



What's Your Membership Marketing Strategy?

ARE YOU IN FOR THE LONG HAUL OR THE QUICK SELL?



JOHN G. FORNARO

As many private clubs slowly rebuild they must continue to broaden their search for new members...members who are the lifeblood of any private club.

Unfortunately, the marketing strategy for many clubs has been reactive. We need 40 new members, what do we do? Hire a membership consultant? Reduce the initiation fee? Bribe the members to refer? Or as happens at some clubs...just buy out some of the memberships and reduce the number of members at the club.

All these are short-term solutions. And yes, you might need to do them. But a long-term marketing strategy is also a necessity for many private clubs. How did we get here? Why are so many private clubs struggling for new members and why don't they have 10-year waiting list to join any more.

These thoughts raise the question: *What is the sustainable value of short versus long-term membership vision and strategy?* The opinions are mixed among experts in the private club industry today, but do offer plenty of insight.

It's almost an oxymoron to describe short term as a vision or strategy. While admittedly some clubs have waited so long to react that short term tactics may be their only alternative, there should always be a strategic perspective to anything that will affect your brand, perception and value.

~Rick Coyne

"Both strategies have value and the choice depends on the club and its market," suggests Frank Gore of Gore Golf, and chief analyst for BoardRoom magazine's Distinguished Club Program.

"The market depth, which includes number of club prospects in a 10 to 20 mile radius of the club is a determining factor. The number of competitors including other private clubs, high-end daily fee golf courses for golf and country clubs, and fine dining options and public access athletic clubs for city and city athletic clubs are other factors.

"Local employment and economic data like population growth are also important. Some clubs have *no choice* and must execute a high velocity discounted joining fee program to survive. Long term this is not the best but often necessary. Both strategies need a well-defined plan with goals and ways to measure success," Gore commented.

Rick Coyne, president of ClubMark and executive director of the Professional Club Marketing Association, offers another opinion.

"It's almost an oxymoron to describe short term as a vision or strategy. Those we have seen are purely tactical and often a misguided reaction to today's market realities.

"While admittedly some clubs have waited so long to react that short term tactics may be their only alternative, there should always be a strategic perspective to anything that will affect your brand, perception and value. As short term tactics generally include some elements of discounting or incentives, while significantly easier to facilitate, clubs must take care not to permanently damage perceptions of either existing members or marketplace," he opined.

"Long term vision and strategy requires engagement of these realities as well as a precise understanding of the club's marketplace. It's not as easy and maybe not as immediate, but it provides for an adaptive approach fitting into the market's needs," Coyne added.

"Quality sells while selling on price disqualifies the club from remaining premier," explained Frank Vain, president of the St. Louis, MO-based, McMahon Group.

"There is a bifurcation taking place in the club marketplace. The sorting out following the

financial meltdown is upon us. Clubs of all types largely sat on their hands for the first several years after 2008. This changed in 2013 and the ball is rolling now. Winners and losers are being identified. Premier clubs that offer quality and value are thriving and growing. Clubs that have chosen to cut services and prices are continuing to fade away.

“The membership plan and approach to member development must take a long-term view. The price reduction approach has proven to be a mistake in most cases. Often billed as ‘all clubs are doing it’, this is in fact not what is happening. When you cut through the clutter of price reductions, incentives and cost cutting, you find an organization that lacks direction and strategy. You’ll almost always find a club that has fewer resources and members a few years after adopting this approach,” Vain suggested.

Steve Graves, president of Creative Golf Marketing and Management, Inc, from Manhattan, KS, says, “Tragically, the vast majority of private club have developed the majority of their efforts to short-term strategies.

“These strategies have very little vision and are often employed to avert a crisis rather than to produce sustainable success. These short-term strategies have tended to harm the image, brand and prestige of ‘private club life’ that was, at one time, very desirable and representative of the most elite consumer,” Graves exclaimed.

“There is a very negative marketing message that has permeated the private club industry...a negative marketing message that is simply...‘anyone can join a private club at this time.’

“There is no longer any perceived or real barrier to anyone that wants to walk up to any private club in America and say ‘I am here to join.’ That is demonstrated by the strategy of eliminating initiation fees to join private clubs,” Graves countered.

“Initiation fees have, purposely, been utilized as a form of financial discrimination. Initiation fees were designed to narrow the field of individuals that might contemplate considering joining a private club. Reducing initiation fees has been a catastrophic short-term strategy for the private club industry,” he lamented.

Still some clubs across this country have employed short-term tactics, so the question is, why? And what risks are inherent with both short and long-term strategies.

“The main determination for which strategy a club employs is how urgent the problem is...finances and economic conditions will dictate the measure needed,” says club expert Gore concisely.

“Private clubs were *never intended* to be for all people. Quite the opposite,” suggested Graves. “Private clubs were

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... the space between your ears.”

-Bobby Jones

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meant to have an element of financial discrimination. There are significant risks, to the private club industry, if the vast majority of marketing efforts simply are based on financial incentives (lowering entrance fees). The risks of not concentrating on 'membership by invitation only' will be devastating to the long-term credibility of private clubs," he added.

"Clubs are in the luxury end of the social and recreational marketplace," says Vain, "and it doesn't make sense to use price as the lead story when attracting new members. A club shouldn't be using a Joseph Banks approach – 'get three for the price of one' – in Brooks Brothers market. It just cheapens the brand and attracts people that often can't truly afford or ultimately appreciate the experience.

"If a club is struggling to attract new members, it is more often the case that it isn't offering to the prospective members what they want. This is usually because the membership failed to reinvest in the existing facilities or develop new amenities that appeal to the next generation.

"It's a funny culture, really. When most businesses face tough times, they diversify their offerings or change their message to attract new customers. They adapt to survive and grow. When challenged, clubs often decide to cut services and sell membership on a price alone, which is almost always the wrong approach," Vain offered.

The risks in the short-term price based strategy includes loss of reputation, reduced capital in- flows and deterioration of culture. The longer-term view has a higher short-term risk – some members will leave when you have to raise dues to add programs, retain a savvy marketing director or redevelop facilities – but it pays off in the long run.

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"The risks in the short-term price based strategy includes loss of reputation, reduced capital in- flows and deterioration of culture," he explained. "The longer-term view has a higher short-term risk – some members will leave when you have to raise dues to add programs, retain a savvy marketing director or redevelop facilities – but it pays off in the long run," Vain explained.

Coyne agrees that too many club have taken the short-term approach and are now without initiation fees...and he sees other clubs sliding down that slippery slope.

"Without the initiation fee capital, improvements can only be through assessment, generally costing more loss of members. There can be no easier vision of the first step toward the death spiral," he offered.

"And when the entry cost is limited there is no commitment from the new member, often creating a revolving door effect making next year's short term event more crucial simply to survive.

"The long term strategy is much more of a commitment," Coyne exclaimed. "While short term results can be built into the long term strategy, the process is more about getting to the core issues that affected membership declines and are preventing new member growth in pace with attrition.

"Unless the club is facing significant difficulty in remaining alive, there is really no reason to consider a short term 'fix', Coyne added. "Throwing price fixes and incentives at the problem is like driving 90 miles an hour in the fog...the conclusion is fairly certain...if sustainability is a goal, there really is no option but to look to the long term."

What are key factors in determining which strategy clubs must employ?

"In a word – discipline!" injects Graves. "The private club industry has lost its discipline when it comes to membership retention and membership marketing. Club officials

are totally reactive in their marketing efforts. They wait until they have a crisis and then begin to throw spaghetti against the wall, hoping a strand or two will stick.

"Two key factors of successful private clubs are discipline and consistency. Unfortunately, the private club industry would not be defined by discipline and consistency at this time," he said.

"You need data," added McMahon's Vain. "Clubs are notoriously emotional decision makers. You need to cut through the conventional wisdom with facts. Insight comes from marketplace and competitive analysis. Member surveys identify the strengths and weaknesses of the current offerings and the types of improvements that the members will rally around.

"This will tell some that they have no choice but to go down market. That's a shame, but at least they've proven they have no other choice," Vain suggested.

"The sad ones are the reputational clubs that lost position because they let things like tradition and loud voices hold them back. They pile on with a short-term plan and all is lost. If your club is running a membership drive and it hasn't first surveyed the existing members to diagnose

what is going on inside the club, then you are selling the institution short.”

Where do the answers lie? In my opinion, organizationally, clubs should be creating a culture of membership growth and retention, and here are some suggestions from our experts on how this can be done.

“Each club should have an active membership committee,” Gore says. “This committee should be very diverse and especially include some younger members. The committees charge is to not just review and approve membership candidates but to recruit the best candidates available much like a fine university matriculates the best academic and athletic new students to the school.

“Clubs should also have a retention committee,” Gore added. “This group insures new members are properly connected and assimilated into the club. They help them make new friends, meet the staff and as soon as possible become frequent users. We know usage is key to member retention. Lastly most clubs need a dedicated paid staff member to work directly with both committees with their only responsibility being net member growth and to maintain a completely full roster.”

Membership marketing guru Coyne says, “if the only way a club can sell a membership is to make a deal, then there’s a problem, and if there’s a problem, you can’t fix it simply by making it less expensive.

“The bottom line is that even if you’re giving it away, if you aren’t providing what the market wants, they still won’t join.

“In the long-term strategy, core issues, cultural change, market issues and wants and needs of existing and potential members are determined. This is hard work.

“Even harder is ‘huddling’ with the entire staff to understand how these affect membership growth, membership retention and member usage and satisfaction. In my experience it starts with the board,” Coyne exclaimed.

“If they (board members) are open to facing the realities of today’s marketplace and culture, they will also understand that we are never going back to the old ‘normal.’ While altering a club’s culture is a ‘ground up’ process, your club will never get that chance unless you have ‘top down’ commitment,” he recommended.

“By having a viable membership process a club sets the expectations among new members that sponsorship is a real thing. You set that as part of the culture from day one. You then ask them for their help,” Vain outlined.

“Clubs should approach membership as a department. A certified and trained membership director should work with the committee members to establish the standards and develop an individualized strategy that will work for that club. The big keys we see are to get the recent joiners and younger members involved.

“For the most part, the membership committee is often populated with a senior or tenured group that isn’t in close touch with the prospective member marketplace. While that maturity is likely helpful in maintaining culture, they need assistance from the ‘right members,’ Vain explained.

“We know from data analysis that most people that join a club do so before the age of 50 and that most sponsors have been a member of their club for five years or less.

“These two simple facts should tell you all you need to know to attract new members: 1) have an experience that is relevant to people under 50 (if you want to know what that is ask your existing younger members) and, 2) have as many of the recent joiners as you can muster involved in the membership development process. By virtue of their age and family status they are in touch with the prospective member marketplace.”

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Graves also feels club must “dramatically up their game in providing an experience that promotes a proud and passionate membership base.

“Members that are proud and passionate about their private club will be ‘raving fans’ that very naturally and willingly promote their club to prospective members. It is also tragic to have to point out the fact that private clubs must devote more time and effort in educating their membership to the basic fundamental of membership matriculation. If private club members took their responsibility seriously, of hand-selecting the type of person with whom they want to associate, the private club industry has a very bright future.

Implementing a long-term membership strategy will not jeopardize a club’s private club status or selection process. Actually, it may help preserve the traditions. Many of the members that joined because of the discounted membership price, tend to be the first ones that leave. No question, an inappropriate membership drive could hurt your club.

“The ‘culture’ of bringing new members into private clubs is ‘someone else’s job’ has slowly chipped away at the prestige of becoming a member of a private club,” Graves added...and that’s unfortunate.

And where will all this take us during the next five years or so?

“This question, clearly, has two distinct answers/outcomes,” Graves outlined. “If private clubs do not begin to change their business model and *remain focused* on fundamentally sound marketing strategies the downward spiral will continue and, more than likely, pick up speed.

“However, if private clubs come to the conclusion that the world outside the private club industry is moving substantially faster than the world inside the private club industry, and act upon that knowledge, the results could be quite positive.

“Status quo has proven to be very unimpressive to current and/or prospective private club members. Private clubs must be prepared and working diligently to adapt to the 21st century consumer and environment. If private clubs continue to adapt to the new type of consumer that defines the 21st century private club member and remain focused on membership growth the industry can regain its prestige and desirability,” Graves suggested.

Coyne says that clubs that make the effort to think and act strategically will fair much better as they evolve with member and market needs...engaging their entire team in redeveloping their culture and in developing a more revenue-driven mentality.

“Sitting still and waiting for things to get back to normal, driving discounts and short term solutions will drive many more clubs to the breaking point. For those willing to face modern day realities and focus on long term strategy will be fine,” Coyne concluded.

Vein, is perhaps even more discriminating and exacting about the industry’s future.

“Five years from now we are going to have fewer true private clubs and a bunch of semi-private organizations that will no longer be a club in the true sense of the word.

“The top clubs will grow and thrive,” Vain predicts. “They will reinvest to build on their traditions but they will offer a thoroughly modern experience. The real clubs will aggregate the people that truly value the associational benefits of membership. This will further separate them from the weak links.

“The clubs that have used short-term, price driven approaches to membership development will lose their culture and reputation. If the membership is relying on the next drive and revenue from outings and banquets to pay its bills, it’s not a true club. They’ll also be in big trouble when the government further tightens the rules on unrelated business income.

“This is the same for membership,” Vain added. “If there isn’t a real process for vetting and assimilating new members, then the club’s culture will erode. Members won’t be committed to doing the right things to support the club, like reinvest in facilities or resist the temptation to attract members through discounts and incentives.

“It is pretty amazing that clubs are actually employing people to help them run a membership drive that is based on price cuts. Anyone can sell something for less than its worth. BMW and Mercedes don’t lead their pitches with price, they talk about those tangibles – ‘our vehicles are so good and we’ll make the ownership experience so good we’ll include all maintenance included for five years’ – along with the intangibles of image and perceptions.

“Clubs would do better to get their marketing cues from high-end retailers and resorts and luxury autos rather than mass marketers.”

PUBLISHER’S FINAL THOUGHTS

So again the question: What is your marketing strategy?

As I mentioned earlier, for many clubs the marketing strategy has been reactive. We need 40 new members,

what do we do? Hire a membership consultant? Reduce the initiation fee? Bribe the members to refer? Or as has happened with some clubs...just buy out some of the members and reduce the number of memberships.

These are all short-term solutions. And yes, you might need them. But I believe a long-term marketing strategy is a necessity for many private clubs.

How did we get to where we are today and why are so many private clubs that don't have 10-year wait lists any more, struggling for new members.

I believe it started many years ago. In the past, clubs recruited 100 percent from within. It was easier...there was a legacy. You joined and then years later your son and daughter joined and so on.

Today, many of the members' children no longer live in the same city, state or even country. This has hurt many traditional older clubs. The process that many clubs had started 100 years ago is now broken and may well stay broken in the future, unless we do something about it.

Many other clubs struggle because the demographics of their communities have changed...or it just might be the simple law of supply and demand – too many clubs and not enough members.

Today, many clubs don't meet the needs of today's or tomorrow's members. The fact of the matter is the *status quo* has done more damage to many clubs than the past recession. The world has changed and our industry has changed. So we need to change how we do things!

Implementing a long-term membership strategy will not jeopardize a club's private club status or selection process. Actually, it may help preserve the traditions. And I'm not a believer that a short-term membership recruitment program will solve much. Many of the members that joined because of the discounted membership price, tend to be the first ones that leave. No question, an inap-

propriate membership drive could hurt your club.

I have talked about this issue in the past, and **MY MIND HAS NOT CHANGED**. The first step is a reality check. Check your board's and management's attitude. Is there a positive attitude focused on your members' needs. Is your product holding your club back? Do you have a club with programs and amenities that future members want?

Then the club must implement a long-term membership and retention strategy. Focus on the fundamentals of membership recruitment. Do you have a person who dedicates 100 percent of their time to membership recruitment and retention?

Seek out advice from the industry experts. Do your members understand what a private club is and their role in the recruitment process? Are all new members to your club given a proper orientation? Do they know the history of your club, what the intangible benefits are? These are aspects

that significantly help your recruitment usage and retention factors.

Get a commitment from them to help recruit new members as long as they are members. Let them know that they there are the club's ambassadors and membership recruitment is their responsibility.

Without this kind of devoted effort, our future could be like that of Europe's private club industry, where approximately 85 percent of all private clubs in Europe are semi-private. Ours is quite the opposite where 90 percent of our private clubs, are just that...private! In future we'll compare Europe and Asia's private club to industry to ours. Who knows, there might be something we can leave from them.

At least that's the way I see it! **BR**

John G. Fornaro, publisher

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