

## **Executive Summary**

### **GOLF Spirit Lake Indoor Golf Center Business Plan**

Running an indoor golf business involves creating a facility where golfers play rounds on a golf simulator that projects an image of a course and uses sophisticated sensors to depict the real shot in a virtual environment. There are many of these businesses' existence, and success turns on 4 basic items:

- Managing startup costs
- Keeping simulators fully rented
- Add revenues from food and beverages, merchandise or lessons
- Controlling operational costs

This business plan will address each of these four items and a bit more.

GOLF Spirit Lake is a high-end facility incorporated in Spirit Lake, Idaho designed to provide entertainment via high-definition full swing simulation golf. The golfing entertainment will be complemented with good food, beverage, golf merchandise and attractive surroundings.

Our goal is to provide the (local) golfer, and eventually golfers across the Inland Empire, with an enticing alternative to outdoor golf when time, weather or proximity prohibit traditional play. We provide a realistic golf experience in a comfortable environment, turning the local golf season from 180(?) days to 365 days per year.

Each of our (3) state-of-the-art golf simulator units will be linked to allow competition and record keeping. Customers will be given the option to register a username with the center and keep track of their scores, see how they stack up with other users of the system, and track their performance throughout the year. Game software will also allow for tournaments to be played with real time scoring and statistical breakdowns of the entire field. It will give customers a quantifiable depiction of their golf game and will allow them to improve their skills.

A group of four can play 18 holes in about 2 hours on a wide variety of courses for only about \$25 per player. Compare this to a 4–5-hour round on a local golf course that can cost anywhere from \$45-\$90 per player depending on where you play.

## **Keeping Simulators Fully Rented**

Once you open, there are a host of marketing activities to help keep your center full. Some to discuss in this section include:

- Website and Social media strategies to get your name out there
- Press releases and media coverage
- Setting up leagues and tournaments
- Creating memberships or multiple play bulk purchase options
- Targeting seniors or juniors during work hours
- It is open hours when people want to play (after work, weekends)
- 24/7 access for Premium Members
- Frequent player cards
- Merchandise demo days
- Charity or corporate events
- Private parties

## SWOT Analysis

**Strengths** – A key strength is in the product delivered by GOLF Spirit Lake. Our simulators are top of the line and provide a realistic golfing experience with very accurate shot simulation. Our facility is also a key strength in that it is high end and provides key amenities local patrons seek in both golf and entertainment. Our staff is friendly and helpful. The final strength is in developing a strategic plan focused on customer centric operations and an information-based marketing strategy. We will be hiring a marketing agency.

**Weaknesses** - A main challenge will be scheduling to keep the center full. Weekday business hours and weekend days with great weather are likely to be off-times for business and show a lower utilization. Leagues, corporate events, and other creative ideas and activities will be critical to keep the place full all day, every day. Our other weakness is the technological complexity of the simulators. We'll be reliant on the manufacturer for service or will have to develop in-house technical talent for maintenance and repair of the simulator units.

**Opportunities** – One opportunity is to partner with local golf courses and clubs to offer offseason memberships. Merchandise sales and club fitting is another opportunity – we could leverage local distributor reps to do demo days, have demo and fitting sets on site and offer extended fitting and playability sessions. The simulator units also have the capability to display advertising, but feedback from the vendor indicates this is best used for in-store promotional activity versus seeking ad revenue. Our Full Swing Sims have the multi-sports Package to include basketball, baseball, soccer Zombie dodgeball, Carnival, Lacrosse, Hockey, Bocce, Rugby & cricket. A final opportunity would be in the hiring of or partnering with PGA trained teachers to provide lessons and coaching for clients. Research so far indicates that teachers keep lesson fees, so this would just be a strategy to keep the simulators running. One other idea is to focus more on video games or private sporting party clientele in the golf offseason as the projectors can be attached to a receiver to show TV or video games. Could target alumni groups to show / host their football games.

**Threats** – The main threats are competition or issues with the simulator manufacturers. Competition could be from other similar businesses or Sports Bars as they could add a simulator. The closest is 30 minutes away.

## Revenue Forecast

The revenue forecast is most heavily influenced by the number of rounds played and the rates we charge. Based on the hours we plan to be open and with 3 simulators Nelson's GOLF Spirit Lake has a total of 720 simulator hours per week capacity. Peak season will be November – March as they are colder months with shorter daylight hours.

Research indicates two pricing models for simulator use. One is hourly and the other is per round. Charging \$30 per player, assuming an average of 2.5 players per round at 1.5 hours for 18 holes yields an hourly rate of \$50. The typical simulator rate is in the \$35-\$40 an hour range. This revenue forecast assumes \$40 per hour for simulator use. Peak Season rates will be \$50 per hour on Friday, Saturday and Sunday.

### Conservative Simulator Revenue Forecast

Based on 3 simulators, Nelson's GOLF Spirit Lake has a total of 720 simulator hours/week capacity. Assuming the offseason utilization is about half the peak season, GOLF Spirit Lake has is forecast to generate ~\$400,000 in simulator revenue in year 1.

Days	Open	Sim Hrs.	Utilization	Revenue
Monday	7am-9pm	42	40%	\$756.00
Tuesday	7am-9pm	42	40%	\$756.00
Wednesday	7am-9pm	42	40%	\$756.00
Thursday	7am-9pm	42	40%	\$756.00
Friday	7am-11pm	44	75%	\$1485.00
Saturday	7am-11pm	44	85%	\$1683.00
Sunday	7am-5pm	30	75%	\$1012.50
<b>Weekly</b>		<b>286</b>		<b>\$7204.00</b>

<b>Monthly</b>	<b>\$25,402.00</b>
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<b>Yearly avg</b>				<b>\$374,608.00</b>
<b>Food &amp; Drinks</b>	Before Beer & Wine License	\$2570/month		\$30,482.00
<b>Merchandise</b>	\$3000/month			\$36,000.00
Memberships	\$150/year	24/7 use		
<b>24/7</b>	\$500/month			\$6,000.00
<b>Monthly Revenue</b>	<b>\$37,257/month</b>			
<b>Annual Revenue</b>	<b>\$447,090.00</b>			

### **Conservative Food and Beverage Revenue Forecast**

The food and beverage forecast will be based on an average tab per patron. The simulator revenue forecast equates to 17,500 players annually. Research finds an average sports bar tab between \$12 and \$20 per person. Assuming \$12 per customer, food and beverage revenue is forecast at \$220,000 in the future.

### **Other Revenue**

There are several other revenue streams: league fees, merchandise sales, advertising, club fitting, tournaments, etc. These will likely be smaller than food and beverage, and without a basis for estimation, this model assumes 10% of simulator revenue, equating to \$40,000 per year.

This facility will also include Arcade games, located where they should not bother the golfer wanting to practice.

Total annual revenue projection for the Business with 3 simulators is \$447,090 in year one. A three-year revenue forecast assuming a 5% annual growth rate:

We will be looking to add 2 more simulators after 3 years.

## Expense Forecast

Expense evaluation will cover both start up and ongoing operational expenses. The primary startup expenses are for purchase of simulator equipment, build out of the store location, furniture and kitchen equipment.

EXPENSES	YR 1	YR 2	YR 3
<b>Capital</b>			
Simulator cost (3)	\$109,500.00		
Simulator Install (3)	\$10,500.00		
Shipping	\$2,700.00		
Construction	\$40,000.00		
License & Permits	\$7,000.00		
Legal/Accounting	\$3,000.00		
Signage	\$6,000.00		
Furniture & lighting	\$10,000.00		
Arcade Equipment	\$12,000.00		
<b>Total Capital Expense</b>	<b>\$200,700.00</b>		

<b>Operating</b>			
Rent	\$88,400.00	\$88,400.00	\$88400
Utilities	\$16,800.00	\$16,800.00	\$16800
office	\$3,000.00	\$3,000.00	\$3000
Saving	\$2,000.00	\$2,000.00	\$2000
Building Maintenance	\$4000.00	\$4000.00	\$4000
Software updates	\$3000.00	\$3000.00	\$3000
Insurance	\$900.00	\$900.00	\$900
Salaries	\$74,800.00	\$124800.00	\$124800
food & Bev.	\$5,200.00	\$5,200.00	\$5200
Advertising	\$16,200.00	\$16,200.00	\$16200
Financial expense	\$16,000.00	\$16,000.00	\$16000
Donations/sponsor	\$2,657.00	\$2,657.00	\$2657
<b>Total Operating Expense</b>	<b>\$260,300.00</b>	<b>\$280,300.00</b>	<b>\$280,300.00</b>
Total Expenses	\$431,000.00	\$280,300.00	\$280,300.00

## **GOLF Spirit Lake in Spirit Lake ID.**

Being in a good and accessible location that matches your target customers is a key to running a successful indoor golf business. Research on the indoor golf industry points to a few keys to determining the best location for your indoor golf center. It is also critical to make sure you are not paying too much for your location in order to keep your expenses in line. Based on our research, some of the keys to site location include the following:

### **Home Ownership:**

The higher the proportion of home ownership there is in your target area, the more rounds of golf you are expected to be able to support. This means a higher percentage home ownership in the area where you are located, indicates a higher propensity for playing golf. In addition, the average home price tends to also help predict the volume of rounds played. The higher the average home price in a zip, the more rounds you can expect. Look for information on the web about your target zip code and see home prices, percent renters, income and more.

### **Number of golfers in a 10-mile radius:**

Not surprisingly, the number of golfers in a 10-mile radius from an indoor golf center were strongly correlated with the number of rounds reported by that golf center. The more golfers in the radius, the better for your golf center. A great place to find this sort of information is from marketing list companies. They gather information on golfers from things like magazine subscriptions and website registrations. Some may provide you with these numbers as part of the process of pricing a list and you can get the number without paying for the list.

### **Weather:**

This probably doesn't help pick an area within a city but can give you a sense of how viable a given city is for an indoor golf center. The higher the number of rainy/ snow days there are per year, the higher the number of rounds played. Indoor golf centers in the United States experienced as many as 156 days per year with rain or snow, while others had as little as 90 days. Centers on the high end of this range get more play.

### **Average Annual Daily Traffic:**

I am including this as a probable driver of rounds played, as traffic data was somewhat difficult to get with enough precision to be confident in analysis. That said, with a high number of first-time visitors during the first year of an indoor golf center business, it stands to reason that a higher volume of traffic outside a location would be better than a location with lower traffic.

**Nelson Investments LLC**

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