

# State of the Assessments,



# Industry Opinions & Optimism

COMPILED BY DAVE WHITE, EDITOR

Never mind the 'dawg days' of summer...the private club industry's been in a funk, sometimes blamed on a 'sick' economy, sometimes blamed on the 'status quo' like meddling boards of directors, competition, dues increases, changing lifestyles, an aging population, lack of retention of current members and lack of recruitment of new members, and a host of other culprits.

For sure, the private club industry has been slow to adapt in a period when the sluggish world economy has exacerbated the challenges and difficulties.

So where does this industry stand as a new year approaches? What are clubs doing to 'right the ship?' Is change happening or does the 'status quo' still reign? Is there optimism?

These are the questions for people involved in this multi-billion dollar industry as BoardRoom, this issue, focuses on "The State of the Industry" and the thoughts and opinions of our many contributors.

**cover story continued on page 22**

# Establishing the Brand



**CHARLES DORN**  
MANAGING DIRECTOR  
THE DORN GROUP

**DURING THE ECONOMIC DOWNTURN MANY CLUBS HAVE SET THEMSELVES APART. THEY HAVE ESTABLISHED THEIR BRAND AND HAVE SET THEMSELVES APART FROM THE COMPETITION.**

Consider the recent announcement the Hyannis Yacht Club (MA) restaurant, the Captain's Table, has become the nation's first yacht club restaurant to be certified as a 2 Star Certified Green Restaurant by the national non-profit Green Restaurant Association or the decision by Liberty National Golf

Club (NJ) to purchase 20 iPads to use, in lieu of traditional dining room menus.

As clubs have struggled to maintain their facilities, others have taken a different approach and expanded or renovated. This past summer, the New York Yacht Club spent \$3.5 million to rebuild the cellar level of their historic clubhouse including the replacement of their aging kitchen and employee locker rooms.



**FRANK VAIN**  
PRESIDENT, MCMAHON GROUP

**THE CHALLENGES FOR PRIVATE CLUBS WERE WELL DOCUMENTED BEFORE THE DECEMBER 2007 BEGINNING OF THE GREAT RECESSION.**

McMahon Group Club industry pulse surveys conducted that year found that over half the clubs in the country had fewer members at that point than they did at the turn of the century.

## Private Clubs in the 21<sup>st</sup> Century *Clubs Must Have Their Own Unique Appeal*

These findings were quite troubling given that the 2003 to 2006 economy featured booming housing, stock and commodity prices that proved to be especially beneficial to the wealth holders in society.

Indeed, a review of the data and ensuing events would suggest that the recent downturn served only to accelerate the slow erosion that was occurring in club memberships, not cause it.

The erosion in membership that occurred throughout the first part of the decade was the result of many clubs being unable to backfill the naturally occurring attrition in their ranks.

About three to five percent of members will leave a club annually, most the result of uncontrollable reasons of death, infirmity and relo-

cation. Therefore, a club must attract an equal number of new members each year just to remain even with membership.

During 2007 – 2009, there was a piling on to this built-in attrition from the financial collapse, with several reports indicating the total number of club members in the U.S. declined by 11 percent in 2009.

As we look to the future, it is clear that clubs face continued headwinds from a combination of factors including:

- A shrinking target market as the Baby Boomers move past their prime joining years
- Intense competition for typical club offerings from all sorts of

Meanwhile, The Union Club of New York spent \$4.2 million to replace their kitchen and renovate a number of banquet rooms in their landmark Delano and Aldrich building.

Perhaps the most profound changes being seen involve the dismantling of old school rules. Dress codes are being relaxed at clubs across the country, and cell phones rules are being rewritten to recognize the importance of technology in member's day-to-day lives.

The changes being made throughout the industry reflect the need to change based on changing member demographics. At the Yale Club of New York, a portion of the outdoor section of the rooftop dining room was transformed into a lounge reminiscent of Manhattan's trendy rooftop bars.

The traditional menu has been cast aside to target younger members. New offerings focus on lower price points, shared plates and bar snacks to be enjoyed with cocktails.

As clubs go through the budget and planning process for the coming year, it's time to look beyond the existing offerings, the annual minor changes made to operations and instead ask the question, "What do members want and what do they need?"

Most importantly, the follow-up is, "How do we give it to them in a way which respects our club values and in ways they do not expect?"

Dorn does however, suggest "2011 by many indicators will bring some degree of improvement to our economy but as many have said, the hospitality industry is one of the last to feel the effect of a recession and one of the last to recover.

Club membership is heavily based on discretionary income and frankly many members and prospective members still do not have it."

**cover story continued on page 24**

restaurant, hospitality and recreation oriented for-profit operators, and

- A government with stated intentions to redistribute wealth and throttle capitalism with burdensome regulation.

Perhaps trumping all these, however, is the fact that clubs continue to face a number of "tensions" between their traditional way of doing business and the ethos of modern society.

Where most clubs have typically celebrated their traditions, male orientation, formality, behavioral standards and reputation as a special occasion place they now find themselves facing a diverse, casual, high tech, time constrained world where work-play-family time blends together as never before. Today's consumer tends to want things on their terms, and they dislike barriers that stand in their way.

While the industry clearly needs a stronger economy to allow it to find stability and growth, it also needs an adjustment in attitude if it's going to connect with the next generation of members.

In order to succeed in the future, private club leaders will need to do a much more effective job of identifying the desires of their members and the demands of the club's marketplace for the purpose of developing an individualized strategy that works for them.

The industry remains much too centered on looking at iconic clubs and trying to pattern themselves along those lines. It doesn't matter what works for other clubs in the country or even your city. What will work for your members? A factual understanding of the internal and external environment must be the basis for providing creative and visionary leadership.

Ultimately, the major objective of club leaders must be to overcome the natural resistance to change that builds up in these organizations. Concerns about how, "We've never done it that way" must be replaced with a spirit to try new things. Private clubs are social organizations that must respond to the lifestyle trends and competitive dynamics of the world around them if they are going to attract and retain members.

It is a challenge for today's country clubs to offer a membership with high perceived value to prospective members because of the changing ways in which people live and work, and the numerous and growing alternatives people have for expending their recreational time and money.

Historically, the major driver of interest in belonging to a country club has been an interest in gaining access to a private golf course. Although golf continues to be a very substantial motivator of people considering a

**Frank Vain continued on page 78**

club membership, it is much less of a factor than it was 10 or 15 years ago.

Many existing members and a large majority of prospective younger members are placing much greater emphasis on other activities such as dining, swimming, family activities and fitness programs. Along with these popular offerings, clubs must provide programs that cause people to interact through its programs. Anyone that chooses to be a club member is a social being that wants to build and maintain relationships with others. Programs are the lubricant that drives this interaction.

One of the chief impacts on the ability to derive value from membership is the increasingly time constrained society in which we live. Clubs have long been built around a nuclear family model that is no longer the standard for the American household.

Since Mom is just as likely to be working as Dad – a trend that will only continue to increase in the future – the time availability and preferred types of leisure activities is changing. This affects all aspects of scheduling, access rules and programming, for example:

- Golf rounds are down because of the inability for people to find four hours to play an 18-hole round. Upgrade your practice areas so they can serve to replicate the golf experience for a member that has only an hour or two to use the club.
- Create nine-hole leagues, offer clinics and run a fun nine-hole couple's golf event to drive participation.
- Golf professionals must use outreach to generate play. Contact members that aren't playing and find out why. Put together groups and events that are fun and generate activity. Find people games that fit their schedules. More than ever before, we need to invite play on the course, not restrict it.
- Get women involved through "Introduction to Golf Programs" that take away the intimidation factor that still prevents many of them from playing more rounds at private clubs.
- Offer a broad array of social events, some that are short duration activities and other "Can't Miss Signature Events" when there is time to break away and use the club.

- Have members connect through the club with "Clubs-Within-The Club." This will give them a reason to come to the club outside their self-generated uses. Food, wine, art, reading and health and nutrition are just some of the things that can be used to build these networks.

- Offer a child-watch service, so busy young parents can attend events or use the recreational facilities in a one-stop shop format.

### FEMALE AND FAMILY-ORIENTED

The decision to join a club is now driven by the couple or family, not the corporation that no longer pays the dues. As such, the membership development and recruiting process must change. While your prospective member may work for the top bank or another business in town, it will most likely be personal money that will fund the membership. It is important to take down the barriers that prevent your club from being welcoming to all.

- Involve both spouses in the joining and new member orientation process and provide programs that make the club appealing to adults and children.
- Communications must be aimed toward everyone in the family, not solely the person named on the membership certificate.
- If we are going to truly engage all member groups, we need more females on club boards and committees and in management.
- When considering membership, women focus on the elements of the club that enhance the experience, such as food and beverage, family programs, décor and non-golf recreational facilities. These can be customized more effectively when this perspective is fully understood and regularly represented.
- Offer excellent youth instructional programs. If you hook the kids on the club, you'll earn the loyalty of the parents.

### DRIVE VALUE

As a discretionary luxury item, club membership has never been especially high on the value scale, and concerns about this were muted when the company paid the dues.

Funded now with personal after-tax dollars, members want to feel they get a fair return from their dues payments. We have budgetary responsibilities, but if your

members are getting their bills and they feel stung by the cost of a dinner, golf tournament or social event, you are in big trouble. Identify ways to offer simpler events or programs that provide high-perceived value. Above all else, make it *Fun*.

### THE WORLD IS INCREASINGLY CASUAL

This is true for the basics such as dress as well as the approach to rules on behavior. The world has changed. Executives don't wear suits to the office and people have cell phones, PDAs and iPads with them all the time.

We need to assure members practice proper etiquette, but clubs can't continue to stand on ceremony. Spending countless hours debating policies on denim, communication devices, childcare and other modern day realities keeps clubs from making progress with the next generation.

For many of the Up and Comers, the fact that your club is even talking about those things shows how dated they are. Think about zones on your site and within your buildings to cater to relaxed dress, technology, family and other diverse interests. Membership is no longer homogeneous, and your layout and offerings must take this into account.

### HEALTHY LIVING

Members and prospective members are more interested in health and wellness facilities than ever before. A complete wellness complex that combines facilities and programs that exercise the body and the mind will be increasingly important at private clubs. This represents a significant growth opportunity for clubs.

### DROP IN PLACE

Members have a desire for consistently high-quality casual dining at their clubs, with a décor, quality level, menu, dress code and energy that is similar to that which is readily available in the local commercial dining market. Members continue to request that their club become a casual drop-in place.

Provide spots that cause people to gather, such as a warm and inviting bar room with televisions and music, a fire pit where they can enjoy wine on cool evenings, a juice bar outside the fitness center where they can spend a few minutes chatting with fellow members or catch up on the news as they come and go. Many club dining operations are still too formal and staid for modern tastes and the living rooms that once served as

meet and greet spaces are gone with the times. Look around and you will see people gathered around computers at Starbucks and Panera. Are there lessons there?

### TECHNOLOGY

Clubs should embrace technology instead of fighting it. Communities, both real and electronic, are the next wave. They give people a way to connect in what feels like an increasingly splintered world.

Mine the data about your members so that you can customize their experience and provide them what they want. Target your communications accordingly. Create a Wi-Fi zone. Put a Wii in the teen room. Make your club a place that is high-tech, so that it can be hi-touch.

In order to succeed in the future, each club must have its own unique appeal. One that is carved from factual analysis of its environment, not copied from that which works elsewhere.

It is also extremely important that the membership be fully engaged in the new member development process. The club must serve as the market-maker between the existing and prospective members since this is the only way to assure a sufficient flow of new members in the new world we face. Get the right people involved in the process, and as many of them as you can.

Private club memberships have a natural resistance to change that often slows their response to evolving tastes of the next generation of members.

If clubs are going to remain a vital part of our society in the future, they must offer their members a quality experience across a number of activity areas, have creative programs that facilitate the growth and development of social capital and adopt use policies that reflect the modern ethos of society.

There is hope and opportunity, but we are not there yet. **BR**

*Frank Vain, is president, McMahan Group, Inc. Founded in 1983, McMahan Group is a private club consulting firm based in St. Louis, Missouri. The company provides strategic and long range planning services for member owned private clubs.*

# Attitude Makes the Difference



**JOHN JOHNSON**  
**J2 GOLF MARKETING**

**CHICKEN LITTLE ONCE SAID THE 'SKY IS FALLING' AND THESE DAYS IN THE CLUB INDUSTRY A LOT OF FOLKS ARE LOOKING UP TO SEE IF THAT LITTLE CHICKEN WAS RIGHT.**

I'm not here to say that we are not in for some serious changes in 'business as usual' and yes, there are clubs who have gone under or are in the process of doing so. However, in my experience of directly working with my client clubs, I am seeing something else than gloom and doom.

There's a resolve to change the status quo and to actually do something different. These clubs are saying 'I will' instead of 'we can't' – that's a HUGE difference in attitude.

Wow – what a concept. What we have been doing is NOT working...so should we change or do more of the same? Hmm. Ponder that question and ask if your club is doing the same thing over and over?

Clubs need to clearly look at whom they are serving. What are the core values that this population wants? Is this population going to be my future? Is our club equipped to provide them with the amenities they are looking for? Can we accommodate their desires for new services we currently do not offer?

Really that is step one. Plan your club to accommodate the prospective member and their needs of the future. Once you have a clear mission statement, do like my clients and advertise it.

No, that does not mean take a full-page ad out in your local newspaper, but instead create a beautiful membership brochure, web application or video piece that explains all

the great changes, POSITIVE attributes and strides your club is making.

Let your members do the bragging for you, empower them, give them membership materials that they can take pride in and share with their peers. A proud club is a full club.

Take the same approach with your food and beverage business. Create a new low-level membership category similar to the social membership, but this one is simply a 'Private Dining Membership' to allow a community member to bring family and business associates to your club for meals.

What a great way to make small steps toward a full membership while increasing your much-needed food and beverage revenues. How about a special event brochure to actually entice events to use your empty facility? Wouldn't it be nice to have more supposedly 'sponsored' events such as weddings, company parties, reunions and heaven forbid even an outside tournament once a month.

We've treated our private clubs as secret societies where no one knows what is happening inside. Well, the secret is out . . . nothing is happening and that is simply bad for business.

It's time to be proactive in your community. Welcome them; invite them in for a peek, a taste and an opportunity to join us as a member. Create more opportunities for your current members to brag, show and party with their friends at your facility. Apply my favorite marketing term of all time – "Find out what they want...and give it to them."

**cover story cont'd on page 26**

# Competent/Committed Leadership Needed



**KURT KUEBLER**  
PARTNER, KOPPLIN & KUEBLER

**THIS HAS BEEN A 'REBOUND' YEAR FOR MANY CLUBS AROUND THE COUNTRY. A LARGE NUMBER OF CLUBS REACTED TO THE ECONOMIC CRISIS, MOST TIMES BY SLASHING COSTS, PROGRAMS AND PERSONNEL.**

In many instances, this came back to haunt them as previously-satisfied members became disenchanted, or as the 'under-delivery' of service and product and already disengaged members fell even further on the satisfaction charts!

In our opinion the industry has rebounded in the number of clubs and club boards who have recognized that they have a complex organization that is still very viable, but only if allowed to move forward in a logical, progressive, engaged and transparent manner.

Many clubs who thought 'cutting their way to prosperity' was a successful strategy in 2009 have found that they need competent and committed leadership, both on the board and in executive management, to help the club stay even, or better still, flourish in this 'new world order' of clubs.

Many of them have seen that the 'gray area' in which many clubs operate just doesn't cut it in this high expectation, fast delivery, highly adaptive club world that has become the normal.

We've seen clubs in even the most depressed of economies rally and even thrive when leadership recognizes that members must perceive strong 'value' in their membership commitment. And the positive 'experience' they enjoy at the club, when the entire family is truly engaged, makes a huge difference. Clubs that truly 'live'

this culture, rather than simply stating that is who they are, are the ones who will survive and be around to provide members with outstanding memories and hugely positive recreational, social and intellectual experiences.

Energetic and creative club general managers/chief operating officers have developed a sustainable 'club of the future' in each of their respective small business environments.

This commitment to "thinking outside of the box" has often made a difference in whether or not the club is surviving, and in many cases thriving, in this challenging economic environment.

We continue to observe the leaders in our private club industry proactively adapting some "best business" practices from successful business models outside of the private club world.

One of these is a "strategic planning process" that is often a one-day board retreat where the club leadership can review in a dispassionate manner the key issues facing their club. The results of this planning session will provide an action plan for the next year or two, focused on the most pressing issues, and more importantly the plan will define some specific tactics and timelines to address those issues.

As one club president told us, "We have never had a failure at the club because of too much planning.

It's gratifying to see how many enlightened leaders understand and deliver on this core fundamental, and how their clubs are set apart from those that don't.

**cover story cont'd on page 28**



# City Clubs Must Be Relevant!



**FRANK GORE**  
**PRESIDENT**  
**GORE GOLF CONSULTING**

**THERE IS NO DOUBT THAT THE WORLD WIDE RECESSION HAS HAD A SIGNIFICANT EFFECT ON PRIVATE CLUBS.**

Many clubs have lost members as companies have eliminated many jobs in the city.

Revenue from corporate events, conferences and business meetings has been reduced as companies have reduced their corporate entertainment budgets. The number of weddings across the nation has not gone down but the amount spent per wedding has been reduced because personal budgets have also been restricted.

Pure city clubs have been affected more than those downtown clubs that have overnight accommodations and city clubs with strong fitness amenities. The rooms have great appeal because they are typically less expensive than downtown hotels and fit better into travel budgets. The need for fitness is a strong attraction in the downtown market.

Many fine clubs that once were the place for the cities movers and shakers to gather, socialize and perform business have found less demand for what they offer. Fine food, fine wine and spirits are still in demand but with the combination of changes in drinking habits, concerns over driving after alcohol consumption and dietary concerns, many clubs have not reacted quickly enough to these changes.

The changes in technology, how people dress for work, which affects dress codes, the club's décor and ambience all need to be revisited. Younger affluent consumers have different tastes and needs for clubs. Clubs must remain relevant to the new

consumer. When a club caters too much to its older members the club falls behind. However, changes should be made more by evolution than revolution but changes must be made.

In this world of fast paced business, a time in which members are struggling for enough time to do what they need to do clubs need to respond. More than ever members need a haven of refuge, a place where they can relax if they wish or take care of business if they must. How can a club help its members with their life? How can a club use technology to improve the member experience?

In an age of online access and significant time spent behind computers, on cell phones and PDAs, the need for human contact will increase. Clubs that meet this need and that are relevant to today's downtown population will remain in strong demand. Clubs must cater to the daytime population of the city, those who come for business and also those that live in the city. Great service, great food and fine wine are a must but not enough.

Is the club relevant, is it up-to-date, and is the ambience attractive with today's new expectations? Clubs that have great programming and a product for today will do quite well. When the recession ends, all clubs will benefit but only clubs that have changed will survive.

And clubs need to respect their rich history; they must honor their past leaders, customs and rituals but also be willing to change how these are delivered, along with the member experience necessary to attract future members. **BR**

*Frank Gore, committed to keeping private clubs relevant. [goregolf@aol.com](mailto:goregolf@aol.com)*