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PUBLISHER, BOARDROOM
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Where Are We Today? *Experts Offer Their Opinions!*

HAS MUCH CHANGED IN THE PRIVATE CLUB INDUSTRY? ARE PRIVATE CLUBS STILL FACING THE 'SAME OLD' CHALLENGES? HAS ANY ONE REALLY DONE ANYTHING ABOUT DEALING WITH THE 'STATUS QUO' OR HAS YOUR CLUB OPTED TO LIMP ALONG, HOPING TO SURVIVE?

Well, perhaps some things have changed for some clubs with the foresight to tackle their challenges, but alas, the inability for some clubs to change has them 'still trapped' in a vicious cycle...the haunting death spiral.

There's no need to enumerate the factors of the status quo...nothing's changed on those points during the last year, and several other consistent factors exacerbate the status quo.

- There really hasn't been a revival of the real estate market and this has severely affected both existing private clubs in home communities and the possibility of new private clubs built in new communities

- A lack of focus on the "intangible" assets of the clubs, which in essence is the heart of the private club community

- And the number one culprit...member-managed/controlled/directed and influenced clubs along with general managers who are "bottom line" addicted.

And as discussed in *Publisher's Perspective (Growing the Game of Golf, September/October BoardRoom 2011)*, the popularity of the game of golf has dropped off dramatically, and although we're discovering and developing solutions, there's much more to be done.

So to find out just what some of our experts think about the state of the private club industry, we asked two questions:

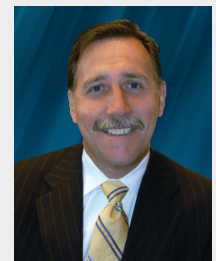
Here are some of their thoughts and opinions.

Jim Singerling, CCM, chief executive officer, Club Managers Association of America:

1) What is the state of the industry?

The club industry is in a better position to break out of this recession than any other segment of the economy. We

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FRANK VAIN
MCMAHON GROUP

Winners and Losers Your Club Needs to Stand for Something

THE CLUB COMMUNITY IS QUICKLY BIFURCATING INTO WINNERS AND LOSERS. THE WINNERS ARE THE TOP END CLUBS WITH A BROAD BASED MEMBERSHIP EXPERIENCE.

They are likely to have been a full service and family oriented club for some time, but they are now choosing to emphasize the facilities and programs in these areas more fully.

They are re-investing in facilities so they can create the kinds of experiences that people want, such as a great fitness center or pool, or a great casual dining venue.

They may have also had a waiting list or been very laissez-faire in their approach to membership development in the past. Now they focus keenly on growing their membership,

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inviting people into membership instead of screening to exclude them.

They are attracting members disenchanted with the experience at their present club. They are attracting young families with creative membership terms and family focused programs.

In turn, this is creating the loser side of the bracket – the lesser performer that is cutting back on services or not reinvesting in facilities.

They are experiencing defections from their ranks as the members that wants a true club experience are moving onto the better club.

STAND FOR SOMETHING

In short, this is not the marketplace to be a middle of the road performer. A club needs to stand for something and not kowtow to the lowest common denominator.

I think we're past the point where people see reduced initiation fees and cost cutting as the answer. All that has served to do is alienate the core members.

Clubs are about quality and being special. You have to put that experience together and then broadcast that through your network.

■ People have belonged to clubs since ancient times, and they will continue to want to do this in the future. They need to be compelled to join, however, both by the quality of the offering and by the request to join. To make it happen, you have to have a strategy. You have to stand for something. I view the club community as a spectrum, with the male-oriented golf club on one end and the ultra-family focused club on the other, and I think most are going to want to be on the family end of the spectrum. ■

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The crucial aspect is to do the hard work of determining the specific strategy that will work for your club in your marketplace.

Once you pick your spot on this spectrum, go at it with great clarity and purpose. Align your programs, facilities and membership development plans to support your strategy. Above all, you have to ask for the business. Connect your members with great communications and do not let them forget the club!

The American club experience is a uniquely social one. Members may like to golf or pursue other recreational activities, but they choose to be members of a club because they want to connect with other people, to be part of the club community.

They want to interact with people who like them share the same passions and values.

The successful clubs of the future will be the enlightened clubs that reject “We’ve never done it that way” thinking and replace it with an attitude to find out what their members and prospective members want and give it to them.

We are only on the threshold of the new paradigm of club membership. The Baby Boomers are moving on and the target market of joiners is comprised of Gen X and Y, people with vastly different sensibilities and tastes. They do not tolerate organizations that are not diverse.

They want things to be quick, casual and fun. They support organizations that are relevant, and they look to friends for opinions about what is cool and fashionable.

Clubs need to present this face to the marketplace of the future, often through electronic and social media first, and then in practice. **BR**

Frank Vain is president, McMahan Group, St. Louis, MO. He can be reached via email: fvain@mcmahongroup.com

have been through the worst recession since the Great Depression, which has been followed by the worst recovery since the Great Depression.

While the economic environment has changed, the greater dynamic is the dramatic difference in the political environment. Previous economic recoveries have been led by the political leadership of our nation and our state and local governments dropping their swords for the greater good of their constituents. That is rarely the case in today's world.

Our industry is still responsible for providing a quality of life to the highest achievers in the socio-economic spectrum of every community. The work of the club management professional remains the same – to enhance the quality of life of the club's members. Many of our CMAA members are being asked to do more with fewer financial resources but their directive – and that of CMAA – remains the same.

Clubs are experiencing increased competition for members' time and dollars as well as demand for more family-centered programming. Our managers must continue to educate themselves on these trends to ensure their club remains competitive and relevant to their membership in today's fast-paced economy.

2) How do clubs prepare to deal with the challenges of today, and those of the future?

Clubs must have the tenacity to move forward and pursue new initiatives. Inaction leads to stagnation for clubs, their facilities and their membership.

All club management professionals should be constantly taking the pulse of their members to truly understand their needs and wants. We cannot rely on what our members told us that they wanted five years ago. In this world, five years is a lifetime ago.

In my estimation, many clubs are holding back on capital projects and investments. Without improvement, member recruitment and retention will suffer.

Clubs need to be creative with financing. Specifically, I would suggest that clubs look first to their local community banks. Because of the increased regulation of the major banks since the fall of 2008, community banks can operate with lesser fees and at reduced rates, as they do not have to contend with the same operating limitations.

In addition, it is essential that clubs embrace transparency regarding club finances with their members. Members need to understand club finances and the financial stability of their club. As the federal government has mandated this for corporate America, it is natural that club members would want to see the same level of disclosure from an organization in which they have made an investment.

**Kurt Kuebler, partner,
Kopplin Kuebler:**

1) What is the state of the industry?

The most successful and high achieving clubs that we've seen all around the country, all seem to have made a strong commitment to running the club as a business, and adapting or continuing with strong governance and leadership.

The most successful clubs that we see have clearly identified their "brand" in the market, most consistently make decisions that support that brand, and consistently do the right thing for the majority of their members, even if it's a hard decision to make.

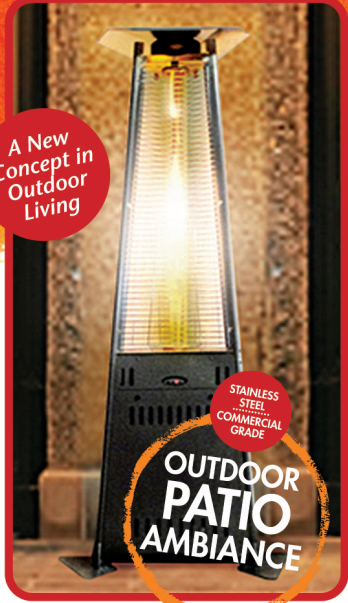
Certainly, we've seen a number of clubs thriving, even in this economy. They "connect" with their new members immediately, and treat their tenured members just like they were 'new'!

The staff members, usually from top to bottom, all have a consistent message/commitment that they live up to – and, they know that their success is based on making the experience their members and guests have is consistently good and always positive, even when they make mistakes.

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Leadership, whether paid or volunteer, is consistently engaged, visible, positive in its approach, and fully committed to a clearly articulated 'mission.'

It's commonsense, but not common practice.

2) How do clubs prepare to deal with the challenges of today, and those of the future?

High achieving clubs have gotten much more strategic and don't seem to be locked in the, "This is the way we've always done it" mindset, unless they have such a strong brand that they can live on those past traditions...but, there are very few in that category.

The majority of high achieving clubs we visit engage their members regularly...through focus groups, town halls and in other truly "listening" type moments. They don't simply go through the motions.

They solicit input, feed it back, and encourage discussion...as Sy Syms of Syms Department stores says in his tag line, "An Educated Consumer is our Best Customer."

Same goes for these high achiever clubs..."An Educated Member is our Best Supporter." And, professional and engaged leaders know that, "An Educated Associate is our Best Ambassador", and so on....

Most of these clubs have done an outstanding job of orienting everyone....from new members, to new board and committee members, to new staff members. They have done a very good job of strategically focusing on what matters, and that is creating the knowledge base to support the expectations to support the overall experience.

Most of these high achieving clubs seems to share another common element. They have either a committed, charismatic or true 'leader', be it general manager/chief executive or president, who commands by their style and actions the support of the members, the board and the team to do what is in the majority's best interests.

It sounds cliché, but we see it all the time....those clubs that "get it", all seem to have someone who can command the audience's attention and people listen. And, then support and follow.

Michael McCarthy, CEO,

Addison Reserve Country Club:

1) What is the state of the industry?

In today's economic environment, I believe that it is more important than ever to adhere to good governance principles in managing our clubs. I've spoken about this many times before, but it is the foundation of a healthy, surviving club.

Adherence to a budget and strategic plan that has been thoughtfully and factually prepared in my opinion will go a long way to ensure a club's future. There is no question that these have been difficult times for clubs across the country and many have or will be in dire straits.

The industry has come to a crossroad where it must make a decision – go forward embracing the trends of the future or stagnate and become extinct.

2) How do clubs prepare to deal with the challenges of today, and those of the future?

Retention of members and the recruitment of new members is a challenge for even the most stable clubs. As we strive to attract the younger member, we must focus on their needs and wants.

Here, at Addison Reserve, we seek a member candidate in their mid to late 50s – that comes with the mandate that we offer different programs geared to their active lifestyle. Of course, we must accommodate our existing members who are older and who have different ideas about what they expect from their club.

We are blending activities, creating multi-use dining venues and adding more casual environments to meet the demands of the younger members while at the same time maintaining the flexibility to service the older member in a more traditional manner.

Rick Coyne, president ClubMark:

1) What is the state of the industry?

Until there is certainty or, at very least, hope for the future of our economy, there will be little change in discretionary spending, which translated means everything from new cars to memberships. Obviously, clubs that charge little or nothing to join will still see the annual "in and out" cycle, but clubs that have retained their integrity and held true to reasonable pricing, will find that replacement in pace with attrition will be challenging.

2) How do clubs prepare to deal with the challenges of today, and those of the future?

For many clubs we are at a crossroads. How we position our clubs and the relevance we provide to existing and potential members will likely be the barometer of ongoing success and sustainability. Even in a down economy, we can create appeal. To do so however, requires an understanding of the demographics of our respective markets and the will to alter our course appropriately.

Jerry Kilby, CEO,

Club Managers Association of Europe:

1) What is the state of the industry?

In Europe, there are not many private clubs – perhaps less than one percent of the 8,000 clubs in Europe are truly private (i.e.: members and members guests only are allowed to use the facilities).

The vast majority, over 90 percent, are semi-private clubs, where they actively seek to attract visitor revenue to allow them to keep their members annual fees as competitive as possible.

With the economic pressures prevailing throughout Europe, clubs are finding it tougher to retain members as those members can still continue to enjoy those club facilities as a visitor, and pay less to do so as a result. It goes without saying of course that clubs are also finding it extremely challenging to attract new members for the same reasons.

There are of course exceptions to this – and many of the traditional clubs are continuing to see full memberships and waiting lists, but on the other hand, some clubs – perhaps with poor facilities or located a long way from population centers – are struggling, and a small number have ceased to trade.

2) How do clubs prepare to deal with the challenges of today, and those of the future?

Hire club managers who understand the business, participate actively in their national club managers association, and engage in meaningful education programs to ensure that they have the knowledge, skills and competence to manage the club effectively and efficiently, by offering members and visitors a first class customer service and excellent value for money.

**Robert M Randquist, CGCAS, Boca Rio golf Club,
Boca Raton, FL and president,
Golf Course Superintendents Association of America:**

1) What is the state of the industry?

Private clubs have adapted to reduced revenue flows by reducing operating and capital expenses. As a result, golf course superintendents have responded by managing their operations in a more productive and efficient manner. While I don't believe there will be a return to previous spending levels any time soon, revenues and expenses seem to have stabilized in the past year and clubs have learned how to remain sustainable in the current economy.

2) How do clubs prepare to deal with the challenges of today, and those of the future?

Club leaders and club management staff must remain open to new approaches to membership pricing and recruitment strategies, membership services, and changing membership expectations. Continuing education and communication with members, management staff from other clubs, and industry leaders is critical if we want to stay well informed enough to adequately prepare for the future.

**Bruce Williams, CGCS,
Bruce Williams Golf Consulting:**

1) What is the state of the industry?

Growth continued past the turn of the century but it was not matched by demand. Coupled with the downfall in the economy we had more golf courses than we had golfers wanting to play them. The end result was closure of a number of facilities and foreclosure on many that could not stay open with discounted green fees and reduced memberships.

Effect on golf course maintenance: With rare exceptions, golf course superintendents have been asked to do more with less. Budgets are flat or reduced from four years ago. This has been done so that operational expenses can best match up with the current revenues of the facility. Competition for golfers has resulted in discounting. It is hard to generate the revenues we were accustomed to in the 90s and beginning of this century.

The cost of many items that are in the golf course budget continues to rise even with a down economy. Fuel, water, pesticides, materials and parts are more expensive now than ever before. The cost of benefits and labor continues to rise as well and this usually makes up as much as 60 percent of the golf course maintenance budget.

For those in California the cost of water continues to escalate with the cost of \$300,000 to \$600,000 per year for water not uncommon. Facilities have had to make adjustments to reduce water usage just to keep budgets in check. Superintendents have been very creative and some groups are working with their water agencies to be better water managers.

There are signs out there that golf has hit the bottom and after a year or two of finding a "new normal" we now know

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what we can expect for revenues at most facilities. Every golf facility is competing for members or players. With new golf course construction almost non-existent, there has been a flurry for remodeling and renovation of golf courses to attract customers. Bunker remodeling, adding forward tees, tree management, re-grassing of greens, etc.

Golf courses will not only be evaluated by the condition they are in but also by the business plan that matches an agronomic plan that can provide affordable golf that matches today's.

Colin Hegarty, President, Golf Research Group

1) What is the state of the industry?

The fact the market for private membership golf is soft remains the main factor. Many clubs have a growing number of memberships not filled - and this leaves them really hurting as the huge costs of running a private club are divided up among fewer members.

Overall the U.S. has seen a decline in the number of golfers since the year 2000 from roughly 27 million players to around 25 million players. This 7.5 percent decline in players makes a huge difference in the available tee times on courses across the whole system. A decade ago it would have been hard to get on a course. The whole point of being a member of a private club was that it guaranteed access and good tee times. If tee times are going begging at courses all around you, what's the point of paying all this money to be a member of a private course. This is the key reason why so many private member courses are suffering.

2) How do clubs prepare to deal with the challenges of today, and those of the future?

You always meet that guy who's a private club member, played twice last year, his dues are \$400 a month, and he's completely aware that his golf is costing him \$2,400 a round. How many years do you keep doing that?

It keeps going partly because there's a lock-in with private member golf. Maybe 15 years ago, the guy paid \$40,000 for his membership. Very seldom do you get it all back, and you're lucky if you get back half what you paid. In a situation where a club has maybe 40 unfilled memberships you usually can't sell your membership until a buyer is found.

We're certainly hearing about situations around the country where private member clubs that have 36 holes are thinking of taking it down to 18 holes and selling the land freed up by closing the other 18 holes.

This either allows the members to go on a spending spree and make the remaining 18 holes and clubhouse truly awesome, or alternatively each member can take home a nice check.

Of course the quality private club facilities all across the country with the 'famous' members will always have long

waiting lists and high joining fees. However, it's the mediocre clubs, the one's with not much to say for themselves that are suffering.

And there's another interesting dialectic to watch, and this happens over and over again across the country. It's the private club that's got a big spending project - a big clubhouse renewal or a golf course renovation - that's going to cost millions.

It's always the case - members split 50/50 down the middle, the young Turks are hungry for the change, happy, even eager to spend the money, while the 'old guys' think the club is just great as it is and don't want to spend a dime.

These fights over the big new project can turn truly nasty with the battle going on for years and a club spending many hundreds of thousands in consultants and legal fees just getting to the decision.

Recently I came upon an interesting solution to get past this 50/50 log jam - A certain tranche of the older members, say all those over 65, or all those who've been in the club for 25 years, be allowed to transfer to honorary status.

They keep all their privileges for ever and never have to pay another dime - but it takes them out of the voting pool.

This allows the club to sell additional memberships, and bring in a hunk of cash from all those joining fees, and thus more younger guys to vote 'yes' to the big spending project.

PUBLISHER'S FINAL THOUGHTS

So today we can classify clubs into three categories. High-end, middle-level and entry-level clubs.

The high-end clubs have been least affected by the recession and most likely will be around for a long time. The mid-level and entry-level clubs have been affected the most, because of members leaving and the difficulty in recruiting new members.

I've also noticed that a number of clubs have increased their dues, and I disagree with that. On the other hand some clubs have been focusing more on cutting expenses and increasing the club's operating efficiencies, and they, in turn haven't raised their dues.

We all understand that this economy is bad, but that does not mean automatic doom and gloom.

This might be a time of opportunity, and all of us must look at it that way. During the good times some of us in our industry became lazy because growing a club was easy to do in a strong economy. Often we paid little attention to cost controls, proper planning, continuing revenue growth, lead generation, retention programs, and being efficient as possible.

Now each of our clubs has the opportunity to become more diligent in these areas, especially in encouraging usage,

developing strong recruitment and retention programs and heaven forbid, living within our means.

It has been said that in an economic downturn, we look at the business outlook rather than looking out for business...the big difference here is the attitude and behaviors of staff, management and board members.

When you look at the business outlook, you believe all the bad news presented to you...when you look out for business, you increase your efforts to seek more business.

There are new members out there, there are ways to keep more of your members and there are many ways to generate more revenue or cut expenses.

We just need to get better at looking for it and getting it done.

I have been to many clubs this past year, and there are some common traits among the ones that have suffered the least or are moving in a positive direction.

They've adjusted their initiation fees to reflect true value, and some are just charging the club's portion of the initiation fee and waving the rest.

Some clubs have created additional categories, such as business clubs, weekday, legacy and junior memberships, and some have family or single memberships.

I understand your club's by-laws may forbid new categories, so then maybe it's time to review these by-laws that were written decades ago. The one size fits all membership for many of entry-level or mid-level clubs, I suspect, is a thing of the past.

Are you running your club as efficiently as you can? Have you looked at ways to save money by decreasing water usage, managing electricity costs, or maybe even stopping over-seeding?

As I have said before, in Publisher's Perspectives, I do own a country club and have had to cut expenses. Our golf course expenses have been cut by \$400,000, and actually, the golf course is in best shape it's been in years.

There is fat in every budget and there are ways to be more efficient. These tasks are important and they are the solution to keeping your dues within reason because lower dues will help retain members as well.

Many clubs are focusing more on usage, and that's a good thing! How do you get your members to use the club more?

There is no doubt a member that uses the club is a member that likely will not quit the club.

And at the same time recruiting new members is key, and with a justifiable initiation fee, dues based on value and a strategic plan, your membership recruitment will increase.

Some clubs are generating more revenue through increased non-member weddings and tournaments. I understand there are some limitations if your club is a 501 (c)(7) or (c)(3) no-

profit club...but maybe it's time to consider dropping the non-profit corporation and become a for profit enterprise.

Why not???

How do we accomplish these goals? Now that's the challenge. But here's my short version!

Board members must understand their limited volunteer duties and responsibilities.

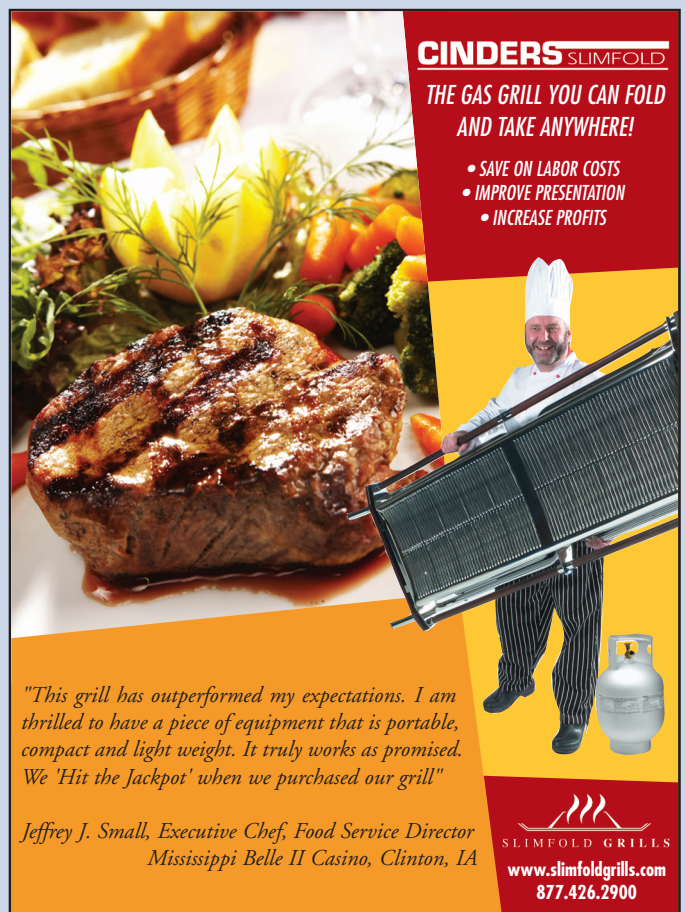
Department heads must be proactive and not reactive, and your staff must be connected with the overall mission of your club.

And above all the general manager must look for over-all revenue production; set clear expectations for the club's staff, manage and implement the club's strategic plan; continually research club trends, recognize positive actions and efforts of your managers and staff, keep them focused on priorities and be proactive in continuing education.

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

John G. Fornaro, publisher

If you have comments on this article or suggestions for other topics, please contact John Fornaro at (949) 376-8889, ext. 4 or 105 or via email: johnf@apcd.com



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