



# FLYING above the rest

HOW SOME GOLF FACILITIES PERFORM BETTER THAN MARKET AVERAGES

Rounds at Wildcat Golf Club have increased from less than 50,000 in 2002 to 60,661 in 2006. Photo: Wildcat Golf Club

**W**ith rounds growth flat the past few years, many golf facilities are struggling to increase rounds and boost the bottom line. With all of the well-documented challenges facing the industry, it's not easy. However, implementing creative, aggressive marketing; undertaking smart course renovations; and generating new dues revenue can help operators improve their businesses. Those strategies have worked well for three facilities trying to rise above the stagnant growth.

#### THE CONDITION YOU'RE IN

The National Golf Foundation defines this stagnant growth more clearly. Rounds played nationally were 502.4 million in 2002, 495 million in 2003, 499.7 million in 2004, 499.6 million in 2005 and 501.3 million in 2006.

BY JOHN WALSH

But despite the flat market nationally, the Wildcat Golf Club in Houston is one facility that's experienced significant growth recently. Elmer Stephens manages the 36-hole, public facility, and Lou Gonda, from Beverly Hills, Calif., owns the club, as he has from day one. The club, which was built on an old BFI landfill that was capped 30 years ago, opened in December 2000. Stephens is principal of ES Partners, which has been managing the property since 2002. Wildcat is the only golf property ES Partners manages.

Last year, the Houston Chronicle ranked Wildcat as one of the top five best daily-fee courses in the Houston area. Green fees, which have increased steadily, are \$57 during the week and \$70 during the weekend.

And competition is stiff in Houston. There are about 80 daily-fee courses in the greater Houston market, Stephens says.

"It's one of the most competitive markets in the U.S.," he says. "The market as a whole is struggling. There are courses that had green fees in the \$65 to \$100 range that are now down to \$29 including lunch during the week. Many courses have been taken over by large management companies, and the larger operators are hurting other courses in the area."

Fixed costs, such as insurance, fuel, fertilizer and PVC pipe, keep rising every year, Stephens says, making it more difficult to increase the bottom line.

"I only know of a handful of operators making money in this city with a daily-fee course," he says. "It's hard for owners/operators to meet debt service."

In Venice, Fla., competition is stiff, too. January through March is the busy season in Venice, a small town in Sarasota County, which has about 65 golf courses.

"There are lots of different golf courses to choose from," says Rob McCoy, director of club operations at the 18-hole, semiprivate Capri Isles Golf Club. "In the immediate market, there are eight golf courses to choose from for public play in addition to the two other courses we own in the area."

The club generated between 46,000 and 47,000 rounds in 2002. In 2003, the course was closed for 8.5 months for a renovation. It generated 49,800 rounds in 2004, 52,000 in 2005 and 58,000 in 2006. This year, the club also hopes to generate 58,000 rounds but was down 500 rounds during the first two months of the year mainly because of poor weather during February.

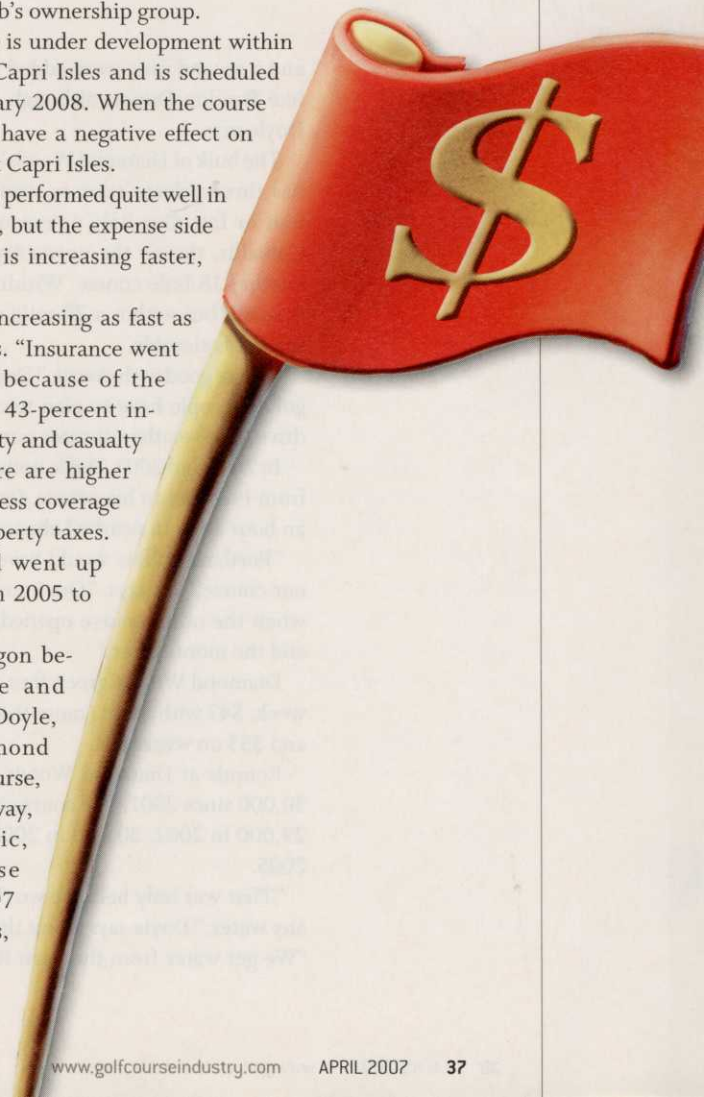
"There were a couple of golf courses that closed, and that had something to do with the increase of rounds over the past three years," says McCoy, who is part of the club's ownership group.

A new course is under development within 20 minutes of Capri Isles and is scheduled to open in January 2008. When the course opens, it might have a negative effect on rounds played at Capri Isles.

Capri Isles has performed quite well in terms of rounds, but the expense side of the business is increasing faster, McCoy says.

"Profit isn't increasing as fast as rounds," he says. "Insurance went off the charts because of the hurricanes – a 43-percent increase of property and casualty insurance. There are higher premiums and less coverage and higher property taxes. The utility bill went up 28 percent from 2005 to 2006."

In rural Oregon between Eugene and Corvallis, Jeff Doyle, owner of Diamond Woods Golf Course, is making headway, too. The public, 18-hole course opened in 1997 with nine holes,





and a second nine were added in 1998. The course isn't upscale like Bandon Dunes, although it's a championship golf course, Doyle says.

The bulk of Diamond Woods' golfers come from Eugene, which has three private courses, two 18-hole regulation courses and four or five nine-hole or executive-type courses, Doyle says. In Corvallis, there's the university course, a nine-hole course and another 18-hole course. Within a 10-minute radius, the market is small, but within a 20-mile radius – a 30 minute drive – the market is sizeable.

"We're good with events," Doyle says. "We won't get the impulse golfer. People have to plan to come to our course because it's a drive. The weather dictates our tee sheet."

In 2002 and 2003, Doyle noticed the number of golfers traveling from Portland to his course declined once a new course opened an hour away in nearby Lebanon.

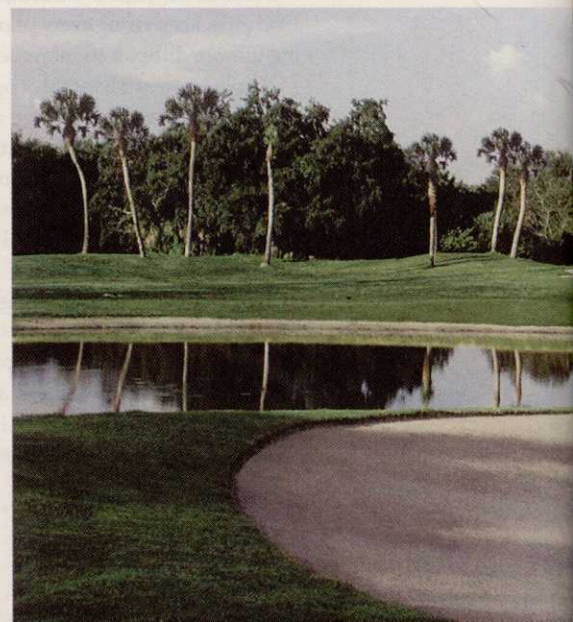
"Portland golfers would have to drive by that course to get to our course," he says. "Our rounds were increasing nicely, then, when the other course opened, I noticed a decline that month and the month after."

Diamond Woods' green fees are \$39 without a cart during the week, \$47 with a cart (more than half of golfers there take a cart) and \$53 on weekends.

Rounds at Diamond Woods have remained steady – around 30,000 since 2001. The course generated 29,900 rounds in 2001, 29,600 in 2002, 30,600 in 2003, 32,400 in 2004 and 28,800 in 2005.

"That was only because we thought we weren't going to have any water," Doyle says about the low number of rounds in 2005. "We get water from the Fern Ridge Dam. The government was

In addition to spending \$3 million on a renovation in 2003, management of Capri Isles hired a full-time marketing director to promote the club. Both have contributed to the club's success. Photo: Capri Isles Golf Club





Management of Wildcat Golf Club spent hundreds of thousands of dollars to improve turf conditions, native areas and the driving range, which has helped increase rounds at the club. Photo: Wildcat Golf Club

working on it, and they told us we wouldn't have any water for a while. So, we didn't market the course because we didn't know if we would be green."

Despite flat rounds, Diamond Woods' revenue has been increasing 5 percent each year since it opened except for 2005. 2004 was the odd year in which everyone did well because the weather was great, Doyle says. Revenue-wise, 2006 was almost identical to 2004, and so far this year Doyle says he's ahead of last year. Spring is the wild card, however, because the weather is unpredictable then, unlike during the summer.

#### A GOOD INVESTMENT

In competitive markets, some facilities increase rounds or revenue by getting a makeover. Capri Isles in Florida is one of those. The club opened in 1972 and by 2002 needed to be upgraded and modernized. In 2003, the club spent \$3 million to completely renovate the whole physical plant.

"We were losing members and public play before the renovations," McCoy says. "We heard the chatter locally that we were on a downward trend."

Renovations also played a significant role at Wildcat Golf Club in Houston. However, its road to success hasn't been easy.

"When I took over from the other management company in 2002, the course was losing about \$1.4 million a year," Stephens says. "But last year, we had a positive (earnings before interest, taxes, depreciation and amortization)."

Course management has stepped up and spent money to make needed improvements and renovations since the course opened, which has helped increase rounds steadily. In 2002, the course generated less than

50,000 rounds. But since, it generated 52,208 rounds in 2003, 57,934 in 2004, 60,740 in 2005 and 60,661 in 2006. In 2007, Stephens is projecting the course to generate 63,000 rounds.

"We had the best February and March since 2002," Stephens says. "If the weather holds up, we'll exceed our EBITDA target."

The ownership group is committed to quality, and that contributes to success, Stephens says.

"We improved the course conditions," he says. "We had to spend hundreds of thousands of dollars on turf conditions, native areas and the driving range. The course has 60- to 80-foot elevations, and on some holes, you have a panoramic view of downtown and can hear the roar of the crowd at Reliant Stadium."

"We also spent money to improve the clubhouse, increase the size of the event room and expand the bar and grill," he adds. "We have sports memorabilia golfers can buy. We have a fun atmosphere in which golfers can watch sports after golf."

Renovations are part of the recipe for success at Diamonds Woods as well. The course opened on a shoestring budget, so Doyle has been making improvements since. Doyle's brother, who is in the golf business, talked him into building a course after playing professional baseball for 10 years. So, Doyle convinced his family and friends to help.



"It's nice to open with a course exactly the way you want it," he says. "But ours wasn't. But we did spend money in the right places. We have the best irrigation system, and the layout was nice, but the course conditions were rough. The clubhouse was

small when we opened, but as we succeeded, we improved the facility. We cleared areas off the fairways, paved the parking lot, added on to the clubhouse (it was 750 square feet, now it's 4,000 square feet), and improved the area in between

the range and the clubhouse. Golfers didn't give up on us."

Doyle also invested \$175,000 into GPS on carts in 2003, covered the range and landscaped it, added tees to serve more female golfers and paved the cart paths.

"This is my first run in the golf business," he says. "We're keeping it fresh, making changes and improvements."

**SELL YOURSELF**

Even though 2005 to 2006 was flat for Wildcat, revenue increased because on-site management has done a tremendous job of branding the property, Stephens says. The course is close to downtown Houston so the club tapped into partnerships with hotels, restaurants, taxi cab companies, the convention center, the corporate market and dining-only clubs. And Stephens increased the number of tournaments Wildcat hosts annually.

"For April and May of this year, we are booked every day during the week," he says. "Last year, the course generated 16,200 tournament rounds."

Wildcat is close to major stadiums so the club struck deals with the city's professional sports teams in which Wildcat became the home course to all the teams.

"We have exclusive arrangements with each team," Stephens says. "It has paid major dividends."

The sports-theme concept established in 2003 has grown considerably. The Wildcat clubhouse features memorabilia from all sports teams and

Rob McCoy is trying to increase league play and attract more charity tournaments to better business at Capri Isles. He says the key to success is figuring out how to get golfers to return to the course. Photo: Capri Isles Golf Club



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helps define the club's ambiance.

Gonda, the club's owner, understands the market and public relations, Stephens says.

"We've spent the money year after year," he says. "We hired a director of marketing. We also have a tournament director who deals with all tournament booking solicitations and contract negotiations.

"We needed to establish a premium brand and advanced that every year," he adds. "We're relentless with our public relations."

Each year, the club looks at what it wants to target. In the past it has targeted sports teams, ran an ad campaign locally on the Golf Channel, launched marketing campaigns to focus on the medical, legal, and oil and gas communities in the area. Stephens also has spent \$80,000 to \$100,000 each year on radio advertisements alone. Print ads, TV ads and grass-roots advertising are used as well.

Another focus of Wildcat's management is customer service. A database tracks customer preferences and purchasing habits. The club also offers valet parking, a car wash while customers play golf and high-end pro-shop merchandise.

"Last year, the pro shop was ranked in the top 100 in the U.S.," Stephens says. "It's like a high-end boutique shop. The average spend in the pro shop is \$10 or \$11 a round."

Other course improvements include a separate, state-of-the-art, indoor facility for the Matt Swanson golf school, which attracts students from all over the city.

Marketing is also key at Capri Isles in Florida.

In the past, McCoy tried to do the marketing in-house, doing things like buying ads in newspapers and on TV in different locations. He has hired a full-time marketing director who meets with the marketing professionals from the hotels

and the chamber of commerce and helps get the word out to consumers who hadn't heard of the club before.

"We have three months – January through

(continued on page 112)



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March – during which we almost don't have to market," he says. "So we focus on the months on either side of that time and during the summer. As a result, we've filled tee times during those months."

McCoy also is trying to increase league play, trying to attract more charity tournaments and is working on service club angles.

In Oregon, Doyle's marketing of Diamond Woods has included two-for-one coupons that were good Monday through Thursday.

"We got 2,500 rounds for that, but last year, we eliminated it because we didn't get any loyalty," he says. "One big change we made for the people that came out a lot is gave them frequent

play cards and the best price. If we see a person out there two or three times a year, we offer them a frequency card. The card cost nothing, but they can put hundreds of dollars on the card. We allow two players on one card. It builds loyalty."

In the past Doyle's marketing efforts included TV, newspaper and radio ads that promoted the frequency card.

"This year is our 10th anniversary, so we're going to promote that in a TV ad," he says. "But people know we're always busy making improvements to the course. It's what we're known for."

Doyle is joining with other Lane County golf courses and is working with hotels to make sure traveling golfers know about Diamond

Woods. And the future looks promising for the course because the area is growing. There are two subdivisions under construction that will include between 500 and 600 homes in nearby Junction City.

"We might be fortunate that way, but another golf course can go in," Doyle says. "Golf sells real-estate. We're in a pretty good position going forward."

**JOIN THE CLUB**

Membership is another revenue area of focus for Stephens and McCoy. Even though Wildcat is a public course, it has 220 members. The facility generated \$467,000 from membership in 2005 and \$604,000 in 2006. The annual program





used to cost \$3,000, which was paid up front and gave a member access to the course for a calendar year.

"But we struggled with that," Stephens says. "People felt it was too much to pay up front. Now we've implemented a monthly fee. It started out at \$250, but now it's \$275. Members get unlimited play, range balls in the cart and can make advance tee times. Having 36 holes helps. It's difficult to implement these member benefits at an 18-hole course. Attrition has been low considering the alternatives in the city."

At Capri Isles, membership was 225 to 230 before its renovation. Now it has 280 members, but because the facility is part of a retirement community, attrition hits the club every year. Single

membership is \$1,700 annually and \$2,800 for a family. It's a one-time annual payment.

"It has increased, but we're trying not to raise it every year; however the fees need to be adjusted every two to three years based on the bottom line," McCoy says. "We're on the lower end of the scale for the cost of membership, but we're fair."

**MANAGEMENT STYLE**

Renovations, marketing and membership all fall under a management philosophy about operating a golf facility. Stephens' philosophy is to be a leader not a follower.

"We brainstorm internally and don't rely on following competition," he says.

Stephens' philosophy includes hiring the best people he can find.

"We have had little turnover," he says.

He also believes in giving back to the community and charities.

"They have paid big dividends because people see us doing our civic duty," he says.

The key to success is figuring out how to get golfers to return to the course, McCoy says.

"You need to make them feel at home and provide a good product for a fair price," he says. "People feel comfortable here. It's an attitude. Say hello when golfers walk in the door, call people by their names, ask how they played or if they had a good time. Ask yourself, how would you like to be treated when playing golf?" **GCI**

Even though it's a public facility, Wildcat Golf Club generated \$604,000 from membership in 2006. Photo: Wildcat Golf Club

