

FEASIBILITY ANALYSIS FOR PROFESSIONAL GOLF DRIVING RANGE

by

Mr. Kajohnphob Teepaganont

A Final Report of the Six-Credit Course
CE 6998 - CE 6999 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

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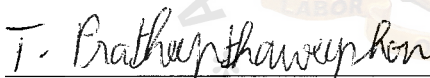

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Project Title	Feasibility Analysis for Professional Golf Driving Range
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The Graduate School of Assumption University has approved this final report of the six-credit course, CE 6998 — CE 6999 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

Approval Committee:

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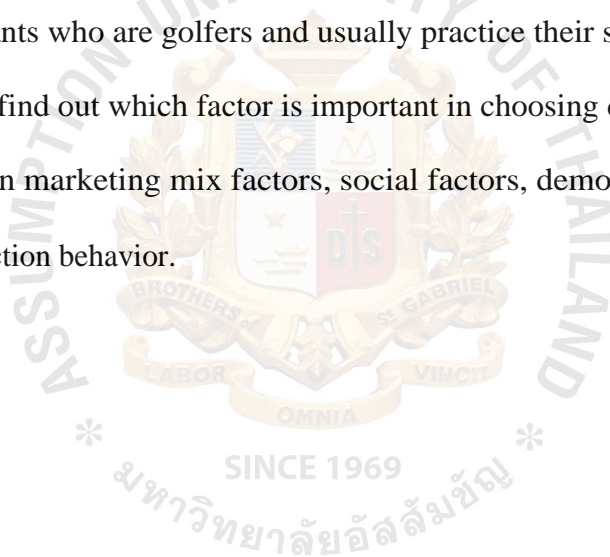
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July 2002

ABSTRACT

This final report is designed to study about Project Feasibility Analysis. It is assisting the entrepreneurs who are willing to start up a project which, in this report, is golf driving range. The intention of this study was to study and determine three main parts of Feasibility Analysis, which are Marketing Analysis, Operational Analysis and Financial Analysis. The result of this final report is to conclude whether this project is feasible to implement and worth investing or not.

Based on research methodology, quota sampling collected 100 sets of questionnaires from participants who are golfers and usually practice their swing in driving range. This study aims to find out which factor is important in choosing driving range and also other related parts in marketing mix factors, social factors, demographic factors and service factors in selection behavior.



ACKNOWLEDGEMENTS

I am indebted to the following people. Without them, this final report would not have been possible.

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I. INTRODUCTION

The atmosphere of mega City like Bangkok can put stress to most people who live in there. The stresses are not only received from work place alone but it also may come from the traffic jam, the pollution, the family and the one that could be anything that goes wrong. So there comes to a point in life when you just have to take a break and relax in order to preserve your sanity. What better way to relax than to practice your favorite sport and socialize with your friends and colleagues? Not only can goes take care of your health by exercising but you can relax both your mind and body. By coming to a professional golf driving range, we can provide our customers with the facilities and the atmosphere that can help relieve you from your stress. Our driving range has superior images than other driving ranges. We are concerned with image of "newness" by replacing the material and facilities once every one and a half years. Professional golf driving range also tries to include all accessories that are important to the driving range such as restaurant, Pro-shop, putting green and etc.

What is the key issue that we choose this sport for our project? Because nowadays in Thailand golf is an extremely popular sport which is suitable played by both males and females with very wide range of age from 3 — 80 years. And from our vision, we have seen the number of golf players multiply rapidly and we are also confident that this number will continue to multiply for a long time, also another important factor that gives us a sign that our project can be success. Please consider the fact that in this sport every golfer who start out playing golf need to practice in a driving range first, then they can improve their skills and visit the real golf courses later.

Objectives

- (1) To conduct a feasibility study for a golf driving range by applying market analysis, operational analysis, and financial Analysis.
- (2) To conduct a research methodology to fine out the relevant information about golf driving range.
- (3) To find out marketing strategy to enhance the business.

Scope

The project would provide all relevant information about golf driving range, and project feasibility analysis.

Type of Business

Professional Golf Driving Range is part of a sport and recreation type of business. We focus on building an atmosphere and a place where people can come to relax and socialize with friends and colleagues after a long day of work while also being able to practice their swing. We are trying to combine health-related issues and entertainment together in order to achieve total customer satisfaction.

Management Overview

One of the biggest keys for any business is the management people running the operations of the company. Although our management team lacks the experience to operate a driving range, we still have a tremendous amount of theoretical knowledge that is necessary to run this operation. Our management team is comprised of entrepreneurial individuals, who possess the ability to support the funds for this project. Our team also includes people of different backgrounds and varied and this may assist us in dealing with individual customers.

Product/Service

Professional Golf Driving Range is a driving range of average standard. We offer customers a convenient location to practice their swing. Convenience is of great importance in a city like Bangkok which is notorious for traffic jams. It is not difficult for our potential customers to reach us. Therefore, chances that they will come in to our driving range are high. Our materials and equipment are of an average quality, but what differentiates us from competitors is the fact that we replace them once in one and a half years to two years. By replacing old materials, we are able to maintain the image of "newness", which is one of the important factors that customers consider when choosing a driving range.

Funds Required

Our initial investment is equivalent to bht 32,000,000. This amount is derived from the following: Construction cost, Architectural Fee, Rental Fee, Equipment Cost, Petty Cash, Legal Fee and etc.

Our desired structure is to acquire funds through equity and debt in the proportion of 50% and 50%; which amounts to bht 16,000,000 and bht 16,000,000 respectively.

Professional Golf Driving Range Data

Driving Range

Our driving range name is "PROFESSIONAL" named it to provide the image that golf is the game of practicing even professional golfers still need practicing regularly. Our driving range will be a large green field that is pleasant to the eyes. Golfers can come practice their swing while

simultaneously enjoying the beautiful nature of the trees and grass planted in our field.

Restaurants

After a couple baskets of practice, hungry golfers can conveniently order food and beverages from their lanes and have them delivered there. If not, they have another alternative which is to dine in our cool, air-conditioned room.

Pro Shop

Our pro shop will display golf clubs, gloves, shoes and other golf equipment for sales. Also, if golf players accidentally forget any of their equipment, for example, socks, at home, they will be able to purchase them at the pro shop.

Putting Green

This small green area will be freely available for any golfers who wish to practice putts. There will not be a service charge for putting.

II. REVIEW OF LITERATURE

The Marketing Mix

The marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. The basic marketing mix is often nicknamed "the 4Ps" (product, place/distribution, pricing, promotion); these are elements in the marketers - aspects that can be manipulated to keep ahead of the competition.

The marketing mix can be expressed in a more customer orientated way as the '4Cs' (Kotler 2002):

- (1) Customer Value 'product' benefits from the buyers point of view
- (2) Cost to the customer 'price' plus the customers costs — e.g. travel
- (3) Convenience for the buyer equivalent to 'place' channels of distribution

SWOT Analysis

(1) Understanding Your Strengths, Weaknesses, Opportunities and Threats

SWOT Analysis is a very effective way of identifying your Strengths and Weaknesses, and of examining the Opportunities and Threats you face. Carrying out an analysis using the SWOT framework will help you the focus your activities into areas where you are strong, and where the greatest opportunities lie. To carry out a SWOT Analysis writes down answers to the following questions. Where appropriate, use similar questions:

Strengths:

- (a) What are your advantages?
- (b) What do you do well?
- (c) What do other people see as your strengths?

Consider this from your own point of view and from the point of view of the people you deal with. Don't be modest — be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths!

Weaknesses:

- (a) What could you improve?
- (b) What do you do badly?
- (c) What should you avoid?

Again, consider this from an internal and external basis — do other people seem to perceive weaknesses that you do not see? Are you competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities:

- (a) Where are the good opportunities facing you?
- (b) What are the interesting trends you are aware of?

Useful opportunities can come from such things as:

- (a) Changes in technology and markets on both a broad and narrow scale.
- (b) Changes in government policy related to your field.
- (c) Changes in social patterns, population profiles, lifestyle changes, etc.
- (d) Local Events.

Threats:

- (a) What obstacles do you face?
- (b) What is your competition doing?
- (c) Are the required specifications for your job, product, or service changing?

- (d) Is changing technology threatening your position?
- (e) Do you have bad debt or cash-flow problems?

Carrying out this analysis will often be illuminating — both in terms of pointing out what needs to be done, and in putting problems into perspective. We can also apply SWOT analysis to your competitors — this may produce some interesting insights!

Key Points

SWOT analysis is a framework for analyzing your strengths and weaknesses, and the opportunities and threats you face. This will help you to focus on your strengths, minimize weaknesses, and take the greatest possible advantage of opportunities available. (Kotler 2000)

Porter's Five Forces

The model of pure competition implies that risk-adjusted rates of return should be constant across firms and industries. However, numerous economic studies have affirmed that different industries can sustain different levels of profitability; part of this difference is explained by industry structure. Michael Porter provided a framework that models an industry as being influenced by five forces. The strategic business manager seeking to develop a competitive advantage over rival firms can use this model to better understand the industry context in which the firm operates.

Diagram of Porter's 5 Forces

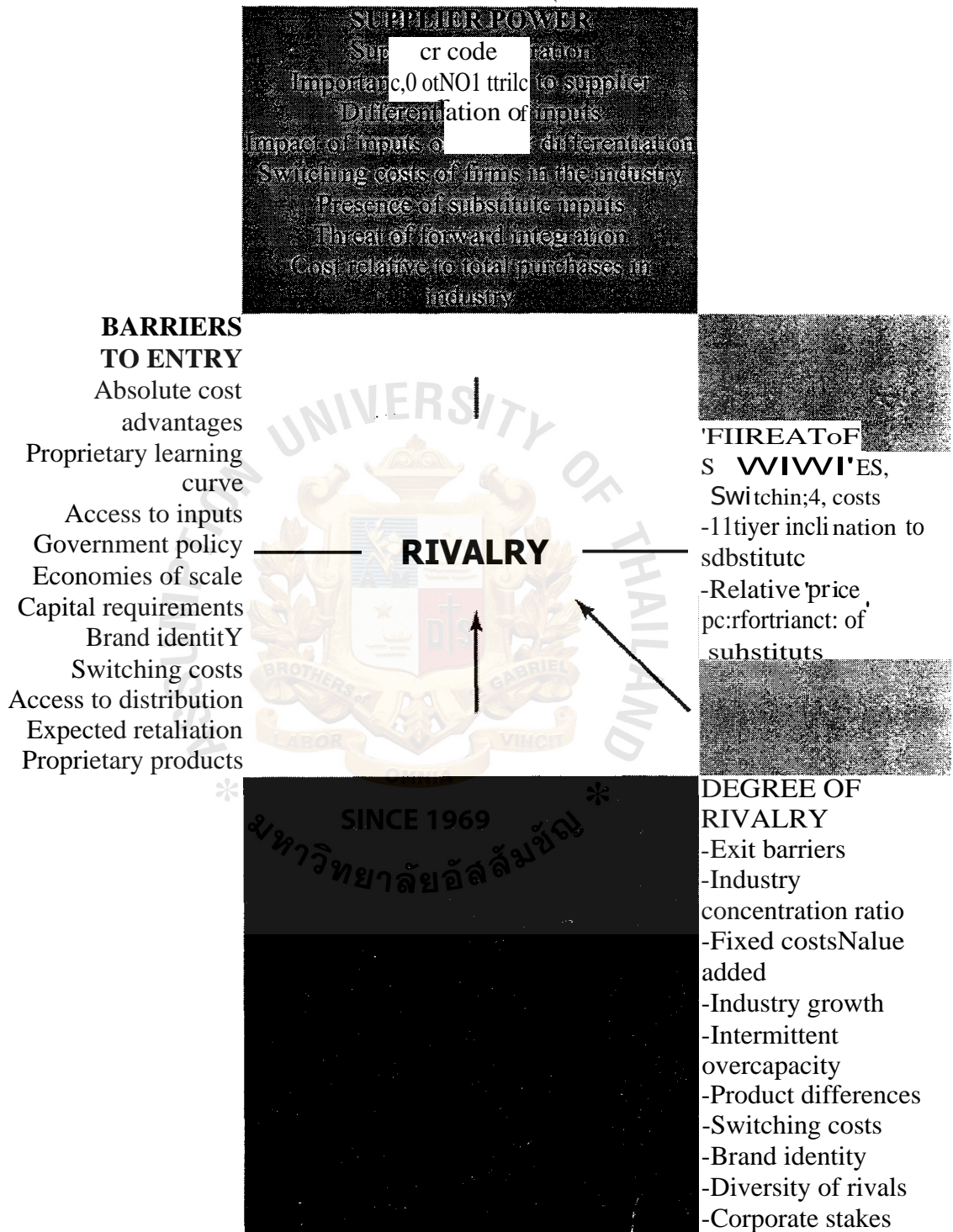


Figure 2.1. Porter's Five Forces.

(1) Rivalry

In the traditional economic model, competition among rival firms drives profits to zero. But competition is not perfect and firms are not unsophisticated passive price takers. Rather, firms strive for a comparative and competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences.

Economists measure rivalry by indicators of industry concentration. A high concentration ratio indicates that a high concentration of market share is held by the largest firms — the industry is concentrated. With only a few firms holding a large market share, the competitive landscape is less competitive (closer to a monopoly). A low concentration ratio indicates that the industry is characterized by many rivals, none of which has a significant market share. These fragmented markets are said to be competitive. The concentration ratio is not the only available measure: the trend is to define industries in terms that convey more information than distribution of market share.

If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of a leading firm, or informal compliance with a generally understood code of conduct. Explicit collusion generally is not a legal option; in low rivalry industries competitive moves must be constrained informally. However, a maverick firm seeking a competitive advantage can displace the other firms.

When an important rival takes an action that precipitates counter moves by other firms, rivalry intensifies. The intensity of rivalry commonly is referred to as being cutthroat, intense, moderate, or weak, based on the firms' aggressiveness in attempting to gain an advantage.

(2) Threat of Substitutes

In Porter's model, substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products — as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise price.

(3) Buyer Power

The power of buyers is the impact that customers have on a producing industry. In general, when the power of buyers is strong, the relationship to the producing industry is near to what an economist terms a monopsony — a market in which there are many suppliers and one buyer. Under such market conditions, the buyer sets the price. In reality few pure monopsonies exist, but frequently there is some asymmetry between a producing industry and buyers.

(4) Supplier Power

A producing industry requires raw materials — labor, components, and other supplies. This requirement leads to buyer — supplier relationships between the industry and the suppliers of the raw materials used to create products.

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Suppliers, if powerful, can exert an influence on the producing industry, such as selling its raw materials at a high price expropriating some of the industry's profits.

(5) Barriers to Entry / Threat of Entry

It is not only incumbent rivals that pose a threat to firms in an industry; the possibility that new firms may enter the industry also affects competition. In theory, any firm should be able to enter and exit a market, and if free entry and exit exists, then profits always should be nominal. In reality, however, industries possess characteristics that protect the high profit levels of firms levels of firms in the market and inhibit additional rivals from entering the market. These are barriers to entry. (Babcock 1991)

Weighted Average Cost Capital

The typical income based valuation approach involves the projection of a future cash flow stream that is discounted back to present value using an appropriate discount rate. This discount rate is typically referred to as a weighted average cost of capital (WACC). The WACC is defined as:

Weighted Average Cost of Capital

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$$WACC = w_E k_E + w_D k_D$$

w_E = Weight of equity in the capital structure

k_E = Cost of equity

W_E = Weight of debt in the capital structure

k_D = Cost of debt

t = Marginal tax rate

Capital Budgeting

Operating Cash Flow = (EBIT + Depreciation — Taxes). We are going to assume that the project we are considering approving has the following operating cash flow. Right now, in year zero we will spend 15,000 dollars on the project. Then for 5 years we will get money back as shown below.

Year Operating Cash flow	
0	-15,000
1	+7,000
2	+6,000
3	+3,000
4	+2,000
5	+1,000

Payback period (PBP) - When exactly do we get our money back, when does our project breakeven.

Year	Cash flow	Running Total
0	-15,000	-15,000
1	+7,000	-8,000
		(so after the 1st year, the project has not yet broken even)
2	+6,000	-2,000
		(so after the 2nd year, the project has not yet broken even)

(so the project breaks even sometime in the 3rd
year)

But when, exactly? Well, at the beginning of the year we had still had a -2,000 balance, right? So do this.

Negative Balance / Cash flow from the Break Even When in the final year we break

Year even

$$-2,000 / 3,000 = .666$$

So we broke even 2/3 of the way through the 3rd year. So the total time required to payback the money we borrowed was 2.66 years.

Discounted Payback - is almost the same as payback, but before you figure it, you first discount your cash flows. You reduce the future payments by your cost of capital. Why? Because it is money you will get in the future, and will be less valuable than money today. For this example, let's say the cost of capital is 10%.

Year	Cash flow	Discounted Cash flow	Running Total
0	-15,000	-15,000	-15,000
1	7,000	6,363	-8,637
2	6,000	4,959	-3,678
3	3,000	2,254	-1,424
4	2,000	1,366	-58
5	1,000	621	563

So we break even sometime in the 5th year. When?

Negative Balance / Cash flow from the Break Even When in the final year we break

Year even

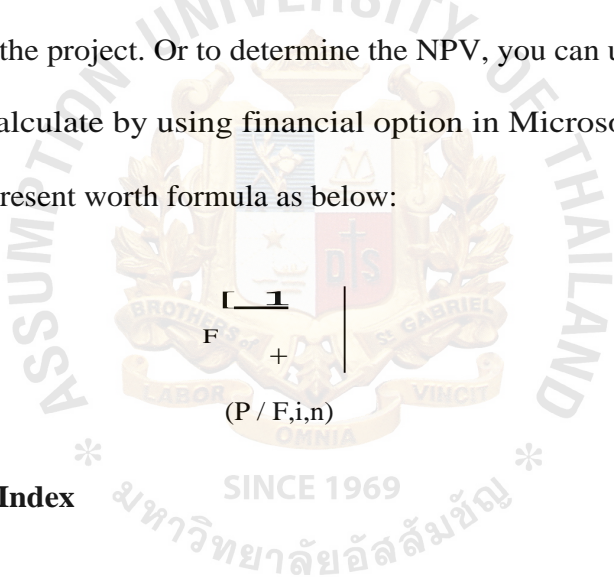
$$-58 / 621 = .093$$

So using the Discounted Payback Method we break even after 4.093 years.

Net Present Value (NPV) - Once you understand discounted payback, NPV is so easy!

NPV is the final running total number. That's it. In the example above the NPV is 563.

Basically NPV and Discounted Payback are the same idea, with slightly different answers. Discounted Payback is a period of time, and NPV is the final Baht amount you get by adding all the discounted cash flows together. If the NPV is positive, then approve the project. It shows that you are making more money on the investment than you are spending on your cost of capital. If NPV is negative, then do not approve the project because you are paying more in interest on the borrowed money than you are making from the project. Or to determine the NPV, you can use the financial calculator or you can calculate by using financial option in Microsoft Excel Program. Or calculate by present worth formula as below:


$$\frac{F}{(1 + i)^n} + \frac{P}{(1 + i)^n}$$

Profitability Index

Profitability Index Equals NPV Divided by Total Investment plus 1

$$PI = \frac{563}{15,000} + 1$$

So in our example, the $PI = 1.0375$. For every Baht borrowed and invested we get back 1.0375 bahts. This profit is above and beyond our cost of capital.

Internal Rate of Return - IRR is the interest rate that causes the equivalent receipts of a cash flow to equal the equivalent disbursements of that cash flow. IRR is the amount of profit you get by investing in a certain project. It is a percentage. An IRR of 10% means you make 10% profit per year on the money invested in the project. To

determine the IRR, you need the financial calculator or you can calculate by using financial option in Microsoft Excel Program. Or calculate by this formula:

$$0 = PW(i^*) = \sum_{t=1}^n \frac{F_t}{(1 + i^*)^t}$$

where i^* is an IRR and can be found from the above equation through trial and error.

Breakeven Analysis

A management decision-making that has grown out of cost/volume/profit analysis is breakeven analysis.

Once you know what your variable cost are, as well as your overall fixed cost for the business, you can determine your breakeven point: the volume of sales needed to at least cover all your costs. You can also compute the new breakeven point that you'd need to meet if you decided to increase your fixed costs).

Your breakeven point can be determined by using the following formulas:

- (1) Sales Price per Unit — Variable Costs per Unit = Contribution Margin per Unit.
- (2) Contribution Margin per Unit divided by Sales Price per Unit = Contribution Margin Ratio.

Breakeven Sales Volume = Fixed Costs divided by Contribution Margin Ratio (Blank and Tarquin 1998)

III. RESEARCH METHODOLOGY

Participants/Respondents

This study was conducted about golf driving range project where the respondents or participants should be golfers who have been practicing their swing at driving ranges before. So we have distributed questionnaires by using convenience and judgment sampling method. By asking questions to the prospects first whether they are golfers or not? And whether they have been to practice their swing at driving range before or not? If both answers are yes then we distributed them the questionnaires and consider them as our respondents and Participants. We have plans to open our driving range on Narathiwat Rachnakarin Road so we are concentrated to distribute our questionnaires at various places such as pro shops, office buildings and the nearest driving range around Sathorn and Silom, Rama 3 and Rama 4 area.

Sample Size

The method we used in this survey, to find the sample size is estimated by proportion because the population at golf driving range is unknown. So we used Mc Daniel and Gates (1998) to determine sample size when population is unknown by considering three criteria, which is degree of confidence, specified precision and knowledge of sampling distribution of statistics.

$$n = \frac{p(1-p)Z^2}{E^2}$$

n = sample size

E = the allowable error is- 0.05 or 5 percentage

Z = the level of confidence is set at 95% then the standard score of Z associated with a confidence level is equal to 1.96

P = the population proportion for the research calculated by the percentage of person who visited golf driving range as a population proportion so the entire probability of golf driving range is 0.07

The sample size can be directly calculated by using the formula as follows:

$$n = \frac{0.07(1-0.07)1.96^2}{0.05^2}$$

$$n = 100.03526$$

Therefore, the number of question to be distributed is 100

Result of Research Methodology

The general information was obtained by SPSS program in order to categorize our participants as following data:

- (1) 83% of participants golfers are male and
17% are female
- (2) 5% are between 3-10 years old,
21% are between 11-20 years old,
65% are between 21-40 years old and
9% are between 41-80 years old.
- (3) Majority of the participants (81%) live and work at Silom, Sathorn,
and Rama III and Rama IV.
- (4) 40% of participants came to practice at driving range 1 time or less
than once/ week.
32% of participants came to practice at driving range 2 times/week

20% of participants came to practice at driving range 3 times/week

8% of participants came to practice at driving range 4 times or more than 4 times/week

- (5) We asked participants to rank the most important factor in a driving range (4 highest factors rank by percentage):

32% chose location as the most important,

24% chose availability of lanes,

18% chose newness, and

13% chose quality of material and equipment.

- (6) If there is a new golf driving range open and have factors that participants choose, they will visit this new driving range or not. And how often do they prefer to visit the new driving range. The majority of the participants (93%) are willing to visit.

12% of participants will visit the new driving range 1 time or less than once/week.

42% of participants will visit the new driving range 2 times/week

21% of participants will visit the new driving range 3 times/week

11% of participants will visit the new driving range 4 times or more than 4 times/week

- (7) If the new golf driving range has the factor that participants choose. For every 80 golf balls, majority of participants (57%) are willing to pay 100 Bahts.

Table 3.1. Gender.

Gender	Percentage
Male	83
Female	17
Total	100

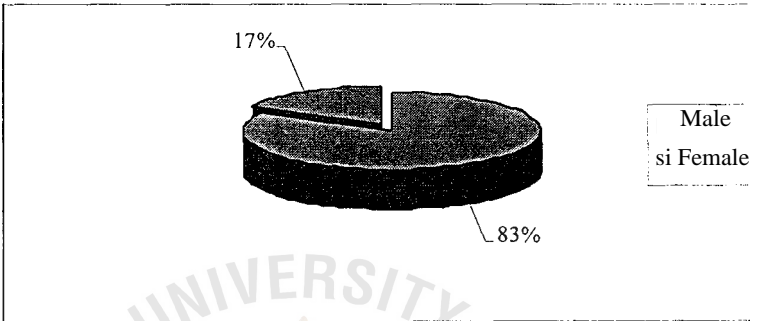


Figure 3.1. Gender.

Table 3.2. Age.

Age	Percentage
3-10 years	5
11-20 years	21
21-40 years	65
40-80 years	9
Total	100

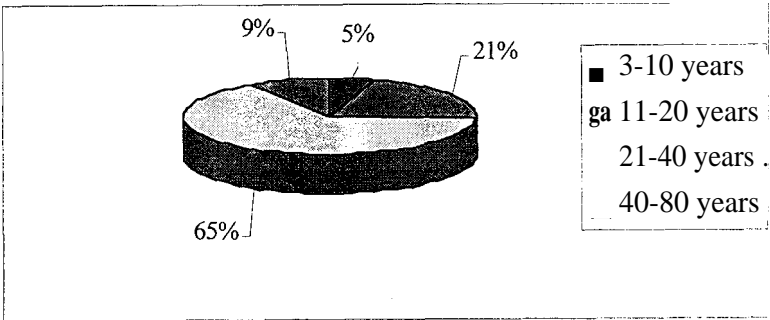


Figure 3.2. Age.

Table 3.3. Participants House or Office Location.

Located	Percentage
Yes	81
No	19
Total	100

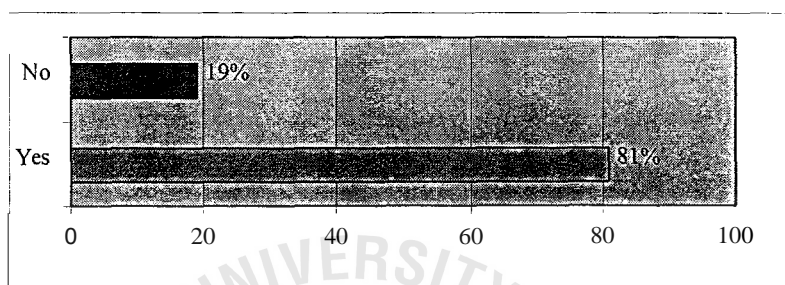


Figure 3.3. Participants House or Office Location.

Table 3.4. Participants Visit Driving Range Frequency.

Time	Percentage
<1 or 1 time	40%
2 times	32%
3 times	20%
4 or > 4 times	8%
Total	100%

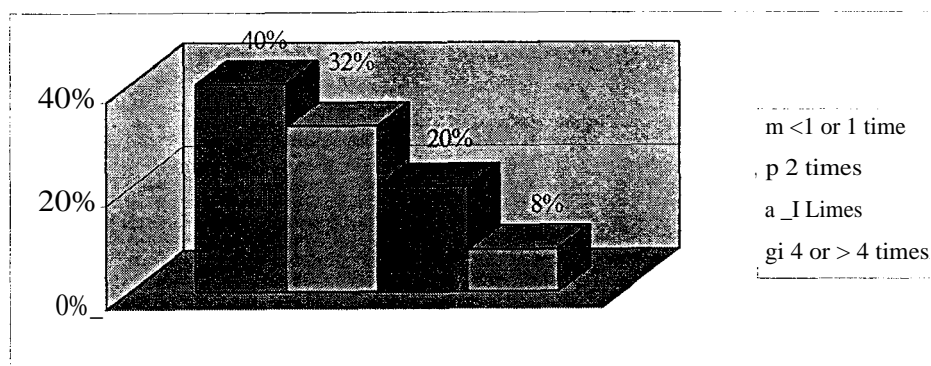


Figure 3.4. Participants Visit Driving Range.

Table 3.5. Participants Time of Practicing Golf.

Time	Percentage
6.00-12.00 AM	12%
12.00-17.00 PM	21%
17.00-20.00 PM	67%
Total	100%

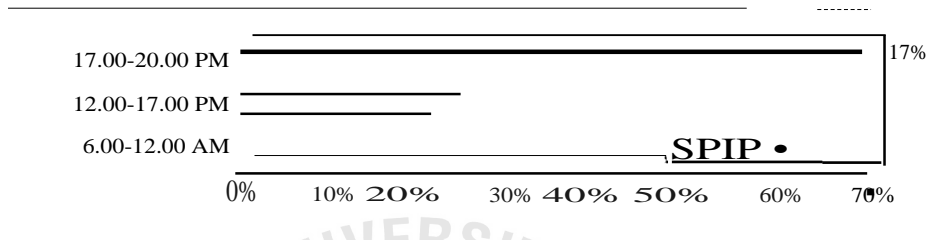


Figure 3.5. Participants Time of Practicing Golf.

Table 3.6. Factor That Participants Consider When Choose Driving Range.

Factor	Percentage
Location	32%
Quality	13%
Price	10%
Big	24%
Newness	18%
PRO GOLF	2%
PRO SHOP	1%
Total	100%

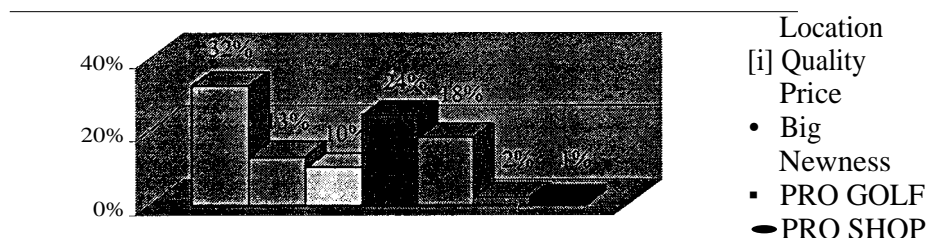


Figure 3.6. Factors When Choose ari'viiig Ran

Table 3.7. Participants Visit New Driving Range Percentage.

Decision	Percentage
Come	93%
Do not come	7%
Total	100%

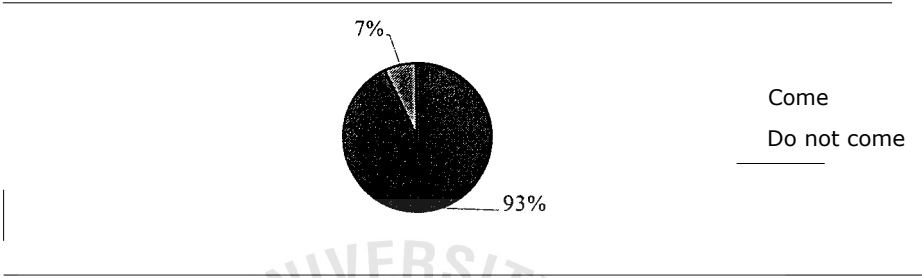


Figure 3.7. Participants Visit New Driving Range Percentage.

Table 3.8. Participants Visit New Driving Range Frequency.

Time	Percentage
1 time	18%
2 times	42%
3 times	22%
4 times	11%
do not come	7%
Total	100%

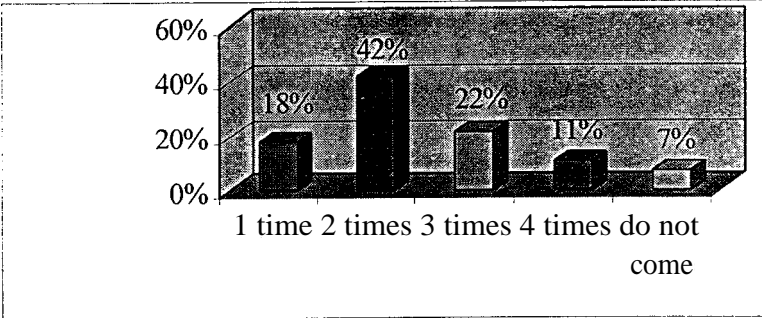


Figure 3.8. Participants Visit New Driving Range Frequency.

Table 3.9. Cost of Golf Balls That Participant Willing to Pay on New Driving Range.

Cost	Percentage
90 Baht	37%
100 Baht	57%
110 Baht	5%
>120 Baht	1%
Total	100%

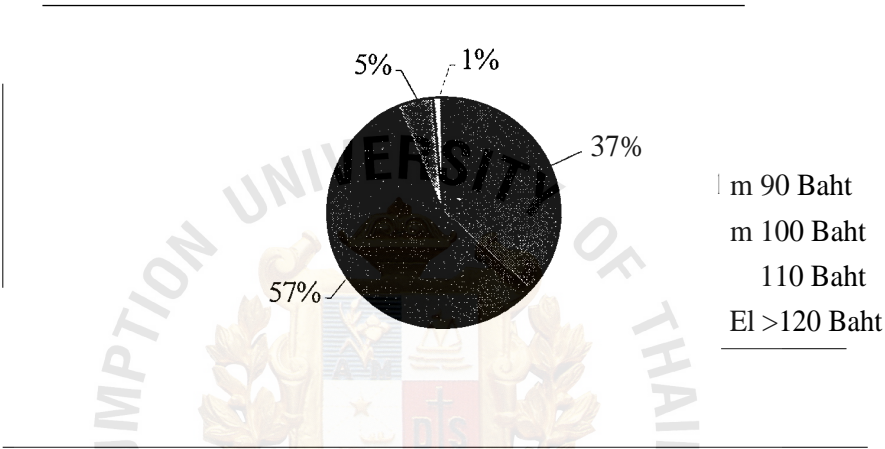


Figure 3.9. Cost of Golf Balls.

Conclusion from Research Methodology

We asked our participants during what time of the day do they usually go to driving range to practice. Approximately 67% of them responded that the time range of 17:00 p.m. — 21:00 p.m., after they got off work, was the most convenient time for practice. Waiting time is too long and very irritable, as some revealed that there is an excess of demand over the available driving ranges. This justifies the idea we have come up with; promotion program selling g6lf balls during the slack time range of 6:00 a.m. — 2:00 p.m. This promotion will help smoothen out the demand.

Price was another issue discussed in our questionnaires. Results appeared that most golfers are satisfied with competitors' prices. We feel that we should conform to these prices because we provide all the basic features needed at a driving range. Even we do offer as much as or less than some of our competitors, our pricing strategy still can be supported with the convenience of our location.

It was discovered through the questionnaires that some people are concerned with the factors on choosing driving ranges in additional services. However, we do not consider this as main issue, because only a small percentage of the people felt strongly about it. As a matter of fact, 32%, which is the largest, said that location was the number one factor in determining which driving range to choose. And our driving range is probably the closest and most convenient range for our target market. And I also discovered through the questionnaires that if the new driving range has the factors that they recommend or choose they would visit a couple of times per week.

Another factor which I incidentally discovered was that customers value availability of lanes (24%), newness (18%) and quality of material, equipment and overall atmospheres or environment of the driving ranges (13%). For availability of lane, our driving range has 100 lanes with ample car park to ensure that customers who visit our driving range have the lane availability or shortest waiting time. For overall atmospheres or environment, we will endeavor to maintain good hygiene and a pure surroundings in our range. Our materials and equipment will be handled in such a way to preserve its newness. Golf balls will all be collected at closing time, which means that all the balls will be used; once a day. Mats will be rotated on a regular basis to prevent the flattening of one side. And we will have janitors working all day to ensure

the cleanliness of the seating area. Moreover, all materials and equipment will be replaced every year.

In conclusion, by distributing our 100 questionnaires, we have carefully examined and utilized the results. These results represent a justification for every single detail of our project.



IV. DATA ANALYSIS

4.1 Marketing Analysis

Marketing Mix (4P'S)

Product

Consumer Recreation Service Driving Range is mediocre golf driving range that has a field length of 250 yards and a width that encompasses 100 lanes. It also has additional basic features which include a moderately priced restaurant, which serves both golfers and non-golfers who come to watch, a pro shop that has golf equipment for sales, and a small green available for practicing putts. In addition, it will also provide an opportunity for beginners to take lessons with professional golfers to assist them in improving their swings. Despite the fact that the driving range is less sophisticated than a number of competitors, it does provide one crucial factor golfers perceive as being important in choosing which driving range to use. This factor is "BIG" accessibility in terms of the number of lanes and parking space. As mentioned above, there are 100 lanes available which implies less waiting time and this ensures customer satisfaction. There is ample parking space which is an advantage in that customers don't have to waste time in searching for a parking space.

Price

We price the service that we provide to our customers at the market. This is based on the results of our questionnaires that were distributed. Our survey helped us gain an insight as to how much our customers were willing to pay when they come to practice their swing at a driving range that have factors to

satisfy them. They specified that they would be willing to pay as much as they pay our competitors, which is 100 Bahts a basket for 80 balls.

We are not able to charge a premium price to the customers. This is because there are competitors that provide a wider variety of additional service such as fitness centers, salon, massage room and etc. Due to our limited additional service, we are forced to keep prices at the market. Otherwise, we face the risk of losing our customers to competitors.

Placement

The most dominant advantage inherent in our driving range is its location. Our driving range will be situated on Naratiwat Rachanakarin Road. This area is considered to be the center of the business arena. This perfectly corresponds with prospective customers, who mainly are business people. These working people can conveniently visit the driving range anytime given the proximity of their office buildings to our location.

The Sathorn area has a reputation for traffic issue as one reason why business people would visit our driving range. After office hours, our driving range can be used as a place where business people come to relax, socialize, and exercise while also to avoid the traffic during rush hour. They can come practice their swings and leave as the traffic lightens up. As for people outside the area, traffic is still not a major concern, since we mainly target employees and residents in the area.

Promotion

Our main channel of advertising will be in golf magazines. By doing this, we are sure to reach our target market easily.

We also offer the following three promotional campaigns:

- (1) 15% discount (except on food and beverages) on weekdays from 6:00 a.m. — 2:00 p.m.: By doing this, we are trying to attract customers to come practice their swing during this time range. Normally, during this time, few customers come to driving ranges because they are at work. We are providing them with an incentive to come during 6:00 a.m. - 2:00 p.m.: By doing this, we will be able to smoothen out fluctuations of demand of the driving range. Customers may choose to practice their swing during the morning or afternoon because they will get a discount instead of in the evening. An advantage for us opening early in the morning is the fact that we don't incur any additional costs.
- (2) Buy 4 trays of golf balls and get 1 for free on weekdays from 6:00 a.m. — 2:00 p.m.: This means that for every 4 trays of balls that a customer purchases, they will get an additional tray free. On an average, golfers who come to practice their swing usually by 2-3 trays, but with this promotion, they will be tempted to buy 4 trays. This benefits them because they get a tray of golf balls free and it is a benefit for us because this promotional campaign will help us to increase revenues of the driving range.
- (3) Coupons of 20 trays of golf balls for the price of 18 trays: This means that customers can buy a booklet of 20 trays of golf balls at the price of 18 trays. This is a benefit for regular customers of driving ranges because it helps them to reduce costs. They pay a cheaper price than customers who chose riot to buy these

Furthermore, this promotion gives customers an incentive to come often.

SWOT Analysis

Strengths

- (1) Good location - Our main strength is that the driving range is located at Naratiwat Rachanakarin road near the business arena and within close proximity to our target market. This represents convenience to our customers.
- (2) High capacity - The driving range consists of 100 lanes for practice and 130 parking spaces. This implies less waiting time for customers because we have a lot of lanes and also it means that they can save time because they don't have to drive around for a long time to find a parking space.
- (3) High barriers to entry - The service industry that we are in requires high investment and set up costs. Therefore, a minority of people will be willing to enter into this industry. This is an advantage to us because it automatically means less competition for us.
- (4) New materials - We will keep changing and replacing our materials, such as golf balls, mats etc. once every year. On an average, competitors change their materials once in one and a half years to two years. Having new materials is important because customers prefer using new materials to old materials.

Weaknesses

- (1) No ownership of land - Since we do not own the property, we have to pay rent for it. In addition, real estate in the Sathorn area is highly valued, therefore our rent is relatively high. If the land did belong to us, we would be able to save costs and therefore, increase revenues.
- (2) Lack of experience - Our driving range is not a chain or a branch. We have no experience in operating a driving range. Therefore, a lot of effort and time must be put in to operating the driving range if it is to be successful.
- (3) Basic and simple - Unlike other driving ranges, we offer a very limited variety of additional services. It may not be perceived as sophisticated and complete as our competitors.

Opportunities

- (1) Upgrade facilities - Upgrading our facilities would be a great opportunity for us. We could add on other facilities our competitors provide in order to service other members of a family. For example, by installing a massage, salon and sauna room then the whole family could use our service, not just golfers.
- (2) Increase price of golf balls - By upgrading our facilities and the variety of our services, we would be able to charge a premium price to our customers. This represents an opportunity in terms of increased revenues.
- (3) Contract/deal with companies in the area - We could approach companies in the area and promote our driving range by distributing

discount coupons. This would help serve as an incentive for golf players of the company to choose our driving range over others.

- (4) Establish another branch - If this project turns out to be successful, then may be we could establish another branch in any area depending on the demand for a driving range.
- (5) Establish own restaurant - Currently, the restaurant at our driving range is rented out to someone else. This is so because we want to concentrate our efforts on instead of renting it out. By doing this, it would mean increasing our revenue channels.
- (6) Economic boom - During an economic boom, business people tend to engage in more relaxing activities. Since golf has become increasingly popular in Thailand over the past decade, a driving range could be a place where business people could meet to socialize.
- (7) Traffic - Sathorn Road is an area that is notorious for traffic jams. Because we are located so close to office buildings, business people may come in to our driving range to avoid the traffic. While there, they will practice their swing, have dinner with some of their colleagues or friends and then leave when the traffic lightens up.

Threats

- (1) Traffic - Although we are not targeting people outside the area, traffic can be an obstacle for them from potentially using services. A minority of people who live or work far away from this area will drive through all the traffic just to come practice their swing at our driving range. They might--choose to go to any other driving range

that is more convenient and that offers the same basic facilities that we do.

- (2) Economic downturn - Golf is perceived as a luxury sport, therefore if there is a downturn in the economy, then people will reduce spending on luxury items and sports including golf. This will reduce our revenues.
- (3) Weather - During the rainy season, people tend to stay home more than they usually do, and so less people visit driving ranges. Also, when it rains, the fields tend to flood which increases our costs of equipment the golf balls get lost in the mud.

Michael Porter's 5 Forces

Intensity of Rivalry and Competition

- (1) Cyclical sales: Driving ranges are not cyclical. One aspect in cyclical sales is seasonal sales. One may think that during the rainy season, fewer people want to come to driving ranges. But this is not true. During the rainy season, people tend to stay home more than normal because they do not want to get caught up in the rain. Therefore, they do not come to driving ranges not because they don't want to practice their swing but because they want to avoid the rain.
- (2) High corporate stakes: Operating a driving range involves high corporate stakes because the initial investment costs and set up costs are very high. Costs of operating a driving range include the land rent, high fencing to prevent golf balls from getting lost, and the capital to purchase the expensive materials required.

- (3) Differentiation becomes difficult: Currently, we cannot differentiate our driving range from our competitors. Some competitors offer more services than we do, and others offer the basic minimum services just like we do. The only factor that can be used to differentiate us from our competitors is newness of equipment and good location.
- (4) Favorable growth trends: In the past 10 years, we have seen the number of golf players multiply rapidly and we are certain that this number will continue to multiply. This proves to be a benefit to us. Currently, we are quite sure that the demand for driving ranges exceeds the supply of driving ranges by far. Therefore, by building this driving range, we could take advantage of the excess demand.

In conclusion, the intensity of rivalry and competition for driving ranges is low. The two main factors that driving ranges can easily compete on are: (1) location and (2) the variety of additional services. Differentiations of driving ranges are quite difficult, which helps to keep internal rivalry and competition at a minimum.

Summary of Competitors:

(1) Mahamek Driving Range:

Strength:

- (a) Ample parking space
- (b) Has a very popular restaurant
- (c) Chipping area
- (d) 2 greens to practice putts

Weaknesses:

- (a) Old equipment and building
- (b) Poor quality

- (c) A small pro shop

(2) Aree Driving Range (Sukhumvit 26)

Strengths:

- (a) Convenient location
- (b) Strong customer base (Japanese customers)
- (c) Many driving ranges (80 lanes)
- (d) Clean

Weaknesses:

- (a) Old equipment (golf balls and carpets)
- (b) Small parking lots

(3) Yannawa Driving Range

Strengths:

- (a) Many driving lane
- (b) Ample parking space

Weaknesses:

- (a) Old surrounding
- (b) Not square shape driving range so the distance is not equal at all side
- (c) Long walk from parking lot

(4) Sathu 20 Driving Range

Strengths:

- (a) Beautiful atmosphere
- (b) Strong customer loyalty (in Sathu area)

Weaknesses:

- (a) Y.nail
- (b) Short distance driving range

(c) Cannot use wood on the second floor

(5) Nang Leung Driving Range (in Nanag Leung horse racing track)

Strengths:

(a) Strong customer loyalty

(b) Located in golf course

(c) Low price

Weaknesses:

(a) Long walking distance from parking lot (approximately 1 Km.)

(b) Very old surroundings

(c) Poor facilities (restrooms and restaurant)

Buyer Power

- (1) Some backward integration: There is no backward integration for buyers in this industry. If a person wants to practice their swing, they will be forced to come to the driving range. If not, they can make use of indirect substitutes such as practicing their swing at home or playing a golf simulator game.
- (2) Proprietary products mean low substitutes: We don't offer any products that can be used to differentiate us from our competitors. Because this is so, we face the risk of losing customers to other driving ranges that offer the basic facilities that we offer.
- (3) Buyers are not concentrated: Our buyers are concentrated. This is because we have located our driving range in the center of the business area and within close proximity to our target customers.
- (4) High percentage price / total purchase: A driving range has many customers. Therefore, each customer represents a small percentage of total revenue.

Because of this, individual customers represent only a small percentage price/ total purchase.

In conclusion, the bargaining power of buyers is low. This is so because they have little say in the prices that we set.

Substitutes

- (1) Long term substitutes: There are no direct substitutes for driving ranges. There are two indirect substitutes though. The first one is that instead of going out to driving range, golfers can practice their swing at home. But this does not provide them with the atmosphere and the effect of physically being in a driving range. The second substitute is a driving range simulator game. These are quite expensive and once again, the golfer loses the effect of being in a driving range.
- (2) Product life cycle: The industry for driving ranges is presently in the growth stage. This stage is when potential entrants tend to enter in order to capture market share. We see that the life cycle of our product is long and will consistently grow in the future.
- (3) Research and development cost: A driving range does not require any investment in research and development at all.
- (4) Industry standards: When driving ranges are being constructed, there are certain standards they should conform to. Example the height of the fence. The higher the fencing, the less miscellaneous and repair expenses we will have to pay if suppose golf balls hit passed the territory. But the higher the fence is built the more cost is incurred. However, we fortunately have found a large plot of land enough. crda;;; a Dig driving space to guarantee that the ball will not exit the territory.

- (5) Economies of scale: Economies of scale definitely exist in this industry. The longer the driving range has been in the industry, the more apparent economies of scale become. The pay back period for companies in this industry is quite long, since there is such high investment initially. After that, year-by-year, the revenues keep flowing in.
- (6) Distribution channels: Location is a critical factor in starting up a driving range. They must be convenient for golfers to come practice their swing. If a certain driving range is difficult to reach, then golfers will just go to another range.

In conclusion, barriers to entry in this industry are quite high due to the tremendous capital investment required. However, if by any chance, new entrants do enter the market, it will affect our market share, especially if they have good location.

Supplier Power

- (1) Conventional materials: Because a driving range is in the service industry rather than the manufacturing industry, we do not purchase materials or any inventory often. However, we do need to purchase materials and equipment, such as golf balls, mats, and baskets for carrying golf balls, initially and replace them every year for reasons of a new and fresh environment.
- (2) Suppliers not concentrated: Our suppliers are not concentrated because there are various suppliers for materials. We could approach any supplier and purchase from them depending on our bargaining power.

In conclusion, the power of suppliers is low because we are not dependent upon suppliers in order to carry on our operations.

Characterization of Present Market

Golf is an extremely popular sport in Thailand, which is played by both males and females between the age range of 3-80 years. Major golf players are located in Bangkok and other major cities in Thailand. This is due to the expensive price of the required equipment and golf course fees.

Over the past decade, we have seen the number of golf players multiply rapidly. We are confident that this number will continue to multiply for a long time. Given our location of Narathiwat Rachanakarin Road, we are quite sure that there is excess demand for a driving range. This is so because there are numerous people in office buildings in the Sathorn, Silom area who would like easy accessibility to driving ranges after a long day at work. We are confident that by establishing a driving range in this area, there would be a demand for it and it would be successful.

Because we have not established any project like this before, meaning that we do not already have a branch of the driving range at present, we do not know for sure what our market share will be. In this case, it is difficult to say for sure how much market share we will have because of the numerous competitors. We might be able to attract competitor's customers due to our good location

Our market analysis lacks secondary data necessary to provide information on market size, market growth patterns, market channels and other market characteristics. This is so because Thailand is still a developing country and there is lack of availability and disclosure of company and statistical information.

Thailand has numerous golf courses, which can complement driving ranges. Every golfer starts out playing golf at a driving range. Once their skills have advanced, they start visiting golf courses. If however, they feel that they still need to practice their

swing until they are more confident, they will practice at driving ranges. In this way, golf courses complement driving ranges.

Currently, the Thai economy is slightly going well after facing a downturn. This is an important factor to analyze because people perceive golf as a luxury sport. Therefore, during an economic recession, the number of golfers that actually play golf decreases in comparison to the number of golfers during an economic boom. This does not have an effect on us, though. This is so because golf courses are directly correlated to the economy, while driving ranges are not. Playing golf at a golf course is quite expensive and when the economy experiences a downturn, less people will be willing to spend this money on a luxury sport. However, practicing swings at a driving range is not very expensive and therefore, the present economic crisis does not affect us to a great extent. If in the near future the situation of the economy improves a lot, the number of golfers will also increase.

4.2 Operational Analysis

Preliminary Information Requirement

- (1) **Product information:** Professional Driving Range is a mediocre driving range. It has a field length of 250 yards and a width that can encompass 100 lanes. It also offers additional services, such as a moderately priced restaurant and a pro shop where golfers can buy golf equipment.
- (2) **Target market:** Our target market consists of two main groups of people. The first group is business people whose office buildings are located within close proximity to our driving range (Sathorn and Silom area). These business people can come to relax and socialize with friends and colleagues anytime. The second group that we target is residents in nearby areas, such as Rama 3 and Rama 4 Road. These people won't have to drive all the way

to an out-of-the way driving range when we are located near to them and when we offer them the same service that competitors do.

- (3) **Materials information:** We will provide our customers with new golf balls. On an average, driving ranges change the golf balls approximately once in one and a half to two years. We will replace the old golf balls once every year. Also, we will have a nice, pleasant view to look at the green for putting and we will also provide nice mats when golfers practice their swing.
- (4) **Capital Availability:** Our driving range will be financed in equal proportions of debt and equity, 50% / 50%.

Inventory Requirement

We will have a certain amount of golf balls at all times. There is no need for safety stock. If we run out of materials which is highly unlikely, we can always purchase the materials easily from our suppliers.

Equipment and Tooling

Our criteria for selecting equipment and tooling are basically that the equipment and tools are of an average quality. We do not want golf balls to be breaking or denting when they are hit, because this will irritate customers and will result in customer dissatisfaction. We will purchase average quality mats.

Material and Equipment Handling Methods

- (a) **Golf balls-** Golf balls will be collected once a day at the end of the day. This will preserve the newness of the balls, since they will be hit only one time per day.
- (b) **Mats-** Employees will be responsible for the rotation of the mats to prevent the flattening of one section of the mats
- (c) **Trays-** Like all our other materials, Trays will also be replaced every year.

Equipment Details

(1) Tray

From the sales forecast per day, the maximum sales of our driving range are 250 trays per hour. We need approximately 1,000 to smooth the flow of the trays and guarantee that there will be no shortage of the tray during the working hours.

(2) Golf balls

Based on the interview with the driving range manager, golfers don't like interruption during their practice time. Therefore, we will collect the golf balls in the driving range only when we closed, which is 23:00.

Moreover, golfers like to practice with the new balls, which will make them feel that they are in the real golf course. So, we tried not to use golf ball not more than once a day.

So we calculate the number of golf balls used the sale forecast come up with the amount of balls we need, which is 2,150 trays, 40 balls each, totaling 86,000 balls. So we buy 100,000 balls to guarantee the non-shortage of golf balls during the working hours (Ignoring the weekends because it is not worth buying more balls for just only 2 days and on that day if the golf ball is out of stock we will use two times collecting the golf balls instead).

(3) Carpet

The size of the mat is 1.5 * 1.5 meters. The reason we used big carpets rather than small ones (size 40 * 20 cm.) is that golfers prefer to have bigger space than a limited one.

(4) Bench

We used a 1 bench, and set of furniture which has 2 seats and one table in the middle for golfers who want to drink or eat during their practices. We can buy this bench at Silom Shanghai furniture for custom made at the price of 3,000 per bench.

(5) Desk and filling Cabinet

2 desks are for the manager and cashier.

(6) Lawnmower

From the interview, we need 2 lawnmowers to finish the job within 2 hours. The price of this machine came from Lotus super center.

(7) Spotlight

We must use 16 spotlights in the whole driving range, 10 located on the building, and 6 in the field with 3 on each side to give adequate lighting for the golfer to see where their balls is landing.

(8) Golf Cart

We need 1 golf cart to pick up balls at the end of the day. And one golf cart to pick up the golfer from the parking lot for customers who park quite far away to provide more convenience. And on emergency situation (golf ball are out of stock) we can also use 2 golf carts to pick up the ball.

(9) Ball replacement machine

It is facility equipment to provide golfer more convenience. The golfer just put the bottom or set the censer then the machine will replace the golf ball on the tee or on the mat automatically where golfer can hit the ball perfectly.

(10) Miscellaneous

Miscellaneous items include golf bags holder, office supplies (coupon, stationary), and other small items.

Operation Labor Needs

How many employees are need and what skills must they possess?

- (1) One manager with a salary of Bht 15,000 per month. The manager has to have some experience working at a driving range before and has to have some knowledge of management, otherwise, he or she will not be qualified for this position. He or she will be responsible for overall management of the driving range, for example, contacting suppliers, and supervising he marketing and human resource department.
- (2) 30 caddies with a salary of Bht 3,500 per month. There are no requirements for these caddies because being a caddy does not require much skill. This justifies the low salary. In addition to salary, caddies will also receive tips from customers, which sometimes reach Bht 700 per week. Caddies will be responsible for ball setting for customers, buying balls for customers, carrying golf bags, mowing the lawn, washing golf balls, collecting balls in the field everyday and doing all sorts of other errands as requested.
- (3) 2 head caddies with a salary of Bht 6,500 per month. These head caddies have to have some prior experience working at driving ranges and they should be loyal to us. They will be responsible for ball controlling and disbursement. One head caddie will have the morning shift and the other will have the evening shift.
- (4) 2 janitors with a salary of Bht 4,000 per month.

- (5) 4 security guards with a salary of Bht 5,000 per month. The security guards will have specific times that they have to be on the job. They will take turns guarding and 2 security guards will be present at each time interval.
- (6) 2 cashiers with a salary of Bht 6,000 a month. They should have basic knowledge of accounting. The cashiers will be responsible for selling coupons, collecting money and for the accounting job on a day-to-day basis.

Office and Service Space Requirement

- (1) Landscape and driving range will be 24,750 m².
- (2) The restaurant will be 118 m².
- (3) The bathrooms will be 80 m² each.
- (4) The pro shop will be 20 m².
- (5) The parking lot and road leading into the driving range will be 4,180 m².
The parking lot will have 130 parking spaces.
- (6) The putting green area will be 24 m².
- (7) The driving area will be 980 m².
- (8) The golf disbursement room will be 20 m².
- (9) The cashier and manager's room will be 10 m².

General Location

We estimate that the total area required is 29,893 square meters. We decided to locate our driving range at Narathiwat Rachanakarin Road because it is close to our target market, which are business people who work around Sathron area and residents in near by areas. Also, because of the huge plot of land available, we are able to provide our customers with ample parking space and with 100 lanes to practice their swing. We

believe that this location will bring convenience to our customers. Some other factors were also involved in choosing a location.

Location of Competitors

- (1) Aree Driving Range-located in Soi Sukhumvit 26
- (2) Yannawa Driving Range —located in Chong Non See road
- (3) Mahamek Driving Range-located in Soi Yen Akart
- (4) Sathu 20 Driving Range- located in Soi Sathu 20
- (5) Nang Leung Horse Racing Track-located at Nang Leung Road

Power Availability

Our driving range will depend totally on the city's availability of electricity. We do not have any installations of emergency lights or the like. So, if there were supposedly a blackout. Our driving range would have to do without any electricity.

During the day, however, electricity is not essential in operating the driving range. This is so because we will have the sun provide light for the golfers. This will help save electricity costs before sunset.

Waste Deposal

As part of the construction project, the driving range will provide restrooms for ladies and gentlemen on both the first and second floors. These facilities will serve all customers of the driving range and the restaurant. We also have a sewage system planted in the driving range to prevent the field from flooding.

Community Factors

In selecting a location to build, we took into consideration the proximity of our target market to the driving range. We had a couple of other options on where to build, and after a tot of analysis, we decided to build near the Sathorn area because that is the most convenient location for our customers.

Another factor influencing our decision was the sky train project. It is very easy for the golfer and other people to come to this area and visit our driving range.

Building to Constructed

We couldn't find a building that met all our needs, therefore, we decided to construct our own building. A driving range requires specialized construction. Moreover, we took high capacity as a consideration in constructing the building.





Figure 4.1. Driving Area Layout.

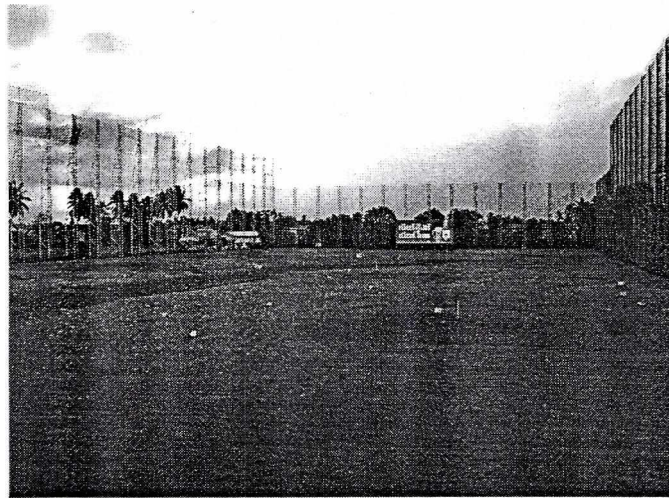


Figure 4.2. Driving Tee View and Fairway View.



Figure 4.3. Driving Area Facility.

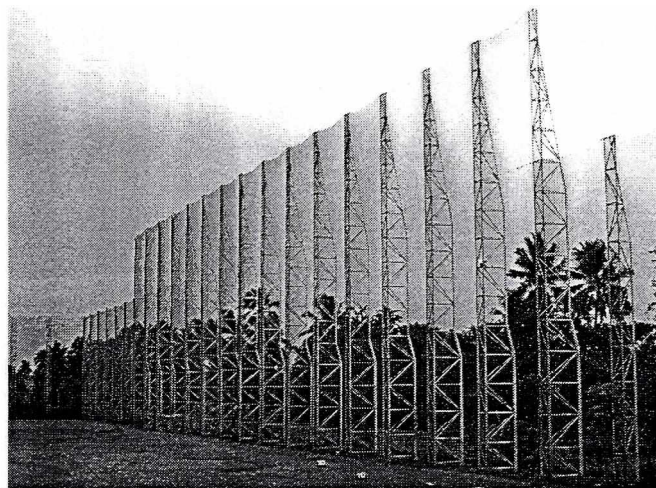


Figure 4.4. Fence and Billboard.



Figure 4.5. Putting Green and Parking Lot.

4.3 Financial Analysis

Operating Plan Estimates

Cost estimates obtained from the operational analysis fall in two major classifications:

- (1) Fixed investment- includes construction of the building and associated systems, all the golf materials and equipment involved in operation.
- (2) Operating Expenses- includes annual and monthly expenses.

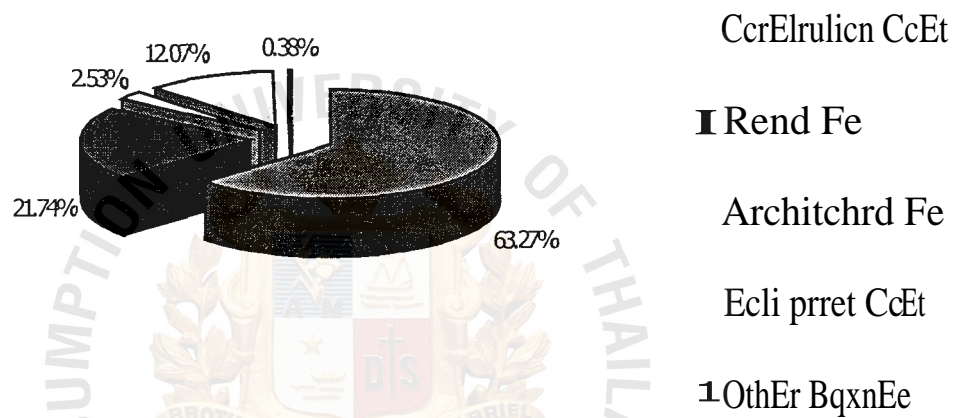
Operation Plan Estimate also includes:

- (1) Loan Description
- (2) Rent Description
- (3) Depreciation Details



Table 4.1. Start-Up Capital.

Construction cost r.	
1) Landscape il;ydriving range	2,970,000
2) Parking lot and Road	836,000
3) Rutting Green	240,000
4) Sewage System	134,000
5) Fencing	9,100,000
6) Building	
6.1) Ground Floor	3,176,500
6.2) Second Floor	3,189,500
Total	<u>19,646,000</u>
Architectural Fee	
Architectural Fee (4% of construction cost)	785,840
Rental Fee	
Deposit for Rent	1,500,000
Rent during construction period	<u>5,250,000</u>
Total	<u>6,750,000</u>
Equipment cost	
1) Tray	10,000
2) Golf Ball	1,275,000
3) Carpet	850,000
4) Bench	300,000
5) Desk	9,000
6) Filling Cabinet	7,000
7) Lawnmower	26,000
8) Spotlight	320,000
9) Golf Cart	200,000
10) Ball replacement machine	750,000
Total	<u>3,747,000</u>
Other expenses	
1) Petty Cash	100,000
2) Legal fee	<u>20,000</u>
Total	<u>120,000</u>
TOTAL INITIAL INVESTMENT	31,048,840



Note: The number is percentage.

Figure 4.6. Start-Up Capital.

Table 4.2. Land Use, Rental Fee.

Driving Range	24,750	Meters
Parking lot and road	1,450	Meters
Putting Green	30	Meters
Clubhouse and Driving area	645	Meters
Open space	288	Meters
Total	29,863	Meters

Rental Fee amounts to 750,000 per month. The landlord agrees to give the company 3 months grace period during the construction. The construction will take 10 months to finish, the company will therefore, have to pay 7 months of rental fee before it start the operation. The landlord also required 2 months rental deposit.

Table 4.3. Construction Costs (Breakdown).

1) Landscape in driving range			
Landscape	110*225= 24,750 sq.m. @120 Bahts	=	2,970,000
2) Parking lot and Road			
Parking lot (Fine Aggregated Finished)	38*110 = 4,180 sq.m. @200 Bahts	=	836,000
3) Putting Green			
Putting Green	4*6 = 24(, sq.m @ 10,000Bahts	=	240,000
4) Sewage System			
Pipe	335 Meters @400 Bahts	=	134,000
5) Fencing			
5.1) Back side	25*110 = 2,750 sq.m.		
5.2) Left side	25*225 = 5,625 sq.m.		
5.3) Right side	25*225 = 5,625 sq.m.		
Total	14,000 sq.m. @650 Bahts	=	9,100,000

Note: The height is recommended by construction company as a standard for many driving ranges. The width is calculated by using 2 meters per lane, totaling 50 lanes, with 5 meters open area for each side. The length of 225 meters is equal to 250 yards which above the average of normal driving range for golfer.

Table 4.4. Building.

Ground Floor			
Driving area	110*4.5 =	495 sq.m. @4,500 Bahts	2,227,500
Golf disbursement room	5*4 =	20 sq.m. @6,000 Bahts	120,000
Entrance hall	5*4 =	20 sq.m. @5,500 Bahts	110,000
Stairway	4*4 =	16 sq.m. @5,500 Bahts	88,000
Restrooms (Male and Female)	10*4 =	40 sq.m. @7,000 Bahts	280,000
Cashier room and Manager room	2.5*4 =	10 sq.m. @6,500 Bahts	65,000
Restaurant	11*4 =	44 sq.m. @6,500 Bahts	286,000
Total		645 sq.m.	3,176,500
Second Floor			
Driving area	110*4 =	495 sq.m. @4,500 Bahts	2,227,500
Stairway	4*4 =	16 sq.m. @5,500 Bahts	88,000
Restrooms (Male and Female)	10*4 =	40 sq.m. @7,000 Bahts	280,000
Restaurant	15*4 =	60 sq.m. @6,500 Bahts	390,000
Kitchen	3.5*4 =	14 sq.m. @6,000 Bahts	84,000
Proshop	5*4 =	20 sq.m. @6,000 Bahts	120,000
Total		648 sq.m.	3,189,500

Table 4.5. Equipment Costs.

	Amount	Price per unit	Total cost
1) Tray	1,000	@ 10	10,000
2) Golf Ball	100,000	@ 12.75	1,275,000
3) Carpet	100	@ 8,500	850,000
4) Bench	100	@ 3,000	300,000
5) Desk	2	@ 4,500	9,000
6) Filling Cabinet	1	@ 7,000	7,000
7) Lawnmower	2	@ 13,000	26,000
8) Spotlight	16	@ 20,000	320,000
9) Golf Cart	2	6) 100,000	200,000
10) Ball replacement machine	100	@ 7,500	750,000
	Total		3,747,000

Table 4.6. Human Resource (per Month).

	Amount	Salary	Total Cost
1) Caddie	30	@ 3,500	105,000
2) Manager	1	@ 15,000	15,000
3) Head caddie	2	@ 6,500	13,000
4) Cashier	2	@ 6,000	12,000
5) Janitor	2	@ 4,000	8,000
6) Security guard	4	@ 5,000	20,000
	Total		173,000

Table 4.7. Operating Expenses.

Annual Expenses	
1) Golf Balls	1,275,000
2) Carpet	850,000
3) Tray	10,000
4) Spotlight bulbs	16,000
5) Maintenance cost (3% of sales)	

Table 4.8. Monthly Expenses.

1) Salaries and Wages	Amount	Salary	Total
- Caddie	30	3,500	105,000
- Manager	1	15,000	15,000
- Head caddie	2	6,500	13,000
- Cashier	2	6,000	12,000
- Janitor	2	4,000	8,000
- Security guard	4	5,000	20,000
2) Rental fee			750,000
3) Electricity			50,000
4) Water			5000
5) Phone			2,000
6) Office supplies			2,000

Table 4.9. Depreciation Details.

	Cost	Period (years)	Depreciation per year
1) Building	19,646,000	5	3,929,200
2) Equipment			
Lawnmower	26,000	5	5,200
Desks	9,000	5	1,800
Cabinet	7,000	5	1,400
Spotlight	320,000	5	64,000
Bench	300,000	5	60,000
Ball replacement machine	750,000	5	150,000
Golf Carts	200,000	5	40,000
	Total equipment		322,400
Total Depreciation per year			4,251,600
Note: We use 5 years to depreciate the building according to the rent contract limitation of 5 years.			

Notes to Financial Statement

(1) Sales

Sales is predicted to increase at 4% each year.

(2) Cost of goods sold

Part of cost of good sold (golf balls) will increase with the sales at the rate of 4% each year.

(3) Salaries and wages

Salaries and wages are predicted to increase at 10% each year.

(4) Rental fee

Rental fee is increased by 10% after the third year according to rent description.

(5) Utilities

Utilities is predicted to increase by 5% each year.

(6) Other income

Golf balls and carpet sales are expected to be sold the end of the year at 100% of our purchased price to second class driving range.

(7) Dividend

Company dividend payout policy is 50%.

(8) Legislation and taxation

(a) VAT of 7%: This is already included in our prices.

(b) Income tax of 30%

Table 4.10. Sales Forecast.

Lane	100
Price per tray (40 balls)	50 Bahts
From the observation the golfer who practice regularly and interview the manager at different driving ranges, the number of balls that most of golfer can hit in one hour is 3 trays or higher so let assume that the rate/hours is 2.5 trays or 100 balls/hours.	

Table 4.11. Sales Forecast Monday to Friday.

Monday to Friday

From	To	# of hours	Occupancy		Amount	
			Percent	Lane	Tray	Baht
6	12	6	30%	30	450	18,000.00
12	17	5	40%	40	500	20,000.00
17	21	4	100%	100	1000	40,000.00
21	23	2	40%	40	200	8,000.00
		17			2150	86,000.00
			Total per week			430,000.00

Table 4.12. Sales Forecast Saturday and Sunday.

Saturday and Sunday

From	To	# of hours	Occupancy		Amount	
			Percent	Lane	Tray	Baht
6	12	6	50%	50	750	30,000.00
12	21	9	90%	90	2025	81,000.00
21	23	2	50%	50	250	10,000.00
		17			3025	121,000.00
			Total per week			242,000.00

Income from Driving Range per week	672,000.00
------------------------------------	------------

Table 4.13. Other Income (per Year).

Other Income (per year)	Baht
Pro shop rent (10,000 per month)	120,000.00
Restaurant rent (100,000 per month)	1,200,000.00
Billboard in driving range (per year)	120,000.00
Note: Three 10*20 meters billboard advertising @40,000	
Other Income per year	1 AAA 111111 0

Table 4.14. Total Income (per Year).

Total income (per year)	Baht
Income from Driving range	34,944,000.00
Other Income	1,440,000.00
Annual Income	36,384,000.00

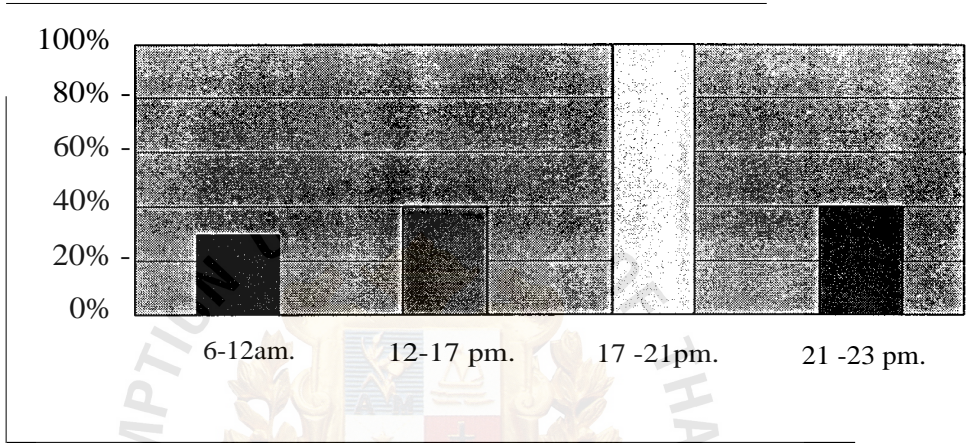


Figure 4.7. Sales Forecast Monday to Friday.

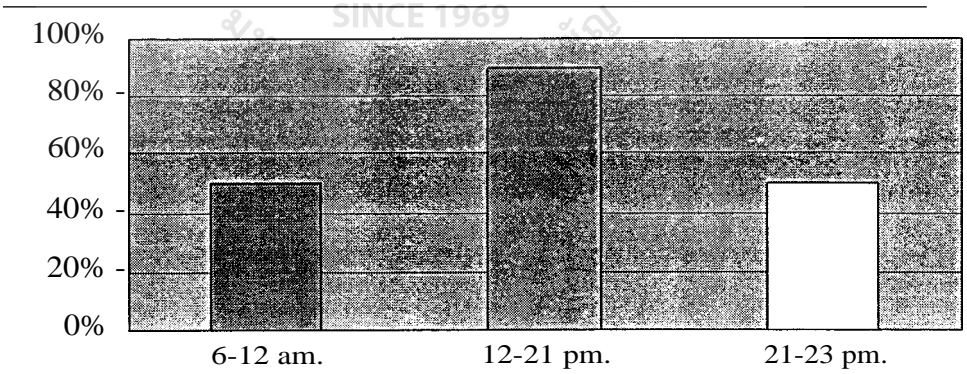


Figure 4.8. Sales Forecast Saturday and Sunday.

Table 4.15. Balance Sheet for Year End 2002 (All Number in Baht 000).

ASSETS	
Current Assets	
Cash	951
Bank Deposits	
Deposit for rent	1,500
Inventory	2,135
Total Current Assets	3,635
Fixed Assets	
Building (less accumulated depreciation)	19,646 /
Equipment (less accumulated depreciation)	1,612
Total Fixed Assets	21,258
Total Assets	25,844
LIABILITIES	
Bank Loans	16,000
Total Liabilities	16,000
OWNERS' EQUITY	
Capital Stock	16,000
Retained Earnings	-6,156
Total Equity	9,844
Total Liabilities and Owner's Equity	25,844

Table 4.16. Income Statement for Year 2002 (All Number in Baht 000).

REVENUE	
OPERATING EXPENSES	
Legal Fee	20
Architectural Fee	786
Rental Fee	5,250
Miscellaneous expenses	100
Total operating Expenses	-6,156
NET INCOME	-6,156

Table 4.17. Balance Sheet for the Year End 2003-2007 (All Number in Baht 000).

	2003	2004	2005	2006	2007
ASSETS					
Current Assets					
Cash	500	500	500	500	500
Bank Deposits	12,092	18,088	24,575	31,252	38,444
Deposit for rent	1,500	1,500	1,500	1,500	1,500
Inventory	2,135	2,135	2,135	2,135	2,135
Total Current Assets	16,227	22,223	28,710	35,387	42,579
Fixed Assets					
Building (less accumulated depreciation)	15,717	11,788	7,859	3,930	0
Equipment (less accumulated depreciation)	1,290	968	646	324	0
Total Fixed Assets	17,007	12,756	8,505	4,254	0
Total Assets	33,234	34,979	37,215	39,641	42,579
LIABILITIES					
Bank Loans	12,800	9,600	6,400	3,200	0
Total Liabilities	12,800	9,600	6,400	3,200	0
OWNERS' EQUITY					
Capital Stock	16,000	16,000	16,000	16,000	16,000
Retained Earnings	-1,693	3,252	8,688	14,314	20,452
Total Equity	14,307	19,252	24,056	30,314	36,452
Total Liabilities and Owners' Equity	27,107	28,852	31,088	33,514	36,452

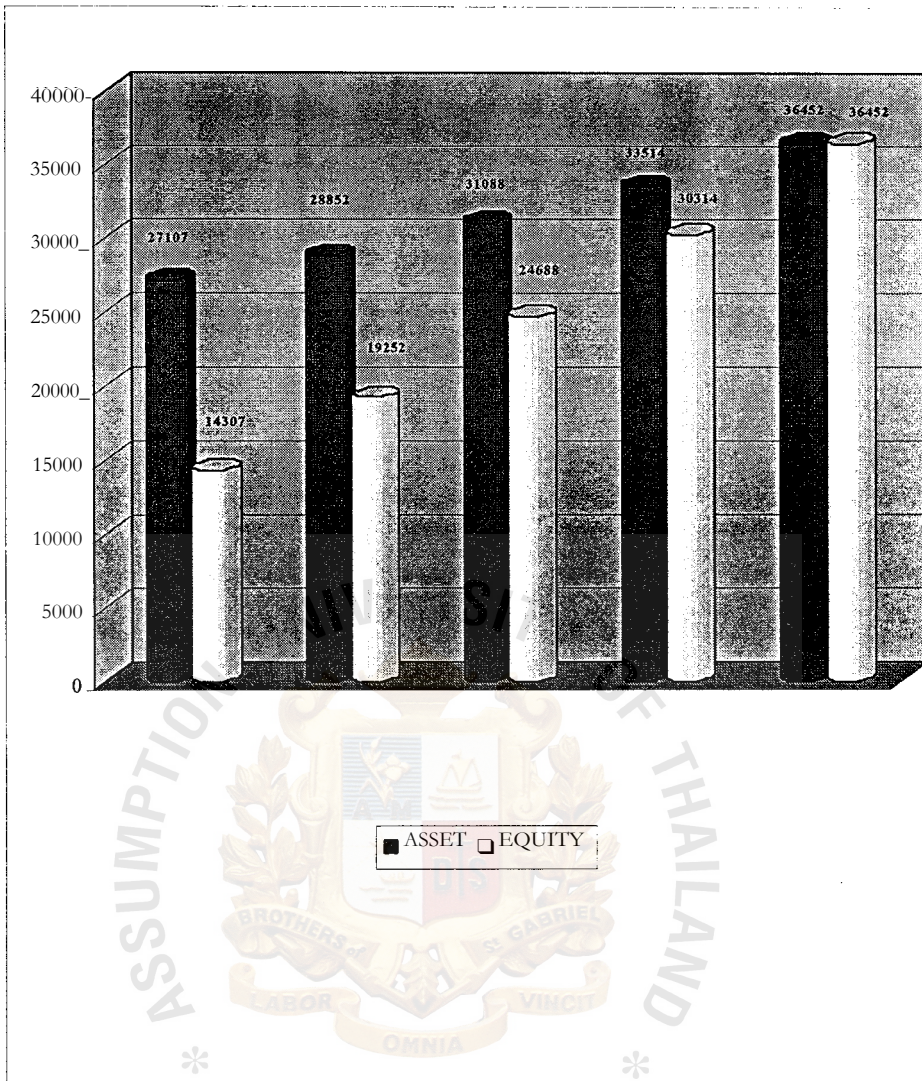


Figure 4.9. Balance Sheet: Asset and Equity (All Numbers in Baht 000).

Table 4.18. Income Statement for the Year 2003-2007 (All Number in Baht 000).

	2003	2004	2005	2006	2007
REVENUE					
Gross sales	34,944	36,342	37,795	39,307	40,880
Less discount	874	909	945	983	1,022
Net Sales	34,070	35,433	36,851	38,325	39,858
COST OF SALES					
Total cost of goods sold	2,135	2,220	2,309	2,402	2,498
Gross Profit	31,935	33,213	34,541	35,923	37,360
OPERATING EXPENSES					
Salaries and wages	2,076	2,284	2,512	2,763	3,039
Rental fee	9,000	9,000	9,000	9,900	9,900
Telephone	24	24	24	24	24
Utilities	600	630	662	695	729
Office supplies	24	24	24	24	24
Maintenance cost	1,022	1,063	1,106	1,150	1,196
Spotlight bulbs	16	16	16	16	16
Depreciation	4,251	4,251	4,251	4,251	4,251
Total Operating Expenses	17,013	17,292	17,594	18,822	19,180
OTHER INCOME					
Rent and Advertising	1,440	1,440	1,440	1,440	1,440
Golf balls and carpet sales	214	222	231	240	250
Interest Income	0	179	359	553	754
Total Other Income	0	0	0	0	0
OTHER EXPENSES					
Value Added Tax	2,385	2,480	2,580	2,683	2,790
Total Other Expenses	2,385	2,480	2,580	2,683	2,790
EBIT	12,537	13,441	14,368	14,418	15,390
Interest Expense	1,440	1,152	864	576	288
EARNINGS BEFORE TAX	11,097	12,289	13,504	13,842	15,102
Income Taxes	3,329	3,687	4,051	4,153	4,531
NET INCOME	7,768	8,602	9,453	9,689	10,572
Less Dividend	3,884	4,301	4,726	4,845	5,286
Transfer to Retained Earnings	3,884	4,301	4,726	4,845	5,286

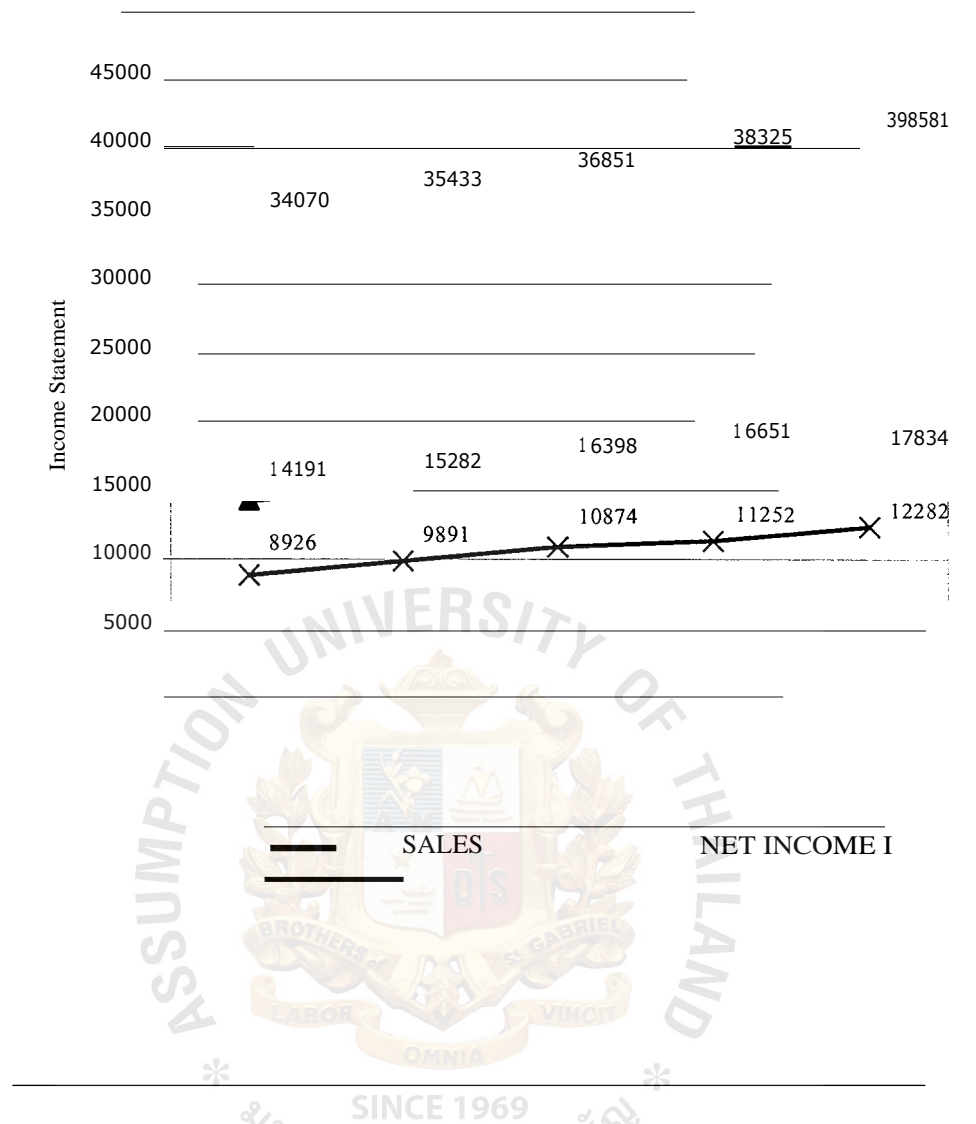


Figure 4.10. Income Statement (All Numbers in Baht 000).

Table 4.19. Projected Cash Flow Statement 2003-2007 (All Number in Baht 000).

	pre-operating period	2003	2004	2005	2006	2007
CASH RECEIPTS						
Owners' Equity	16,000					
Loan	16,000					
Sales		34,070	35,433	36,850	38,324	39,857
Interest income			179	359	553	754
Rent and Advertising		1,440	1,440	1,440	1,440	1,440
Golf balls and carpet sales		214	222	231	240	250
Total cash receipts	37,052	35,724	37,274	38,880	40,557	42,301
CASH DISBURSEMENTS						
Construction costs	19,646					
Architectural Fee	786					
Legal fee	20					
Equipment costs	3,747					
Petty Cash	100					
Deposit for rent	1,500					
Rental Fee	5,250	9,000	9,000	9,000	9,900	9,900
Golf balls, Trays and carpets		2,135	2,220	2,309	2,402	2,498
Salaries and wages		2,076	2,284	2,512	2,763	3,039
Telephone		24	24	24	24	24
Utilities		600	630	662	695	729
Office supplies		24	24	24	24	24
Maintenance cost		1,022	1,063	1,106	1,150	1,196
Spotlight bulbs		16	16	16	16	16
Value Added Tax		2,385	2,480	2,580	2,683	2,790
Income Tax		3,329	3,687	4,051	4,153	4,531
Interest expense		1,440	1,152	864	576	288
Dividend paid		3,884	4,301	4,726	4,845	5,286
Principal Repayment		3,200	3,200	3,200	3,200	3,200
Total Cash Disbursements	31,049	29,135	30,081	31,073	32,429	33,521
NET CASH FLOW	6,003	6,589	7,193	7,807	8,128	8,780
Plus: Beginning cash balance		6,003	500	500	500	500
Ending Cash Balance	6,003	12,592	7,693	8,307	8,628	9,280
Cash requirement for next period		500	500	500	500	500
Fixed Deposit		12,092	7,193	7,807	8,128	8,780
<p>Note: The company's policy require to maintain 500,000 Bahts as a minimum beginning cash balance. Any excess cash will be deposited into a fixed deposit at Krung Sri Ayuthaya Bank at the rate of 3% annually.</p>						

Weighted Average Cost of Capital

$$WACC = WdKd (1-t) + WeKe$$

$$WACC = (0.5)(9)(1-0.3)+(0.5)(3)$$

$$WACC = 4.65\%$$

$$Wd = \text{Weighted structure of debt} = 50\%$$

$$We = \text{Weighted structure of equity} = 50\%$$

$$Kd = \text{Cost of debt} = 7.25\%$$

$$Ke = \text{Cost of equity} = 3\%$$

$$\text{Tax rate} = 30\%$$

Cost of Debt:

- (1) We will borrow the needed fund form Krung Sri Ayuthaya Bank at the rate of MLR plus 1.75%.
- (2) Kd of the company will be 9%.

Cost of Equity:

- (1) We use Krung Sri Ayuthaya Bank Fixed deposit rate 3% to calculate cost of equity.

Table 4.20. Capital Budgeting.

Operating Cash flow = EBIT + Depreciation - Taxes

Initial investment = 31,048,840 Baht

Table 4.21. Capital Budgeting (Operating Cash Flow).

All number is in Baht (000)

YEAR	EBIT	Depreciation	Taxes	Operating Cash flow
Year 1	14,191	4,251	3,825	14,617
Year 2	15,282	4,251	4,239	15,294
Year 3	16,398	4,251	4,660	15,989
Year 4	16,651	4,251	4,822	16,080
Year 5	17,834	4,251	5,264	16,821

Table 4.22. Capital Budgeting (NPV, IRR, PI, PBP).

All number is in Baht (000)

WACC = 4.65%	NPV	IRR	PI	PBP
	35,970	40.623%	2.12	2.07 years

Breakeven Analysis

Our company Fixed Costs per year (based on year 2003) are:

Golf Balls, Carpets, and Trays	2,135,000	bahts
Salaries and Wages	2,076,000	bahts
Rental Fee	9,000,000	bahts
Telephone	24,000	bahts
Utilities	600,000	bahts
Office Supplies	24,000	bahts
Maintenance Cost	1,220,000	bahts
Spotlight bulbs	16,000	bahts
Total	15,095,000	bahts
† TSS: Fixed Income	1,62,000	bahts
Net Fixed Cost	13,441,000	bahts

Our company does have some revenues, which are not related to our operations, therefore, we will note it as fixed income and will be deducted from Fixed Costs. The reason is that we want to see the true quantity sold that will cover our operating expenses excluded from fixed income.

Our company sales do not incur any variable cost therefore, our contribution margin will equal to our selling price per unit.

$$\text{Breakeven quantity} = \text{Fixed Cost/Contribution Margin}$$

$$\text{FC} = \text{Baht per year}$$

$$\text{CM} = 50 \text{ bahts per unit (tray)}$$

$$\text{Breakeven quantity} = \frac{13,441,000 \text{ bahts}}{50} \\ 268,820 \text{ trays}$$

Therefore, if our company can sell 268,820 trays of golf balls per year, we will be able to cover all of our operating expenses.

Accounting Breakeven Analysis

$$\text{Breakeven quantity} = \frac{\text{Fixed Cost} + \text{Depreciation}}{\text{Contribution Margin}}$$

$$\text{FC} = 13,441,000 \text{ bahts per year}$$

$$\text{Depreciation} = 4,251,000 \text{ bahts per year}$$

$$\text{CM} = 50 \text{ bahts per unit (tray)}$$

$$\text{Breakeven quantity} = \frac{(11,386,000 + 4,187,488)}{50} \\ 353,840 \text{ trays}$$

Therefore, if our company can sell 353,840 trays of golf balls per year, we will be able to cover all of our operating expenses and also our investment.

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Professional Golf Driving Range is an average standard driving range that uses its location at Narativat Ratchanakarin Road as its main attractions for customers. It is situated close to our target customers in order to provide convenience. Another attraction is the continuous "newness" images of the driving range, "Big" availability of lane and the "Quality" of equipments. Customers rank those requirements as high percentages in factors for choosing a driving range and we also provide additional facilities, such as a pro shop and a restaurant. Our project Professional Golf Driving Range can qualify all of those requirements so we are confident that our project is feasible.

Based on our market analysis, we are quite confident that the demands for driving ranges at this location exceed the supply. This is supported by the result of our questionnaires. Participants of our survey said that if there were a driving range located in nearby or close to their office or home (most ranking important factor in choosing the driving range), they would visit it a couple times per week. We set our prices at the market based on the results of the surveys. This is what the customers are willing to pay if our driving range can provide them the factor that they prefer. We cannot charge a premium price because our driving range is not positioned as premium service. Also, we didn't price below the market because we are not focusing only on volume. We are not trying to attract customers based only on price. Therefore, this justifies why we price our service at the market. We also offer a variety of promotions. Promotions are done to attract customers to come during the slack time. By doing this we hope to smoothen out the fluctuations of demand of our driving range.

Based on our operational analysis, we realized the importance of our location in comparison to competitors' location analysis that we have to abide to and power availability to run our operations. Also, we paid a lot of attention to ensure that our equipments and materials were handled and maintained carefully.

Based on our financial analysis we are convinced that this project will be profitable to its shareholders. The NPV that has been calculated shows a positive figure of 35,970,000 Bahts with an IRR of 40.623%. Compared to our cost of 4.65%, we can conclude that the project will be profitable. In our calculation of PBP of this project, we will get returns in 2 years and 26 days, which we feel is acceptable given the high initial investment and start up costs.

In conclusion, based on the market, operation and financial analysis we are confident that this project will be feasible. Golf is an increasingly popular sport in Thailand that is played by people of all different age groups. It is also a mutual sport that can be enjoyed by both males and females. We are sure to see the number of golfers increase in the near future and this number will continue to grow. Therefore we know that establishing this business now will be very profitable to us in the long-term.

5.2 Recommendations

Fence Specification

As with all industries in the business world, financial feasibility cannot be the only issue inherent in operating a business. Economists and business people feel that business has a moral duty to consider society's well being when making decisions.

The industry of driving ranges should consider and obviously also have responsibilities to the neighboring area. There are high chances that golf balls may be fiercely struck out of the fencing area, which may cause damage to the residents in neighborhood area. In dealing with this issue, after interviewing the

specialist and the manager of different driving ranges we recommend that our driving range should plant fences as high as 25 meters around our extensively long field of 250 yards which mean if the ball exists at the end of the fence, the ball have to carry more than 350 yards due the height of the fence. It is quite impossible for most golfers even the professional golfer in US PGA tour. And we also recommend that at both sides of the driving range we should have the safety net on the top about 5 meters to make sure that the ball will not exit at both sides.

International Golf School

In driving range business the thing that should be available for the golfer is the professional golfer who teaches and assists the swing of the new golfer who starts playing golf Please consider the fact in this sport that every golfer who starts out playing golf need to practice and be assisted by a professional golfer in a driving range first then they can improve their skill and visit the real golf courses later. After observing in many different driving ranges there is one problem occurring usually the communication. Most professional golfers in Thailand are Thai who can speak little English but in teaching golf they need also technical words or vocabulary so if the customer is a foreigner English, Japanese, Korean and etc., which we observe that quite a big part of golfers in Bangkok face this problem. So we recommend that if our driving range open an international golf school by hiring the native or Thai professional golfer who graduated from overseas like USA, Europe or Australia the problem of communication in English will be solved. And for other languages like Japanese, Korean and etc. we recommend that we should use translators for assisting. They will feel more comfortable to communicate in their own language. If our driving range has international golf school we are quite sure that we can gain more *snare in* foreigner golfers.

Developing and Expanding the Professional Golf Driving Range in E-business

- (1) Establishing website and then using the site to publish information electrically (advertising and promoting the Professional Golf Driving Range on our own website and other related golfer website)
- (2) Advancing the website to "Self Service" status (Customer can come online, checking the availability of lane, booking the lane and etc.)
- (3) Further advancing the website to allow "transactions" Including buying and selling products online (Customer can buy the golf balls or order food before they come to driving range, this provides more convenience buying transaction to our customer).

5.3 Future Research

For the future research, you can find out the new adventures or new invention for doing driving range business like a simulation (real golf course atmospheres) or air-conditioned driving range (some people value golf as luxury sport so some golfers may prefer to exercise in more comfortable style) and etc.

Or may be recognize and find out other premium service (factors) how it is related to driving range business. For the customer who did not come to driving range for just hitting the golf ball alone, they need extra options ex. Convention Center, Golf Equipment Shopping Mall, Buffet restaurant, Swimming pool, Salon room, Massage room and etc. located inside the driving range area.



APPENDIX A
QUESTIONNAIRE

แบบสอบถาม

1. เพศ

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ชาย

☐

หญิง

2. อายุ

☐

3 – 10 ปี

☐

11 – 20 ปี

☐

21 – 40 ปี

☐

40 – 80 ปี

3. บ้าน หรือ สถานที่ที่ทำงานของคุณอยู่ ZONE สาทร , สีลม , พระราม 3 , พระราม 4 หรือไม่

☐

ใช่

☐

ไม่ใช่

4. คุณมาสนามซ้อม GOLF บ่อยไหม

☐

1 ครั้ง /สัปดาห์ หรือน้อยกว่า

☐

2 ครั้ง /สัปดาห์

☐

3 ครั้ง /สัปดาห์

☐

4 ครั้ง /สัปดาห์ หรือมากกว่า

5. ปกติคุณซ้อม GOLF ช่วงไหน

☐

ช่วงเช้า (เวลา 6.00 – 12.00)

☐

ช่วงบ่าย (เวลา 12.00 – 17.00)

☐

หลังเลิกงาน (เวลา 17.00 – 21.00)

6. ปัจจัยในการเลือกสนามซ้อม GOLF (โปรดเลือก 1 ข้อที่คุณคิดว่าสำคัญที่สุด)

☐ สถานที่ (ความใกล้)

☐ คุณภาพ (อุปกรณ์, เครื่องตัก, พรอม)

☐ ราคา

☐ ความใหญ่ (มี LANE ว่างเมื่อมาถึง)

☐ ร้านอาหาร

☐ ความใหม่ (อุปกรณ์, เครื่องตัก, พรอม)

☐ ความหรูหรา

☐ PRO GOLF (ประจำสนาม)

☐ PRO SHOP

☐ CADDIE

☐ อื่น ๆ โปรดระบุ _____

7. ถ้าสนามซ้อม GOLF เปิดใหม่ และมีปัจจัยที่คุณเลือก คุณจะมาสนามกอล์ฟนี้หรือไม่ และบ่อยแค่ไหน

☐ มา

☐ 1 ครั้ง/สัปดาห์

☐ 2 ครั้ง/สัปดาห์

☐ 3 ครั้ง/สัปดาห์

☐ 4 ครั้ง/สัปดาห์

☐ ไม่มา

8. คุณคิดว่าค่าเช่าลูกควรจะเป็นเท่าไร เมื่อสนามซ้อม GOLF เปิดใหม่มีปัจจัยที่คุณเลือก (ต่อ 80 ลูก)

☐ 90 บาท

☐ 100 บาท

☐ 110 บาท

☐ 120 บาท ขึ้นไป

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