



# The State of the Industry

## *It's the Status Quo That Hurts!*



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### WHAT IS THE STATE OF THE PRIVATE CLUB INDUSTRY TODAY?

It's a question being asked many times over as clubs, boards of directors and members struggle with today's challenges.

Fact is, while the depressing economy of the past couple of years has contributed to the industry's woeful performance, many of the challenges for private clubs started long before this recession.

The private club industry has been faced with a "need" to change and that

What we're talking about here is:

- Aging Baby Boomers, now a major changing demographic within the club population
- The growth of family-oriented members, but a failure of clubs to meet the needs of today's and tomorrow's members.
- Waste and inefficiencies in club operations
- Member assessments and dues increases spiraling out of control
- The rising cost of services with diminished quality in services

- Lack of club loyalty
- Lack of a dynamic marketing plan and a proactive membership department armed with a budget to achieve the club's objectives.

Check your board's and management's attitude. Is there a positive attitude focused on your members' requirements? Is it the 'economy', the 'product' or the 'attitude' or 'lack of members' that's holding your club back? Do you have and can you supply what your members want? If your club has serious issues, share them with club members.

in itself has been a challenge because many clubs see the "status quo" as the solution.

Plain and simple, the "status quo" has done more damage to many clubs and the industry than other contributing economic factors.

- Clubs overextending themselves with debt
- Competition from outside sources
- An overbuilding of facilities when the focus really should be on members
- Lack of planning, particularly a long range strategic plan

These challenges are also exacerbated by several other consistent factors:

- Real estate is in the tank and this has severely affected new private clubs built in new communities

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- A lack of focus on the “intangible” assets of the clubs, which in essence is the heart of the private club community
- And the number one culprit ...member-managed/controlled/ directed and influences clubs and general managers who are “bottom line” addicted.

In reality, tough times simply become a magnifying glass for all the other issues, and the inability to change has “trapped” private club operations. We continue to ignore the changing social and economic forces. Board members need to apply the same sound business practices to running their clubs that they have practiced every day at their offices.

The average private club members spend about \$100,000 per 10 years, so the question to board members is: How would you change your business to keep one customer worth \$100,000?

Boards need to get more business savvy, more informed. They need to be better educated and trained in the nuances of operating a private club. There needs to be far less micro-managing, development of sound business planning, and aggressive campaigns in retention and recruitment of members.

This is also coupled with the need to convince long time members and board members that the status quo isn't working. Far too much time is wasted with boards and members who don't want to change...they're happy with the way it is.

Our industry continues to provide millions of jobs in the worse market in 50 years. We support thousands of small businesses. But our industry is no different than the housing sector, the real estate sector, automobile sector, publishing sector and many others that are having to adjust to the ‘new world.’

The total number of memberships at private country clubs stands around

2.3 million, about 700,000 below the peak of the 1990s. The average club lost around 10 percent of their members last year and those numbers represent about a \$226,000 loss in dues for the average club.

And yes, we could lose a few hundred clubs to bankruptcy and a few hundred more to public play. And at least another 1,000 clubs will have to cut labor costs and expenses significantly.

The reality is supply and demand and supply has to be in balance for the number of clubs we have today. So either we increase significantly the number of potential private club members or some clubs will be closed until the numbers do balance.

Our national economy adjusts how we live; and how we live adjusts the private club industry, therefore the economy will adjust the private club industry.

In my opinion, private clubs need to be repackaged. Today's members are

less concerned with symbol of affluence shown by joining a club to the now-perceived value. The concept of a private club today is more important than in years past, but our product needs updating.

We need to make our golf club product less time consuming, costly and difficult. Quicker, affordable and fun...for more family-centric club members.

A recent quote I read is exactly right on: “Golf is so tradition oriented that it can't seem to get out of its own way. The demand for a quick, affordable and enjoyable game runs counter to a game that was founded on being slow, expensive and frustrating.”

Many clubs are moving in the right direction by creating new services other than golf, including fitness centers, spa facilities, aquatic areas, casual dining, better practice facilities, business centers, and ‘more club within a club’

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activities. We must evolve to have more relevance to people other than just golfers.

The traditional private club values, including the status a membership confers, it seems, are not as powerful as they once were. Because there are so

At today's private clubs, it's more about community and less about golf...it's more about connecting, networking, family safety, fitness and lifestyles and the "club experience." Clubs need to focus on face-to-face, live personal social networks that work for not only male club members, but also the whole family.

There are several conditions that manifest retention and recruiting issues today.

Members and potential members often face a lack of leisure time; members continue to make price/value comparisons (including comparisons to the many competitors).

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Let's be optimistic. There are solutions. But remember, there is no silver bullet...just multiple tasks completed over a period of time. Boards of directors have a fiduciary responsibility to the club's members and boards themselves need to better understand the private club industry's issues to enable them to make educated decisions for the betterment of the club.

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many first class golf, tennis and dining facilities and world-class services are available outside a private club, anyone with the cash can play.

So with the reminder that we're in the dues business, retaining members is just as important as recruiting new members.

Clubs are also faced with matching their facilities and events (the tangibles) to the membership culture it serves (the intangibles), rather than appealing to one 'noisy' segment of the club's population. And if this requirement isn't achieved, retention and recruitment becomes much more difficult.

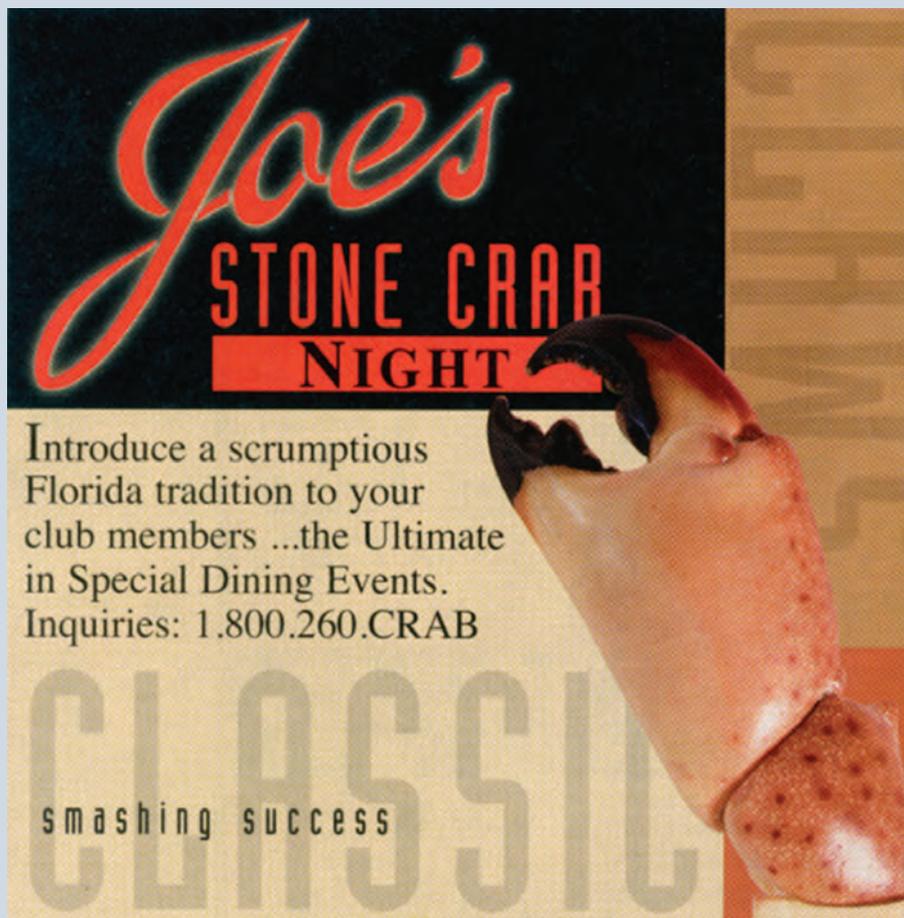
In the challenged state of the private club industry, good leaders shine and ineffective leaders are exposed. It starts with the board, and the fate of your club could rest on the skill of the leader and how informed they are. And the way these board members make decisions is key to your club's success.

Encountering problems and challenges often brings out negative actions by ineffective leaders...decision-making by paralysis...paralysis by analysis.

#### **PUBLISHER'S FINAL THOUGHTS**

Let's be optimistic. There are solutions. But remember, there is no silver bullet...just multiple tasks completed over a period of time.

Boards of directors have a fiduciary responsibility to the club's members and boards themselves need to better understand the private club



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industry's issues to enable them to make educated decisions for the betterment of the club.

Boards play an important role – defined more as a macro relationship; one of establishing policy, setting guidelines and ensuring that management implements the board's policies to the benefit of the club's members.

Just because a board member is a successful business owner, a doctor, a lawyer or professional in any other area, doesn't mean they have the knowledge or expertise to trump your management.

Do they know more about running a private club, selling or marketing club memberships, growing grass or cooking food than your club's own experts? Not likely!

Here are some suggestions:

First, a reality check. Check your board's and management's attitude.

Is there a positive attitude focused on your members' requirements? Is it the 'economy', the 'product' or the 'attitude' or 'lack of members' that's holding your club back? Do you have and can you supply what your members want?

If your club has serious issues, share them with club members.

Go to war with these issues and if the club's members get all the facts, they'll become part of the solution, and less of the problem. Adapt to your members' needs.

Focus on fine-tuning your systems and structures while improving personal skills. The club cannot be successful without properly informed board members and staff.

Training, up-to-date information, planning, envisioning, affirming, and collaborative governance with the general manager are all positive solutions for a stronger, transparent and participatory board, president, general manager and management.

The club must invest in education for all of its leaders. Every one of your managers should attend local, national education opportunities.

I sincerely hope your club is sending your general manager to the CMAA World Conference in February, 2011. One idea from that event pays for itself over and over again.

Today we have a very nervous prospective member...validation is key, and education of both your board and general manager helps lead to validation.

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](mailto:johnf@apcd.com)

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