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# Private Club Advisor™

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*A Letter to the Directors, Officers, Owners and Managers of Private Clubs*

August 2016

Dear Club Executive,

**MAKING CLUB DINING THE CHOICE...** Is your club's membership, board and management team refocusing the importance of the club's dining venues as a stand-alone amenity that is equal to, if not more important than, all other club amenities? If the answer is no, your club may be in need of a major shift in thinking, according to Richard Lareau of The McMahon Group.

"A big paradigm shift is that a club is a restaurant surrounded by excellent amenities," Lareau explained in a recent webinar for club executives. "It's not about golf; it's about the club as a whole. All members eat and socialize, but not all members golf. Dining is no longer a side-line function, it's a main feature."

Lareau went on to state that there is more competition than ever for members' time and money and clubs have to be better than the competitors (local restaurants or neighboring clubs). "Members are more food-savvy than ever and this means all items must pass the deliciousness test," he said. "Clubs exist because they deliver special experiences. Clubs must achieve this delivery point or they will perish."

**DATA IS BIG...** Successful businesses and large retailers are using customer data to drive everything they do—marketing, sales promotions, discounts, in-store or online merchandising, etc. Data collection and analysis is prominent in determining age, gender, location, buying patterns, internet searches and more. Is your club collecting and using data to determine every decision made for the future?

"No longer are a few vocal members bending the ears of board members driving the direction of clubs," stated Kurt Kuebler, partner with Kopplin, Kuebler and Wallace (formerly Kopplin and Kuebler), at a recent educational seminar for club executives. "Now data is what is driving decisions because the information is more available. As an industry, we are more focused on data than ever before," he said.

Club software and technology providers are evolving products and services to better collect and track information. According to a recent article in *Golf Inc.* magazine, a host of providers are making cutting edge technology available to the club industry and operators are beginning to use the new technology to improve operations and increase revenue.

"You should know your pricing trends, what's selling and what's not," a technology company president stated in the article. "Mine that information to make smart business decisions about discounts, specials and rate changes." Clubs should be collecting, tracking, recording and analyzing information to drive business and decision making. "Collect data and treat it as a valuable asset," he urged.

Some clubs may be collecting data or have software with tracking capabilities but are not utilizing them effectively. A high-level staff member (CFO, assistant gm, etc.) should be responsible for this task in order to use the information in a consistent and effective manner. The "crunching of numbers" and data analysis does take time and attention but can be an incredibly valuable tool for clubs.

**COMMUNICATIONS AND TECHNOLOGY TRENDS...** Speaking of collecting data, the Professional Club Marketing Association (PCMA), in conjunction with Clubessential, recently released the Club Com-

munications and Technology Trends Report for 2016. Two hundred and thirty clubs participated in the survey in order to determine how technology is used to engage members and guests.

The following are some of the interesting findings detailed in the report:

Nearly 54 percent of participating clubs accept online dining reservations and 72 percent accept online event reservations. This data suggests that many members prefer to make reservations online, which also frees the staff from taking numerous phone calls to book, change or confirm reservations.

Forty-nine percent of clubs email their entire membership base two or three times each week. Thirty-seven percent email one per week and only 12 percent email daily. The report summary concluded that the balance between too many emails and not enough can be difficult, but it does exemplify the importance of creating a strategic communication plan. The survey indicated that 52 percent of clubs do not have a defined communication plan that details how often, what content and through what channels information will be sent to members. Only 47 percent of participating clubs have a formalized outline and schedule for all communications.

In addition, the survey identified that less than 22 percent of clubs update their website layout and design quarterly; less than 30 percent update their websites annually. Forty-one percent of clubs surveyed stated that they do not update their website regularly. This may be a missing component in engagement of members and guests if club websites are stale or rarely updated.

**DUES INCREASES: THINK ANNUALLY...** Several high-profile accountants specializing in private clubs are proponents of annual dues increases, whether or not the need is obvious. They contend that delaying increases can only lead to problems in the long term (see “Doing the Responsible Thing” July *PCA*, page 2).

“While not raising dues each year may be popular with the members, generally clubs cannot continue to operate on at least a break-even basis without annual increases,” said one of the advocates, Dan Condon of the accounting firm Condon O’Meara McGinty & Donnelly. Even though delaying increases could work short term, long term it generally does not, according to Condon. “Expenses such as payroll, payroll taxes and benefits, especially health care—which typically account for more than 50 percent of a club’s operating expenses—as well as other operating expenses generally increase each year,” Condon pointed out. “It would be unrealistic to think clubs can continue to operate and deliver the highest quality of services to their members without regular dues increases.”

**CAPITAL CONSIDERATIONS...** Undertaking a clubhouse renovation or expansion can be time-consuming and complex, with many pitfalls to avoid. Consultant Jerry McCoy, who has advised clubs on their projects, recently outlined some of the potential problems.

Capital projects:

- Members’ perception that they are not part of the process.
- Allowing aesthetics to take priority over function.
- Unwittingly designing long-term labor costs into the project.
- Not addressing the needs of the total facility. (Partial updates can make other areas of the club appear shoddy and out of style.)
- Not selecting an architect and/or consultant with club experience.
- Not planning for growth of fitness, youth activities and family events.

Capital finance:

- Finance plans that depend on the growth of membership to fund.
- Including refundable assessments in the financing. (Some clubs that use refundable assessments find themselves in a financial bind when paybacks come due.)
- Not having multiple local contractors complete cost estimates.
- Not providing adequate debt-service coverage. (A club needs a financial plan that covers 125 percent of project cost, according to McCoy.)
- Not considering elimination of the minimum-spending program on food and beverage service.

The last item may come as a surprise to clubs for whom the minimum is a key part of the operation. McCoy believes the minimum should be converted to a capital-dues charge to automatically fund club projects.

**INSIDE OUT...** A trend emerging in club design is taking the indoors outside, according to Craig Smith of C2Limited Design Associates. The firm has seen a rise in demand for creating outdoor environments that mimic spaces previously envisioned only for the insides of clubhouses. Covered outdoor bars overlooking the golf course, enhanced alfresco dining areas with sophisticated chef grill stations, open-aired covered lounge areas with TVs and fireplaces or communal fire pits are all strategically conceived to create the “linger longer phenomena,” according to Smith.

This strategy “goes beyond just the furniture and incorporates strategic programming, offerings and how the space is set in context with the adjacent landscape, views and clubhouse architecture,” he explained. Encouraging members to linger longer enhances the member experience, increases member usage and generates revenue, he said.

**RECREATIONAL OPTIONS...** As many clubs looked for more ways to attract new members and keep the interest of existing members, sports that are best described as nontraditional were in the spotlight at the World Conference on Club Management earlier this year. Here are three activities that drew attention during a seminar on nontraditional sports:

**Pickleball anyone?** Billed as a game for all ages, pickleball is played on a court one-third the size of a tennis court and combines elements of tennis, badminton and table tennis. Like the aforementioned sports, pickleball is played over a net by either singles or doubles teams. The net is 36 inches high at the sidelines and 34 inches high in the middle. Equipment consists of a paddle smaller than a tennis racquet but larger than a table-tennis paddle and a polymer ball with holes through it like a whiffle ball.

Courts can be constructed from scratch (ballpark cost: about \$30,000 to \$40,000 per court) or by converting existing surfaces (at about \$4,000 to \$5,000 a court). To learn more about pickleball equipment and the rules of the game, visit the website of the USA Pickleball Association, [www.usapa.org](http://www.usapa.org).

**Putting a foot in golf.** If you are visiting Forest Hills Country Club, Chesterfield, MO, you may see a soccer ball rolling across the golf course. Footgolf, a game that like pickleball is relatively new but rapidly gaining popularity across the country, is essentially golf with a soccer ball that is played on a course of nine or eighteen holes. Obviously, the holes are larger and, you can relax, the golf greens are not used.

According to Andy Crowe, Forest Hills general manager and COO, golfers and foot golfers can share the course at the same time. “It requires management, but it can work,” Crowe said. “Since golfers and foot golf-

ers do not use the same holes and foot golfers do not use the greens, the play for each can run at the same pace, allowing you to send out a foursome of foot golfers followed by a foursome of golfers.”

“Footgolf moves quickly and in today’s fast-paced society it is a great opportunity to get outside and have fun while recognizing time constraints,” he added. According to Crowe, start-up costs for a nine-hole foot golf course are about \$3,000 (tee markers, hole liners, flag poles and flags), plus \$500 for 500 to 1,000 score cards and \$250 for 12 No. 5 soccer balls. For additional information visit the websites of the U. S. Foot Golf Association ([www.usfootgolf.org](http://www.usfootgolf.org)) and the American FootGolf League ([www.afgl.us](http://www.afgl.us)).

**The beauty of bocce: \$\$\$\$.** Bocce is a centuries-old game with European origins that has been a mainstay in certain ethnic neighborhoods in this country. Bocce’s popularity has spread into private clubs and for Bellerive Country Club, St. Louis, MO, the game has translated into welcome food and beverage revenue as well as member enjoyment.

Bellerive has two courts, built at a cost of \$88,000. Bocce has elements reminding one of horseshoes and shuffleboard. The objective of the game is to roll a ball down a long rectangular court and place it closer to a target ball, called a pallino, than your opponent can.

About 370 players divided into teams of eight to twelve people play during two seasons—spring and fall, avoiding the height of golf season. Food and beverages are a vital part of the bocce experience. League play is the key to a successful bocce program, according to Larry Marx, Bellerive general manager and COO. Leagues assure regular and consistent participation. “Do not build courts without league play,” Marx warned. More details about bocce are available through the U. S. Bocce Federation ([www.usbf.us](http://www.usbf.us)).

Happy August!



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