

Profit Plans That Work

... Four Case Histories

by Harry Eckhoff*

Forsgate Country Club, Jamesburg, N.J.

The concept of operating golf courses for profit is comparatively new. Private member-owned golf clubs dominated the nation's golf development scene almost completely until about 20 years ago. It was generally believed that one could not make money on a golf course operation.

In 1953 the trend began to change. At the end of 1953 there were only 1321 profit-motive golf operations in the country. Twenty years later this number had soared to 4710 — a whopping increase of 256 percent. During this same period private member-owned clubs increased 58 percent; municipal golf operations were up 115 percent. By 1975 there will be more profit-oriented golf operations in the country than private member-owned. The National Golf Foundation's computerized national inventory as of January showed 4720 member-owned facilities; 4710 for-profit operations and 1466 municipal facilities.

The for-profit category of golf courses includes privately owned daily fee courses, semi-private facilities and non-equity private clubs. Owned by an individual, partnership or corporation, its primary purpose is to operate as a successful business venture. Accordingly, operating policies are designed to return to the owners the greatest feasible net profit.

Many such facilities offer various types of annual golf playing privileges in addition to daily green fee play. The so-called pay-as-you-play country clubs and a large number of golf courses associated with real estate developments fall in this category.

Forsgate Country Club, located midway between New York City and Philadelphia near Jamesburg, N.J., is an excellent example of a successful profit-oriented operation.

This once exclusive 18-hole club failed as a private club. In 1954 the entire operation grossed less than \$100,000. Owners decided in 1955 to transform the operation to a "public" country club. By develop-

ment of an associate membership plan and a large restaurant and banquet business this operation has continuously prospered and served its clients well.

Edward M. Burke, vice-president and general manager, said, "We are presently doing over a \$2-million gross which includes food, beverage and golf. In 1973 we ran a 48 percent food cost and 27 percent liquor cost. Due to this large volume, we ran a combined food and beverage payroll cost of 21.5 percent which enabled us to net \$163,673 in our food department and \$250,879 in liquor sales."

Burke further said that in 1973 the club served 206,040 meals — 30,522 in the grill room; 43,876 lunches; 63,310 dinners; and 68,332 at special functions such as banquets, golf outings, seminars and weddings.

Forsgate's golf membership is an associate type — \$75 a year single (\$100 husband and wife). This entitles card holders to play for \$5 weekdays and \$7 weekends and holidays. Burke said the club now has

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over 1000 members. The club enjoyed a total of 43,028 rounds of golf in 1973 as follows: member play — 21,377; guest rounds — 8375; special groups — 8079; and evening golf leagues — 5197.

Forsgate now has 36 holes of golf. It just recently opened a fourth nine designed by Hal Purdy.

The golf club maintains a fleet of 147 electric golf cars. Rental fee for 18 holes is \$11.55 including tax. Burke said, "We rented 1413 for nine holes and 14,049 for 18 in 1973. Our gross income from golf cars was \$160,028."

Forsgate offers banquet packages designed to meet almost any need. Companies can make complete arrangements for all-day meetings including use of conference rooms, meals, golf, etc. Many firms hold such seminars periodically, often on a monthly basis. Forsgate has become a popular site for golf and other sports events, business seminars, weddings, press conferences, special meetings and parties of all types. Plans are underway for the

addition of a magnificent 300-room hotel/motel complex which should make Forsgate's present offerings even more popular.

When asked to what he attributed Forsgate's success, Burke replied, "A big factor in our business, besides doing the job, is advertising: Three percent of our gross income is budgeted for advertising, last year we spent \$64,836 on various types of advertising."

Forsgate has had highly qualified and stable management — a requirement for every successful business operation. Burke, who joined the operation in 1955, is a former executive with both the New Jersey Club Managers and Restaurant Association. As vice-president and general manager of Forsgate, he now directs a staff of over 125.

Forsgate has been owned by two generations of the Abeel family. In 1954 J. Forster Abeel, Sr., now chairman of the board, had the foresight to "go public," which turned the venture around from a losing private club operation to a profitable business. John F. Abeel, Jr. is now

president of the club.

Ramblewood Country Club is located at Ramblewood-on-the-Green, a sizable real estate development near Moorestown, N.J. It ranks high among the nation's well-operated club facilities despite the fact it has had serious difficulties in its early history.

The developers, Goodwin Homes, Inc., initially made the mistake of offering lifetime memberships for \$1280 and unlimited annual golf play privileges for \$300. When the first 18-hole, Ed Ault-designed course opened in 1961, Ramblewood had already signed up over 300 members.

At the end of the first full year of play, management discovered that the course was far from breaking even. Actually, there was a deficit of more than \$70,000.

Harry Goodwin, then president of Goodwin Homes, Inc., was determined to make the course self-supporting. He contacted the National Golf Foundation's Eastern consultant and invited him to assist

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in explaining the facts of golf course operations at a planned meeting with the membership.

At the meeting, attended by almost 300, the members were advised that if they wished the facility to remain as a private operation, dues would have to be increased to \$400 the next year. Members were given 90 days to make their decisions. Goodwin also explained that if the proposal was voted down, he planned to offer an associate membership for \$25 a year which would entitle holders to play on payment of green fees.

Fortunately for the club owners, the membership turned down the proposed increase in dues. Almost immediately after initiating the associate membership plan, Ramblewood's operation moved into the black.

Today Ramblewood is an outstanding example of a non-equity, profit-oriented club operation. It is still owned by the developer. However, the club facility and the land

sales are two separate entities, both of which are highly successful. Over 2000 homes have been built and there are 700 units of apartments and townhouses, some of which are rentals. Also, the golf course has been expanded to 27 holes.

Edward A. Coach, who joined Ramblewood nine years ago and is now the club's general manager, reports the club currently has over 600 members. The club has a fleet of 85 powered golf cars; and 12 more on order. Rental fees are \$9 any day. According to Coach, the cars grossed \$100,000 in 1973. Types of memberships and the 1974 rates offered at Ramblewood are as follows:

Annual membership — entitles holders to unlimited golf play, tennis courts, use of health center and full use of clubhouse, dining and bar facilities. Cost are \$350 for men, \$250 for women, and \$125 for juniors (under 16, son or daughter of member). Dues are payable in advance. Membership begins the day you join and is in force for one year thereafter.

Individual social and golf membership — Cost is \$50 a year. This membership includes the same privileges as the one cited above except that one must pay green fees each time he plays golf. Green fees are \$5.50 weekdays; \$6.50 weekends and holidays; \$3.00 weekdays after 4 p.m.; and \$3.50 weekends after 3 p.m. About 50 percent of the membership is of this type. Guest green fees are \$7.00 weekdays; and \$8 weekends and holidays.

Swim club membership — This entitles one to use the pool and tennis courts for the season; the bar and dining facilities for a calendar year. Annual costs for the swim club membership are \$150 for husband and wife; each additional child up to 18 is \$28; single adult charge is \$95. Guest fees are \$2 weekdays for children under 14 and \$3.50 for adults; on weekends, \$2.50 for children and \$4 for adults.

Ramblewood also enjoys a sizeable banquet and golf outing business — usually four or five events

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each week. Coach has a staff of about 70 for overall operations.

Over 60 percent of the golf courses now under construction in the nation are part of a real estate venture. Developers have learned that golf helps them sell lots and housing units.

Since the real estate developer is business- and profit-oriented, his golf courses are usually managed and operated like a business. Many successful developers have kept the golf operation and land sales entirely separate by establishing a corporation for each enterprise. The developer then owns and controls the club and operates it on a daily fee basis or as a non-equity club or a combination of both — and hopefully at a profit.

Northgreen Country Club, part of a 500-acre development named Northgreen Village and located near Rocky Mount, N.C. expects to open a new 18-hole, Porter-Gibson-designed facility in late 1974.

Northgreen's planned policies for the club operation are clearly stated

in the invitations for membership as follows: "The Northgreen Country Club, golf course, all buildings and other club facilities are owned by the Northgreen Village Associates, a partnership organized under the laws of the state of North Carolina. Members will have no ownership of the facilities and shall not be liable or have any responsibility for its debts or operating expenses of any nature. It is anticipated that eventually ownership of the club will be offered to the membership for lease or purchase."

Northgreen, now in its membership development stage, cites initiation fees as follows: regular membership — \$500 for the first 150 members; \$750 for the next 100 members; \$1000 for any membership over 250. A non-resident membership is also offered for persons residing more than 50 miles from Northgreen at 50 percent of the above fees. Monthly dues for residents are \$30; for non-residents, \$15.

Another new North Carolina golf/condominium development has constructed a 60-room lodge, which

includes the golf shop, for its 18-hole operation. It features "package" golf for out-of-town guests. A non-resident membership (150 or more miles distant) is available for \$24 a year. Such members may play golf for free upon rental of a golf car.

Green fees for lodge guests are \$6 any day. The course is open to the public at green fees of \$8. The facility maintains a fleet of 60 golf cars at rental fee of \$8 for 18 holes.

While most golf-oriented real estate developments are planned for home sites, townhouses and condominiums, Century XXI — now under development in greater Washington, D.C. area — is designed for a major new business center.

Approximately 300 acres surrounding the Fairchild-Hiller headquarters near Germantown, Md., are being used for the project. When Completed, this \$110-million venture will represent three million square feet of office and research space, a hotel and convention center, restaurants, banks, golf course, tennis courts and other recreational amenities.

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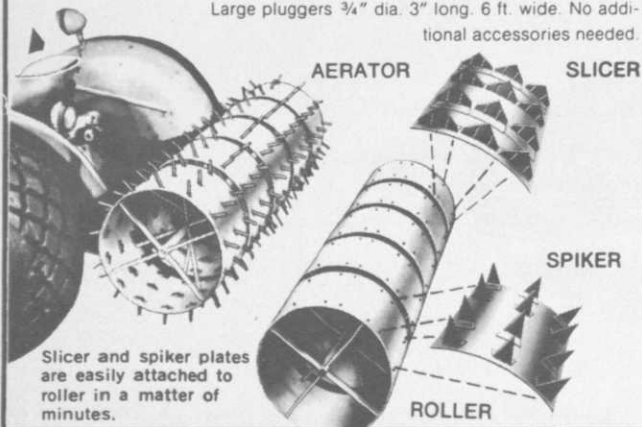
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The 18-hole, 6,500-yard executive course with fully automatic electronic "wall-to-wall" sprinkler system is already in play. It is operated as a private non-equity club and membership will be limited, to 300. Unlike most country clubs, there are no family memberships. Ladies may play, but fees are the same for all adults.

Initiation fees for residents (anyone living within 50 miles of the club) are \$1500 (\$750 with application; \$750 within 12 months). Initiation fee is fully refundable upon leaving the club; however, Century XXI reserves the right, at its discretion, to return initiation fees over a 24-month period. Annual dues are \$400 billed semi-annually.

For non-residents (anyone living at least 50 miles from the club) the initiation fee is \$100 and annual dues are \$100 billed annually. Guest green fees are \$7.50 weekdays and \$10 weekends.

Century XXI is a complete club facility with 340 lockers (\$30 a year), private and public dining rooms, conference rooms (free use for members), 1200-square-foot golf shop and 40 golf cars at rental of \$9.

South Carolina's Grand Strand resort complex (the greater Myrtle Beach area), a 50-mile-long stretch of seashore bounded on the east by the Atlantic Ocean and on the west by the Intracoastal Waterway, probably has more profit-oriented golf courses than any other area of comparable size. The Grand Strand now offers one a choice of 27 golf courses

to play along with 35,000 available rooms, 100 restaurants, etc.

Growth of Strand's golfing industry (it features package golf) may be attributed to the availability of numerous challenging and well-maintained facilities along with an abundance of hotel/motel accommodations and to nationwide golf promotion and improved air transportation to the area.

Area hotels/motels and golf courses have formed an association named Golf Holiday, pooled their assets for advertising and developed effective promotional programs. In addition, the greater Myrtle Beach Chamber of Commerce annually contributes around \$100,000 to Golf Holiday's efforts.

Along these same lines, owners of profit-oriented golf facilities in some states have formed statewide golf course owners associations. The idea behind these organizations is to accomplish certain benefits that can best be attained by group action. One such group is the Pennsylvania Golf Course Owners, Inc., founded in 1970.

With over 300 privately owned daily fee golf courses in Pennsylvania faced with mutual problems, their owners were ready for a means of working together. The goal of the organization is stated very succinctly in its by-laws as follows: "The purpose of the Pennsylvania Golf Course Owners, Inc., shall be to promote recreation and conservation, and to solve problems common to privately owned golf courses providing a place for everyone interested to play golf."

What is this organization accomplishing? It has, this year, caused bills to be introduced in the state senate and house that would give public golf courses an equal and fair basis for taxation in their real estate. It is informing state legislators that golf is no longer a leisurely rich man's game but in fact is a major source of recreation for the average-income individual. For this reason, many golfers would like the courses to remain as such and not be converted to housing developments and shopping centers. Petitions of this nature were placed at all member clubs for golfers to sign and then sent to key state lawmakers.

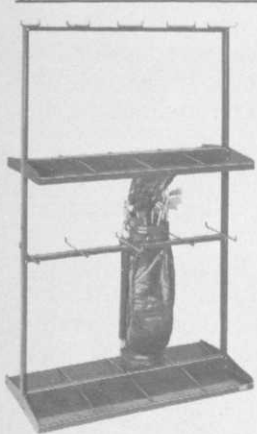
The organization is working on group insurance programs in the area of general liability, workmen's compensation, and health for all its members. A cooperative buying program was initiated this year. Among the items available are golf balls, golf course pencils, tees, flags, flag poles and cups.

Certain uniform operational policies are also being tried this year to help avoid confusion, speed up play, accord with insurance codes and to establish uniform rules at all member courses.

The organization held their first annual tournament last year and offered over 500 prizes totaling about \$6,000. Plans are underway for a second tourney scheduled for August 1974.

Late in 1973 the PGO employed Leslie V. Adams as full-time executive secretary. Since February of this year, the PGO has published a very informative monthly bulletin. Adams reports the following 1974 dues schedules: \$100 minimum for nine holes, par-3 courses and driving ranges; \$25 additional for each nine holes thereafter — on that course or other courses any one individual may own.

Profit-oriented golf courses will continue to play an important role in the nation's golf scene. The National Golf Foundation's guide line for golf course development is one public 18-hole operation for every 25,000 persons in a given area. National studies reveal there are still many regions that have not met this need.



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