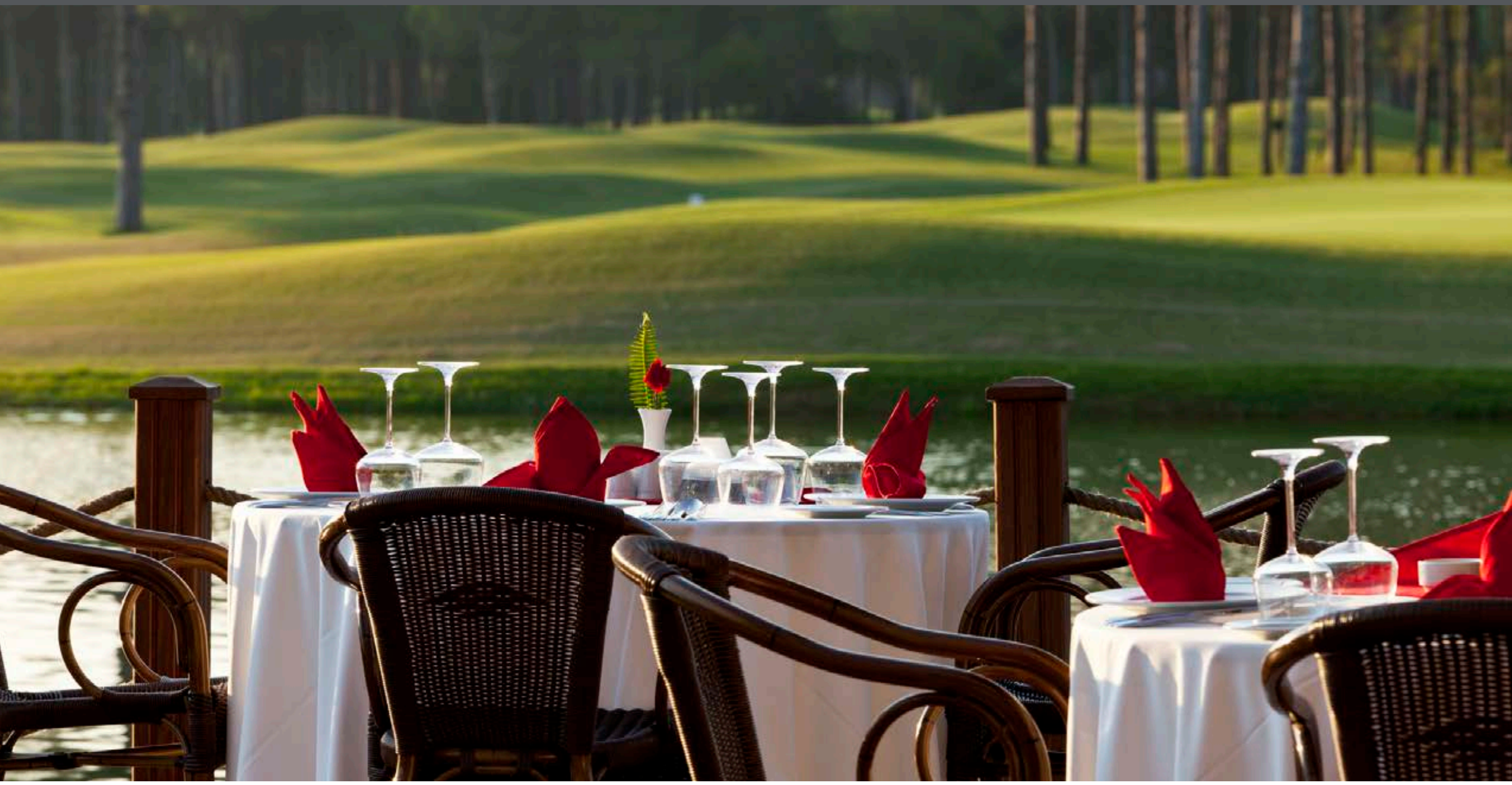
Private Clubs
10 Questions for Successful Club Management



Want to drive greater profitability for your private club? Answer these ten questions.

Many private clubs have emerged from the pandemic with a stronger demand than ever. As club owners determine how to create a unique sense of community and curate experiences that members want, they need to answer key questions about their club's operations. These guided questions will uncover data points about what's working, where to improve, what matters most to members, how to measure progress, and where to allocate resources in the year ahead[1].

1. What is our purpose?
2. Who is our ideal member?
3. Why do members need what we offer?
4. Is that need enough to support a profitable club?
5. What are our competitor clubs doing?
6. Can club expenses be trimmed without sacrificing member experience?
7. Is club management the right fit?
8. Are club employees the right fit?
9. Are we focusing enough on employee well-being?
10. How will the club continue to bring in revenue?

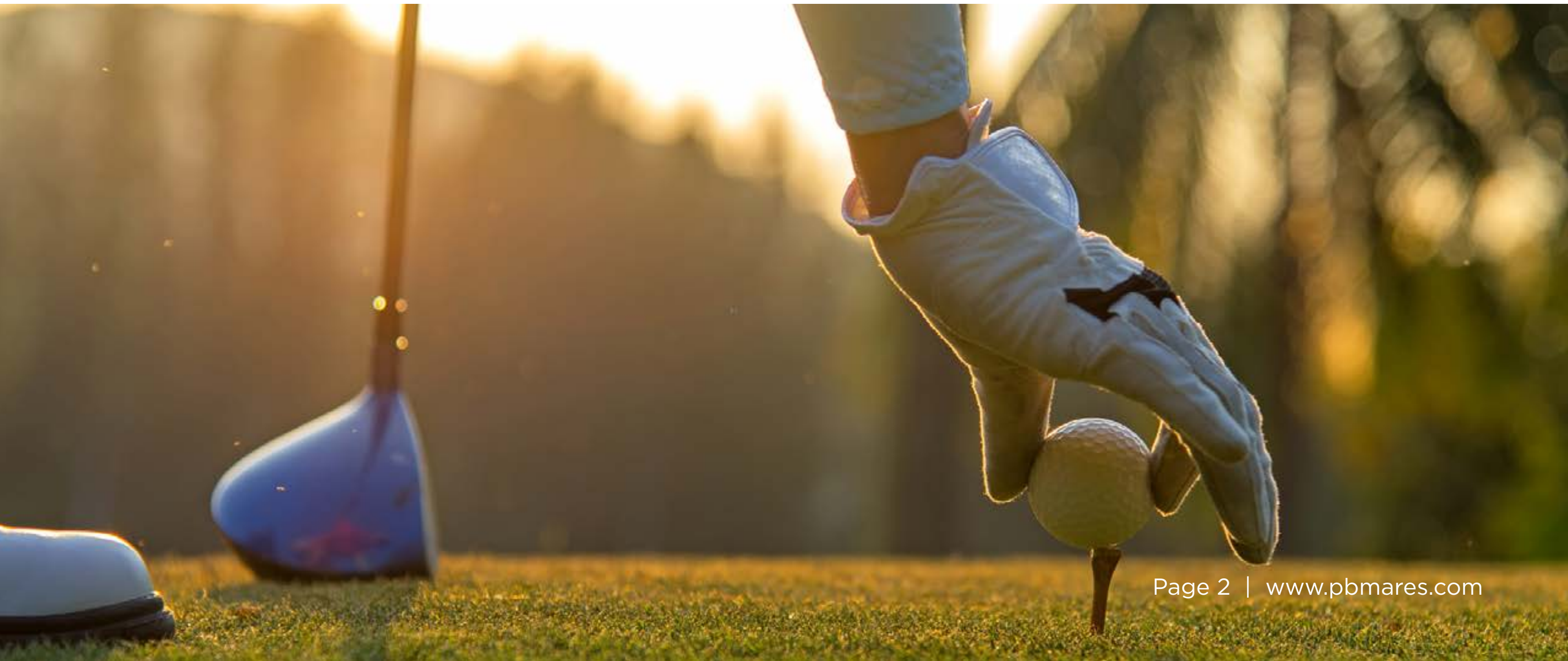
Bonus: Have we closely examined our top objectives, goals, and challenges?

Let's take a closer look at each guided question:

1. What is our purpose?

Clubs operate to provide a sense of community and belonging to members who have common interests, whether that's golf, dining, wellness, or something else. Whatever that purpose is, clubs need to clearly articulate it in a mission statement.

A mission statement is an actionable description of what the club does, for whom, why, and how. If the mission statement hasn't been updated since 2019 or earlier, it probably needs to be refreshed to reflect changing business conditions.



2. Who are we targeting?

Many clubs approach the question of target member from a new member acquisition perspective. While a waiting list is seen as its own metric of success, it's important to also pay close attention to keeping current members happy. How well the club knows what its current members value can have a major impact on bottom line revenue. Tailoring amenities to what members care about most contributes to higher engagement and profitability. It's also less expensive to keep current members happy than to attract new ones, although balance is key.

To do this, the club needs a dedicated marketing department. Marketing professionals can help the club maximize its efforts for member engagement – and acquisition.

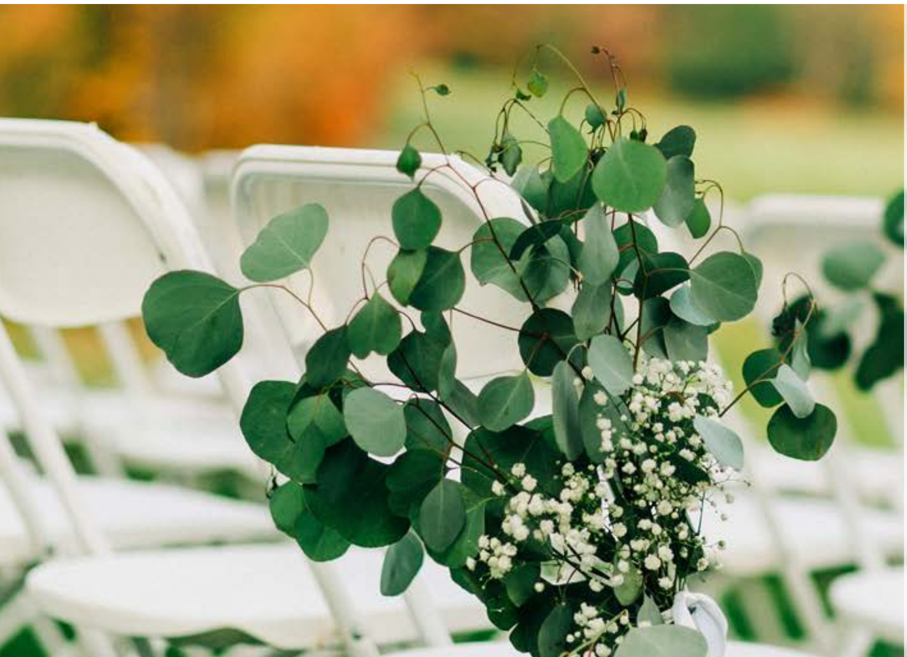
3. Why do members need what we offer?

When considering the club's mission and vision statements, it's important to understand the why from the members' point of view.

- Why do they keep coming back?
- Why do they pay dues – in exchange for what?
- And why do they choose this club over a nearby competing facility?

In other words, clubs need to identify what makes them different, and why. Members have choices about where and how they spend their leisure time. Narrowing down why they maintain a membership and what drives the most highly engaged members will help to answer this question.

One factor that may come as a surprise to some clubs is that prospective members value a well-managed club. What can go a long way in demonstrating organization and care are streamlined financial communications. Whether the prospect talks to the membership director or the CFO, they have information to help them make an educated decision about how their dues are spent and what they get in return.



How well your club knows what current members value can have a major impact on bottom line revenue. Tailoring amenities to what members care about most contributes to higher engagement and profitability.

4. Is that need enough to support a profitable club?

Even private clubs, which operate as not-for-profit organizations, need to make money to reinvest in the members and facilities. Operating a private club is a capital intensive endeavor. If dues don't support a successful club, it will fail to capture the kinds of experiences and value that members want.

Especially coming off the pandemic, it's also important to keep enough cash reserves on hand. Interest rates are still high, and access to borrowed capital may come with a price that's unsustainable in the long-term. Clubs can still sometimes sell ownership equity interests to members, but members have less of an appetite for this option now.

If increasing cash on hand is a priority, then clubs will need to clearly communicate to members why an operating surplus is needed, and what those funds will cover.

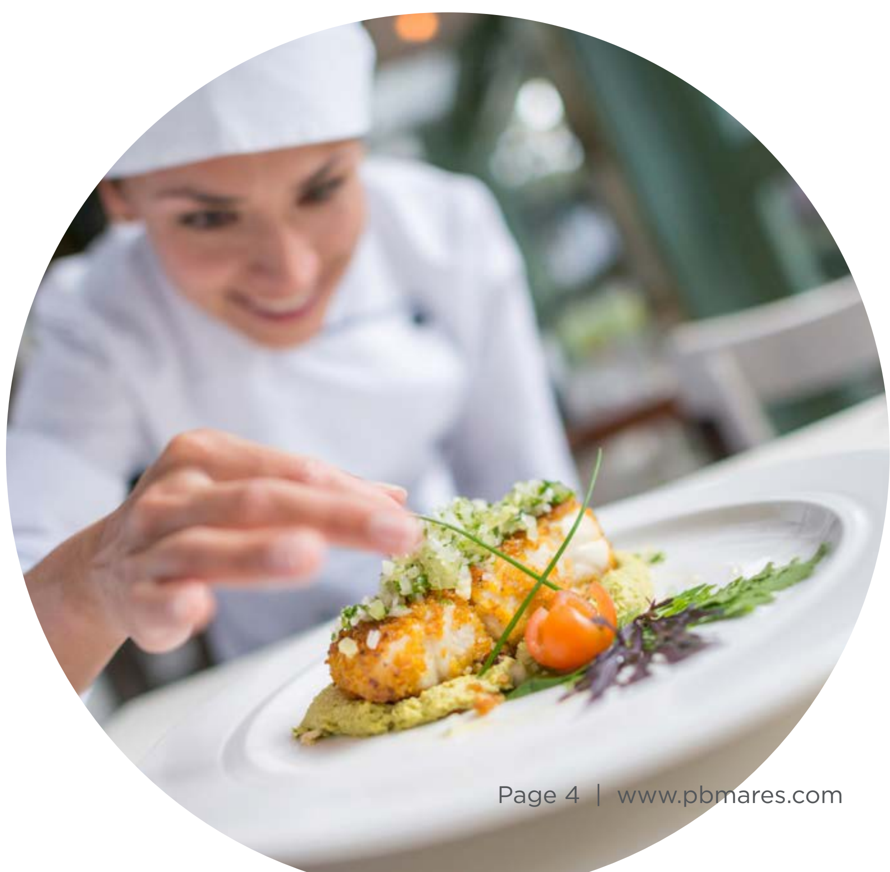
5. What are our competitor clubs doing?

To the point above, even though private clubs are not-for-profits, members still have a choice about where they spend their money and time. Understanding what competitors are doing both in terms of amenities and financial reporting benchmarks can strengthen a club's own performance.

Conducting a market research study can help to inform where the club stacks up compared to regional competitors. Market research studies offer valuable insight into what's working well for competitors, where the club itself stands out, and how to measure progress in a fast-moving industry.

Examples of metrics that a competitive market study may include are:

- Member acquisition and retention rates
- Food and beverage subsidies
- Dues rates
- Average spend per member
- Payroll ratio
- Capital income
- Available cash
- Price and pour sizes of alcohol – not tied to the club's profit center, but can be a metric a club might want to compare against competitors
- And of course, specific amenities



Clubs should also be measuring their own members' satisfaction. Surveys like the Net Promoter Score assess member sentiment and offer valuable insights into what members like most and want to see more of.

With any benchmarking, the true value lies in measuring results over time and connecting KPIs to the club's strategic plan.

6. Can club expenses be trimmed without sacrificing member experience?

The answer to this question depends on the club's mission and what members value most and expect from the club.

In one example, while it's true that food and beverage tends to be an area that loses money, altering this amenity for members can be met with unintended consequences. Take it away, and members lose a benefit they've come to expect. Open it up to non-members, and the experience itself may change.

And another example, insurance on the pool might cost more than the pool's regular maintenance. Is it worth it to shut down the pool? Probably not...but the answer depends on the members.

The questions are less about the money immediately involved and more about long-term strategy and ROI.

7. Is club management doing a good job?

Private clubs may rely on volunteers and seasonal employees, but what of the tone at the top? If club management (and the path to management) isn't clear and based on best practices, the whole club will suffer. Management best practices should mirror those in any corporate entity.

It is in this area that clubs also evaluate whether their current governance is effective and efficient. Committees that fail to drive actionable results may end up costing more money and time. Veiled election processes for the Board could alienate and push out rising stars. Honesty about what's working and where to add clarity is necessary to drive revenue.

8. Are club employees performing well?

One of the first items to check is if the club has updated job descriptions for each position. Employees can't possibly measure up to the right KPIs if they don't even know how their performance is measured.

When accurate job descriptions are in place, the next step is to ensure that employees are evaluated based on reasonable metrics. Effective KPIs for employee management should be:

- Measurable
- Accountable
- Qualitative
- Follow a process or standard procedure for action and follow-on steps
- Tied to a team
- Shown to have had a positive impact on the club and employees

Employees need to know what they're striving for. Clubs should clearly communicate the KPIs to employees and be prepared to support them to drive actionable results.

9. Are we focusing enough on employee well-being?

If the goal is to deliver exceptional member experiences, then employees need to feel connected to a purpose and mission bigger than a paycheck. When employees feel burned out, underappreciated, underpaid, and overworked, they can't possibly meet strategic objectives – if they even know what those objectives are.

Just like any business, employee well-being should be at the center of a club's blueprint for success.

To highlight this point, consider the following scenario:

Revenue was down, so staff were cut. Management started to focus more on meeting financial objectives. Even as member dues began to increase, staffing levels weren't restored, so existing employees often performed the work of multiple positions. The club's strategic direction and employees' role in it aren't usually communicated. The result: staff feel left out and left behind.

What kind of member experience would those remaining employees deliver?

Appropriately managing resources also includes human capital: motivating, inspiring, including, empowering, and retaining the people that drive the business forward.

10. How will the club continue to bring in revenue?

Revenue growth is directly tied to the club's mission. Whatever drives the purpose and member needs also drives the budget. Not-for-profit organizations like clubs build their budgets from the bottom up according to the costs needed to execute their mission. Whatever that mission is – to be the go-to destination for golf, to offer a world-class wellness experience, or any other standout service or amenity – the budget is built around achieving it.

Getting there is another question. Member dues, user fees, external financing, and owner equity are four options. Opening part or all the club to nonmembers is another option, and one that should be met with due scrutiny. Exceeding a certain percentage of nonmember revenue can have unforeseen tax consequences.

There is no easy answer, and the correct one is often a unique, personal solution according to the specific club's circumstances.

Whether in year-end planning and budget meetings or mid-year Board and committee check-ins, these questions are meant to spur deeper conversations about club management and strategic direction. What works for one club may not work for another, even in the same region.

Effective club management is sometimes more about asking the right questions than having the right answers. One of the most important questions club managers can ask is who can help guide them in an evolving market.

PBMares has built an exceptional track record of helping private clubs, golf courses, and other organizations manage costs and reach financial goals while remaining in compliance with the multitude of regulations that govern them. Within the club segment, there are differences in operations and management for city clubs and country clubs. They have different amenities, a different member base and different approaches to expense management and capital improvements. PBMares has the experience to guide both types of clubs to success.

Ready for a conversation? Contact us today.

1 https://rsmus.com/insights/industries/private-clubs/questions-businesses-and-clubs-should-never-stop-asking.html

2 https://www.clubessential.com/blog/The-Private-Club-Landscape-is-Shifting---Where-Do-You-Stand

Beyond these guided questions, club owners should be spending this time strategically examining their top objectives, goals for membership and operations, and the top two or three challenges.

In this exercise[2], list the main KPIs that guide club performance, then ensure that whatever benchmarks are assigned to each KPI make sense according to internal historical data and/or industry standards. Management should also be clear on the processes for key activities, like onboarding new members and employees, billing and payments, communications, and bookings.

The ultimate goal is to achieve balance among different KPIs and make sure they link back to revenue growth and a profitable bottom line.

About PBMares

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