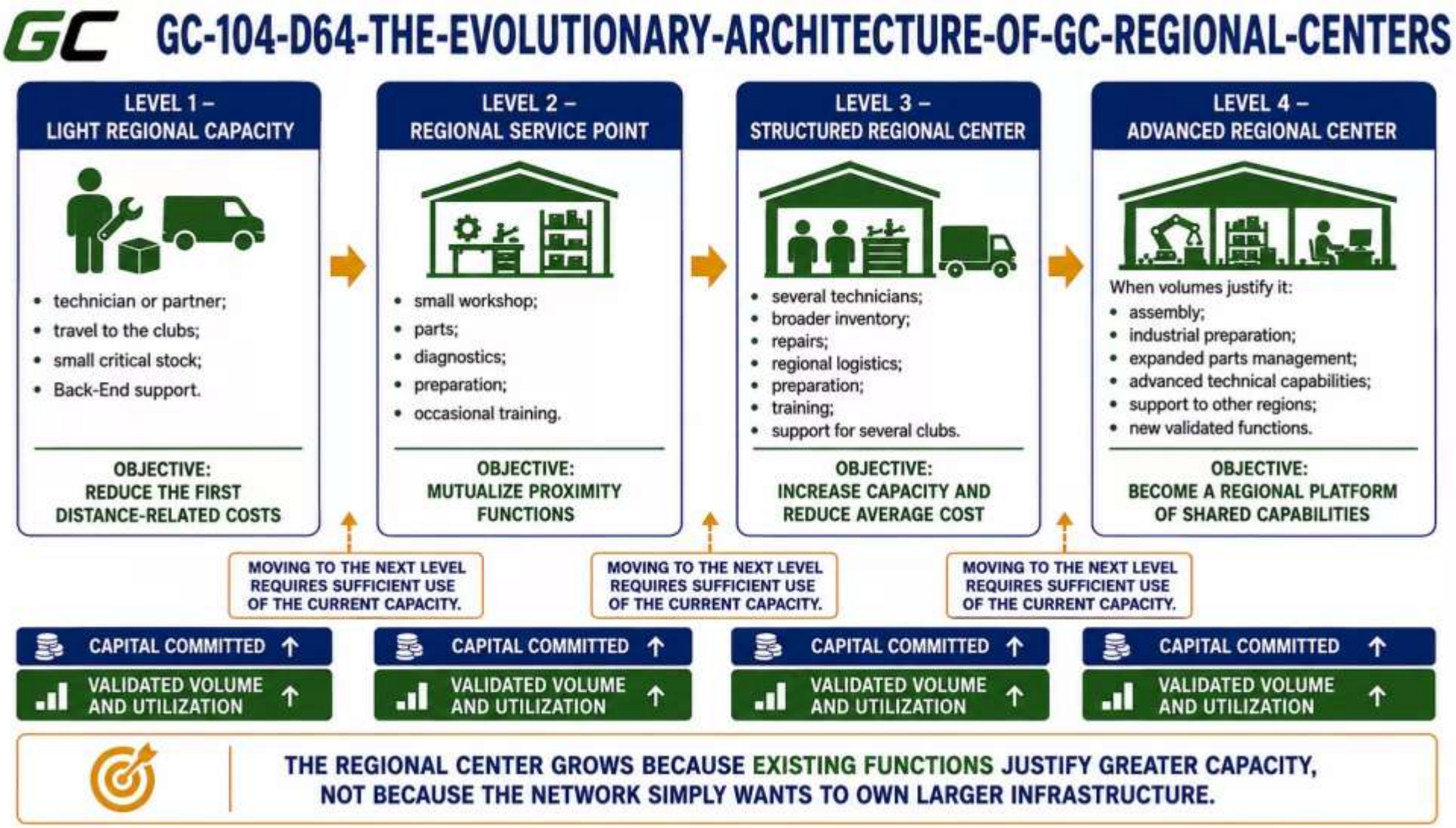
The centers must also be able to support one another.

A part available in one region may sometimes be transferred to another more quickly than from the Back-End. Technical expertise developed in one center can serve several territories. A period of high activity in one region may be temporarily supported by neighboring capacity when economically appropriate.

This cooperation prevents every region from having to protect itself against every risk by duplicating resources.

The regional network must therefore be designed from the beginning as an interconnected set of capabilities rather than simply a division of territory into independent zones.

This is precisely what allows regionalization to increase resilience without sacrificing economies of scale.



GC-104-D64 — THE EVOLVING ARCHITECTURE OF GC REGIONAL CENTERS

32.13 Moving From One Regional Level to the Next Must Be an Investment Decision

When an initial regional capability is functioning properly, moving to a larger structure may seem natural. Yet every evolution must be treated as a new investment rather than the automatic continuation of the previous one.

A small service point may be highly effective precisely because its costs are low and its functions correspond well to current needs. Enlarging it before additional volume exists could weaken its economics.

Before moving to another level, several questions must therefore be examined. Is current capacity regularly close to its limit? Are delays increasing? Are additional clubs creating sufficient demand? Would a new function reduce an already observable cost? Would the future infrastructure be sufficiently utilized during a large part of the season?

Capital must be committed on the basis of these observations.

This approach directly reflects the discipline established in Chapter 28. The Regional Center is not exempt from allocation rules simply because it is considered strategic. On the contrary, its strategic nature requires additional attention because physical infrastructure quickly transforms flexible capital into costs and assets that are more difficult to modify.

Regionalization must therefore continue to respect the principle **validate before accelerating**.

Each level must sufficiently prove its value before the next level is financed.

32.14 The Regional Center Directly Illustrates Why the Whole Can Become Greater Than the Sum of Its Parts

The Regional Center is one of the most concrete examples of the founding principle of the GC System.

Taken separately, several clubs can each keep a few parts, search for a repair technician, organize transportation and train their personnel. Individually, these solutions may work, but they often reproduce the same costs and the same uncertainties.

When Regional Capacity is shared, the same resources can support several establishments.

A critical part can be available nearby without every club having to own one.

A specialized technician can develop sufficient experience because that person works on a regional fleet rather than a few isolated units.

An expensive diagnostic tool can become economically justified when it serves several clubs.

Training can be organized for a group rather than rebuilt separately.

Experience gained from a failure at one club can immediately improve the response at all the others.

The value of the center therefore does not simply correspond to the sum of the services it invoices. It appears in the additional capacity created through the mutualization of the needs of several clubs.

The regional whole becomes greater than the sum of its parts when the presence of several clubs makes possible capabilities that each would have difficulty financing or using sufficiently on its own.

This value increases further when the centers themselves are connected to the Back-End and to one another. Knowledge developed in one region can benefit all the others. Better reliability data can change the choice of a part at network level. A faster repair method can become a new common procedure.

The Regional Center therefore transforms local proximity into collective learning.

But this principle also imposes a requirement: if a Regional Function creates no advantage through mutualization, it must be reassessed. Simply moving a task from the Back-End to a region does not automatically create value. Regionalization is justified only when proximity and sharing genuinely improve system capacity.

32.15 The Regional Network Is Sufficiently Mature When It Reduces Economic Distance Without Fragmenting the System

The deployment of Regional Centers represents a major change in GC architecture. Until this stage, the system relies primarily on Partner Clubs and a Common Back-End. Regionalization adds an intermediate level that can considerably improve service, but can also introduce new costs and complexity if not built with discipline.

The success of the model therefore depends on its ability to solve two problems simultaneously.

The first is distance.

Clubs must benefit from faster access to parts, diagnosis, repairs, preparation and certain capabilities. Delays must decrease, downtime must be reduced and local functions should no longer depend on unnecessary transportation to a distant central point.

The second is coherence.

By bringing capabilities closer to the field, GC must not create several regional systems that gradually stop sharing the same rules, data and knowledge.

These two objectives must progress together.

The center must have enough operational autonomy to respond rapidly to the needs of its territory while remaining sufficiently integrated for its activity to strengthen the network as a whole.

This relationship can be summarized through a three-level architecture:

CLUB — PROXIMITY AND LOCAL OPERATIONS

REGIONAL CENTER — MUTUALIZATION OF FIELD CAPABILITIES

GC BACK-END — COHERENCE, DATA AND COMMON CAPABILITIES

None of these levels should seek to replace the other two.

The club knows the field and the relationship with the golfer.

The center transforms regional density into shared capacity.

The Back-End organizes the functions that benefit from remaining common across the entire network.

When this allocation functions properly, each level allows the others to concentrate more fully on what they do best.

The club does not need to build its own complete technical expertise.

The center does not need to rebuild its own information architecture or manufacturer relationships.

The Back-End does not need to move central capacity for every local intervention.

The system then becomes more productive because responsibilities are distributed according to where they create the greatest value.

This specialization must not, however, become rigid. A function may change level as the network matures. Certain operations initially performed by the Back-End may be regionalized when volume justifies it. An activity performed regionally may be automated or recentralized if technology makes that solution more efficient.

The architecture must preserve this capacity to evolve.

The guiding principle of the chapter can therefore be stated as follows:

a GC Regional Center deserves to be deployed when the density of clubs and activities makes proximity sufficiently productive to reduce costs, delays and duplication, while maintaining sufficiently strong integration with the Back-End so that regional knowledge, data and capabilities strengthen the network as a whole.

This definition shows that the Regional Center is not an administrative step between the club and GC. It is an economic response to the emergence of density.

When several clubs begin to share enough needs for the same capability to serve them, the region becomes a new economic unit of the system.

This change directly prepares the next question. The more the network deploys products, parts, Regional Centers and clubs, the more important the physical circulation of assets becomes. Poor logistics architecture can immobilize enormous amounts of capital even when the regional structure itself is well designed.

Chapter 33 — **Inventories, Logistics and Growth Capacity** will therefore examine how the GC System can maintain the availability required for its development without allowing increasing inventories, transportation and storage needs to absorb a disproportionate share of its capital. It will explore how network visibility, central, regional and local levels, and turnover speed can transform logistics into a growth capability rather than a financial constraint.

CHAPTER 33
INVENTORIES, LOGISTICS AND GROWTH CAPACITY

33.1 The Physical Growth of the Network Quickly Turns Inventory Into a Strategic Issue

As the GC System moves from a few Pilot Clubs to a more structured network, inventory ceases to be merely a warehousing issue. It gradually becomes one of the main places where capital, service, logistics and growth capacity intersect. Every product ordered before being sold, every part kept to reduce repair time and every unit in transit ties up a portion of the system's financial resources. When volumes are still low, these amounts may appear relatively easy to absorb. As they increase, however, poor inventory management can consume a considerable share of the available capital.

This reality is particularly important for GC because the economic model does not rely solely on digital goods or immediately reproducible services. Part of the network's capabilities will necessarily be physical: Cruisers, other products, parts, batteries, service equipment, accessories and, eventually, components intended for assembly or manufacturing. The growth of the network will therefore generate a parallel increase in physical flows that will need to be financed, moved, stored, prepared and made available in the right place.

The objective should not be to reduce inventory to a minimum. A network unable to quickly provide a critical part or a requested product may lose revenue, increase downtime and reduce club confidence. The real question is how to maintain the required level of availability with the least amount of capital reasonably tied up.

This search for balance turns inventory into a strategic capability. Too little stock weakens service. Too much stock weakens cash flow. The quality of the logistics architecture lies precisely in avoiding these two extremes.

33.2 Availability and Stock Quantity Are Not the Same Thing

A company can hold a large amount of inventory and still be unable to quickly supply what the network actually needs. This situation arises when capital is tied up in the wrong products, the wrong parts, the wrong regions or the wrong versions.

The relevant indicator should therefore not be limited to the total value of inventory. Its usefulness must also be understood.

A frequently used part that can completely immobilize equipment may justify very high availability. Conversely, an expensive component that is rarely replaced and can be delivered quickly from a central point may not require several copies in every region.

The same reasoning applies to products intended for sale. Holding a large number of units that do not correspond to actual demand does not create commercial capacity; it ties up capital. A smaller quantity, better aligned with orders, the season and club profiles, may create better economic availability.

The GC System must therefore learn to distinguish physical stock from functional availability.

Functional availability is the ability to provide the right resource, in the right place and at the moment when it is genuinely needed. This capability depends on inventory, but also on visibility, transportation speed, parts standardization, forecasting and regional organization.

Well-structured logistics can sometimes provide a better level of service with less inventory than a poorly coordinated network holding more stock.

33.3 Inventory Visibility Must Precede Its Optimization

Before attempting to reduce or redistribute inventory, GC must know with sufficient accuracy what actually exists throughout the network.

This visibility becomes more difficult as products are distributed among a central warehouse, several clubs, Regional Centers, units in transit, assets under repair and goods already reserved. Accounting information alone is not always sufficient to understand what is truly available.

The Back-End must progressively be able to distinguish several statuses: available, reserved, sold, in transit, assigned to a club, under repair, immobilized, returned or intended for another function. For certain assets, individual tracking by serial number will be essential. For others, management by quantity or batch will be sufficient.

This visibility immediately improves decision quality.

Before ordering new parts, the system can check those available in a neighboring region. Before purchasing additional volume, it can observe what is already located at clubs and what is actually being used. Before declaring a product unavailable, it can determine whether a unit could be transferred from another point in the network.

Logistics data then becomes a partial alternative to additional physical inventory.

The more precisely GC knows where its resources are and what condition they are in, the less it needs to protect itself against uncertainty by keeping excessive safety stocks at every level.

33.4 The Three-Level Architecture Must Allocate Inventory According to Function

The structure of the GC System makes it possible to allocate inventory among three main levels: the Back-End, Regional Centers and clubs. This architecture should not result in reproducing the same inventory at every level.

The Back-End can keep products or parts for which demand is relatively low, whose value is high or which can be efficiently distributed to several regions. It can also manage certain strategic stocks intended to absorb major variations in demand or supplier problems.

The Regional Center should primarily bring closer to the field those resources for which response time creates significant value. It can hold critical parts, certain consumables, certain commonly used products and the equipment required to support its territory.

The club, for its part, should generally keep the items required for immediate daily operations, without becoming a small independent warehouse that must anticipate every possible failure on its own.

This division makes it possible to seek a balance between centralization and proximity.

The more expensive, rare and easily transportable a product is, the more attractive centralization may be. The more critical, frequently used and inexpensive a part is, the more its presence close to the field may be justified.

The network must therefore position inventory according to the cost of holding it, the cost of a stockout and the cost of delay, rather than according to a uniform rule.

33.5 Critical Parts Must Be Managed Differently From Ordinary Parts

Not all components of a product have the same economic importance.

A low-value part can cause a complete interruption when it is essential to operation. Conversely, a more expensive component may sometimes be temporarily replaced or wait a few days without major consequences.

Criticality must therefore complement analysis based on price or frequency of use.

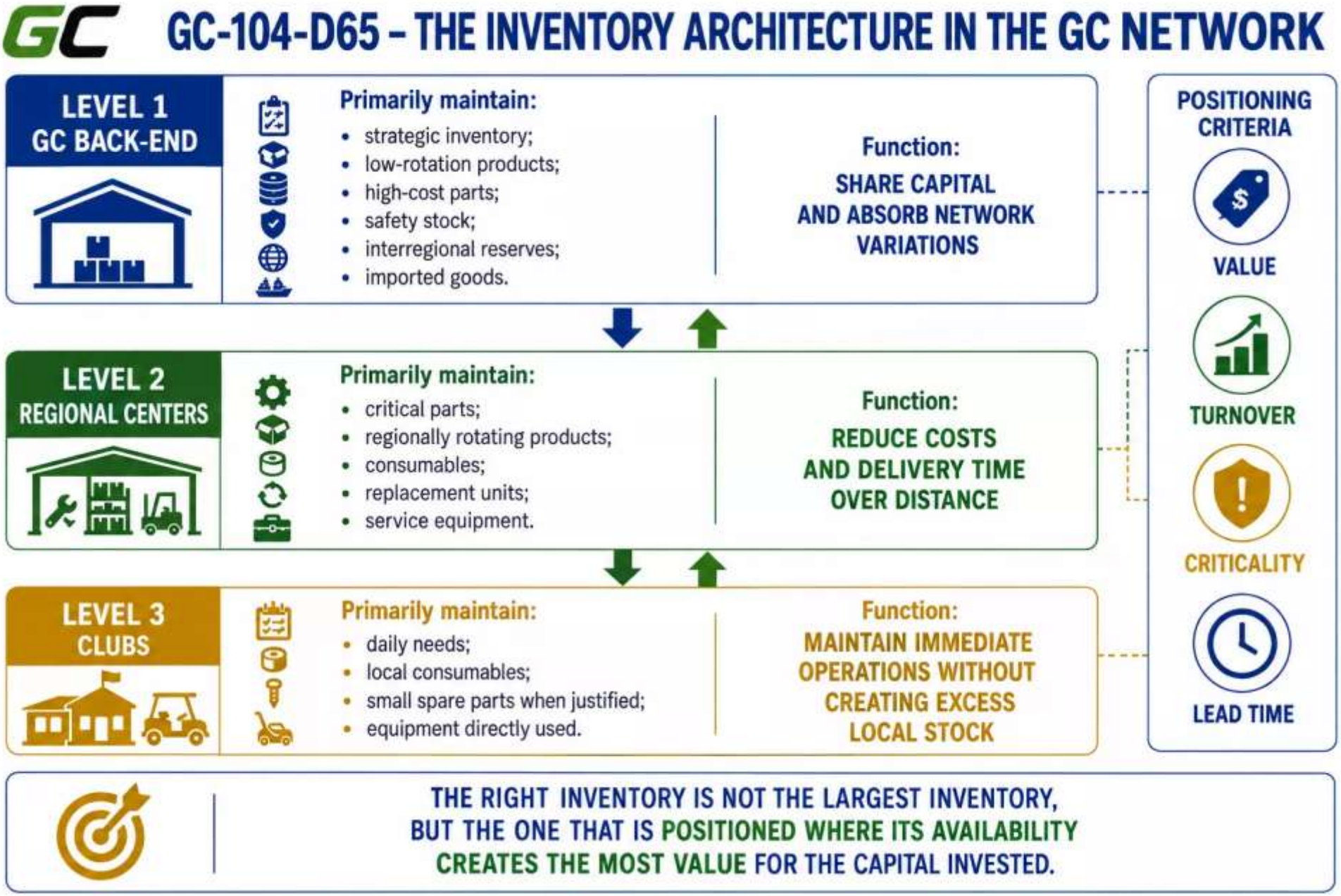
For each product family, GC can progressively identify the components whose absence produces the greatest consequences: equipment completely immobilized, safety problems, significant loss of revenue or inability to return the product to service within an acceptable period.

These parts deserve a specific availability strategy.

Some may be kept in every Regional Center. Others may be distributed among a few centers in order to cover several territories. Some may require a central safety stock.

Service data must make it possible to adjust this architecture over time. A part initially considered critical may prove extremely reliable. Another may emerge as a recurring cause of downtime and justify an increase in inventory or a modification to the product.

The network must therefore evolve its inventories according to actual reliability experience rather than relying only on the supplier's theoretical recommendations.



GC-104-D65 — THE INVENTORY ARCHITECTURE OF THE GC NETWORK

33.6 Turnover Directly Transforms Inventory Into Growth Capacity

Two companies holding the same average inventory value can support very different volumes if one moves that inventory more quickly than the other.

Inventory turnover is therefore a fundamental measure of capital productivity.

Inventory that is purchased, sold and replaced several times during a year allows the same capital to participate in several revenue cycles. A product that remains in a warehouse for twelve or eighteen months ties up the same amount for much longer.

This difference becomes particularly important when the network is growing quickly. A relatively small improvement in turnover can release a considerable amount of capital when applied to several million dollars of products.

The search for better turnover should not, however, lead to frequent stockouts. The system must maintain a sufficient margin to absorb supplier lead times and normal variations in demand.

The objective is rather to reduce what does not create value: over-ordering, duplication, obsolete products, poor forecasting or stock kept "just in case" without a genuine analysis of the risk.

The network's growth capacity therefore depends not only on how much capital it can obtain, but also on how quickly it can reuse the capital already committed to inventory.

33.7 Seasonality Must Strongly Influence the Timing of Orders

Golf in several markets served by GC is highly seasonal. This characteristic transforms inventory management because needs can rise quickly before or during a relatively short playing season.

Ordering too late can create a stockout precisely when demand is strongest. Ordering too early increases the length of time during which capital remains tied up and exposes the network more heavily to changes in demand.

Planning must therefore work backward from the moment when products actually need to be available.

Manufacturing time, international transportation, customs clearance, local transportation, preparation and a reasonable margin for unforeseen events must all be included. As the network accumulates experience, these lead times should become more predictable.

This knowledge also makes it possible to better distribute orders.

Rather than automatically purchasing the entire seasonal volume at once, certain orders may be structured in several batches when supplier lead times and conditions allow it. This approach reduces the risk of excess inventory, but must be compared with volume savings and transportation costs.

The best decision therefore depends on total cost.

A larger order may obtain a better unit price but tie up more capital. A smaller order may reduce inventory risk while increasing logistics costs.

The role of the Back-End is to find the best economic balance among purchase price, turnover, availability and seasonal risk.

33.8 Supplier Orders Must Progressively Be Linked to Observed Network Demand

During the first Steps, a significant portion of purchasing will necessarily be based on estimates. The network does not yet possess enough history to forecast demand precisely.

This uncertainty should decrease over time.

Reservations, previous sales, local inventory levels, new club projects, seasonality and utilization data can progressively feed procurement decisions.

The system must therefore move from a primarily intuitive logic toward one in which orders are based on a combination of commercial knowledge and operational data.

This does not mean that an algorithm should replace judgment. Certain opportunities, new products or exceptional events will continue to require human decisions. But judgment becomes stronger when it is supported by common information.

This evolution also reduces the risk of overgrowth.

Strong demand expressed verbally by several clubs may appear to justify a large order. When intentions are converted into pre-orders, deposits or more precise commitments, the actual level of demand becomes much clearer.

The system should therefore seek to align the network's purchasing commitment as closely as possible with the market's actual commitment.

33.9 Products in Transit Must Be Treated as an Integral Part of Inventory

Goods do not stop tying up capital simply because they are on a ship, train or truck.

In an international supply chain, a significant portion of inventory may remain in transit for several weeks. The Back-End must therefore include this quantity in its view of future availability.

Poor visibility over goods in transit can lead to duplicate orders or, conversely, to a stockout when an expected delivery is delayed.

Logistics must provide enough information to understand what has been produced, what has left the supplier, where the shipment is located and when it should reasonably become part of available inventory.

This knowledge also improves cash-flow forecasting, since payments, duties, taxes, transportation and receipts can be anticipated more accurately.

Physical capital must therefore be tracked throughout its entire journey between the supplier and the final user, not only once it enters a GC warehouse.

As volumes increase, this visibility will become an essential condition for coordinating procurement, sales and finance.

33.10 Logistics Cost Must Be Analyzed Across the Entire Chain

The price of the main transportation leg is only one part of logistics cost.

A product may move from the supplier to a port, be transported internationally, cleared through customs, placed in a warehouse, prepared, moved to a Regional Center and then delivered to the club. Each of these stages has a cost and may also create waiting time, handling or risk of damage.

The analysis must therefore consider the cost of making the product **available**, rather than freight cost alone.

This perspective may change certain decisions. A slightly more expensive transportation method may be economically preferable if it significantly reduces lead time and the amount of inventory required. Conversely, a very fast option may be unnecessary for products whose demand is perfectly predictable several months in advance.

The right choice depends on the relationship among speed, cost and the value of tied-up capital.

Logistics thus becomes an economic function in its own right. It should not seek only the cheapest transportation, but the most favorable total cost for maintaining network availability.

This distinction becomes increasingly important as the number of products and regions grows.

33.11 Transfers Between Regions Can Reduce the Network's Total Inventory

When a network has several Regional Centers, the simplest way to protect each region against stockouts is to provide each one with a large safety inventory. This approach quickly becomes expensive.

Another solution is to allow transfers between regions.

If a rare part is available in one region and temporarily required in another, the system may sometimes be able to move it more quickly than it could obtain a new one from the supplier. This capability reduces the need to keep several copies of every part in every center.

The same logic can apply to certain products or replacement assets.

For this mechanism to work, inventory visibility must be shared and ownership of stock must not create unnecessary administrative barriers. The network must be able to consider all of its resources before concluding that a new order is necessary.

This architecture increases the productivity of capital already present.

It also illustrates very concretely the principle that **"The whole is greater than the sum of its parts."** Several isolated centers must each protect themselves against uncertainty. Several centers connected through common information and transfer capacity can share part of that protection.

The value of the network then lies less in the total quantity of inventory than in its collective ability to use what already exists.

33.12 Obsolescence Must Be Addressed Before It Turns Inventory Into a Loss

Every inventory carries a risk of obsolescence.

A product may be replaced by a new version, a component may be modified, a supplier may discontinue a model or demand may simply decline. A part that has accounting value today may become difficult to use or sell a few years later.

The risk is particularly important when the network grows quickly and the first generations of products are still evolving.

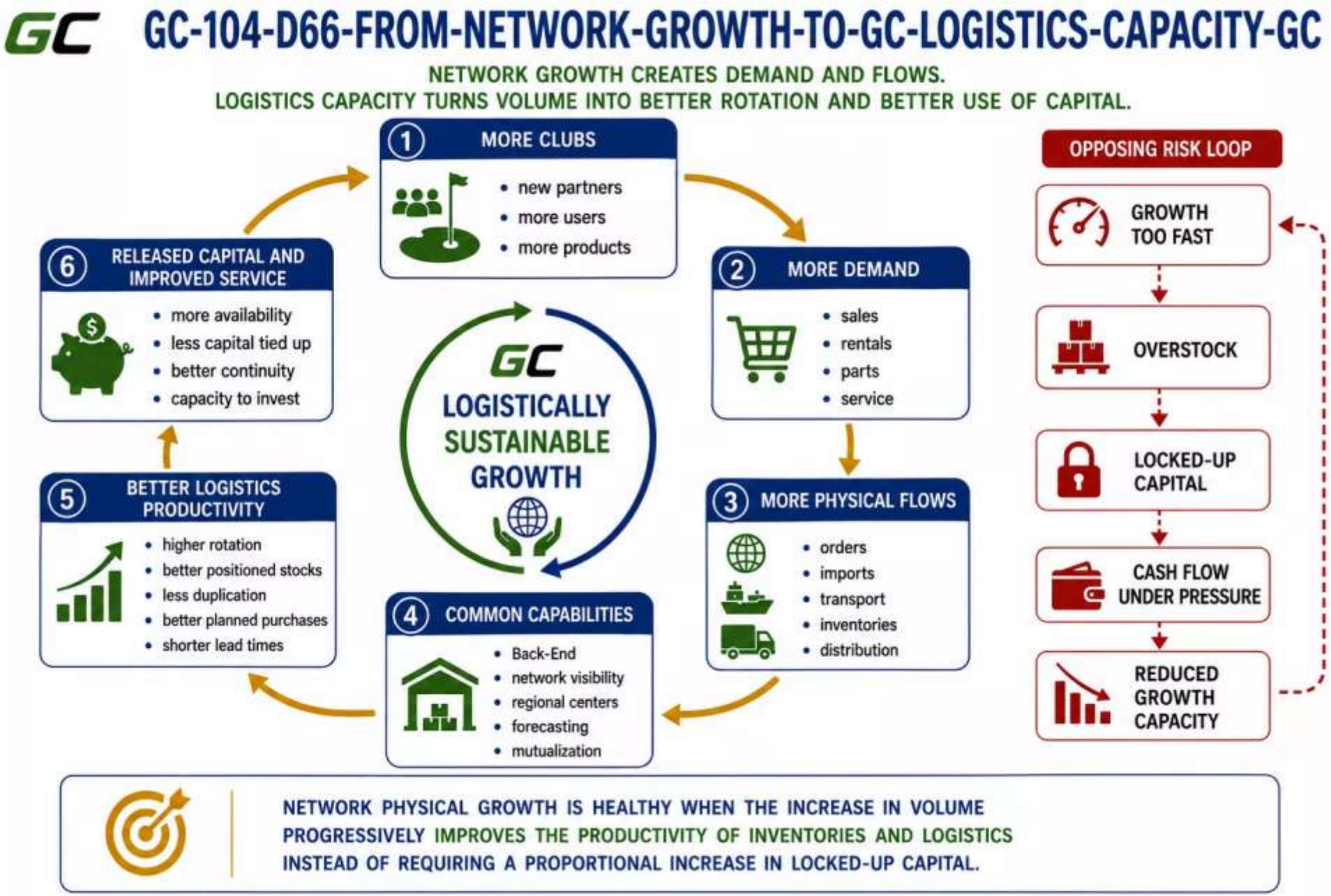
GC must therefore monitor the age and turnover of inventory.

Items that no longer move should be identified early enough to allow a decision: price reduction, transfer, use as a replacement part, return to the supplier, second life or withdrawal.

Keeping inventory indefinitely simply because it still carries an accounting value does not protect capital. It only delays recognition of the problem.

The discipline consists in accepting that part of the industrial and commercial learning process may produce certain inventory losses, while seeking to progressively reduce them through better data and greater standardization.

Inventory should be considered a productive asset as long as it has a reasonable probability of contributing to a future function.



GC-104-D66 — FROM NETWORK GROWTH TO GC LOGISTICS CAPACITY

33.13 Logistics Automation Must Begin Where Repetition Creates Errors or Consumes Too Much Time

At low volume, several logistics decisions can be handled manually. A person can check inventory, prepare an order or track a shipment. This method becomes less reliable as the number of references, clubs and movements increases.

Automation must nevertheless follow the maturity of the function.

A complex warehouse-management system is not automatically necessary during the first deployment. But certain simple functions may quickly justify automation: minimum-stock alerts, serial-number tracking, order generation, receipt reconciliation or shared visibility among centers.

Technology must reduce repetition and errors without distancing those responsible from understanding how the function actually works.

Automating a poor replenishment rule can accelerate poor ordering. The logic must therefore be understood before it is entrusted to the system.

As volume increases, automation can then become more sophisticated: forecasting, redistribution among regions, purchasing recommendations or optimization of certain stock levels.

The objective remains the same as for the Back-End as a whole: use technology to increase the productivity of a function that is already understood, not to conceal a function whose economics remain uncertain.

33.14 Logistics Must Progressively Become a Network Economy

When the first clubs are deployed, logistics still largely resembles a succession of individual shipments. A product is ordered, delivered, prepared and then sent to a club. This approach may be sufficient during the first Steps.

As the network grows, another economy must appear.

Several orders can be grouped. Transportation can be better planned. Regional Centers can consolidate certain deliveries. Supplier volumes can improve purchasing and freight conditions. Visibility over demand can reduce urgent shipments. Common parts can support several product families.

Logistics then ceases to be only a cost associated with each transaction and begins to become a Common Capability of the network.

This evolution is particularly important because it allows volume to produce something other than a simple increase in requirements. The network begins to use its size to reduce certain average costs and improve availability.

This is another manifestation of the principle **“The whole is greater than the sum of its parts.”**

Ten clubs ordering independently can create ten processes, ten forecasts and several safety stocks. The same clubs connected through a common logistics architecture can group certain orders, share information, use the same regional reserves and reduce part of the duplication.

Value therefore appears in the coordination of flows, not simply in the number of products transported.

33.15 Growth Capacity Depends on the Ability to Move More Value Without Tying Up Proportionally More Capital

Inventory and logistics become truly strategic when GC begins to understand that they partly determine the maximum speed at which the network can grow without placing excessive pressure on cash flow.

A company that doubles sales but must double or triple its average inventory to support that growth can quickly become dependent on new lines of credit or new equity financing. Conversely, an organization capable of increasing volume while improving turnover and coordination can support part of that growth with the capital it already possesses.

This difference is considerable.

The logistics capacity of the GC System should therefore not be measured solely by the number of units a warehouse can receive or ship. It should be evaluated according to the amount of economic value the network can circulate for every dollar tied up in inventory and every dollar devoted to transportation and handling.

This productivity results from several decisions already addressed in this chapter: better visibility, positioning inventory according to function, regional mutualization, faster turnover, order planning, parts standardization and progressive use of data.

Each of these improvements may appear relatively modest when examined separately. Together, they can profoundly change the amount of capital required for growth.

A network capable of knowing its inventory precisely can transfer a part rather than repurchase it.

Good forecasting can avoid an excessive order.

Better turnover can finance more sales with the same working capital.

A Regional Center can reduce duplicated inventory within clubs.

Greater parts standardization can allow the same inventory to support several products.

A better-structured supplier relationship can bring payment closer to the moment when the goods begin generating revenue.

These mechanisms interact.

This is precisely why the logistics whole can become greater than the sum of its parts. Value does not come simply from a better warehouse, a better carrier or better forecasting considered separately. It appears when information, procurement, Regional Centers, clubs and finance use the same architecture to move resources with less duplication and greater precision.

This integration must nevertheless remain disciplined.

The search for efficiency must not reduce inventory to the point where service becomes fragile. The cost of a stockout can be much higher than the cost of a reasonable safety stock. Conversely, fear of a stockout should not automatically justify disproportionate reserves in every club and every region.

The right level must result from the knowledge progressively accumulated by the network.

As GC better understands its lead times, seasonality, product reliability and club behavior, the need to protect against the unknown through additional inventory should decrease. Information then becomes a genuine partial substitute for capital.

This evolution represents an important sign of maturity.

At the beginning, GC may need to maintain greater margins because several variables remain uncertain.

Later, better knowledge may allow the system to operate with more precise levels and greater turnover without reducing service quality.

Logistics then becomes not only more efficient, but more intelligent.

The guiding principle of the chapter can therefore be stated as follows:

the logistics capacity of the GC System is sufficient when the network can increase its volumes while maintaining the required availability, positioning inventory according to function, progressively accelerating turnover and preventing tied-up capital from increasing as quickly as the activity it supports.

This mastery prepares an important new Step in the development of the system.

When volumes become sufficiently large, GC can begin asking whether certain operations currently performed by its suppliers should gradually be brought closer to the network: preparation, assembly, component selection, quality control and eventually manufacturing of an increasing portion of the products.

The decision must not be motivated solely by the desire to become a manufacturer. It must demonstrate that additional industrial control creates more value than the investments, risks and responsibilities it introduces.

Chapter 34 — **Assembly, Industrialization and the Evolution Toward Manufacturing** — therefore examines how the GC System can progressively move from purchasing OEM or ODM products toward greater industrial control without taking this Step before volumes, capabilities and economics truly justify it.

CHAPTER 34
ASSEMBLY, INDUSTRIALIZATION AND THE EVOLUTION TOWARD MANUFACTURING

34.1 Industrialization Does Not Begin When GC Decides to Manufacture, but When Volume Justifies Greater Control

As the GC System increases its volumes, a question inevitably emerges: how far should the company continue purchasing products that are essentially designed and manufactured by external partners, and at what point does it become economically relevant to assume a larger share of assembly, quality control, component selection and eventually manufacturing?

This transition should not be interpreted as a prestige objective or as a mandatory stage that GC must reach simply because the network is growing. Becoming more involved in manufacturing increases control, but it also increases committed capital, responsibilities, required capabilities and industrial risk. The company must therefore be able to demonstrate that this additional control improves the economics and quality of the system sufficiently to justify the change.

During the first Steps, the use of OEM or ODM solutions can be particularly rational. It allows GC to test a function quickly, avoid premature industrial investments and use manufacturing capacity that already exists. This approach reduces the amount of capital required for learning and allows GC to concentrate its resources on validating the product, the clubs, service and the network.

But the same structure may become less advantageous as volumes increase. Purchase cost, modification delays, dependence on a single manufacturer, customization difficulties or limited control over certain components may progressively restrict the system's capacity.

Industrialization then becomes relevant not because GC wishes to "manufacture itself," but because the economic cost of not controlling certain functions begins to exceed the cost of progressively integrating them.

34.2 OEM, ODM and Internal Manufacturing Represent Different Levels of Responsibility

The distinction among OEM, ODM and internal manufacturing should be understood as a progression of control and responsibility rather than as three isolated categories.

In a primarily OEM relationship, GC may market or integrate into its network a product manufactured by a supplier whose platform already exists. Modifications can be made, but much of the design and industrial capacity remains with the manufacturer.

In a more advanced ODM relationship, GC may define more of the characteristics, configuration, design, certain components or functions, while the partner retains a large portion of the engineering and manufacturing.

The next stage may consist in controlling certain assembly, preparation and quality operations while continuing to purchase the main components from external suppliers. This structure already allows a significant increase in control without requiring an integrated factory.

Finally, more advanced manufacturing can lead GC to design more parts, directly select several suppliers, organize its own industrial processes and eventually manufacture certain components when doing so becomes economically justified.

This progression should not be viewed as a moral hierarchy in which internal manufacturing is automatically superior. Each level has different economics.

The objective is to place each industrial function at the level where GC achieves the best balance among cost, quality, flexibility, capital, intellectual property and strategic control.

34.3 Local Assembly Can Constitute the First True Industrial Step

Between purchasing a fully assembled product and integrated manufacturing lies an intermediate Step that is often very important: local assembly.

This approach allows GC to receive certain products or subassemblies in a less finalized form and then perform local assembly, configuration, inspection, preparation or customization operations.

The value of this stage can be multiple.

Local assembly first increases product knowledge. The organization sees more of the components, understands mechanical and electrical interfaces, identifies recurring weaknesses and gradually develops internal technical capabilities.

It also strengthens quality control. A unit can be inspected, tested and prepared before being sent to the club. Problems that would otherwise be discovered after delivery can be corrected before the product enters the operating cycle.

Assembly can also increase commercial flexibility. Certain options or variants can be added later in the process, reducing the need to keep several fully completed versions in inventory.

Finally, this Step prepares future industrialization without immediately requiring complete mastery of manufacturing.

The real value of local assembly therefore lies in its ability to create a bridge between learning about the product and progressively mastering its production.

34.4 Assembly Is Economically Attractive Only When the Value Created Exceeds the Cost Transferred

It would be easy to conclude that local assembly automatically reduces costs because part of the supplier's labor is eliminated. That interpretation would be too simple.

When an operation is transferred to GC, the costs do not necessarily disappear. They change location.

Space, tools, employees, supervision, training, quality control, component inventories, packaging, insurance and the treatment of errors must all be provided. An operation that is highly efficient at a specialized manufacturer may even cost more when reproduced at low volume in a new structure.

The decision must therefore be based on full cost.

GC must compare the price of a fully assembled product with the cost of subassemblies, transportation, local labor, infrastructure and the capital required to perform the function properly.

But direct economics are not the only element to consider. Assembly may also produce better quality, reduce certain delays, allow greater customization and accelerate industrial learning.

These benefits must be included in the analysis without being used as an abstract justification.

The proper question therefore becomes: what additional value does GC obtain by taking responsibility for this Step, and does that value justify the additional capital, cost and responsibilities?

34.5 Quality Control Can Justify Integration Even Before Manufacturing Becomes Less Expensive

One of the main reasons for integrating certain operations may be control of quality rather than an immediate reduction in unit cost.

When a product is fully manufactured, tested and packaged abroad, GC depends heavily on the supplier's control procedures. Specifications can be established and inspections requested, but part of the risk remains external.

A local stage of receiving, inspection and validation can change this relationship.

Each unit can be tested according to a GC procedure before deployment. Certain adjustments can be verified. Serial numbers can be confirmed, software or parameters can be updated, accessories can be installed and possible non-conformities can be documented before delivery.

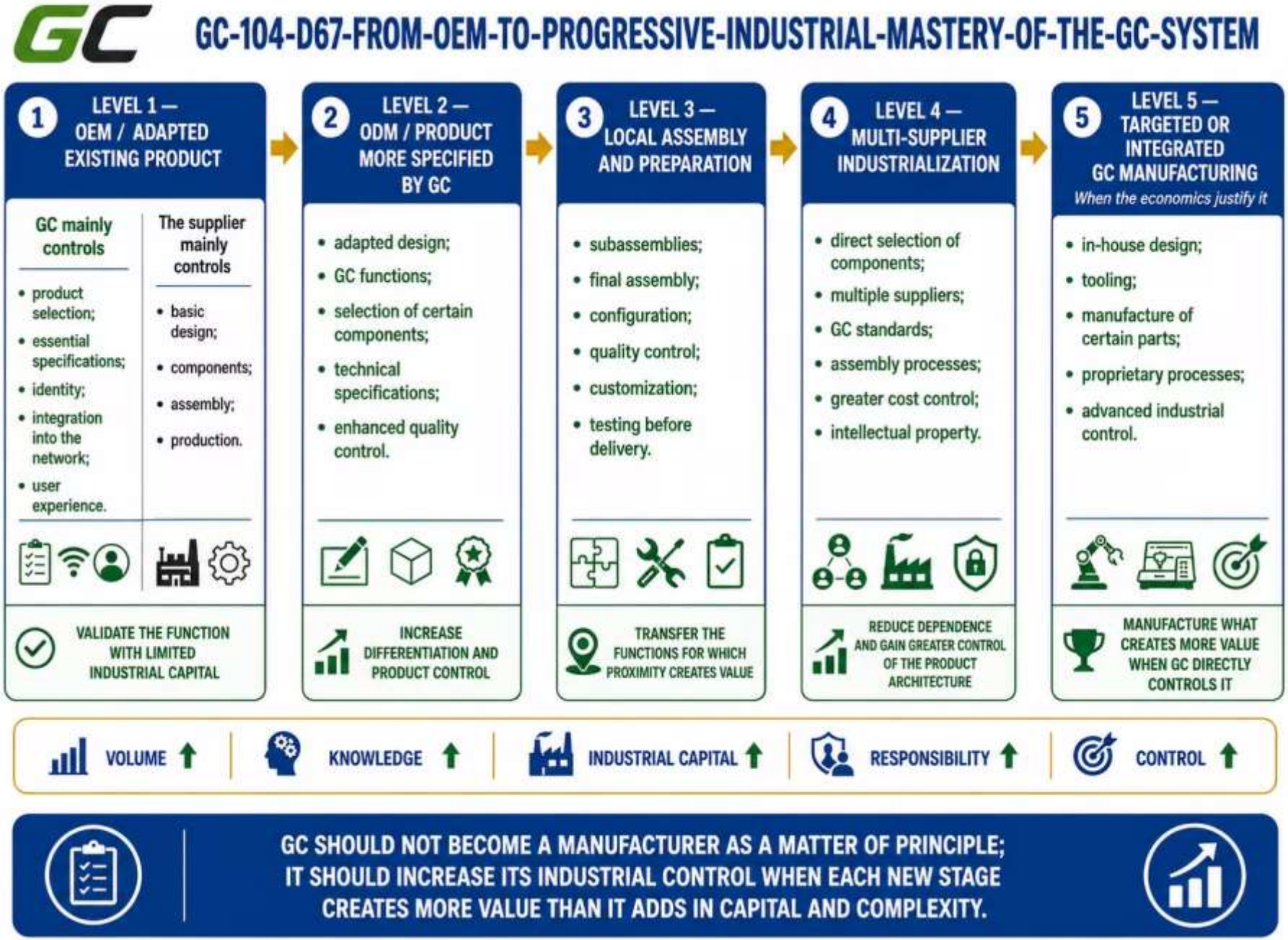
This capability also produces data.

GC can identify types of defects, compare production batches, measure changes in supplier quality and negotiate required corrections more effectively.

As volume increases, this knowledge can become very important. An improvement of only a few percentage points in the failure rate can represent considerable savings when applied to thousands of units.

Quality then becomes a measurable economic function.

Local control can therefore be justified well before GC is ready to manufacture the main components itself.



GC-104-D67 — FROM OEM TO THE PROGRESSIVE INDUSTRIAL CONTROL OF THE GC SYSTEM

34.6 Standardization Must Precede Significant Industrialization

Manufacturing becomes much more difficult when the product is constantly changing.

During the first years, several modifications may be necessary: dimensions, protections, ergonomics, connections, accessories, software, mechanical parts or maintenance procedures. This evolution is normal as long as the system continues to learn.

But significant industrialization requires greater stability.

Production tools, parts inventories, assembly procedures and quality controls become more expensive to modify as they become more structured. Investing heavily in a version that is still unstable can therefore transform normal learning into a loss of capital.

GC must seek a sufficient level of maturity before committing to major industrial equipment.

This maturity does not mean that the product will no longer change. No industrial product remains identical forever. It means rather that its main architecture is sufficiently understood for future changes to be managed as version evolutions rather than as fundamental corrections.

Standardization should focus particularly on important interfaces: dimensions, mounting points, electrical supply, connectors, service parts and other elements whose stability allows more components to be shared across several generations.

Good standardization also reduces inventory and simplifies service.

It therefore creates value well before manufacturing itself.

34.7 Component Standardization Can Create More Value Than Manufacturing Them Internally

When an organization considers industrialization, it may be tempted to focus its attention on the parts it could manufacture itself. Yet another source of value may be even more important: using more common components across several products.

A standardized battery, a controller compatible with several platforms, common mounting systems or certain shared mechanical parts can significantly reduce network complexity.

The same parts inventory can support more units.

The technician has fewer variants to learn.

Purchasing power increases.

The risk of obsolescence decreases.

Quality can be concentrated on a more limited number of references.

This approach once again illustrates why architecture matters more than manufacturing considered in isolation. GC does not need to manufacture every part to improve its industrial economics. It can already create considerable value by exercising greater control over how different parts are selected and connected.

This mastery of product architecture may eventually become one of GC's main industrial assets.

Manufacturing of certain components may come later, but standardization is often a much more important preliminary Step.

34.8 Supplier Diversification Must Reduce Risk Without Destroying Coherence

Excessive dependence on a single manufacturer can become problematic as volumes increase.

A single supplier may encounter a capacity problem, change its pricing, suffer an interruption or decide to evolve a product in a direction incompatible with GC's needs. When the company depends entirely on that source, its bargaining power and ability to respond are reduced.

Moving toward a multisupplier architecture can reduce this vulnerability.

But this transition does not mean systematically seeking several suppliers for every small component. Excessive multiplication of sources increases qualification requirements, controls, logistics and the risk of incompatibility.

GC should instead identify the strategic components for which a second source or substitution capability creates genuine resilience.

This approach becomes much easier when specifications belong more directly to GC. If the product is entirely controlled by one manufacturer, changing suppliers may require rebuilding almost the entire platform. When GC controls the interfaces and certain essential specifications, several sources can be integrated more easily.

Industrial diversification therefore depends closely on architectural control.

The more GC controls the definition of the product, the more it can choose who manufactures its different parts.

34.9 Internalization Must Be Evaluated Function by Function

The "make or buy" decision should not be made for the entire product at once.

Certain operations may be particularly well suited to internalization. Others may remain more efficient with a specialized supplier for a very long time.

A part requiring highly specialized molding technology and significant tooling investment may be better produced by a supplier even if GC becomes an important manufacturer. Conversely, an assembly, configuration or control operation that uses extensive knowledge specific to the system may be highly relevant internally.

The decision must therefore be made function by function.

For each one, GC can examine cost, volume, required capabilities, capital requirements, quality level, supplier dependence, the strategic nature of the knowledge and the possibility of creating a durable advantage.

This analysis avoids a false opposition between a manufacturing company and an outsourced company.

A mature industrial organization may manufacture certain parts, assemble certain subassemblies, purchase many standard components and entrust specialized processes to several partners.

What matters less is the proportion physically manufactured by GC than the control of the architecture, quality, cost and functions that genuinely differentiate the product.

34.10 Industrialization Requires New Capabilities That Must Be Financed Before They Become Fully Productive

The transition toward assembly and manufacturing profoundly changes the capabilities required by the organization.

A company that purchases finished products can concentrate much of its knowledge on commerce, service, the network and supplier relationships. An industrial organization must also master processes, tolerances, technical documentation, quality, change management, bills of materials, traceability, production tools and operational safety.

These capabilities do not become productive instantly.

People must be recruited or trained, procedures created, non-conformities learned and managed, and a culture different from that of a primarily commercial company must be developed.

This cost must be included in the economic analysis.

A potentially higher product margin may appear very attractive when only the supplier cost is compared with the theoretical cost of components. But this comparison is misleading if it ignores the entire organization required to transform those components into a reliable product.

Human capital therefore represents an important part of industrial capital.

GC must move progressively so that these capabilities can develop at the same time as the volumes that will finance them.

34.11 Industrial Automation Must Follow Repetition Rather Than Precede It

At low volume, many operations can be performed efficiently with simple tools, jigs and skilled labor. As repetition increases, certain tasks become good candidates for automation.

The choice must be guided by actual economics.

Specialized equipment costing several hundred thousand dollars may reduce time per unit, but it becomes attractive only when sufficient volume allows its fixed cost to be spread over enough units. Before that threshold, a more manual method may remain economically superior and, above all, more flexible.

This progression is similar to that of the digital Back-End.

A function whose process has not yet stabilized should not be automated prematurely.

An automated process produces very efficiently what it is asked to produce. If it was designed around a poor architecture, it may simply produce the wrong result more quickly.

The semi-manual work of the first stages therefore also serves a learning function. Operators discover problems, propose improvements and help stabilize the method.

Automation becomes relevant when repetition is sufficiently significant and the process sufficiently understood for the reduction in unit cost to justify the relative loss of flexibility.

34.12 Industrial Location Must Be Chosen According to the Required Ecosystem, Not Only Real-Estate Cost

When GC begins considering greater assembly or manufacturing, the location of these activities will become an important economic decision.

The cost of the building or land is only one part of the analysis.

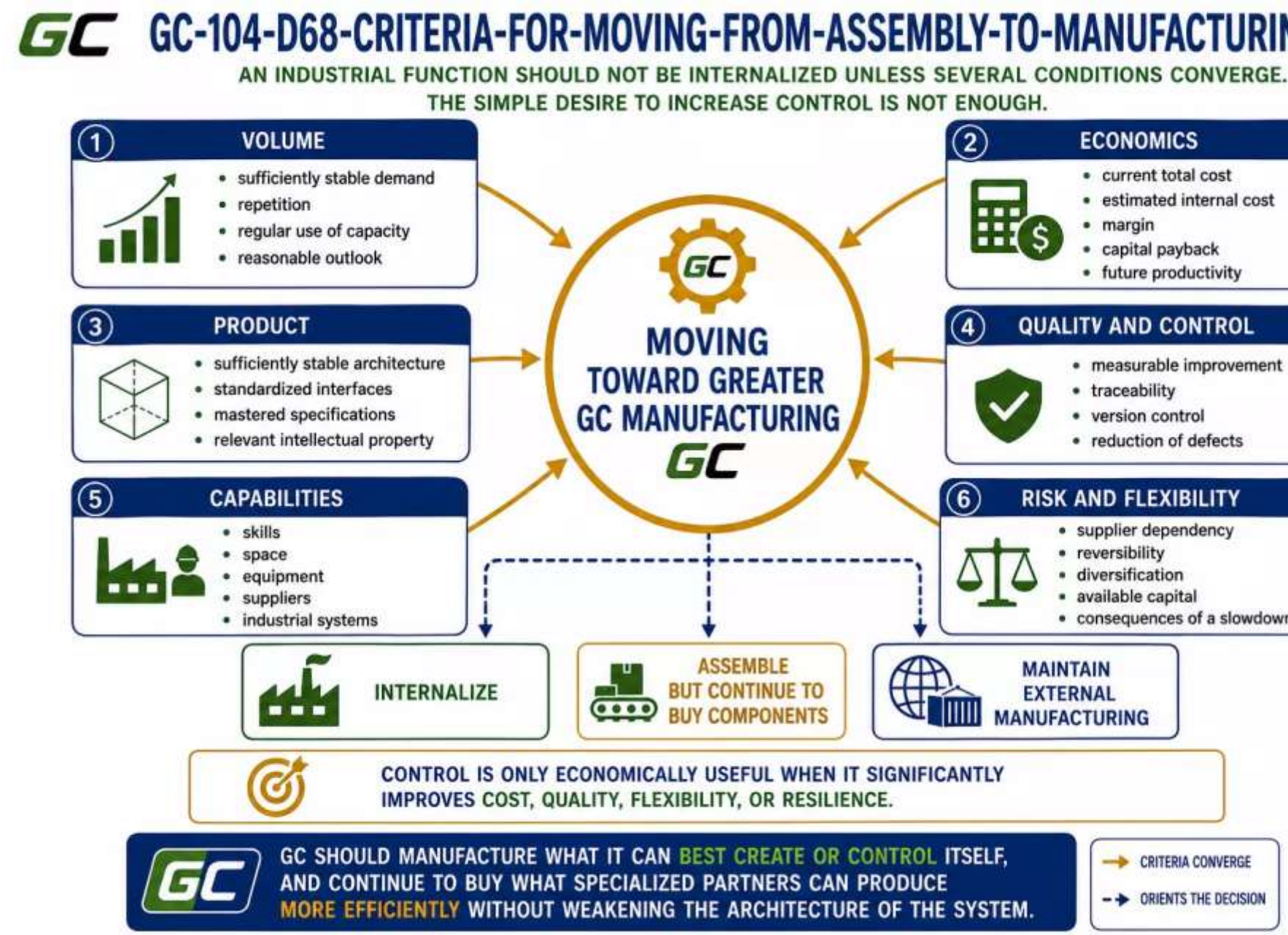
The availability of labor, access to transportation, proximity to suppliers, access to Regional Centers, energy costs, the ability to expand the facility and the presence of an industrial environment capable of providing specialized services must also be considered.

A well-connected location can reduce delays, facilitate recruitment and make it possible to rely on an existing supplier base. A lower-cost but highly isolated facility may create real-estate savings while increasing several other costs.

This analysis becomes particularly important if GC wishes to progressively develop a more North American or local supply chain for certain components.

Industrialization should therefore not be reduced to choosing a factory.

It consists in building an ecosystem of capabilities, suppliers, logistics and control that is sufficiently coherent to support production over time.



GC-104-D68 — THE CRITERIA FOR MOVING FROM ASSEMBLY TO GC MANUFACTURING

34.13 Intellectual Property Becomes More Important as GC Defines the Product Itself

As long as GC mainly markets an existing platform adapted to its needs, a significant portion of the intellectual property naturally remains with the manufacturer. As the organization designs more of its own functions, parts, interfaces and systems, protecting this knowledge becomes increasingly important.

This protection does not necessarily involve patents alone.

Drawings, specifications, software, manufacturing procedures, test data, diagnostic tools, trademarks and certain know-how can all become important assets.

The essential question is to ensure that contracts correctly reflect what each party contributes and owns.

If GC finances the development of a specific component, it must clearly understand what rights it obtains over that design and under what conditions the supplier may use it for other customers.

This issue becomes particularly strategic in a multisupplier architecture. It is much more difficult to change partners when one manufacturer alone controls the drawings, tooling or data essential to production.

Industrial control therefore progressively implies contractual and documentary control of intellectual property.

This asset can become as important as the physical production equipment itself.

34.14 Industrialization Must Strengthen Several Parts of the System to Fully Justify Its Capital

The value of an industrial capability should not be evaluated solely by the additional margin it may allow GC to retain on a product.

Greater industrial control can strengthen several other functions within the network.

Service can benefit from better-standardized parts that are easier to obtain.

Regional Centers can receive products that are better prepared and better documented.

The Back-End can have access to more precise technical data.

Clubs can benefit from better reliability and shorter correction times.

Development teams can integrate field observations more quickly.

A modification identified after several incidents can be introduced directly into the next production cycle rather than depending on a long negotiation process with an external supplier.

This loop among use, service and production represents an important source of systemic value.

The principle **“The whole is greater than the sum of its parts”** finds here one of its most important industrial expressions. A factory or assembly line taken in isolation does not necessarily possess exceptional strategic value. Its value becomes much greater when it is connected to Back-End data, club observations, regional service, logistics and user needs.

The field informs design.

Design improves the product.

The improved product reduces interventions.

Service data confirms or challenges the changes.

Production adjusts again.

The network therefore transforms usage experience into continuous industrial improvement.

This cycle is difficult to reproduce when every function remains isolated.

The value of GC industrialization therefore lies as much in the speed of this learning loop as in manufacturing cost itself.

34.15 Becoming a Manufacturer Must Mean Becoming More in Control of the System, Not Simply Owning a Factory

The evolution toward manufacturing represents one of the most significant transformations GC could experience. It increases control over the product, but it also exposes the company to a new category of decisions, risks and responsibilities. This is precisely why the evolution must remain progressive.

At the beginning, the network can use the industrial capacity of partners to validate its functions with relatively little capital. This phase makes it possible to understand what users actually want, which parts cause problems, the conditions of service and the volumes that can reasonably be anticipated.

As this knowledge becomes more solid, certain functions can be moved closer to the system.

Quality control can be strengthened.

Preparation can become local.

Final assembly can be transferred.

Certain components can be selected directly by GC.

Suppliers can be diversified.

Common design standards can be established.

Finally, certain parts or processes can be internalized when their volume and strategic importance justify the investment.

This progression gradually changes the nature of the company.

GC moves from an organization that selects and integrates products toward an organization that increasingly controls the industrial architecture of its own platforms.

But this evolution must never be confused with the idea that everything should be manufactured internally.

A mature manufacturing company may perfectly well purchase a large proportion of its components. Batteries, motors, electronic circuits, bearings, tires, displays, connectors and many other parts can be produced far more efficiently by specialized companies operating at global scale.

GC's added value will lie in the selection of these components, their integration, specifications, interfaces, design, quality control, service and the functions that genuinely differentiate the platform.

In other words, becoming a manufacturer does not mean manufacturing every part; it means becoming master of the way the parts form the whole.

This distinction corresponds directly to the overall philosophy of the GC System.

The whole is greater than the sum of its parts when the final product becomes superior to what each component could provide independently. A motor is not a Cruiser. A battery is not a mobility system. Software is not a user experience. A Regional Center is not a service architecture. It is their integration, coherence and mutual improvement that create the final value.

The same logic must guide industrialization.

GC should seek to own or control the functions that give this integration its coherence, while using the best external capabilities available whenever they create more value than internalization would.

This approach also protects capital.

An oversized factory can quickly become a constraint if volume declines. A well-organized supplier chain preserves greater flexibility. Conversely, excessive dependence on a single partner can severely limit the ability to evolve. The industrial architecture must therefore balance these two risks.

The desired industrial system should progressively become modular, multisupplier where necessary, standardized in its interfaces and sufficiently controlled by GC for the company to continue evolving without depending entirely on the decisions of an external manufacturer.

This control also creates new possibilities.

The same basic architecture may eventually support several products.

Common components can reduce costs.

Improvements developed for one platform can benefit another.

Regional Centers can use more standardized parts and procedures.

Accumulated technical knowledge can become an asset that allows new generations to be developed more quickly.

Industrialization should therefore not be regarded as the end of product development. On the contrary, it creates a new capability for evolution.

The guiding principle of the chapter can be stated as follows:

GC should progressively increase its industrial control when volume, product knowledge and integration value make it economically preferable to control more of the design, assembly or manufacturing, while continuing to use external suppliers whenever their specialization produces better economics without reducing the system's strategic control.

This progression represents a major Step within the Seven Steps. The first OEM or ODM phases make it possible to validate and structure. Assembly and a multisupplier architecture can emerge when activity becomes sufficiently repeatable. Manufacturing itself becomes relevant only when volumes, capabilities and capital allow it to become a productive capability rather than a premature ambition.

At this stage, GC can then begin to possess something more important than a product or even a factory: an industrial architecture capable of transforming network learning into continuously improved products.

This capability leads directly to the next question in this part of the development. An architecture of products, clubs, Regional Centers and industrial capabilities may operate efficiently in an initial territory without automatically being reproducible elsewhere. Each new market introduces regulatory, logistics, cultural, financial and commercial differences that can change the economics of the model.

Chapter 35 — **Territorial Expansion, New Markets and Internationalization** — will therefore examine how GC can extend what has been demonstrated without confusing the existence of a potential market with the actual capacity to serve it, and how a sufficiently modular architecture can allow the system to adapt to new territories without rebuilding its model from zero.

CHAPTER 35

TERRITORIAL EXPANSION, NEW MARKETS AND INTERNATIONALIZATION

35.1 Territorial Expansion Must Replicate a Demonstrated Capability, Not Export Uncertainty

When a system begins to function properly in its initial territory, geographic expansion may appear to be the natural next step. New clubs, new regions and eventually new countries represent significant growth opportunities, but they also introduce regulatory, logistical, commercial and cultural differences that can profoundly alter the economics of the model.

The first principle must therefore remain the same as in the preceding Steps: GC should not expand what it does not yet understand sufficiently well. An unresolved local weakness rarely becomes simpler when reproduced at a distance. It generally becomes more costly, more difficult to observe and more complex to correct.

Territorial expansion should begin when certain functions have reached a sufficient level of repeatability: club integration, training, service, product management, transactions, inventories, Back-End support and the local economic model. Everything does not need to be perfectly mature, but the main uncertainties must have been sufficiently reduced so that the new territory serves primarily to adapt an existing model rather than invent a new one.

This distinction protects capital. Opening a territory without a sufficiently repeatable model often forces the organization to multiply personnel, temporary solutions and exceptions. In the short term, sales may increase, but the economics of the system become more difficult to understand.

The objective of expansion is therefore not simply to cover more territory. It is to reproduce a demonstrated architecture in a new environment while modifying only what local reality genuinely requires.

35.2 A New Territory Must Be Evaluated as a New Economic Unit

The existence of golf clubs in a region is not enough to demonstrate that it should immediately become a priority market for GC. A territory may be commercially attractive while remaining difficult to serve economically.

The analysis must include the concentration of clubs, their level of activity, the length of the season, distances, transportation costs, availability of technical personnel, regulation, purchasing habits and the potential ability to create sufficient regional density.

A region containing a large number of clubs scattered across an immense territory may require more capital and logistics than a smaller but highly concentrated market. Similarly, a country with a major golf industry may appear attractive while imposing customs duties, certifications or distribution costs that significantly alter the economic contribution.

Each new territory must therefore be treated as an economic unit with its own operating conditions.

GC must understand how many clubs can reasonably be integrated, what level of support will be required, which costs must be incurred before density is achieved and how long the territory may depend on network financing before becoming sufficiently autonomous.

This approach prevents the expansion decision from being driven primarily by the apparent size of the market.

A large market is not automatically the best first market.

A smaller, denser and simpler territory to support may provide a much stronger first proof of expansion.

35.3 Density Must Precede Dispersion

The regional logic established in Chapter 32 also applies to territorial expansion. GC benefits more from a group of relatively close clubs than from an equivalent number of establishments dispersed across a large area.

Density facilitates service, reduces travel, improves inventory turnover and increases the possibility of mutualizing certain capabilities. It also allows the network to accumulate enough data more quickly to understand local market behavior.

A strategy consisting of accepting every interested club regardless of location may appear to accelerate growth, but it can create a very expensive structure to support. The network must then ship parts over long distances, provide support across several time zones or contexts and manage different commercial conditions for low volume in each zone.

A geographic cluster strategy allows GC to progressively build economic regions.

GC can begin with a few sufficiently close clubs, observe their use, add new partners around that core and eventually create Regional Capacity when volume justifies it.

This method also allows commercial capital to be used more effectively. Training, demonstration and support efforts can serve several clubs within the same territory.

Territorial growth should therefore seek depth before breadth, particularly during the first Steps.

35.4 The First New Market Should Be Different Enough to Create Learning, but Close Enough to Remain Manageable

The choice of the first external territory is a particular decision. A market almost identical to the original territory makes it possible to confirm repeatability but produces relatively little learning about the system's true ability to adapt. Conversely, an environment that is too different can introduce so many new variables that it becomes difficult to distinguish system problems from local particularities.

The first new market should ideally provide a balance between the two.

It may present certain differences in regulation, season, language or clientele while remaining sufficiently close for the Back-End to support operations effectively.

This logic makes it possible to test the modularity of the GC architecture.

Which functions remain exactly the same?

Which functions must be adapted?

Which documents require translation?

Must the commercial rules change?

Does the relationship with suppliers remain identical?

Does the regional model remain relevant?

The new territory thus becomes another stage of learning rather than a simple commercial extension.

This approach makes it possible to discover which elements of the system are truly universal and which were, in fact, specific to the first market.

35.5 Local Adaptation Must Not Rebuild the GC System at Every Border

Internationalization necessarily requires certain adaptations. Laws, taxes, technical standards, languages, payment habits, business practices and club expectations can vary considerably.

But adaptation must not become complete reconstruction.

The GC System must preserve a sufficiently strong common foundation: Back-End architecture, data principles, catalog, product management, warranty logic, safety standards, economic governance and the philosophy of partnership with clubs.

Around this foundation, certain layers can be adapted.

Prices may vary by market.

Taxes and contractual rules must respect the jurisdiction.

Payment methods may differ.

Certain components may need to meet local certifications.

Communications and interfaces must be adapted linguistically.

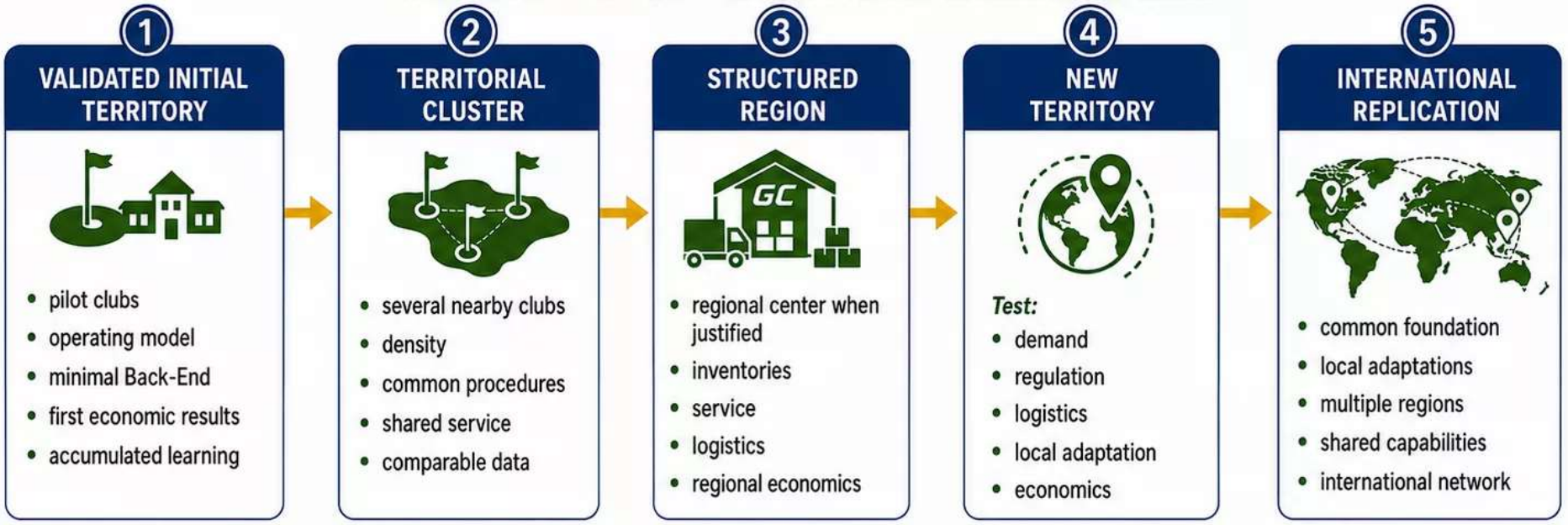
This separation between Common Architecture and local adaptation becomes essential to preserving economies of scale.

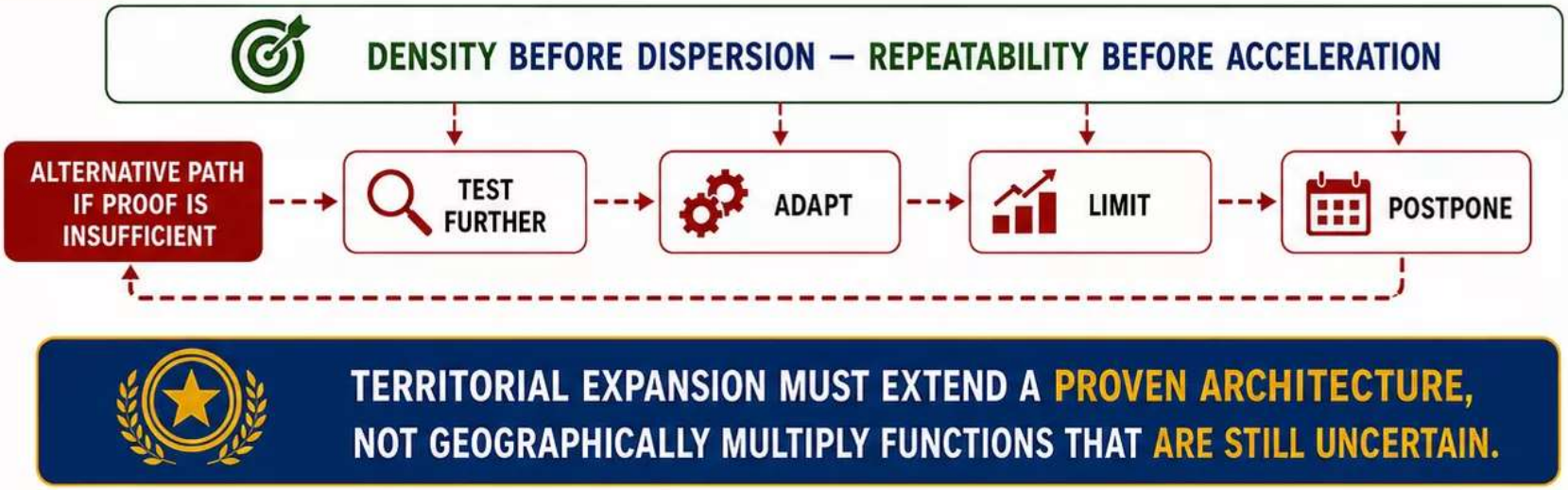
If every country requires a different platform, an independent catalog, a separate process and a completely separate team, the value of the integrated system decreases significantly.

The objective is therefore to make GC sufficiently modular to adapt without fragmenting.

GC-104-D69-FROM-THE-LOCAL-MARKET-TO-TERRITORIAL-DEPLOYMENT-OF-THE-GC-SYSTEM

EXPANSION ADVANCES THROUGH STAGES OF VALIDATION AND DENSITY, WITH PROOF OF CAPACITY AND ECONOMICS BETWEEN EACH LEVEL.





35.6 Regulation Must Be Integrated Into Market Economics Before the Entry Decision

When a company expands into a new territory, regulatory requirements can significantly alter the cost and timetable of deployment.

A mobility product may have to meet different technical standards. Batteries may be subject to specific transportation rules. Warranties, consumer protection, taxation, imports, personal data and payments may be regulated differently.

These obligations should not be treated as legal details to be resolved after the commercial decision.

They are part of the territory's economics.

An expensive certification may be entirely justified if the potential market is large and accessible. The same expense may be disproportionate for a territory where expected volume remains low.

GC must therefore understand the main regulatory obstacles before committing a significant amount of capital.

This approach does not require the Back-End to develop all legal expertise internally. Local professionals can be used when necessary. But GC must maintain a clear view of the obligations, timelines and costs that influence the entry decision.

Compliance must be integrated into planning as a capability required by the market, not as an unexpected expense appearing after the market has been opened.

35.7 Taxation and Currencies Can Change an Economy That Is Healthy in the Original Market

An activity with excellent economics in one territory may become less attractive when it crosses a border.

Customs duties, sales taxes, import rules, administrative costs and currency fluctuations can change the full cost of the product or service.

This reality becomes particularly important if GC purchases certain components in one currency, incurs expenses in another and sells in a third.

The local price must therefore be built from the territory's actual economics rather than obtained simply by converting the Canadian price.

The network must also understand where revenues are collected, where expenses are incurred and which tax obligations belong to the different entities.

As internationalization progresses, the corporate structure itself may need to evolve. A local subsidiary, regional entity or another vehicle may become relevant when volume, regulation or taxation justifies it.

These decisions must nevertheless follow market maturity.

Creating several legal entities too early can add considerable complexity. Waiting too long may create compliance risks or an inefficient tax structure.

International finance must therefore progress at the same pace as actual activity.

35.8 The Choice Between Exporting, a Local Partner and Direct Establishment Must Depend on Market Maturity

Not every territory requires the same entry model.

Initially, GC may sometimes serve a market directly from its home territory by exporting products and using local partners for certain service functions. This approach reduces initial investment and allows demand to be tested.

When volume increases, a more structured partnership may become attractive. A local participant can contribute commercial relationships, market knowledge and certain logistical or technical capabilities.

But this solution also involves sharing margin and sometimes greater dependence on an intermediary.

Direct establishment offers greater control but requires more capital and local capabilities.

The decision must therefore be aligned with the maturity of the territory.

A market that remains uncertain may be better served through a light and reversible model. A territory that has demonstrated strong demand and sufficient density may justify a more direct presence.

This progression protects capital while allowing GC to increase its control when the economics justify it.

35.9 Local Partners Must Strengthen the Architecture Rather Than Capture the Relationship With Clubs

A local partner can greatly accelerate entry into a new market, but it can also become a point of dependency if its function is not clearly defined.

GC must therefore avoid creating a structure in which an intermediary becomes the owner of the relationship with clubs, data or service to the point that the system depends on that intermediary to remain present in the territory.

The partner must contribute a real capability: market knowledge, logistics, service, regulation, commercial representation or another function that would be difficult to reproduce immediately.

But the GC System must retain sufficient control over its architecture, products, essential data and standards.

This distinction is particularly important in a model where Partner Clubs form the Front-End of the network.

GC should not replace an integrated system with a traditional chain composed of a manufacturer, national distributor, regional distributor and then the club if each level primarily adds margin without creating a useful function.

The intermediary should exist because it reduces a cost, improves a capability or accelerates a function, not simply because entry into a new country automatically reproduces an old distribution model.

35.10 The Brand Must Maintain International Coherence Without Erasing the Local Identity of Clubs

International expansion increases the importance of the GC identity. Products, communications and digital tools must be sufficiently coherent for the system to remain recognizable from one territory to another.

But this coherence should not turn clubs into standardized points of sale carrying a foreign identity.

The principle of the Inverted Pyramid remains relevant: GC exists to strengthen the capacity of the club, not to replace its identity in the relationship with its golfers.

In a new market, this distinction may become even more important. Clubs often possess a history, culture and expectations to which an international system must adapt respectfully.

The GC identity should therefore mainly identify the architecture, products, quality and Common Functions.

The club retains its local identity and its relationship with the golfer.

This coexistence can become an important commercial advantage. GC provides the power of a Common Network without asking the club to abandon what differentiates it.

35.11 International Data Must Improve the System Without Making Markets Artificially Identical

Expansion into several territories progressively produces a much greater wealth of data.

GC can compare product usage, service rates, reservation behavior, seasonality, preferences and economic structures among different regions.

This information may reveal unexpected differences.

A product that is very popular in one market may be used much less elsewhere.

A component may experience more problems in a particular climate.

A pricing policy may work in one region and create little adoption in another.

These differences should not be considered anomalies to eliminate.

On the contrary, they improve understanding of the system.

The objective is not to force all markets to behave in the same way. It is to use a Common Architecture to understand which functions are universal and which must be adapted to context.

International data can therefore increase the precision of the system while respecting its diversity.

35.12 The Back-End Must Be Prepared for Several Languages, Currencies and Jurisdictions Without Becoming Unnecessarily Complex

Internationalization progressively imposes new requirements on the Back-End.

Interfaces may need to become multilingual. Prices may be presented in different currencies. Taxes may vary. Contractual documents and policies may depend on jurisdiction.

These needs must be anticipated in the technical architecture, but they should not be entirely built before the corresponding markets are genuinely being considered.

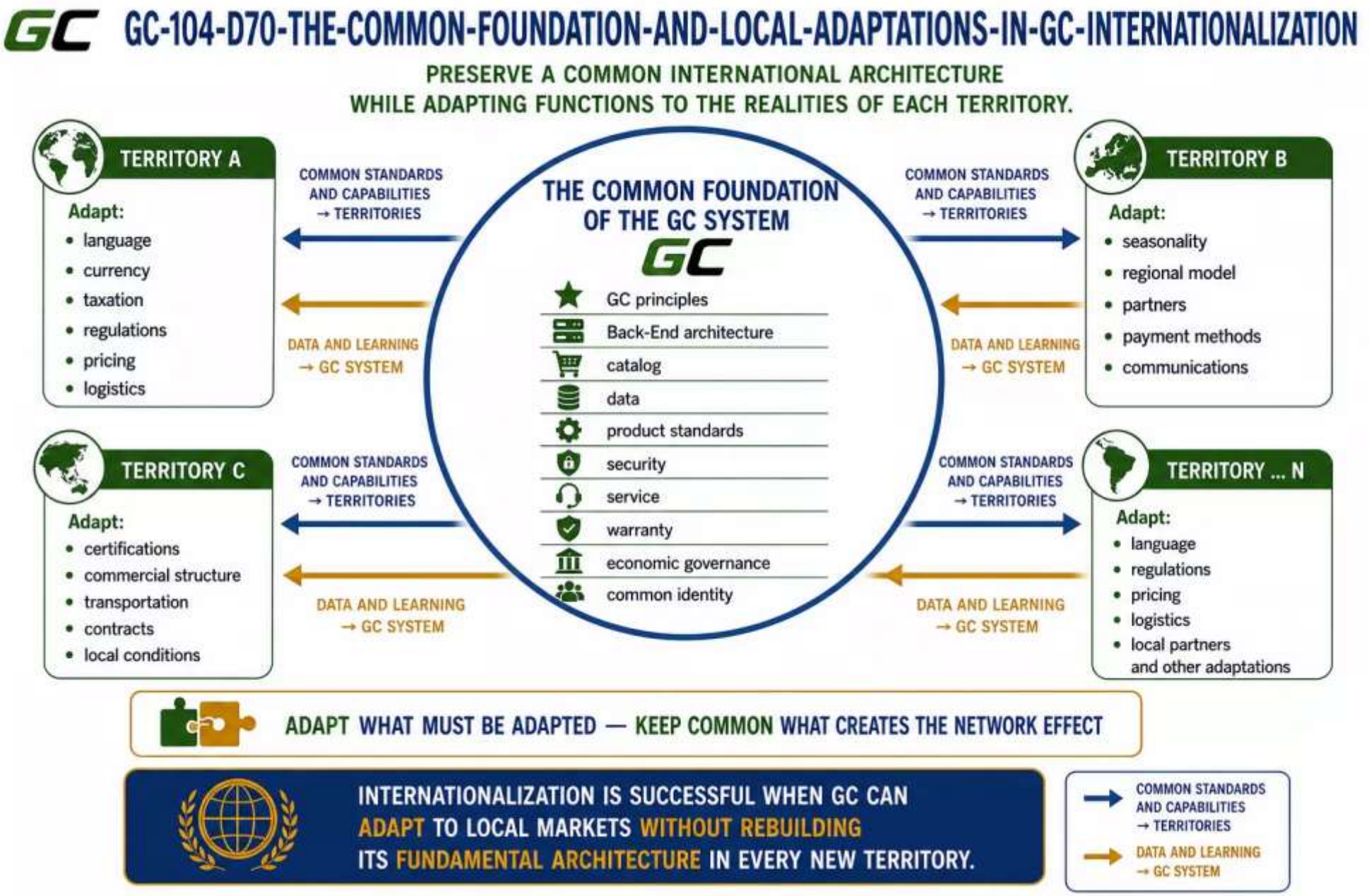
The principle of scalability remains important.

For example, it is preferable for the catalog system to be capable of supporting several languages by design, even if only one is initially used. Similarly, the transaction architecture can be designed so that it does not assume that only one currency will ever exist.

This architectural foresight reduces future cost without immediately imposing all the complexity of a global network.

The objective is therefore to distinguish evolutionary capacity from premature deployment.

The Back-End must be able to grow internationally without having to be entirely rebuilt, but it does not need to support all the particularities of every country from the first year.



GC-104-D70 — THE COMMON FOUNDATION AND LOCAL ADAPTATIONS IN GC INTERNATIONALIZATION

35.13 The Pace of Expansion Must Be Limited by Support Capacity, Not Only by Demand

A company may sometimes find customers faster than it can build the capabilities required to serve them properly.

This situation is particularly likely when a product attracts strong interest or when a partner rapidly opens several commercial opportunities.

The temptation is then to consider each new club as an additional sale and resolve support problems later.

This logic is dangerous.

Each territory increases service requests, training needs, transactions, warranties, inventories, communications and administrative complexity.

The maximum pace of growth must therefore be determined by the system's capacity to properly integrate the new parts.

It is preferable to open ten additional clubs and serve them properly than to open fifty while degrading service across the entire network.

This discipline directly reflects the concept of overgrowth addressed in earlier chapters.

Demand represents a possibility.

Support capacity determines the volume that GC can actually transform into durable value.

35.14 International Expansion Must Strengthen the Value of the Existing Network

A new region becomes fully interesting for GC only when it creates more than additional local revenue.

It can increase network purchasing volume, improve supplier terms, enrich data, improve utilization of certain technologies or justify new industrial capabilities.

It can also provide knowledge that benefits the original territory.

A market using products during a different season may allow more hours of use to be accumulated throughout the year. A region exposed to a different climate may reveal technical behaviors that improve design. A new golf culture may reveal uses or services that had not been considered.

The real value of internationalization therefore appears when knowledge and capabilities circulate in both directions.

The new territory benefits from the system already built.

The system benefits from what the new territory teaches it and from the volume it contributes.

This is another manifestation of the principle **"The whole is greater than the sum of its parts."**

A foreign market should not simply become a new part added to the network. It should be able to strengthen certain Common Capabilities and, in return, benefit from those developed elsewhere.

When this loop functions, the value of the international system becomes greater than the simple sum of its national revenues.

35.15 Internationalization Must Lead to a Globally Repeatable System Without Becoming Excessively Centralized

The long-term objective of territorial expansion is not to create a centralized organization that would make every local decision from a single headquarters. Such a structure would quickly become slow, costly and poorly adapted to the realities of different markets.

GC should instead seek a distributed architecture.

The Back-End retains the functions for which global scale creates value: standards, data, major supplier relationships, technology, catalog architecture, intellectual property, economic governance and certain financial capabilities.

Regions organize the functions for which proximity creates greater value: service, parts, preparation, training and territorial coordination.

Clubs retain the local relationship with golfers and the functions directly connected with their operations.

This structure can then be repeated in several markets with controlled adaptations.

International maturity appears when GC can open a new territory without rebuilding its system, but also without imposing an organization on that territory that does not correspond to its reality.

This capability depends directly on everything built in the preceding chapters: standardization, modularity, Regional Centers, Back-End, data, governance and financial discipline.

Internationalization then becomes a consequence of the quality of the architecture rather than an independent project.

It can be summarized through a coherent progression:

VALIDATE LOCALLY → BUILD A CLUSTER → REGIONALIZE → STANDARDIZE → ADAPT → REPEAT → CONNECT THE MARKETS

This sequence preserves accumulated learning.

Each new territory should not simply use what already exists. It should contribute to improving what will be used by the next one.

This is how an international system progressively becomes more intelligent.

A new region enriches the data.

A new regulatory constraint improves procedures.

A new industrial source can strengthen the supply chain.

A new season can improve capacity utilization.

A new clientele can reveal a function that will benefit several markets.

Expansion then becomes something more than geographic growth.

It becomes growth in the collective capacity of the system.

This distinction is essential because a global network can be very large while remaining economically fragile if it consists of a series of almost independent territories, each reproducing the same costs. Conversely, a well-integrated international network can allow every territory to benefit from capabilities that no individual market could have developed as efficiently on its own.

The founding principle finds its broadest expression here:

the whole becomes greater than the sum of its parts when each territory contributes a new capability or new learning to the whole, while the whole makes every territory more effective than it would be in isolation.

This relationship must nevertheless remain measurable.

Internationalization should not be justified solely by prestige, the apparent size of the market or the desire to become a global brand. Every territory must progress toward sound economics and every additional level of complexity must be compensated by sufficient value creation.

Financial discipline therefore remains central.

GC must understand the capital required before entry, the probable time before economic balance, compliance costs, logistical requirements and the capacity of the Back-End to support the market.

The pace of expansion must respect these limits.

A company capable of opening five countries is not necessarily ready to support them properly.

True international capacity is demonstrated when new implementations progressively become simpler to structure because the system already possesses the methods, tools and knowledge required.

The guiding principle of this chapter can therefore be stated as follows:

GC should expand its territory when its local model is sufficiently repeatable, the new market can achieve economically sustainable density, the required adaptations do not weaken the Common Architecture and integration of the new territory progressively increases the capacity of the entire network rather than only its geographic reach.

This chapter concludes **Part V — Deploying, Regionalizing and Industrializing the System**.

GC-104 has now followed a progression that begins with economic proof, moves through Pilot Clubs, structures the Minimal Back-End, brings certain capabilities closer through Regional Centers, organizes inventories and logistics, progressively increases industrial control and then examines the possibility of extending this architecture into new territories.

The next question changes in nature.

Once the system has been deployed and is growing, it is no longer sufficient to know how to build capabilities. It must be able to continuously measure their performance, understand their profitability, identify risks, reinvest with discipline and prepare the continuity of the system over a very long period.

Part VI — Managing Performance, Growing and Sustaining the System therefore begins with Chapter 36 — **Budgets, Accounting, Indicators and Dashboards**, which examines how all of GC's economic and operational flows can be transformed into information clear enough to guide decisions at the club, Regional Center and Back-End levels without losing sight of the system within an accumulation of numbers.

PART VI
MANAGING PERFORMANCE, GROWING AND SUSTAINING THE SYSTEM

CHAPTER 36
BUDGETS, ACCOUNTING, INDICATORS AND DASHBOARDS

36.1 Managing the GC System Requires Transforming Activity Into Understandable Information

The preceding parts of GC-104 described how the GC System can create value, finance its capabilities, deploy its first clubs, structure its Back-End, regionalize certain functions, improve logistics and progressively increase its industrial control. As this architecture expands, a new difficulty emerges: it becomes impossible to properly understand the state of the system solely through direct observation or the experience of a few leaders.

When GC includes only a few products, a few clubs and a limited number of transactions, a large portion of economic reality can still be understood intuitively. When the network includes several regions, several product families, significant inventories, services, warranties, digital transactions, Regional Centers and possibly industrial activities, intuition is no longer sufficient. Decisions must progressively rely on structured information capable of representing what is actually happening.

This is precisely the function of budgets, accounting, indicators and dashboards. These tools should not be considered four separate administrative disciplines. Together, they form an architecture of observation and decision.

The budget expresses what the system plans to do with its resources. Accounting indicates what actually occurred. Indicators help explain why certain results appear and in which direction functions are evolving. The dashboard finally brings together the information important enough to support a decision without forcing the manager to review hundreds of data points.

The value of this architecture therefore does not depend on the number of figures produced. It depends on its ability to make visible what requires a decision.

The GC management system must therefore learn to transform complex activity into information simple enough to understand while retaining enough depth to prevent that simplicity from becoming misleading.

36.2 The Budget Must Be a Financial Translation of Strategy

A budget should not begin with a series of numbers to which a growth percentage is applied relative to the previous year. This approach may be suitable for certain highly stable activities, but it would be insufficient for a system still in development whose capabilities are evolving rapidly.

Within GC, the budget must be the financial translation of the strategic decisions planned for the period.

If the company intends to integrate twenty new clubs, that decision must appear in expected revenues, but also in inventories, support resources, training expenses, transaction costs and working capital required to serve those clubs properly. If a Regional Center is planned, its initial investment, operating costs and expected progression of utilization must appear in the budget. If a new digital function is to be developed, its cost should not be treated as an isolated expense disconnected from the capabilities it is intended to improve.

The budget therefore becomes a means of verifying whether the strategy is actually financeable.

This relationship can also reveal contradictions before they become operational. Management may wish to strongly accelerate sales while keeping the service budget almost unchanged. It may anticipate a major increase in inventories while seeking to reduce use of the line of credit. It may plan several new regions without financing the resources required by the Back-End.

These incompatibilities become visible when intentions are translated into resources.

The budget should therefore not be considered primarily as a limit imposed on managers. It is a financial representation of what the organization claims it wants to accomplish.

When properly constructed, it forces the system to connect ambition, capacity and capital.

36.3 The Annual Budget Must Be Complemented by a Forecast That Evolves With Reality

An annual budget remains useful because it provides a common framework, allows certain expenses to be approved and establishes a reference against which actual results can be compared. But in a growing organization, it quickly becomes insufficient when treated as an immutable forecast.

A major order may be delayed. A club may postpone its deployment. A product may experience demand greater than expected. A logistics cost may change. A new function may be validated faster or slower than anticipated. In each of these situations, continuing to use only the initial budget can provide an increasingly inaccurate representation of reality.

GC must therefore distinguish the approved budget from the updated forecast.

The budget preserves the memory of the initial decision. It makes it possible to understand what had been planned and to measure variances. The rolling forecast answers another question: given what we know today, what is now our best estimate of what should occur?

This distinction avoids a dangerous practice in which the budget is continually modified so that actual results always appear consistent with expectations. It also avoids the opposite mistake of making important decisions based on assumptions that have clearly become obsolete.

An updated forecast can cover several months or several quarters and be revised regularly using new information. The larger the system becomes, the more essential this capability becomes for cash flow, procurement and capital allocation.

The budget provides direction.

The forecast allows the trajectory to be corrected when reality changes.

36.4 GC System Accounting Must Clearly Distinguish Network Economics From Club Economics

GC's accounting architecture will progressively need to operate at two complementary levels.

The first concerns the economics of the GC System itself and the entity responsible for the Back-End. This accounting must make it possible to understand the revenues, costs, assets, obligations, investments, reserves and financial flows associated with operation of the network itself. Products sold by GC, services, digital activities, commissions, logistics costs, warranties, Regional Centers and Back-End expenses must be observable with enough precision to determine whether the Common Architecture remains economically healthy.

The second level concerns the economics of each Partner Club when its operations become sufficiently integrated into the GC System. Over the long term, the network's financial and accounting module can evolve to support a much more complete portion of club accounting: golf revenue, pro shop, food and beverage where applicable, tournaments, mobility, personnel, maintenance, fixed assets and other functions specific to the establishment.

These two levels must be able to communicate without being confused.

The fact that a club uses GC accounting infrastructure does not mean that its revenues and expenses become those of the Back-End. Each entity retains its economic identity, responsibilities and accounting obligations. The Common System instead creates an information architecture capable of producing comparable data and reducing technological duplication.

This distinction is fundamental. Poorly understood centralization could create the impression that GC seeks to absorb the economics of its clubs. The intended logic is exactly the opposite: use a Common Capability to give the club better visibility into its own economics while allowing the network to understand the functions requiring collective coordination.

This two-level architecture may become one of the most important Back-End capabilities over the long term.

36.5 Financial Accounting and Management Accounting Do Not Answer the Same Questions

Financial accounting must comply with the rules applicable to the company and allow reliable financial statements to be prepared. It responds particularly to the needs of shareholders, lenders, tax authorities and other parties that need to understand the organization's overall economic position.

But these statements are not always sufficient for managing operations.

A manager may know that a category of expenses has increased without understanding which product, club, region or function is responsible. The system may be profitable overall while concealing an activity that progressively destroys value. Conversely, a function may appear unprofitable when observed in isolation while creating an important contribution to several other activities.

Management accounting must therefore complement financial accounting.

It must make it possible to observe, at the required level, products, services, Regional Centers, clubs, activity families and certain Shared Capabilities. The objective is not to create an artificially precise allocation of every dollar, but to understand the main causes of results sufficiently well.

This distinction becomes particularly important for Common Back-End Functions. A CRM system, transaction platform or support team may simultaneously serve several activities. Their cost must remain visible without necessarily being allocated arbitrarily to the point of creating a false impression of precision.

GC will therefore need to develop an accounting discipline capable of answering two distinct questions:

What is the official financial position of the organization?

and

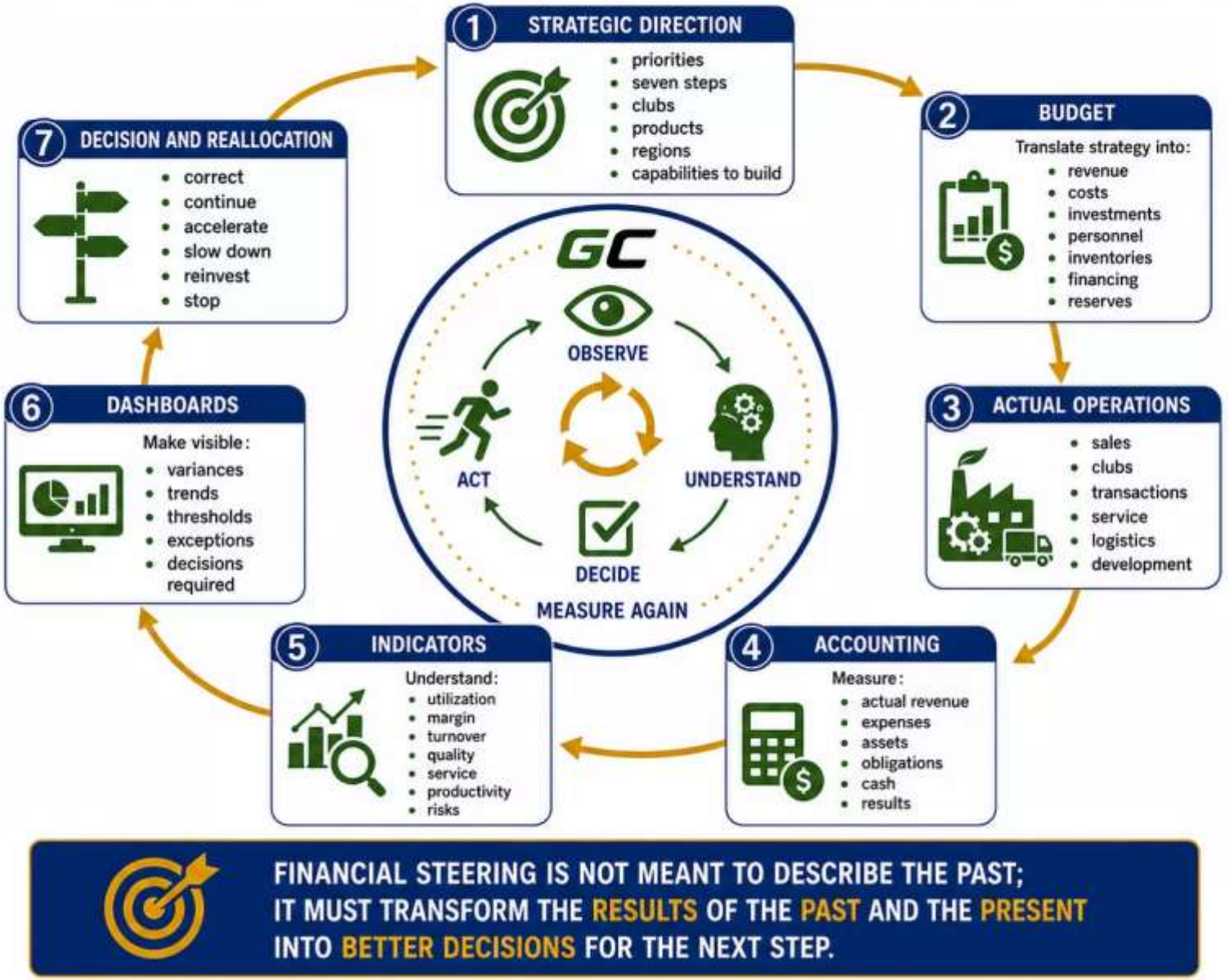
Which functions truly create, consume or strengthen the value of the system?

The first protects financial reliability.

The second improves the quality of decisions.

GC-104-D71-FROM-STRATEGY-TO-THE-FINANCIAL-STEERING-OF-THE-GC-SYSTEM

STRATEGY COMES TO LIFE THROUGH MEASUREMENT, UNDERSTANDING, AND CONTINUOUS DECISIONS.



FINANCIAL STEERING IS NOT MEANT TO DESCRIBE THE PAST;
IT MUST TRANSFORM THE RESULTS OF THE PAST AND THE PRESENT
INTO BETTER DECISIONS FOR THE NEXT STEP.

36.6 Budget Variances Must Be Explained Before They Are Judged

Comparing actual results with the budget is useful, but the variance itself is not a conclusion.

An expense overrun may be negative if it results from poor cost control. It may also be entirely rational if demand greater than expected required more inventory or personnel while producing a greater contribution.

Similarly, spending less than planned is not automatically good news. Development spending below budget may simply mean that an important project has been delayed. Lower service expenses may reflect better reliability, but they may also result from insufficient capacity that delays interventions.

Every significant variance must therefore be connected to its cause.

This discipline makes it possible to distinguish volume variance, price variance, productivity variance, timing delay and a genuine planning error.

It also protects the culture of the organization. If every budget overrun is automatically treated as a failure, managers may become reluctant to incur an expense that is nevertheless necessary to protect an activity. If every overrun is accepted without explanation, the budget loses its disciplinary function.

The objective is to create an organization capable of saying: we spent more, here is why, here is what that expenditure produced and here is whether the decision remains economically justified.

The budget then becomes a tool for understanding rather than merely a control mechanism.

36.7 Indicators Must Measure Causes Before Financial Results Reveal the Consequences

Revenue, margins and profit are essential, but they often appear after the operational causes have already been developing.

A product may begin experiencing more failures several weeks before warranty costs become large enough to affect the financial statements. A decline in fleet utilization may appear before seasonal revenue is significantly affected. An increase in service time may indicate insufficient Regional Capacity before clubs begin reducing their purchases.

GC must therefore combine lagging indicators with leading indicators.

The first describe what has occurred: revenue, margin, result, collections and costs. The second make it possible to observe the conditions influencing those results: utilization, availability, incident frequency, inventory turnover, club integration time, repeat use by golfers or Back-End workload.

This distinction allows earlier reaction.

The system should not, however, multiply indicators simply because more data becomes available. Each indicator should ideally be connected to an understandable economic relationship.

If utilization declines, what decision could be taken?

If repair time increases, which capability must be examined?

If turnover slows, which orders or inventories must be reassessed?

An indicator becomes useful when it connects an observation to a potential action.

36.8 Each Level of the System Must Have Its Own Dashboard

The club, Regional Center and Back-End do not need to see exactly the same information because they do not make the same decisions.

The club must primarily understand its local operations: use of GC functions, associated revenues, costs, asset availability, incidents, relevant user satisfaction or behavior and the evolution of certain investments. Excessive detail about the entire network would add little value to its daily decisions.

The Regional Center must observe a different reality: number of assets supported, service requests, repair time, utilization of technical personnel, critical parts, inventories, regional costs and projected future workload.

The Back-End must have a broader view. It must understand network performance, differences among regions, the economics of products and services, financing requirements, inventories, warranties, Common Capabilities and trends that could influence capital allocation.

These dashboards must use common definitions so that the same terms mean the same thing everywhere. Utilization rate, contribution margin or a warranty incident should not be calculated differently from one region or club to another.

Information must therefore be adapted to the level of decision while relying on a common management language.

This architecture allows everyone to see what they need without creating several contradictory versions of reality.

36.9 Indicators Must Be Few Enough to Preserve Their Power of Attention

A digital system can produce hundreds of metrics. This abundance does not guarantee better management. On the contrary, it can make it more difficult to identify what truly matters.

When twenty indicators appear simultaneously as priorities, none of them truly is.

The main dashboard should therefore remain deliberately limited. It must present the few variables that allow a quick understanding of whether economics, cash flow, service and growth remain within a healthy zone.

Other data can be accessible when deeper analysis is required, but they should not all occupy the first level.

GC could, for example, monitor at a consolidated level a few broad families: growth and revenue, economic contribution, cash flow, inventories, service quality, asset utilization, club progression, Regional Capacity and major risks.

Within each family, a limited number of measures may be sufficient to identify exceptions.

This architecture reflects the KISS principle. Simplification does not mean eliminating necessary information. It means organizing that information according to several levels of depth.

The manager begins by seeing what is essential.

When a signal appears, it is possible to move down to the data explaining the situation.

A good dashboard therefore does not show everything.

It first shows what deserves attention.

36.10 Decision Thresholds Must Give Meaning to Indicators

An isolated number has little meaning without context.

An inventory of $2 million may be far too high for a company generating $3 million in sales or entirely reasonable for an organization generating $30 million with strong seasonality. An average repair time of three days may be excellent for certain equipment and unacceptable for an essential asset used daily.

Indicators must therefore be associated with references.

These references can take several forms: budget, history, prudent scenario, objective, minimum threshold, comparison among clubs or a level at which intervention becomes necessary.

The system can progressively use certain decision zones.

A normal zone indicates that the activity is behaving within expected parameters. A monitoring zone indicates that a trend deserves greater attention. An intervention zone indicates that a decision is becoming necessary.

The objective is not to turn every decision into an automatic rule. Causes must always be understood. But thresholds help prevent problems from becoming visible only once they are already significant.

These limits must also evolve with learning. An initial threshold may be based on a prudent estimate and then adjusted once several seasons of experience provide a better understanding of reality.

The dashboard then becomes a living tool capable of distinguishing normal operational noise from changes that genuinely require a decision.

36.11 Growth Indicators Must Measure the Quality of Integration as Much as the Number of Clubs

The number of Partner Clubs naturally represents an important growth measure. But it would be dangerous to make it the primary indicator of network success.

Two networks with one hundred clubs can present extremely different economics. In the first, clubs genuinely use several functions, generate transactions, share data, benefit from service and produce sufficient contribution. In the second, many establishments are officially partners but make very little use of the system.

Growth must therefore be evaluated according to depth as well as reach.

It may be useful to observe the level of club integration, product utilization, recurrence of transactions, number of active functions, economic contribution and quality of support required.

This interpretation also makes it possible to detect excessively rapid commercial growth.

If the number of clubs increases much faster than utilization, service or revenue, the system may accumulate relationships requiring support without yet producing sufficient value.

Conversely, a smaller group of highly integrated clubs may create a much stronger economic foundation for financing the next expansion.

The correct measure of growth must therefore answer not only the question **“How many clubs do we have?”** but also **“What economic and functional capacity do these clubs actually form with the network?”**

36.12 The Financial Dashboard Must Preserve the Distinction Between Profit, Cash Flow and Available Capital

A particularly dangerous error in a growing company is to treat profit as though it directly represents the amount available for investment.

The preceding chapters showed why this equivalence is false. A profitable company may hold a large portion of its value in inventories, accounts receivable or other assets. It may also need to finance orders, honor warranties or maintain certain reserves.

The dashboard must therefore present several dimensions simultaneously.

Accounting profit makes it possible to understand economic performance.

Cash flow shows how much money is actually being generated or consumed.

Cash on hand shows immediate liquidity.

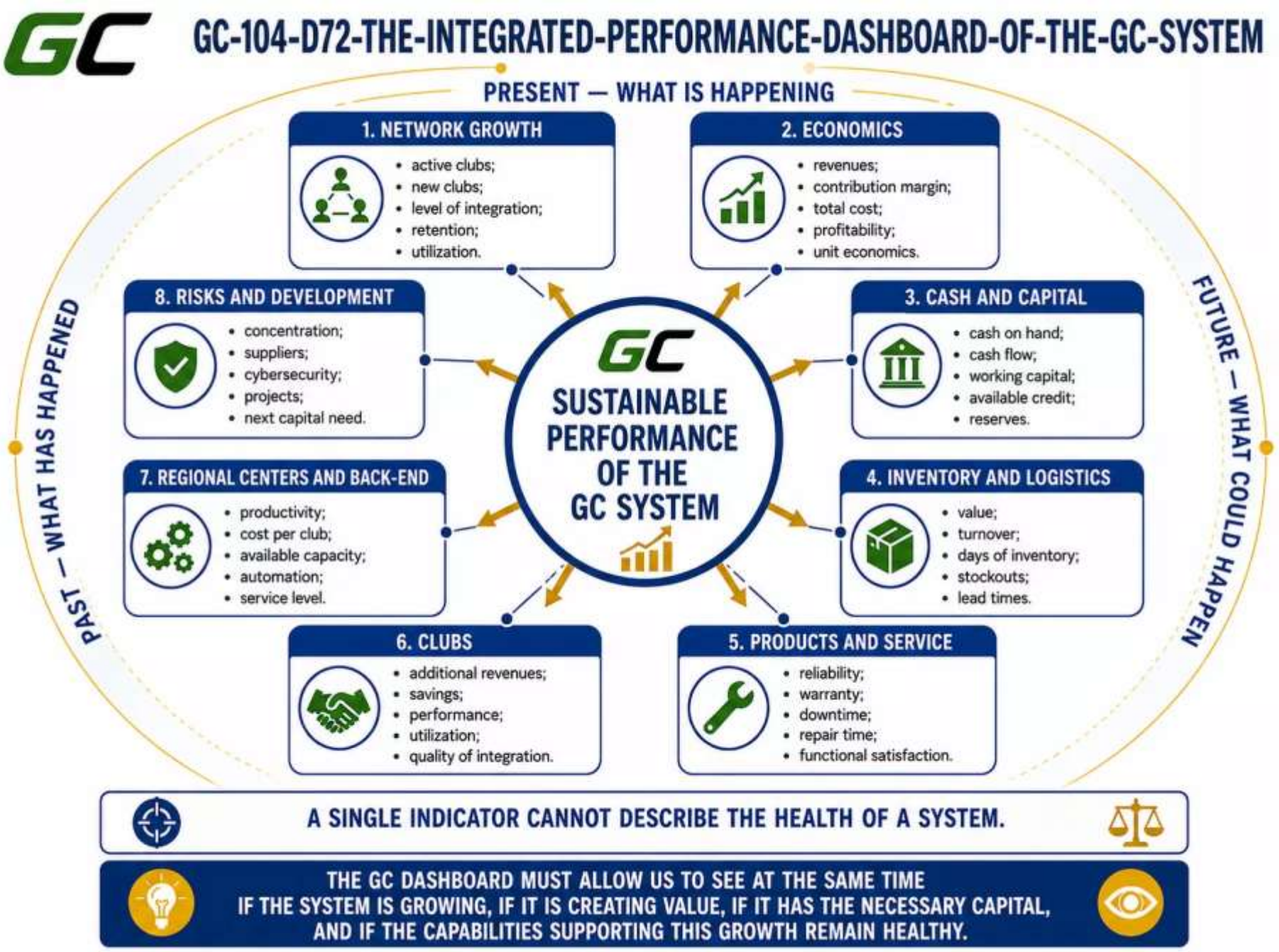
Unused line-of-credit capacity provides additional capacity, but it represents potential debt rather than profit.

Reserves identify a portion of liquidity that should not be considered freely investable.

Working capital shows how much capital remains committed to current operations.

This view prevents a strong sales year from automatically leading to a series of investments that the financial calendar cannot support.

The discipline consists in knowing not only whether GC creates value, but what portion of that value is genuinely available today to build the next capability.



GC-104-D72 — THE INTEGRATED PERFORMANCE DASHBOARD OF THE GC SYSTEM

36.13 Comparison Among Clubs Must Support Learning Rather Than Produce a Simplistic Ranking

When several clubs use a Common Architecture, the system will progressively gain a very interesting capability: comparing certain functions among establishments.

This comparison must be used with care.

A club generating less mobility revenue than another is not necessarily performing worse. Its number of rounds, type of clientele, course, season or operating model may differ. Similarly, higher personnel cost may be entirely justified if the club provides more services.

The purpose of comparison should therefore be to identify differences significant enough to raise a question, not to automatically produce a judgment.

Why do two comparable clubs obtain very different utilization rates?

Why does one region experience more problems with the same product?

Why does one club achieve better inventory turnover?

Why does one procedure require twice as much time in one establishment?

These differences may reveal interesting practices, training needs, local characteristics or data problems.

When one part discovers a better method and that knowledge can be transmitted to the others, the network creates value that would not exist in a series of completely isolated clubs.

Comparison should therefore produce collective learning rather than artificial competition among partners.

36.14 The Measurement System Must Allow the Whole to Improve the Parts, and the Parts to Improve the Whole

The principle **"The whole is greater than the sum of its parts"** takes on particularly strong meaning when applied to performance data.

An isolated club can know its own revenue, expenses and utilization. This information already allows certain decisions to be made. But when a network brings together many clubs using common definitions, a new capability appears: each local observation can contribute to broader knowledge, and that knowledge can then return to every club in a more useful form.

A reliability problem observed in several regions can be identified more quickly than if it were handled separately. A seasonal variation can be better understood through several club-years of information. A particularly effective operational method at one establishment can be identified and adapted elsewhere. Collective product-usage data can improve network purchasing and reduce the inventory required at each club.

The value therefore no longer lies only in the data itself.

It lies in the relationship among the data produced by the different parts.

This architecture can be represented as a loop.

Each club produces information from its real operations. Regional Centers add data on parts, repairs and service. The Back-End combines this information with commercial, logistical and financial data. Network analysis then makes it possible to identify trends, improve procedures or modify certain decisions. These improvements return to the clubs and regions, which in turn produce new observations.

The system learns.

This loop directly expresses the founding principle: the parts allow the whole to better understand reality, while the whole allows each part to benefit from knowledge it could not have produced alone.

But this value appears only if the data are sufficiently comparable, reliable and accessible at the appropriate levels.

Accumulating information in the Back-End without returning it to the clubs would not constitute a genuine network economy. The measurement system must therefore follow the same logic as the Inverted Pyramid: centralization of certain data is justified only when it produces greater capacity for the base.

36.15 A Good Management System Does Not Replace Judgment: It Gives Judgment a Better Reality on Which to Rely

As GC develops, budgets, indicators and dashboards will inevitably become more sophisticated. This evolution is necessary, but it also carries a risk: believing that the presence of large quantities of data makes it possible to reduce the management of a complex system to the mechanical application of a few ratios.

No dashboard will ever fully understand the context of a club, the quality of a supplier relationship, the importance of an innovation or the potential of a new function. Data informs the decision; it does not eliminate the need for judgment.

The role of the management system is therefore to give that judgment a stronger foundation.

When a manager decides to increase inventory, current turnover, expected orders and supplier lead times should be known. When a Regional Center requests a new resource, it should be able to show the evolution of its workload, delays and the installed base it supports. When a digital function requests more capital, the network should understand what it improves and how its use is progressing.

This discipline reduces decisions based solely on impressions without claiming to eliminate all uncertainty.

It also preserves institutional memory. An important decision can be revisited several months later by comparing the assumptions that justified it with the results observed. The system learns not only from its activities but also from the quality of its own decisions.

This learning loop should progressively become one of the major Back-End capabilities.

A budget is established from assumptions.

Operations produce reality.

Accounting records that reality.

Indicators make it possible to understand the main causes.

Dashboards draw attention to variances and trends.

Management makes a decision.

The results of that decision are then observed in turn.

This movement transforms financial management into a continuous process rather than an annual exercise.

It also preserves the economic philosophy developed throughout GC-104. Growth should not be evaluated solely by size. Products should not be judged solely by margin. Regional Centers should not be evaluated only by their direct revenues. The Back-End should not be considered efficient merely because it centralizes more functions.

The measurement system must make visible the contribution of each part to the capacity of the whole.

This requires accepting that some dimensions are more difficult to quantify than others. The value of better reliability, reduced risk or shared learning will not always be summarized by a single number. They must nevertheless be observed with sufficient rigor so that they do not become abstract claims used to justify expenditures.

Management maturity will appear precisely when GC can combine these two requirements: measure what can be measured and apply structured judgment to what cannot properly be reduced to a single indicator.

The same logic applies to integrated club accounting. Over the long term, the value will not lie only in the ability to produce club financial statements through Common Infrastructure. It will appear when that infrastructure allows the club to better understand

its own economics, compare its results over time, identify certain inefficiencies and make better decisions without losing its autonomy.

The Back-End can then provide accounting and analytical capacity that would be more expensive to build separately in every establishment.

The principle of the whole being greater than the sum of its parts becomes concrete once again: the same financial architecture, used by several participants without confusing their respective economics, can produce collective knowledge that simultaneously improves management of the network and of each club.

This architecture must nevertheless remain faithful to the KISS principle.

The club manager's dashboard should not become a control center filled with hundreds of charts. The Back-End dashboard should not force management to analyze every transaction on a daily basis. Technology must organize the underlying complexity so that those responsible can concentrate on exceptions and important decisions.

The quality of a dashboard can therefore be evaluated through a simple question:

does it make it possible to quickly understand what has changed, why it deserves attention and what decision might be necessary?

When the answer is yes, data becomes a management capability.

When the answer is no, the dashboard risks becoming another form of complexity.

The guiding principle of the chapter can therefore be stated as follows:

the GC management system is effective when the budget translates strategy into resources, accounting faithfully describes economic reality, indicators make the important causes visible and dashboards transform that information into decisions quickly enough to protect and improve network capacity.

This architecture gives the GC System the ability to observe itself.

It makes it possible to know not only where the system is, but also whether the direction it is following remains compatible with its principles, capital and capabilities.

The next chapter will deepen one of the questions that these tools must specifically make it possible to answer: at what level of activity does a function truly cover the resources it requires, how can profitability be distinguished from sustainable profitability and how can different volume scenarios profoundly alter the financial position of the system?

Chapter 37 — **Break-Even Point, Profitability and Financial Scenarios** will examine this relationship among volume, fixed costs, margins, capital and uncertainty in order to avoid confusing a single forecast with a certain financial trajectory.

CHAPTER 37

BREAK-EVEN POINT, PROFITABILITY AND FINANCIAL SCENARIOS

37.1 The Break-Even Point Marks a Transition, but Does Not by Itself Describe the Economic Health of the System

The previous chapter established the mechanisms that allow the GC System to observe its activity through budgets, accounting, indicators and dashboards. This information must now be used to answer one of the most basic questions in finance, but also one of the most frequently oversimplified: at what level of activity does a function, a region or the system as a whole actually begin to cover the resources it consumes?

The break-even point provides a first tool for answering this question. In its simplest form, it represents the level of sales or activity at which revenues and contribution margins become sufficient to cover the fixed costs associated with operations. Before this point, the activity consumes more value than it produces financially; after this point, each additional unit can begin to contribute to the result, provided that its unit economics remain positive.

This concept appears simple when applied to a single product whose price, variable cost and fixed expenses are relatively stable. The GC System, however, will consist of several products, services, rental models, digital functions, clubs, Regional Centers and Common Capabilities. It will therefore not have a single break-even point, but several interconnected thresholds that must be understood separately before they can be interpreted together.

A product may have crossed its own threshold while the Back-End remains unprofitable. A Regional Center may cover its costs while a new local activity remains in validation. A family of services may not be profitable on its own while reducing warranty costs and tied-up capital enough to improve the economics of a broader portfolio.

The break-even point must therefore be used as a tool for understanding rather than as an absolute boundary between success and failure. It indicates what a capability must produce in order to sustain itself, but it does not measure the quality of growth, cash flow, return on capital or system resilience.

37.2 Contribution Margin Connects Unit Economics to the Break-Even Point

To understand the break-even point, it is necessary to return to the contribution margin introduced in the preceding chapters. When an additional unit is sold, rented or used, part of the revenue is absorbed by the costs directly associated with that unit. The amount remaining then contributes to funding fixed costs and, once those costs are covered, to producing a result.

In a simple model, the relationship can be expressed as follows:

UNIT CONTRIBUTION MARGIN = UNIT PRICE OR REVENUE − UNIT VARIABLE COSTS

Once this margin is known, the theoretical break-even point in units can be represented by:

BREAK-EVEN POINT = FIXED COSTS ÷ UNIT CONTRIBUTION MARGIN

If an activity carries $300,000 in fixed costs and produces a contribution of $300 per unit, it must generate approximately 1,000 units to cover those costs, all other things being equal.

The formula is useful because it immediately shows the influence of several decisions. A better contribution margin reduces the volume required to reach break-even. Higher fixed costs increase it. A price reduction that is not offset by lower costs or a sufficient increase in volume pushes the break-even point farther away. An operational improvement that reduces variable cost brings it closer.

But this simplicity should not create an illusion of certainty. In reality, the average price may vary, commissions may differ, certain costs may be semi-variable and the portfolio may contain several activities with different margins. The formula therefore represents the economic mechanism rather than a perfect forecast of future operations.

Its true value lies in allowing the system to understand which variables determine the transition toward sustainable economics.

37.3 Fixed Costs Must Be Associated With the Level of Capacity They Actually Support

The concept of fixed cost can become misleading when interpreted as an expense that will never change. Rent, a management position or a digital platform may remain relatively fixed within a certain range of activity and then increase when the system crosses into a new level of capacity.

A Back-End designed to support twenty clubs may operate with a relatively small team. When it must support one hundred clubs, it may become necessary to add a person, a system or an additional capability. The cost remains fixed between certain volume levels, but increases in steps.

The same logic applies to Regional Centers. One technician can support a certain number of assets and interventions. As long as the workload remains below that limit, adding a few additional clubs does not necessarily increase fixed cost. Once capacity is reached, a second technician becomes necessary and the economic threshold of the region changes.

GC must therefore associate fixed costs with capacity steps.

This interpretation is far more useful than an overly rigid separation between fixed and variable costs. It makes it possible to understand what happens as the network grows: additional margins can strongly improve results while available capacity remains sufficient, then a new fixed expense appears when an operational threshold is crossed.

These steps must be anticipated in financial scenarios. A projection that increases sales by 50% while keeping support costs exactly the same could produce artificially high profitability if the organization must actually add several intermediate capabilities.

The break-even point therefore evolves with the architecture.

37.4 The Break-Even Point of a Product Must Not Be Confused With That of the Company

An activity can be profitable at the unit level without the organization as a whole being profitable yet. This distinction is particularly important during GC's early years.

Suppose a Cruiser produces a satisfactory contribution margin after its acquisition cost, transportation, commission, preparation and variable costs associated with its life cycle. This positive unit economics demonstrates that additional sales contribute to funding the system. It does not mean, however, that a few dozen units will be enough to finance Back-End development, management, technology, reserves, warranty functions and other Common Costs.

There are therefore at least two different questions.

The first is: **Does each additional unit improve the economics?**

The second is: **How much of this contribution must be accumulated to finance the full architecture required?**

An activity whose unit contribution is negative generally becomes more problematic as volume increases. An activity with a positive contribution can, by contrast, be economically sound even before reaching the overall break-even point, provided the system has enough capital to finance the construction period.

This distinction allows the early losses of a developing company to be interpreted more accurately. An accounting loss does not automatically indicate a poor model if it results from Common Capabilities being built before the volume that will use them has been reached. But this explanation cannot be used indefinitely.

As growth occurs, accumulated contribution must progressively catch up with and then exceed the costs of the structure it was intended to finance.

37.5 The Break-Even Point Must Be Calculated at Several Levels of the GC System

The GC economic structure justifies analyzing break-even at several levels.

The first is the activity or product level. It makes it possible to understand how many sales, rentals, transactions or interventions are required to cover the costs directly associated with that function.

The second is the club level. A mobility fleet, a new shop activity or an integrated service may have its own local threshold, determined by the capital committed, price, utilization rate and costs assumed by the club.

The third is the Regional Center level. It is necessary to understand what volume of clubs, assets and interventions allows its personnel, space, inventory and other capabilities to be covered.

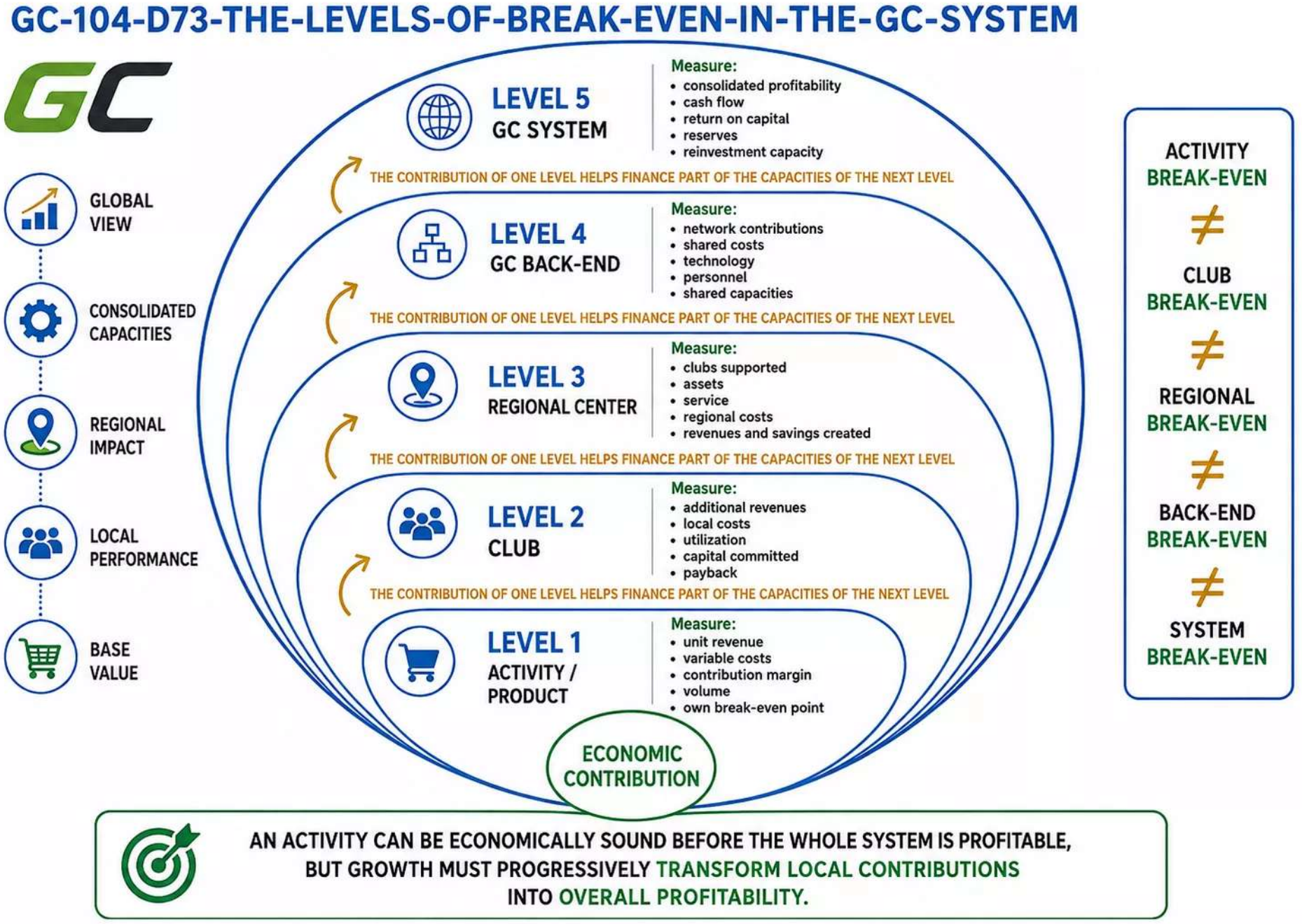
The fourth is the Back-End level. Revenues and contributions from the entire network must progressively finance Common Functions: technology, management, operations, finance, procurement, service and other infrastructure.

Finally, the fifth level is the GC System as a whole. At this scale, it is necessary to determine whether the combination of all activities produces enough contribution to finance the architecture, protect reserves, service capital and generate reinvestment capacity.

These levels should not be artificially isolated. Their value comes precisely from the ability to understand where contribution is created and where it is consumed.

A loss-making region may be in a construction phase while being temporarily supported by a profitable network. A Common Digital Activity may not have direct revenue but may reduce the costs of several other functions enough to be economically justified. These situations are acceptable when they are understood and intentionally financed.

They become problematic when the accounting structure makes it impossible to know which parts are subsidizing others and for what reason.



GC-104-D73 — THE LEVELS OF BREAK-EVEN IN THE GC SYSTEM

37.6 Sustainable Profitability Begins Beyond the Simple Break-Even Point

Reaching break-even is an important stage, but a company operating exactly at break-even remains financially fragile.

It covers its costs, but has little capacity to absorb a decline in volume, invest in an improvement, finance an error or build additional reserves. A relatively modest variation can immediately return it to a loss position.

The true objective must therefore be a zone of sustainable profitability located sufficiently above break-even.

This zone must make it possible to cover all costs, provide a reasonable return on capital, protect cash flow and leave reinvestment capacity. It must also include the expenditures required to maintain quality and service so that the result is not artificially improved through underinvestment.

This distinction becomes important for Regional Centers as well as for the Back-End. A center that reaches exactly its break-even point during the strongest months of the season but incurs significant losses during the rest of the year has not necessarily achieved sustainable economics.

Profitability must be observed over a sufficiently complete cycle.

In a seasonal activity, the appropriate period of analysis may be the season or the year rather than an isolated month. In a rental activity, future asset replacement must also be included rather than only current expenses.

The break-even point indicates when an activity stops losing money under the assumptions used.

Sustainable profitability indicates when it truly begins to strengthen the system.

37.7 The Margin of Safety Measures the Distance Between Actual Volume and the Point of Fragility

Once the break-even point is known, it becomes useful to measure the distance between that threshold and the actual or expected level of activity.

This difference constitutes a margin of safety.

If a function reaches break-even at 1,000 units and expects to sell 1,100, its margin of safety remains relatively small. A 10% reduction in demand could almost entirely eliminate the expected profit.

If expected volume is instead 1,600 units, the activity has much greater capacity to absorb an unfavorable variance.

This concept is particularly useful in growth decisions.

A region that has only slightly exceeded its threshold should perhaps not immediately commit to a major new fixed structure. A product with a high margin of safety may, by contrast, be able to finance additional capacity more comfortably.

GC must also examine the margin of safety in financing scenarios. A company with significant debt repayments or high fixed commitments will generally need more distance between expected volume and its point of fragility.

The margin of safety therefore transforms the question **“Are we profitable?”** into a more demanding one:

“How far could our activity deteriorate before our economics cease to be sustainable?”

This perspective is essential to resilience.

37.8 Operating Leverage Can Accelerate Profitability, but Also Amplify Volume Errors

An architecture with significant fixed costs can produce a rapid improvement in results when volume increases. Once those costs have been covered, a large portion of additional contribution turns into profit.

This is the effect of operating leverage.

A digital Back-End, for example, has several costs that do not double when the number of clubs doubles. If its existing capacity can serve more users without a proportional increase in expenses, each additional club can produce increasingly attractive contribution.

The same dynamic can appear in a Regional Center or an assembly line.

But this leverage also works in the opposite direction.

Infrastructure built for high volume becomes very expensive when actual demand remains low. Fixed costs remain while the expected contribution fails to appear.

This reality explains why GC-104 consistently emphasizes progressive deployment.

Fixed infrastructure should appear when demand has been sufficiently demonstrated for its probable utilization to be reasonably high.

Operating leverage can become a powerful source of profitability as the network grows. It can also become a source of fragility when capabilities are built several Steps ahead of the volume expected to finance them.

37.9 A Financial Scenario Is Not a Prediction, but a Way of Examining Several Plausible Futures

A financial projection necessarily produces precise figures: sales, revenues, costs, profits, investments and cash flow. This precision can create the impression that the future itself is precise.

It is not.

Sales may differ from expectations, prices may change, product costs may vary, the season may be weaker, clubs may adopt a function more quickly or more slowly and certain capabilities may cost more than expected.

The financial scenario must therefore be considered a coherent hypothesis about the future, not a certain forecast.

GC must use several scenarios to understand how its economics respond when certain assumptions change.

A prudent scenario may represent slower adoption, slightly higher costs and longer deployment timelines. A reference scenario may reflect what management considers the most plausible trajectory. A favorable scenario may show what becomes possible when utilization, margins or growth reasonably exceed expectations.

The objective is not to choose the most pleasant scenario.

It is to understand the decisions that each one would require.

If the prudent scenario immediately requires a new financing round, that information must be known. If the favorable scenario requires significantly more inventory and personnel, the system must know whether it can actually support that growth.

The scenario thus becomes a preparation tool.

37.10 Scenarios Must Change Several Coherent Variables Rather Than a Single Sales Figure

A poor scenario analysis consists of increasing or decreasing only revenue while keeping almost every other element unchanged.

In reality, variables interact.

A significant increase in the number of clubs will probably require more inventory, more transactions, more service and eventually additional resources. A reduction in volume may lower certain variable costs while leaving fixed costs almost unchanged.

GC scenarios must therefore seek internal consistency.

In a prudent scenario, slower adoption may reduce product purchases but extend the time required for a Regional Center to reach break-even. Working capital may be lower in absolute value while remaining tied up for longer.

In the favorable scenario, higher sales may generate greater contribution but may also put pressure on cash flow if orders must be financed several months before collection.

Building scenarios in this way makes it possible to see the true consequences of growth or slowdown.

The question is therefore not only how much revenue each scenario produces, but what architecture each level of activity requires in order to remain sustainable.

37.11 Critical Variables Must Be Identified Before Multiplying Financial Models

A highly detailed financial model can contain hundreds of assumptions, but only a few often determine a large portion of the result.

For GC, these critical variables may vary by stage. In a product-sales model, acquisition cost, price, volume, warranty and inventory turnover may be particularly important. In rental, utilization rate, revenue per use, service life and maintenance cost may dominate. In a Regional Center, density, number of supported assets and personnel productivity may be decisive.

The system must therefore perform sensitivity analyses.

What happens if the average price is 5% lower?

If supplier cost increases by 10%?

If utilization is 20% lower?

If inventory turns one month more slowly?

If a new hire becomes necessary six months earlier?

These variations make it possible to identify where the economics are robust and where a small difference can profoundly change the result.

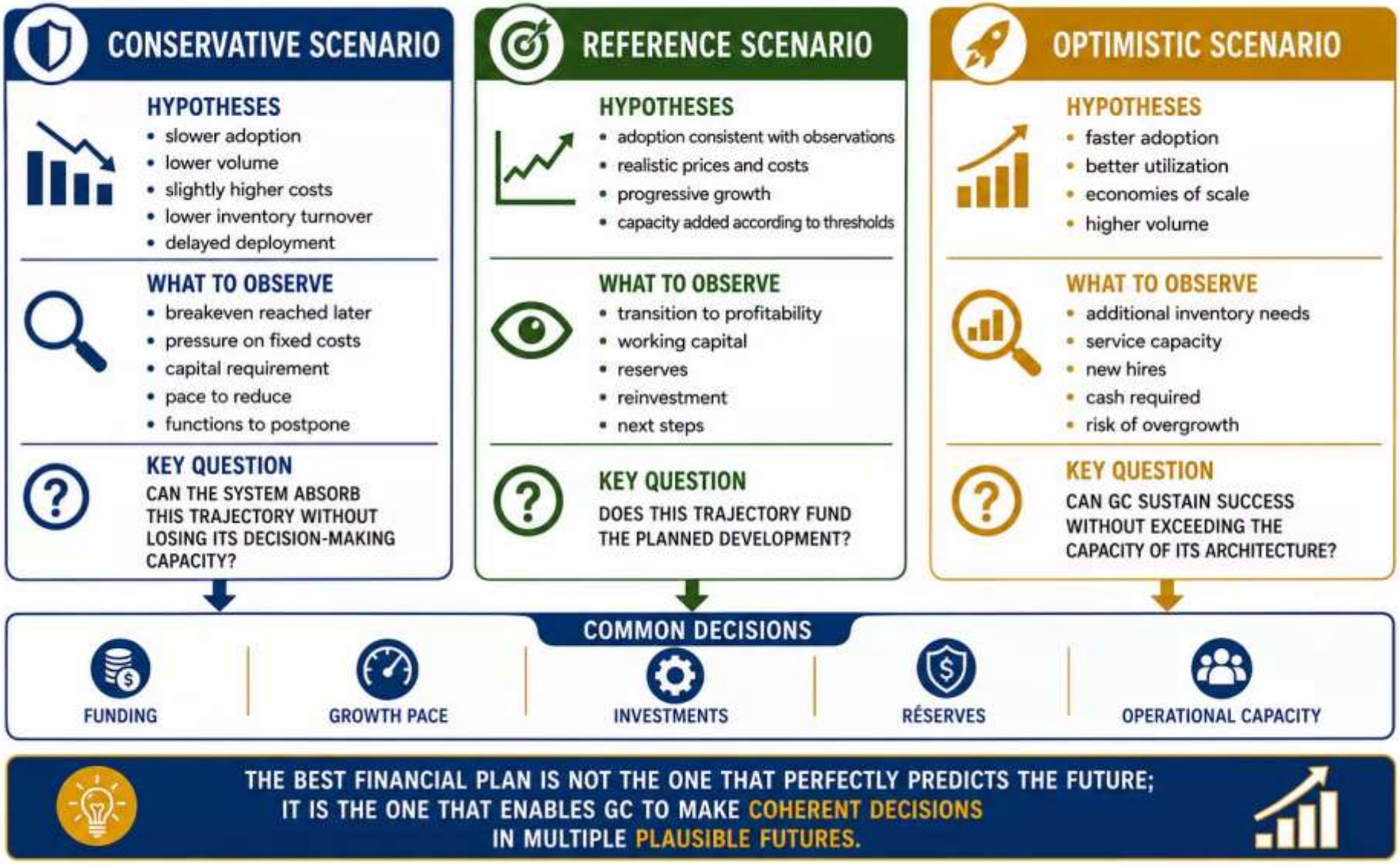
This knowledge must influence management priorities.

A highly sensitive variable that is difficult to control should receive greater attention or a larger margin of safety. A variable having little effect on the result may not deserve the same level of optimization.

The sophistication of the model must therefore serve to reveal what genuinely deserves to be managed, not to create an illusion of precision.

GC-104-D74-THE-THREE-FINANCIAL-SCENARIOS-FOR-GC-SYSTEM-DEVELOPMENT

EVALUATING MULTIPLE TRAJECTORIES TO MAKE BETTER DECISIONS.



GC-104-D74 — THE THREE FINANCIAL DEVELOPMENT SCENARIOS OF THE GC SYSTEM

37.12 The Prudent Scenario Must Be Difficult Enough to Test Resilience Without Becoming Artificially Catastrophic

A prudent scenario that differs only slightly from the reference scenario provides little information. Conversely, systematically constructing a scenario in which almost every assumption collapses at the same time can create such an extreme picture that it becomes of little use for ordinary planning.

The prudent scenario must represent an unfavorable but reasonably plausible situation.

A season may be weaker than expected. A product may experience slower adoption. Transportation costs may increase. A supplier may delay certain deliveries. Several of these events may even occur simultaneously.

The objective is to verify whether the system has enough reserves, credit, flexibility and capacity to postpone certain expenditures in order to continue operating properly.

This analysis must lead to preventive decisions.

What minimum level of cash should be maintained?

Which investments can be delayed?

Which costs are truly variable?

How much inventory should be ordered before greater visibility is available?

At what point should territorial expansion be slowed?

The prudent scenario thus transforms resilience into concrete decisions.

A sound financial architecture is not one that works only when the reference scenario materializes. It is one that can absorb a reasonably unfavorable variance without being forced to abandon its principles or seek capital in an emergency.

37.13 The Favorable Scenario Must Also Be Treated as a Management Risk

The favorable scenario is often presented only as a desirable situation: more sales, revenue and profit. Yet growth that is much faster than expected can create its own difficulties.

If demand doubles, GC may have to order much more inventory before collecting the corresponding sales. Service capacity may become insufficient. Back-End systems may reach their limits. Suppliers may be unable to increase production at the same pace. Regional Centers may become saturated.

Favorable growth can therefore consume a significant amount of cash before generating the expected profits.

The favorable scenario must therefore test the system's ability to absorb success.

How many new clubs can be integrated simultaneously?

What additional volume can the supplier produce?

How much additional working capital will be required?

When must new service capacity be added?

Can the pace be deliberately limited if the organization approaches its constraints?

This perspective protects GC from the idea that high demand must always be served immediately.

Part of growth discipline consists precisely in accepting that an organization may say no, wait or sequence certain opportunities in order to preserve the quality of the whole.

The favorable scenario must therefore be as operational as it is financial.

37.14 Portfolio Profitability Must Be Greater Than the Simple Addition of the Profits of Its Activities

As GC develops several products and services, profitability analysis must go beyond examining each activity in isolation.

Certain functions can share the same infrastructure. A Regional Center can support several products. One technology can simultaneously serve transactions, service, CRM and accounting. The same club can use several offerings without requiring a new commercial relationship for each one.

This mutualization can allow the portfolio to produce economics superior to what the activities would produce separately.

The principle **"The whole is greater than the sum of its parts"** becomes a measurable financial criterion here.

Suppose two independent activities would each require their own support system, training and logistics. When they use common infrastructure, part of these costs no longer needs to be duplicated. The contribution of the second activity may then be stronger precisely because the first has already participated in financing a Shared Capability.

This logic also works in the opposite direction.

A new activity that requires its own technology system, inventory, service and skills may create far less systemic value than its apparent margin suggests.

The portfolio must therefore be analyzed according to both the direct contribution of its activities and the effects they have on one another.

Integrated profitability becomes greater than the sum of independent profitability when Common Capabilities are better utilized, coordination costs decrease, data improves several functions and the same capital can support more activity.

But, as always, this synergy must be observed rather than simply asserted.

If diversification increases central costs faster than contribution, the whole does not become greater; it simply becomes more complex.

37.15 Profitability Becomes Truly Strategic When It Produces Reinvestment Capacity

The break-even point marks a necessary transition in the economic life of an activity. Before it, external capital, reserves or contributions from other functions must finance the deficit. After it, the activity begins to contribute positively to the result.

But the ultimate objective of the GC System must lie farther ahead.

A sustainable economy must generate enough value not only to cover its costs, but also to protect existing commitments, maintain reserves, finance part of its investments and progressively create reinvestment capacity.

This distinction profoundly changes the meaning of profitability.

A profit entirely absorbed by an increase in working capital does not yet provide the same freedom as a profit accompanied by available cash flow. A strong accounting margin in an activity that constantly requires new capital expenditures may produce less growth capacity than a more modest margin that is quickly converted into cash.

Profitability must therefore be related to the capital it mobilizes.

The system must progressively observe not only how much it earns, but how much capital it must commit to produce that result and how much of that result can truly be reused to build the next capability.

This question is particularly important when comparing different stages of development.

At the beginning, a large portion of potential profits may be absorbed by inventory, new technologies and deployment.

As the architecture matures, Common Capabilities already built should allow an increasing proportion of additional contribution to become available for reinvestment.

This is where economies of scale begin to profoundly alter the financial structure.

A digital infrastructure used by more clubs may see its average cost decline.

A denser Regional Center may spread its fixed costs across more assets.

A larger supplier relationship may improve purchasing terms.

Better data may reduce unnecessary inventory.

A better-utilized industrial capability may reduce unit cost.

These improvements increase the available margin without necessarily increasing consumed resources proportionally.

The founding principle finds a particularly important expression here: **the whole becomes financially greater than the sum of its parts when the growth of interactions among the parts improves capital productivity and allows the system to generate greater reinvestment capacity than the same activities would generate if organized separately.**

This value creation must nevertheless be protected against a common mistake. When a company begins to become profitable, it may be tempting to immediately treat profits as permission to accelerate every initiative waiting to be funded.

The discipline of the Seven Steps remains applicable.

Greater profitability does not mean that every opportunity should be financed. It simply increases the ability to choose.

This ability to choose represents precisely one of the most important forms of financial maturity.

GC can then decide to use part of its results to increase reserves, reduce certain debts, finance more inventory, improve technology, strengthen a Regional Center or prepare a new industrial Step. It can also decide not to invest immediately if the next opportunities have not been sufficiently validated.

The system thus begins moving from an economy dependent on external capital toward one in which an increasing share of development can be financed by what it produces itself.

The break-even point must therefore be regarded as the beginning of a process, not its final objective.

The desired progression becomes:

POSITIVE CONTRIBUTION → BREAK-EVEN POINT → PROFITABILITY → MARGIN OF SAFETY → AVAILABLE CASH → REINVESTMENT → ADDITIONAL CAPACITY

Each stage increases the autonomy of the system.

Financial scenarios make it possible to verify whether this progression remains possible under several trajectories. They should not attempt to predict exactly which year GC will cross each threshold. They should allow the organization to know which decisions will be necessary if the actual trajectory falls above or below expectations.

A good financial model should therefore never be judged by the accuracy with which it predicted a result several years in advance. Its value lies in its ability to reveal the relationships among volume, margin, costs, capital and capacity, and then allow adaptation when assumptions change.

The guiding principle of this chapter can therefore be stated as follows:

the profitability of the GC System becomes sustainable when activities produce a positive unit contribution, volume sufficiently covers fixed capabilities, a margin of safety protects the system against reasonable variances, and profits progressively convert into cash and the capacity to finance the next Step without continually increasing dependence on external capital.

This conclusion leads directly to the following chapter.

A company can reach break-even and become profitable without yet being capable of financing all of its growth through its own flows. Conversely, a highly productive activity may begin generating an amount of cash that completely changes the possible pace of development.

Chapter 38 — **Growth, Cash Generation and Reinvestment** will therefore examine how profitability is transformed into genuine financial capacity, how to determine what portion of cash flows should be retained or reinvested and how the loop between growth and cash can progressively allow the GC System to finance an increasing share of its own evolution.

CHAPTER 38

GROWTH, CASH GENERATION AND REINVESTMENT

38.1 Economic Growth Becomes Truly Sustainable When It Begins to Finance Part of Its Own Progression

The previous chapter showed that moving above the break-even point is not an end in itself. An activity can become profitable while remaining highly dependent on external capital if its growth continually requires more inventory, personnel, equipment, technology or working capital. The essential question then becomes: at what point does growth begin to generate enough cash to participate in financing the next Step itself?

This transition represents a major change in the maturity of the GC System. At the beginning, the company must necessarily invest before obtaining complete economic proof. Capital is used to purchase prototypes, finance initial inventories, build digital capabilities, support Pilot Clubs and absorb the period during which certain functions do not yet cover their costs. This initial dependence on capital is normal.

As activities stabilize, however, the logic must progressively reverse. Products generate contribution margin. Integrated clubs generate transactions. Regional Centers achieve better utilization of their resources. Back-End capabilities are spread over more activity. An increasing share of revenue must then turn into available cash.

This is when growth stops being only a consumer of capital and begins becoming a generator of capital.

This transformation must be observed carefully, because strong sales growth can create an impression of economic power while consuming enormous amounts of cash. Conversely, more moderate growth accompanied by good inventory turnover, healthy margins and well-controlled working capital can produce far greater financial autonomy.

The quality of growth must therefore be measured not only by the additional revenue it creates, but by the amount of financial capacity it leaves to the system after funding the resources required to support that growth.

38.2 Accounting Profit and Available Cash Must Remain Clearly Distinguished

A company can report a profit while seeing its cash balance decline. This situation is not unusual, particularly in a growing network.

A sale may be recognized before it is fully collected. A significant portion of profit may be tied up in additional inventory. A large order may be paid several weeks or months before the corresponding products are sold. A new region may require capital before generating enough contribution.

Accounting profit measures economic performance according to established rules. Available cash instead measures the immediate capacity to pay, invest or absorb an unexpected event.

GC must therefore avoid making reinvestment decisions solely on the basis of profit.

A year can be highly profitable while still requiring considerable caution if expected growth requires financing additional inventory or if several already approved investments must be paid at the beginning of the following season.

Conversely, certain exceptional cash inflows can temporarily create the impression that substantial liquidity is available without corresponding to sustainable profitability.

The system must therefore follow the full path from revenue to profit and then to cash.

The central question becomes: **what portion of the economic result actually becomes liquid after the needs required to maintain and grow the activity have been financed?**

It is this portion, rather than accounting profit considered in isolation, that determines true reinvestment capacity.

38.3 Working Capital Determines How Quickly Growth Becomes Cash

Chapter 25 showed that the capital conversion cycle connects inventories, accounts receivable and accounts payable. This mechanism becomes even more important when GC enters a period of sustained growth.

If inventory must be purchased several months before the sale and customers pay after delivery, rapid growth in sales can require substantial additional capital. The system can then be profitable on paper while still requiring financing to move through the cycle.

Better working-capital management can profoundly change this situation.

Pre-orders can bring purchases closer to actual demand. Certain deposits can finance part of the cycle. Better supplier terms can defer part of the payment. Faster turnover reduces the amount of time capital remains tied up in inventory. Better management of accounts receivable accelerates collection.

Each of these improvements increases the proportion of growth that can be financed through internal flows.

The relationship between growth and cash therefore depends not only on margin, but also on the speed of capital.

Two companies with the same margin can have very different financing needs if one converts its purchases into cash within sixty days while the other requires six months.

For GC, this speed will become an essential component of its ability to advance through the next Steps without continually seeking new capital.

38.4 Not All Growth Produces the Same Quality of Cash

A dollar of revenue does not always have the same financial value to the system.

Certain activities can generate a high contribution and be collected quickly. Others may require significant inventory, service or capital before producing a result. Some may have a lower margin but almost no working-capital requirement. Others may show an excellent gross margin while tying up capital for a long period.

This difference must influence how GC evaluates its portfolio.

A digital service, for example, may require significant initial investment in development and then generate transactions whose marginal cost is relatively low. A physical product may create substantial value but require a much longer importation, warehousing and distribution cycle.

The comparison must therefore go beyond margin.

Capital committed, cycle duration, inventory risk, warranties, renewal requirements and predictability of cash flows must also be observed.

An activity with a slightly lower margin may be highly attractive if it converts its revenues into cash quickly and regularly. Another activity may remain strategic even if its cycle is more demanding, but it must then be financed with full understanding of those requirements.

Portfolio growth must seek a combination capable of producing both economic value and sufficiently regular cash generation to support the responsibilities of the network.

38.5 Maintaining Existing Capacity Must Be Financed Before Expansion

When a company begins generating significant cash, part of that amount is not truly available to finance new projects.

Assets will need to be replaced.

Systems will need to be maintained.

Certain licenses will need to be renewed.

Parts will need to be kept available.

Industrial equipment will eventually need to be repaired or modernized.

Digital capabilities will have to continue evolving in order to maintain their security and functionality.

These expenditures represent maintenance capital.

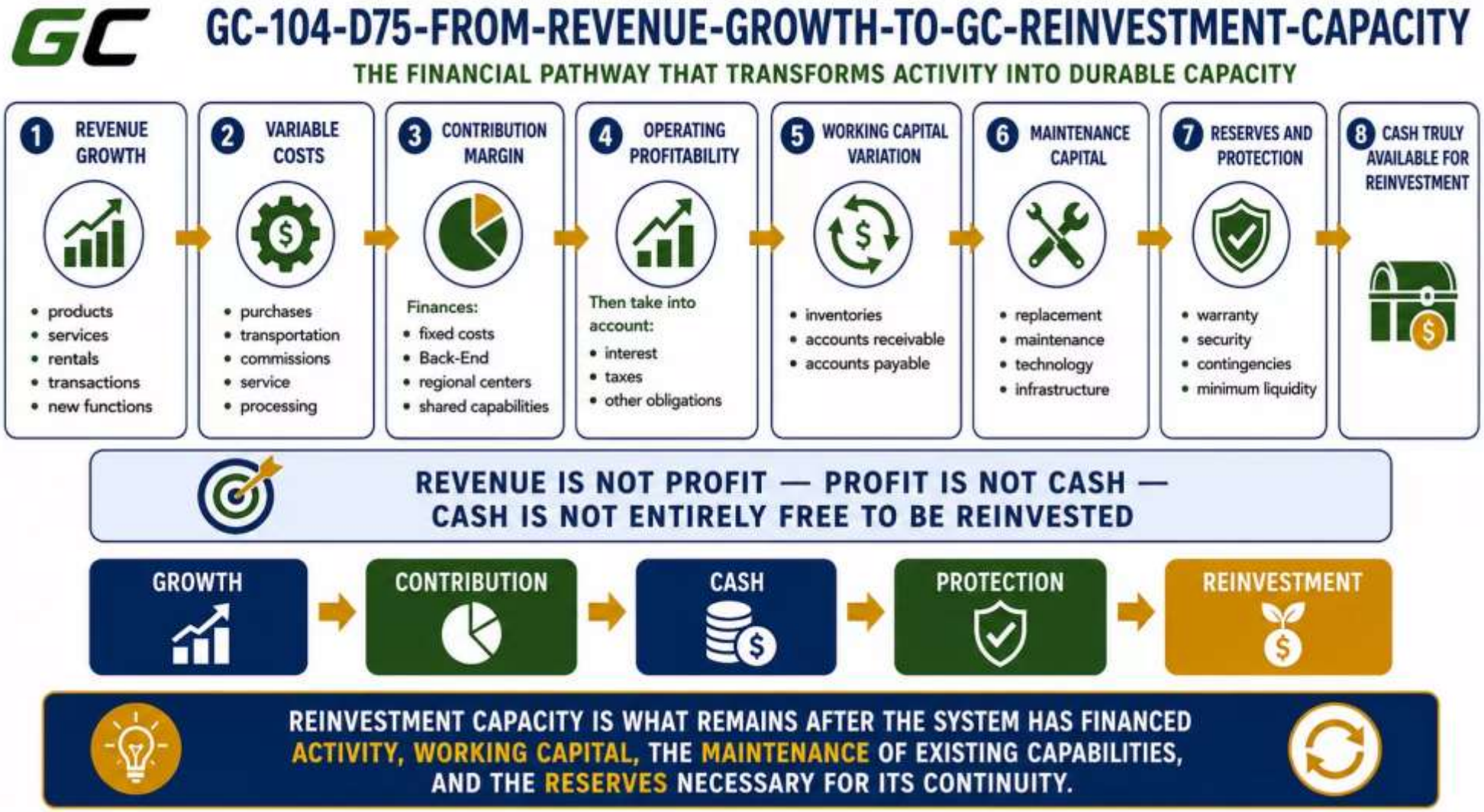
It would be dangerous to distribute or reinvest all available cash into growth without reserving the amounts necessary to maintain what already exists.

A fleet of products, for example, can produce excellent cash flow for several years while accumulating a future replacement requirement. If the company treats all of that cash flow as freely available profit, it may discover too late that a significant portion should have been retained to renew the assets.

The same principle applies to Back-End infrastructure and Regional Centers.

Reinvestment must therefore begin with a fundamental question: **what portion of cash is required to preserve existing capacity before building new capacity?**

This discipline protects the system against growth financed through the silent deterioration of its existing assets.



GC-104-D75 — FROM REVENUE GROWTH TO GC REINVESTMENT CAPACITY

38.6 Reinvestment Must Follow a Hierarchy of Priorities Rather Than a Logic of Automatic Expansion

Once truly available cash has been identified, a new decision appears: where should it be reinvested?

This question directly returns to the capital-allocation discipline of Chapter 28.

The first priority must remain protection of existing capacity. A significant weakness in service, cybersecurity, parts or quality should not be ignored simply because a new market appears more attractive.

The second priority concerns bottlenecks. A function that limits several other parts of the network can produce an excellent return when strengthened.

The third concerns capabilities that improve the economics of what already exists. A technology that reduces the processing cost of thousands of transactions may create more value than a new product requiring an entirely new infrastructure.

Expansion into new clubs, regions, products or markets should come when current capabilities are sufficiently strong and the proposed investment creates more value than the alternatives.

This sequence protects GC against the mistake of treating all available cash as an invitation to immediately increase the size of the network.

Reinvestment must seek an increase in the capacity of the system, not merely an increase in its volume.

38.7 The Return on Reinvestment Must Be Compared With the Cost of Retaining or Distributing Capital

Reinvesting profits is not automatically the best decision in every circumstance.

A project requiring significant capital to produce a low or highly uncertain return may be less attractive than retaining more liquidity, reducing debt or eventually distributing a portion of capital when the company reaches sufficient maturity.

Reinvestment therefore has an opportunity cost.

Every dollar used for a new initiative cannot simultaneously strengthen a reserve, reduce a financial obligation or finance another project.

GC must progressively compare the expected returns of its opportunities.

This comparison should not be purely financial. A project may have a modest direct return while reducing a major risk or building an important strategic capability.

But these advantages must be explicitly understood.

A company that claims all of its spending is "strategic" quickly loses its ability to prioritize.

Internally generated capital must be treated with the same discipline as capital provided by an external investor.

The fact that the company generated it does not make it free.

38.8 Reinvestment in Common Capabilities Can Produce a Greater Return Than an Isolated Investment

One of the particular characteristics of the GC System is that certain Common Capabilities can simultaneously improve several activities.

A better-integrated digital platform can reduce administrative time for clubs, improve transaction tracking, provide better data to the Back-End and facilitate future expansion.

A logistics improvement can reduce inventory, decrease stockouts and improve service times.

Better regional technical capability can support several products and several clubs.

In these situations, the return on investment is not located entirely within a single revenue line.

It appears across several parts of the system.

This reality must be incorporated into the analysis without becoming an excuse to finance infrastructure that is too large.

GC must seek to identify the distributed value: cost reduction, improved availability, increased utilization, fewer incidents or the ability to support more clubs without a proportional increase in resources.

When these effects are real, a Common Capability can produce a very significant systemic return.

Capital must then be evaluated according to the total contribution created across several parts of the network, rather than solely according to the direct revenue of the function receiving the investment.

38.9 A Reinvestment Policy Must Preserve a Strategic Reserve

A growing company can always find new places to invest.

This abundance of possibilities can make it psychologically difficult to retain part of the cash. Money that remains available can create the impression that it is unproductive.

Yet a strategic reserve is itself a capability.

It makes it possible to absorb a slowdown, take advantage of an unexpected opportunity, respond to a supplier interruption or quickly finance an important correction without immediately depending on a lender or investor.

The appropriate level will depend on the stage of development, market volatility, level of debt and network risks.

A young organization still dependent on a few suppliers and exposed to strong seasonality may require more protection than a mature company whose flows are highly diversified.

The reserve should therefore not be determined solely as an arbitrary percentage of revenue.

It should reflect the amount of time required for the system to continue making sound decisions when an unfavorable event temporarily reduces its flows.

This freedom to decide has considerable economic value.

38.10 Self-Financed Growth May Be Slower, but It Increases Strategic Freedom

External capital can significantly accelerate development. It allows capabilities to be built before internal flows are sufficient, certain opportunities to be seized and risks to be shared among several capital providers.

But external financing also creates obligations.

Debt must be repaid.

Issuing shares creates dilution.

An investor may request certain rights or a certain pace of growth.

As GC generates more cash, the possibility of financing a larger share of development internally changes this relationship.

The system can choose more freely when to invest, negotiate from a stronger position and refuse certain conditions when they do not correspond to its vision.

Self-financing does not mean that GC should reject all external capital in the future. A significant investment may remain relevant if it allows the system to seize an opportunity whose value clearly exceeds the cost of financing.

The difference is that the system would no longer be entirely dependent on that source.

This progressive independence constitutes one of the most important forms of financial strength.

38.11 The Pace of Growth Must Be Compatible With the Rate of Internal Capital Generation

A company may wish to grow faster than its cash flows naturally allow. This decision can be entirely rational if it is financed prudently and if the economic proof is sufficiently strong.

But it must be understood as an explicit choice.

If GC generates $2 million in available cash each year and wants to invest $8 million annually in expansion, the difference must come from somewhere: accumulated cash, debt, new investors or other sources.

Growth therefore has a financing rate.

As the system matures, it becomes useful to compare the amount of capital it generates internally with the amount it intends to invest.

When planned investment greatly exceeds internal cash flows, external dependence increases.

When internal flows cover a growing share of development, autonomy increases.

This relationship does not mean that growth must mechanically be limited to available self-financing. Rather, it makes it possible to understand the level of financial dependence associated with the chosen pace.

Acceleration may be justified.

It should never be confused with free growth.

38.12 Reinvestment Must Also Produce Measurable Learning

An investment should not only produce physical or technological capacity.

It should allow the system to learn whether the assumptions that justified the expenditure were correct.

When a new Regional Center is financed, GC must be able to observe whether delays decrease, transportation costs fall and capacity is used as expected.

When automation is developed, it must be verified whether it actually reduces time or errors.

When a new product is integrated, its utilization, contribution and effect on other functions must be observed.

This discipline makes it possible to compare planned investment with actual investment.

It also progressively improves subsequent decisions.

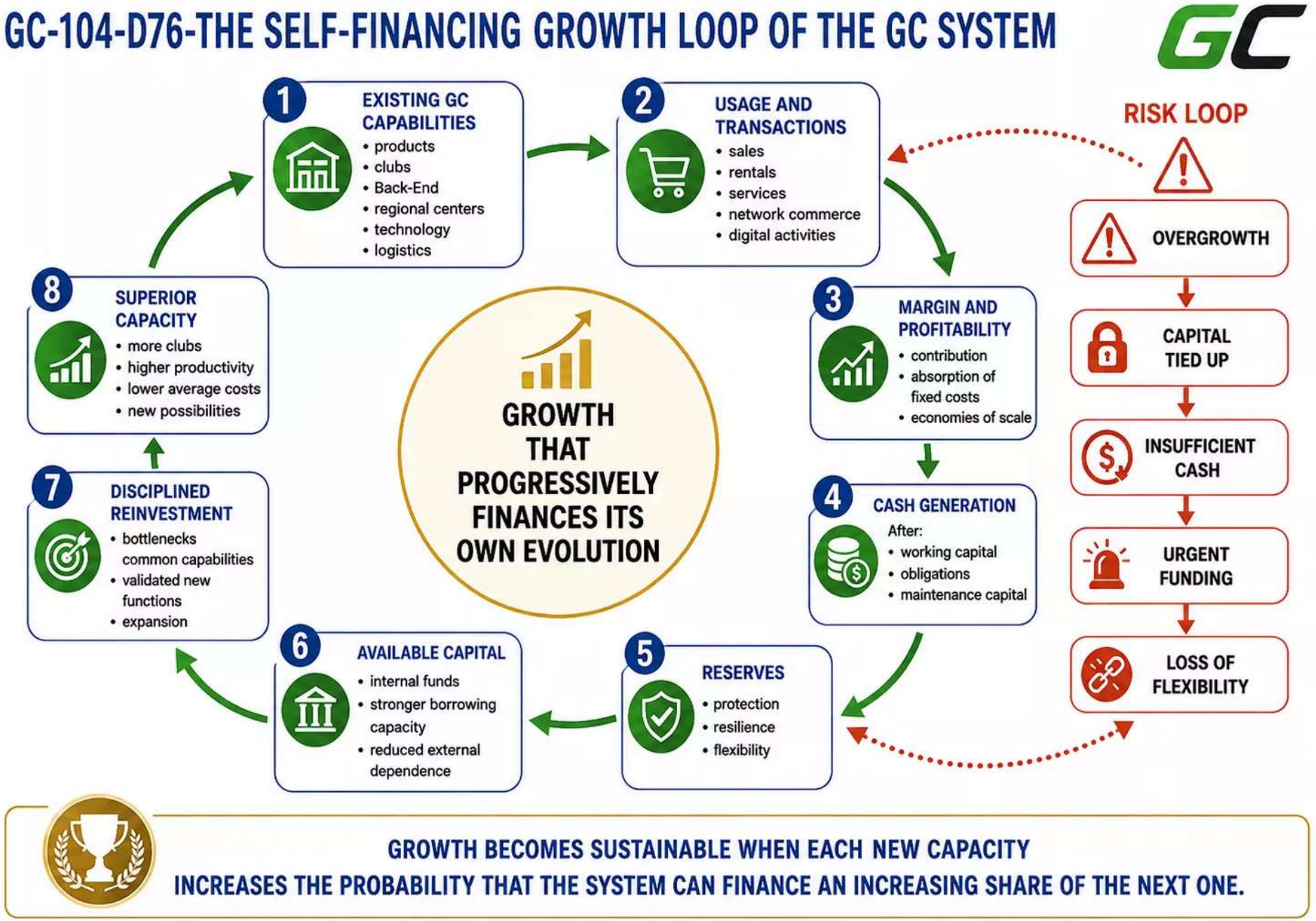
Reinvestment thus becomes another loop:

HYPOTHESIS → CAPITAL → CAPABILITY → UTILIZATION → RESULTS → LEARNING → NEW ALLOCATION

This loop must become increasingly rapid as the Back-End matures.

Capital should not simply build things.

It should also build a better ability to decide where the next capital deserves to be committed.



GC-104-D76 — THE SELF-FINANCED GROWTH LOOP OF THE GC SYSTEM

38.13 External Capital Must Become a Chosen Accelerator Rather Than a Permanent Necessity

One of the most important signs of financial maturity appears when a company can seek external capital because an opportunity justifies it, rather than because it depends on that capital to survive.

During the early stages of the GC System, this dependence may be significant and entirely normal. Capabilities must be built before the corresponding revenues exist. Investors or lenders are precisely financing this period of uncertainty.

But a sustainable model should not remain indefinitely in this situation.

If every new year requires another share issuance simply to finance ongoing operations, dilution can become continuous. If every increase in volume requires additional debt without a parallel improvement in cash flows, financial leverage increases faster than economic capacity.

The objective must be to progressively transform external capital into a selective acceleration tool.

GC can then decide to raise funds for a major industrial project, international expansion or a particular opportunity because the expected return justifies that acceleration.

This difference profoundly improves the system's negotiating position.

A company that can refuse financing generally negotiates better terms than one that absolutely needs it.

Internal cash generation therefore becomes a source of strategic autonomy as much as a source of financing.

38.14 The Whole Truly Becomes Greater When the Parts Jointly Finance Capabilities That None Could Have Built Alone

The principle **"The whole is greater than the sum of its parts"** reaches a particularly important financial dimension in this chapter.

An isolated club can generate revenue.

A Regional Center can produce contribution.

A product can generate a margin.

A digital function can create transactional revenue.

Each of these activities has its own economics.

But the GC System becomes truly different when the combination of these contributions makes it possible to finance Common Capabilities that then improve the productivity of the activities that financed them.

Technology infrastructure financed by several flows can reduce administrative cost throughout the network.

A better logistics system can release capital in several regions.

Industrial capability can improve the quality of several products.

A Common Database can reduce errors and improve decisions across several functions.

Reinvestment then creates a loop of mutual reinforcement.

THE PARTS PRODUCE CONTRIBUTION → THE WHOLE INVESTS IN A COMMON CAPABILITY → THAT CAPABILITY IMPROVES THE PARTS → THE PARTS PRODUCE MORE VALUE

This relationship constitutes a direct economic expression of the GC philosophy.

It also makes it possible to distinguish useful centralization from unnecessary centralization.

Collecting contribution from the parts to finance a central structure that does not improve their capacity does not increase the value of the system.

Value appears only when pooled capital makes it possible to create something that would have been less efficient, more expensive or impossible to build separately.

Reinvestment must therefore always be able to answer one question:

How will this Common Capability return value to the activities and actors that support the network?

This logic preserves the coherence of the Inverted Pyramid.

38.15 Cash Generation Gives the System the Ability to Choose Its Own Pace of Evolution

The true financial power of a system is not measured solely by the amount of its annual profit. It is also measured by its ability to continue operating, investing and deciding without being constantly forced to seek an external resource in an emergency.

Regular cash generation creates this freedom.

It makes it possible to correct a product without waiting for new financing.

It makes it possible to build a reserve before an uncertain period.

It makes it possible to increase inventory when demand has been demonstrated.

It makes it possible to develop an important digital function.

It also makes it possible to decide not to accelerate when conditions are not yet sufficiently favorable.

This last possibility is often underestimated.

A company dependent on external capital may be pushed toward rapid growth in order to justify the next financing round or meet certain valuation expectations. A company with strong internal cash flows can choose its pace more freely.

It can accept that a new Step takes six additional months if that period reduces significant uncertainty.

This ability directly connects with the philosophy developed since the beginning of GC-104: validate before accelerating, structure before growing and finance before deploying.

As internal cash increases, these principles become easier to apply because the system has the financial time required to decide.

Cash generation must therefore be regarded as a form of strategic capital.

It is not used only to pay expenses.

It gives the system time, flexibility and freedom of choice.

This capability must nevertheless be protected through a disciplined reinvestment policy.

If every new dollar of cash is immediately committed to the next opportunity, GC will remain permanently at the limit of its financial capacity even as its profits increase. The organization will become larger, but its margin of safety will remain weak.

The system must therefore allow its financial strength to grow at the same time as its activity.

A portion of cash flow finances maintenance.

A portion strengthens reserves.

A portion may reduce certain financial obligations.

A portion finances the most productive capabilities.

And, when maturity permits, a portion may eventually be distributed to shareholders according to appropriate governance decisions.

The balance among these uses will evolve over time.

A company still in a construction phase will probably reinvest a very large proportion of its results.

A more mature organization may maintain a different balance among growth, protection and distribution.

What must not change is the decision logic: capital must be allocated where it most sustainably increases the capacity of the system and the value it can return to its stakeholders.

This discipline forms the direct link between today's profitability and tomorrow's architecture.

The system can then begin creating a true cumulative loop.

An initial capability creates value.

That value generates contribution.

The contribution progressively becomes cash.

A portion of that cash is reinvested.

The reinvestment builds a more productive capability.

That capability increases the value produced.

The loop begins again at a higher level.

But this dynamic must never be confused with automatic growth.

The loop remains healthy only when each new capability has been sufficiently validated, its return is observed and residual cash allows the system's resilience to be preserved.

The guiding principle of this chapter can therefore be stated as follows:

the growth of the GC System becomes sustainable when profitability genuinely converts into cash, that cash first protects existing capabilities and the reserves required for continuity, and the remaining capital is then reinvested in sufficiently demonstrated functions to increase the network's future ability to generate more value and financing on its own.

At this stage of its development, GC can progressively become less dependent on the question:

"Where will we find the capital required for the next Step?"

A new question then becomes increasingly important:

"What risks could prevent the capabilities already built from continuing to produce this value?"

This transition leads directly to Chapter 39 — **Economic Risks, Concentration and System Resilience**.

After showing how growth can progressively finance its own evolution, it will be necessary to examine how to protect this loop against dependencies that could weaken it: concentration of revenues, dependence on certain suppliers or products, seasonality, financial risks, operational interruptions and other events capable of transforming an economically successful architecture into a vulnerable system.

CHAPTER 39

ECONOMIC RISKS, CONCENTRATION AND SYSTEM RESILIENCE

39.1 Economic Resilience Begins With Recognizing the System's Real Dependencies

As the GC System becomes more profitable, more integrated and increasingly capable of financing its own growth, its vulnerability does not disappear. It changes form. Early risks are often visible: insufficient capital, uncertainty about demand or dependence on a prototype that is still imperfect. Later, risks become more diffuse and may arise precisely from the capabilities that allowed the system to grow: a product that has become dominant, a supplier that has become indispensable, a region that has

become too important, a digital infrastructure that has become critical or a source of revenue that has become disproportionate within the overall economy.

Resilience therefore begins by making these dependencies visible before they become structural weaknesses.

A system can perform very well while remaining vulnerable. A product may generate a large share of the network's margin and create an excellent impression of financial health. But if that activity depends on a single supplier, a single technology or a particular regulatory environment, its concentration simultaneously transforms success into risk.

The same logic applies to clubs, regions, key individuals and Back-End capabilities.

GC must therefore learn to distinguish current performance from the robustness of that performance.

The first answers the question: **Is the system currently creating enough value?**

The second asks: **Would that value continue to be produced if one of its main dependencies were disrupted?**

Economic resilience begins precisely with this second question.

39.2 Concentration Can Be Useful During Construction Before Becoming Dangerous With Maturity

During the early stages of development, a certain degree of concentration is often unavoidable and can even be desirable. GC may begin with a small number of products, a few Pilot Clubs, one primary supplier and a limited geographic area. This concentration reduces complexity, accelerates learning and avoids prematurely dispersing resources.

The problem is therefore not concentration itself.

The problem appears when a dependency that was initially rational becomes permanent even though the system now has sufficient volume and capacity to reduce it.

A single supplier may be acceptable during product validation. It becomes more risky when several thousand network units depend entirely on that supplier's production capacity, pricing and financial stability.

Similarly, a single region may naturally represent a very large share of revenue during the first years. As the system grows, however, it must determine whether this concentration makes it excessively sensitive to a particular climate, regulation or local economic environment.

Resilience therefore does not mean diversifying as early as possible.

It means understanding when the benefit of concentration becomes smaller than the risk it creates.

This transition must be reviewed regularly because it does not necessarily occur at the same time for every function.

39.3 Revenue Concentration Risk Must Be Monitored at Several Levels

A company can show strong growth while remaining heavily dependent on a small number of revenue sources.

This concentration may appear along several dimensions.

A single product may represent a dominant share of revenue. A product family may generate most of the margin. A few major clubs may produce a disproportionate share of transactions. One region may concentrate most network activity. A particular service may become important enough to strongly influence overall results.

GC must therefore monitor concentration with enough precision to understand where its real dependencies originate.

The question is not simply whether 40% of revenue comes from one activity. It is also necessary to understand the quality of that activity, its stability, its margins, its substitution risk and how easily the network could absorb a significant decline.

A highly concentrated activity that is strongly defensible may be less concerning than several apparently diversified revenue sources that all depend on the same supplier or the same technology.

Financial concentration must therefore be linked to functional concentration.

This prevents GC from believing that it is diversified simply because it has several revenue lines when all of them depend on the same critical capability.

39.4 Dependence on a Dominant Product Must Be Managed Without Weakening What Works Well

When a product becomes particularly successful, it may be tempting to immediately reduce its relative share by launching several new activities. Such a reaction may be counterproductive.

A dominant product is not automatically a problem.

It may become the economic engine that finances network development, technology, service and Regional Capabilities. As long as it creates strong value, it is rational to continue improving and supporting it.

Risk appears when the entire system architecture becomes dependent on its continued success.

GC should therefore seek less to artificially reduce the performance of the dominant product than to use that performance to progressively build other capabilities.

Healthy diversification begins when the flows generated by a mature activity make it possible to finance sufficiently validated new functions without compromising the quality of the activity that still supports the whole.

This logic is very different from premature diversification.

The system should not add new products merely to mathematically reduce concentration. It should develop other sources of value that strengthen the architecture and whose economics can eventually reduce overall dependency without introducing disproportionate complexity.

39.5 Supplier Dependency Must Be Evaluated According to Real Substitution Capacity

Two suppliers representing 50% of purchases each do not automatically provide good diversification if both depend on the same subcontractor, the same country or the same critical component.

Supply-chain resilience must therefore be analyzed through deeper dependencies.

For each strategic product, GC must progressively understand which components would be difficult to replace, how long it would take to qualify a new source and what consequences an interruption would have on the network.

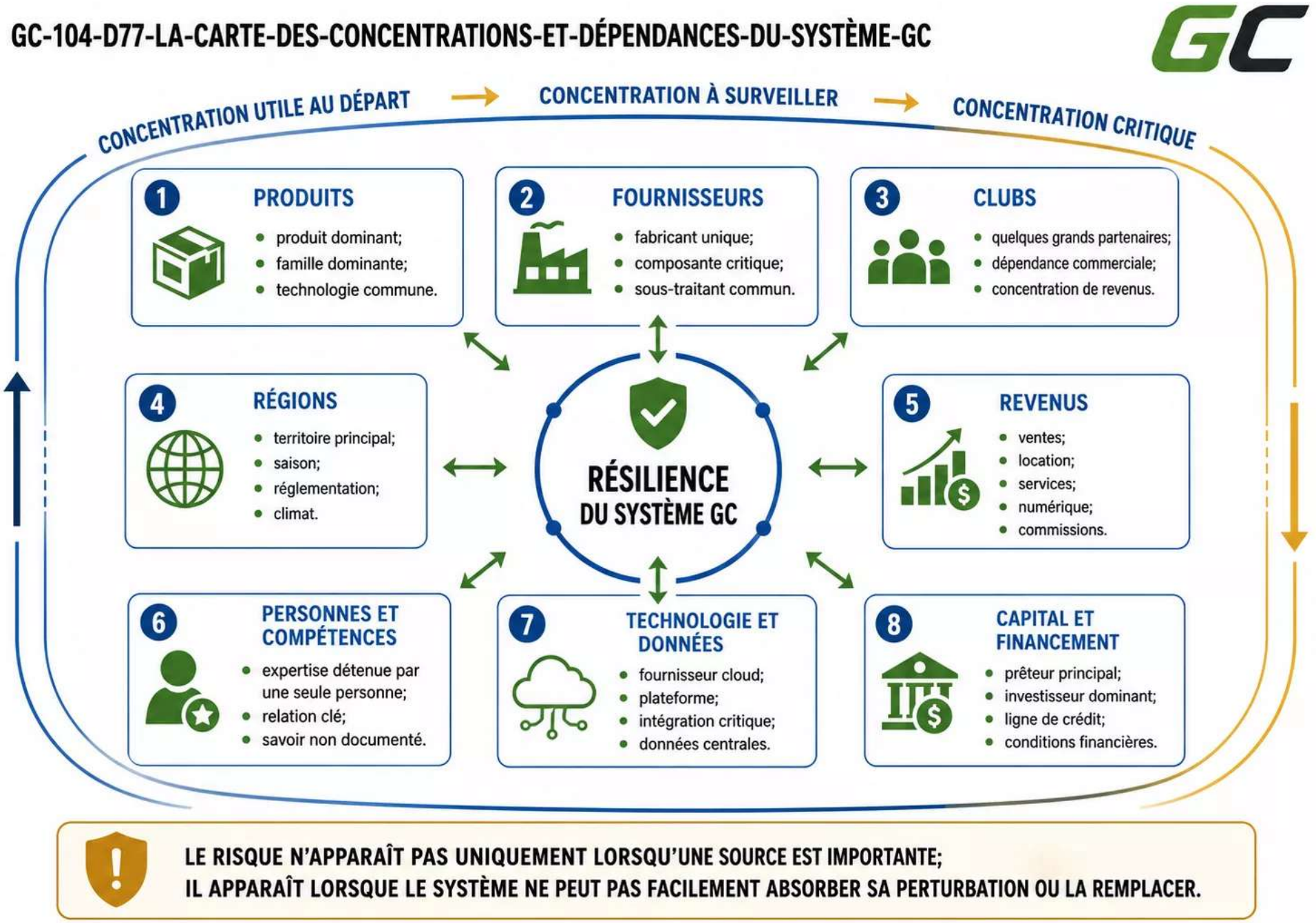
A standardized battery may be relatively easy to obtain from several manufacturers if its specifications are well controlled. A proprietary component produced by a single supplier may, by contrast, create substantial vulnerability.

The standardization and architectural control discussed in Chapter 34 therefore play an essential role.

The more GC controls interfaces, specifications and technical documentation, the greater its substitution capacity becomes.

Supplier resilience therefore does not depend solely on the number of contracts signed.

It depends on the system's actual ability to continue producing, repairing or replacing a function if one partner becomes unavailable.



GC-104-D77 — THE MAP OF CONCENTRATIONS AND DEPENDENCIES IN THE GC SYSTEM

39.6 Geographic Concentration Must Be Understood Through Seasonality, Climate and Regulation

A network concentrated mainly within the same region can be highly efficient economically. Logistics costs are lower, Regional Centers are well utilized and teams understand the local market very well.

This efficiency can nevertheless create substantial vulnerability when a large portion of revenue depends on the same seasonal cycle or regulatory environment.

An exceptionally short season, an extended period of poor weather or an important regulatory change affecting certain products could then simultaneously affect a significant proportion of the network.

The territorial expansion described in Chapter 35 can progressively reduce this dependency, but it must do so with discipline.

Geographic diversification creates value only when the new territories are economically sound.

It would be counterproductive to create several loss-making markets solely to reduce concentration in the primary territory.

The proper strategy is to use already validated capabilities to progressively build regions whose economic cycles are not entirely correlated.

Over time, different seasons across multiple markets may even improve the annual utilization of certain industrial, technological or support capabilities.

Territorial diversification then becomes both a source of growth and a mechanism of resilience.

39.7 Seasonality Must Be Treated as a Cash-Flow Risk as Much as an Operational Characteristic

Golf has a strong seasonal dimension in many regions. This reality affects revenues, purchasing, inventories, staffing requirements and cash generation.

A network can produce excellent annual results while experiencing several months during which cash flows are strongly negative.

Resilience therefore requires sufficiently precise planning of these cycles.

Reserves and lines of credit must be sized to absorb periods during which expenditures precede revenues. Major orders must be coordinated with collections. Non-urgent investments should ideally be timed so that they do not coincide with periods of greatest pressure on cash.

This logic becomes particularly important when several regions share the same seasonal calendar.

As GC diversifies geographically, markets with different seasons may help smooth part of these flows.

But seasonality will never disappear completely.

It must therefore be treated as a structural characteristic of the network's economy.

Resilience means ensuring that weak periods remain financed by a prepared architecture rather than by emergency decisions.

39.8 Concentration of Skills Can Be as Dangerous as Financial Concentration

An organization may have an excellent financial position while depending heavily on a few individuals to understand its systems, suppliers or essential processes.

This dependency is particularly likely during the early years, when several functions are built by a small number of highly involved people.

Knowledge may then remain in memory rather than in the architecture.

A programmer may be the only person who understands certain interfaces. A technical manager may be the only person who knows the particularities of a product. One person may maintain an important supplier relationship without the history or conditions being sufficiently documented.

This concentration creates a vulnerability that is invisible in financial statements.

GC must progressively transform critical knowledge into institutional capabilities.

This does not mean eliminating the importance of experienced people. Their expertise remains essential.

Rather, it means ensuring that the departure, absence or unavailability of one person does not block an indispensable function.

Documentation, common systems, procedures, cross-training and access governance must allow the organization to continue operating.

System resilience therefore also depends on the ability to transfer knowledge without losing its intelligence.

39.9 Technological Dependency Must Be Understood Before Digital Functions Become Indispensable

As the Back-End integrates transactions, CRM, inventories, service, finance and data, the availability of digital systems becomes directly connected with economic continuity.

An interruption that would have been relatively minor during the first Steps can become much more significant when several clubs depend on the same architecture every day.

Technological dependency must therefore be analyzed across two dimensions.

The first concerns continuity: what happens if a platform becomes temporarily unavailable?

The second concerns strategic dependency: what happens if a supplier significantly changes its pricing or conditions, or stops supporting an important function?

GC must have backups, recovery mechanisms and procedures capable of maintaining at least certain critical operations during an interruption.

It must also retain enough control over its data to be able to change providers when necessary.

Digital resilience does not mean rebuilding every technology internally.

It means preventing an external capability from becoming a point of control for which the system no longer has any reasonable alternative.

39.10 Concentration of Financing Can Limit Freedom of Decision

Financial dependency does not concern only total debt or dilution.

It also concerns concentration of financing sources.

A single bank may provide a large line of credit. One major investor may finance much of the development. A supplier may offer particularly favorable payment terms.

These relationships can be excellent and should be maintained.

But if the withdrawal of a single source is enough to make operations immediately impossible, the system has an important vulnerability.

GC must therefore progressively build a financial structure in which several options remain available.

This may include stronger internal reserves, several banking relationships, diversified supplier terms or greater self-financing capacity.

Financial diversification does not mean borrowing from several institutions simply to multiply partners.

It means preserving the ability to continue financing the system without becoming entirely dependent on a single external decision.

This freedom becomes particularly valuable when economic conditions deteriorate and capital becomes more difficult or more expensive to obtain.

39.11 Risk Must Be Evaluated According to Its Probability, but Also According to Its Ability to Disrupt the Entire System

A frequent but low-cost failure may be treated as a normal operational issue.

A very rare event capable of interrupting an essential function deserves different attention.

Risk management must therefore combine at least two dimensions: probability and consequence.

For GC, however, a third dimension becomes especially important: propagation.

A local incident may remain local.

A problem in a Common Capability can spread to several clubs, several regions or several activities simultaneously.

The failure of one individual product affects one unit.

A defective component installed across an entire product generation can affect a large number of assets.

An interruption of a central service can affect the entire network.

The system must therefore identify its potential propagation points.

The more a capability is mutualized, the more value it can create, but the more certain risks may also become concentrated.

This does not call mutualization into question.

It simply requires important Common Capabilities to be protected with rigor proportional to their role.

39.12 Stress Scenarios Must Verify What the System Would Actually Do After a Shock

The financial scenarios in Chapter 37 make it possible to understand several possible economic trajectories. For resilience, GC must also examine more targeted stress scenarios.

What happens if the main supplier becomes unavailable for three months?

If sales decline sharply in one region?

If a significant series of products requires a warranty correction?

If a digital system remains unavailable for a substantial period?

If financing costs increase sharply?

If several large clubs delay their payments?

The objective is not to predict exactly which incident will occur.

It is to verify whether the network knows how to respond.

For every major risk, the system should understand the first actions to take, the available resources, the people responsible and how long operations could continue.

This preparation reduces the cost of chaos.

A company facing a difficult event will always need to make decisions under pressure. But if certain options have already been analyzed, it can act more quickly and with greater coherence.

The stress scenario therefore transforms resilience from a general intention into an operational capability.

GC-104-D78-FROM INCIDENT TO ECONOMIC RESILIENCE OF THE GC SYSTEM

Objective of the diagram: Show how the GC System must manage an economic or operational shock to prevent a local incident or critical dependency from turning into a systemic weakness.



ABSORB → ADAPT → LEARN

A RESILIENT SYSTEM IS NOT A SYSTEM WITHOUT INCIDENTS; IT IS A SYSTEM THAT CAN PREVENT AN INCIDENT FROM DESTROYING ITS ABILITY TO CONTINUE DECIDING AND SERVING.

GC-104-D78 — FROM INCIDENT TO ECONOMIC RESILIENCE OF THE GC SYSTEM

39.13 Reserves Must Be Sized According to the Risks the System Chooses to Retain

Chapter 26 established the importance of reserves, warranties and insurance. As GC becomes more mature, these tools must be more directly linked to the actual risk map.

The system does not need to maintain a financial reserve large enough to cover every imaginable event.

Some risks can be insured.

Others can be reduced through supplier contracts.

Some can be absorbed through diversification.

Others must remain directly financed through cash.

The reserve must therefore correspond to the risks GC consciously chooses to retain.

This logic improves capital efficiency.

A company holding enormous amounts of cash to cover risks that could be insured at low cost may unnecessarily immobilize resources. Conversely, an organization that distributes or invests all of its cash and relies entirely on insurance or external financing may lack flexibility when an event does not fit exactly within the protections that were anticipated.

Resilience therefore requires a portfolio of mechanisms.

Reserves, insurance, diversification, redundancy, contracts and continuity procedures must complement one another.

The level of protection must evolve as the system grows.

A risk that is acceptable when GC has ten units can become much more significant when it has ten thousand.

Protection must therefore follow the actual scale of the consequences.

39.14 The Principle That the Whole Is Greater Than the Sum of Its Parts Must Also Apply to Resilience

The principle **"The whole is greater than the sum of its parts"** does not concern only revenue creation, logistics or reinvestment. It must also be expressed in the network's ability to absorb difficulties.

An isolated club facing a failure must find a solution on its own.

Within an integrated network, a part can come from another center.

Expertise developed in another region can be used immediately.

Replacement capacity can be temporarily transferred.

A centralized reserve can absorb an incident that one club would have difficulty financing on its own.

Collective data can help detect a problem before it affects additional units.

This mutualization can profoundly transform the resilience of the parts.

But it works both ways.

If a central capability becomes fragile, several parts can be affected simultaneously.

The system must therefore seek to build mutualization without creating a disproportionate single point of failure.

This condition gives the principle its true economic value.

The parts strengthen the whole by contributing volume, information, capacity and diversification.

The whole strengthens the parts by giving them access to resources, knowledge and protections they could not build alone.

Resilience then becomes an emergent property of the network.

The system does not merely distribute risk; it increases the collective ability to respond to it.

39.15 Resilience Is Achieved When the System Can Absorb a Shock Without Losing Its Ability to Choose

True resilience does not mean that an adverse event creates no cost. Such an objective would be unrealistic.

A supplier may stop delivering.

A region may experience a poor season.

A product may require a significant correction.

A technology may become temporarily unavailable.

An economic crisis may reduce demand.

In each of these cases, GC may incur a loss, delay certain projects or temporarily reduce its pace of growth.

The essential question is whether the event forces the system to lose control of its trajectory.

A resilient organization can voluntarily slow down.

It can use its reserves.

It can relocate certain capabilities.

It can change suppliers.

It can postpone an investment.

It can reduce certain orders.

It can continue serving its priority clubs while a structural solution is developed.

This ability to choose is the true purpose of economic resilience.

It connects directly with the cash generation described in the previous chapter. Reserves, a diversified architecture and good knowledge of risks give the system time to decide.

Time is often one of the most important resources during a crisis.

An organization without liquidity must immediately accept the conditions available.

An organization without a second source must wait for its supplier.

An organization whose knowledge depends on one person must rebuild before it can act.

A resilient organization possesses more options.

This capability must be integrated into the growth strategy itself.

As GC develops, it must ask not only what a new activity could generate, but also what new risk it introduces.

A product using a different technology may diversify the portfolio while creating new service complexity.

A new territory may reduce geographic concentration while introducing a new regulatory environment.

An additional supplier may reduce dependency while increasing quality-control requirements.

Resilience therefore never means eliminating all risk.

It means consciously choosing which risks are accepted in exchange for which additional capability or value.

This way of thinking also protects the system against misunderstood diversification.

Continually adding products, territories or suppliers does not automatically create greater security. An architecture that becomes too dispersed may actually become more fragile because it contains too many dependencies that are difficult to understand.

Diversification must remain coherent.

It must reduce dangerous concentrations without destroying economies of scale, simplicity and the Common Capabilities that give the network its value.

The GC System must therefore seek a balance between specialization and diversification.

It must strongly exploit what it knows how to do well while preventing any single function from determining its future on its own.

This progression can be summarized as follows:

IDENTIFY DEPENDENCIES → MEASURE EXPOSURE → REDUCE CRITICAL CONCENTRATIONS → BUILD ALTERNATIVES → PROTECT LIQUIDITY → TEST CONTINUITY → LEARN FROM INCIDENTS

As this loop matures, risks cease to be viewed solely as events to avoid.

They become a normal dimension of economic governance.

The guiding principle of the chapter can therefore be stated as follows:

the resilience of the GC System is sufficiently strong when its main dependencies are known, necessary concentrations are consciously accepted, critical dependencies have reasonable alternatives or protections, and a significant adverse event can be absorbed without the network losing its ability to serve its partners, protect its capital and choose its next decision.

This conclusion leads directly to the question addressed in the following chapter.

Reducing concentration naturally leads to consideration of new products, services and revenue sources. But diversification, if poorly controlled, can create exactly the complexity the system seeks to avoid.

Chapter 40 — **Controlled Diversification of Products, Services and Revenues** will therefore examine how the GC portfolio can be progressively expanded without turning the search for resilience into strategic dispersion, and how to distinguish new activities that genuinely strengthen the system from those that merely increase the number of its components.

CHAPTER 40

CONTROLLED DIVERSIFICATION OF PRODUCTS, SERVICES AND REVENUES

40.1 Diversification Must Reduce Dependency Without Diluting the Architecture of the System

The previous chapter showed that an economically successful system can nevertheless remain vulnerable when too much of its value depends on a single product, supplier, territory or revenue source. This observation naturally leads to diversification. Yet diversification is not automatically a solution to concentration. Poorly designed, it can simply replace a visible dependency with complexity that is far more difficult to control.

The GC System should therefore not seek to multiply products, services or revenue streams merely to increase the number of its activities. Every new component must demonstrate that it can strengthen the existing architecture, use certain capabilities that have already been financed or create a new capability important enough to justify the additional costs it introduces.

This distinction is essential.

A company may appear highly diversified because it has dozens of products while still depending on the same type of customer, supplier, sales channel or seasonal cycle. Conversely, a relatively limited portfolio may be much more resilient if its different functions create several sources of value, several revenue rhythms and several possibilities for mutual support.

Diversification must therefore be evaluated according to its quality rather than its volume.

For GC, the central question is not:

“How many new activities can we add?”

It is instead:

“Which new functions genuinely increase the capacity of the system without weakening its coherence, simplicity and financial discipline?”

40.2 A New Activity Must First Respond to a Real Function of the Golfer or the Club

The principle **"function before product"** remains particularly important as the portfolio begins to expand.

As GC gains visibility, commercial opportunities may multiply. Suppliers may propose new equipment. Partners may suggest additional services. Clubs may express specific needs. The existence of Common Infrastructure may also make it technically possible to integrate a growing number of functions.

This abundance of opportunities creates a risk: confusing what can be added with what truly deserves to be added.

A new activity must therefore begin with the identification of a concrete problem, need or improvement.

What irritation is reduced?

Which function becomes simpler?

Which cost can be reduced?

Which revenue can be created?

Which experience can be improved?

When this relationship with the function is not sufficiently clear, the product risks becoming a peripheral activity that consumes time, resources and attention without genuinely improving the system.

Diversification must therefore remain rooted in the operational reality of golf and golf clubs.

GC should not become a catalog of possibilities.

It must remain an architecture that selects and integrates functions whose combination genuinely improves club capacity and the golfer experience.

40.3 Proximity to Existing Capabilities Is a First Diversification Filter

Not every new activity requires the same amount of effort to integrate.

Some can use existing capabilities almost directly. They may be sold through the same clubs, use the same catalog, payment systems, Regional Centers and sometimes even the same service procedures.

Others require an almost entirely new infrastructure.

This difference must influence priority.

A product that can be added to the network with relatively little additional complexity has an important advantage. It can contribute to better utilization of capabilities already financed and increase system productivity without requiring an entirely new architecture.

Conversely, an activity requiring a new specialized supplier, separate inventory, unique service, incompatible technology and a new commercial structure must create substantially greater value to justify its integration.

Functional proximity therefore becomes an economic filter.

The more a new activity can share existing capabilities, the greater its potential synergy.

This does not mean GC can never enter a more distant field. Certain functions may justify the creation of a new strategic capability. But that decision must face a much higher threshold.

Diversification should first favor activities that make existing capabilities more productive before building entirely new architectures.

40.4 Diversification Must Be Distinguished From Strategic Dispersion

Diversification means reducing excessive dependency by adding sources of value that are compatible with the overall architecture.

Strategic dispersion means committing resources to a growing number of activities whose connections become too weak to produce a genuine Common Economy.

The boundary between the two may be difficult to see at first.

Each new activity may appear reasonable on its own. It may even be profitable. But when several activities require different teams, systems, suppliers and procedures, the Back-End begins supporting complexity that may increase faster than revenue.

The system must therefore examine not only the profitability of the new activity, but also its coordination cost.

An activity may offer an attractive margin and still divert a disproportionate share of management attention, technological development or service capacity.

This dimension is particularly important in a growing organization, where management capacity itself is a limited resource.

A company can run out of capital.

It can also run out of attention.

Controlled diversification must therefore preserve the organization's ability to properly understand its portfolio.

When the organization can no longer explain simply why each activity exists, which function it serves and which capabilities it shares with others, the risk of dispersion increases.

40.5 The Portfolio Must Be Built Around Families of Functions Rather Than an Accumulation of Products

To preserve coherence, GC can progressively organize its portfolio around functional families.

Mobility can include several solutions responding to different movement or transportation needs on the course.

Club equipment can include certain products intended for operations, maintenance or the golfer experience.

Services can include preparation, maintenance, support, training or rental.

Digital Functions can integrate transactions, tournament management, CRM, certain financial operations or other services related to club operations.

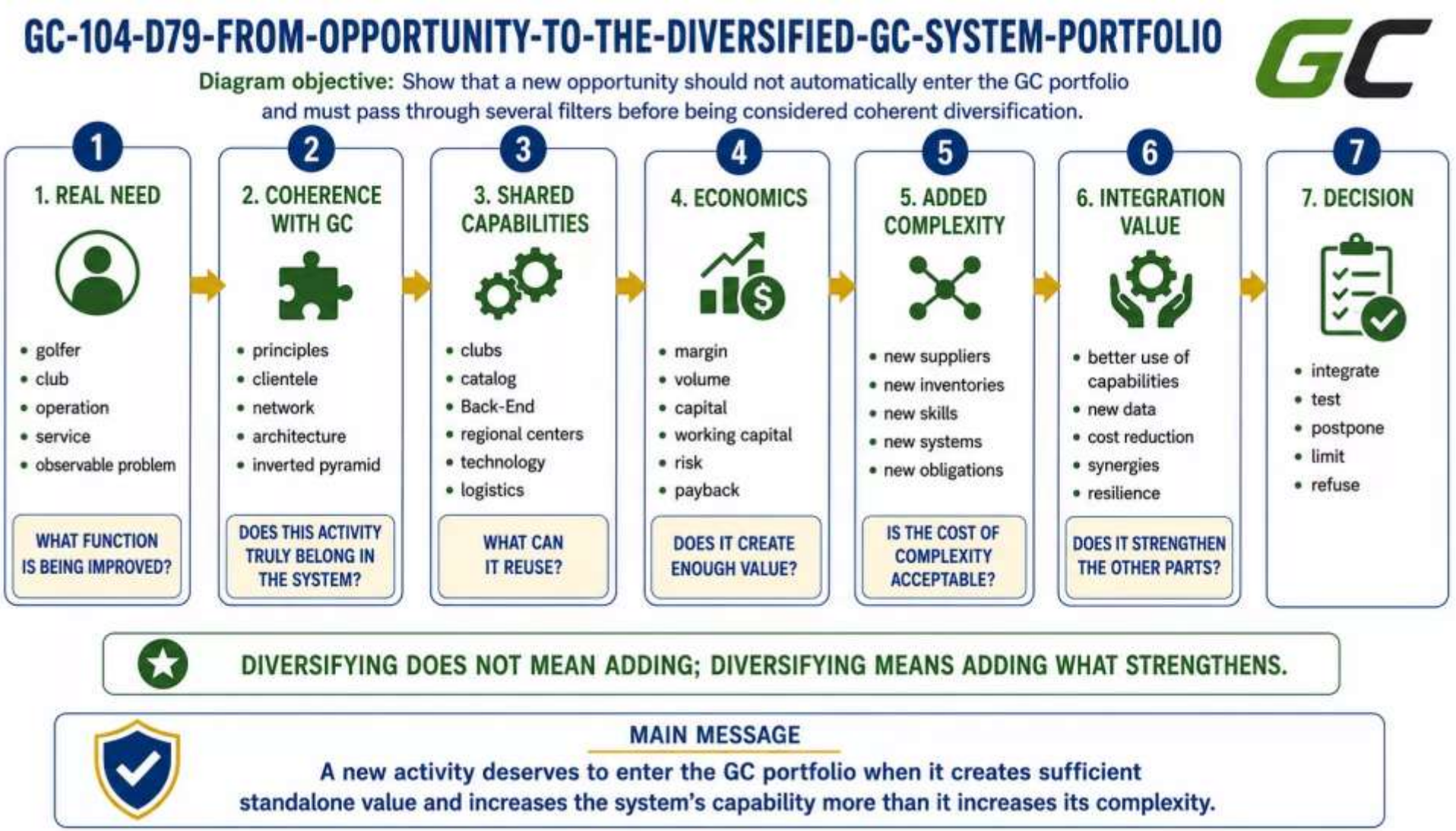
This architecture makes it possible to think in terms of capability rather than isolated commercial references.

When a new product appears, the question then becomes: which functional family does it belong to? Which Common Capabilities does it use? Does it strengthen an existing architecture or create a new branch that will have to be supported separately?

This approach can also help standardize products and procedures.

Common components can be sought within a family. The same teams can develop deeper expertise. The catalog becomes easier for clubs to understand.

The portfolio thus stops being a succession of products and begins becoming a coherent architecture of complementary functions.



GC-104-D79 — FROM OPPORTUNITY TO THE DIVERSIFIED PORTFOLIO OF THE GC SYSTEM

40.6 Physical Products Should Not All Be Managed According to the Same Economic Logic

Diversification of physical products can take several forms.

Some products will be directly connected with GC's core functions and justify a significant level of integration. They may be tracked individually, benefit from structured service, regional inventory and eventually their own industrial evolution.

Other products will be simpler and require little support.

A golf ball, accessory, textile item or pro-shop product does not have the same economics or life cycle as a mobility vehicle or technical equipment.

The level of integration must therefore be proportional to the function.

It would be inefficient to impose the full service structure of complex equipment on a simple product.

Conversely, treating a significant asset as a simple catalog item could create serious warranty and support problems.

Physical diversification must therefore be accompanied by economic and operational classification.

This classification can determine service requirements, tracking depth, stock levels, warranty conditions and the Regional Capabilities required.

The portfolio can thus accommodate several types of products without artificially applying the same model to all of them.

System coherence does not come from uniform treatment, but from the ability to apply the appropriate level of integration according to the real nature of the function.

40.7 Services Can Create Revenue While Strengthening the Value of Products

A GC portfolio should not be limited to sales of physical products.

Services can become an important source of revenue and, more importantly, improve the value of all products already present in the network.

Preparation, maintenance, diagnostics, repair, training, fleet management and certain support functions can all have their own economics.

But their systemic value may be even greater than their direct revenue.

Good service increases asset availability.

It extends service life.

It reduces interruptions.

It improves club confidence.

It produces data that helps improve future generations.

This relationship transforms service into an economic component of the product.

Equipment that appears competitively priced but requires difficult or expensive service may produce poor overall economics. Conversely, a slightly more expensive platform supported by an excellent service architecture may create greater value over its entire life cycle.

Diversification into services should therefore be viewed as a way to increase the economic depth of the portfolio, not merely as another billing line.

40.8 Recurring Revenue Can Improve System Stability Without Replacing Transactional Revenue

A significant portion of GC activities may generate variable revenue: product sales, commissions, occasional rentals or transactions.

These revenues can be highly profitable, but they may also vary significantly depending on seasonality, purchasing decisions or the pace of deployment.

Certain recurring services can improve the stability of this economy.

A digital function, service management capability, subscription to a particular function or certain Shared Infrastructures can produce more predictable revenue when they correspond to continuous value for the club.

This predictability can facilitate Back-End planning and financing of Common Capabilities.

Recurring revenue should not, however, be sought artificially.

Turning a simple function into a subscription without creating continuous value can weaken the relationship with the club.

Recurrence must come from a function that is genuinely delivered on an ongoing basis.

A sound portfolio therefore combines several economic rhythms.

Some activities produce significant one-time revenues.

Others create regular flows.

Some increase with usage.

Others accompany the life cycle of an asset.

This diversity can reduce overall volatility without forcing every activity to adopt the same revenue model.

40.9 Digital Services Must Be Evaluated According to Their Ability to Increase Network Productivity

Digital Functions represent a particularly favorable area for diversification because the same infrastructure can often be used by many clubs at relatively low marginal cost.

But this characteristic can also lead to overly rapid development of tools that appear interesting without addressing a priority function.

The criterion must remain economic.

A digital function deserves to be developed when it sufficiently reduces a cost, creates new revenue, significantly improves the club experience or allows the system to use its data and capabilities more intelligently.

Tournament management, transactions, CRM, payments, certain financial functions or service coordination can become particularly attractive when they use the same identity, data and payment architecture.

Value then appears through reuse.

A new tool does not need to rebuild the entire infrastructure.

It can use what already exists.

This dynamic can create strong economies of scale.

But it requires a modular architecture.

If every digital function is developed as a completely independent application, technological diversification can quickly create a portfolio of systems that is difficult to maintain.

Digital development must therefore extend a Common Platform rather than create a collection of isolated solutions.

40.10 Club Revenue Must Remain a Central Component of Diversification

GC diversification must remain consistent with the Inverted Pyramid.

A new activity should not only increase Back-End revenue. It must also allow the club to obtain sufficient value to justify its participation.

That value may come from a margin, commission, rental revenue, new service offered to golfers or a reduction in costs.

The form may vary.

The principle must remain.

If a new function uses the club as the access channel to the golfer while capturing almost all of the value outside the club, it risks reproducing exactly the traditional model that GC seeks to move beyond.

Diversification should instead seek mechanisms in which portfolio expansion improves the club's economic capacity.

A shop offering more relevant products can increase its sales.

A digital function can simplify certain operations.

A new service can generate additional revenue.

A better payment infrastructure can reduce certain friction.

The Back-End then creates new possibilities, but the club remains one of the main beneficiaries of their integration.

This relationship protects the economic coherence of the system as it becomes larger.

40.11 Diversification Should Help Smooth Economic Cycles Where Possible

Not all GC activities will necessarily follow the same seasonal rhythm.

Certain sales may be concentrated before the season.

Rentals and services may generate most of their revenue during active months.

Digital Functions may be more regular.

Industrial activities may be planned during different periods.

This diversity of cycles can become a source of resilience.

If several activities consume capital and generate cash at different times, the system may use certain resources more efficiently and reduce some financing peaks.

This possibility must nevertheless be observed rather than assumed.

Two different activities may appear diversified while depending on exactly the same golf season.

The objective is therefore not to artificially create off-season revenue.

It is to recognize functions whose natural cycles can improve the economic stability of the network.

This temporal diversification can become particularly valuable with territorial expansion.

Markets with different seasons can allow more regular use of certain Back-End, service or industrial capabilities.

The portfolio must therefore be analyzed not only according to what it sells, but also according to when its different parts consume and generate capital.

40.12 Diversification Must Be Subject to Stop Criteria Just as Clearly as Pilot Activities

A new function almost always has supporters.

It was proposed for a reason.

Time has been invested in studying it.

Capital may already have been committed.

This history can make it difficult to stop the activity when it fails to produce the expected results.

The discipline applied to prototypes must therefore remain in place during diversification.

Each new activity must have criteria that determine whether it deserves additional capital.

Is demand sufficient?

Does the margin meet expectations?

Is service complexity acceptable?

Are Shared Capabilities genuinely being used?

Is integration value appearing?

These questions make it possible to distinguish a normal need for adjustment from a structural problem.

It must also remain possible to conclude that an interesting activity is simply not suited to the GC System.

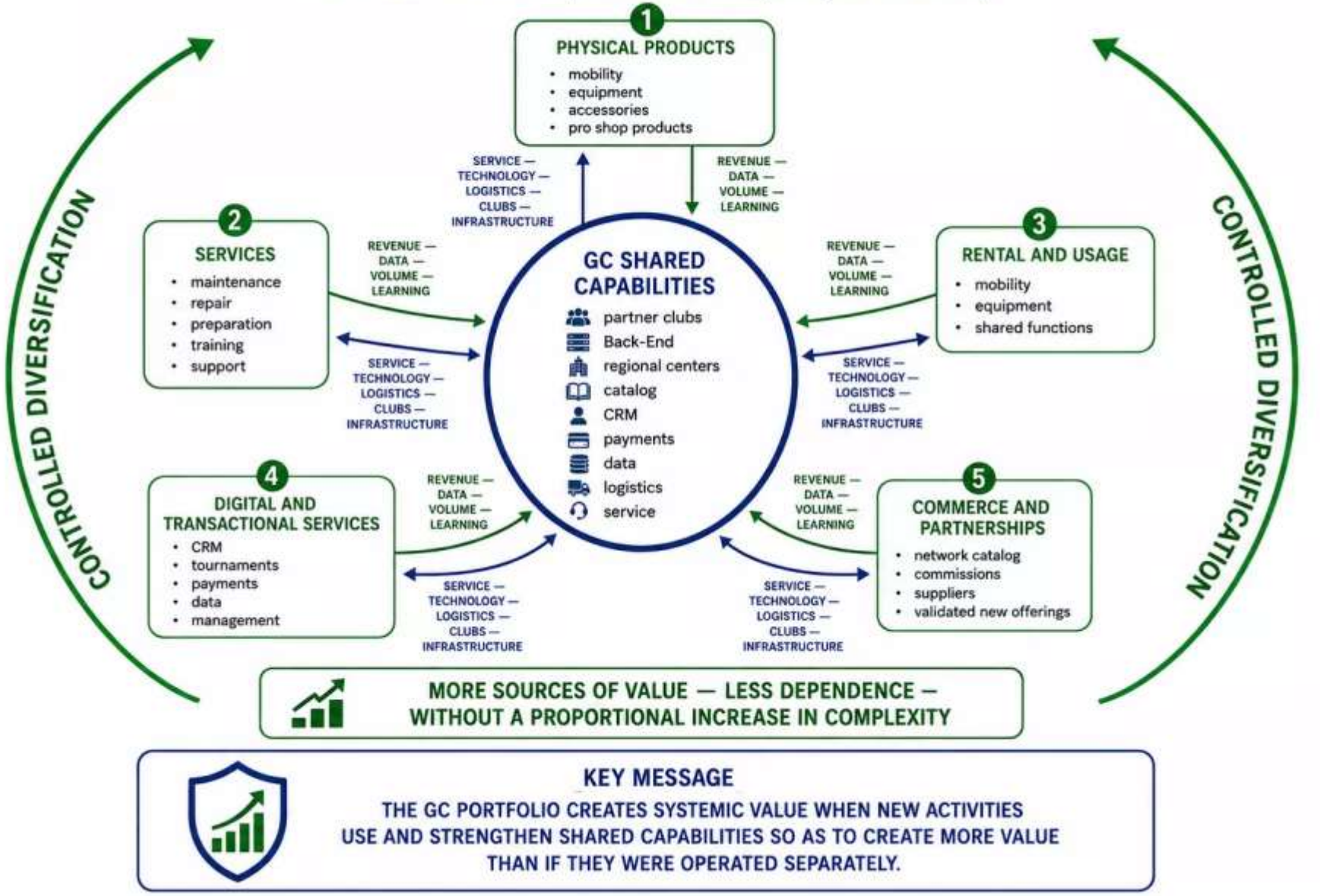
This does not mean the product or service is poor.

It means its integration does not create enough value to justify the resources it requires within this particular architecture.

The ability to refuse or stop therefore remains essential to controlled diversification.

GC-104-D80-FROM-DIVERSIFICATION-TO-THE-SYSTEMIC-VALUE-OF-THE-GC-PORTFOLIO

Objective of the diagram: Show how a diversified portfolio must create superior value when its activities share capabilities and mutually strengthen the economy.



GC-104-D80 — FROM DIVERSIFICATION TO THE SYSTEMIC VALUE OF THE GC PORTFOLIO

40.13 Integration Value Must Be Observed After a New Activity Enters the Portfolio

A new activity may appear perfectly coherent on paper and produce very different results once integrated into the network.

GC must therefore continue measuring its value after launch.

This observation must go beyond the activity's own sales.

Has the function improved utilization of Regional Centers?

Has it increased the value of the catalog for clubs?

Has it produced useful data?

Has it improved supplier negotiations?

Has it reduced costs elsewhere?

Or, on the contrary, has it created more service requests, inventory, digital development and support than expected?

This analysis makes it possible to verify actual integration value.

It may also reveal that an activity that initially appeared modest has an effect far more valuable than its direct margin.

A maintenance service can significantly strengthen club confidence across several products.

A transactional platform can become a Common Point for several new functions.

A particular piece of equipment may justify a regional presence that later benefits other products.

Diversification must therefore be monitored according to the effect that one new part has on the economics of the other parts.

This relationship distinguishes an integrated portfolio from a simple catalog.

40.14 The Whole Becomes Greater When Diversification Produces Cross-Effects Rather Than a Simple Addition of Revenues

The principle **"The whole is greater than the sum of its parts"** becomes particularly demanding in a diversified portfolio.

It is not enough for every new activity to be individually profitable.

For the system to create superior value, certain interactions must progressively appear among them.

A club already connected to the Back-End can add a new function without repeating the entire integration process.

The same payment system can process several types of transactions.

The same CRM infrastructure can support relationships around several products.

A Regional Center can repair several types of equipment.

A logistics capability can distribute several product families.

A Common Database can reveal relationships that no isolated activity could observe.

In such situations, the second or third activity may cost less to integrate than the first because part of the architecture already exists.

This cumulative economy is one of the foundations of systemic value.

But it does not appear automatically.

If every new activity requires its own technology, service, inventory, sales force and contracts, the portfolio can become exactly equal to — or even less than — the sum of its parts.

Complexity then destroys part of the economies that diversification was expected to create.

The system must therefore seek positive cross-effects.

A new activity should ideally benefit from existing capabilities while simultaneously increasing the value of those capabilities for activities already present.

This reciprocity is one of the strongest indicators of genuinely integrated diversification.

40.15 Successful Diversification Transforms the Portfolio Into a Revenue Architecture Rather Than a Collection of Activities

Over the long term, GC should not seek to become a company possessing the largest possible number of golf-related products and services.

Such an ambition would be too broad to provide genuine strategic discipline.

The objective is different.

The system must progressively develop a revenue architecture that is sufficiently diversified to reduce dangerous dependencies, sufficiently integrated to benefit from Common Capabilities and sufficiently simple for the organization to continue understanding where value is actually created.

This architecture can include several types of revenue.

Product sales can generate significant contribution at acquisition.

Rentals can produce usage-based flows.

Services can accompany the life cycle of equipment.

Digital transactions can generate a small contribution per operation but become important at scale.

Commissions can allow the network to participate in certain activities without directly committing all of the corresponding capital.

Management functions may eventually create a more continuous economic relationship with clubs.

These sources should not be evaluated only separately.

Their combination can improve overall stability.

A temporary decline in equipment sales may be partially offset by services and activities already installed.

A larger product base can increase service revenue.

More integrated clubs can increase use of Digital Functions.

The data produced by these activities can improve procurement and design.

The portfolio then begins operating as a system of interconnected revenues.

This architecture also improves the reinvestment capacity examined in Chapter 38.

A company that depends mainly on large one-time sales may experience significant cash-flow fluctuations. A portfolio combining several revenue rhythms can provide a more regular base from which to finance Back-End costs and future investments.

But this stability must never be purchased at the cost of uncontrolled dispersion.

Every new activity increases the number of decisions, data points, relationships and risks that the organization must manage. Diversification must therefore progress more slowly than the system's ability to properly integrate what already exists.

This relationship creates a natural limit to portfolio growth.

GC should not ask only:

"Do we have the capital to launch this activity?"

It should also ask:

"Do we have the organizational capacity to integrate it without weakening the activities already present?"

This second question becomes particularly important as the network becomes more successful.

The temptation to pursue every opportunity increases precisely when resources become more abundant.

Strategic discipline must therefore become stronger, not weaker.

Diversification can be summarized through a simple sequence:

IDENTIFY A FUNCTION → VERIFY ITS COHERENCE → TEST ITS ECONOMICS → MEASURE ITS COMPLEXITY → VALIDATE ITS INTEGRATION VALUE → INTEGRATE PROGRESSIVELY → REASSESS

This method transforms diversification into a process of architecture.

A function does not become a permanent component of the system merely because it has been launched.

It must continue demonstrating that it deserves the capital, attention and capabilities it consumes.

The guiding principle of the chapter can therefore be stated as follows:

diversification within the GC System is healthy when new revenue sources reduce economic dependencies, respond to real functions, use or strengthen Common Capabilities and increase the overall value of the network more than they increase its operational and financial complexity.

This logic allows the portfolio to expand without losing its identity.

GC can develop new products without becoming a simple distributor.

It can develop services without becoming a support organization incapable of innovation.

It can develop Digital Functions without becoming a collection of software applications.

It can increase revenue without diverting economic value away from the clubs that form the foundation of the network.

The whole truly becomes greater than the sum of its parts when products, services, revenues and Common Capabilities begin reinforcing one another.

At this stage, the challenge facing the system is no longer only economic.

As the organization becomes more diversified, more integrated and increasingly capable of generating its own growth, its continuity becomes more dependent on the quality of its governance. Decisions will need to survive changes in leadership, new shareholders, generational transitions and evolving markets.

The next question therefore becomes one of duration.

Chapter 41 — **Governance, Continuity, Transmission and Sustainability** will examine how to protect the principles, knowledge and architecture of the GC System so that they can continue evolving beyond the people who originally designed them, without turning governance into rigidity or preventing future generations from adapting the system to a different reality.

CHAPTER 41

GOVERNANCE, CONTINUITY, TRANSMISSION AND SUSTAINABILITY

41.1 Sustainability begins when the system can survive those who created it

Every important entrepreneurial architecture generally begins with an unusual concentration of vision, knowledge, and determination in the hands of a limited number of people. In the early years, this situation represents more of a strength than a weakness. An organization that is still being built must be able to maintain a sufficiently coherent direction despite uncertainty, changes in suppliers, trials, errors, and opportunities that arise. The presence of one person or a small group capable of

understanding the relationships among the different components often prevents the project from fragmenting before it has even reached maturity.

The GC System is no exception to this logic. Its design is based on a vision that extends far beyond a product or a simple distribution network. Physical products, services, Partner Clubs, Regional Centers, the Back-End, digital functions, logistics, data, and the financial architecture are intended to operate as interdependent parts of the same system. During the first Steps, it is therefore natural for a significant portion of this understanding to remain concentrated among those who participated in its design.

This concentration becomes dangerous, however, if it continues indefinitely. A system whose principles, decisions, and essential relationships remain primarily contained in the memory of its founder has not yet achieved genuine sustainability. It may function perfectly while that person is present while remaining vulnerable to their absence, withdrawal, or an unexpected change in circumstances.

Sustainability begins precisely when founding knowledge is progressively transformed into something that belongs to the organization itself. Principles must become understandable to others. Structural decisions must be explainable. Responsibilities must be transferable. Important relationships must survive changes in people. Governance must make continuity possible without relying exclusively on the presence of the person or people who originally designed the system.

This evolution does not mean that the founder's role becomes unimportant. On the contrary, a well-organized period of transmission can become one of the founder's most important contributions. Building a system is one achievement. Ensuring that it can continue to evolve without depending forever on its creator is another.

41.2 Governance must protect the fundamental logic without freezing current solutions

A sustainable organization must resolve a particular difficulty: it must preserve what gives it its identity while accepting that almost everything around it will change over time. Technologies will evolve, golfers' habits will change, clubs will adopt new management methods, suppliers will be replaced, and some products that appear essential today may eventually become secondary or completely obsolete.

Governance therefore cannot be designed as a mechanism intended to preserve the solutions of a specific era indefinitely. It must instead protect the principles that allow the organization to choose new solutions without losing its coherence.

For GC, this distinction is particularly important. The Inverted Pyramid does not depend on a particular software application. The principle that function must precede product does not depend on a particular generation of Cruiser. The Seven Steps do not define a rigid sequence of dates; they impose a discipline of progression. The KISS principle does not mean that the system must remain technologically elementary; it requires the underlying sophistication to produce an experience that is as simple as possible for those who use it. Finally, the idea that the whole must become greater than the sum of its parts does not depend on any particular industrial configuration; it requires integration to produce a real capability that would not exist as efficiently in separate components.

These principles must be distinguished from the operational choices that temporarily express them. The software used for CRM may change. The form of a Regional Center may evolve. An activity currently outsourced may be internalized. An important product may be abandoned. A payment technology may be replaced. These transformations do not necessarily mean that GC is losing its identity, provided the decision-making logic remains consistent with the overall architecture.

Sustainable governance must therefore meet two requirements simultaneously: prevent short-term decisions from gradually destroying the principles that give the system its coherence, while also preventing those same principles from being interpreted so rigidly that they become an obstacle to adaptation.

Sustainability is not immobility. It is the ability to change without losing the fundamental reason the system exists.

41.3 Founding principles must become usable criteria for those who will make future decisions

A principle that remains only a memorable phrase risks gradually losing its influence. To become sustainable, it must be precise enough to guide decisions that the founders themselves may never have had to make.

This transformation is essential for GC. The system will eventually face choices that may not yet exist: new technologies, acquisitions, new markets, new revenue models, regulatory transformations, or products that are impossible to foresee today. Governance that depends too heavily on historical precedents would be poorly equipped to deal with such situations.

The founding principles must therefore progressively become an architecture of questioning. Before integrating a new activity, GC must be able to determine whether it responds to a real function, whether it creates sufficient value for the club or golfer, whether it intelligently uses Common Capabilities, and whether it truly increases the network's integration value. Before centralizing an additional function, it must verify whether this centralization sufficiently improves cost, quality, coherence, or club capacity to justify the new structure. Before investing heavily in a technology or product, it must determine which Step has actually been reached and what economic proof supports the decision.

This way of translating principles is particularly important for avoiding two opposite errors. The first would be to use principles as slogans that are referenced when convenient without actually influencing capital allocation. The second would be to transform them into mechanical rules incapable of taking context into account.

Governance must instead create a method of reasoning stable enough to remain recognizable from one generation to the next. The question should not be what the founder would have decided in a given situation, but which questions the founder would have considered necessary before making the decision.

This is how vision can progressively become transmissible. It ceases to be a personal intuition and becomes an institutional capacity for judgment.

41.4 Capital governance must protect strategic continuity without creating control without accountability

The question of capital is inseparable from governance because economic ownership and decision-making power partly determine who will be able to change the direction of the system in the future. A capital structure adapted to the founding phase can provide the stability necessary to build GC without constant short-term financial pressure diverting the organization from its architecture.

This protection can notably justify a distinction between economic participation and control through voting rights. A structure containing different classes of shares can allow certain investors to participate in the economic value of the company without automatically changing strategic control in the same proportion. Such an architecture can be particularly relevant during a period when the system is still being built and when several essential decisions will produce effects over many years.

But protection of control must not be confused with absence of accountability. A founder or controlling group with broad decision-making freedom must also accept mechanisms capable of protecting investors, ensuring reliable financial information, and preventing control from gradually becoming permission to make any decision without counterbalance.

Sustainability therefore requires balance. Capital must be structured so that changes in ownership do not rapidly fragment the vision, while governance must simultaneously become institutional enough that it does not depend on absolute trust in a single person.

This question becomes even more important when transmission is considered across several generations. Shares may be inherited, sold, divided among several family members, or gradually acquired by employees and new investors. A structure that is perfectly clear when a few people own all the capital can become much more difficult to govern when ownership becomes dispersed.

Capital governance must therefore anticipate this evolution early enough. The exact mechanisms will naturally need to be established with legal and tax specialists, but the economic principle is clear: the structure must protect strategic continuity, financing capacity, and the legitimacy of future decisions.

41.5 The Board of Directors must progressively become a strategic memory and a capacity for judgment

When the company is still small, the Board of Directors can operate relatively simply because most important decisions are directly known by the founders and principal investors. As the organization grows, this situation changes. Decisions become more numerous, the amounts committed increase, the organization becomes more specialized, and some choices may have significant consequences several years after they are made.

The Board must then progressively acquire a function deeper than the formal approval of management decisions.

It must be capable of understanding the main mechanisms of the system, identifying concentration risks, questioning the assumptions underlying a major investment, and verifying whether capital allocation remains consistent with the actual maturity of functions. It must also allow the organization to preserve a longer-term perspective when operational teams are naturally focused on immediate problems.

This capability can become particularly important when the system begins generating significant cash. A lack of capital naturally imposes a certain discipline; abundance can instead increase the risk of committing resources to too many projects at once. A Board capable of comparing alternatives and asking which capability truly deserves the next dollar of capital can then become a form of strategic protection.

The composition of the Board must naturally evolve with needs. A phase of industrial development may require certain expertise. Internationalization may require other skills. Financial or technological complexity may also justify bringing in people with specific expertise.

But the value of these specialized skills must remain connected to an understanding of the whole. The Board should not become a collection of specialists, each evaluating one part independently of the others. Its real strategic function appears when the different areas of expertise contribute together to understanding what each major decision changes in the overall architecture.

GC-104-D81-FROM-THE-FOUNDING-VISION-TO-THE-SUSTAINABLE-GOVERNANCE-OF-THE-GC-SYSTEM

1. FOUNDING VISION



- purpose;
- architecture;
- principles;
- systemic intuition;
- initial direction.

2. FORMALIZED PRINCIPLES



- inverted pyramid;
- seven steps;
- KISS;
- function before product;
- integration value;
- capital discipline.

3. DECISION CRITERIA



- capital allocation;
- new activities;
- risk governance;
- growth;
- integration;
- responsibilities.

4. INSTITUTIONS



- board of directors;
- management;
- control structures;
- Back-End;
- regional governance.

5. TRANSFER



- documentation;
- training;
- leadership development;
- knowledge sharing;
- decision memory.

6. CONTINUITY



- continuity;
- adaptation;
- new generation of leaders;
- resilience;
- managed evolution.

TRANSMIT THE LOGIC WITHOUT FREEZING THE SOLUTIONS

KEY MESSAGE

GOVERNANCE BECOMES SUSTAINABLE WHEN THE VISION CAN BE UNDERSTOOD AND APPLIED BY OTHERS, WHILE STILL LEAVING THEM THE ABILITY TO EVOLVE METHODS, TECHNOLOGIES, AND PRODUCTS.

41.6 Continuity must be prepared long before an absence or departure makes it urgent

Continuity is often addressed only when someone announces their departure or when an unexpected event reveals that an important function depends almost entirely on that person. At that point, transmission becomes more difficult because it must be carried out under pressure. A truly sustainable organization must identify these dependencies before they become emergencies.

For GC, this issue will probably concern several areas. A technical manager may possess very specific knowledge of a product. A developer may be the only person who understands an important part of the Back-End. A manager may have maintained a central relationship with a supplier or major club for several years. An executive may be the only person who knows the origin of certain financial or contractual decisions.

It would be unnecessary and costly to create a complete substitute for every person. Continuity does not mean systematically duplicating every role. It means that functions critical enough to threaten the operation of the system should not depend on a single human point without a transition solution.

This continuity can take several forms: sufficient documentation, shared access, cross-training, involvement of a second person in strategic relationships, or a clear mechanism for temporarily transferring certain responsibilities. The level of preparation should be proportional to the consequences of the absence.

This approach has direct economic value. It reduces the risk of interruption, accelerates changes in responsibility, and protects part of the knowledge capital accumulated by the organization.

A system therefore does not become less human when it documents its functions. It simply becomes less vulnerable to the fact that people inevitably change roles, age, leave the organization, or become temporarily unavailable.

41.7 Institutional memory must preserve the reasons behind decisions, not only their results

A procedure generally explains how a task should be performed. A decision history explains why that procedure exists. This difference becomes essential over time.

An organization can preserve thousands of documents while gradually losing its understanding of its own development. A new team may discover a rule without knowing the problem that led to its adoption. It may then preserve the rule unnecessarily for years or remove it without understanding the risk it was originally designed to reduce.

For its most important decisions, GC must therefore preserve part of the reasoning that accompanied them. A decision to change suppliers, modify a warranty, reject a product, or regionalize a function often contains learning that extends far beyond the action itself. The reason behind the decision may become much more valuable several years later when the same type of problem appears in another form.

Institutional memory must not, however, create disproportionate documentary bureaucracy. It is not necessary to write an essay for every small decision. The depth of documentation should follow the strategic importance, risk, and probability that the information will be useful to others in the future.

The objective is to allow successors to understand enough of the path already traveled so that they do not confuse the legacy of an old problem with a universal rule.

Memory must therefore serve learning rather than the blind preservation of the past.

A mature institution does not try to remember everything. It seeks to preserve what will allow those who come later to make a better decision than if they had to repeat the experience from the beginning.

41.8 Future leadership must learn to understand the relationships among the parts of the system

Specialization will necessarily increase as GC grows. An organization with financial, technological, logistical, commercial, and industrial functions cannot expect everyone to know every domain with the same depth.

This specialization nevertheless creates a risk of intellectual fragmentation. A manager may become extremely competent within a function without sufficiently understanding the consequences that their decisions create elsewhere.

Leadership development must therefore include a systemic dimension.

People expected to assume important responsibilities must progressively understand how the club, Regional Center, and Back-End complement one another, why working capital directly influences the pace of growth, how product quality changes service economics, and why an apparently profitable new activity can nevertheless weaken overall value if it requires too many independent capabilities.

This understanding does not require a future executive to become a technician, accountant, developer, and operations specialist. It requires the ability to understand each of these functions well enough to see their interactions and ask the right questions.

This skill is particularly important in a system whose value depends precisely on the relationships among its components. A leader capable of optimizing only one part may unintentionally weaken the whole.

GC's future leadership must therefore be prepared not only to manage a company, but to act as an architect of the system.

41.9 Succession must be designed as a period of transition and mutual learning

The succession of an important executive is often imagined as a date: one person leaves and another takes over. In a complex system, this transition should instead be considered a process.

The departing person possesses knowledge accumulated through many decisions, relationships, and difficulties. The incoming person brings different experience, new skills, and a more recent reading of the environment. A good succession must allow these two forms of knowledge to meet long enough to avoid both rupture and simple reproduction.

The successor should not be chosen because they resemble the founder as closely as possible. The skills required to build an organization are not necessarily the same as those required to lead a mature, industrial, or international network. The next generation must be able to bring what the next phase requires.

But the arrival of new skills must not come at the cost of losing understanding of the system.

The transition period should therefore allow the transfer of important relationships, known risks, the history of certain decisions and, above all, the criteria used to arbitrate among several possibilities.

Succession then becomes a form of mutual learning. The former leadership transfers a memory that documents alone can never fully contain. The new leadership already begins questioning certain practices, identifying new possibilities, and distinguishing what should be preserved from what can be transformed.

It is precisely this interaction that allows continuity to avoid becoming immobility.

41.10 Transfer of ownership must not be confused with transfer of management

As the company increases in value, the distinction between ownership and management becomes increasingly important. A person may own a significant portion of the capital without having the experience, desire, or time required to manage the system on a daily basis. Conversely, a professional executive may be perfectly capable of leading the organization while owning only a limited interest.

This distinction must be prepared early enough to prevent a succession or family event from automatically imposing an unsuitable operational change.

Ownership confers economic rights and certain decision-making rights according to the share structure. Management requires a particular ability to manage the organization, people, capital, and strategic choices. These two realities can be connected without having to be identical.

This separation also becomes important for family continuity. Future shareholders may wish to retain an economic interest in GC without necessarily becoming involved in daily management. Well-designed governance must allow this situation while protecting the company against excessive fragmentation of power or conflicts among owners.

The exact structure will naturally depend on numerous legal, tax, and succession considerations. But the principle should be recognized from the beginning: the sustainability of the system cannot depend on the assumption that all future owners will want to become competent executives of the company.

A sustainable organization must be able to continue being well managed even as ownership evolves.

41.11 The relationship with clubs must become institutional without losing its human dimension

The GC System will rely heavily on relationships of trust with Partner Clubs. During the early years, many of these relationships will probably be highly personal. A club manager may know a GC representative directly. Certain decisions may be made quickly by telephone, and much of the history of the relationship may remain known by only a few people.

This proximity is a strength, particularly during a phase when the network still needs to demonstrate its ability to listen and adapt.

Over time, however, people change on both sides. Clubs replace managers, employees, and sometimes owners. GC responsibilities also evolve. A relationship that survives only through two individuals can then disappear quickly.

The CRM, project history, commitments, important decisions, and operating data must allow the relationship to retain continuity. A new GC representative should be able to understand enough of the club's history not to start again from zero. A new club manager should be able to understand what has been integrated, why certain decisions were made, and what value the network provides to the establishment.

This institutionalization must not make the relationship impersonal. Technology does not replace trust. It protects the continuity of that trust when the people involved change.

The real objective is therefore to build relationships between organizations that are strong enough to survive changes in people while allowing people to continue giving those relationships a human dimension.

41.12 Culture is transmitted mainly through what the organization accepts, encourages, and rewards

An organization can write a document describing its values and still develop a very different culture over time. People observe less what leadership says than what it rewards, accepts, or refuses in practice.

If GC claims that clubs form the base of the system but continually makes decisions that maximize central revenues at the expense of club economics, employees will quickly understand that the real priority differs from what is presented in the documents.

If the organization claims to learn from mistakes but systematically looks for someone to blame, problems will gradually be hidden rather than shared.

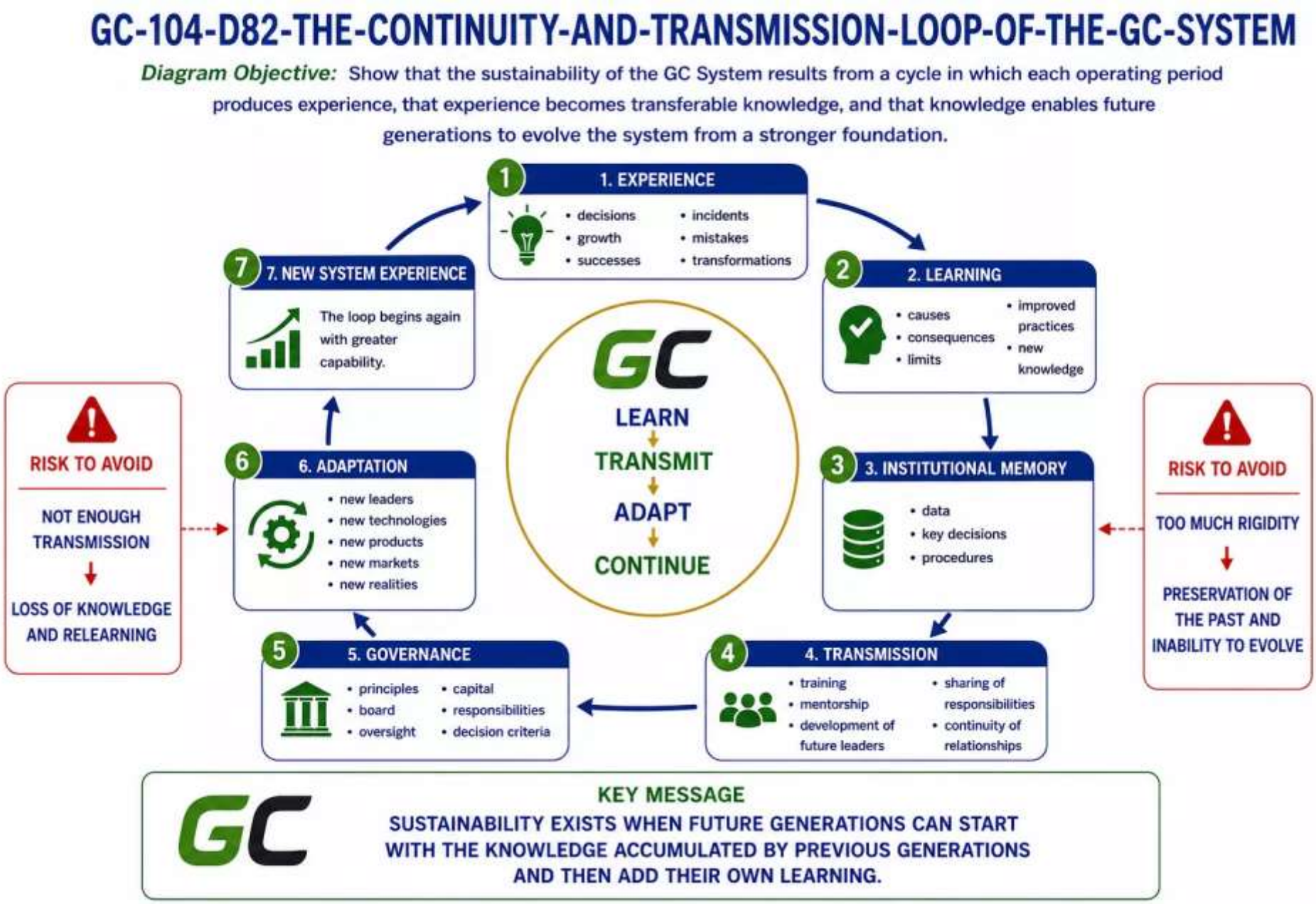
If KISS remains an official principle but every new function adds unnecessary steps, reports, and controls, complexity will gradually become the real culture.

Cultural sustainability therefore requires repeated consistency between principles and daily decisions.

This consistency is particularly important in the selection and promotion of future leaders. A person can achieve excellent results in their own field while operating in a way that weakens collaboration among the parts. Over time, the way the organization defines performance profoundly influences the kind of culture it transmits.

Culture must also evolve with scale. Some methods suited to a small team will no longer work in an organization with many employees and several regions.

Preserving culture therefore does not mean preserving every original behavior. It means understanding the function those behaviors were intended to fulfill and, when necessary, finding a new way to preserve that function.



GC-104-D82 — THE CONTINUITY AND TRANSMISSION LOOP OF THE GC SYSTEM

41.13 Financial discipline must also become institutional

An organization can follow highly prudent financial principles for a period and then abandon them quickly when a change in leadership coincides with several years of favorable results. Sustainability therefore requires certain disciplines to stop depending solely on the personality of the current leader.

Maintaining reserves, evaluating working capital, analyzing major investments, monitoring debt, and understanding financial scenarios must become normal components of the decision-making process.

This does not mean that ratios must remain identical for several decades. A mature, diversified company generating substantial cash can reasonably operate with a different financial structure from an organization still under construction. The rules must evolve with circumstances.

What must remain is the discipline of reasoning.

When new debt is considered, the system must understand which capability it finances and how it will be repaid. When a significant capital distribution is considered, continuity, reserves, and already committed projects must remain sufficiently protected. When an acquisition or major expansion is proposed, it must be compared with other possible uses of the same capital.

This architecture prevents a new team from confusing financial freedom with the absence of constraints.

The cash generation examined in Chapter 38 creates more possibilities. Governance must ensure that this freedom increases the quality of choices rather than the number of impulsive decisions.

Sustainable financial discipline therefore does not permanently dictate where to invest. It ensures that major decisions continue to be evaluated according to their effect on the future capacity of the system.

41.14 The whole becomes greater over time when each generation adds knowledge to the capital transmitted by the previous one

The principle **"The whole is greater than the sum of its parts"** has a dimension that extends beyond the integration of products, clubs, or network capabilities. It can also apply across time.

Each generation that participates in the development of GC will encounter different problems. The first will probably devote considerable energy to demonstrating the relevance of the model and building the first capabilities. A later generation may work with an already structured organization and focus more heavily on industrialization or international expansion. Another may need to adapt the whole to technologies or golf habits that do not exist today.

If each generation essentially begins again from zero, time produces only age.

If learning is preserved, transmitted, and reinterpreted, time instead becomes a source of capital.

A correct decision made today can continue producing value many years later. A properly understood mistake can prevent its repetition in several regions. A service procedure developed after hundreds of incidents can give future technicians an efficiency that would have been impossible without this history. Data accumulated on clubs, products, and behaviors can improve future decisions that the first teams could not yet make.

The value of the system then becomes cumulative.

This accumulation should not, however, create fascination with the past. An organization that preserves all its procedures simply because they represent the experience of those who came before can become incapable of evolving.

The challenge is to transmit not only what was decided, but also why. A new generation can then conclude that a solution should be replaced while preserving the learning that led to its adoption.

From this perspective, sustainability does not consist in keeping the founders' decisions alive forever. It consists in ensuring that their learning can be combined with that of the generations that follow.

The whole becomes greater when financial capital, data, methods, understood mistakes, relationships, and accumulated knowledge create a foundation that every generation enriches rather than being forced to rebuild.

41.15 True sustainability is the ability to transform without losing what gives the system its coherence

Sustainability cannot be measured simply by the number of years during which a company continues to exist. An organization may survive for a very long time while gradually losing the function, culture, or architecture that once gave it distinctive value. For GC, endurance must have a more demanding meaning.

The system must preserve enough continuity for its fundamental principles to remain recognizable while developing enough adaptability for those principles to continue being applied in a reality that will necessarily be different.

The product that opens the door to the network today may no longer be its most important activity twenty years from now. Some technologies used in the Back-End will probably be replaced several times. Course-maintenance methods will evolve. Mobility will change. Payments, data, and interfaces with golfers will continue to transform. Certain functions may even become so automated that they barely resemble what we imagine today.

This change is not a threat to sustainability. It is a condition of it.

What must survive is a way of constructing the relationships among the parts.

GC must continue asking what genuinely improves the function of the golfer and the club, which capabilities deserve to be mutualized, how value should be distributed, which Steps have been sufficiently demonstrated to justify additional capital, and how every new component can strengthen the whole rather than simply increase its size.

Governance must protect this way of thinking.

It must also protect the ability to say no.

As GC grows, many people may want to direct it toward certain activities because they appear profitable, prestigious, or popular. Sustainability will depend as much on the ability to refuse incoherent expansion as on the ability to recognize new possibilities that genuinely extend the architecture.

This continuity must exist at several levels simultaneously.

Financial continuity allows the system to preserve the resources required to move through difficult periods and finance future choices. Operational continuity prevents a change in people from interrupting an essential function. Information continuity transforms data and experience into institutional memory. Governance continuity protects the integrity of major decisions. Cultural continuity transmits a way of collaborating and interpreting principles. Finally, strategic continuity gives all these dimensions a common direction.

None of these forms of continuity is sufficient on its own.

A company with substantial capital can rapidly destroy its value if it loses its direction. An organization with a strong vision can disappear if it builds no economic capability to support it. A perfectly documented company can become trapped by its old methods. An excellent management team can leave behind a fragile organization if it has prepared no succession.

Sustainability therefore once again results from the integration of capabilities.

This is precisely why the founding principle of GC takes on a particularly profound meaning here. The whole becomes greater than the sum of its parts when capital, governance, knowledge, culture, people, and institutional memory reinforce one another in a way that allows the system to continue even as each of these parts evolves.

Transmission then becomes a continuous process rather than an event occurring at the end of a career.

Employees transmit what they learn.

Clubs produce data and experiences that improve the network.

Regional Centers transform their observations into Common Knowledge.

The Back-End preserves, organizes, and redistributes part of this knowledge.

Governance protects the principles that give meaning to this learning.

Future leaders can then use this foundation to build capabilities that may never have been imagined at the time of foundation.

This dynamic can therefore be summarized not as preservation, but as a succession of coherent transformations:

PRESERVE THE LOGIC → TRANSMIT THE LEARNING → ACCEPT EVOLUTION → ALLOW EACH GENERATION TO INCREASE THE CAPACITY OF THE SYSTEM

The guiding principle of this chapter can therefore be stated as follows:

the GC System becomes truly sustainable when its continuity no longer depends on one person, one product, or one particular generation, but on an architecture of governance, capital, knowledge, and transmission strong enough to preserve its fundamental principles while allowing future leaders to modify the solutions, technologies, and organizations required to continue creating greater value.

This definition prepares the final chapter of GC-104.

Throughout this document, the economic question has progressively shifted. At first, it was necessary to understand how a function could create value and how that value could be captured and redistributed. It then became necessary to determine how to finance the first capabilities, validate the economics of products and clubs, structure the Back-End, regionalize, industrialize, measure performance, generate cash, control risks, and protect the continuity of the system.

These elements now converge toward a final question that extends beyond simple profitability.

Can a sufficiently mature system maintain what it has built, protect its commitments, learn from its operations, finance its improvements, and choose its next Steps without continually restarting its financing or rebuilding its fundamental capabilities?

This question will be at the heart of Chapter 42 — **Toward a System Capable of Financing Its Own Evolution**.

This final chapter will bring together the economic, financial, operational, and institutional dimensions of GC-104 to show that a sustainable system does not become autonomous because it stops using external capital, but because it progressively becomes capable of transforming the value it creates into resources, knowledge, and capabilities sufficient to participate itself in financing its future.

CHAPTER 42

TOWARD A SYSTEM CAPABLE OF FINANCING ITS OWN EVOLUTION

42.1 Financing its own evolution does not mean ceasing to use external capital

The ultimate economic objective of the GC System is not to reach a point where the company would never again need investors, lenders, supplier credit, or other forms of external financing. Such a conception of financial autonomy would be too restrictive and could even lead the organization to reject growth opportunities that are economically rational.

A system capable of financing its own evolution is instead a system that has progressively acquired enough productive capacity, revenue, margins, cash, and reserves so that its development no longer systematically depends on a new injection of capital every time another Step must be taken.

The distinction is fundamental.

During the first phases of GC, capital necessarily precedes value creation. Prototypes must be financed before their economics are precisely known. Certain capabilities must be purchased or developed before the first clubs can use them. Inventories must be built before the corresponding sales are made, and part of the Back-End must be created before the network possesses enough volume to cover its costs.

This situation is normal in the construction of a company. External capital then accepts part of the uncertainty in exchange for the possibility of participating in future value.

As functions become validated, products become more reliable, clubs multiply, and Common Capabilities become more productive, the relationship between financing and growth must begin to change. Part of new expenditure can be financed through contributions generated by existing activities. Reserves can be built from results. Certain Back-End improvements can be financed through internal cash. A sufficiently mature region can contribute to financing its own growth. A product with demonstrated economics can participate in financing the next generation.

This transformation does not eliminate external capital; it changes its role. Instead of being indispensable to current operations, it can become an instrument used when it accelerates an opportunity whose value justifies its cost. GC can then choose to use debt, an investor, or specialized financing because that solution improves the economics of a project, not because the company could not continue without it.

True financial autonomy therefore does not reside in the absence of external financing.

It resides in the ability to choose financing rather than endure it.

42.2 Self-financed evolution begins when created value becomes real financial capacity

Throughout GC-104, the distinction among revenue, profit, and cash has deliberately been repeated because it becomes decisive when discussing self-financing. A company can generate substantial sales while consuming capital. It can be profitable while tying up a large portion of its earnings in inventories, accounts receivable, or new capabilities. It can also temporarily hold significant liquidity without possessing sustainable economics.

For the GC System to genuinely begin financing its own evolution, a sufficiently large portion of created value must become cash after the obligations of the normal cycle have been satisfied. Suppliers must have been paid according to agreed terms, employees and partners compensated, working capital properly financed, reserves established, warranties provided for, and existing assets maintained. Only after these steps can part of the result truly be considered capacity available to finance new functions.

This conversion is a much more demanding indicator than revenue growth.

It distinguishes an activity that mainly increases its size from one that also increases its economic power. If every additional million dollars of revenue requires nearly another million dollars of capital to remain tied up, growth remains highly dependent on financing. If, by contrast, standardization, inventory turnover, mutualization, and use of Common Capabilities allow revenue to increase faster than the capital required to support it, the system begins producing genuine economic leverage.

Cash generation should therefore not be interpreted as a secondary consequence of profitability.

It is one of the fundamental mechanisms through which an economic architecture becomes capable of enduring. Cash gives time. It allows an error to be absorbed, a better opportunity to be awaited, negotiations to occur without urgency, and an improvement to be financed without immediately depending on a third party's decision.

When the value created by the network begins regularly producing this freedom, GC enters a different phase of maturity.

The company is no longer merely demonstrating that it can operate.

It is beginning to demonstrate that it can transform its operations into the capacity to build what comes next.

42.3 The first duty of generated capital is to protect what already produces value

When an organization begins to have more cash available, the natural temptation is to immediately seek the next growth opportunity. A new product, a new region, additional technology, or industrial capacity may appear to represent a better use of capital than money retained in reserve or devoted to maintaining existing assets.

This logic becomes dangerous when growth is financed at the expense of the capabilities that already produce value.

The system must therefore establish a clear priority: before financing a new Step, it must verify that the current Step remains sufficiently strong.

This concerns physical assets, which must be maintained and eventually replaced, but also less visible network capabilities. Digital infrastructure must continue to be maintained and secured. Essential skills must be renewed. Procedures must be updated. Regional Centers must retain enough parts and tools to provide the promised level of service. Warranties must be funded and reserves must remain proportionate to the risks actually assumed.

This discipline may appear to slow expansion, when in reality it is one of its conditions.

An organization that continually uses maintenance capital to finance new developments can display strong growth for several years while accumulating an invisible operational debt. Equipment ages, systems become fragile, employees compensate with more manual work, and reserves decline. Growth looks impressive until several replacement or correction needs appear simultaneously.

GC must therefore regard maintenance of existing capabilities as an investment in the continuity of future cash generation.

The objective is not to maintain obsolete functions indefinitely, but to protect those whose economics remain demonstrated and that continue producing significant value for clubs and the network.

This priority expresses a simple principle:

the system must not finance its future by silently consuming the foundations of its present.

42.4 Reinvestment must transform cash into additional capacity, not merely new expenditure

Once continuity and protection needs have been properly financed, remaining cash can be reinvested. But the fact that an expense is funded internally does not guarantee that it represents a sound decision. Capital generated by GC must be treated with the same discipline as capital obtained from an investor or lender.

Reinvestment must therefore return to the criteria developed in previous chapters.

Which function is improved?

Which constraint is removed?

What level of maturity has already been demonstrated?

What additional value should the investment create?

Which alternative uses of the same capital are being given up?

What additional risks are introduced?

How quickly can the system observe whether the hypothesis was reasonable?

This discipline naturally favors investments capable of improving several functions simultaneously.

A Back-End improvement that reduces administrative time for each new club can increase the integration capacity of the entire network. A better inventory architecture can release capital across several regions. An industrial modification that improves reliability can reduce warranties, downtime, parts requirements, and service interventions.

These investments may produce a return that extends far beyond their direct effect on a single revenue line.

Reinvestment then becomes one of the principal mechanisms through which the GC System transforms itself.

Cash produced by existing capabilities is converted into a new or improved capability. That capability must then create greater value, reduce cost, improve resilience, or support more clubs without a proportional increase in structure.

When this relationship is real and repeated, growth stops being a series of successive expenditures.

It becomes a cumulative process in which the capital generated by the architecture helps improve the architecture that generates it.

42.5 Capital productivity becomes one of the fundamental measures of system maturity

During the first Steps, the priority is often to determine whether a function works and responds sufficiently well to a need to justify continuing. As GC becomes more mature, an additional question becomes essential:

How much value can the system produce with the capital it mobilizes?

This question makes it possible to compare activities whose financial appearance may be misleading.

A function may produce an excellent margin while requiring substantial inventory, specialized infrastructure, and a very long recovery cycle. Another may generate a more modest margin while requiring very little additional capital and producing cash quickly. Both may be attractive, but they do not contribute to financial autonomy in the same way.

Capital productivity must therefore be observed throughout the architecture.

A Regional Center should progressively use more of its existing capacity before requiring another expansion. Digital infrastructure should be able to serve more clubs without its cost increasing proportionally. An industrial architecture should increase production through better use of equipment and skills. Inventory should circulate faster as data and forecasting improve.

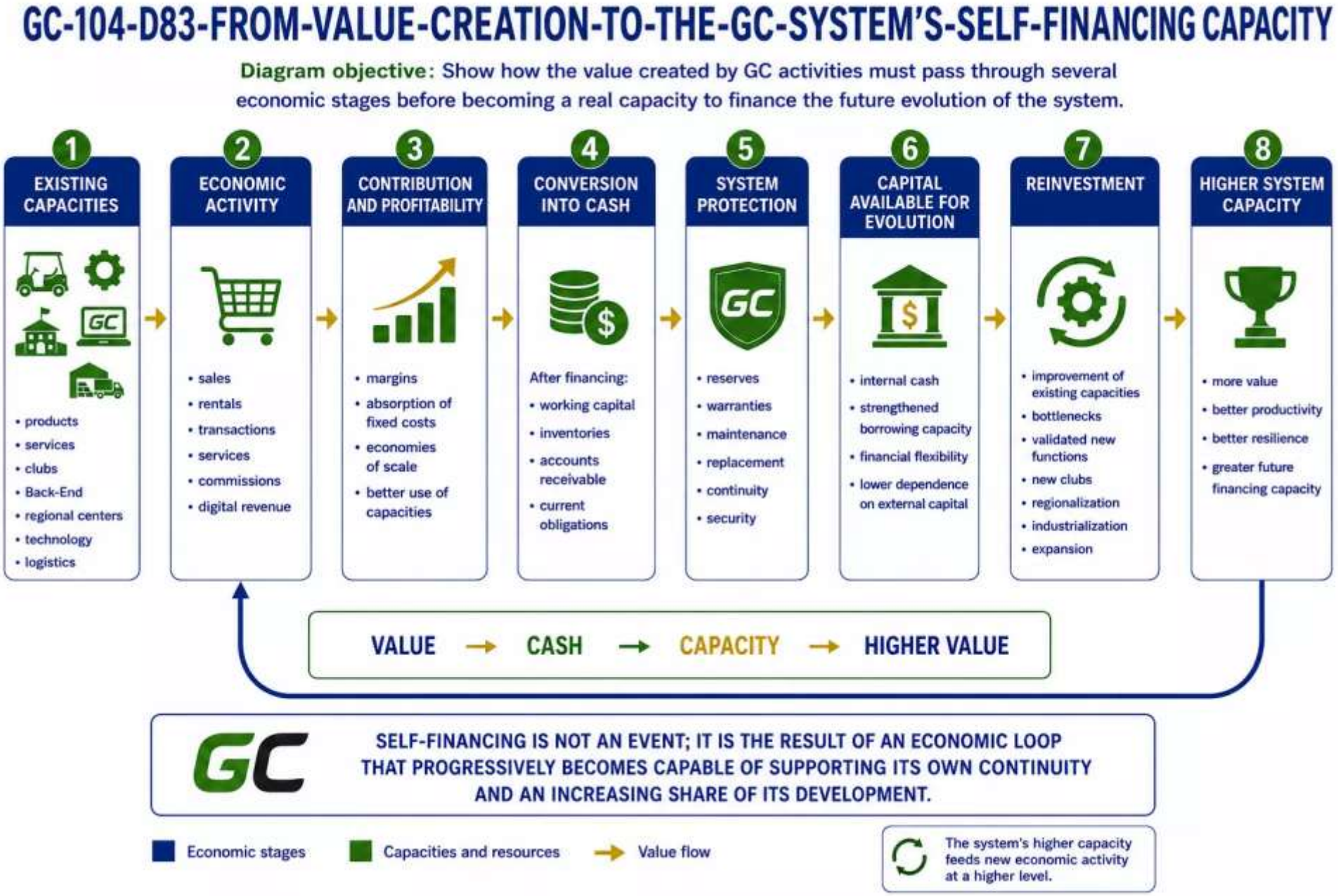
These gains must not be confused with a permanent search for cost reduction.

It may sometimes be necessary to increase expenditure to improve quality, safety, or continuity.

Productivity means that committed capital produces sufficient capacity relative to what it ties up, not that every expense must be minimized.

Maturity therefore appears when the system becomes capable of increasing value without requiring an equivalent increase in all its costs and assets.

It is within this difference that an important part of self-financing capacity emerges.



GC-104-D83 — FROM VALUE CREATION TO THE SELF-FINANCING CAPACITY OF THE GC SYSTEM

42.6 The pace of growth must remain below the system's capacity to absorb that growth

A system can be economically sound and still place itself in difficulty by accepting more growth than it can properly integrate.

This possibility has been addressed from several angles in previous chapters: working capital, service, Regional Centers, inventories, Back-End, and human resources. In the context of self-financing, these dimensions must now be brought together.

Growth of 20% may be very easy to sustain in an architecture with substantial unused capacity. The same growth can become extremely demanding in a network whose teams, inventories, or facilities are already operating close to their limits.

The question is therefore not merely the rate of revenue growth, but how much additional growth can be absorbed before another investment threshold becomes necessary.

This relationship explains why a highly profitable company may nevertheless need to temporarily limit expansion.

Each new club may require products, integration, training, and support before fully generating its contribution. Each new region may require minimum inventory and technical capacity. Each increase in production may increase the need for components several months before the corresponding sales are collected.

Self-financing should therefore never be interpreted as permission to grow without limit.

On the contrary, when a system finances more of its own evolution, it becomes even more important to protect the loop generating this capacity. Growth that is too rapid can absorb all available cash and return the organization to the external dependence it had just begun to reduce.

The correct pace is the one that allows growth to progressively strengthen the system's financial capacity rather than continually exhaust it in the name of expansion.

42.7 The installed base must progressively produce value after the initial sale

A system primarily dependent on the constant sale of new products remains exposed to significant pressure: to maintain revenue, it must continuously find new buyers and finance new inventories.

This dynamic can be entirely viable, but it becomes much more robust when the installed base continues creating value after the initial transaction.

Within GC, this value can come from several functions without artificially transforming every product into a subscription.

Assets already present in clubs may generate service, maintenance, or parts requirements. Digital Functions used regularly can generate transactions or recurring revenue when continuing value is actually being provided. Clubs already integrated into the network can progressively adopt new functions without requiring the same acquisition or integration cost as when they first joined.

This economic depth changes the structure of the network.

A Partner Club that has been part of GC for several years no longer represents only a historical sale. It becomes an active part of an economic ecosystem in which several flows can develop as the relationship deepens.

The cost of this internal growth may be lower than the constant acquisition of new partners because part of the trust, data, systems, and procedures are already in place.

This logic must nevertheless remain faithful to the philosophy of the Inverted Pyramid.

Generating additional revenue from the installed base is healthy only when the club continues receiving real value as well. Services must not become artificial obligations designed merely to maintain recurring payments. Their recurrence must correspond to a function that is genuinely delivered and useful.

A mature installed base thus becomes an important source of stability because it allows an increasing portion of future revenue to come from relationships already built and capabilities already integrated rather than depending solely on continuous expansion in the number of clubs.

42.8 The economic success of clubs must feed the network's financial capacity without reversing the pyramid

The logic of self-financing could easily lead to a mistaken interpretation of the relationship between GC and its clubs.

If the Back-End must generate enough resources to finance its evolution, it could become tempting to gradually increase the share of value captured from each transaction. In the short term, this strategy could indeed improve central cash flow. Over the long term, however, it could weaken the very base on which the system depends.

The Inverted Pyramid imposes a different logic.

The club must be able to observe that integration with GC genuinely improves certain dimensions of its economics: new revenues, better-controlled costs, better use of assets, reduction of certain frictions, and access to capabilities that would be more expensive to build independently.

This improvement increases the club's incentive to use the system more extensively, adopt new functions, and maintain the relationship over time.

The Back-End can then benefit from the growth of this activity without weakening the local economy.

A reasonable commission on growing volume can become more valuable than an excessive commission that limits adoption. A Common Digital Capability can produce more transactions precisely because it allows the club to serve golfers more easily. Better logistics can simultaneously reduce costs for both the club and the network.

This relationship is central to self-financing.

The Back-End's financial capacity must develop from an increase in total value created, not primarily through a progressive transfer of value toward the center.

The model becomes sustainable when the club can become stronger because it belongs to the network and the network can become stronger because its clubs create greater value.

It is this reciprocity that distinguishes a systemic architecture from a simple distribution chain.

42.9 Regional Centers can become productivity multipliers rather than simple cost centers

Regional Centers occupy a particular position in the evolution toward self-financing.

When created too early or oversized, they can become a significant source of fixed costs. When they appear at the point where density justifies them and are properly integrated, they can instead profoundly improve capital productivity across several parts of the network.

A well-utilized Regional Capacity can reduce repair delays, lower transportation costs, allow shared parts inventory, accelerate equipment preparation, and improve training.

These effects do not always immediately translate into direct revenue for the center, but they can increase asset utilization, reduce lost revenue, and lower the amount of capital tied up in duplicated inventories.

As volume increases, a mature region can also generate a more autonomous economy. Services, commissions, or other contributions attributed to it may begin covering an increasing share of its own costs.

The center then becomes less dependent on permanent Back-End financing while continuing to produce Common Economies.

Regional maturity must not, however, lead to functional independence.

If every center accumulates its own systems, suppliers, and procedures, much of the integration value disappears. Regional Capacity must continue benefiting from Common Data, the catalog, supplier relationships, and the financial architecture.

A strong Regional Center therefore becomes a multiplier because it combines proximity to the field with the network economies of the Back-End.

At scale, this combination can allow the same capital to support more clubs and becomes one of the mechanisms through which the entire system improves its self-financing capacity.

42.10 Industrial mastery can progressively transform a procurement expense into strategic capacity

The industrial evolution described in Chapter 34 can also contribute significantly to the system's economic autonomy, but only when volume and skills justify the transition.

During the first Steps, using OEM or ODM manufacturers allows GC to limit industrial capital and concentrate resources on validating the market and network. With growth, however, certain functions may become important enough for greater control to improve the economics.

Local assembly can reduce certain logistical constraints, improve quality control, and facilitate customization. A multi-supplier architecture can reduce dependence on a single partner and improve negotiating power. Better standardization can reduce the number of parts references and increase economies of scale. Targeted manufacturing of certain components may eventually become profitable when sufficient volume justifies the investment.

These developments must not be evaluated solely according to the possible reduction in purchase price.

Their effect on cash and capital must also be understood.

Internal industrial activity may reduce unit cost while significantly increasing fixed assets, component inventories, and fixed costs. It can therefore improve margin without necessarily improving self-financing capacity immediately.

The industrial objective must remain the one established earlier: increase control when that control creates sufficient value.

As capabilities become more productive, a portion of the margin previously captured by several intermediaries may remain within the network and contribute to financing its development.

Manufacturing then becomes attractive not because it represents the symbolic culmination of the project, but because it can allow the system to convert accumulated knowledge about products, users, and service into better industrial and financial productivity.

42.11 Data, learning, and knowledge themselves become forms of capital

A large portion of GC-104 has focused on financial and physical capital because they directly determine the ability to finance products, inventories, systems, and infrastructure.

As the GC System matures, however, another form of capital becomes increasingly important: accumulated knowledge.

Each season produces information about product use.

Each incident improves understanding of reliability.

Each new club helps distinguish what is truly common from what must remain adaptable.

Each Regional Center produces experience concerning parts, repairs, and field behavior.

Each financial decision can be compared with its actual results.

When this learning is captured and shared, it reduces uncertainty in subsequent decisions.

A better sales history improves purchasing.

A better understanding of failures reduces certain parts inventories while improving availability.

More precise knowledge of the time required to integrate a club improves budgets.

Greater experience with several suppliers can reduce supply risk.

This knowledge has economic value because it allows financial capital to be used more efficiently.

Two organizations with exactly the same amount of cash can achieve very different results if one knows much better where to invest, which risks to avoid, and how to organize its resources.

The system must therefore protect and develop this intangible capital with the same discipline applied to its other assets.

Data must remain sufficiently reliable, important decisions must leave a memory, and critical knowledge must be transmitted beyond the people who acquired it.

Self-financing thus becomes broader than the circulation of money alone.

The network also finances its evolution by transforming accumulated experience into a progressive reduction in the cost of uncertainty.

42.12 External capital must remain available as an acceleration instrument when its cost is lower than the value it can create

A system capable of producing substantial cash may be tempted to finance all projects exclusively internally.

This strategy may be relevant in certain circumstances, but it should not become a rigid principle.

Some opportunities may require an amount of capital disproportionate to short-term available cash while possessing excellent economics over several years. A new industrial capability, strategic acquisition, major territorial expansion, or significant technological investment may fall into this category.

In such a situation, refusing all external financing could unnecessarily slow a demonstrated opportunity.

The relevant question is not whether GC could eventually save enough to finance the project alone, but whether the expected return on the investment justifies the cost and obligations of the capital obtained.

This logic completely changes the relationship with investors and lenders.

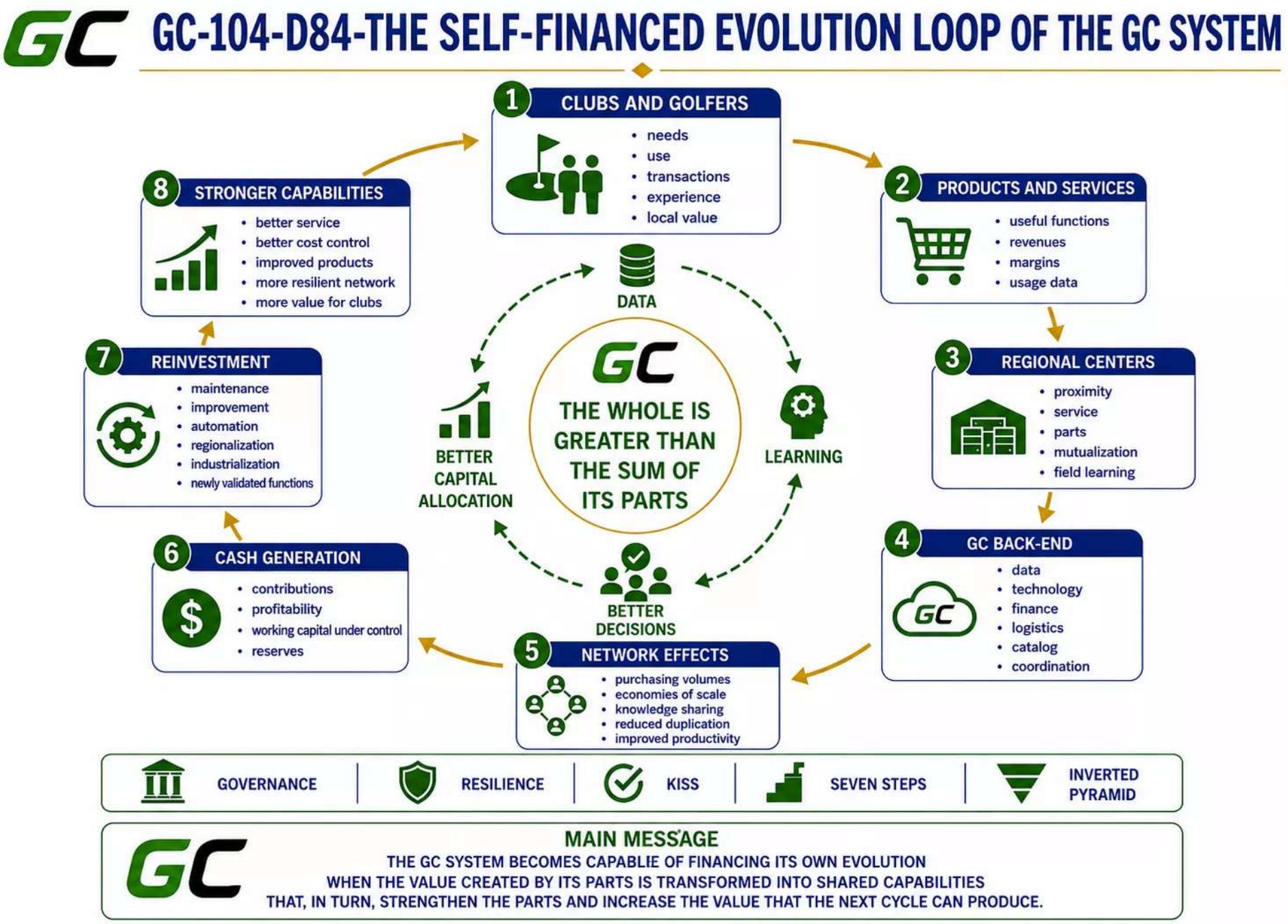
A company with strong internal flows and several financial options can compare terms, negotiate the level of control or guarantees, and decide to postpone a transaction when conditions become unfavorable. It no longer enters the discussion from a position of dependence.

External financing then becomes one component of a broader architecture.

Retained earnings, reserves, supplier credit, debt, and equity capital can be combined according to the nature of the needs, as developed in Part IV.

Financial maturity therefore does not consist in eliminating external sources.

It consists in reaching a level at which no single source has the power by itself to determine the trajectory of the system.



GC-104-D84 — THE SELF-FINANCED EVOLUTION LOOP OF THE GC SYSTEM

42.13 Governance of surplus cash becomes as important as generating it

An organization that lacks capital generally knows that it must choose.

An organization with abundant capital can gradually forget this constraint.

This is why cash generation must be accompanied by governance capable of preventing abundance from becoming a source of dispersion.

When GC reaches a level of maturity where its operations regularly generate more cash than is required to maintain existing capabilities and protect reserves, several options will become available. The company may reduce certain debts, accelerate projects, develop new technologies, acquire certain capabilities, or consider distributions to shareholders.

All of these options may be rational depending on circumstances.

The problem appears when available capital is treated as something that must necessarily be used.

A mediocre project does not become better because the company has enough money to finance it.

An acquisition does not automatically create value because it increases revenue.

A new plant does not become economically relevant simply because the company can now afford it.

Governance must therefore preserve the capacity to leave capital temporarily available when the best possible uses have not yet been sufficiently demonstrated.

This decision may appear conservative, but it preserves important optionality.

A company with reserves and few obligations can react quickly when a genuine opportunity appears.

Management of surplus capital must therefore remain consistent with the principle established throughout GC-104:

capital must follow the maturity of functions rather than precede them simply because it is available.

42.14 The whole becomes economically greater when every new part increases the capacity of the others to create value

The principle **"The whole is greater than the sum of its parts"** has accompanied several stages of GC-104, but this final chapter now allows its different expressions to be brought together into a single economic logic.

An isolated product can generate a margin.

An isolated club can generate revenue.

A Regional Center can provide a service.

A Back-End can process data.

An industrial capability can produce equipment.

Each of these parts can possess value of its own.

Their simple addition, however, is not enough to create the GC System.

Systemic value appears when the relationships among these parts increase their respective capacities.

The product becomes more attractive because it benefits from structured service.

Service becomes more economical because it supports several products.

The Regional Center becomes more productive because it serves several clubs.

The club gains access to capabilities it would have little reason to build alone.

The Back-End becomes more efficient because more clubs use a Common Architecture.

Data becomes more useful because it comes from multiple contexts.

Logistics becomes more efficient because needs can be mutualized.

Industry becomes more precise because the field continually sends information back.

Finance becomes stronger because several revenue sources support Common Capabilities.

This relationship transforms growth.

Adding a club should not simply add revenue. It can improve regional density, increase utilization of a center, enrich data, and distribute Back-End costs across more activity.

Adding a product should not merely enlarge the catalog. It can increase service utilization, strengthen purchasing power, or make an industrial capability more productive.

Adding a new region should not merely increase the territory served. It can diversify seasonality, enrich network experience, and improve annual utilization of certain capabilities.

When these cross-effects become sufficiently numerous and strong, a fundamental difference appears: the marginal value of a new part can become greater than its isolated value because it joins an architecture capable of amplifying it.

But the principle also imposes its own limit.

A new part that uses no Common Capability, improves no existing function, and requires entirely separate infrastructure may be perfectly profitable while failing to increase systemic value.

In some cases, it may even reduce that value by consuming more attention and capital than it contributes.

The whole is therefore not automatically greater than the sum of its parts.

It must be designed to become so.

This is precisely what GC-104 has sought to demonstrate: the value of the system lies less in the accumulation of components than in the economic quality of the relationships connecting them.

42.15 A system capable of financing its own evolution becomes capable of choosing its future

The final objective of the GC economic model is not financial autonomy as an end in itself.

What this autonomy makes possible is far more important: it gives the system the ability to choose its pace, priorities, and next Steps without being constantly pushed toward a decision by an immediate lack of resources.

This ability to choose represents the culmination of the different architectures developed throughout GC-104.

Value creation allows activities to produce contribution.

Price and cost discipline transforms that contribution into sustainable unit economics.

Control of working capital allows a greater portion of profit to become cash.

Reserves and financial protections give the system time to absorb unexpected events.

Capital allocation directs resources toward the most useful capabilities.

Pilot Clubs reduce uncertainty before deployment.

The Back-End transforms local experience into Common Capability.

Regional Centers use density to bring service closer without unnecessarily duplicating resources.

Logistics improves turnover and reduces tied-up capital.

Industrialization progressively increases control when volume justifies it.

Data improves decisions.

Diversification reduces certain dependencies without abandoning coherence.

Governance finally allows the whole to continue beyond the people who built it.

None of these dimensions is sufficient on its own.

Cash without governance can be wasted.

Growth without working capital can create a financial crisis.

Technology without adoption does not produce value.

An excellent product without service can quickly lose the confidence of clubs.

A high-performing industrial capability without a market is merely unused capacity.

A vision without an economic structure remains dependent on those willing to finance it.

The strength of the GC System must therefore come precisely from their integration.

When the economics become sufficiently mature, a loop different from that of the early years can appear. Initially, external capital makes it possible to build a capability. That capability makes it possible to test a function. The function creates initial value. Over time, several validated functions begin producing enough contribution to finance Common Capabilities. These capabilities then reduce the cost and increase the value of existing functions. Part of the new cash can then be reinvested in the next Step.

The movement can be summarized as follows:

INITIAL CAPITAL → CAPABILITIES → VALIDATION → VALUE → CONTRIBUTION → CASH → REINVESTMENT → SUPERIOR CAPABILITIES → GREATER VALUE

This loop represents one of the most complete economic expressions of the Seven Steps.

Each Step is not simply financed to make the next one possible. Ideally, it must help build a capability that improves the possibility of financing what follows.

This is why the central principle of GC-104 can ultimately be expressed very simply:

growth is sustainable only when each new Step strengthens the system's capacity to finance the next one.

This does not mean that every project must immediately pay for the next. Some infrastructures will require several years to reach full productivity. Some innovations will need to be financed before their economics are fully known. Certain opportunities will always justify external capital.

What must change with maturity is the overall direction of the system.

Dependence on external capital must progressively decline relative to the value created.

The proportion of capabilities financed by the internal economy must increase.

Data quality must reduce uncertainty.

Capital productivity must improve.

Reserves must increase the ability to move through difficult periods.

Diversification must reduce critical dependencies.

Governance must allow this progression to survive changes in leadership.

This evolution brings GC closer to a genuine economic system rather than a company organized around a succession of products.

A product may disappear.

A technological generation may be replaced.

A supplier may change.

A region may evolve.

A new form of mobility may replace an older one.

But if the architecture retains its ability to observe functions, intelligently allocate capital, learn from the field, and transform that knowledge into new capabilities, the system can continue evolving.

This is where sustainability meets self-financing.

Financing its own evolution does not simply mean having enough money.

It means possessing an architecture capable of creating, preserving, protecting, and reinvesting enough value to remain master of its ability to evolve.

Financial capital is only one part of this architecture.

The network also possesses relationship capital, data capital, knowledge capital, industrial capital, technological capital, and capital of trust with the clubs.

These different forms of capital reinforce one another when properly integrated.

A club that trusts the system will more readily adopt a new demonstrated function.

A richer database makes it possible to better select products for development.

Better service protects that trust.

Better-informed industry improves quality.

Better quality reduces service costs.

Better-controlled costs increase contribution.

Greater contribution increases cash.

That cash makes it possible to improve capabilities again.

The loop becomes cumulative.

It is within this dynamic that the founding principle ultimately reaches its full meaning:

THE PARTS STRENGTHEN THE WHOLE → THE WHOLE STRENGTHENS THE PARTS → THE PARTS BECOME MORE CAPABLE → THE SYSTEM CREATES GREATER VALUE.

Greater therefore does not necessarily mean larger.

Greater means more capable.

A more mature GC System is not simply a system with more clubs, products, employees, or revenue. It is a system that learns faster, uses its capital better, protects its partners more effectively, absorbs shocks more successfully, finances more of its own choices, and can add a new part without rebuilding its entire architecture.

This cumulative capacity must become GC's fundamental economic asset.

The guiding principle of this final chapter, and ultimately of GC-104 as a whole, can therefore be stated as follows:

the GC System becomes capable of financing its own evolution when the value created by golfers, clubs, products, services, and network capabilities is transformed into cash, knowledge, and Common Infrastructure that in turn strengthen each of these parts, allowing the next cycle to create greater value through more productive use of capital and progressively lower dependence on external financing.

The objective is therefore not an organization that has completed its development.

A living system is never finished.

It observes, learns, corrects, and evolves.

The economic purpose of GC-104 is instead to create the conditions that allow this evolution to continue without destroying what makes it possible.

Finance. Develop. Operate. Grow. Then endure.

At this stage, capital is no longer only what enables the system to begin.

It becomes what the system progressively learns to produce, protect, and transform so that it can continue evolving.

And it is precisely through this capacity for renewal that the GC System can aspire to become not only an economically viable company, but a sustainable architecture capable of continually financing, learning, and rebuilding its own next Step.

GENERAL CONCLUSION

GC-104 was intended to answer a question that initially appears primarily financial, but becomes much broader when the true nature of the GC System is considered: **how can a system composed of products, services, Partner Clubs, Regional Centers, digital capabilities, logistical infrastructure, and eventually industrial functions be financed, developed, operated, and grown sustainably so that all of these components can evolve together?**

The answer developed throughout this white paper does not depend on a single financial model, a fixed long-term projection, or the idea that a certain amount of initial capital could determine the future of the organization. It is instead based on an architecture of progression.

Capital must make it possible to build a capability.

That capability must produce an observable function.

The function must be validated under conditions sufficiently close to real operations.

When it demonstrates its value, it can progressively produce an economic contribution.

That contribution can then help finance the capabilities required to reach the next Step.

This logic profoundly changes the way growth is interpreted.

In a traditional model, growth is often measured primarily by increases in sales, assets, customers, or company value. These measures remain important, but they become insufficient within an integrated system.

Growth that increases revenue while multiplying dependencies, inventories, service costs, and capital requirements faster than the value created can produce a larger company without producing a stronger system.

Conversely, slower progression can create greater future capacity when it improves quality, repeatability, capital turnover, knowledge, and reinvestment capacity.

GC-104 has therefore sought to progressively shift the question from size toward capability.

A more developed system should not merely sell more.

It should better understand what it sells, better anticipate what it must purchase, use already-built infrastructure more efficiently, reduce unnecessary repetition of the same functions in several places, improve the quality of its decisions, and increase the amount of value it can produce with the same unit of capital.

This conception also helps explain why the economics of the GC System cannot be reduced to the economics of a product.

A Cruiser can possess excellent economics while the overall network is not yet profitable.

A service can appear weakly profitable when viewed in isolation while greatly increasing the availability and life of several products.

A Regional Center can produce little direct revenue while reducing logistics costs, downtime, and dispersed inventories across several clubs.

A digital platform may cost more than it generates directly while reducing a significant amount of administrative work throughout the network.

For this reason, GC-104 distinguished several levels of economics: the economics of the product or service, the economics of the Partner Club, and the economics of the network.

These three levels must not be confused, but they must be capable of strengthening one another.

The club remains a business with its own economics, constraints, and responsibilities.

The GC Back-End also has its own economics.

The Regional Center must eventually develop a structure healthy enough to perform its function.

Integration must not erase these realities; it must allow each of them to benefit from capabilities that would have been more difficult to build independently.

This is precisely where the Inverted Pyramid takes on concrete economic meaning.

The network is not intended to progressively pull more value toward the center.

Central capabilities exist to make certain functions more efficient, more coherent, more reliable, or less costly for those operating at the base of the system.

Clubs can then create greater value for their golfers, and that additional activity in turn increases volumes, data, and contributions that allow the network to maintain and improve its Common Capabilities.

Value therefore circulates in several directions.

Clubs produce activity, revenue, observations, and data.

Regional Centers provide proximity, service, and mutualization.

The Back-End transforms these contributions into Common Capabilities: technology, procurement, information, finance, logistics, coordination, and learning.

These capabilities then flow back toward the clubs and allow each part to operate with more resources than it could have built independently.

This circulation gives full meaning to the principle that **the whole is greater than the sum of its parts**.

This principle should not be understood as an abstract claim that a system is automatically superior to its components.

It is true only when the relationships among the parts create genuine additional value.

When several clubs use the same technological capability, integration value can come from a lower average cost and better data.

When several products use the same Regional Centers, service becomes more productive.

When several activities use the same financial or transactional infrastructure, duplication costs can be reduced.

When learning from a local incident improves a product used throughout the network, knowledge acquired in one part increases the capacity of all the others.

Systemic value therefore appears in the relationships.

It must also be measured with discipline.

A new activity requiring its own technology, suppliers, service, and operating model can be perfectly profitable without increasing the value of the system.

It may even reduce that value if its complexity consumes more capital, management, and attention than the additional contribution it produces.

One of the major lessons of GC-104 is therefore that adding a part does not necessarily strengthen the whole.

Growth must be selective.

This discipline explains the role of the Seven Steps.

They are not merely a method of product development. They limit the risk of building too early capabilities whose economics are not yet sufficiently understood.

Progression must follow learning.

Functional proof precedes economic proof.

Economic proof precedes major deployment.

Sufficient density precedes construction of major Regional Capacity.

Sufficient mastery of the product and volume precedes deeper industrialization.

This logic protects capital.

It also protects the organization against a common mistake: transforming a long-term vision into immediate expenditure.

An ambitious architecture can be built progressively.

It is not necessary to own, during the first year, all the systems, Regional Centers, industrial capabilities, or functions that may become relevant ten years later.

Instead, their future place must be understood sufficiently well to avoid building solutions today that make their integration impossible tomorrow.

This distinction between anticipating the architecture and immediately financing every component is essential.

It allows GC to preserve a global vision while applying KISS at each stage.

Financing itself must follow this progression.

Equity capital can absorb greater uncertainty during certain construction stages.

Debt becomes more relevant when needs are better defined and repayment capacity is visible.

Supplier credit can finance part of the inventory cycle.

Deposits and certain forms of pre-ordering can bring financing closer to actual demand.

Retained earnings can progressively finance an increasing share of improvements.

No source of capital should be considered universally superior to the others.

The right source depends on the need, its duration, its predictability, and the risk it carries.

This financial architecture must also protect strategic control.

A company that must constantly raise new capital to finance current operations may progressively give up a significant portion of its ownership and freedom of decision.

A company that develops sufficiently strong economics to finance an increasing share of its needs can negotiate external capital when it is genuinely useful.

This evolution leads to one of the fundamental objectives of GC-104:

external financing should progressively become a chosen accelerator rather than a permanent necessity.

To reach that level, profitability is not enough.

Value must become cash.

This distinction has appeared throughout several chapters because it is one of the most important conditions of sustainable growth.

A company can be profitable while tying up enormous amounts of capital in inventories or accounts receivable.

A strong increase in sales can even temporarily worsen cash flow when products must be financed several months before collection.

Growth must therefore be observed through its working-capital requirement.

Improved turnover, forecasting, supplier terms, or collection mechanisms can sometimes create more financial capacity than an equivalent increase in margin.

This observation reinforces the importance of the Back-End.

As data becomes more precise, the network can better forecast needs, share certain inventories, reduce duplication, and identify major variations more quickly.

Information then becomes an indirect form of capital because better knowledge allows fewer resources to be tied up while maintaining a given level of service.

The maturity of the system therefore also appears in its ability to learn.

A first Pilot Club produces observations.

A second makes it possible to distinguish what was specific to the first.

A third begins revealing what can genuinely become a Common Foundation.

With dozens and then hundreds of clubs, the number of observed situations allows the system to be understood with a depth that was impossible at the beginning.

This knowledge must be captured, organized, and redistributed.

The network then becomes more intelligent than each isolated part, not because a central Back-End inherently understands the field better, but because it can combine experiences produced in several places and return that learning to those who helped create it.

This circulation of knowledge constitutes one of the most powerful expressions of the principle that the whole is greater than the sum of its parts.

It also contributes directly to resilience.

A resilient system is not a system that avoids every problem.

Such an organization does not exist.

Suppliers may miss deliveries.

A product may reveal a weakness.

A season may be weaker than expected.

A technology may temporarily fail.

A key person may become unavailable.

Resilience appears when an incident does not take away the system's ability to choose.

Reserves provide time.

A second source of supply provides an alternative.

Shared knowledge reduces dependence on one person.

Regional Centers can sometimes allow resources to be relocated.

Common Data can quickly identify a recurring problem.

A diversified financial architecture prevents one external decision from determining the entire future of the organization.

Growth must therefore increase not only the capacity to produce, but also the capacity to absorb disruptions.

This logic becomes particularly important as the portfolio diversifies.

Diversification can reduce certain dependencies, but it can just as easily create strategic dispersion.

GC-104 therefore distinguished adding products from integrating functions.

A new activity should ideally reuse part of the Common Architecture, strengthen other functions, or provide a capability important enough to justify what it requires.

A healthy diversified system is not the one with the greatest number of revenue streams.

It is one whose different sources of value are distinct enough to reduce certain risks, yet integrated enough to continue benefiting from Common Economies.

This coherence must ultimately survive over time.

Governance, transmission, and sustainability are therefore not separate from economics.

They determine whether the capabilities built through many years of investment and learning will continue creating value after founders, executives, employees, and even technologies have changed.

The vision must be transmissible without becoming frozen.

The principles must remain strong enough to guide decisions but intelligent enough not to transform today's solutions into permanent obligations.

Sustainability is not preservation of the system.

It is its ability to continue evolving without losing what gives its architecture meaning.

This observation ultimately brings us back to the original question of GC-104.

How can the GC System be financed, developed, operated, and grown sustainably?

The answer is not contained in one number.

Nor is it contained in one product, one ownership structure, or one source of financing.

It resides in a loop.

Capital makes it possible to build an initial capability.

The capability makes it possible to test a function.

The function, once validated, creates value.

Value produces contribution.

Contribution can progressively become cash.

Cash protects the system and finances certain improvements.

Improvements increase productivity and capabilities.

Data reduces uncertainty.

Governance protects coherence.

Growth can then create more value through an increasingly mature architecture.

The loop begins again.

This dynamic can be summarized as follows:

CAPITAL → CAPABILITY → FUNCTION → VALIDATION → VALUE → CONTRIBUTION → CASH → REINVESTMENT → SUPERIOR CAPABILITY

But its true meaning appears when this progression is placed within the context of the entire system:

THE PARTS STRENGTHEN THE WHOLE → THE WHOLE STRENGTHENS THE PARTS → THE PARTS BECOME MORE CAPABLE → THE SYSTEM CREATES GREATER VALUE.

This is where the founding principle reaches its fullest economic meaning.

Greater does not mean larger.

Greater means more capable.

A mature GC System should therefore not be judged solely by the number of clubs it serves, the number of products it offers, or the revenue it generates.

It should be judged by the quality of its capabilities.

Can it serve more clubs without proportionally multiplying its costs?

Can it learn from what happens in one region and use that knowledge elsewhere?

Can it finance an increasing share of its improvements?

Can it absorb a problem without losing its trajectory?

Can it transmit its logic to a new generation without depriving that generation of the ability to improve what it receives?

When these conditions begin to come together, the GC System crosses an essential threshold.

It progressively ceases to be a project that must continually find the resources required to build its next component.

It becomes an architecture that begins producing itself part of the resources, knowledge, and capacity required to determine its next evolution.

This transformation is what GC-104 sought to make possible.

The objective is not to reach a final state.

A living system is never finished.

It must continue to observe, understand, measure, validate, decide, deploy, and observe again.

But if this evolution can progressively be financed by the value the system creates, guided by the knowledge it accumulates, and protected by the governance it builds, GC can aspire to something more durable than a succession of products or periods of growth.

It can become a system capable of continually learning, financing, and rebuilding its own next Step.