

Fireworks Extravaganza - a Case Study

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Most clubs make use of a robust social calendar to supplement their golf/swim/tennis offerings. Social events typically cater to social members and the families of golfing members. Naperville Country Club hosts 70-75 member events per year like Martinis and Manicures to Fight Night (amateur boxing matches).

Collectively, these events represent an important revenue stream for the Club. They generate about \$260K/year in participation fees beyond regular monthly dues. In addition, they generate associated beverage sales. These social events account for 6.5% of the Club's total annual operating budget.

The Club has 250 social members, which represents 41% of the Club's total active members. Social members account for:

- 22% of member beverage sales
- 26% of member food sales
- 35% of member sponsored banquet sales
- 26% of total member driven food and beverage sales
- 14% of member driven golf guest fees (social members have limited golf privileges)
- 4.5% of member cart revenue
- 10% of total member driven golf revenue (guest fees + cart fees)
- 21% of total non-dues related member spending (guest fees + cart rentals + food sales + beverage sales)

Since Naperville Country Club does not offer pool or tennis, many of the social members join specifically for access to the Club's social events including: Easter Brunch, Mother's Day Brunch, Christmas with Santa Claus, Build a Gingerbread Workshop, and the Halloween Party. The largest event of the year is our annual Fireworks Extravaganza.

Fireworks Extravaganza - A Naperville Tradition

The Fireworks Extravaganza has evolved into one of the Club's signature events. The event started in 2005. Approximately 100 members gathered on the patio to watch the Club's first fireworks display, as debris and smoldering embers rained down on the patio from the shells exploding overhead. Since 2005,

the Fireworks Extravaganza has grown exponentially and has transformed into a tradition for many NCC families. Over time, participation for this event has ballooned from 100 participants to over 1,000 participants. As the event has grown, so has the planning and execution required to facilitate the Fireworks Extravaganza.



Every year, there are a handful of Club events that require us to transform the Club into something different and unique. These events are very labor intensive, but they also produce some of the most memorable events that the Club has to offer. The Fireworks Extravaganza is one of these events, as the driving range is transformed into an outdoor summer festival for family and friends. The transformation includes constructing an outdoor kitchen complete with a refrigeration truck and hot boxes, an outdoor beer garden with a portable cocktail bar, outdoor dining venue, tented food stations with three buffet lines, a first-aid/lost and found station, and registration booth with "Will-Call" window. Preparations for the event actually start a year in advance as "blackout dates" are incorporated into our event calendar to account for the effort required to stage the Fireworks Extravaganza.

The coordination for the Fireworks Extravaganza involves all the managers and all the resources that the Club has at its disposal. All departments are asked to contribute in order to properly execute the event. Can you say TEAM WORK? It's great to see what 80 people can accomplish when they are all pulling together in pursuit of a common goal. The Pro Shop manages traffic control in the parking lot. The Grounds Department handles all heavy lifting and utilizes the skid steer to position equipment and pre-sorted pallets of supplies to locations throughout the driving range. The Grounds Department also coordinates all roping, and waste removal. The administrative staff and Membership Director man the registration booth and "Will-Call" window. Our Banquet Coordinator and Hostess run the raffle. The Executive Chef coordinates the temporary outside kitchen as well as the inside kitchen, and the kitchen stewards that shuttle food between the two locations. Our Food and Beverage Manager coordinates the food runners that stock the buffet stations. Our Bar Manager supervises the beer garden and cocktail bar. The wait staff monitors the kids' rides and inflatables.

In total, 80 employees work to support the event. We log about 700 labor hours the day of the event (exclusive of salaried employees). In the months prior to the event, we utilize a web-based program called Basecamp to create electronic to-do-lists and to share information and digital files between managers. Managers are assigned different tasks in preparation for the event. They receive reminder e-mails on specific dates as the event draws closer, and check off tasks as they are completed. As tasks are completed, the program circulates the completed to-do list showing a check mark next to the tasks that have been completed. Basecamp is updated yearly as part of our post-event debriefing, allowing us to capture information that will assist us the following year.

"A Portfolio of Events"

We manage the Club's social events utilizing a "portfolio approach". Each event is monitored individually, but our overall goal is to manage a portfolio of 75 events to achieve our revenue goal of \$260K with a corresponding profit margin of 13-15%. While our target margins may be different, we use this same portfolio concept on our book of business related to member dining, golf outings, weddings, and banquets. Some events overperform while other underperform. The goal is to identify how to enhance the overperformers and bring about positive change to the underperformers. Monitoring event P&L's allows us to make informed decisions on how to improve events. When events do not perform properly, P&L's also give us the information necessary to make educated, fact-based decisions on when it is time to remove an event from the social calendar.

When we use the term portfolio, most think of finances. There is one big difference between a financial portfolio and a social calendar at a county club. A financial portfolio does not have much in the way of emotion attached to it. If one of your stocks decreased in value for 5 years straight, you would sell what you have left and invest in something different, with little to no emotional reaction other than lamenting your loss. Applying the

Team #	Team Leader	Responsibility	Cart Assignment	Radio	Team members
1	Tim	Outside Contractors	Tim's Cart	•	Steven, Matt, Dave
2	Steven	Lift Crew	Cushman with green trailer, Steve's cart, skid steer,	•	Torres, Emilio, Ramon, Antonio, Adolfo, Samuel
3	Matt	Rope Crew	Cushman with brown trailer, Matts cart	•	Porfirio, Gustavo, Ruperto, Inocente
4	Sarah	Registration	N/A		Jody, Katie, Judy
5	Chef Mike	Outside Kitchen	Carry all	•	Marcos, Eli, Juan Temp #1, Temp #2
6	Pedro	Inside Kitchen	N/A	•	Luis, Temp #3
7	Alex	Kitchen Runner	Carry all with green trailer	•	Alex
8	Pete /Matt	Food Runners	Carry all	•	Jose, Andrew, CJ, Nick, Temp #4, Temp #5, Temp #6
9	Shorty	Central Supply	Carry all	•	Nick
10	Bill	Bar and Beverage	Carry all	•	Pam, Jessica, Brian, Brian, Laurel
11	Brennen	Ice	Carry all	•	
12	Joe	Parking lot	4x Pro Shop carts	•	Mike and 4x bag room staff
13	Argelia	Safety/First Aid	N/A		
14	Dana	Ball Drop	Four person cart	•	Clair
15	Rachel	Rides/Inflatable	N/A		Stephanie, Lisa, Ann, Merriam, Temp #7, Temp #8
16	Colleen / Ema	Snow Cones	N/A		
17	Jeorge	Bussers	Carry all	•	Temp #9, Temp #10
18	TBD	Floater	Carry all	•	
19	Conny / Conrado	Waste Removal	Cushman		Marcial
20	Porfirio	Dishwasher	N/A		Gustavo
21	Brain Brown	Clubhouse / Security	Pro Shop Cart	•	Tony
22	Wendy	Bathrooms	N/A		Facundo
23	Dave	Site Supervisor / floater	Pro shop cart	•	Tim, Steven, Matt, Brian
24	Tony	Photographer	Pro Shop Cart		
25	Nicole	Beverage Tickets			

Labor tracking and team assignments keep our events running smooth. Basecamp is a program used to help digitally manage people, responsibilities, and tasks.

same logic to an event on a club's social calendar is not always as simple. Club events have the potential to carry a significant amount of emotional baggage. Our Fireworks Extravaganza is one of those emotionally charged events.

Prior to the recession, it was commonplace for clubs to run social events at a loss. During that same timeframe it was also common for clubs to have year-end operating assessments. The recession brought about a renewed focus on fiscal responsibility and the evaluation of individual club events. The Fireworks Extravaganza has always come under fire (pun intended) by die hard golfers that argue that the event takes the practice facility away from the golfing members for an event that predominantly caters to the social members. And, since the event operates at a loss, the golfing members end up subsidizing the event in the form of a year-end operating assessments (social members do not participate in operating assessments at the Club). This argument was partially valid because the event did operate at a loss, and collectively any year end operating deficits were funded by an

operating assessment. The objection that the event catered to the social members was easy to dispel. Part of our event analysis includes a participation census. We have been able to document year after year that participation at the event is split almost 50/50 between golfing members and social members. We find that several golfing members are actually attending with their adult children and their grandchildren. With this hurdle out of the way, the remaining challenge became how to manipulate the event so that it performed at break-even (or better), or risk losing an event that had grown into one of the Club's signature events, which drew social members to the Club.

The process of pulling on different levers in an attempt to get the event to perform the way that we wanted it to turned into a 5 year project. Each year we would learn a new piece of information about the event and incorporate that into the financial model for the following year. At the same time, we had to fight the effects of inflation and the growing popularity of the event. As the event grew, the need for additional supplies and rentals also grew. From the first event P&L that we compiled back in 2009, we knew that there was a "critical mass" that was needed in order for the event to operate at break-even. Knowing the fixed costs associated with the pyrotechnics and the ancillary rentals, we were able to estimate that it would take an attendance of approximately 1,000 participants to generate the revenue necessary to support the event. Over time, this projection proved to be accurate.



So why keep working on the event so many years? For me the answer was simple. The Fireworks Extravaganza had evolved into one of the Club's signature events and had become a tradition for many NCC families. What started back in 2005 with 100 participants had evolved into the single largest event in the Club's history. In 2013, Fireworks had 1,050 participants, more than double the size of any other golf or social event on the Club's calendar. When the event started back in 2005, it was fairly simple. Members sat on the back patio, ordered ala-carte dinner service off the standard dining room menu, purchased cocktails and waited for dusk to watch the show. The original event fee was \$25. Since the cost of the show was \$9,500 (in 2005), the Club absorbed the \$7,000 deficit. As the event grew in popularity, it quickly outgrew the patio and moved to the driving range. This also resulted in a format change from ala-carte dinner service to an outdoor food festival similar to the Taste of Chicago. Members purchased "NCC Dollars" that could be redeemed at various food stations for: hot dogs, funnel cakes, gyros, hamburgers or cotton candy. As the event moved to the driving range, it expanded to include more entertainment in the form of giant inflatables, a DJ, and various activities for the kids. As the event increased in size and scope, the loss associated with the event increased as well.

By 2012, popularity of the event had sparked an increase in the sale of social memberships. The social program was full for the first time in several years. In response, the Club decided to raise the cap on social memberships from 225 to 250. The social program quickly reached the 250 cap and the event grew to 1,050 participants in 2013. By 2013 the event had evolved into an all-inclusive event where admission included: entertainment, food, beer, house wine, soda pop, Gatorade, bottled water, DJ, inflatables, and glow necklaces with the fireworks display at dusk. This was the first year that our pre-event pro-forma forecast the event to break even. With over 1,000 participants, we had finally reached the "critical mass" that we knew we needed. The evening of June 23rd 2013, an unexpected band of severe thunderstorms moved through the Naperville area causing a series of severe thunderstorm warnings and tripping the course lightening detection system. As a result, the event was canceled. Canceling the event meant that the Club was out \$20K in rental fees and Fireworks was once again under the microscope and on the chopping block.

I will be honest. Since first becoming involved with the F&B operation back in 2009, the Fireworks Extravaganza has been my nemesis. We had been successful in restructuring the profitability of all the events on the Club's social calendar, with the exception of the Fireworks Extravaganza. While the event has always been extremely well received by the members, we have struggled to find the right combination of levers required to trigger additional event revenue, improved efficiencies, and reduced expenses. All were needed in order to produce an event with a more profitable stance. The fact is that we probably should have dropped the Fireworks Extravaganza from our portfolio, but the emotional attachment to the event was too strong and it was widely recognized as one of our signature events. It was an event that was integral to the social membership program. In 2013 we thought that we finally had it figured out. Having reached our "critical mass" of 1,000 participants, we felt sure we could reach our goal. As is often the case, Mother Nature had different plans. We were forced to learn from the experience and adjust accordingly.

The unfortunate reality is that all outdoor events come with weather related risks. Many of the "High Volume Days" at the Club (i.e. Fireworks, Member/Guest Invitational, golf outings) rely on favorable weather. After the 2013 rainout, we went back to the drawing board and re-evaluated the event P&L again, looking at ways to further manipulate the event. We knew that if we couldn't come up with a solution, the event would most likely be canceled. We investigated the purchase of a Show Stoppers insurance policy. The policy would reimburse the Club for any expenses, including the cost of in-house labor, in the event of cancelation due to weather. We added specific language to the

2014 Actual			Proforma Projection	
%	\$	Revenue / Expense	\$	%
Revenue				
53.21%	\$26,350	Adult admissions	\$26,000	50.49%
6.86%	\$3,395	Teen admissions	\$4,000	7.77%
14.09%	\$6,975	Child admissions	\$7,000	13.59%
7.43%	\$3,680	Member purchased ball drop raffle tickets	\$6,000	11.65%
1.84%	\$910	Guest (cash) purchased ball drop raffle tickets	\$1,000	1.94%
8.77%	\$4,342	Member purchased beverage tickets	\$5,000	9.71%
1.53%	\$759	Guest (cash) purchased beverage tickets	\$1,000	1.94%
5.62%	\$2,785	Member (chit) purchases at the portable bar	\$500	0.97%
0.65%	\$321	Guest (cash) purchases at the portable bar	\$1,000	1.94%
100.0%	\$49,517	TOTAL Revenue	\$51,500	100.0%
Cost Of Goods Sold (COGS)				
12.80%	\$6,340	Food COGS	\$7,500	14.56%
3.94%	\$1,950	Beverage COGS	\$2,000	3.88%
16.74%	\$8,290	TOTAL COGS	\$9,500	18.45%
Gross Profit				
83.26%	\$41,227	TOTAL Gross Profit	\$42,000	81.55%
Expenses				
Payroll				
12.97%	\$6,420	Hourly staff (inclusive of OT pay)	\$7,000	13.59%
1.96%	\$970	Temporary labor	\$1,000	1.94%
14.92%	\$7,390	TOTAL Payroll	\$8,000	15.53%
Other Expenses				
22.21%	\$11,000	Fireworks and permits	\$11,000	21.36%
7.25%	\$3,590	Tent Rental 40x100	\$3,600	6.99%
6.51%	\$3,225	Buffet Rentals	\$3,000	5.83%
14.08%	\$6,970	Other rentals (inflatables, snow cone, DJ, portable toilets, face painter, entertainment)	\$7,000	13.59%
3.99%	\$1,975	Paper supplies, plastic supplies, cups, sterno	\$2,000	3.88%
0.74%	\$365	Disposable table cloths	\$350	0.68%
2.91%	\$1,440	Event insurance	\$1,500	2.91%
4.24%	\$2,100	Ball drop payout	\$3,300	6.41%
0.80%	\$395	Helicopter rental	\$400	0.78%
0.85%	\$420	Ice	\$400	0.78%
0.27%	\$135	Event bracelets	\$200	0.39%
0.62%	\$305	Light tower rental	\$400	0.78%
1.26%	\$625	Dumpster rental	\$425	0.83%
0.00%	\$0	Refrigeration truck (vendor donation)	\$0	0.00%
0.64%	\$315	Mosquito control	\$300	0.58%
0.98%	\$485	Miscellaneous (sunscreen, bug repellent)	\$300	0.58%
67.34%	\$33,345	TOTAL Other Expenses	\$34,175	66.36%
99.01%	\$49,025	TOTAL Expenses (COGS + Labor + Other expenses)	\$51,675	100.3%
0.99%	\$492	INCOME / (LOSS)	(\$175)	-0.34%

with for years may seem counter intuitive, but as the event had grown so had the costs. By 2013, the Fireworks Extravaganza was projected to cost \$48K. With this type of exposure, the additional cost of the insurance policy was a prudent decision. The policy premium was based on projected event revenue. Revenues were estimated at \$48k, so the premium for the policy was set at 3% or \$1,440.

“You can’t Manage What You Don’t Measure”

I am a strong believer in the saying “You can’t manage what you don’t measure”. As a result, we routinely use event P&Ls to track the performance of individual events. This helps us to understand how the event works, and how we can manipulate the event to improve future performance



in the form of enhanced member experience, better financial performance, improved efficiency, and expense reduction.

As you can, see the cost of pyrotechnics represents the single largest expense associated with the event, accounting for 21.8% of available revenue. Stated a different way, if we have 1,000 participants, \$11.00 of each admission ticket would be required just to cover the cost of the show. Firework displays are like anything else, they range in quality and price. Displays should be spec’d out based on reputation and safety record of the company, duration of the show, shell count, and shell size. Our production crew has always recommended a show time of approximately 22 minutes. Their opinion is that if the show drags on too long the spectators lose interest. The NCC show is 22 minutes in length with a total of 1,600 shells ranging in size from 2 inch to 8 inch. That is about 1 shell every second. Larger diameter shells are available ranging in size from 10 to 16 inches, but shell sizes ties directly into setback distances and safety requirements. Reducing the length and quality of the show in an attempt to control expenses was always an option, but this would have diminished the member experience and impacted our ability to reach the “critical mass” of 1,000 participants. So we elected to focus on other techniques to influence the event.

Finally! - Success at last!

So how did the Fireworks Extravaganza pan out in 2014? The weather cooperated. We had a perfect day. The Show Stopper insurance policy was activated but went unused. 950 participants came out to enjoy the event. This was about 100 less than the year prior. We attribute this to a combination of people that were turned-off last year by the bad weather, and the corresponding adjustments that we made for 2014. Prices were increased slightly to account for the cost of the insurance policy

Each event is one part of the portfolio of events at NCC. Detailed P&Ls help us to determine how they fit into overall budget and become planning tools for future occurrences.

policy that allowed us to cancel the event as needed if the on-course lightning detection system was activated. Incorporating an additional expense into an event that we had been battling

and beverages are no longer included in the event. Members purchase beverage tickets for \$2.00 each that can be redeemed for beer, house wine, soda, Gatorade, or bottled water. We also switched to wristbands for entry in to the festival area. Members were encouraged to pick up their wristbands in advance. Those that opted to pick up their wristbands the day of the event were directed to the "Will-Call" booth. The use of wrist bands allowed participants to move into the event without having to wait in lines, improving the member experience. It also required



80 Employees work to support the event, 700 hours are logged by hourly employees and all full-time staff are on hand.

less staffing at the registration booth which reduced labor costs. Also new for 2014, all member purchases were billed to member accounts. This increased efficiency and reduced billing issues. Cash boxes were available, but were only used to accommodate guests that wanted to purchase their own beverage or raffle tickets. Members and guests still had the option of purchasing raffle tickets to enter a 50/50 split the pot helicopter ball drop. Each raffle participant was assigned a golf ball with a number on it. We hire a helicopter to gather up all the golf balls and drop them over a target green in the driving range. The ball closest to the cup wins 50% of the pot (less the rental fee for the helicopter). This year's winner took home \$2,100, not bad for a



A private helicopter is rented to conduct the ball drop.

\$10 investment, and the Club gained \$2,100 in event revenue.

The other adjustment for 2014 was the sale of beverage tickets. In the past, beverages were included in the price of admission. As we studied the event P&L, it became apparent that to maintain an affordable price of admission and achieve our goal of breakeven or better, we would need to segregate out beverages and start to charge for drinks. In 2014 we sold 2,225 beverage tickets at \$2.00 each for a total of \$4,500 in additional revenue. In 2012 (the year prior to the rainout) we had 850 participants and beverages were included. That year we went through 24 kegs of beer. In 2014 we had 950 participants, beverages were not included, and we only went through 7 kegs of beer. The other item of interest was that in 2014, when we sold beverage tickets, we saw a significant increase in the number of drinks sold at the portable cocktail bar, specifically the sale of vodka/lemonades. Apparently, when the beer is included, members will drink beer and they are prone to consume and/or waste more product. When asked to purchase beverage tickets, they are more discerning and are willing to actually spend more to get their drink of choice.

So, after 5 years of evaluating and manipulating different aspects of our Fireworks Extravaganza, we finally solved the problem and pulled off a breakeven event. This may sound like a lot of effort for a single event (which it was), but a -\$22K (loss) in 2013 vs. a breakeven event in 2014 represents an improvement of \$22,000 to the bottom line. Keep in mind that over the last 5 years, all of the Club's social event have been evaluated using this same technique. The same is true for weddings, banquets, and golf outings.

The Fireworks Extravaganza is just one piece of a very large puzzle. In 2013, our F&B department operated at a profit of \$155K. That was inclusive of the \$22K loss on Fireworks. As a whole, we had managed our event portfolio well. Additional analysis allowed us to come up with a plan to mitigate a specific loss within the portfolio, thereby increasing our overall performance. In this case, it was not so much about increasing profits as it was alleviating a loss. Adjustment to the Fireworks Extravaganza has put the F&B department on track to operate at a profit of \$175K this year. This would represent a departmental profit margin of +10.5% compared to a margin of -7.0% in 2009. Stated another way, in 2009 every \$1.00 spent in the F&B department actually cost the Club \$1.07. This change represents an improvement of 17.5%.

Detailed analysis of each individual event in the Member Event Portfolio is just one step in structuring a successful F&B department. Remember – "you can't manage what you don't measure", records and event P&L's are critical to the process. For the most part, clubs view F&B to be an amenity used to enhance the experience and support the overall atmosphere at the Club, which attracts and retains members. Evaluating how to accomplish this goal in an efficient and cost effective manner is important. Close and constant management of our portfolios (member dining, member events, weddings, banquets, and golf outings) have been a critical step in this process, a step that has allowed the F&B department to operate in the black for 5 consecutive years. @