

Financial and Lifestyle Issues and Trends for Clubs

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Learning Objectives

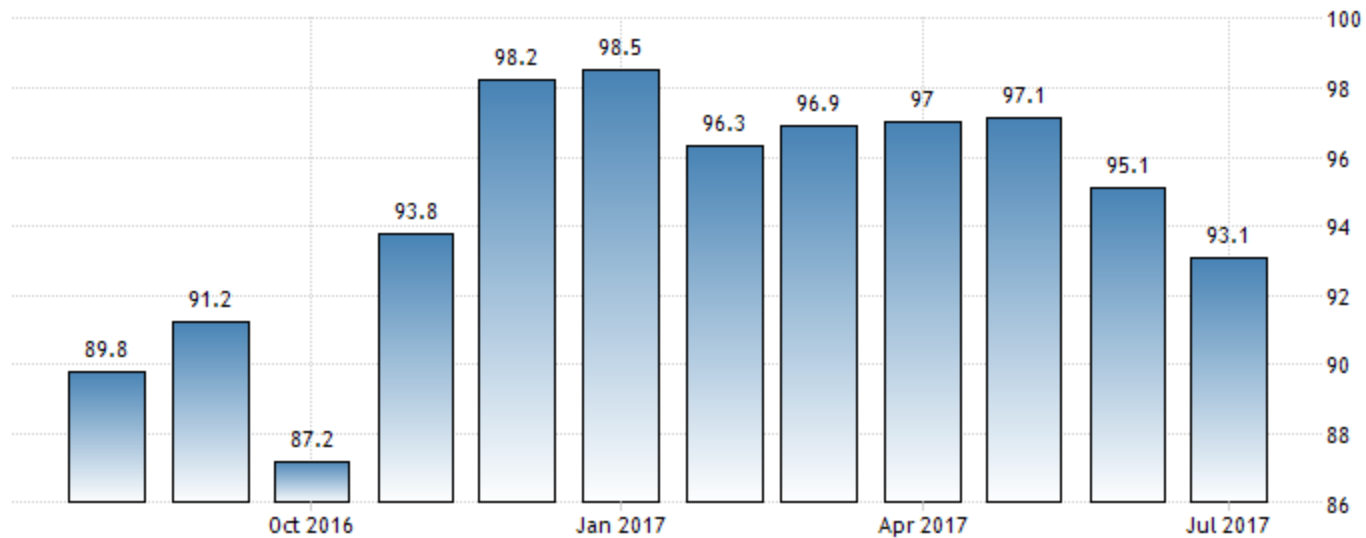
- Identify current trends in the economy and the nation that will impact clubs
- Better understand the emerging trends most likely to impact the operations of a club in the coming years
- Become familiar with the factors affecting current operating costs, income and club operations
- Understand the correlation between trends in club membership, demographics and member needs

Forces at Work

- Challenges for Private Clubs well documented prior to Great Recession
- Forces at work include:
 - Older and More Diverse Population
 - New Household Composition
 - Decline in Corporate Support for Memberships
 - Changing Lifestyles
 - Preference for Casual Dining and Socializing
 - Increased Competition

Consumer Sentiment - US

US CONSUMER SENTIMENT

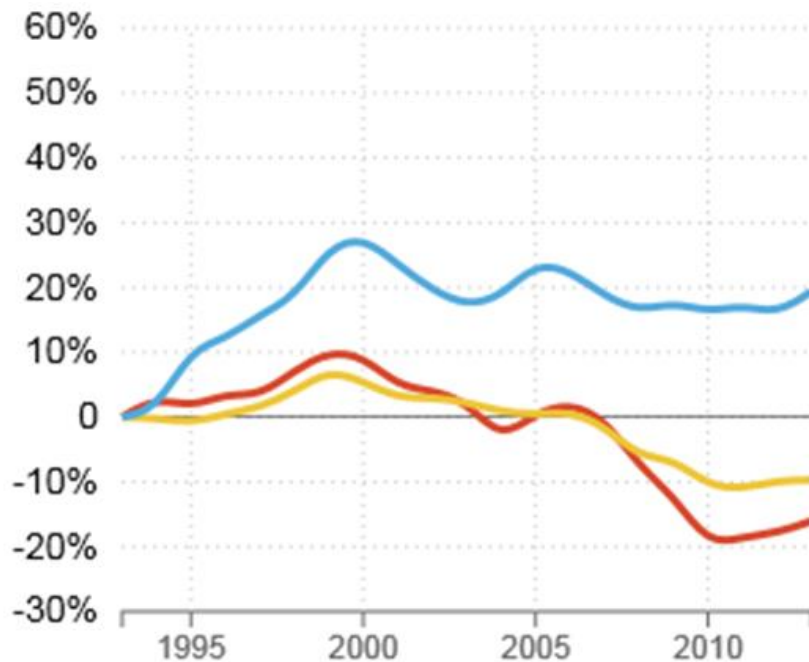


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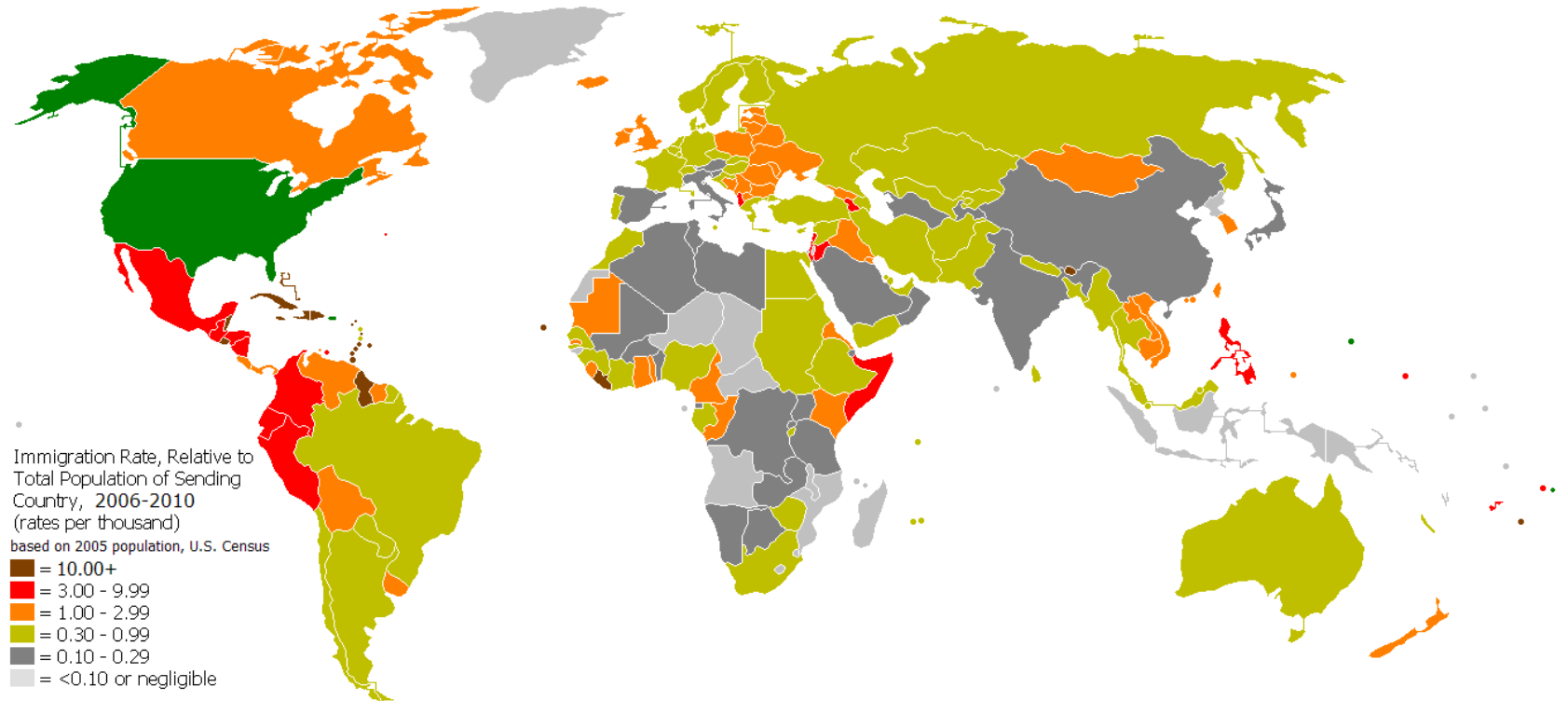


“Haves” and “Have Nots”



- Age 45-55
 - 20th percentile – red
 - 50th percentile – yellow
 - 95th percentile – blue
- Principle joining age
- Increased differential at higher levels

U.S. Immigration



The Trump Corporate Proposal



- Reduce rate from 35% to 15%
- Eliminate Corporate AMT
- Most corporate tax expenditures eliminated
- Manufacturers may elect to expense capital investment (but would lose future interest deduction)

Individual Taxes: Areas of Agreement Between President & Congress



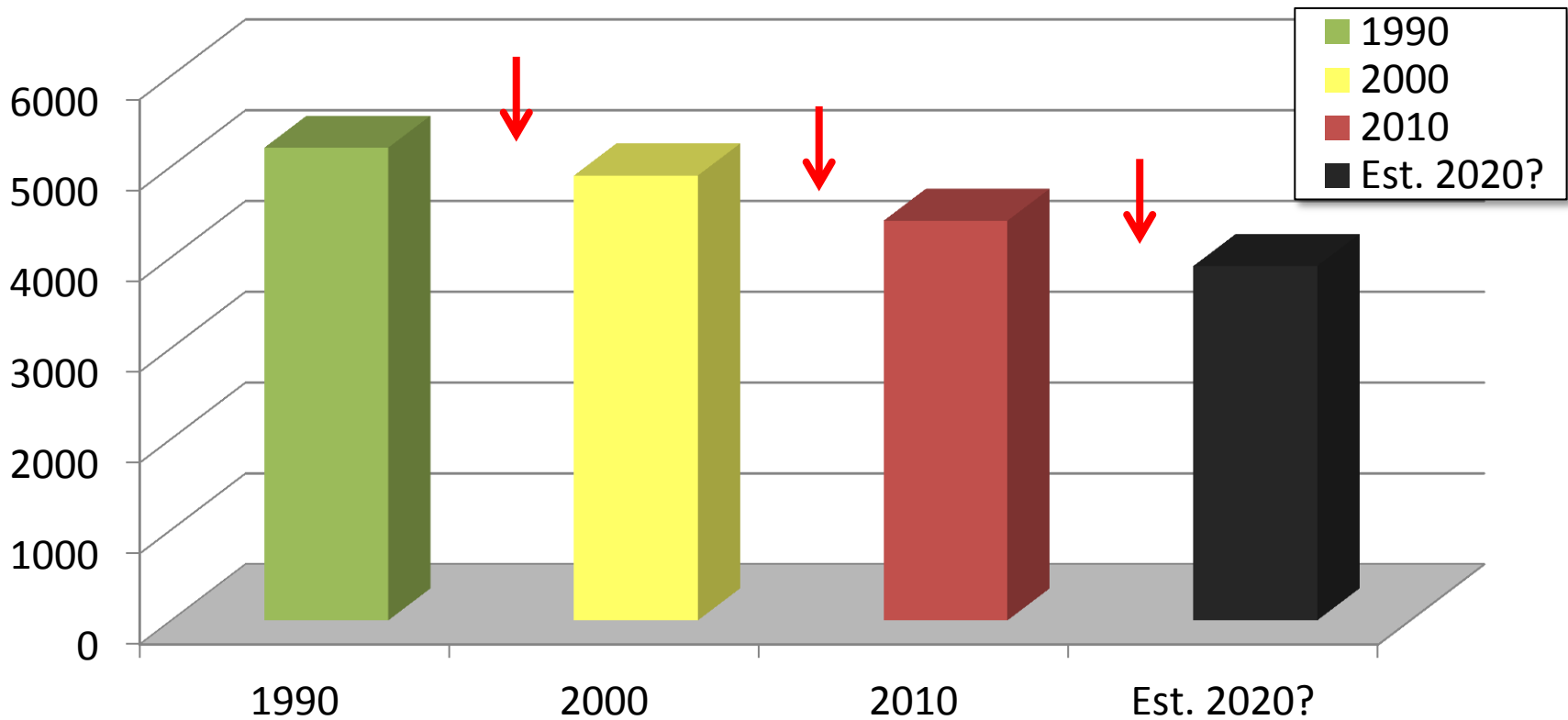
- Simplified bracket structure with three rates:
 - 12%
 - 25%
 - 33%
- Repeal of net investment income 3.8% surtax (contingent on health care repeal/replacement)
- Larger standard deduction, end of personal exemptions
- Repeal of Alternative Minimum Tax

Club Industry Makeup

- Impact of recession has been significant, but it was an accelerant, not a stimulus
- Clubs have been in decline for 20 years
- Country clubs hit by overbuilding, high-end daily fee golf, lifestyle changes, etc.
- Down by about 20% since 1990, where do we go from here?

Impact on the Club Industry

Total Number of Member-Owned Golf and Country Clubs by Year

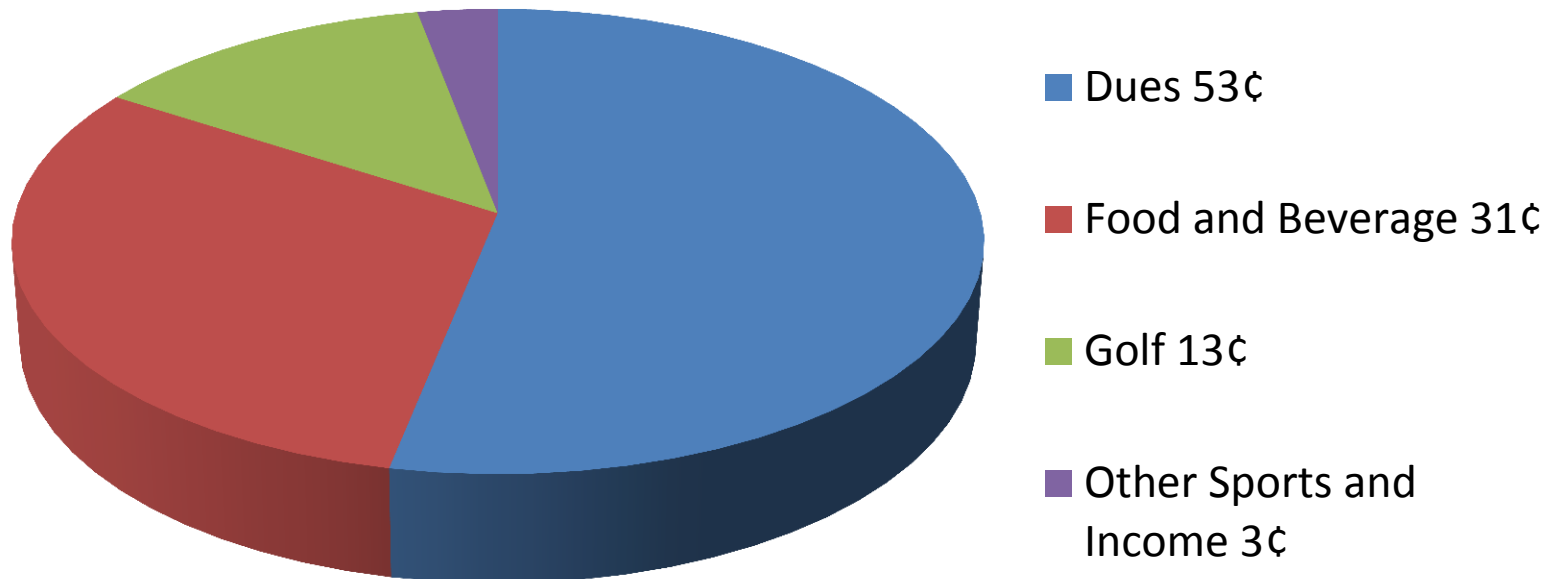


Impact on Clubs

- Companies not supporting membership
- Dual income families may have income, but do they have the time to enjoy membership?
- Biggest factor driving changes in demand and use: how often can we really use the club?

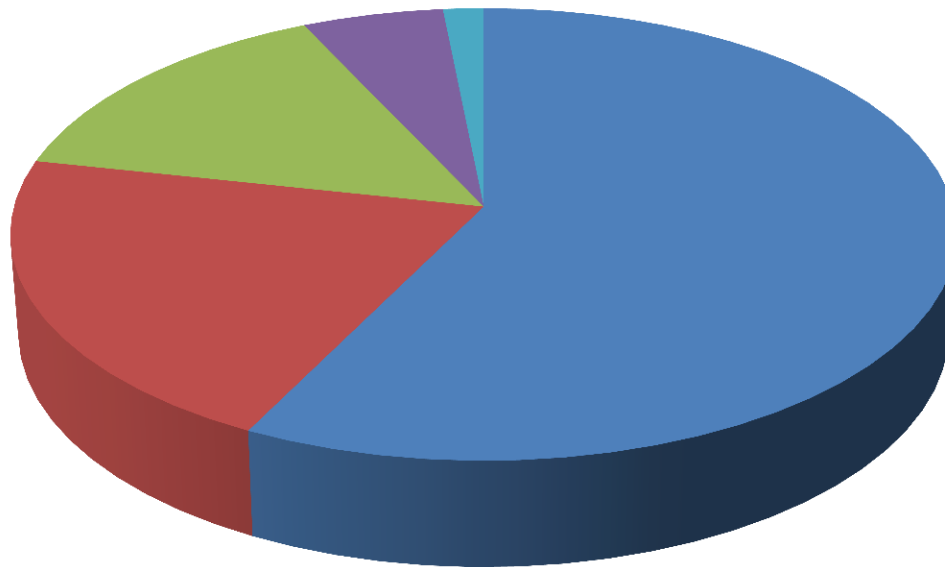
2016 Country Club Income

Total = \$1.00



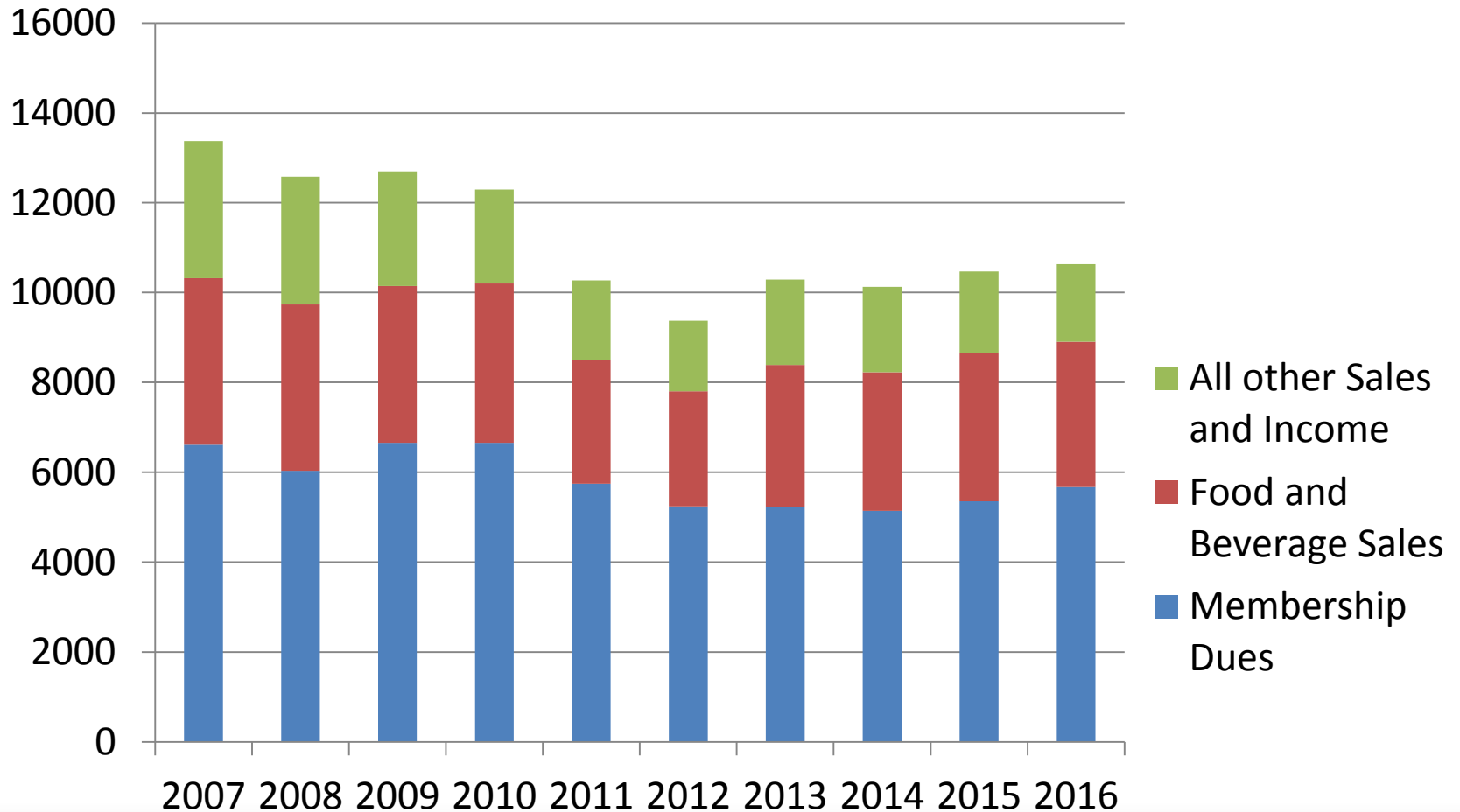
2016 Country Club Expenses

Total = \$1.00

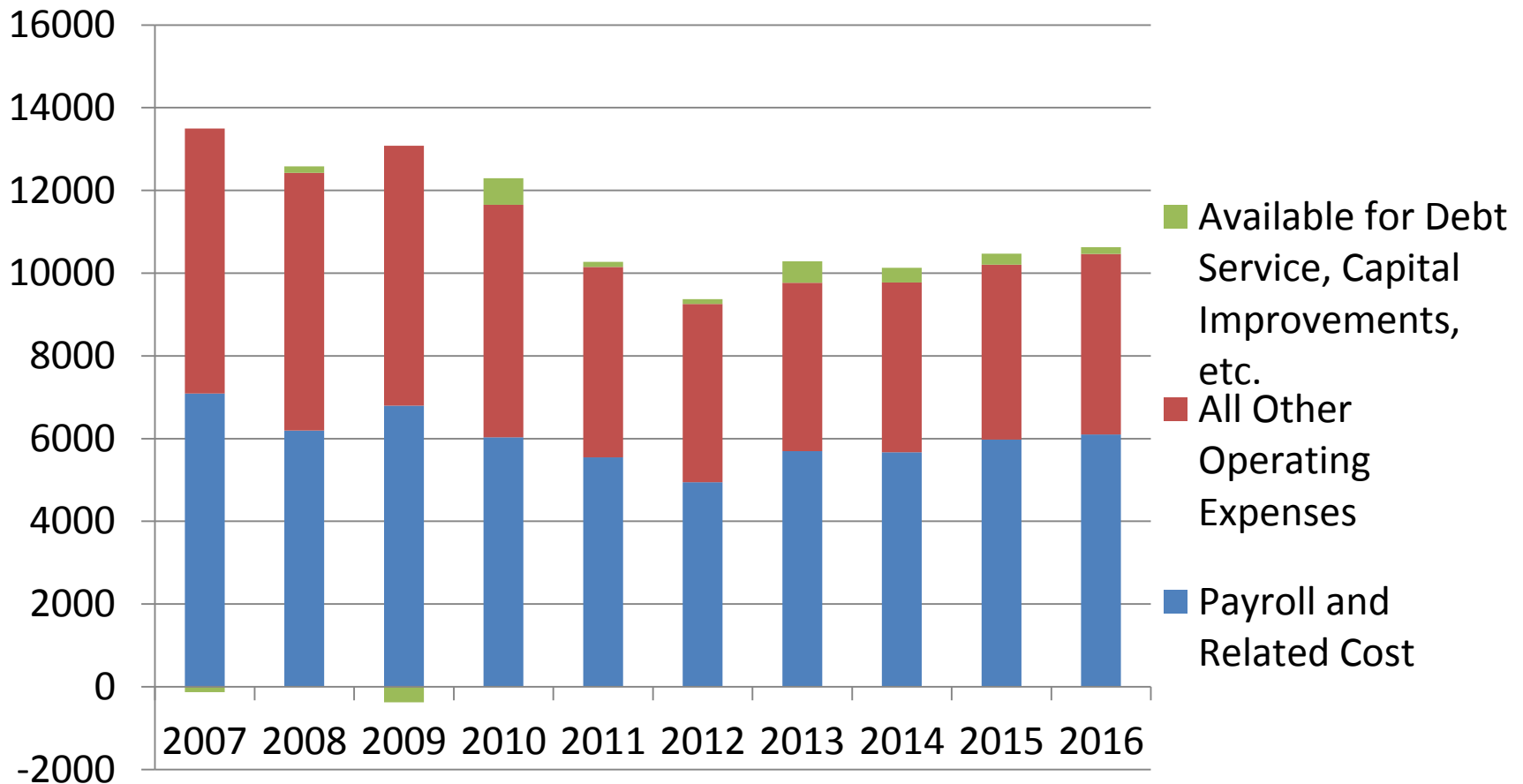


- Payroll and Related Costs 57¢
- Cost of Food and Beverage 21¢
- Other Operating Expenses 15¢
- Real Estate Taxes and Insurance 5¢
- Amount available for Debt Service 2c

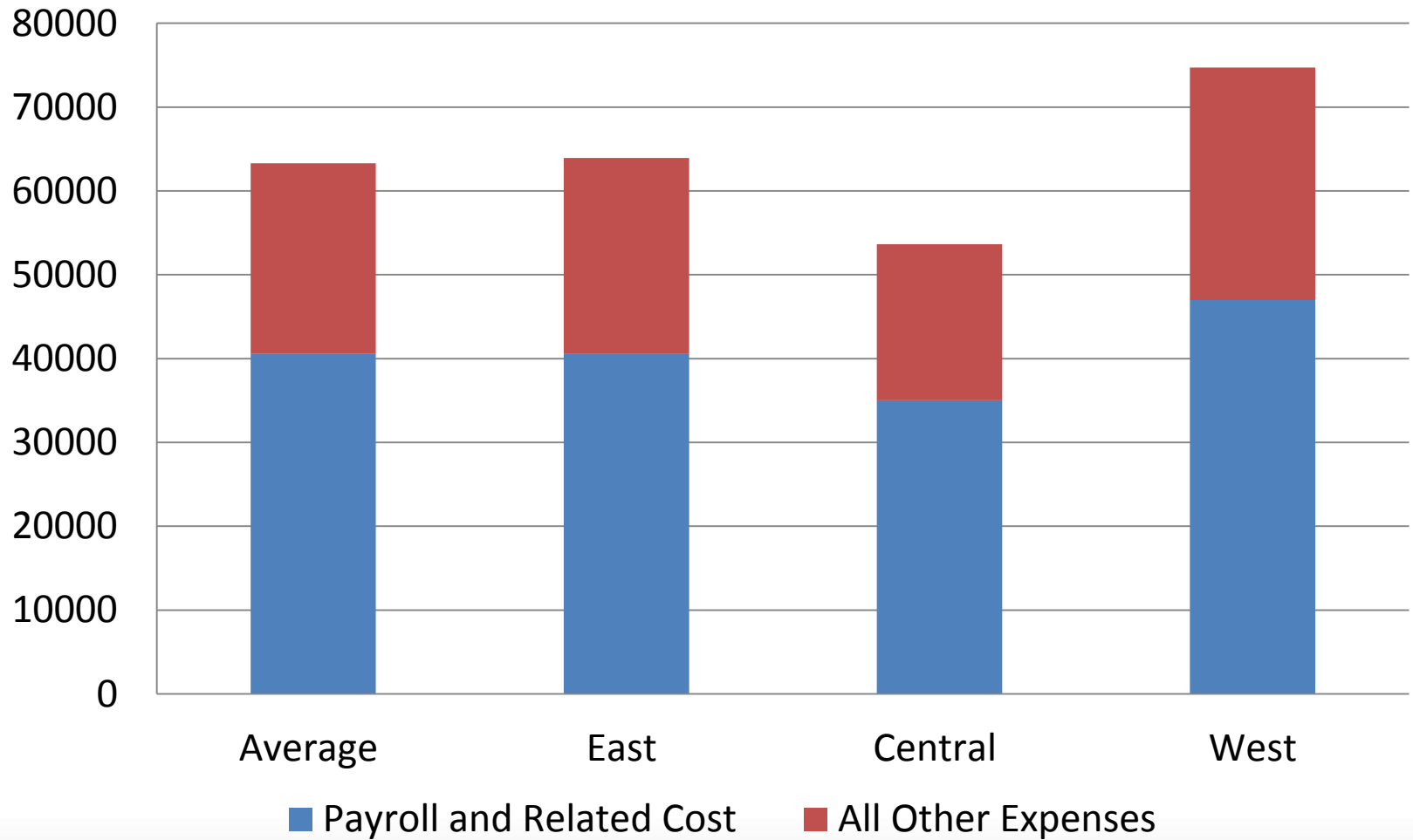
Country Club: Income Per Member



Country Club: Operating Cost Per Member

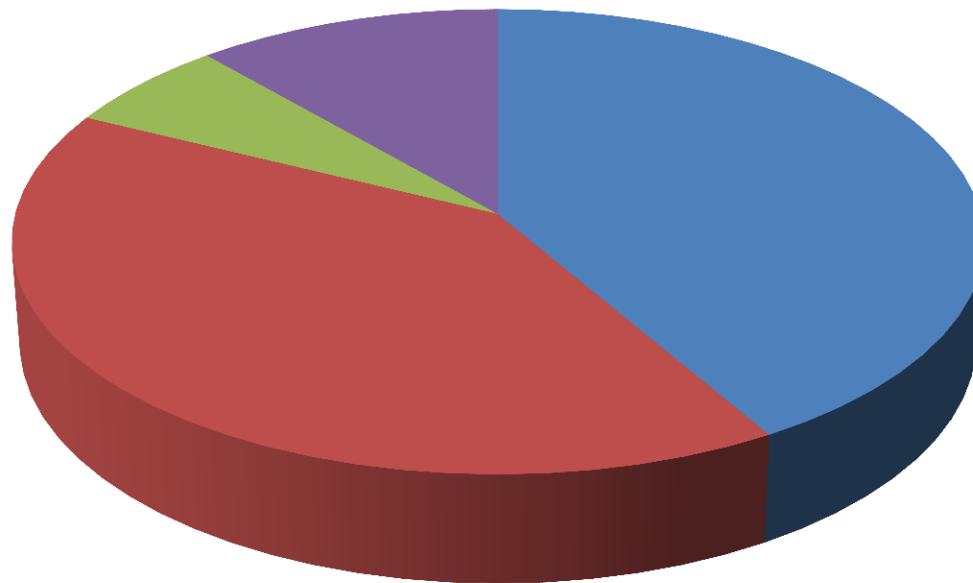


Average Cost Per Hole 2016



2016 City Club Income

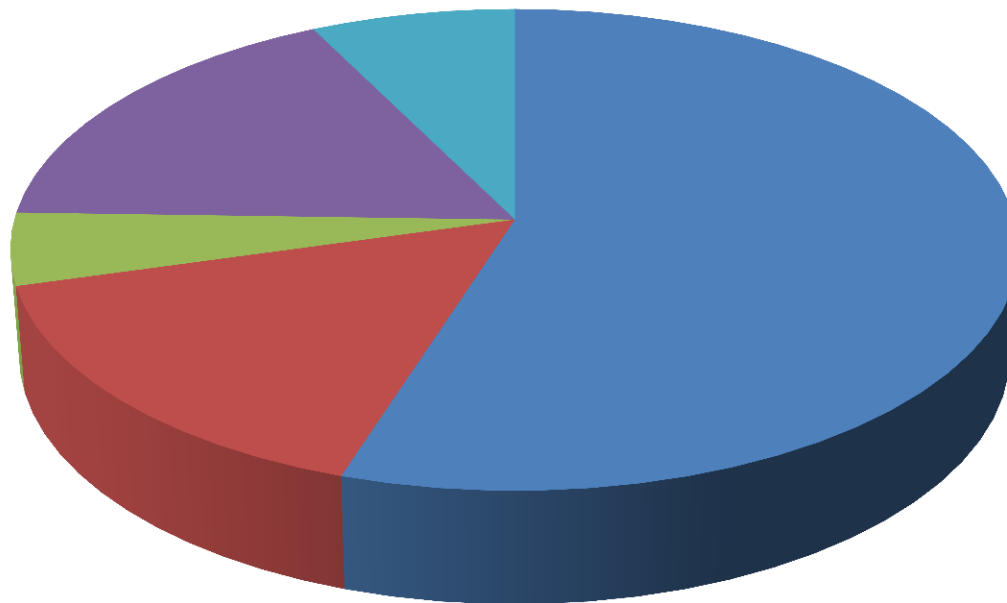
Total = \$1.00



- Dues 42¢
- Food and Beverage 41¢
- Rooms 6¢
- Other Income 11¢

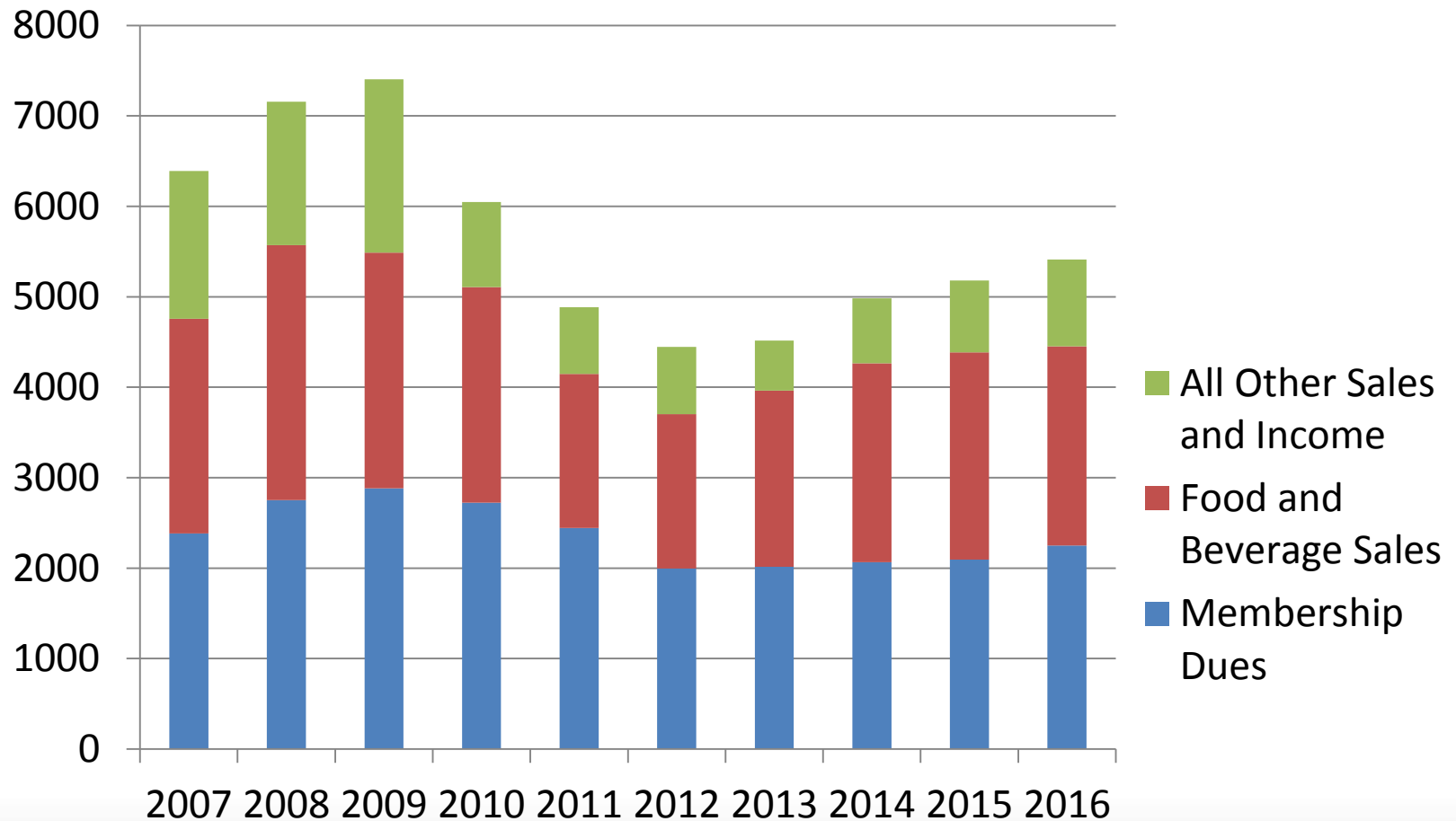
2016 City Club Expenses

Total = \$1.00

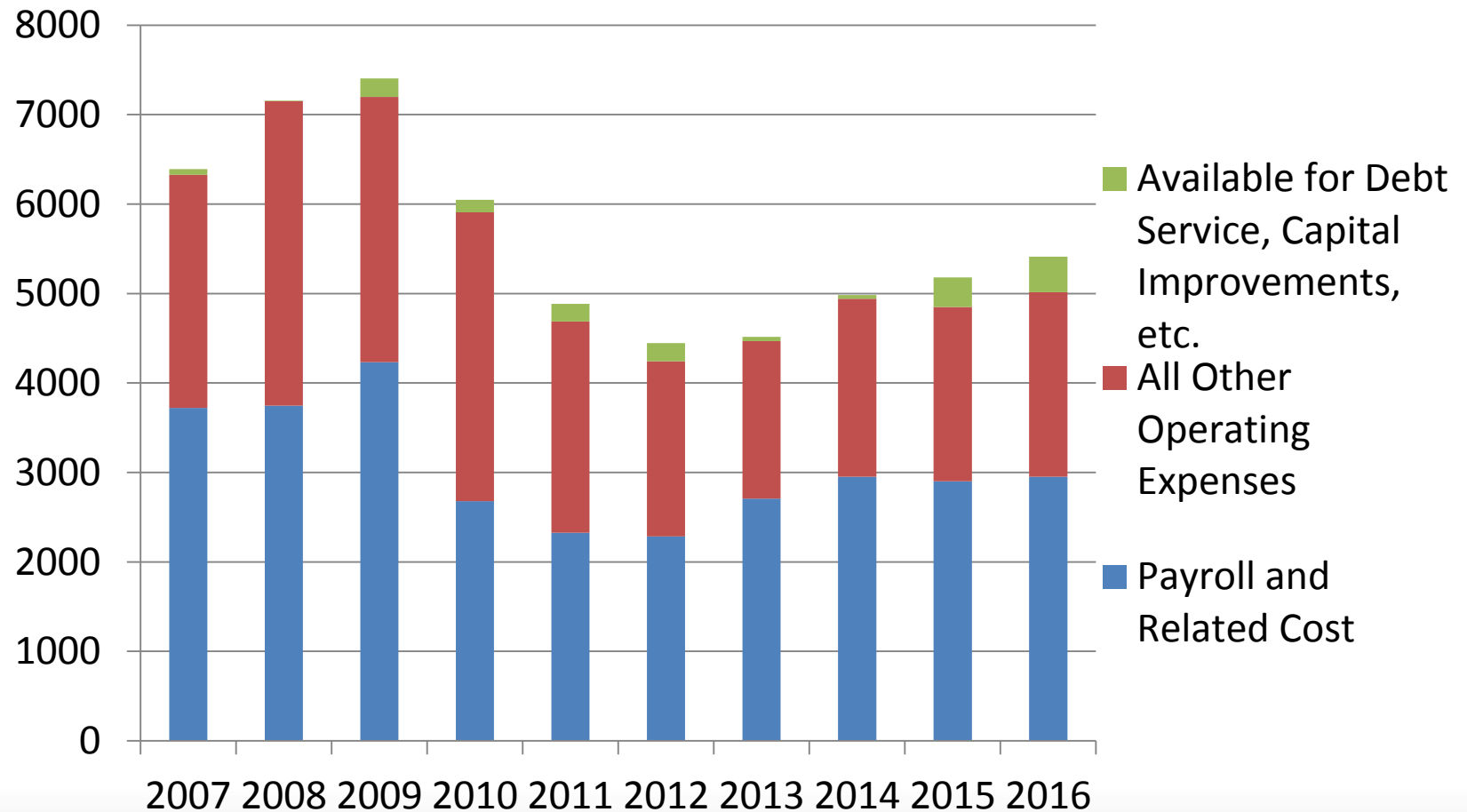


- Payroll and Related Costs 55¢
- Cost of Food and Beverage 16¢
- Real Estate Taxes and Insurance 5¢
- Other Operating Expenses 17¢
- Amount available for Debt Service 7¢

City Club: Income Per Member



City Club: Operating Cost Per Member



Luxury Consumer Expectations



- ***Customization:*** Expect products and services to be specifically tailored to their needs
- ***Distinctiveness:*** Seek innovators that re-invent the offering and experience
- ***Going Above and Beyond:*** Want expectations to be exceeded

Lifestyle and Membership Experience



- Tensions
 - Change and continuity
 - Tradition and innovation
 - Homogeneity and diversity
 - Old and young
 - Adults and families
- A new generation in high-quality facilities and interesting experiences, not history and tradition

Lifestyle and Membership Experience (Concluded)

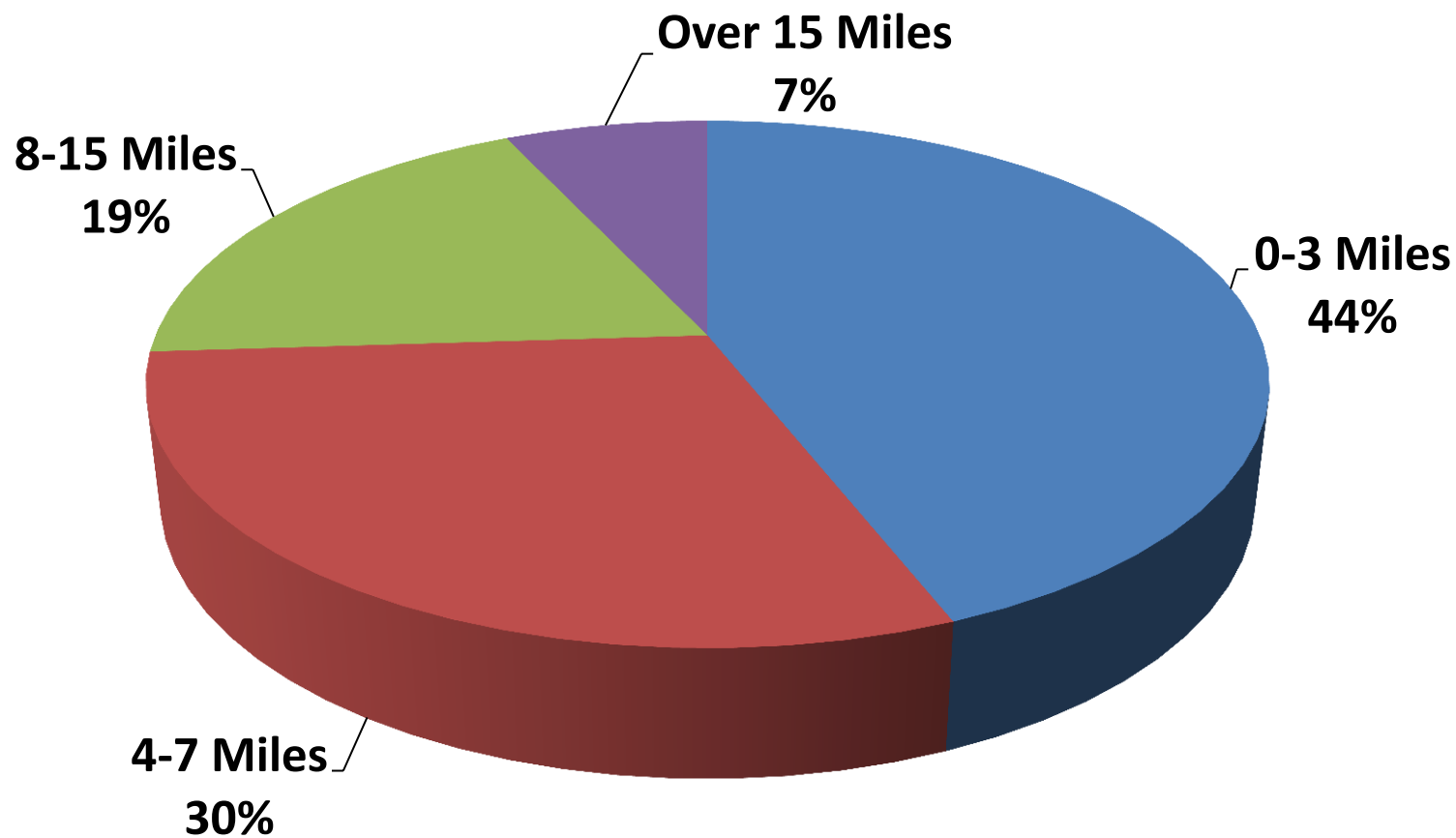


- Needs:
 - Appeal to women
 - Family activities and programs
 - Child care
- Members will be seeking things that endure: safety and security; recognition and friendship; fun and enjoyment
- Strategic pillars
 - Secure environment
 - Personalized service/name recognition
 - Social offerings across segments
 - A healthy club
 - Casual and convenient
 - Offerings versus traditions

Target Demographic

- Families
- Adults ages 35 to 50
- Upper income
- Within 10 miles
- Sports enthusiasts
 - Golf, tennis, swimming, fitness
 - The selective golfer and/or diner who enjoys a unique experience

Distance from Home to Club



The New Economy



- Women in the workplace
 - Two-thirds of women 18 to 34 indicate career success “very important”
 - Women surpass men in college enrollment and completion
- New career paths; less stability

The Changing Household

- Fewer than half of households are husband-wife households
- One-in-four households living single:
 - Single women households growing fastest
- Households increasingly
 - Postponing or foregoing marriage
 - Declining birth rates
- Can clubs capture these segments?

Recreation

- Adapt and respond to obvious and non-obvious member desires
- Golf will increasingly be about practice, fitness and training
- Fitness programming will expand to include greater emphasis on health & wellness
- Growth in fitness offerings will outpace growth in other recreation areas

Recreation (Concluded)

- Pool facilities will be a major focus for future facility improvements
- Youth programming will receive greater emphasis
- All of the above must be combined with engaging social activities to forge social ties

Club Responses

- Bell Curve Membership Plans
 - Importance of Under 40 Group
 - Capture Late Bloomers/Downsizers
- Add Classifications
 - Time constrained up and comers
 - Weekday access
- Redefine age groupings
 - Conversions to full
 - Family

Get the Right People Involved



- 80% of new member referrals come from relatively recent joiners – 5 years or less
- Ambassador Committee
 - Conduits to friends/relatives and business and community leaders
 - Broad coverage
 - School and church involvement
 - Occupations (high net worth advisors, real estate brokers, mortgage brokers, professional association leaders, medical and legal professionals, corporate leaders, etc.)

Food & Beverage

- Club dining has long been associated with formality, even stuffiness
- Declining attitude toward formality in contemporary life
- Clubs have responded with more relaxed styles and concepts
- Desire for casual, faster, easier – while excelling in quality

Food & Beverage (Continued)



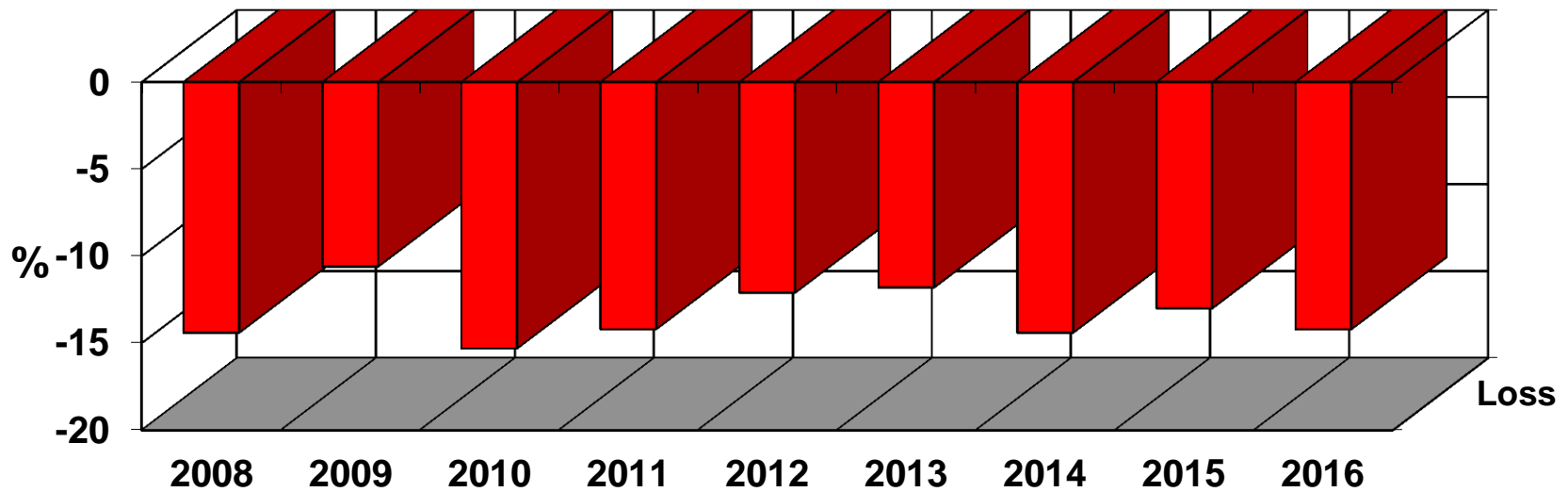
- Members will increasingly value
 - Service
 - Ease and comfort
 - Preference for F&B concept that is convenient extension of their home
 - Formality reserved for the holidays
 - Food and wine have never been more popular; seize the opportunity
- Hire a great and passionate chef; Move food to the center of the mission
- Start with a great and lively Grill

Food & Beverage (Concluded)

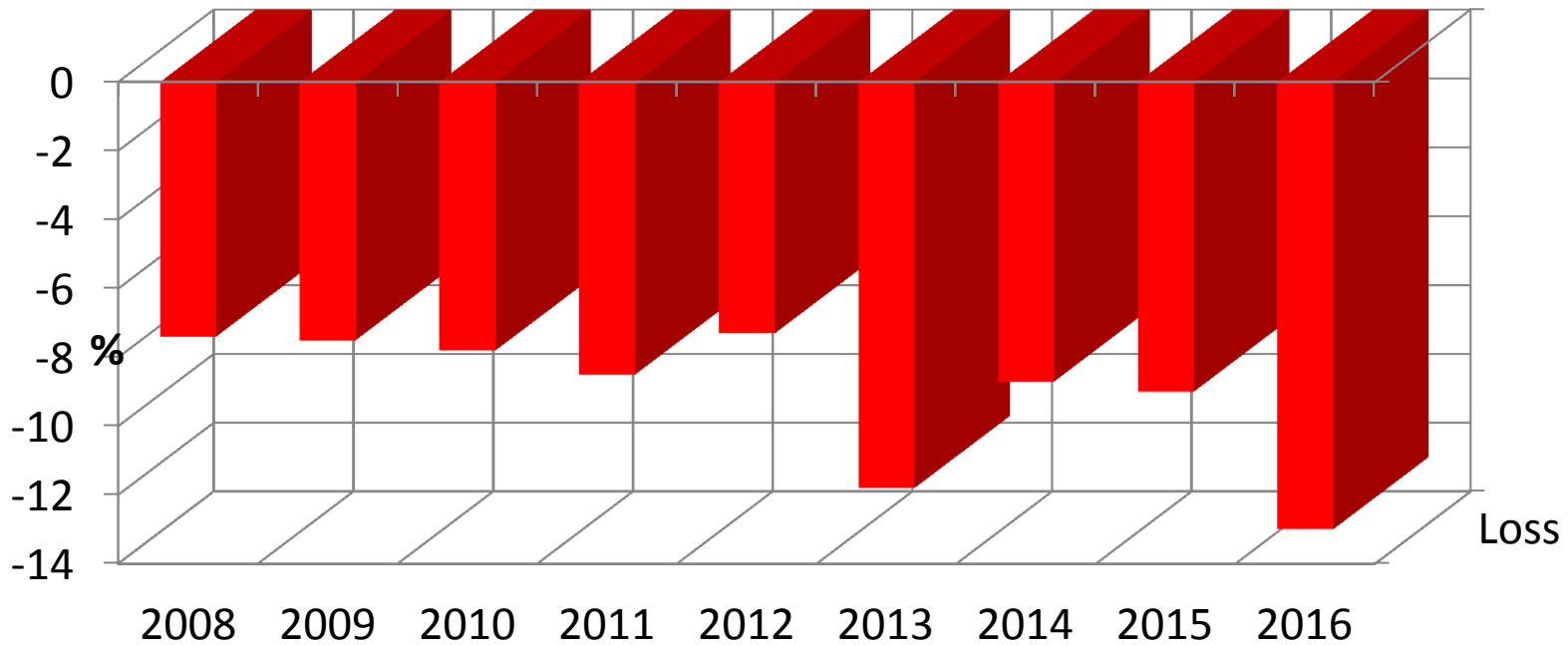


- Pub or sports bar that promotes socializing
- Diversify and control cost with limited-service casual option – think Panera and Starbucks
- Food-on-the-run options

Country Clubs: Food & Beverage



City Clubs: Food & Beverage



Facilities

- The improvement of club facilities can dramatically alter a club's prospects
- Refashioning club facilities can attract members, it can launch new services and it can change the atmosphere and energy that pervades the club environment
- Which facilities? When? How? How much?

Facilities (Concluded)

- Country Clubs will seek to offer a non-traditional golf experience that is less time-sensitive; focus on improving golf practice facilities, incorporate with fitness, etc.
- City Clubs will be better aligned with the new urban landscape: work, play and living in the city
- Increased emphasis and resources will be devoted to club fitness facilities
 - Delivering wellness and health-related services will be important for fitness programs in future

Master Planning

- A master plan is a long term view on facility improvement and development
- The highest priority improvements in the master plan are built first as funding allows
- Lower priority improvements are completed in future phases
- Total plan yields or prevents:
 - More effective solution
 - Continually redoing projects
 - A roadmap for the future

Is This the Death of the Private Club?

- No...they just need to evolve
 - People still highly value associational benefits of membership, as long as it fits their lifestyle
 - Clubs are social institutions that must respond to the changing world around them
 - There is a difference between respect for traditions and being tradition-bound
 - You can improve the success of your “golf club” by making it a *better all-around club*

What We Expect

- Economic Health: Consolidation of private clubs will continue
- Differential Success:
 - Top-tiered private clubs will flourish in future
 - Large city clubs will succeed going forward
 - We will witness more growth in semi-private sector (or decline in privacy among middle to lower tier)
 - True family clubs will prosper in the future
 - Gated community clubs focused on (and incurring expense of) golf will struggle
 - Golf only clubs will struggle

Where Are We Headed



- Cyclical and secular trends continue to forecast flat to declining golf play
- In order for clubs to succeed in the decade ahead, they must:
 - Know their members
 - Know their marketplace
 - Operate with a strong sense of mission and purpose

Questions



Please use the
Chat Pane
to submit your
questions.

Contact



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