

# Thailand concentrates on green fees and tourism, golf remains buoyant

By ANDREW OVERBECK

PHUKET, Thailand — While Thailand struggles to come to grips with the economic situation, the golf course industry in Southern Thailand remains fairly active, with management shuffles, redesign work, and even a new course or two.

One of the main reasons that golf in Southern Thailand is alive and well is because they rely more on income from green fees and tourism related services than from housing and membership sales.

They have successfully adjusted their strategies from attacking the decidedly flat real-estate and membership-sales market and focused, instead, on green fees to make a profit.

However, this reliance on steady tourism dollars has also led to some market inefficiencies, and, as in the rest of Thailand, the south has its share of delinquent owners. Predictably, this situation varies from area to area.

Just a two-hour drive from Bangkok

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are the seaside resort towns of Cha-Am and Hua Hin. Golf in Thailand made its start in Hua Hin, with the Royal Hua Hin golf course which was built in the 1920s by British railway engineers.

In the last five years, the golf development in the area has exploded, with six courses now firmly established in the marketplace.

The Springfield Golf and Country Club has arguably made the fastest and strongest entry into the golf market in this area. It's been experiencing consistent growth every year since opening and have made an operational profit this year. It's now going ahead with the expansion of the Nicklaus-designed project, adding another 18 holes that will be a desert-style layout.

Further, it successfully opened its 170-room beach resort that sits on the Gulf of Siam. In addition, it's going ahead with the construction of 145 villa homes at the golf course that will go on sale in December of 1998. Both the beach side condos and golf course villas will be offered on a time-share basis, which will serve to further guarantee profits.

All of these successes, however, have not fully insulated them from the economic crisis as green fees were raised and membership dues were initiated this

year to help offset the increased costs of equipment and spare parts. On the whole, the Springfield club is the best positioned and most played in the Hua Hin area.

From the upside to the downside, Hua Hin has its share of lemons. Notably the Milford International Club, which has the advantage of a seaside location unlike any other of the area golf courses.

However, the fantastic view is blocked by a huge 30-story condotel. The project was doomed from the outset — they paid Robert McFarland for his design and then attempted to build the course from the topographic maps.

Another course that more deserves attention and fiscal input is Palm Hills Country Club. The Max Wexler-designed golf course was given its final shape with assistance from the landscape designers Belt Collins and Associates. The course, however, suffers from a lack of financial support.

The professional courses in the area are doing well, with the Roger Packard designed Lakeview Country Club recently signing on with the Imperial Hotel Group.

However, The Royal Hua Hin golf course is not to be left out of the mix, having recently gotten a facelift from Tony Taylor and his company, Quality Golf Consultants. The famous and oft-photographed par-3 14th hole was recently redesigned as were the 15th tee boxes. There is currently a plan to give the course a gradual renovation.

The man behind the tourist growth in the Hua Hin area is Frank Gilbride, the operator of Hua Hin Golf tours.

Hua Hin has been operating for six years and have experienced 40-percent growth yearly.

In the last two years his firm has experienced a boom, with business up 65 percent in the last year and a projected 100-percent increase this year.

Hua Hin Golf Tours is well on track to surpass 10,000 green fees this year. Gilbride insists that "word of mouth is still our best advertiser," but concedes that the depreciated baht has made vacationing in Thailand all the more attractive.

Gilbride offers a five-night, four-golf course package for less than \$250 US.

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## Thailand report

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The golf market in Hua Hin is growing consistently. But the overall quality of the destination justifies tourist packages and long-term vacationers. The potential for this area is great since it offers outstanding value for anyone's money and since it is so close to Bangkok.

While the tourist versus membership sales competition is evenly split in Hua Hin, the Phuket market is dominated by the tourists.

All of the other courses on the island feed off the world-famous Blue Canyon Country Club. The club is now managed by Pointe International, a management firm based in Phoenix, Arizona, USA, which is starting to spread its international wings.

However, they have not yet found a permanent general manager and management leadership is constantly changing. They are soon going to up the ante in the golf market in Phuket when they open the new 18-hole lake course that was jointly designed by Gary Player and Yoshikazu Kato.

The course is almost completely shaped and should be open by the beginning of next year. It will reportedly be more accessible to the general golfing public than the original Canyon course.

While Blue Canyon may be justified in its pricey green fees, the other courses on the island are merely riding the coattails. This hasn't stopped the golfers from coming however, and the courses make around 95 percent of their profits from tourist greens fees.

The first golf course built in Phuket was the Phuket Country Club, which opened in 1989. The course, which is owned by the mayor of Phuket, Phummasak Hong Syok, has now expanded to 27 holes.

However, the 18-hole resort layout is beginning to show its age, mostly due to the constraints of the layout and the quality of initial construction. The course, which was designed by the local Dr.



Sukitti Klangvisai, was not originally intended to service the amount of rounds that it sees per day.

As Course Manager Keat Lau puts it, "we did not anticipate the boom. Mind

you, it is still a four hour golf course, but the fairways are tight and the greens and tees are too small." Further, they are having to reconstruct many areas of the course as the land continues to compact and change. In order to combat

this they have built the first nine holes of their new championship course.

The Phuket area has the benefit of a steady stream of tourists. The latest Johnnie Walker Tournament at Blue Canyon brought more golf tourists than the local clubs could handle. Therefore, there is simply no need to bother with extension housing or membership sales to recover costs.

After Phuket, you must travel further south through five provinces before you reach the next outcropping of golf courses. The Songkhla Province, near the Malaysian border, is home to two professional golf courses. Currently, the only 18-hole golf course in the area, the Hat Yai Resort and Golf Club, has a good market position.

However, in his disgust with the outcome of the course, Robert McFarland took his name off the design.

The combination of a strong tourist market and concentrated growth has helped Southern Thailand become a sound golf market.

The unavoidable cost of the devaluation of the baht and course mismanagement has hurt some golf courses, but the sales remain steady. However, the market potential is far from exploited.

If more owners would continue to invest in their golf courses, the area would really take off and become a topnotch golfing destination.

Clearly the entire industry would benefit from this investment and at the moment there are some sure signs that the market is slowly heading in this direction.

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## Griffiths/Appraisal

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fallen, new player numbers are down and new course growth has also dropped.

There has to be many lessons in this for all of us. The underlying causes of all these trends, (common, incidentally, to most of the EU) were: the golf industry is fragmented and lacks a single lead institution equipped to promote and market the game effectively; rapid expansion of the golf services sector in the late 1980s/early 1990s led to quality suffering badly; the widespread influence of the Design Led Syndrome (DLS) coupled with the neglect of proper appraisal; a short-term approach leading to over investment in a favorable climate with wide-spread over-borrowing and excessive capital expenditure.

Clearly the golf industry has not served most recent developers, nor its millions of potential customers, very well — especially beginners — the life blood of the game.

All parts of the industry are affected by this neglect and some suffer as a direct consequence. In the United Kingdom, the markets have changed somewhat since the golf boom and beginners are at last out in front in the demand stakes.

British beginners are at least as numerous as the 3 million active players, a large latent demand. Imbalance on the supply side (new courses) has led to too many 18-hole courses and hardly any academy courses, which is surprising as the latter have very good profit potential when properly researched and executed.

Until recently, a serious impediment for golf developers has been the lack of a professional, commercial or academic critical scrutiny of the golf industry.

There is no golf developers guide. The developers are, therefore, vulnerable to risk on a couple counts: the lack of published guidance; variable quality in the service and supply sector as inexperienced experts and designers emerged during the early 1990s financial misjudgements.

These are just a couple reasons why the common errors of successive booms recur.

It is no coincidence.

However, for those of an inquisitive mind, a new, mold-breaking report must be very welcome.

"Golf Futures 1997 - 2007: A Golf Industry Analysis" was produced by The Henley Centre, a leading management consulting firm. It is the first comprehensive analysis of a national golf industry published anywhere in the world and is an invaluable insight into the future dynamics of the market. It is long overdue.

Nowadays Design Led Syndrome is defined as the use of a designer to produce a golf plan before compre-

hensive appraisal is complete. The conventional wisdom sees the designer as a golf guru. It is a more misguided custom than ever because of the high levels of capital costs, the greater risk of failure today and the neglect of more important factors which are so crucial to success.

Design — good, bad or inappropriate — is perceived, unconvincingly, as a prime marketing factor in signature megabuck projects. Recent history shows us this all too well. Success depends, to a far greater extent, on key appraisal factors rather than design.

For instance, negative appraisal makes design unnecessary.

Some of the troubled courses mentioned earlier would perhaps never have been built at all, or at least built

differently, had proper appraisal preceded design: not least with better market research and more rigorous sensitivity analysis.

Ventures go bust because DLS diverts attention at a critical period from the vital appraisal disci-

plines, which are dealt with later in this article. The beneficiaries of this are often second or even third owners who buy failed projects at well below original costs.

In 1996, 758 British courses changed hands in this way. One recent deal in France involved a package of some 30-plus hotels. In the 1980s and early 1990s, a benign investment climate encouraged terms of 25-percent equity and 75-percent debt.

Over-borrowing and extravagant investment then occurred, ignoring the longer term view — threat of rising costs and interest rates.

When the climate changed, the problems emerged. Golf investment is a long-term business, there are no quick bucks anymore. Golf development is specific to markets, location, site utility and built facilities: only the last involves designers.

The aim of appraisal must be to match market demands in and beyond the catchment with compatible golf and other built facilities in order to achieve a high degree of compatibility between them as a foundation of a healthy bottom line. Please consider the neglect of the beginner in all of this.

The appraisal format is well tested in the international marketplace. It lists the activities essential for identifying realistic viability prospects — the bottom line.

Designers are rarely qualified, either by training or experience, for this heavy responsibility. It is highly specialized because the resulting report is the foundation of the business plan which has to stand up to rigorous examination by skeptical financiers and professional advisers.

If appraisal is negative there is no golf business, nor any work for a designer.

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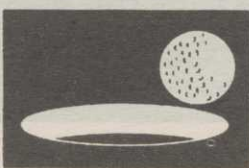
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