The Golf and Beach Club in Northern Philippines: A Situational Analysis

Lourdes Sarah C. Garcia, M.B.A.
Saint Louis College, City of San Fernando, La Union, Philippines

Abstract

The study aimed to present a situational analysis of a golf and beach club in Northern Philippines by describing the 5 Cs of The Cliffs & Beach Club of Thunderbird Pilipinas Hotels and Resorts Inc., Poro Point, City of San Fernando, La Union, Philippines; presenting its management systems; determining its strengths, weaknesses, opportunities, and threats; and formulating recommendations. The license to operate the golf course was granted in 2008. The general scope of operations is membership management and golf course green fee and driving range operations. It is found to be strong in its organizational set-up, maintenance by an outside entity, leisure and luxury package, and other revenue generating units of the hotel providing a subsidy. However, it is weak on having only one handling membership and no sales team, centralized accounting system, nine holes only, far driving range, no marketing strategy, and low-profit margin. Opportunities were on having the golf industry as a standard and the presence of countryside developments. However, the new regulations by concerned government agencies and the opening of another gold club in Baguio City were threats. Based on the findings, specific suggestions were recommended to improve the operations of the golf and beach club.

Keywords: Cliffs Golf and Beach Club; organization and human resource management; operations management; marketing management; financial management

1. Introduction
1.1 Background of the Study

Tourism is the key to development, prosperity, and well-being. This is identified in the United Nations World Tourism Organization Highlights (2013) edition. With the hike of investments in tourism that opened up a larger number of tourist destinations in every part of the whole world, tourism nowadays ranks as one of the key drivers of socio-economic progress of a nation. The contributions of tourism to the socio-economic progress are measured by the inflow of export revenues, the creation of jobs and businesses, and infrastructure development. Also, a 60-year historical data on tourism shows that it experienced sustained expansion and diversification that fuelled tourism to be one of the largest and fastest growing economic sectors in the world.
1.2 Industry Situation

The United Nations World Tourism Organization recognizes the importance and impact of sports in tourism including the game of golf. According to the 2012 Annual Golf Tourism Report (2013) by International Association of Golf Tour Operators (IAGTO), global golf holiday sales in 2012 reached US$ 2 billion, a 9.3% increase year-on-year. Likewise, travel arrangements by golf tour operators in 2012 accommodated more than 1.6 billion golfers. Golf sales in the Asia and the Pacific grew by 5.1%.

In the Philippines, the Department of Tourism (DOT) recognizes sports as one of the key tourism products of the country. Golfing is one of the things to do a list of DOT in the Philippines. The Unified National Handicapping System (UNHS) is the unified handicapping system of Federation Golf and National Golf Association of the Philippines. Currently, there are 50 member clubs and 6 associate members of the handicapping system. The Philippines is home to more than 60 golf courses and only 3 of these courses are in Region 1 namely Baguio Country Club, Camp John Hay, and The Cliffs Golf & Beach Club.

1.3 Company Situation

The Cliffs Golf & Beach Club (2014) is the golf course at Thunderbird Resorts – Poro Point, San Fernando City, La Union, Philippines currently being operated by Thunderbird Pilipinas Hotels and Resorts Inc. (TPHRI). It has been observed that there are only a few golfers playing on an ordinary day. Furthermore, there are only a few golf club members and even less actively playing golf club members. It has also been observed that among the various promotional media of the resort posted in the vicinity of San Fernando, La Union, none of the advertisements is about the golf course. It is for these circumstantial reasons, that the researcher took the initiative to study The Cliffs Golf & Beach Club.

1.4 Statement of Objectives

The study aimed to present a situational analysis of a golf and beach club in Northern Philippines particularly The Cliffs & Beach Club of Thunderbird Resorts – Poro Point, San Fernando City, La Union, Philippines. It specifically addressed the following concerns:

1. Presentation of the 5 Cs of the golf and beach club of Thunderbird Resorts;
2. Description of the management systems of the company;
3. Analysis of the strengths, weaknesses, opportunities, and threats; and
4. Recommendations for the improvement of the company.
2. Review of Literature, Theoretical and Conceptual Framework

2.1 Review of Literature

The analysis of the company considers the concept on 5C’s of Situation Analysis (Steenburgh & Avery, 2010). They said that the 5 C’s is an extension of the 3 C’s of Credit that allows understanding of the managers, customers, external players, and forces affecting the business. They identified the 5 C’s as customers, company, competitors, context or climate, and collaborators or complementers.

This study revolves around the use of management system concepts on the organization and human resources management, operations management, marketing management, and financial management. Management as a general concept for Daft (2010) is getting things done through the organizations in which good managers create the systems and conditions that enable others to perform the tasks of an organization. He adds that by creating the right systems and environment, managers ensure that the department or organization survives and thrives beyond the tenure of any specific supervisor or manager.

The study considers also the concept of total quality management that focuses on managing the total organization to deliver quality to customers where the four significant elements of TQM are employee involvement, focus on the customer, benchmarking, and continuous improvement. Organization management as the first management system concept emphasizes on the organization, in which for Gibson et al. (2006) refers organization to entities that enable society to pursue accomplishments that cannot be achieved by individuals acting alone. In addition, looking inside an organization, the inner workings of the people, processes, and structure are revealed.

Human resource management is a concept with organization management. For Daft (2005), it refers to the activities undertaken to attract, develop, and maintain an effective workforce within an organization. Moreover, using the strategic approach, it recognizes three (3) key elements, such as: first, all managers are human resource managers, second, employees are viewed as assets; and third, human resource management is a matching process, integrating the organization’s strategy and goals with the proper approach to managing the firm’s human resources.

Stevenson (2010) considers operations management concept as the management of systems or processes that create goods and/or provide services. Operations management for services closely reflects the diverse nature of its activities. Furthermore, the activities are at the core of all business organizations, regardless of what business they are in.

The marketing management concept according to Kotler and Armstrong (2006) is about the art and science of choosing target markets and building profitable
relationships with them. They further say that it aims to find, attract, keep, and grow target customers by creating, delivering, and communicating superior customer value. They also identified winning marketing strategies by considering two aspects, such as customers to be served (target market) and how the company can best serve the customers (value proposition).

Smart (2011) describes financial management concept as managing the firm’s internal cash flows, working capital, and their mix debt and equity financing. He claims that both intend to maximize the value of the firm’s debt and equity claims and ensure that companies can pay off its obligations when they fall due. He further says that financial management involves managing the firm’s operating cash flows efficiently and profitably as possible.

The final concept is on the strengths, weaknesses, opportunities, and threats (SWOT) analysis concept which is a specific management tool used to analyze the situation of a firm relative to its external and internal environment. It is the product of an environmental scanning of being aware of what a company has and what it does not have and also those that are outside that are not recognized to be beneficial or detrimental and not taken advantaged of or not even reduced. Resultant strategies called the recommendations to address specific problems can be generated after the analysis. Furthermore, SWOT is a popular way to evaluate a business or case study for it helps in organizing the case details into strength, weaknesses, opportunities or threats. (Bradford & Duncan, 2000).

2.2 Theoretical and Conceptual Framework

This study is anchored on the cognitive evaluation theory by Deci and Ryan (2002) which is a theory of Psychology that is designed to explain the effects of external consequences on internal motivation. Furthermore, as applied in economics and educational settings, the theory implies that under conditions involving interesting tasks, positive feedback is generally a positive force on intrinsic motivation and that tangible and expected rewards are a negative force. The implications of this theory have been noted in the field of economics due to its implications for incentives (Fehr & Falk, 2002) and in educational settings (Hattie & Timperley, 2007). This study is also based on the self-determination theory (SDT), which is a macro theory of human motivation and personality. It is also concerned with the motivation behind the choices that people make without any external influence and interference. SDT focuses on the degree to which an individual’s behavior is self-motivated and self-determined (Deci and Ryan, 2002). This theory can then be related to the self-analysis of the company, as an artificial being because of the data that were fed by the respondent interviewees regarding the condition of their work and company.
The Systems theory for Daft (2005) is the extension of the humanistic perspective that describes organizations as open systems characterized by deterioration, synergy, and subsystem interdependence. This is used as the basis of the study because of the interrelationships of the management systems as open systems.

Presented in a graphical way is the paradigm of the company study in Figure 1. The paradigm begins with the situational analysis particularly using the strengths, weaknesses, opportunities, and threats (SWOT) analysis. The analysis includes the four management concepts on the organization and human resource management, operations management, marketing management, and financial management; the internal environment with the strengths and weaknesses and external environment with opportunities and threats; and the management practices of the company. The management practices are analyzed along organization and human resource management, operations management, marketing management, and financial management. The SWOT analysis feeds into the recommendation part that is intended to achieve the objective of the company.

Figure 1. The Strengths, Weaknesses, Opportunities, and Threats Analysis (SWOT)

3. Method and Procedures

The study is a descriptive type of research specifically using the case study approach. The qualitative type of analysis is mostly utilized. Documentary analysis
and interviews were used to gather data for School Year 2013-2014. The main source of data is Thunderbird Resorts in San Fernando City, La Union, Philippines. The five (5) Cs of company analysis (Steenburgh & Avery, 2010) was used in the description of the general profile. Estimations were done in the analysis of financial management because of the confidentiality of the financial statements which was requested by the management of Thunderbird Resorts. Financial analysis was also done to compare revenue and expenses and also the break-even analysis for sales. Simple mathematical operations were utilized.

Based on the descriptions of the management systems, the situational analysis particularly utilizing the strengths, weaknesses, opportunities, and threats (SWOT) analysis was applied. The result of the analysis became the basis of the recommendations.

4. Findings and Discussions

4.1 5 Cs of the Company

Company. Thunderbird Resorts is engaged in the integrated resort’s business. It opened its first resort in Binangonan, Rizal in April 2005. A year after, it opened its second resort in Poro Point, San Fernando City, La Union. In January of 2008, the Philippines Securities and Exchange Commission granted Thunderbird Poro Development Ventures Inc., the developer of the 9-hole golf course, a secondary license to sell to the public 1,000 Golf Playing Rights and 1,000 Beach Club certificates, of which 100 certificates of each security were allocated for corporate members. The investment in the security pertains to playing rights on the golf course and the planned beach club as well as discounts to other resort facilities for 20 years. The security bears a limited term of 20 years from issuance date in 2008 to 2028, 2 years before the end of the original 2006 lease contract of the company with PPMC.

The general scope of operations of The Cliffs Golf & Beach Club can be divided into its membership management and golf course green fee and driving range operations.

Customers. About 80% of the members are from La Union, Philippines. This is true for both golf playing rights members and beach club members. This is followed by Baguio City with 8% of golf members and 15% of beach club members residing at the summer capital of the Philippines.

Competitors. The Cliffs Golf & Beach Club has no competitor within the province of La Union. The nearest competitors are in Baguio City which is about 60 kilometer away from The Cliffs. Currently, there are two major private golf club competitors in Baguio City namely Baguio Country Club and Camp John Hay. Another major competitor is about to start operations, the Pinewood Golf and Country
Club Estates by Sta. Lucia Properties. Another competitor is Fort Ilocandia in Ilocos Norte.

**Collaborators.** Fellow golf clubs of The Cliffs serve as its major alliances namely: La Union Golfers Association, Eastridge Golf and Country Club, Baguio Country Club, and Camp John Hay Golf Club Inc. Other collaborators essential to The Cliffs conduct of business are the following: Pacsports Philippines Inc., Pacific Links Golf Development Inc and The Cliffs Golf & Beach Club Caddies Association.

**Climate.** Keeping in mind that The Cliffs Golf & Beach Club is an unregistered entity that operates the integrated resort business of Thunderbird Resorts, the two (2) primary political and regulatory forces that exercise control and influence over the company are Poro Point Management Corporation (PPMC) and its mother firm, Bases Conversion Development Authority (BCDA) and the Philippine Amusement and Gaming Corporation (PAGCOR). PPMC and BCDA own the lands leased by Thunderbird while PAGCOR is the governing authority when it comes to the granting of authority to operate a casino.

**4.2 Management Systems**

**4.2.1 Organization and Human Resource Management**

The Cliffs Golf & Beach Club or Golf Department has a very lean organizational structure. The Golf Department has 6 subunits yet there are only 15 employees. The manning plan has been set up to fit 14-hour daily operations at 7 days a week considering an 8-hour duty and 2 days off per employee headcount. For every operational business unit, there are 3 employees to man the morning shift from 5 am to 1 pm, closing shift from 11 am to 7 pm and a third employee on a mid shift to take the turn of closing or opening duty to relieve the employee on day off.

**4.2.2 Operations Management**

The Cliffs Golf & Beach Club stretches to a total of approximately 3,450 yards covering around 36 hectares real property. It is a 9-hole, par 36 all weather and championship golf course. The golf course offers a distinct variety of terrain, character, and contours; and sand-capped according to the specifications of the US Golf Association. The 9-holes golf course is par 36. There are 3 par 3 holes, 2 par 5 holes and the remaining 5 holes are par 4s.

To date, the developments or facilities that fall under the Beach Club include the boardwalk, and the beach area. The gazebo near the beach area is likewise included. The beach area is exclusive to members and hotel guests. It is also a popular venue for banquets especially weddings and debuts.
Pacific Links Golf Development Inc. is the third party contractor hired to maintain the golf course. It was the same company who constructed the golf course back in 2007 and 2008. The contract includes the maintenance of the golf course and the golf carts.

Golf operations start at 5 am until 7 pm or about 14 hours a day including opening and closing routines. Tee time or the time when a golfer starts to play a round of golf depends on daylight. On months with long days, usually starts on February until September, first tee time starts at 5:30 am and the last tee time is at 4:00 pm for a complete 9-Hole game. On the months of October until January, first tee time is at 6:00 am and the last tee time for a 9-Hole game is at 3:00 pm. The majority of booked tee times are from 5:30 am to 7:00 am, just in time to finish a round of golf by 9:00 am under the morning sun. Another peak in tee time booking is from 2:30 pm to 3:30 pm, just in time to finish a round of golf before the sun sets. The golf course only opens at 11:00 am on Tuesdays to give way for golf course maintenance.

The Membership Services Officer accepts the complete filled up application form with requirements and 30% down payment. After which, she prepares the recommendation memorandum for approval of the Membership Committee of the Golf Club which consists of the Golf Manager, Hotel Manager and Finance Property Head. Upon approval, the new member signs the Purchase Agreement and accepts the House Rules. Also upon approval of membership application, the new member receives his Membership Identification Card and can start to avail the privileges of members.

4.2.3 Marketing Management

Products of The Cliffs Golf & Beach Club comprise of the golf playing rights, beach club membership securities, a round of golf, and driving range for its members and walk-in guests.

The holders of the Golf Playing Rights membership are entitled to unlimited golf play at the golf course for 20 years. Qualified dependents of the principal member are likewise entitled to the same privilege. Members are also given access to the hotel specifically on the use of the swimming pool and beach area. The golf playing rights are sold at P270,000 for individual membership and P330,000 for corporate membership. This amount represents 60% of the total membership offer price for an 18-hole golf course.

The beach club members enjoy perks of the membership which include discounts on driving range, golf cart rental, hotel accommodation and other food and beverage outlets of the resort. Members are also given access to the hotel, specifically on the use of the swimming pool and beach area. Likewise, members are given...
discounts on the water sports offerings of the resort currently being outsourced to a third party. Qualified dependents of the principal member are likewise entitled to the same privilege. The membership is only up to 20 years upon purchase. On top of the privileged access to the property, beach club members have signing privilege when dining in at the food and beverage outlets of the hotel and casino. These were sold at P100,000 for individual memberships and P175,000 for corporate memberships.

The Cliffs Golf & Beach Club stretches about 3,450 yards in aggregate length and takes about 2 hours to finish a 9-hole round of golf. The club offers golf cart to make the golf play more convenient and faster. The golf carts at The Cliffs are two-seater Yamaha carts with a maximum load capacity of 3 persons. The Cliffs maintain a fleet of 14 golf carts. The golf carts can be rented for P600 for a 9-holes golf game and P900 for 18-holes golf game. The same rate applies throughout the week. Members are entitled to a P100 discount on golf cart rentals.

The driving range is about 29,000 sqm in size. It is situated near holes nos. 4 and 5. The driving range is commonly located right next to the clubhouse for members and guest players to practice before a round of golf. The location of the driving range at The Cliffs is according to the original plan of an 18 Hole Golf Course where the club house is located by the lighthouse at Hole No. 4. Driving range balls are rented by buckets. One bucket of 50 pieces driving range balls is rented at P125 per bucket for walk-in guests and P65 for the members. The golf course also offers an Annual Green Fee for P35,000. This corresponds to unlimited rounds of golf for 1 year.

Thunderbird Resorts has its own website at www.thunderbird-asia.com. One page of the website is dedicated to The Cliffs Golf & Beach Club. It is also maintaining a Facebook Page for The Cliffs Golf & Beach Club. Also, the Membership Services Officer of The Cliffs is maintaining an open Facebook Group which is a more interactive version of the Facebook Page.

4.2.4 Financial Management

There are two major revenue streams of The Cliffs Golf & Beach Club namely revenues coming from membership securities sales proceeds and revenues from golf course green fee and driving range operations. Another source of revenue for the club comes from its green fee and other related fees of the golf course and rental income from the pro shop’s concessionaire, Pacsports Philippines Inc. As of August 2013, the Cliffs Golf & Beach Club has 118 golf playing rights members and 75 beach club members or 193 members all-in-all.

Indirect expenses of Golf Department go to its share in the engineering, housekeeping, finance, human resources and security departments of Thunderbird
Resorts. This sharing is based on the actual requirement of the golf department such as number of security personnel, a predetermined percentage of total finance and human resource expenses, share on housekeeping expenses on the swimming pool and beach club maintenance and actual services rendered by the engineering department.

In order to break even with the direct operating expenses of the golf department, they should be able to earn at least P755 thousand from green fees, cart rentals, and driving range. In order to break even with the operating expenses of the golf department, the company should have at least 17 guest players, 10 of which should play 18 holes; 9 golf cart rentals (9 holes and 18 holes), and 14 buckets of range balls (members and guests) on an average day.

4.3 Strengths, Weaknesses, Opportunities, and Threats Analysis
4.3.1 Organization and Human Resource Management

The organization and human resource management of The Cliffs is found to be strong in its organizational structure, job description; and size of operations. Weaknesses were on the lone employee handling all membership matters and absence of sales team; lengthy recruitment process; six days duty and two days off a week, and little room for advancement. The industry standard was an opportunity. The possible resignation of employees due to the new golf course in Baguio City was a threat.

4.3.2 Operations Management

The Cliffs was strong on its maintenance by Pacific Links Golf Development, line up and subunits of operations, process flow, and it as a major business segment, which was an unregistered entity. The company was found to be weak in its centralized accounting by Thunderbird Resorts and in the manual point of sales recording and membership database. The presence of another possible contractor of golf course maintenance and the deal with La Union Water District were opportunities. New policies and regulations by related government agencies threaten the company.

4.3.3 Marketing Management

The golf course completes the leisure and luxury package designed as a championship course of the whole integrated resort. Weak points were on: having nine (9) holes only; the driving range was a kilometer away; securities offered were mere rights and not lifetime shares of stocks; despite offering membership securities, the golf course was still open to public; payment of members were viewed as green fees paid in advance, and absence of a marketing strategy exclusive for the golf course and membership. The countryside developments and within Thunderbird Resorts, and
the presence of more than 50 golf clubs in the Philippines were all opportunities. The opening of Pinewood Golf & Country Club Estates in Baguio City was a threat.

4.3.4 Financial Management

The other revenue generating units of the resort provided a subsidy to the indirect operating expenses of The Cliffs and the monthly fixed revenue stream from membership were strong points. Weak points were found on the low operating and net profit margin, as well as the fixed revenue stream, was only 30% of fixed expenses.

5. Conclusion and Recommendations

The gold and beach club in Northern Philippines called The Cliffs Golf & Beach Club contributes to the success of its mother company - Thunderbird Resort in the Philippines. It provides the needed amenities of a hospitality establishment leading to wider choices of services for the customers. However, aside from the maintenance and enhancement of its strengths, weaknesses need to be addressed. The opportunities also need to be taken advantage of and threats have to be reduced or minimized. Based on the SWOT findings, it is being recommended that The Cliffs should maintain its strengths on the organization and human resource management; boost the morale of employees on promotion issues; focus on employee development; and source an outside golf professional to conduct technical training. The industry standard of six days duty and one day off per week per employee should be given attention. To minimize the threat of competition, the employees should be reassured of an environment conducive to work.

Continuation and emphasis should be done to the strong points of the company in its operations management. However, for its weak points, deadlines should be imposed on the finance department and transparency in the accounts handled; centralize the acceptance of payment at the golf office; push for the repair of the existing system or seek new supplier; explore a possible change of a 3rd party contractor, seek constant updates on the deal with La Union Water District; and have cooperative efforts in complying with the requirements of SEC, PPMC, and PagCor.

The strong points on the marketing management of The Cliff should be maintained and even maximized. For its weak points, it should continue pushing for the completion of the Back 9 Holes; build a small practice range near the golf course; minimize the impact of the limited term of the securities and highlight the privilege of playing unlimited rounds of golf; formulate a marketing strategy focused on the golf course and membership; and the marketing plan should include strong social media campaign and preparation for the forthcoming influx of tourists. The Golf Department should work hand in hand with the real estate team of Thunderbird; target exchange
deals on tournament sponsorship and green fee reciprocity with other golf clubs; intensify marketing in Baguio City; and offer an exchange deal with the new Golf Club. The Cliffs may increase the amount of fixed revenue stream by increasing the number of members. The Cliffs should eliminate losses by increasing both revenues coming from membership and golf transactions. It should minimize unmatched inflows and outflows of funds in operations.

References


