OUTSOURCING A CLUB'S ASSETS

Clubs must look carefully at the pros and cons of outsourcing income streams

Outsourcing is a controversial topic whose merits are vigorously debated by golf club members. It comes in various forms – food and beverage, the pro shop, golf carts, driving range and course maintenance.

At Mark Wiltshire Golf we have been exposed to all types of outsourcing. Clubs will ask us which is best – to remain in-house or to outsource – but in our opinion there is no preferred way as it is dependent on a club's situation. Having said this, we advise clubs to be circumspect when outsourcing income streams because potential revenue growth generally exceeds the savings on cost-cutting exercises.

Food and beverage is outsourced most. While playing a supplementary role to golf it often is the biggest headache in terms of controls and profits. Finding an affordable person with the skill to manage F&B can be challenging. Factor in purchasing – what, where and how much, stock controls, pricing of menu items, portion sizes, work-rostering, and servicing patrons – and one can see why retaining F&B in-house becomes less attractive.

We have found that clubs experience difficulty securing the right balance in F&B management. Catering is more complex than serving drinks. In essence, it can be divided into food preparation, back-of-house (controls, purchasing, costing) and front-of-house service. F&B managers are normally strong in one area and seldom equally competent in all three areas. To counter this, clubs will consider employing two individuals, but turnover is at a level where the cost of additional employment is prohibitive. The question remains whether such appointments can increase turnover to the point of justifying extra costs.

By outsourcing F&B, clubs experience instant cash flow relief, fewer labour issues, and hand over to specialists who offer improved quality and service. The downside is the risk of F&B operating as a separate entity, not aligning with golf operations and needs of members.

Catering at golf clubs can be a complex operation.

Clubs can enter into agreements with F&B operators that are doomed from the start. Clubs outsource only the catering, as it is easier to operate a profitable bar, or the rental percentage of turnover clauses is too high. At the same time, operators overestimate the ability to achieve a certain turnover. This can contribute to an acrimonious relationship between operator and club, and cancellation of the agreement. And when an F&B operator is successful, clubs often decide to take it back in-house because they are "losing" too much income, often with disastrous consequences.

Today, many clubs outsource their golf shop to a third party which includes managing tee bookings and collecting green- and cart fees. Some clubs pay the third party for this service, while in other instances the operator pays a rental to the club for the retail rights. It may also include teaching rights, and pull- and golf cart income. There are various permutations at play. In most instances, the arrangement between club and third party works well and is beneficial to the club. However, a third party can put its interests before a club's and it can be difficult to pick up as it evolves over time. This is detrimental to a club and committees need to be aware of the risk.

Course maintenance is an area which clubs will outsource. It differs from the others purely because it is a cost. It comes in various forms, entailing a monthly flat fee, a proven cost plus fixed management fee, and may include or exclude a separate fee for course equipment, depending on who owns the asset. On this point, it is better for a club not to own course equipment when outsourcing maintenance. Rather pay the operator a fee to take care of its own fleet.

The advantage to outsourcing course maintenance is that the operator has access to specialised skills, deals with staff and labour issues, possesses purchasing power (the benefit should be passed on to a club), and takes the risk of maintaining the course to a certain standard. The disadvantage is that clubs may feel they are losing control over their biggest asset. There is doubt whether the fee paid to the operator, excluding the management fee portion, is applied to the course.

MWG recommends that clubs enter into a service level agreement with operators which is measurable. The agreement should include a detailed SLA with the courses it maintains, which should translate into an audit scoring template. At MWG we audit our courses monthly in conjunction with the club representative and this system ensures transparency and serves as a tool to manage the course.

In conclusion, there is no right or wrong with outsourcing. It can be applied successfully if third party operators align themselves with the interests of a club and its members, while a club allows operators to succeed financially.