



Opportunities!

The Perfect Storm

THERE'S PRESSURE ON THE PRIVATE CLUB INDUSTRY LIKE NEVER BEFORE. WHY?

Because of a flagging economy, a fear factor and perhaps because of the rude awakening to reality that it is for some clubs.

What's happening? Why? Is it the perfect storm, or a time of opportunity?

It's no one issue, but many private clubs have neglected membership recruitment, usage and retention. The effect has ballooned during these untoward times, but the caution must be: Don't over react...club members, boards of directors and paid managers must keep the end in mind!

Private clubs generally are viewed as being in three tiers...the top tier being those long established, or wealthy clubs who members rank among the top income earners throughout the country. The majority of clubs has not experienced members leaving, but many clubs have noticed shortened wait lists. The intangibles – club experience, service, like-minded friends and colleagues – remain at the highest standard.

Middle tier clubs, located all over the country, are reporting the highest number of members in a decade leaving, the majority of whom have done so in the past several months.

Others, maybe not so affected by member resignations yet, do see some cracks in their rosters, budgets, club recruitment, usage and retention. There's a need to shore up how these clubs do business.

The lowest tier is where we're seeing the most bleeding...clubs that are not

well financed, who don't have strong action and strategic plans in place, and who in the past have had membership recruitment and retention issues.

The problems for these clubs have mushroomed, exacerbated by a troubled economy, fear, a club where members do not place a high value on their participation, and a club's board of director's inaction and lack of intangibles...the draw for many members.

"Many clubs are experiencing significant member losses in 2008. The economic downturn is a part of the reason," explains Frank Gore, recently retired executive vice-president, membership and sales for Club Corp.

"Historically membership rosters are affected by the economy. Recent trends are also influenced by how members value their club, image and prestige. Once a primary driver these are being replaced by additional value considerations. Image and prestige are still considered important but not as much by the younger affluent consumer.

"Members and potential members want to see real value in their membership. How the club meets their needs and how they use their club are now large influencers. Economic conditions will improve but their value equation must be addressed," Gore recommended.

Yes, the economic crisis has awakened many sleeping clubs and perhaps a not-so-troubling giant.

Difficult times present clubs with new challenges, but more importantly they reveal and magnify problems that are tolerable in more prosperous conditions. Our troubling giant today can



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perhaps provide the necessary motivation and collective will to institute meaningful changes.

But we need to be careful on whom or what we blame for today's challenges, especially that of recruiting new members and keeping the ones we have. It's not just about the economy...history has shown clubs have withstood many economic challenges during the past couple of hundred years...from depressions to multiple recessions, to wars and bad press.

The good part of this test of our wills is that club boards and general managers are beginning to ask more questions...becoming more proactive, regardless of whether or not the club is wallowing in problems.

The unfortunate part is that some clubs faced with tough economic times are switching their emphasis from raising revenue to major cost cutting at a time when the emphasis should be on searching out more and new revenue.

"Of course there are economic issues you cannot ignore," reminds John Johnson, president of J2 Golf Marketing/Consulting, based in Seattle, WA.

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“But is it the real issue for the majority or a noisy few. The second club membership does have some real issues if a member does not see the club as primary. They may drop that membership. But if the club is the primary club, the first out members have much larger problems than their membership.”

These members leaving “may take out some members with them out of fear, and of course then a few more members may go because they fear for the club’s stability... kind of self-induced fear factor.

“I feel the club membership is still one of the best values you can have for either a retired person or a family. You just cannot replicate this experience at home.

“After an initial wave of folks, who retire from club life because of poor financial planning/foreclosure or job loss, then the membership market will stay strong with the remaining members,” Johnson predicts.

Rick Coyne, president, Club Mark Corporation, Dallas, TX and an executive director of the Professional Club Marketing Association cautions before jumping to conclusions.

“There’s no doubt there’s potential for a crisis here. We need to be asking questions before we overreact: Which kinds of clubs are losing the most members – clubs that have discounted their initiation fees or diminished them to zero? If so, the financial crisis may only be one small part of the reason their members are leaving.

“Many of these clubs have made it so easy to leave the club, then come back when the snow melts, that they simply lose members as a matter of seasonal influence,” Coyne suggested.

“Unfortunately, these are not the only clubs losing members,” he added. “A lot of members have lost or are in fear of losing their jobs. Higher paying jobs offer opportunities for higher discretionary spending, which often includes a private club. When that income is threatened, sometimes the club is the first thing to go, particularly if the club failed in anyway to connect to the entire family rather than just to the golfer.”

Again...that lack of focus on retention and usage!

It’s not just a “fluke nor is it simply fear,” Coyne explained. “It’s a general reaction to the condition that we have allowed ourselves (private clubs) to be placed in. We’ve generally forced higher fees, dues and costs to provide more and more within the club, even when usage has become less and less.

“We’ve allowed the vocal minority within clubs to force their agenda of capital spending and disregard the clear mandate of repositioning our clubs in a more family-oriented direction. We’ve ignored the loud and resounding non-participation of member events as ‘normal’ rather than understanding them for what they are, ‘too highly priced.’

“Yes, the current financial crisis has become the catalyst for out-migration, but it has only accelerated a process already deeply rooted into the operational fiber of our clubs. Want more

proof of the lunacy? Look at the number of clubs that since the crisis began have dismissed qualified general managers or worse, membership and marketing directors,” Coyne exclaimed.

“Clubs need to track usage whenever possible,” Gore recommends. “Drops in usage are a very good indicator of future resignations. Total funds spent are important to track but more valuable is frequency of club visits (usage). On average one to two visits per month (at a minimum, and higher for full golf members) at clubs is sufficient to keep a member paying dues. Creative ways to attract low and non-users of the club are essential to improving retention.

“There’s a direct correlation with drops and usage and the timing of resignations,” Gore explained. “This is especially true for members with less than five years of tenure. Long term members are not as prone to leaving because they are more connected to the programs, activities, staff and more importantly other members. This provides a strong emotional connection. Founding members are very loyal, despite dips in usage.”

Johnson agrees with the fact that tracing usage is vitally important.

“If a member is NOT using the club, then that’s the member I’d target as a candidate to drop out. However, if the days at the club are high, but the amount spent is lower, then that member is just on a budget and we need to look at programs to keep the member busy, but not necessarily costing the member more money.”

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So accepting the fact there may be some closures, some consolidation and seemingly, cutbacks, is the private club glass half empty or half full?

Optimists we are...the glass's half full, of course and this truly can be a time of opportunity. However, this doesn't diminish the tough times some clubs and members are facing, but the private club industry over the years has proven to be quite resilient.

Private clubs must reexamine who they are and what must they do meaning a greater focus on recruiting, retention and club usage, club cultures and the all-important intangibles.

"Clubs can become more valuable than ever if they address this issue," Gore opined. "The more time customers spend on the Internet, home offices, commuting and at work, the more valuable their time becomes to be with friends and family in a fun, safe environment.

"Members must have some usage of the club to justify paying dues. As the business environment worsens, networking becomes more important. If the club truly encourages and delivers on networking, the club becomes very important. Programming events beyond just golfing, tennis and dining become essential. These events must encourage networking.

"Home based members do find great value in clubs today as it meets many of their needs. Clubs that provide business amenities and services like high speed Internet access, video conferencing, day offices, fax machines, shredders, high tech meeting space and secretarial services are ahead of the game," Gore added.

Johnson suggests that while the club is often the gathering place for social interaction, it's not just the self-employed working from home offices that may be attracted to private clubs.

"Many companies are looking to have employees tele/cyber commute or outsource," Johnson added. "This creates the same kind of 'social vacuum' for these people. There's no one to socialize with, no water cooler to gather around and gossip.

"Folks need friendship and we also enjoy the social networking aspects to meet other business opportunities. Once again, we need to look 'outside' of ourselves into programs we may not have run before at our clubs. Just perhaps clubs may be evolving into something slightly different as our social structure of job, family, lifestyle evolves with today's economy.

"Just as we are not our 'Grandfather's Club', we might not be the same club as our club of 1999. After all, that was 10 years ago – ancient history for some."

It's exactly the time for clubs to look at three things, Johnson says.

"First - Who is your demographic and will this remain your demographic? This is a huge question to ask yourself if you're going to properly serve your club membership.

"Next – Do your club offerings fulfill your members' desires? This is critical to your club being successful. For example, if you're a family club now and you have no pool or other strong family programs, how are you going to serve your membership? So more than ever, you must tailor your programs to the desires and lifestyle of your membership.

"Last – You are their lifestyle, so now is the time to hammer this home to every employee and every member. Their lives are richer and complete because of their club membership. In my opinion, this is one of the best times to stress retention and recruitment, but with the thought of value and lifestyle at the forefront of all efforts and communications," Johnson added.

"If you can be these things then 'advertise' – 'market' – 'communicate' what you have to offer and get these folks of like interests busy at your club. We really are in the business of 'dues' so we need members to want to keep the membership. Even if they spend a bit less money at the club they will still keep the dues money flowing," Johnson concluded.

"We have an opportunity and a good one," Coyne suggested. "We need to reevaluate our menus and food and beverage philosophies. We need to use our clubs as the safe havens they're intended to be...making them once again a place where members and their families will cocoon and spent time with one another.

"This can't be accomplished unless we continue to relax the cost of participation in general. We need to relax dress codes, and embrace the fact that like it or not, we 60-somethings are getting older and need to be looking at the younger generation and their needs if we want to keep playing in our retirement," he added.

Gore agrees clubs must make some changes "to become relevant to the ever-changing consumer.



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“Golf in country clubs cannot carry the day by itself. Dining in city clubs also cannot be the only driver. Country clubs need larger casual grills and smaller formal dining spaces and the family friendly grill with an adult’s only dining space is ideal.

“Full service athletics, not just a small fitness room with a handful of treadmills or bikes, is important. Interactive water features at the pool, slides, fountains and water toys, not just an Olympic-size pool attracting swim teams, are needed,” Gore explained.

“Clubs need to provide learning experiences for members of all ages, not just teaching for golf and tennis but cooking, computers, soccer and technology of all sorts. Do this and your club becomes very valuable. City clubs must do the same things especially those without overnight accommodations or large athletic spaces. Offer more casual dining areas and provide fun. Never have consumers needed a place to have fun and escape the pressures of life more than today, especially if the club is less crowded, safe and close to home,” Gore outlined.

Johnson, admitting he’s ‘a fella walking around with a perennial ‘half-full’ glass wearing ‘rose colored glasses,’ feels the picture’s not all gloom and doom.

“In the recent past, the biggest competitors for private club dollars have been – (not necessarily in this order), luxury automobiles, luxury homes, luxury boats, home makeovers to include theater rooms, etc., upscale daily fee golf and wonderful lavish resort vacations.

“These purchases and monthly payments pulled dollars directly from funds that were available for the private club ‘lifestyle’ and membership. Sure, there are families that could and can still afford all of these including the private club, but in today’s economy, some serious choices are going to be made in the coming months and years.

“These are choices that may have a positive or negative impact on the private club – but let’s think positively for a moment. The key word is ‘lifestyle’ . . . this word, this status, more than anything has to become the virtual and real mantra of the private club! Lifestyle above all else is the one item or commodity that we as an industry can provide better than anyone on a daily basis.”

Prestige – Status – Position – Family – Friends – Business – Quality – Passion – Love = Lifestyle

PUBLISHER’S FINAL COMMENTS

Today we need to re-evaluate our product... “The Club Experience.” Who and where we are today and what will the next generation of members want?

Next time we’ll put forward a strategy from the *Association of Private Clubs and Directors* and the *Professional Club Marketing Association* called *Revenue and Member Management Strategy*, focusing on revenue management, best practices and strategy encompassing club usage, retention and recruitment.

Unlike a budget usually written in stone, this revenue strategy is renewable and adjustable.

We’ll focus on how you can keep your members, remembering that while recruiting is important, keeping your members is most important. It costs less to retain loyal members and they’re more likely to use the club on a regular basis and spur recruitment by referring friends to join.

I believe strongly the tough economic time now gripping the world represents an unprecedented opportunity for our industry, and we want to explore the ways and means for optimizing the opportunities these unique times present.

Remember, membership issues are complex...there’s no silver bullet, just many small tasks over time delving into club culture, members recruitment, usage and retentions. There’s nothing magical about it. A planned, well-coordinated attack using the right skills, knowledge and tools is what’s needed.

First comes an acknowledgement from the board of directors and management that there may be “issues” that need resolving and secondly, comes the requirement of finding the right information and developing an action that will work for your club.

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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