Membership in the rough

Yes, private clubs are hurting, but some are using the wrong strategy to get back on the fairway

BY MIKE STETZ

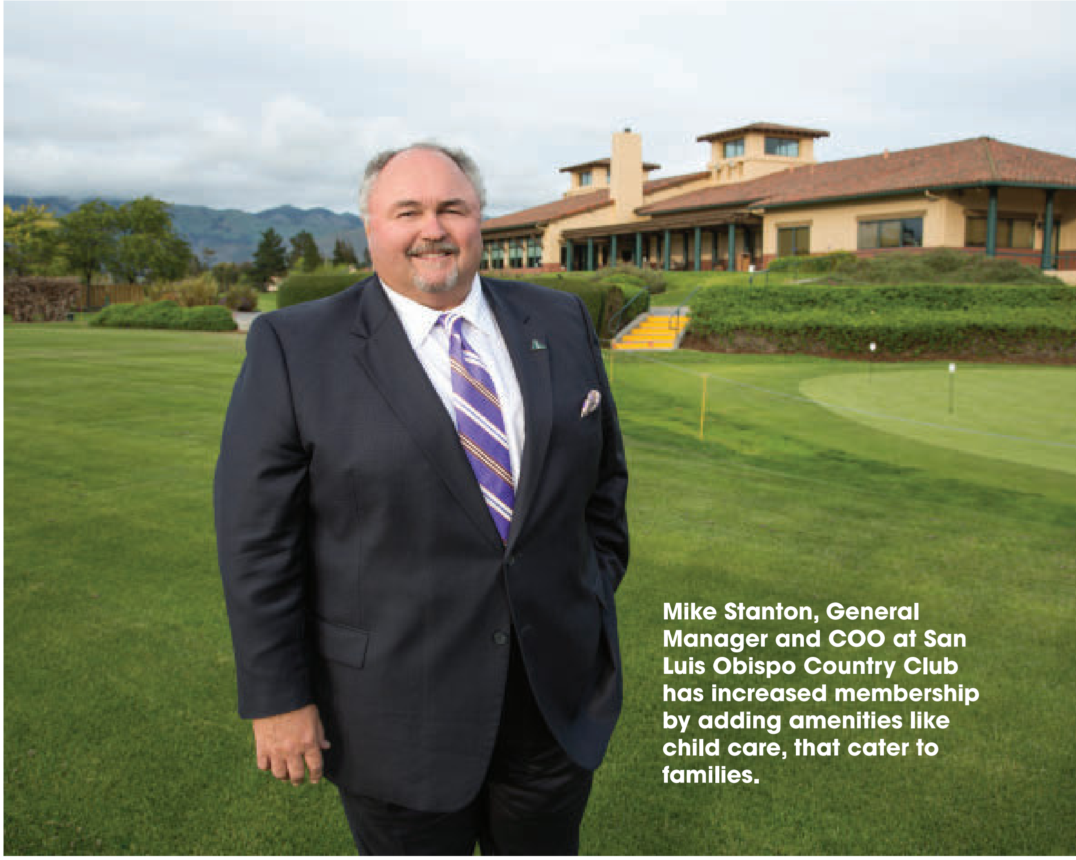
Editors' note:
For many golfers, few bonds are as powerful as the ones they have to their private clubs. And little wonder. Many have been members for years, served on boards and helped decide their very fates, from renovations to additions.

Maybe they even helped suggest the dining menu.

But the private club is in jeopardy. Many are seeing membership drops because of changing demographics and the sluggish economy. Some are dying.

Golf Inc., in collaboration with Club Benchmarking — which helps clubs make more informed operational decisions by doing club data comparisons —will explore different challenges facing these clubs on a regular basis with hopes of offering insight and possible solutions.

We begin with membership — a private club's most vital asset. A strong, satisfied membership, after all, is key to not just survival, but growth.



Mike Stanton, General Manager and COO at San Luis Obispo Country Club has increased membership by adding amenities like child care, that cater to families.

PHOTO BY TOM MEINHOLD

It used to be a pretty simple formula to operate a private club. You needed:

1) A golf course.
2) Members to pay to play on said golf course.

But maintaining that second key component has become more of a challenge. Memberships started falling in 1988, with the decline accelerating during the Great Recession. That thing called a waiting list? For many clubs, it's gone the way of the wooden driver.

"Full member counts are down in every single quartile in every single segment," said Ray Cronin, CEO and co-founder of Club Benchmarking.

Club Benchmarking was established in 2009 and collects information from 1,000 clubs nationwide. It then allows clubs to see where they stand in comparison to similar ones.

"With the data we provide, private club general managers can move from a CPA mindset to an MBA mindset," he said.

The change in perspective is needed.

The number of private clubs has dropped by 18 percent since 1988, to 4,050, according to the National Golf Foundation. Several additional member-run clubs have been sold or turned over operations to management companies.

And experts said many of the member-run clubs that failed did so because of poor choices.

For example, many cut initiation fees,

Membership by the numbers

Club revenue		Member Count >$4.5m	Member Count $4.5m-$9m	Member Count $9m+	Dues Revenue >$4.5m	Dues Revenue $4.5m-$9m	Dues Revenue $9m+	Initiation Fee >$4.5m	Initiation Fee $4.5m-$9m	Initiation Fee $9m+
2010	25th %	410	490	914	$1,321,184	$2,675,938	$5,512,868	$3,875	$15,000	$51,000
	Med.	513	609	1,218	$1,691,000	$3,302,920	$6,952,673	$14,250	$25,000	$74,500
	75th %	626	822	1,773	$2,120,370	$3,855,935	$9,555,587	$20,000	$45,000	$100,000
2012	25th %	387	478	907	$1,437,491	$2,796,834	$5,696,170	$2,875	$12,500	$47,500
	Med.	485	612	1,197	$1,702,445	$3,417,819	$7,286,422	$12,250	$25,000	$70,000
	75th %	555	810	1,703	$2,200,000	$3,977,185	$10,403,775	$17,500	$51,500	$90,000

Club revenue		Full Member Equivalents >$4.5m	Full Member Equivalents $4.5m-$9m	Full Member Equivalents $9m+	Full Members >$4.5m	Full Members $4.5m-$9m	Full Members $9m+	Full Member Dues >$4.5m	Full Member Dues $4.5m-$9m	Full Member Dues $9m+
2010	25th %	266	350	690	228	318	597	$4,470	$5,256	$6,213
	Med.	293	450	826	291	368	759	$5,808	$6,720	$7,073
	75th %	343	592	1,326	336	467	1,153	$6,255	$9,378	$9,749
2012	25th %	258	370	724	220	301	592	$4,443	$5,683	$6,111
	Med.	308	433	872	268	350	723	$5,458	$6,936	$7,440
	75th %	354	596	1,400	304	444	1,067	$6,394	$10,444	$10,056

Data from Club Benchmarking. Med. stands for median. For more info visit www.clubbenchmarking.com

some down to nothing.

"The smaller clubs, where capital investment is under stress as a result of lower or nonexistent initiation fees, have less expansive, lower quality facilities and thus find it harder to retain significant membership counts," Cronin said.

As many as 10 percent of clubs — mostly smaller ones that generate less than $4.5 million in revenue per year — have no initiation fee. In most cases, that move was done purposely, in hopes of attracting membership.

But, it's what experts call the death spiral. A club cuts fees to attract more members. But then, because it is cash poor, it can't spruce things up to attract new members.

By chopping initiation fees, Cronin said, clubs are not saving themselves, but are cost-cutting themselves out of existence. These fees are the "lifeblood" of clubs, he said.

Steve Graves, president of Creative Golf Marketing, which has performed membership marketing and membership retention consultations for more than 1,200 private clubs, agrees that fee slashing is a worrisome trend.

He calls it a "panic" move — one done in hopes of maintaining membership. However, it hurts clubs in the long run since they can't fund capital improvements to make the club more inviting.

"It is a slippery slope that sets a negative tone," he said. "Think about it, Costco is able to command a $100 fee for people to enjoy the benefits of shopping at Costco."

Cronin said the current data suggest a "tale of two clubs." There are vast differences in initiation fees charged by clubs, and that can impact membership tremendously.

Up to 40 percent of clubs have fees greater than $50,000, giving them the necessary capital to add amenities.

Still, clubs need to be price savvy, said Tom Coburn, principal consultant of CTU Advisors, a membership retention consulting firm.

He said that while lowering prices is not a successful long-range strategy, smaller and mid-sized clubs need the price to be in line with what they offer.

"People are putting serious thought into the expense of joining a club in ways not seen a decade or more ago," he said. "Exclusivity is not as much of a motivator as is functionality."

Most clubs are seeing an increase in the number of members seeking less expensive membership options instead of paying full freight for unlimited use.

That means lower revenue, since dues for full membership privileges are highest. Even large clubs — those with more than $9 million in revenue — are seeing dramatic shifts.

In 2012, the median count for members for large clubs was 1,197, but only 723 were full members.

For mid-sized clubs — those with revenues from $4.5 million to $9 million — the median number of members was 612 in 2012, but only 350 were full members. That is due to an increase in non-golfing members for most clubs.

That shift is no accident. It was born out of survival. More private clubs are offering an increasingly robust menu of activities to attract new members because golf alone is no longer drawing enough members, club operators say. People want more options, particularly activities the whole family can enjoy. That might mean the members pay less in dues (if golfing is not a priority) but the club remains viable.

Take Ridgewood Country Club in Waco, Texas, which has more than 1,000 members. Next year, it's investing $300,000 in the club — and it's not on bunkers. The money is for a new playground.

"You have to be as encompassing as possible," said General Manager David Gardner. "It's definitely changing."

San Luis Obispo Country Club in Southern California reinvented itself during the past few years because it was seeing a drop in membership, said Mike Stanton, general manager and COO.

Members weren't happy with the quality of the club, and it also lacked amenities to attract families, he said.

"We did have a pool, but we were still golf-centric," he said.

He immediately took steps to improve service to appease longtime members and began a membership drive. He was looking for younger people with families.

"In the old days, dad joined the club to get away from the family," he said. "That's not the case anymore. Mom has to be OK with the club."

The club started a child-care facility as part of the effort. There was some initial concerns from older members, particularly when "kids were running down the hallways," Stanton said jokingly.

Some of the newer members didn't understand or embrace certain traditions, either. They didn't wear golf shirts. They wore — of all things — T-shirts.

But the membership began to grow, helping the bottom line. And new members brought in new members. A fitness center opened in January of 2012, and that proved to be extremely successful, he said.

In 2009 — the club's low point — it had 375 golf members, 100 fewer than it does today, he said. Today, its tennis and fitness memberships are nearly full as well.

Graves, of Creative Golf Marketing, has seen an increase in new members looking for less-expensive alternative memberships.

"However, many private clubs do not offer a limited golf classification to meet these downgrade and or new member requests," he said.

He recommends that clubs look at doing so. Fitness clubs can help create an uptick in new member growth and see less attrition from current members.

"I have yet to have a private club client state, 'We wish we would have built our fitness center SMALLER'!"

Cronin, of Club Benchmarking, said clubs have to be consistently thinking of membership expansion and engaging their younger members in the effort. The older members? Their friends are probably already members. Their social circles are much smaller.

Cost cutting, particularly targeting initiation fees, is not the solution, he said. If the club is not progressive, it doesn't matter how cheap it is. It will be considered dull and lifeless, he said.

"It takes significant effort, time, thought and analysis — and may even come with some risk" — to attract members, Cronin said.