
Private Club Advisor™

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

August 2014

Dear Club Executive,

ENDING THE GREAT DEBATE... “We should make money in food and beverage!” “We need more banquets!” “Our food cost is too high!” If these remarks are heard at your club and are resulting in hours wasted in board meetings on the food and beverage (F&B) department, you may want to take note.

In a recent webinar conducted by Club Benchmarking, COO Russ Conde stated, “Boards spend too much time on F&B financials. Stop talking like it is a financial driver of the club. Food and beverage is not a profit center, it is an amenity.”

While the F&B department does produce a significant portion of revenue for a club, it also produces a large amount of expenses. “The reality is that F&B is not a source of usable cash for clubs. As an aggregate, F&B does not produce cash,” Conde explained.

Research conducted by Club Benchmarking concluded that 75 percent of clubs lose money in food and beverage. Twenty-five percent make *some* money. In the industry, the median club (the club that is in the exact middle of all clubs surveyed) has a food and beverage loss that equates to about four percent of the club’s available cash (gross profit). “Boards all over the country spend hours and hours of time talking about something that has minimal financial impact,” Conde stated.

According to Conde, Club Benchmarking data clearly demonstrates what he told his webinar audience, that in the club industry F&B is an important social amenity, but it is not a profit center. “When you stop focusing on F&B as an issue and accept it as an amenity, it results in a healthier club,” said Conde. “It allows you to focus on other areas that actually produce revenues like membership, dues and guest fees. Treating F&B as a significant financial driver is misdirected and leads to inappropriate expectations and numerous wasted board hours.”

IS BROWN THE NEW GREEN? The retro look of Pinehurst No.2 golf course during the U.S. Open received mixed reviews from players and critics. It also drew attention to water conservation and minimizing overall maintenance for courses across the country. A \$2.5 million renovation was conducted on Pinehurst No. 2 three years ago to revert the course back to its historical appearance of the 1940s-1960s. Thirty-five acres of rough were removed, irrigation heads were reduced from 1,150 to 450 and water consumption was condensed from 55 million gallons annually to 15 million gallons per year, *Club and Resort Business Magazine* reported.

No. 2 has only two grass heights: the greens and everything else, which led to a significant reduction of maintenance costs, as well as chemical usage. The appearance of the course was drastically different due to the change in color, fairway width, bunkering and sandy waste areas. The changes made a powerful statement to the golf world.

“We happen to think that long term water is going to be the biggest obstacle to the game of golf, more than participation, more than anything,” said Mike Davis, the U.S. Golf Association executive director. “In certain parts of the country we are already seeing it. It is not going to be just a question of cost. It’s a question of will you be able to get it?”

While the brown and historical look of Pinehurst No. 2 may not be for all courses, it spurred conversation at many clubs. Bradley Klein of *Golf Week* stated the tournament was “A revolutionary open that transformed understandings and showed a simple and scruffy maintenance pattern is acceptable, taking pressure off superintendents and the notion that pristine and pure is the only way.”

Some courses have or are looking into ways to reduce water consumption for sustainability purposes and to lower operating costs. A decrease in manicured grass reduces water, maintenance costs, equipment wear and tear, electricity usage and consumption of chemicals. The long-term impact and savings can be significant.

Todd Jester, CEO of Jester Design, a golf course architectural firm, has worked with several clubs to reduce total water consumption by 30-50 percent. While sustainability renovations can be expensive up front, Jester said ROI may take eight to ten years or less. According to Jester, a mid-tiered club would only renovate the extremities of the course, which would reduce the total cost of the project by about one-third. “It is smart to move toward water conservation; I believe this is the future for many clubs,” he said. “Be sure to hire an irrigation consultant and get the golf professional on board right away. This is critical to the success of the project.”

ADVANCING MEMBER COMMUNICATION... The most important issues for most clubs are those that pertain to recruiting and retaining members. Clubs are finding one cost-effective way to recruit, retain and engage members is through Clubster, a private social-media platform designed specifically for private clubs.

Recruit: White Bear Yacht Club in White Bear Lake, MN, uses Clubster as a recruitment tool. “None of our local competitors use Clubster, so we market to prospective members that we have a private social-media mobile app,” stated Dave Kelly, the membership chairman. “We started a private group for new members on Clubster to help welcome them and to add value to their membership.”

Retain: Nassau Country Club in Glen Cove, NY, uses Clubster to remind members of club events and recurring weekly activities like special dining nights by sending real-time notifications and alerts. “It helps keep the club fresh in members’ minds,” board member Mark Schlesinger said. “I personally think it drives more people to the club. Delivering information through a separate channel, such as a mobile app, has a bigger impact than through a cluttered email inbox.”

Engage: Lorianne Hagan joined Westborough Country Club in St. Louis, MO, in the spring and was immediately introduced to Clubster. “As a new member it gives me information fast and I don’t have to log in to anything. It’s on my phone just like FaceBook is,” she explained. “I can quickly find out about swim team updates, new or canceled fitness classes and see what events are happening this week or next month.” Hagen has found the ability to look up names and pictures helpful in meeting both members and staff and significant in building relationships at the club.

Rick Coffey, membership director at Ravina Green Country Club, Riverwoods, IL, and incoming president of the Professional Club Marketing Association, said Clubster has caught on quickly with his membership. “Our members appreciate the ability to connect with other members and see what is going on at the club with their mobile devices.” Coffey stated that Clubster has been a great way to engage both new and existing members and help build community at the club.

THE COST OF DELAY... While it may be absolutely necessary to delay required maintenance or replacement of equipment, a club needs to be aware that putting it off could make the job more expensive. Accountant Ned McCrory has seen situations where maintenance that would have cost \$400,000 to \$500,000 has ended up being about \$1 million because “everything gets older and in need of more repair.”

“It’s essential that a club take a disciplined approach to planning for the replacement and/or enhancement of capital assets and the related financing of those assets, even if it means making difficult and unpopular decisions.” McCrory said at the World Conference on Club Management earlier this year.

Rick Snellinger of the Chambers design firm expressed a similar sentiment at the conference, implying that putting off a needed project does not save money. “There is a cost of doing nothing,” Snellinger said. “It will cost more later in updates, lost revenue and lost members.”

SAVING TIME IN MEETINGS... Looking for a way to use the board’s time more effectively? Consider implementing a consent agenda to “streamline meeting procedures by collecting routine, non-controversial items into a group whereby all are passed with a single motion and vote,” explained George Pinches, director of Global Golf Advisors.

Pinches recommends clubs adopt the following policy, “The board chair shall employ a consent agenda approach for all meetings. The list of items on the consent agenda shall accompany the advance material to the board. At the beginning of each regular meeting, any items on the consent agenda shall be removed at the request of any board member. Otherwise, the items on the list shall be approved without a formal vote of the board.” Your club can determine whether the general manager, club president or committee chair will be responsible for assigning items to the consent agenda.

FOLLOW UP ON PHILOSOPHY... In the July issue of the *PCA*, we discussed a challenge facing clubs as it pertains to allowing very young children (infants and toddlers) on the golf course and the safety concerns involved (See “A Conflict in Philosophy” page 4). This subject proved to be controversial as both parents and professionals shared opinions with the *PCA* on how this situation should be handled.

Jeff Hilen, general manager at Fircrest Golf Club in Fircrest, WA, stated that organized youth programming, such as junior golf, is far more effective for establishing a love of golf than simply allowing youngsters to play in the sand traps or ride along with parents on the course.

Larry Hirsh, the president of Golf Property Analysts, a club consulting group, explained that years ago when his kids were young, his private club banned children under the age of six from the golf course. Hirsh left that club and joined another so his kids could be on the golf course at a young age. Hirsh believes youngsters should be encouraged to participate, not turned away. He also commented, “If parents take responsibility for their children, it shouldn’t be a problem.”

If your club is distressed about young children being on the course, it may be time to evaluate your club policies. Bearpath Golf and Country Club in Eden Prairie, MN, has consistent activity with toddlers on the course. The club established a practice several years ago that children under the age of five need the ratio of two adults per child while on the course so one adult could be handling the child at all times.

Whatever route your club deems appropriate, safety should always be the main priority. Robyn Stowell, a club attorney with Stinson Leonard Street, encourages clubs to take appropriate steps to protect the club and its members and guests in all activities, not just golf. While laws vary from state to state, generally she recommends clubs begin by asking these questions:

- Do your club documents (joining agreements, bylaws, club policies) properly place responsibility on members to supervise their children?
- Do you have appropriate rules in place and consistently enforce those rules? If the rule is children under a certain age must be accompanied by a parent in order to use the facilities, do you enforce that rule or

have you added staff to compensate for the rule being ignored? If the latter, you may have taken on the responsibility to ensure the safety of member children.

“Consistently enforcing the rules and ensuring members are responsible for their children is critical as it pertains to reducing your club’s liability,” said Stowell. “Use appropriate member documents, communicate the rules and policies, and hold members and guests accountable.”

EXPERIENCE REQUIRED... It often is suggested that members with committee experience in a member-owned club make better candidates for the board of directors than members with no such experience. Those who have been on committees have demonstrated a genuine interest in serving the club, their advocates say, and because of that service are more familiar with how the club operates.

Could and/or should a club go so far as to mandate that the nominating committee select only board candidates who have had committee experience?

During a conference sponsored by the National Club Association, a panel comprised of club executives and an attorney specializing in club law and governance recommended that clubs require prior committee experience for all board candidates. The requirement would reduce the risk of a club electing board members who aren’t equipped to govern a club, they said. The requirement also would eliminate candidates who agreed to run only for the honor or feeling of obligation. It would also eliminate those whose interests are limited to a specific area (dining, for example, or golf) or objective (commonly referred to as a hidden agenda).

A significant downside is that highly capable members, who for various reasons have not served on committees, might be precluded from board service. One traditional role of a nominating committee has been to seek out qualified members who have been hiding from their duty to serve and convince them—cajole if necessary—that it is time they step into the box.

Have a Great August!



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Check out our new website!
www.privateclubadvisor.com

RESOURCES

- Russ Conde, COO, Club Benchmarking** - 603-553-8958 - rconde@clubbenchmarking.com
- Club and Resort Business** – Rocky Road, OH - 440- 250- 1583 - www.clubandresortbusiness.com
- GolfWeek, Bradley Klein** - www.golfweek.com
- Todd Jester, CEO, Jester Designs**, Nashville, TN - 615-268-9669 - tood@jesterdesing.com - www.jesterdesign.com
- Ned McCrory, CPA, Batchelor Frechette McCrory Michael & Co**, Providence, RI –401-621-6200 – nmccrory@bfmmcpa.com
- Richard A. Snellinger, Chambers**, Baltimore, MD – 410-727-4535 – rsnellinger@chambersusa.com
- George Pinches, Director, Global Golf Advisors**, Phoenix, AZ - 888-432-9494 - www.globalgolfadvisors.com
- Robyn Nordin Stowell, Partner, Stinson Leonard Street LLP**, Phoenix, AZ – 602- 212-8682 – rstowell@stinsonleonard.com
- National Club Association**, Washington, DC – 800-625-6221 – www.nationalclub.org

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