

2008 Dues Market Correction Initiative

Sunset Hills Country Club, Edwardsville, IL

Reason for initiative

To proactively recognize the club, on its present financial path, could exceed a dues level threshold suitable for our community marketability. Factors that support this assumption:

- The present five year Pro-Forma we are following will see the club at \$500 monthly dues by April 2009 and over \$550 by 2011.
- Other than recent and current cosmetic improvements, no major enhancements to the club facilities are scheduled.
- The economy is in a major down period, putting greater challenge on our ongoing marketability toward membership retention and growth.

Goal of this initiative

To increase membership levels, with a method that will reward participating members while, ultimately, reducing monthly dues for all members.

Preliminary monthly dues level goals for this initiative (dues based on April 2008):

- Full Golf \$480 to \$350
- Jr. Golf \$275 to \$205
- Social \$165 to \$105

Preliminary member level goals for initiative (based on Nov. '07 figures):

- Full Golf 178 to 270 (increase of 92)
- Jr. Golf 35 to 54 (increase of 19)
- Social 154 to 270 (increase of 116)

The above member increases are calculated, factoring the dues level that will become effective in April 2008.

With this plan, the club would enjoy a significant resurgence in utilization. This has the potential to mean that an assessment in 2008, '09 & '10 would not be *a necessity to survive*.

Period of initiative offering

This is a 1 (one) year pilot program. This initiative will be offered, as a membership marketing program, from April 1, 2008 to March 31, 2009.

When a new member signs up, they sign a 2 year contract with the lower due structure guaranteed to them for that 2 year time period whether the "Dues Market Correction Initiative" succeeds or not. At the same time, the current referring members receive a contract to stating that they will also receive the new lower dues for 2 years whether the "Dues Market Correction Initiative" succeeds or not (this contract does not bind the sponsoring member to a membership for 2 years). *This continuation is necessary to make this an exciting opportunity for new & current members.*

In February 2009, the initiative will be reviewed, at which time initiative success will be evaluated and revised dues levels will be established for all members for each category.

Basic actions to facilitate this initiative

Any member in good standing must sponsor new members, whereas:

- The sponsoring member is current and in good standing.
- New member applicants, who have been members of SHCC will not be eligible to return under the Ex-Member Return Schedule.
- Dues benefit is immediate upon new member paying full Entry Fee and first months dues.
- A sponsoring member requires no seniority.

Initiative benefits to new and sponsoring (current) members

This initiative directly benefits the new members and their sponsoring members. It is designed to immediately benefit both while building the membership level in the club as a whole where all member dues, based on category, will be brought to a new lower level.

- Sponsoring members **immediately** enjoy the reduced monthly dues of their initiates (as applicable).
- New members who join under this initiative immediately enjoy the monthly dues, outlined in this initiative, based on their membership category.
- New members enjoy new member Social (a \$400 value) & Sport Package incentives (a \$395 value), based on membership category. Social members receive the Social package and Golf members receive both.

Positive impact of this initiative

Preliminary calculations, based on Nov '07 figures, show that if this initiative reaches the above nominal goals, entry Fee income will exceed \$600K. The impact of this initiative brings the following:

- A departure from relying on the LOC.
- Increased F&B utilization and revenue.
- Increased F&B minimums.
- Funding a meaningful Capital improvement budget.
- Overall reduced dues, based separately on each member categories success.
- Bringing SHCC to a dues level which serves well to our product and market.
- Improved membership dollar value perception.

Basics of how this plan works:

Existing members may bring in new members *one at a time*. Each new member will represent a dollar dues reduction, for both the new member and the sponsoring member. Values are as follows:

- New Golf Member = \$65 dues decrease.
- New Jr. Golf member= \$40 dues decrease.
- New Social member= \$30 dues decrease.

Dues Reduction Caps:

Since the purpose of this initiative is to normalize a new lower dues point for all, dues reduction limits are needed. Sponsoring (current) members may have credits off their dues to the following maximums:

Golf	\$130 credit
Jr. Golf	\$70 credit
Social	\$60 credit

An example of how they can get to these maximum numbers follows:

Sponsoring (current) Member Class	Credit Type	Credit \$ amount	Current dues-credit \$ amount
Golf	2 golf credits	$\$65 \times 2 = \130	$\$480 - \$130 = \$350$
Jr. Golf	1 Jr. Golf + 1 social	$\$40 + \$30 = \$70$	$\$275 - \$70 = \$205$
Social	2 social	$\$30 \times 2 = \60	$\$165 - \$60 = \$105$

A sponsoring member may get to their number by bringing in any variety of Golf, Jr. Golf, & Social members.

In the case that a sponsoring (current) member brings in new members that would extend them beyond the established dues reduction caps, the sponsoring member will enjoy continued benefits in the form of Club account credit. The dues credits will apply in the order the sponsoring member brings in a new member, up until the point they reach their cap. Then, the amount of overage will go to the sponsoring member in the form of a one-time in-house “commission.” The following example shows an example of an account credit:

If a golfing member brings in a Jr. Golf member, then a golf member, and then a social member, their billing credit would be:

DUES	\$480
New member Jr. Golf dues credit	(\$40)
New member Golf dues credit	(\$65)
New member dues credit (to reach max.)	(\$25)
One-time new member credit (commission)	(\$60)

The one-time new member credit was calculated as follows:

\$30	(social members are worth \$30 dues credit per month)
<u>-25</u>	(amount of dues credit used on bill per month to reach max. cap)
\$5	
<u>x12</u>	(to give them the value of a one-year credit; not 2 year)
\$60	

The one-time new member credit is an in-house credit that may be used by the member any way they like.

****Note:** new members brought in under this plan may also bring in other new members, with the same dues reduction caps in place, including the amount being taken off for being brought in under this plan.**

Caveats:

- New member applicants, who have been members of SHCC will not be eligible to return under the Ex-Member Return Schedule.
- Sponsoring members cannot allocate benefits (i.e. a person can't share the \$65 deduction with anyone)
- Entry Fees must be paid in full and in advance.
- Sponsoring and new members will be bound to a two year agreement.
- May not be combined with any other Membership Product

Additional comments from an email conversation with Chris Dziadek, general manager of Sunset Hills:

The idea of the Dues Market Correction Initiative came out of a brainstorming session with Jim Logan, the club's vice president and membership chairman. Reinforcement for the idea, and its eventual name, came from an informal dues survey Dziadek made of neighboring clubs. "We were simply allowing dues to get out of hand."

The timing of the program is significant. At the annual meeting last year, Sunset Hills members passed a stronger assessment policy to permit the club to meet its financial needs. The board of directors may now assess each member up to 25 percent of his or her annual dues, which would bring in a total of more than \$250,000. Previously, through a rule passed in 1980, the club could only levy a once-a-year charge of \$160 per member. "The club needed a new and meaningful assessment guideline. So now we have it and now we are selling a membership program that is designed to allow us *"to not use the assessment guideline."*

After the program is reevaluated and possibly modified in February 2009, the club believes even limited success will have a positive effect. "We believe once they see an actual decrease in dues, people will truly see that this is a very real tool for them to better their club expense." If the program is considered a total success in February, all members in the three categories will enjoy the same dues levels as the new members and their sponsors.

Maintaining the same initiation fee (\$4,500 for golf; \$3,500 and \$2,500 for junior golf and legacy junior golf, respectively; and \$1,500 for social) and requiring the fee be paid up front are important aspects of the program. The club has found that discounted entry fees only attract "marginal" members. "So you end up with poor participation and no buy in to club activities."

Sunset Hills members are excited about the program and the savings potential it offers. Within a week after the program was announced in early March, the club took in three new members under the initiative, even though it was not to begin officially until April 1.

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