

A BREAK EVEN STUDY FOR A NON-PROFIT POLO CLUB
ON THE CENTRAL COAST

Presented to the
Faculty of the Agribusiness Department
California Polytechnic State University

In Partial Fulfillment
of the Requirements for the Degree
Bachelor of Science

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March 2000
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ABSTRACT

This study was undertaken to determine if a nonprofit polo club could be established and breakeven on the Central Coast. The intent was to find the membership and activity levels required for the club to breakeven.

To complete the objectives expert opinion interviews were conducted and budgets from three sample polo clubs in California were collected. The budgets were categorized into fixed and variable costs and breakeven calculations were used.

The original hypothesis was rejected due to the findings in the study. The conclusion was that to breakeven the Central Coast Polo Club must have 19 seasonal members and 19 days of activity.

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INTRODUCTION

The sport of polo is known as the game of kings, dating back to 600 AD it is the oldest equestrian sport in the world, and the fastest field sport (Edwards). A lot of glitter and wealth is traditionally associated with "high-goal" polo, but most polo is played on the lower club level. Players are goal rated by the United State Polo Association (USPA), which governs player's goal ratings in the United States.

How the Game is Played

The traditional game is played between two teams of four mounted players on a field that measures 300 by 160 yards, with goal posts at each end. The object is to move the ball down the field through the goal in periods of play called "chukkars". Chukkars are seven minutes long; time is stopped when the ball goes out of play or there is foul. As a result of the ball passing between the posts a goal is scored. Rule 18 in the USPA rulebook states "The team with the most goals wins the game."

History

Popularity of polo was greatest in the 1930's when crowds of over 30,000 would flock to clubs in Los Angeles and New York to watch celebrities, top players and wealthy play. The sport, brought to the United States by James Gordon Bennett in 1876, grew in popularity over the next 50 years. Polo was even part of the Olympic games from 1908 to 1936. Due to WW 11 polo disappeared from the states, however it returned to prominence in 1946 (Menke). Over the past 20 years polo as undergone an astonishing and notable surge in clubs and membership. Polo is continuing to grow due to the increased interest at the collegiate level and to growing corporate sponsorships of polo clubs and tournaments. Today California boasts the largest percentage of players of any state, many of whom play in small, local clubs (USPA, 1999).

On the Central Coast there are few facilities or organizations that support polo and pony club activities. The Central Coast population's knowledge and participation in polo appears to be low: while the resources appear adequate (ie: land and many equine enthusiasts) to support polo if given an opportunity.

The club would also seek cooperative arrangements with other equestrian groups. Many 4-H and pony clubs on the Central Coast are looking for a support center, which a polo club may provide. A polo club on the Central Coast also could become an important support element for the Cal Poly Polo Club.

Problem Statement

Can a nonprofit polo club be established as financially viable on the Central Coast?

Hypothesis

The analyst estimated that such a polo club would be able to operate at a break-even level with ten seasonal paying members, two practice games a week, five months of operation, and two to three tournaments a year. These levels were based on the analyst's participation with a polo club in Los Angeles.

Objectives

1. To determine the costs, facilities and resources required to operate a polo club.
2. To determine the membership and participation mix required to achieve breakeven.

Significance of the Study

San Luis Obispo County would benefit from a polo club because polo tournaments often bring in large sponsorships for local charities. Polo tournaments are an excellent venues for business publicity of businesses and the politically ambitious. A polo club with competitive tournaments will draw wealthy competitors and crowds from as far away as

Santa Barbara. A polo club would facilitate polo activities of the Cal Poly Polo Club and local pony clubs. A polo club would preserve over 40 acres of agricultural land in agricultural type uses. Currently there are over 231 sanctioned polo clubs in the United States; up 75% from 1980, and over 3,100 registered players; up 103% since 1980 (USPA 1999). Currently, in California, there are 12 clubs and over 500 players (USPA 1999).

REVIEW OF LITERATURE

Leisure, and Recreation

Leisure, defined as activity chosen in relative freedom for its qualities of satisfaction, has three components: leisure as time, leisure as activity, and leisure as experience (Kelly). Leisure as time refers to discretionary time, time beyond what we use for biological existence and time for things we must do to make a living. The leisure as time component looks at that time being residual time use and chosen. Leisure as activity allows for the free exercise of creative capacity, and the time chosen has form or meaning. Psychologically, leisure as experience is subject to a mental condition, which is located in the consciousness of the individual. The leisure experience relies on attitude alone or the state of being the individual is in (Kelly).

Kelly divides leisure and recreation into six categories, of which sport and exercise are the most physical leisure activities. Sport and exercise require a great physical investment of the self that yields the fullest satisfaction in the experience of participation. The leisure sport is organized and goal-oriented and requires great physical exertion. Sport requires a degree of skill, a determined number of participants, and a degree of social content (Kelly).

Participation in recreation and leisure activities by Americans is reported as follow: 72% watch television daily, 70% read the newspaper daily, 35% exercise, and 23% of

Americans pursue a hobby (United Media). Over \$3.9 billion dollars were spent in the United States in 1987 on memberships in sports clubs (US DOC).

Commercial and Entrepreneurial Recreation

When distinguishing between recreation activities there is a clear separation of public and private. Each one, public and private, has a different business plan, service origin, financial base, originating authority, and service focus. Private recreation is profit making. The private sector relies on the consumers' willingness to pay and their desire for travel. The financial base is reliant on private capital and fees revenue. There is an individual initiative in the origin, and the focus is on special market segments (Crossley and Jamieson).

A nonprofit polo club would be considered a private recreational entity and would fall between the classifications of entrepreneurial recreation and commercial public recreation. The entrepreneurial aspect goes along with an organization that searches for trends and changes in its environment, and then acts as an entrepreneur to bring together and manage resources to exploit the changes. The commercialized public recreation provision includes nonprofit organizations that operate commercially, but expect their recreation activities to be supported through fees (Crossley and Jamieson).

Commercial recreation and tourism is the world largest industry accounting for more than \$3.5 trillion dollars ("Travel and Tourism..."). With new recreation facilities comes more employment, stimulation of the local economy through increased commerce, attraction of outside capital, increased property values, increased recreational opportunities, and increased tax revenues. The downside of new recreation facilities are high failure rates, short life cycles, overburdening of local infrastructure, increase in crime and a overuse of natural resources (Crossley and Jamieson).

Nonprofit organizations

Nonprofit corporations are exempt from many federal, state, and local income, property, sales, and excise taxes. Nonprofit organizations can obtain more contributions by providing donors with tax deductions for their gifts. The incorporation is a valuable form of legal protection from personal liability. "Under state corporation laws and court decisions, the nonprofit corporation protects its directors, officers and members from personal liability for claims brought against the corporation (Mancuso)". The institution of a nonprofit corporation allows the founders to work through many organizational issues that may be ignored in an informal environment.

The preliminary paperwork necessary to organize a nonprofit corporation includes preparing corporate articles, bylaws and tax exemption applications. The organization defines the nonprofit purpose, the fundraising program, expected support, and a formal membership proposal. A board of directors must be established along with officers elected, and members initiated.

A nonprofit corporation can engage in any lawful activity related to its nonprofit purpose along with the right to engage in activities specifically allowed by state nonprofit corporation laws. A nonprofit corporation can sue or defend in court, own and hold both real and personal property, make contract, incur liabilities, elect officers and directors, receive money, and generally do anything lawful and necessary for the corporation to carry out its nonprofit purposes (Mancuso).

Sponsorships, Benefits, and Fund-raisers

The popularity of polo will continue to grow due to the growing corporate sponsorships of polo clubs and tournaments. Dan Keating, founder and owner of Westchester Polo Club in Rhode Island, explains that three things are necessary for the success of a great polo program: players, spectators, and sponsorship. Sponsors invest anywhere from \$5,000 to more than \$1 million a year into polo because many companies have discovered polo as a vehicle to reach the often-elusive affluent market (in Erickson). Clubs welcome the sponsorships as a way to improve facilities, broaden the audience, and take the burden off the club for paying professionals. Sponsors benefit by receiving high brand awareness for their money.

*Benefits that are held at even small local clubs can raise large amounts of money. The Mercedes Benz Classic, held at the Will Rogers Polo Club in Beverly Hills, benefited the

Good Beginnings Support Group for the Neonatal Intensive Care Unit at Cedars-Sinai Medical Center. The tournament attracted 300 guests and raised over \$33,000 for Good Beginnings (Brittan) . Such events build good relationships with the community, attract spectators, and entice new sponsors to the game.

Starting a Polo Club

Members are crucial in creating a polo club. People willing to work and willing to ride are needed. Beyond just the eight men on the field you need a referee and umpires, scorekeepers, timers, and eventually an announcer and flaggers at the goals. New members must be constantly sought out, encouraged and trained. Due to the amount of time polo takes as well as the expense involved, attrition is high (USPA 1995). Finding new members involves active marketing and advertising but also word of mouth. A new club must offer lessons, schedule beginning chukkars, and be able to lease horses. The club will have to maintain a field and organize weekly scheduled games and practice chukkars.

The location of the club must be easily accessible for trailers and spectators. The polo facility should provide space for parking trailers, warming-up horses, washing horses, and spectator parking (USPA, 1995).

Market Research

The most basic idea behind market research is finding what the consumer wants. The vice president of marketing research for Yoplait, Gayle Fuguitt, has the responsibility of not only looking at the numbers but also deciding what data is relevant to the particular problem. That data then needs to be represented in a meaningful way so it can be used to make real business decisions. The marketing concept states that the principle task of the marketing function is to serve the interests of the consumer. The marketing mix of product, price, place and promotion should be manipulated to satisfy customer needs.

Marketing research is the function that links the consumer to the marketer through information. Information is then used to identify and define marketing problems, generate, refine, and evaluate marketing actions, monitor marketing performance, and improve understanding of marketing as a process (Churchill). How the research function is organized is determined by the size of the company and the organizational structure.

Most companies are trying to answer: "Is our money being spent well?" In relation to advertising one thing that marketing research can do is make sure that the money you are going to spend on advertising is spent in the most cost-effective way.

Experience Survey

Cox suggests that the experience survey seeks individuals with knowledge and experience given the current subject being investigated. Respondents in an experience survey should be carefully selected. Not all people with general knowledge of the subject

should be contacted, only those with insight into the relationships between variables. People with differing points of views should also be included. Interviews should be unstructured and respondents allowed to choose the factors discussed.

The use of an experience survey when trying to gain insight into a declining sales situation can allow for exterior perspectives. A firm's board of directors was asked to identify the three most knowledgeable persons in the country with respect to the operation of the firm. All three were executives of present or past customers of the firm. The experts identified that there had been no decline in market activity, but manufacturers were spreading their business between several suppliers to assure additional sources of supply in order to handle the expansion of demand that was forecasted to occur within the next two years (COX).

Local Central Coast Polo Development

A 1974 survey of the polo industry detailed the history of polo, how the game is played, selection of polo ponies, training of polo ponies, and evaluated polo at Cal Poly. Although her feasibility study for a polo club on campus contained extremely inflated numbers; she concluded that there was not the interest or resources at Cal Poly for a polo team. Within five years of her senior project completion a polo club had been formed on the Cal Poly campus (Null).

Null, a past member of the Cal Poly Polo Club reviewed the management and care of the Cal Poly Polo Club horses. Her project obtained much of its data through personal experience with the organization and secondary literature. The project was designed to set up guidelines for the operation of the club especially pertaining to the care of the horses. Cal Poly's team has traditionally used the rodeo arena for practice and games.

In 1998, Carr's project on the "Proposed Design and Cost Analysis of a Rodeo Facility" acquired information on costs from contractors and experienced rodeo facility operators. He used experienced and knowledgeable rodeo contacts as data sources.

In 1983, Bordonaro did a feasibility study for starting a Thoroughbred breeding facility in Paso Robles, California. Bordonaro used a industry questionnaire to find information on facilities and costs for building a breeding facility. Bordonaro also used industry experts for information on the demand and the quality of facility that would be profitable in the Central Coast area.

A project on the feasibility of an equine boarding facility in San Luis Obispo used information collected from various phone interviews of local stable owners, realtors, feed dealers, and barn suppliers. Information was also gathered from books, magazines, and personal experience. The data collected through various phone and personal inter-views was presented in initial investment and depreciation tables (Johnson).

Capital Needs

Fund Raising

Putting a new twist on fundraising for nonprofit organizations, Christmas shoppers can now shop through iGive.com, and register their favorite philanthropy to receive up to 15 percent of their purchase price. This is creating a new and easy way for nonprofit organizations to raise money. iGive.com, created three years ago, has raised more than \$425,000 for the member-listed nonprofit organizations throughout the U.S. and Canada ("I 1999's Hottest Holiday...").

Corporate Giving

Corporations, as a charitable fund's resource, are rarely used. Corporations typically give only 1% of the before-tax profits to charitable causes when, by law, they are allowed to give up to 10% in tax deductible form (Desmond). The reason is that corporations exist to make money for their stockholders, not give it away to charity. Fiscal conditions and the related decisions change quarterly and do not permit long-range contributions planning or commitment (Greenfield). The reasons that corporations do give are for good corporate citizenship, enlightened self-interest, individual leadership initiative, location, and quid pro quo interests' (Sheldon).

There are many sources for corporate support, which are monetary and non-monetary, to nonprofit organizations. The following are examples: outright gift, a direct contribution or grant; matching gift, a gift to match an employer's personal gift; equipment and service donations, use of facilities, equipment, and professional services, and in-kind donations, delivery of product without charge or purchase (Greenfield).

A common part of the corporate gift is a public relations request for a gift announcement. A photo along with a press release notifying the community of the gift given improves the corporation's public interest and helps sell its products.

1 "What's in it for us?" The company wants to see a tangible outcome, such as name representation in print, on its charitable investment.

METHODOLOGY

Procedure for Data Collection

Exploratory research techniques can be strengthened by including an experience survey. In depth, personal interviews with those knowledgeable and experienced in the polo industry will develop tentative explanations, an emphasis in exploratory research (Churchill). Experts were chosen based on recommendations from the USPA. The following people were to be interviewed: Daniel Scheraga, the President of the Polo Training Foundation; Tom Narozonick, the Chairman of the Santa Barbara Polo & Racquet Club; Don Prather, accountant for the Modesto Polo Club, and Bill Carter, board member of the Will Rogers Polo Club. The interviews followed an informal discussion guide, and were done by telephone. The discussion guide contained questions pertaining to the startup, operation, management, and structure of the local polo club, to which the person belongs or has knowledge of (see Figure 1). The same guide will be used in each interview, but the person interviewed will be allowed to alter the order and discuss any other topic, which arises from the questions.

For the break-even analysis data were obtained from three operating polo clubs: Will Rogers Polo Club, Modesto Polo Club, and Santa Barbara Polo club as to cost of operation, maintenance, and advertising. These clubs were chosen for their proximity to San Luis Obispo and because each has very distinct resources and operations.

Figure 1. Experience Survey Discussion Guide for Polo Club Expert Opinion Poll.

1. How many years have you been involved with polo?
2. What is your current status in industry?
3. What is the structure of your polo organization?
 - a. management
 - b. operation
 - c. fiscal operations
 - d. membership
 - e. employees
4. How does your organization operate?
5. What are the biggest difficulties in running a polo organization?
6. In what ways does your organization fund-raise?
7. In what ways does your organization build capital?
8. How does your organization market itself?
9. How does your organization advertise events and tournaments?
10. How does your organization recruit members?
11. In what ways do you work with other polo organizations?
12. Do you see other polo clubs as you competition or allies?
13. Talk about you feeling on the current industry of polo.
14. What does it take to start a polo club?
15. Do you have any insight to the current project?

Note: Responses were transcribed for subsequent use.

Sampling frame

The non-probability sample selection process, for the expert opinion respondents, relied on personal judgment and the researcher subjectively deciding what groups will be part of the study (Churchill). It is realized that this may lead to bias results, nonetheless the polo clubs sampled for cost information were chosen based on ease to obtain information, location to the Central Coast, convenience and cost considerations. Clubs that would be similar in size and activity to a Central Coast Polo Club will be used.

Procedure for Data Analysis

Information on sampled clubs will be recorded to a table. Costs will be set into different categories depending on fixed costs, variable costs, or capital expenditure.

The experience surveys lead the expert through a series of questions about their experience. The responses will be observed to identify similar responses and differing responses from individuals. Unique or intuitive insight brought up during the interview will be developed. Expected from the interviews are conceptual ideas that would facilitate a plan for the Central Coast Polo Club. Topics discussed such as membership, facilities, operations, management, and finances will be categorized for further analysis later. Information obtained will be manipulated to fit the context of the current objective. Because the San Luis Obispo community is different in many ways from Los Angeles and the Central Valley certain factors may omitted and other factors may need to be expanded.

Assumptions and Limitations

This study is only meant as a building block or first planning step for someone wanting to start a polo club. No information on the demand or market for a polo club on the Central Coast has been acquired. The assumption is made to disregard expert opinion and cost convenience sample selection biases.

DEVELOPMENT OF THE STUDY

Data Collection Problems

The analyst when interviewing polo industry contacts found difficulty getting only three presidents or chairmen that had the time to give adequate feedback, whereas others elaborated in great detail how their club operated. One contact was even unsure about saying too much regarding his club because he was not clear on what the information was being used for.

Financial statements and budgets were obtained by fax response. After reviewing the statements, follow-up calls were used to clarify responses and ask additional questions. Each club had different accounting procedures so much of the data had to be manipulated into fixed and variable expenses, and income separated by membership or chukkar fees.

Data Presentation

Table one is the summation of all costs, facilities, and resources required to operate a polo club, which was the first objective (see Table 1).

The second objective was to determine the membership, activity mix required to achieve break-even. Tables two, three, and four are the first step in this process, they are the costs and income for all three observed polo clubs. Some pertinent facts about these clubs that need to be taken into consideration are:

Santa Barbara Polo Club gave no revenue or income information, therefore the analyst made estimates based on membership prices published and an estimated membership players by an anonymous club member. The Santa Barbara Polo Club maintains three active polo fields, so numbers were pro-rated for comparison with the other two clubs.

Will Rogers Polo Club leases the polo grounds from the State of California, which, provide all care and maintenance of the field.

Modesto Polo Club costs reflected more capital expenses that were necessary to maintain the facility and field, rather than large amounts of daily operational expenses.

Table 1. Costs, Facilities, and Resources Required to Operate a Polo Club

Costs:	Facilities:	Resources:
Umpires Maintenance Fertilizer Water Field Set-up Medical Services USPA Dues	Polo Field Trailer Parking Spectator Viewing Goal Posts Polo Balls Powder Chalk 6"Boards	Board of Directors Accountant Mower Sprinklers Tournament Committee

Table 2. Santa Barbara Polo Club Prorated Competition Budget, 1 Field, 37 days of activity.

	Unit	Price	Units	Cost	Total
VARIABLE COSTS:					
Contract Labor	Month	\$ 531.00	8	\$ 4,248.00	\$ 4,248.00
Cost of Awards	Month	\$ 767.00	8	\$ 6,136.00	\$ 6,136.00
Fertilizer	Month	\$ 580.00	8	\$ 4,640.00	\$ 4,640.00
Polo Equipment	Month	\$ 600.00	8	\$ 4,800.00	\$ 4,800.00
Tournament Costs	Month	\$ 263.00	8	\$ 2,104.00	\$ 2,104.00
Sand	Month	\$1,917.00	4	\$ 7,668.00	\$ 7,668.00
Equipment Rental	Month	\$ 47.00	3	\$ 141.00	\$ 141.00
Medic/Ambulance	Month	\$ 333.00	8	\$ 2,664.00	\$ 2,664.00
Consulting Costs	Month	\$ 817.00	3	\$ 2,451.00	\$ 2,451.00
TOTAL VARIABLE COSTS				\$ 34,852.00	\$34,852.00
FIXED COSTS:					
Salary - Polo Mgr.	Season	\$ 21,903	1	\$ 21,903.00	\$ 21,903
Salary - Field Maintenance	Season	\$ 45,425	1	\$ 45,425.00	\$ 45,425
Payroll Taxes	Season	\$ 5,391	1	\$ 5,391.00	\$ 5,391.00
Equipment Repair	Season	\$ 12,558	1	\$ 12,558.00	\$12,558.00
Field Rental	Season	\$ 19,570	1	\$ 19,570.00	\$19,570.00
Fuel	Season	\$ 4,507	1	\$ 4,507.00	\$ 4,507.00
Miscellaneous	Season	\$ 7,970	1	\$ 7,970.00	\$ 7,970.00
Utilities	Season	\$ 6,790	1	\$ 6,790.00	\$ 6,790.00
Chemical	Season	\$ 7,183	1	\$ 7,183.00	\$ 7,183.00
Maintenance Supplies	Season	\$ 4,105	1	\$ 4,105.00	\$ 4,105.00
Landscaping	Season	\$ 2,421	1	\$ 2,421.00	\$ 2,421.00
Telephone	Season	\$ 1,385	1	\$ 1,385.00	\$ 1,385.00
Disposal	Season	\$ 3,404	1	\$ 3,404.00	\$ 3,404.00
TOTAL FIXED COSTS				\$ 142,612.00	\$ 142,612
TOTAL COSTS				\$ 177,464.00	\$ 177,464
INCOME/REVENUE					
Seasonal Membership	Season		12	\$ 12,000.00	\$ 144,000
Chukkers	Chukkar		150	\$ 35.00	\$ 5,250
Tournament Fees	Tournament		3	\$ 8,000.00	\$ 24,000
Other			1	\$ 20,000.00	\$ 20,000
TOTAL INCOME				\$ 40,035.00	\$ 193,250

Source: Santa Barbara Polo & Racquet Club, 2/10/00

Table 3. Will Rogers Polo Club Budget with 45 days of operation and 4 events.

	Unit	Price	Units	Cost	Total
VARIABLE COSTS:					
Umpires	Day	\$ 50.00	2 \$	100.00	\$ 4,500.00
Medical Services	Day	\$ 90.00	1 \$	90.00	\$ 4,050.00
Scorekeeper/Timer	Day	\$ 35.00	1 \$	35.00	\$ 1,575.00
Field Set-up	Day	\$ 77.78	1 \$	77.78	\$ 3,500.10
Announcers	Day	\$ 50.00	1 \$	50.00	\$ 2,250.00
Trophies	Event	\$ 50.00	8 \$	400.00	\$ 1,600.00
Champagne	Event	\$ 150.00	1 \$	150.00	\$ 600.00
Social Events	Event	\$1,000.00	1 \$	1,000.00	\$ 4,000.00
TOTAL VARIABLE COSTS				<u>\$ 1,902.78</u>	<u>\$22,075.10</u>
FIXED COSTS:					
Field Rental	Day	\$ 400.00	45 \$	18,000.00	\$18,000.00
Field Maintenance	Day	\$ 100.00	45 \$	4,500.00	\$ 4,500.00
Printing		\$2,000.00	1 \$	2,000.00	\$ 2,000.00
Internet		\$1,200.00	1 \$	1,200.00	\$ 1,200.00
Supplies		\$ 600.00	1 \$	600.00	\$ 600.00
Telephone		\$ 600.00	1 \$	600.00	\$ 600.00
Insurance		\$ 550.00	1 \$	550.00	\$ 550.00
Miscellaneous		\$ 500.00	1 \$	500.00	\$ 500.00
USPA Dues		\$ 200.00	1 \$	200.00	\$ 200.00
TOTAL FIXED COSTS				<u>\$ 28,150.00</u>	<u>\$28,150.00</u>
TOTAL COSTS				<u>\$ 30,052.78</u>	<u>\$50,225.10</u>
INCOME/REVENUE					
Seasonal Membership	Season	\$1,800.00	16 \$	28,800.00	
Monthly Membership	Month	\$ 425.00	7 \$	2,975.00	
Chukkers	Chukkar	\$ 20.00	532 \$	10,640.00	
Tournament Fees	Tournament	\$2,732.00	1 \$	2,732.00	
Charity Events	Event	\$7,500.00	1 \$	7,500.00	
Other		\$1,431.00	1 \$	1,431.00	
TOTAL INCOME				<u>\$ 54,078.00</u>	

Source: Will Rogers 1998 Budget 2/9/00

Table 4. Polo Club of Modesto Budget for 1997/1998 with 20 days of operation and 5 events.

	Unit	Price	Units	Cost	Total
VARIABLE COSTS:					
Tournament	Event	\$ 86.00	5 \$	430.00	\$ 430.00
Supplies	Daily	\$ 22.00	25 \$	550.00	\$ 550.00
Labor	Daily	\$ 125.00	25 \$	3,125.00	\$ 3,125.00
TOTAL VARIABLE COSTS				\$ 4,105.00	\$ 4,105.00
FIXED COSTS:					
Field Rental	Season	\$ 200.00	1 \$	200.00	\$ 200.00
Field Maintenance	Season	\$2,039.00	1 \$	2,039.00	\$ 2,039.00
Utilities		\$ 618.00	1 \$	618.00	\$ 618.00
Accounting		\$ 385.00	1 \$	385.00	\$ 385.00
Portapottie		\$ 741.00	1 \$	741.00	\$ 741.00
Insurance		\$1,171.00	1 \$	1,171.00	\$ 1,171.00
USPA Dues		\$ 200.00	1 \$	200.00	\$ 200.00
TOTAL FIXED COSTS				\$ 5,354.00	\$ 5,354.00
TOTAL COSTS				\$ 9,459.00	\$ 9,459.00
INCOME/REVENUE					
Family Dues	Season	\$ 750.00	10 \$	7,500.00	
Individual Dues	Season	\$ 500.00	4 \$	2,000.00	
Tournament Fees	Tournament	\$1,420.00	1 \$	1,420.00	
Other		\$ 471.00	1 \$	471.00	
TOTAL INCOME				\$ 11,391.00	

Source: Don Prather, Accountant, Polo Club of Modesto

Analysis

The analyst tested the hypothesis using a Cost-Volume-Profit analysis. Instead of a profit though, the analyst will be looking for the membership, activity mix that would allow the nonprofit Central Coast Polo Club to break-even. In Figure 2, the membership graph, the horizontal axis represents membership numbers, and the vertical axis represents dollars of revenues, costs, and profits. In Figure 3, the activity graph, the horizontal axis represents days of activity and the vertical axis the same as before. In both graphs the sales revenue line was drawn at a 45' angle extending from the origin upward and to the right. The total cost line for each club begins on the vertical axis and also extends upward and to the right, but with a more gradual slope than that of the revenue line. The intersection of the revenue line and the total cost line is the breakeven point.

The analyst tested the following hypothesis: a polo club on the Central Coast will be able to operate at a break-even level with ten seasonal paying members, forty days of activity, and three tournaments a year. The objective linked to the hypothesis is to determine the membership and activity mix required to achieve breakeven. The hypothesis was tested by using a cost-volume-profit analysis (or breakeven analysis) of three California Polo Clubs too determine their respective breakeven points. Each club, because of the difference in costs and revenues, had very different breakeven levels of activity and membership. The analyst then had to determine which aspects of the sampled clubs would be represented on the Central Coast. In other words which clubs sampled would be most similar to the Central Coast Polo Club, and which clubs are in no way similar and should not have their data represented.

Breakeven membership levels for the sampled clubs were determined by setting the unknown factor, membership, at "X", and the net income amount to \$0. The analyst used the following equation (Smith):

$$(\text{Dues} \times \text{"X"}) + (\text{Tournament Revenue}) - (\text{VC/day} \times \text{Days of Operation}) - (\text{VC/Tournament} \times \text{Number of Tournaments}) - \text{TFC} = \$0$$

Breakeven activity levels for the sampled clubs were determined by calculating the contribution margin, money that went toward covering fixed costs, and establishing how many days of activity the club had to operate to cover fixed costs. The analyst used the following equation (Smith):

$$\begin{aligned} & \text{Revenue per day} \\ & \underline{\text{<Variable Cost per day>}} \text{ less} \\ & = \text{Contribution Margin} \end{aligned}$$

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

The analyst is making the following assumptions regarding the Central Coast Polo Club: The club because it is now will need to keep seasonal dues to a minimum to attract membership. The club will most likely have to rent and maintain the polo facility. The club will have to obtain insurance and pay all associated utility cost.

The Central Coast Polo Club is most similar to the Modesto Polo Club, which requires 19 members and 19 days of activity a year to breakeven. The analysts' hypothesis is therefore rejected.

Insert Days of Activity Figure 2 here (separate file)

Insert Membership Activity Figure 3 here (separate file)

Figure 3 insert image here

Table 5. Santa Barbara Polo Club Breakeven Analysis

Seasonal Membership

(dues x membership) + (tournament revenue) - (VC/day x days of operation) - (VC/tourn. x tourn.) - TFC = \$0

$$(\$12,000 \times X) + (\$24,000) - (\$31,179) - (\$2,104) - \$142,587 = \$0$$
$$\$12,000X = \$151,870$$
$$X = 13$$

Days of Operation

Revenue/day

$$\frac{\text{<VC>}}{\text{CM}}$$

$$\text{Breakeven} = \frac{\text{FC}}{\text{CM}}$$

$$\frac{\$5,225}{\text{<\$900>}} \\ \$4,325$$

$$\text{Breakeven} = \frac{\$142,587}{\$4,325} = 33 \text{ days}$$

Santa Barbara Polo Club is a very prominent, highly competitive polo club. The club not only caters to the players but even more so to the spectators. The club maintains a very prestigious and elegant polo facility. Large costs associated with the maintenance of the club requires high seasonal membership dues to offset the costs. Santa Barbara also maintains three fields, and has over 40 seasonal members.

Table 6. Will Rogers Polo Club Breakeven Analysis

Seasonal Membership

(dues x membership) + (tournament revenue) - (VC/day x days of operation) - (VC/tourn. x tourn.) - TFC = \$0

$$(\$1800 \times X) + (\$16,000) - (\$15,875) - (\$6,200) - \$28,150 = \$0$$
$$\$1,800X = \$34,225$$
$$X = 19$$

Days of Operation

Revenue/day

$$\frac{y}{\text{<VC>}} \\ \text{CM}$$

$$\text{Breakeven} = \frac{\text{FC}}{\text{CM}}$$

$$\frac{\$1,202}{\text{<\$491>}} \\ \$711$$

$$\text{Breakeven} = \frac{\$28,150}{\$711} = 40 \text{ days}$$

Will Rogers Polo Club maintains one field and only operates during the weekends.

Because the club pays for each day of usage of the field their variable costs are high, which creates a smaller contribution margin and requires the club to operate more days in order to break-even.

Table 7. Modesto Polo Club Breakeven Analysis

Individual Membership

(dues x membership) - (VC/day x days of operation) - (VC/tournament x tournament) - TFC = \$0

$$(\$500 \times X) - (\$3,675) - (\$430) - \$5,354 = \$0$$

$$\$500X = \$9,459$$

$$X = 19$$

Family Membership

(dues x membership) - (VC/day x days of operation) - (VC/tournament x tournament) - TFC = \$0

$$(\$750 \times X) - (\$3,675) - (\$430) - \$5,354$$

$$= \$0$$

$$\$750X = \$9,459$$

$$X = 13$$

Days of Operation

Revenue/day

<VC>

CM

\$455

<\$165>

\$290

Breakeven FC

CM

Breakeven = \$5,354 ÷ \$290 = 19 days

\$290

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Modesto Polo Club offers both individual and family memberships. For the purpose of comparison with the other clubs we used the individual data for the analysis. What also is notable for the Modesto club is that there are very few variable costs, because no substantial fee is paid for renting the field, but larger fixed costs associated with the purchase of maintenance equipment for the polo field. The small cost of membership reflects the level of competition and the quality of the facilities. The club functions mainly on the personal effort of the club membership, rather than paid laborers.

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

In summary the sport of polo is played in a wide variety of facilities with a large variation of competition, players, and skill level. Most recently the popularity of polo in California has grown due to the increase interest at the collegiate level and growing corporate sponsorships for local teams. Currently there are twelve active clubs in California and over 500 players.

Twenty three percent of Americans are reported to participate in a hobby, such as polo. Polo would be considered a private recreational activity and fall between the classifications of entrepreneurial recreation and commercial public recreation. A polo club benefits from being a nonprofit organization in that it protects its directors, officers and members from personal liability for claims. As a nonprofit organization the club can host benefits and fundraisers for local charities, which draws crowds and new members.

Starting a polo club involves finding land, a large capital investment, time to organize and recruit members. Market research and advertising are essential to the successful start-up of a polo club. Getting advice and information from other polo clubs help facilitate the management and gain insight to problems that might occur.

Many students at Cal Poly have done similar studies that look at the management of a collegiate polo club, the design and cost of a rodeo facility, and the feasibility of starting a

Thoroughbred breeding facility in San Luis Obispo County. Before any organization can start it is wise to look at all capital needs and find what sources of capital are available.

Data for the analysis was obtained through experience surveys, and budgets of sample clubs in California. Budgets were manipulated to fit categories such as fixed costs, variable costs, and revenues for a Cost-Volume-Profit analysis. Information gathered was placed in tables and graphs for easy comprehension. A graph was used to show different levels of breakeven for membership and activity for each club sampled. Tables were set up to calculate each club's breakeven points and either confirm or deny the hypothesis.

The hypothesis was rejected, the Central Coast Polo Club would not breakeven with ten seasonal members. To breakeven the Central Coast Polo Club must have 19 seasonal members and 19 days of activity. Our objectives: to determine the costs, facilities, and resources required to operate a polo club; to determine the membership and participation mix required to achieve breakeven, have both been met.

The Central Coast Polo Club is most similar to the Modesto Polo Club and therefore reject the hypothesis based on the breakeven levels of the Modesto Polo Club.

Conclusions

The immediate conclusion that was made was that no polo grounds existed in San Luis Obispo County and therefore personal land, a private facility would most likely have to be used. Will Rogers Polo Club leases the polo field and facilities from the State of California, and is not responsible for the maintenance for the field. This eliminated the Will

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Rogers Polo Club situation from being a complete parallel to Central Coast Polo financially. Santa Barbara Polo Club, resting on about 130 acres contains three polo fields, a polo arena, a warm-up track, boarding for over 300 horses, and a sizable grandstand. The club, which has been in existence for over 100 years, is known for high-goal polo and employs two full time managers for the club and field maintenance. The large size differential, even after prorating the costs and revenues, does not represent Central Coast Polo, which will be located in a very limited polo interest area. Modesto Polo Club is a club located in a large rodeo equestrian population, similar to San Luis Obispo. The club operates on private land; club members supply the labor, and maintain the field themselves. The Modesto Polo Club charges membership dues based on expenses; and hosts only two to three tournaments a year. Comparing all three clubs, each requires similar breakeven membership participation. The analyst concluded to reject the hypothesis of ten seasonal members due to the representation of three very different polo clubs each needing at least 13 members to breakeven, and in the case of Will Rogers Polo Club they needed 19 members. The hypothesis was not consistent in days of activity and was also therefore rejected. Each club had different breakeven levels of activity mainly due to large fixed costs at Santa Barbara Polo Club and Will Rogers Polo club and small contribution margins. The Modesto Club had a greater percentage of expenses associated with variable costs or costs only occurred when activity took place. The analyst concluded that the Central Coast Polo Club would be similar to Modesto and only need to operate around 20 days a year to breakeven, not the hypothesized 40 days.

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Conversations with club presidents and chairmen allowed the analyst to outline the minimal costs, facilities, and resources required to operate a polo club. The analyst also used personal knowledge, and information from the Literature Review.

Recommendations

The analyst's viewpoint is that a nonprofit polo club can be established as financially viable on the Central Coast if the following exists: a polo field or arena, at least thirteen members are paying seasonal membership, and there is at least twenty days of activity cover all fixed and variable costs.

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A second recommendation is that effort be extended to complete a market research study, and observe the attitudes and recreational expenses of residents on the Central Coast. What further needs to be established is the existing demand for polo on the Central Coast, and the amount of money residents are willing to spend on leisure/sport activities.

The analyst notes that an appraisal or cost estimates of property could be obtained from various parts of the county to determine what location the land for a club could be obtained and at what cost.

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